

April 19, 2017



**Mendocino County Employees'
Retirement Association**

New U.S. Equity Structures
Int'l Equity Manager Searches
Preliminary March Flash

Greg DeForrest, CFA
SF Consulting Group

Alina Vartanyan, CFA
SF Consulting Group

Agenda

- New U.S. Equity structure alternatives
- Emerging Market Equity and International Small Cap Equity manager searches summary
- Preliminary March flash report



New U.S. Equity Structures

U.S. Equity Structure

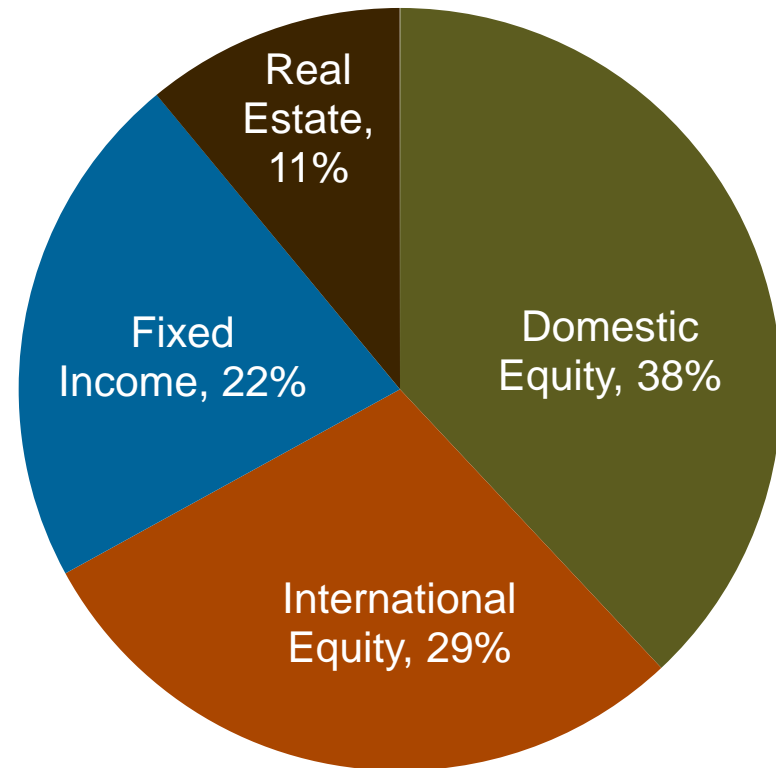
Summary Points

- At the March meeting, we discussed Mendocino's U.S. Equity Structure
 - 5 alternative structures were presented
- Main takeaways from the discussion
 - Maintain mid-cap and small-cap overweight at roughly the current levels
 - Simplify structure and reduce number of managers
 - Eliminate underperforming managers
 - Examine varying degrees of passive allocation in the large-cap
 - Analyze alternative structures from a holdings perspective
- The holdings analysis that follows reviews four new U.S. Equity structures based on the decisions made at the March meeting

MCERA Target Asset Allocation

- MCERA has a 38% target allocation to U.S. equity
- The U.S. equity allocation is benchmarked to the Russell 3000, which includes large, mid, and small cap stocks

MCERA Target Asset Allocation



General Guiding Principles of Investment Structure

- Active management offers the potential to add value over the index and can be complementary to passive management.
 - Excess returns are more difficult to achieve in efficient markets such as large cap U.S. equity
 - Potential for excess returns are compelling in small/mid cap US equity, non-US equity, emerging equity and non-US small cap equity
- Well-diversified market-neutral exposure with no unintended biases
 - Avoid overlapping mandates
 - May wish to purposefully add bias to small/mid cap U.S. equity and emerging markets equity for potential return enhancement
- Callan's overriding philosophy is to keep the structure as simple as possible
- Allocations to managers should be meaningful for the Plan
- The appropriate number of managers must balance style and relationship diversification with lower fees and more manageable monitoring
- Two primary influences on the appropriate number of managers
 - Size of the allocation relative to the total Plan
 - The higher the allocation, the greater the desired manager diversification
- Active versus passive
 - Fewer managers may be suitable when the portfolio is managed passively

Russell 3000 Index

- **Russell 3000 Index** is a composite of 3,000 of the largest U.S. companies by market capitalization. The smallest company's market capitalization is roughly \$20 million and the largest is \$72.5 billion. The index is capitalization-weighted.
- The breakpoints for defining the cap size buckets to categorize each position move with the market. Accordingly, we set different breakpoints each quarter. We break the Russell 3000 into cap deciles each quarter and set the boundaries with these rules:

Large	Top Decile	Stocks 1-300	>\$16.3bn
Mid	Deciles 2 & 3	Stocks 301-900	b/w \$3.6bn and \$16.3bn
Small	Deciles 4-7	Stocks 901-2100	b/w \$670mm and \$3.6bn
Micro	Deciles 8-10	Stocks 2101-3000	<\$670mm

Alternative Structures

	Manager		Alternative 1	Alternative 2	Alternative 3	Alternative 4
LARGE	Boston Partners	Large Cap Value	17.5	17.5	15	
	Harbor Cap App	Large Cap Growth	17.5	17.5	15	
	Vang S&P 500	Core - S&P 500 Index		17.5	25	40
	<i>new manager</i>	<i>Core - S&P 500 Eq Wtd Idx</i>		17.5	25	40
	<i>new manager</i>	<i>Core - Russell 1000 Index</i>	35			
MID	Fidelity LPS	Mid Cap Value	7.5	7.5		
	Janus Enterprise	Mid Cap Growth	7.5	7.5		
SMALL	Prudential (QMA)	Smal Cap Value	7.5	7.5	10	10
	AllianceBernstein	Small Cap Growth	7.5	7.5	10	10
		Active Large Cap	Yes	Yes	Yes	No
		Active Mid Cap	Yes	Yes	No	No
		Large Cap Index Exposure	Russell 1000	S&P Eq Wtd & S&P 500	S&P Eq Wtd & S&P 500	S&P Eq Wtd & S&P 500

Summary

For Period Ended December 31, 2016

Absolute Weights

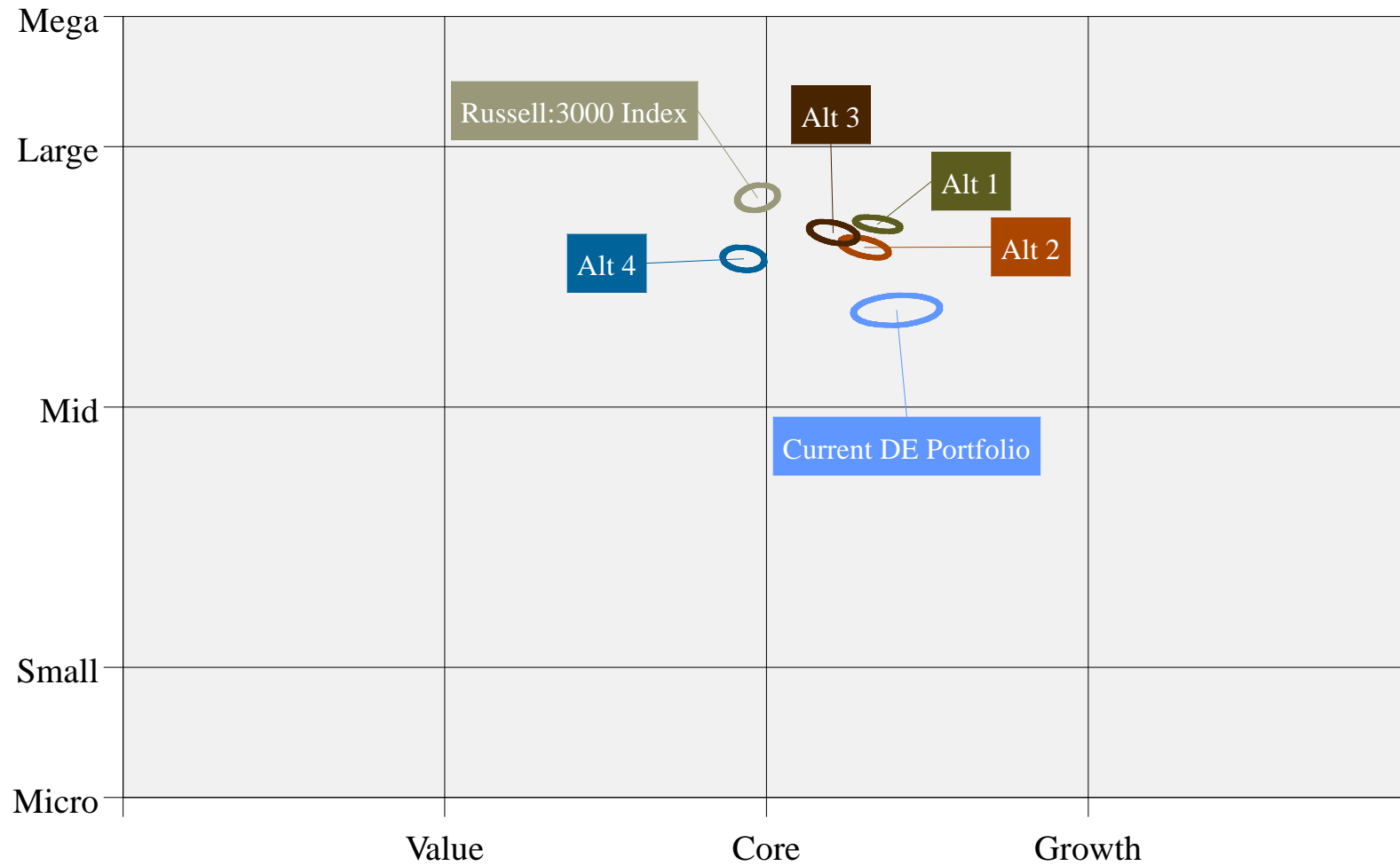
	Index	Current	Alt 1	Alt 2	Alt 3	Alt 4
Large	74	60	62	59	63	59
Mid	17	19	23	26	22	26
Small	8	17	14	13	14	14
Micro	1	4	2	2	1	1
Total	74/26	60/40	62/38	59/41	63/37	59/41

Relative Weights versus Russell 3000 Index

	Index	Current	Alt 1	Alt 2	Alt 3	Alt 4
Large		-13	-12	-15	-11	-15
Mid		+1	+5	+8	+4	+8
Small		+9	+6	+6	+7	+7
Micro		+3	+1	+1	0	0
Total	74/26	60/40	62/38	59/41	63/37	59/41

Style Map

Domestic Equity Style Map
for 5 Years Ended December 31, 2016



Current DE Portfolio

	Target
LCV	28
LCG	28
Core - S&P 500	13
Core - S&P 500 EW	
Core - Russell 1000	
MCV	6
MCG	6
SCV	7
SCG	7
MicroG	5
Large Cap	69
Mid Cap	12
Small Cap	14
Micro Cap	5

Style Exposure Matrix for 1 Quarter Ended December 31, 2016

Top: Current DE Portfolio
Bottom: Russell 3000 Index

Large	17.9% (111)	18.5% (102)	24.1% (103)	60.5% (316)	-13
	27.5% (102)	26.9% (101)	19.5% (91)	73.9% (294)	
Mid	4.7% (144)	5.5% (158)	8.4% (142)	18.6% (444)	+1
	5.5% (184)	6.4% (223)	5.5% (184)	17.4% (591)	
Small	4.9% (243)	5.6% (266)	6.2% (226)	16.7% (735)	+9
	2.4% (356)	2.9% (460)	2.2% (370)	7.6% (1186)	
Micro	1.6% (332)	1.5% (216)	1.1% (131)	4.2% (679)	+3
	0.3% (254)	0.4% (385)	0.3% (250)	1.0% (889)	
Total	29.2% (830)	31.1% (742)	39.8% (602)	100.0% (2174)	60/40
	35.8% (896)	36.7% (1169)	27.5% (895)	100.0% (2960)	
	Value	Core	Growth	Total	

Alternative 1

Alt 1	
LCV	17.5
LCG	17.5
Core - S&P 500	
Core - S&P 500 EW	
Core - Russell 1000	35
MCV	7.5
MCG	7.5
SCV	7.5
SCG	7.5
Large Cap	70
Mid Cap	15
Small Cap	15

Style Exposure Matrix for 1 Quarter Ended December 31, 2016

Top: Alternative 1
Bottom: Russell 3000 Index

Large	18.5% 27.5% (102)	19.5% 26.9% (101)	23.8% 19.5% (91)	61.8% 73.9% (294)	-12
Mid	6.3% 5.5% (184)	6.6% 6.4% (223)	9.7% 5.5% (184)	22.6% 17.4% (591)	+5
Small	4.7% 2.4% (356)	4.3% 2.9% (460)	4.8% 2.2% (370)	13.8% 7.6% (1186)	+6
Micro	0.9% 0.3% (254)	0.6% 0.4% (385)	0.4% 0.3% (250)	1.8% 1.0% (889)	+1
Total	30.3% 35.8% (896)	31.0% 36.7% (1169)	38.7% 27.5% (895)	100.0% 100.0% (2960)	62/38
	Value	Core	Growth	Total	

Alternative 2

Alt 2	
LCV	17.5
LCG	17.5
Core - S&P 500	17.5
Core - S&P 500 EW	17.5
Core - Russell 1000	
MCV	7.5
MCG	7.5
SCV	7.5
SCG	7.5
Large Cap	70
Mid Cap	15
Small Cap	15

Style Exposure Matrix for 1 Quarter Ended December 31, 2016

Top: Alternative 2
Bottom: Russell 3000 Index

	17.6%	18.4%	23.4%	59.3%	
Large	27.5% (102)	26.9% (101)	19.5% (91)	73.9% (294)	-15
Mid	7.7%	7.8%	10.0%	25.5%	+8
	5.5% (184)	6.4% (223)	5.5% (184)	17.4% (591)	
Small	4.5%	4.2%	4.7%	13.3%	+6
	2.4% (356)	2.9% (460)	2.2% (370)	7.6% (1186)	
Micro	0.9%	0.6%	0.4%	1.8%	+1
	0.3% (254)	0.4% (385)	0.3% (250)	1.0% (889)	
Total	30.6%	30.9%	38.5%	100.0%	59/41
	35.8% (896)	36.7% (1169)	27.5% (895)	100.0% (2960)	
	Value	Core	Growth	Total	

Alternative 3

Alt 3	
LCV	15
LCG	15
Core - S&P 500	25
Core - S&P 500 EW	25
Core - Russell 1000	
MCV	
MCG	
SCV	10
SCG	10
Large Cap	80
Mid Cap	
Small Cap	20

Style Exposure Matrix for 1 Quarter Ended December 31, 2016

Top: Alternative 3
Bottom: Russell 3000 Index

Large	20.1%	19.8%	22.6%	62.5%	-11
	27.5% (102)	26.9% (101)	19.5% (91)	73.9% (294)	
Mid	6.9%	7.2%	7.6%	21.7%	+4
	5.5% (184)	6.4% (223)	5.5% (184)	17.4% (591)	
Small	4.8%	4.5%	5.1%	14.4%	+7
	2.4% (356)	2.9% (460)	2.2% (370)	7.6% (1186)	
Micro	0.6%	0.5%	0.3%	1.3%	0
	0.3% (254)	0.4% (385)	0.3% (250)	1.0% (889)	
Total	32.4%	32.1%	35.5%	100.0%	63/37
	35.8% (896)	36.7% (1169)	27.5% (895)	100.0% (2960)	
	Value	Core	Growth	Total	

Alternative 4

Alt 4	
LCV	
LCG	
Core - S&P 500	40
Core - S&P 500 EW	40
Core - Russell 1000	
MCV	
MCG	
SCV	10
SCG	10
Large Cap	80
Mid Cap	
Small Cap	20

Style Exposure Matrix for 1 Quarter Ended December 31, 2016

Top: Alternative 4
Bottom: Russell 3000 Index

	22.0%	20.8%	16.0%	58.8%	
Large	27.5% (102)	26.9% (101)	19.5% (91)	73.9% (294)	-15
Mid	8.7%	9.5%	7.3%	25.5%	+8
	5.5% (184)	6.4% (223)	5.5% (184)	17.4% (591)	
Small	4.8%	4.5%	5.1%	14.4%	+7
	2.4% (356)	2.9% (460)	2.2% (370)	7.6% (1186)	
Micro	0.6%	0.5%	0.3%	1.3%	0
	0.3% (254)	0.4% (385)	0.3% (250)	1.0% (889)	
Total	36.0%	35.3%	28.7%	100.0%	59/41
	35.8% (896)	36.7% (1169)	27.5% (895)	100.0% (2960)	
	Value	Core	Growth	Total	

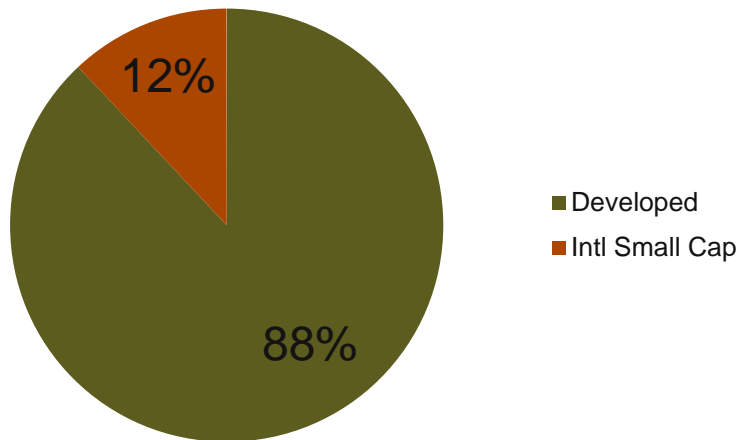


EM and ISC manager searches

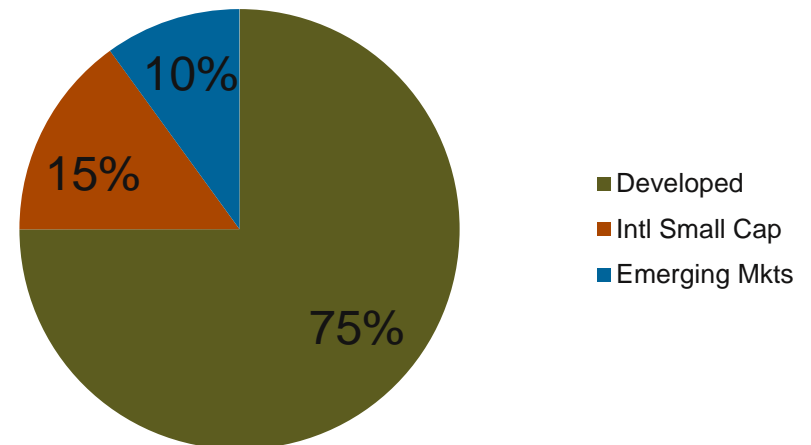
EM and Int'l SC searches summary

- In January of 2017, Callan conducted a Non-U.S. Equity portfolio structure.
- Non-U.S. Equity structure takeaways:
 - MCERA's Non-US Equity structure is underweight Emerging Markets relative to its benchmark, the MSCI ACWI ex-USA Index (~14% v 23%).
 - The decision was made to identify a dedicated Emerging Market manager.
 - The existing Developed Markets managers are in good standing – Harbor, EuroPac, Mondrian, Oakmark.
 - The decision was made to replace the Small Cap manager, Columbia Acorn.
- Current Structure versus the New Structure adopted in January of 2017:

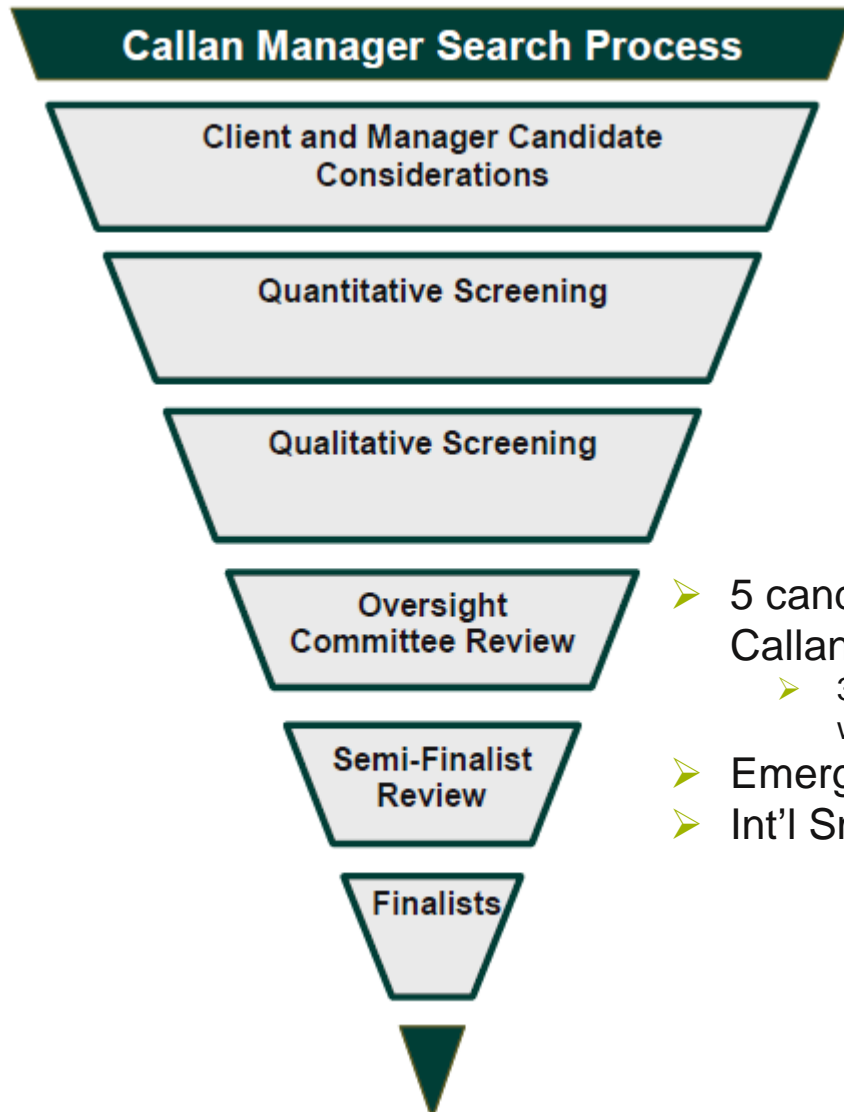
Current Target



New Target



Callan's Manager Search Process



- 5 candidates in each category were advanced following Callan's Oversight Committee Review
 - 3 finalist candidates in each category were identified following discussion with James, Stan, Greg, Alina, and Callan's International Equity Specialists
- Emerging Market candidates interviews – May 10
- Int'l Small Cap candidates interviews – June 21

Emerging Market Candidates

Summary as of December 31, 2016

Organization / Product	Proposed Vehicle	Minimum Investment (mm)	Fee on \$12.6mm (mgmt/ all-in)	Product Assets (mm)	Vehicle Assets (mm)	Liquidity	Notes
Dimensional Fund Advisors LP Emerging Markets All Cap Core Strategy	Mutual Fund (Inst'l; DFCEX)	\$2	0.53%	\$20,984	\$17,911	Daily	
Investec Asset Management 4Factor Global Emerging Markets Equity	Commingled Fund (LLC)	\$5	0.66% 0.80%	\$3,726	\$794	Daily	
Westwood Global Investments Global Emerging Markets	Commingled Fund (LLC)	\$10	1.15%*	\$6,417	\$3,255	Monthly	*Represents an all-in fee. This strategy is soft closed and is accepting assets on a selective basis **Subscription/redemption fee up to 35 bps; this is typically in the 10-12 bps range.

- Interviews will be conducted at the May 10, 2017 meeting.

Emerging Market Candidates

Dimensional Fund Advisors LP Emerging Markets All Cap Core Strategy As of December 31, 2016

Key Professionals	Joined Investment	
	Firm	Experience
Joseph Chi - PM	2005	1998
Jed Fogdall - PM	2004	2004
Bhanu Singh - PM	2003	2003
Allen Pu - PM	2006	2002
Mary Phillips - PM	2012	2003

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Central Research Analyst	13		
Portfolio Manager	37	17	8

Portfolio Decision: Team Management

Product Highlights:

Investment Style: Emerging Markets

Benchmark: MSCI Emerging Mkts (USD Gross Div)

Invest. Strategy: Quantitative (inc. Fundamental Based)

Investment Process:

- 75% Asset Allocation
- 5% Industry/Sector Allocation
- 5% Security Selection
- 15% Trading

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	31,351
% Large Cap (\$wgt) > \$15 B	33
% Mid Cap (\$wgt) \$3.5 - \$15 B	37
% Small Cap (\$wgt) \$700M - \$3.5 B	18
% Micro Cap (\$wgt) < \$700 M	12
Number of Holdings	4,437
Annual Percent Turnover	5

Philosophy: The firm's core philosophical principles are: 1) Public capital markets work: prices in liquid and competitive markets reflect available information about fundamental values and the aggregate expectations of all market participants. Dimensional uses information in market prices to identify reliable dimensions of expected returns, market size, relative price, and profitability, and to design and implement strategies along those dimensions. 2) Diversification is essential: diversification helps reduce uncertainty, manage risk, increase the reliability of outcomes, and provide flexibility. And 3) Managing tradeoffs adds value: by identifying and focusing on the tradeoffs that matter, Dimensional can add value by targeting market premiums efficiently and continuously, reducing the costs associated with turnover, and implementing a flexible trading strategy.

Investec Asset Management 4Factor Global Emerging Markets Equity As of December 31, 2016

Key Professionals	Joined Investment	
	Firm	Experience
Archie Hart - PM	2008	1986
Adam Child - Dedicated FA	2012	2008
Greg Kuhnert - PM	1999	1995
James Hand - PM	2000	1997
Mark Breedon - PM	2003	1977
Ian Vose - PM	2010	1983
Sandi Greenwood - PM	2005	1995
Jonathan Adams - PM	2006	1996
Nigel Hankin - PM	2006	1986
Adrian Jackson - PM	2004	1992

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Central Research Analyst	16		
Portfolio Manager	12	0	2

Portfolio Decision: Individual With Backup

Product Highlights:

Investment Style: Emerging Markets

Benchmark: MSCI Emerging Mkts (USD Gross Div)

Invest. Strategy: Fundamental Research (100% Bottom Up)

Investment Process:

- 100% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	54,805
% Large Cap (\$wgt) > \$15 B	49
% Mid Cap (\$wgt) \$3.5 - \$15 B	40
% Small Cap (\$wgt) \$700M - \$3.5 B	11
Number of Holdings	84
Annual Percent Turnover	64

Philosophy: Investec's 4Factor Equity team believes that share prices are driven by four key attributes over time and investing in companies that display these characteristics will drive long-term performance. They look to invest in high quality, attractively valued companies, which are improving operating performance and receiving increasing investor attention. These four factors (i.e., Strategy, Value, Earnings, and Technicals) are confirmed as performance drivers by academic research, empirical testing and intuitive reasoning. They believe that each factor can be a source of outperformance but in combination they are intended to produce more stable returns over the market cycle. Exposure to these factors starts with a quantitative model and is completed with in-depth fundamental research.

Westwood Global Investments Global Emerging Markets As of December 31, 2016

Key Professionals	Joined Investment	
	Firm	Experience
Meg Reynolds - PM	2003	1988
Bryan Ward - PM	2003	1989
Nathan Leishman - Dedicated FA	2010	2010
Kevin Stowell - Dedicated FA	2014	1997
Michael Mercauto - Dedicated FA	2013	2001
Kelly Reynolds - Dedicated FA	2013	2008

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Dedicated Fundamental Analyst	7	4	0
Portfolio Manager	2	0	0

Portfolio Decision: Team Management

Product Highlights:

Investment Style: Emerging Markets

Benchmark: MSCI Emerging Mkts (USD Gross Div)

Invest. Strategy: Fundamental Research (100% Bottom Up)

Investment Process:

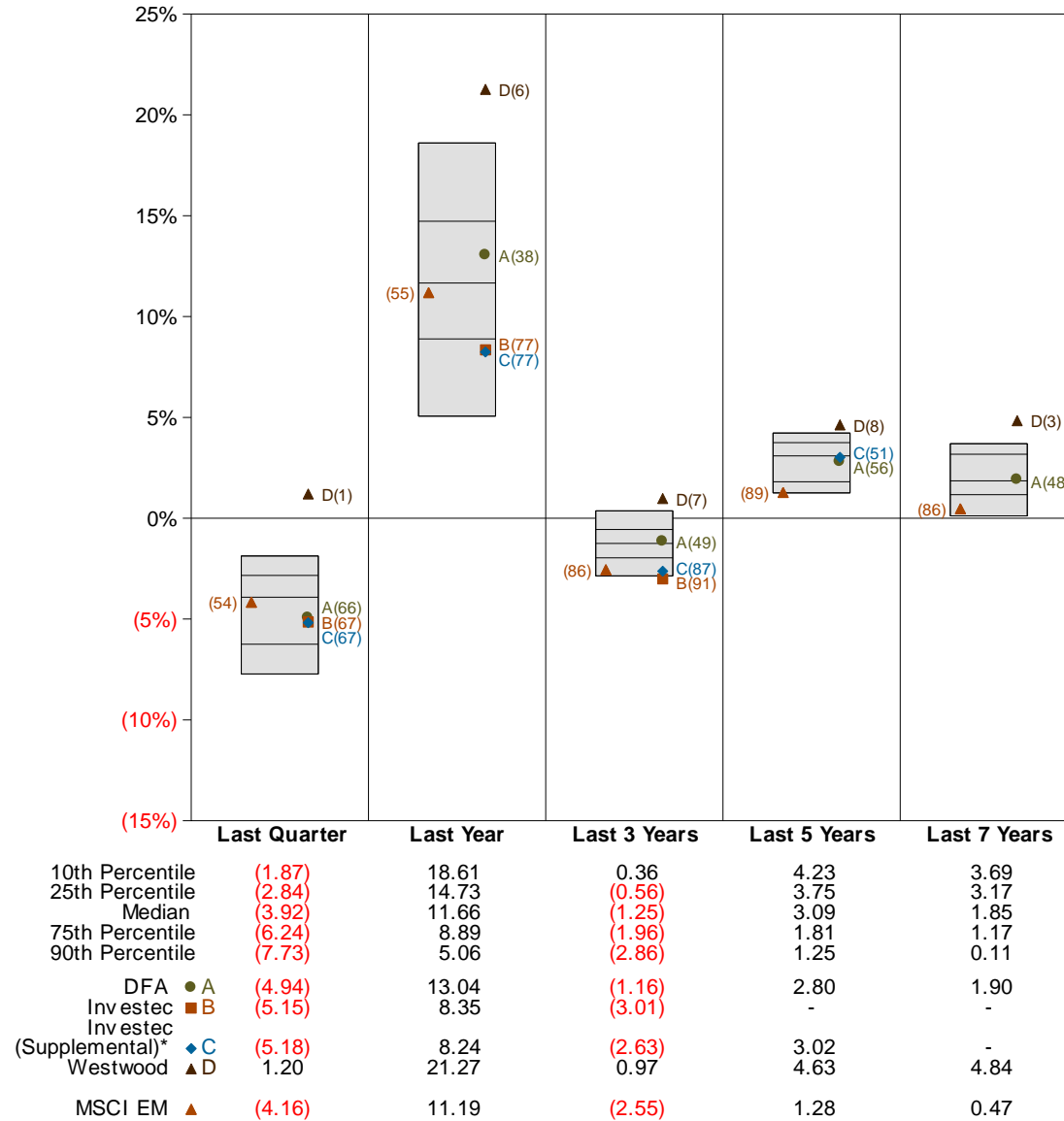
- 100% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	60,003
% Large Cap (\$wgt) > \$15 B	63
% Mid Cap (\$wgt) \$3.5 - \$15 B	28
% Small Cap (\$wgt) \$700M - \$3.5 B	9
Number of Holdings	33
Annual Percent Turnover	9

Philosophy: Westwood is dedicated to long-term, fundamental investing in select international markets. Their core investment beliefs are: (1) if one invests like everyone else, he or she will earn the same returns as everyone else, (2) long-term outperformance is driven by stock selection, (3) superior stock selection is driven by patient implementation of thorough bottom-up, fundamental research and (4) a focused portfolio is the result of conviction. The philosophy seeks companies with strong long term earnings, cash flows and balance sheets. Insights are gleaned through on-site visits, management contacts, meetings with suppliers, customers and competitors. Key to the philosophy is meeting with company managements.

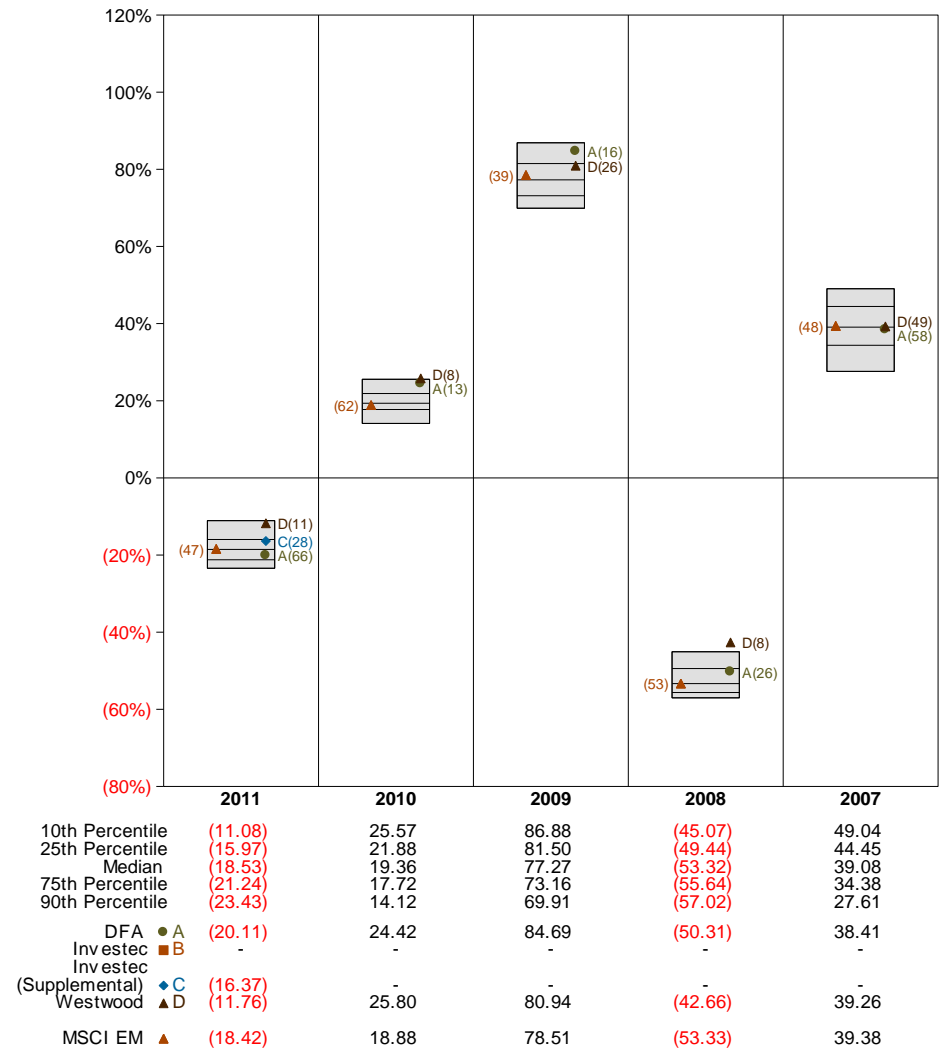
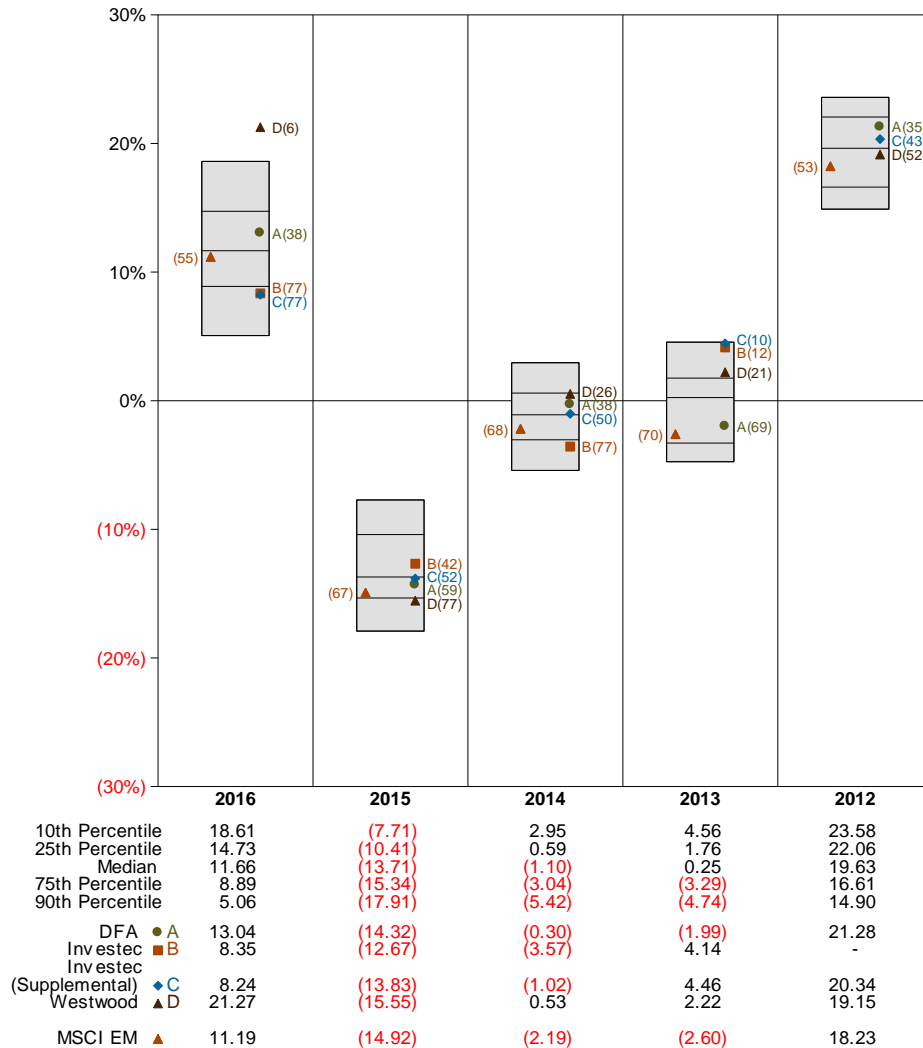
Emerging Market Candidates

Performance as of December 31, 2016



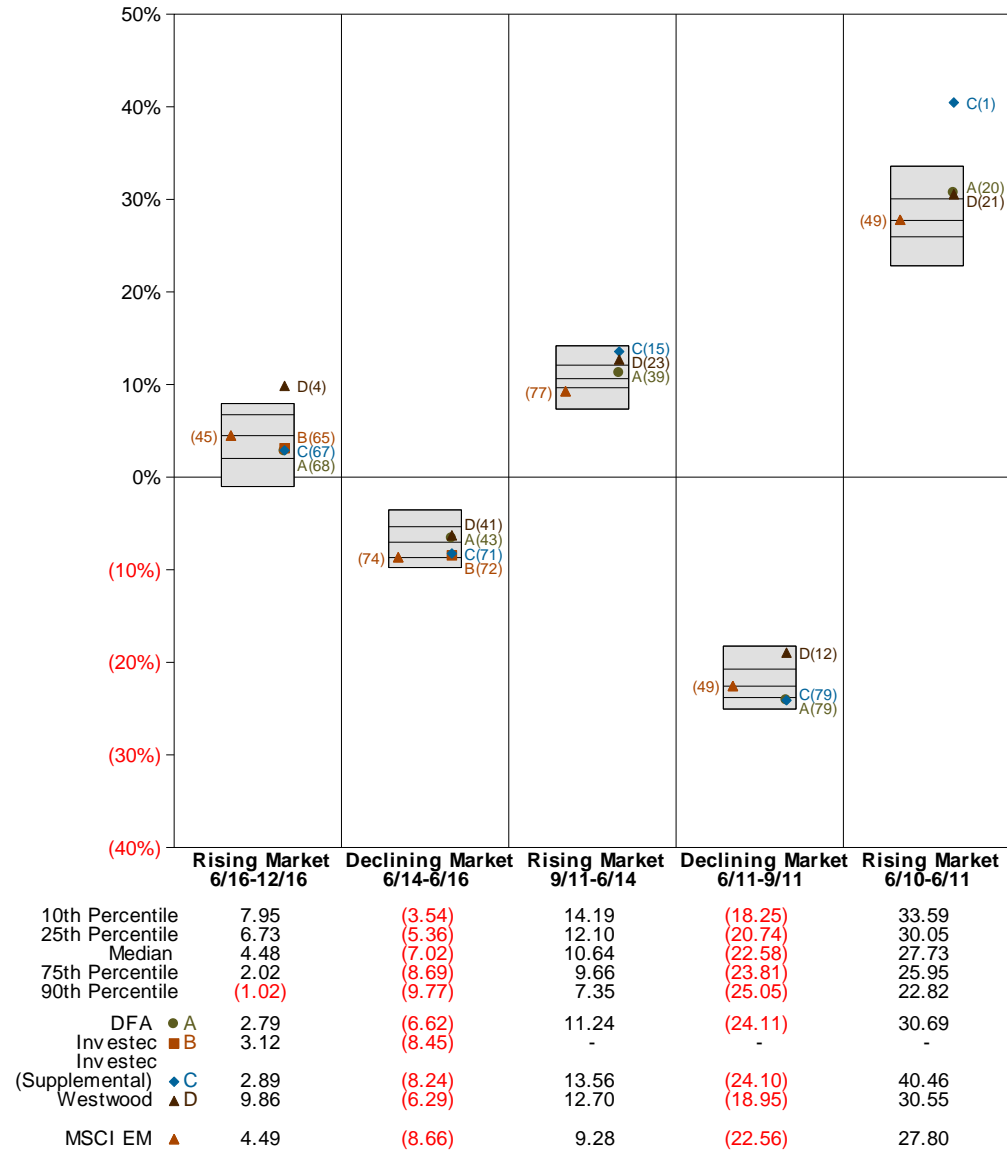
Emerging Market Candidates

Calendar Year Performance as of December 31, 2016



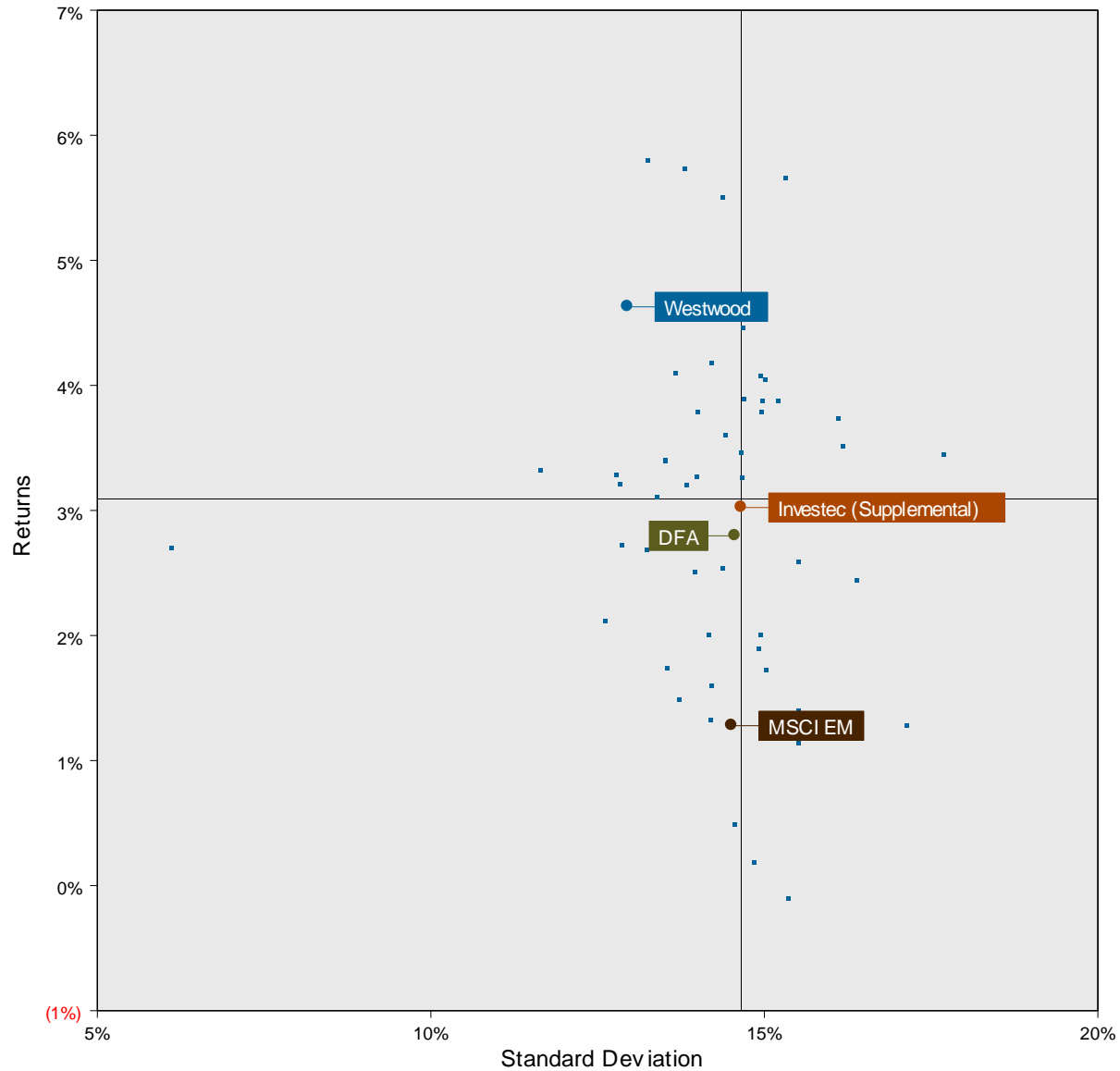
Emerging Market Candidates

International Stock Market Cycles



Emerging Market Candidates

Risk/Reward for 5 Years Ended December 31, 2016



Emerging Market Candidates

Risk Statistics for 5 Years Ended December 31, 2016

(20)	DFA	14.56% (51)	1.78 (100)	0.73% (96)	0.99 (1)	0.18 (59)	0.85 (15)	0.99% (1)
(0)	Investec	-	-	-	-	-	-	-
(20)	Investec (Supplemental)	14.66% (50)	2.91 (78)	1.61% (74)	0.96 (30)	0.20 (50)	0.60 (36)	0.98% (32)
(20)	Westwood	12.95% (91)	5.26 (9)	2.49% (31)	0.87 (91)	0.35 (9)	0.64 (35)	0.94% (88)
(20)	MSCI EM	14.51% (52)	0.00 (100)	0.00% (99)	1.00 (1)	0.08 (87)	0.00 (89)	1.00% (1)
		Standard Deviation	Tracking Error	Downside Risk	R-Squared	Sharpe Ratio	Excess Return Ratio	Correlation

Emerging Market Candidates

Average Equity Characteristics for 5 Years Ended December 31, 2016

(20)	DFA	1.38 (75)	2.59% (40)	0.97% (31)	(0.21) (74)	3771 (1)	12.36 (67)	11.84 (50)	12.03 (48)	6.30 (93)	23.98 (90)	244.79 (1)	6.69% (99)
(20)	Investec	1.60 (63)	2.56% (41)	0.82% (60)	0.01 (62)	85 (56)	12.42 (63)	10.04 (70)	10.07 (70)	15.61 (42)	39.50 (44)	24.82 (48)	29.00% (30)
(20)	Westwood	1.56 (64)	2.57% (44)	0.92% (44)	(0.02) (63)	32 (98)	12.38 (63)	11.14 (54)	11.16 (54)	20.97 (16)	52.15 (7)	9.66 (99)	29.86% (22)
(20)	MSCI EM	1.53 (66)	2.70% (36)	0.85% (53)	(0.05) (66)	825 (1)	12.90 (60)	10.94 (58)	10.97 (58)	15.53 (42)	37.78 (49)	91.19 (1)	11.05% (92)
		Price/ Book Value	Indicated Dividend Yield	P/E to Growth	MSCI Combined Z-Score	Number of Holdings	Forecasted Growth Earnings	Forecasted P/E (Exc Neg)	Forecasted P/E	Weighted Median Mkt Cap	Weighted Average Mkt Cap	Security Divers- ification	Divers- ification Ratio

International Small Cap Candidates

Summary as of December 31, 2016

Organization / Product	Proposed Vehicle	Minimum Investment (mm)	Fee on \$18.8mm (mgmt/ all-in)	Product Assets (mm)	Vehicle Assets (mm)	Liquidity	Notes
Brandes Investment Partners, L.P. Int'l Small Cap	Commingled Fund (Delaware Trust)	\$1	0.95%*	\$2,087	\$329	Monthly	*Represents an all-in fee. Mutual fund (Class R6; BISRX) is also available at 1.0%. **Redemption fee of 0.50% may apply on withdrawals of capital.
QS Investors, LLC International Small Capitalization (ACWI ex-US) Equity	Collective Investment Trust*	\$12	0.60% 0.80%	\$78	\$0*	Daily	*This vehicle is currently unfunded. This team also manages the International Small Cap Equity strategy with \$1.3 billion in assets as of Q4 2016.
T. Rowe Price Associates, Inc. International Small-Cap Equity Strategy	Collective Investment Trust (Class D)	\$10	1.04%*	\$5,644	\$491	Daily	*Represents an all-in fee.

- Interviews will be conducted at the June 21, 2017 meeting.

International Small Cap Candidates

Brandes Investment Partners, L.P. Int'l Small Cap As of December 31, 2016

Key Professionals	Joined Firm	Investment Experience
Ralph Birchmeier - Dedicated FA	1999	1994
Mark Costa - Dedicated FA	2000	2000
Yingbin Chen - Dedicated FA	2001	2001
Luiz Sauerbronn - Dedicated FA	2001	1996

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Central Research Analyst	24		
Portfolio Manager	16	2	9

Portfolio Decision: Team Management

Product Highlights:

Investment Style: Sm Cap Dev ex-US

Benchmark: MSCI AC World Small Cap ex US

Invest. Strategy: Fundamental Research (100% Bottom Up)

Investment Process:

100% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	1,750
% Mid Cap (\$wgt) \$3.5 - \$15 B	15
% Small Cap (\$wgt) \$700M - \$3.5 B	58
% Micro Cap (\$wgt) < \$700 M	27
Number of Holdings	77
Annual Percent Turnover	26
Total Emerg. Mkts Exposure	24

Philosophy: Brandes follows the Graham and Dodd investment approach introduced in the classic book Security Analysis. They believe behavioral factors may cause investors to make errors in pricing securities. They perform fundamental analysis to estimate a company's intrinsic value. They define "margin of safety" as the discount of a stock's current market price to their estimated intrinsic value of that company. Brandes expects that over time (possibly three to five years or longer) other investors will recognize each company's true long-term business value. While that may not occur, Brandes believes that consistently buying businesses with attractive margins of safety will enable them to achieve their goal of long term outperformance. Their portfolio weightings are purely a by-product of bottom-up stock selection, and they do not attempt to match the security allocations of broad market indices.

QS Investors, LLC International Small Capitalization (ACWI ex-US) Eq As of December 31, 2016

Key Professionals	Joined Firm	Investment Experience
Christopher Floyd - PM	2014	1999
Stephen Lanzendorf - PM	2014	1984

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Dedicated Quantitative Analyst	8	8	0
Portfolio Manager	11	8	3

Portfolio Decision: Team Management

Product Highlights:

Investment Style: Sm Cap Dev ex-US

Benchmark: MSCI AC World Small Cap ex US

Invest. Strategy: Quantitative (inc. Fundamental Based)

Investment Process:

10% Country/Regional Allocation

10% Industry/Sector Allocation

80% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	1,448
% Mid Cap (\$wgt) \$3.5 - \$15 B	7
% Small Cap (\$wgt) \$700M - \$3.5 B	57
% Micro Cap (\$wgt) < \$700 M	36
Number of Holdings	347
Annual Percent Turnover	42
Total Emerg. Mkts Exposure	22

Philosophy: The International Small Capitalization (ACWI ex-US) Equity strategy is based on the conviction that investing in stocks with attractive underlying fundamentals is the best way to consistently meet return objectives over time. In their view, optimal implementation is done through utilization of dynamic quantitative tools. They believe that focus on research, measurement and continual adaptation of the investment process is paramount to capturing new opportunities as markets evolve. QS believes that quantitative methods allows for effective coverage of a broad number of securities as is the case in international small caps. Daily analysis of the universe allows for faster implementation of ideas.

T. Rowe Price Associates, Inc. International Small-Cap Equity Strategy As of December 31, 2016

Key Professionals	Joined Firm	Investment Experience
Justin Thomson - PM	1998	1991
Hiroshi Watanabe - PM	2006	2006
Wenli Zheng - PM	2008	2008

Investment Professionals

Function	#	5 Years	
		Gained	Lost
Central Research Analyst	7		
Portfolio Manager	3	2	2

Portfolio Decision: Team Management

Product Highlights:

Investment Style: Sm Cap Dev ex-US

Benchmark: MSCI AC World Small Cap ex US

Invest. Strategy: Fundamental Research/Risk Control (Bottom Up/Top Down Overlay)

Investment Process:

10% Country/Regional Allocation

10% Industry/Sector Allocation

80% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	2,810
% Large Cap (\$wgt) > \$15 B	1
% Mid Cap (\$wgt) \$3.5 - \$15 B	30
% Small Cap (\$wgt) \$700M - \$3.5 B	54
% Micro Cap (\$wgt) < \$700 M	15
Number of Holdings	217
Annual Percent Turnover	29
Total Emerg. Mkts Exposure	22

Philosophy: Central to T. Rowe's investment philosophy is the belief that the market for international small-cap equities has significant pricing inefficiencies. These inefficiencies stem from the fact that global investors tend to be underexposed to international small-cap equities and that these equities are under researched given the sheer size and scope of the opportunity set. Further, they believe that a disciplined decision-making process nourished by superior research information is the best way to take advantage of market inefficiencies. The team's approach emphasizes reasonably priced growth stocks that they believe can grow their earnings faster than the overall market, which should result in a portfolio of stocks that outperforms the broad market over time.

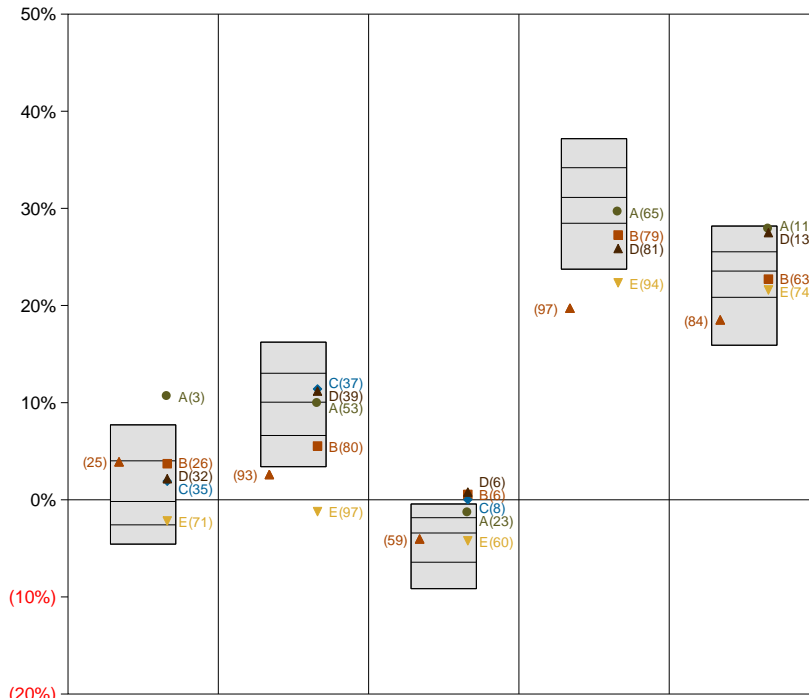
International Small Cap Candidates

Performance as of December 31, 2016

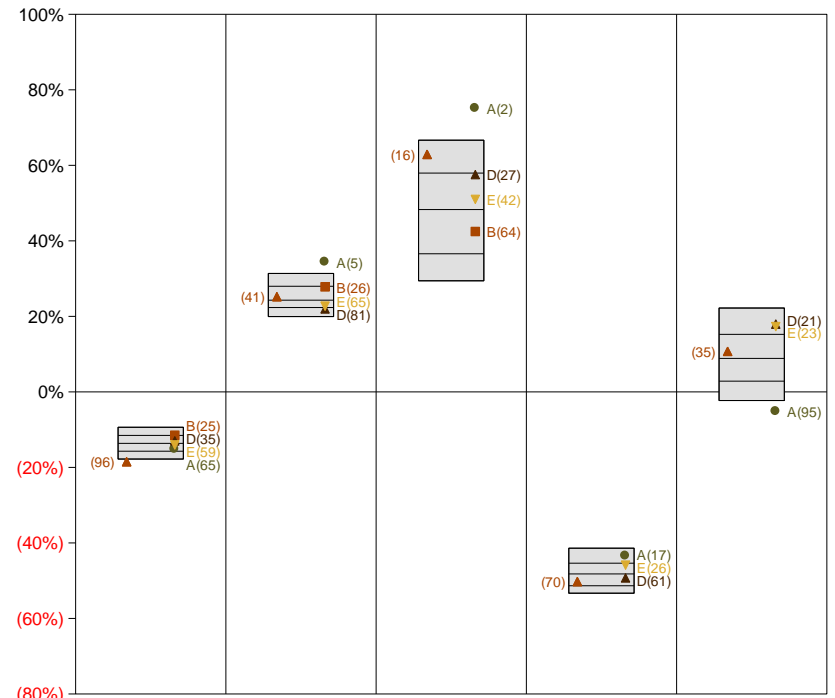


International Small Cap Candidates

Calendar Year Performance as of December 31, 2016



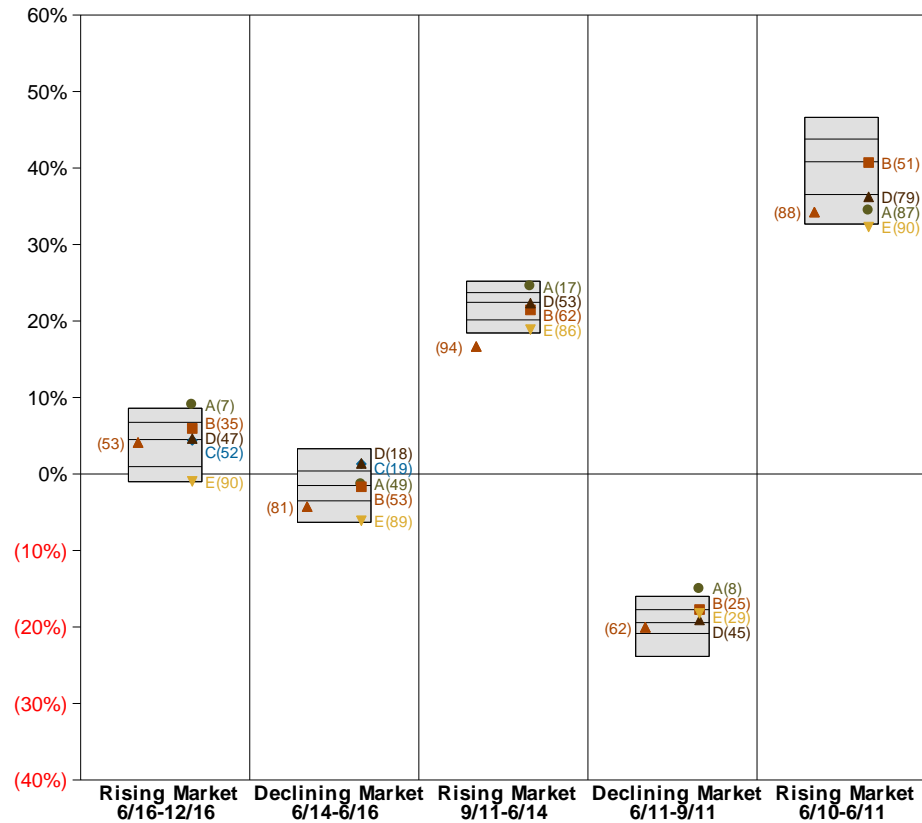
	2016	2015	2014	2013	2012
10th Percentile	7.72	16.23	(0.43)	37.17	28.18
25th Percentile	4.00	13.02	(1.85)	34.19	25.53
Median	(0.17)	10.05	(3.42)	31.13	23.55
75th Percentile	(2.58)	6.62	(6.43)	28.47	20.84
90th Percentile	(4.57)	3.40	(9.15)	23.74	15.91
Brandes	● A (3)	9.92	(1.34)	29.64	27.87
QS Investors	■ B (26)	5.53	(1.34)	27.26	22.71
T. Rowe	◆ C (35)	11.41	0.01	-	-
T. Rowe	▲ D (32)	11.19	0.79	25.87	27.51
(Supplemental)	▼ E (71)	11.19	0.79	25.87	27.51
Current Manager					
Columbia Wanger	▼ E (2.19)	(1.23)	(4.23)	22.33	21.60
MSCI ACWI ex US Small Cap	▲ (3.91)	2.60	(4.03)	19.73	18.52



	2011	2010	2009	2008	2007
10th Percentile	(9.37)	31.37	66.66	(41.39)	22.21
25th Percentile	(11.52)	27.96	57.95	(45.38)	15.23
Median	(13.64)	24.28	48.29	(48.22)	8.87
75th Percentile	(15.72)	22.33	36.58	(51.35)	2.84
90th Percentile	(17.79)	19.96	29.42	(53.33)	(2.30)
Brandes	● A (5)	34.37	75.11	(43.45)	(5.20)
QS Investors	■ B (25)	27.82	42.47	-	-
T. Rowe	◆ C (35)	-	-	-	-
T. Rowe	▲ D (81)	21.99	57.56	(49.26)	17.96
(Supplemental)	▼ E (65)	21.99	57.56	(49.26)	17.96
Current Manager					
Columbia Wanger	▼ E (14.06)	22.70	50.97	(45.89)	17.28
MSCI ACWI ex US Small Cap	▲ (18.50)	25.20	62.91	(50.23)	10.74

International Small Cap Candidates

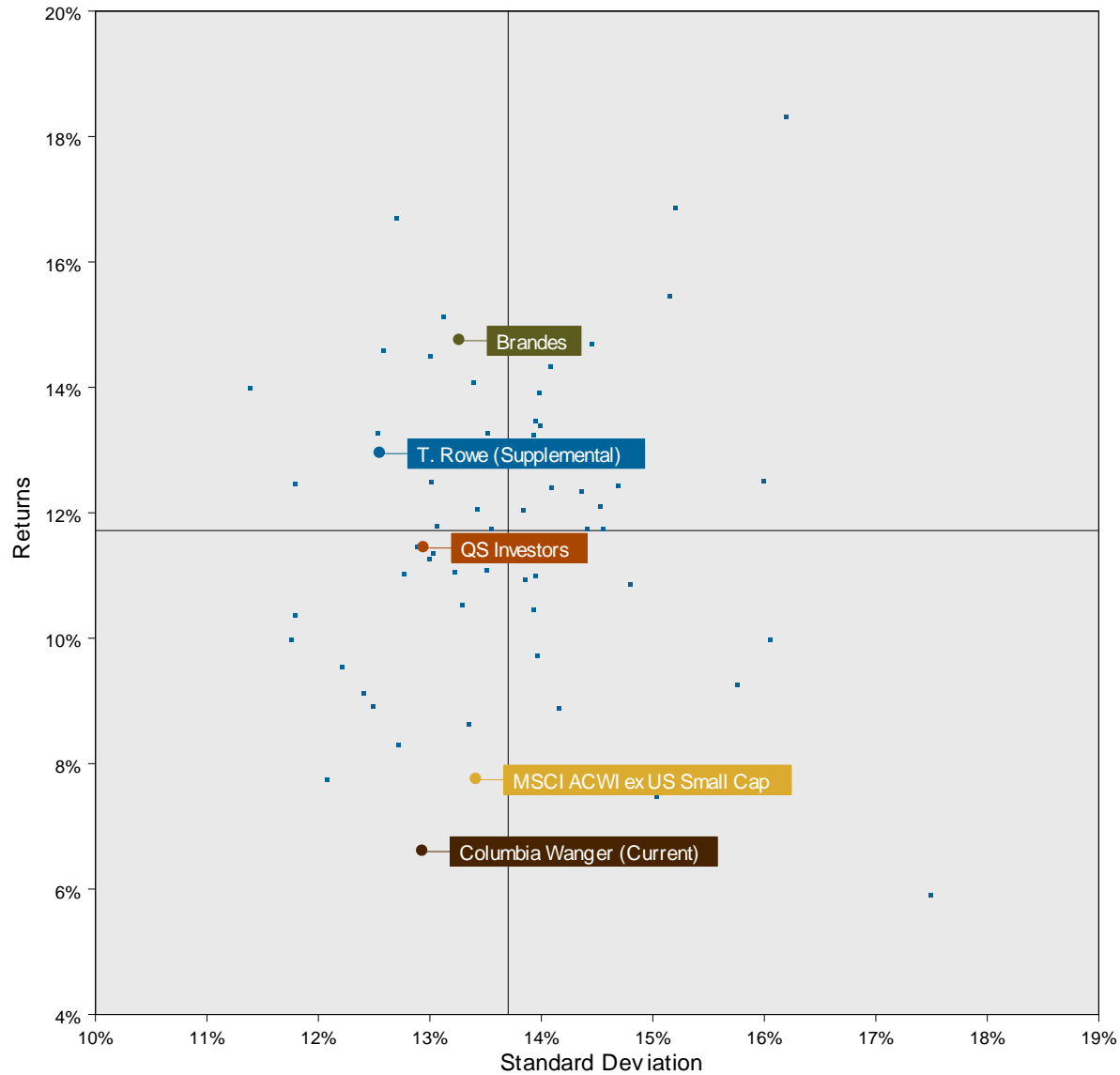
International Stock Market Cycles



	Rising Market 6/16-12/16	Declining Market 6/14-6/16	Rising Market 9/11-6/14	Declining Market 6/11-9/11	Rising Market 6/10-6/11
10th Percentile	8.59	3.31	25.21	(15.99)	46.63
25th Percentile	6.76	0.39	23.71	(17.74)	43.78
Median	4.50	(1.51)	22.45	(19.43)	40.82
75th Percentile	0.97	(3.50)	20.15	(20.85)	36.53
90th Percentile	(1.01)	(6.32)	18.43	(23.84)	32.68
Brades ● A	9.03	(1.36)	24.53	(15.04)	34.42
QS Investors ■ B	5.96	(1.67)	21.46	(17.72)	40.72
T. Rowe ◆ C	4.39	1.32	-	-	-
T. Rowe (Supplemental) ▲ D	4.63	1.38	22.34	(19.08)	36.24
Current Manager					
Columbia Wanger ▼ E	(0.97)	(6.12)	18.88	(18.23)	32.28
MSCI ACWI ex US Small Cap ▲	4.11	(4.27)	16.67	(20.04)	34.24

International Small Cap Candidates

Risk/Reward for 5 Years Ended December 31, 2016



International Small Cap Candidates

Risk Statistics for 5 Years Ended December 31, 2016

(20)	Brandes	13.27% (65)	5.22 (36)	1.77% (70)	0.85 (68)	1.10 (9)	1.34 (18)	0.93% (64)
(20)	QS Investors	12.95% (77)	2.23 (97)	0.74% (94)	0.97 (3)	0.87 (37)	1.66 (2)	0.99% (3)
(0)	T. Rowe	-	-	-	-	-	-	-
(20)	T. Rowe (Supplemental)	12.56% (87)	3.80 (73)	1.30% (84)	0.92 (29)	1.02 (17)	1.37 (16)	0.96% (30)
(20)	Columbia Wanger (Current)	12.94% (78)	4.22 (66)	3.38% (17)	0.90 (42)	0.50 (93)	(0.27) (99)	0.96% (29)
(20)	MSCI ACWI ex U Small Cap	13.42% (61)	0.00 (100)	0.00% (100)	1.00 (1)	0.57 (92)	0.00 (92)	1.00% (1)
		Standard Deviation	Tracking Error	Downside Risk	R-Squared	Sharpe Ratio	Excess Return Ratio	Correlation

International Small Cap Candidates

Average Equity Characteristics for 5 Years Ended December 31, 2016

(20)	Brandes	0.75 (97)	2.48% (36)	7.41% (23)	(0.91) (95)	73 (79)	1.96 (96)	12.31 (71)	12.85 (62)	0.80 (95)	1.38 (91)	20.12 (84)	27.69% (76)
(20)	QS Investors	1.51 (67)	2.62% (23)	0.76% (85)	0.03 (65)	337 (11)	15.25 (39)	11.47 (84)	11.56 (84)	1.67 (65)	2.30 (59)	118.85 (3)	35.31% (27)
(20)	T. Rowe	2.15 (31)	1.83% (77)	0.96% (54)	0.58 (27)	211 (17)	16.26 (29)	15.44 (26)	15.57 (26)	1.83 (56)	3.05 (27)	67.49 (17)	32.04% (49)
(20)	*Columbia Wanger (Current)	2.51 (21)	2.14% (59)	1.21% (28)	0.65 (25)	196 (25)	14.33 (49)	17.05 (12)	17.14 (12)	3.12 (16)	4.54 (9)	56.35 (29)	28.85% (68)
(20)	MSCI ACWI ex U Small Cap	1.36 (74)	2.47% (34)	1.13% (33)	(0.04) (69)	4234 (1)	12.88 (60)	14.03 (47)	14.51 (42)	1.48 (73)	1.82 (79)	700.35 (1)	16.53% (94)
		Price/ Book Value	Indicated Dividend Yield	P/E to Growth	MSCI Combined Z-Score	Number of Holdings	Forecasted Growth Earnings	Forecasted P/E (Exc Neg)	Forecasted P/E	Weighted Median Mkt Cap	Weighted Average Mkt Cap	Security Divers- ification	Divers- ification Ratio



Preliminary March flash

Preliminary March flash report

Asset Distribution as of March 31, 2017

	March 31, 2017		Net New Inv.	Inv. Return	February 28, 2017	
	Market Value	Weight			Market Value	Weight
Domestic Equities	\$186,364,851	39.83%	\$0	\$973,935	\$185,390,916	40.17%
Large Cap Equities	\$128,533,817	27.47%	\$0	\$424,627	\$128,109,190	27.76%
Vanguard S&P 500 Index	23,662,962	5.06%	0	25,507	23,637,455	5.12%
Dodge & Cox Stock	26,464,162	5.66%	0	(97,956)	26,562,118	5.76%
Boston Partners	27,129,465	5.80%	0	(178,569)	27,308,034	5.92%
Harbor Cap Appreciation	26,075,181	5.57%	0	478,481	25,596,700	5.55%
Janus Research	25,202,046	5.39%	0	197,163	25,004,883	5.42%
Mid Cap Equities	\$22,124,448	4.73%	\$0	\$243,862	\$21,880,586	4.74%
Fidelity Low Priced Stock	5,667,612	1.21%	0	51,614	5,615,999	1.22%
Royce Total Return	5,696,406	1.22%	0	8,244	5,688,163	1.23%
Morgan Stanley	4,445,921	0.95%	0	124,137	4,321,785	0.94%
Janus Enterprise	6,314,508	1.35%	0	59,868	6,254,640	1.36%
Small Cap Equities	\$26,439,738	5.65%	\$0	\$111,940	\$26,327,797	5.70%
Prudential Small Cap Value	12,998,730	2.78%	0	(145,576)	13,144,305	2.85%
AB US Small Growth	7,617,941	1.63%	0	169,561	7,448,379	1.61%
RS Investments	5,823,067	1.24%	0	87,955	5,735,113	1.24%
Micro Cap Equities	\$9,266,849	1.98%	\$0	\$193,507	\$9,073,342	1.97%
AMG Managers Emrg Opp Fund	9,266,849	1.98%	0	193,507	9,073,342	1.97%
International Equities	\$139,573,909	29.83%	\$0	\$5,069,874	\$134,504,035	29.14%
EuroPacific	29,811,989	6.37%	0	1,010,677	28,801,311	6.24%
Harbor International	29,693,944	6.35%	0	1,108,611	28,585,333	6.19%
Columbia Acorn Int'l	15,746,850	3.37%	0	471,689	15,275,161	3.31%
Oakmark International	33,927,699	7.25%	0	1,419,029	32,508,670	7.04%
Mondrian International	30,393,427	6.50%	0	1,059,868	29,333,559	6.36%
Domestic Fixed Income	\$96,427,411	20.61%	\$(128,854)	\$26,358	\$96,529,907	20.91%
Dodge & Cox Income	48,708,279	10.41%	0	38,966	48,669,314	10.55%
PIMCO	47,719,132	10.20%	(128,854)	(12,608)	47,860,594	10.37%
Real Estate	\$45,524,562	9.73%	\$0	\$298,678	\$45,225,883	9.80%
RREEF Private Fund	20,428,994	4.37%	0	0	20,428,994	4.43%
Barings Core Property Fund	24,231,567	5.18%	0	298,678	23,932,889	5.19%
625 Kings Court	864,000	0.18%	0	0	864,000	0.19%
Cash	\$15,980	0.00%	\$128,854	\$0	-\$112,874	(0.02%)
Total Fund	\$467,906,713	100.0%	\$0	\$6,368,845	\$461,537,867	100.0%

Preliminary March flash report

Performance as of March 31, 2017

	Last Month	Last 3 Months	Last 12 Months	Last 36 Months	Last 60 Months
Domestic Equities	0.52%	6.13%	19.99%	8.24%	12.79%
Russell 3000 Index	0.07%	5.74%	18.07%	9.76%	13.18%
Large Cap Equities					
Vanguard S&P 500 Index	0.11%	6.05%	17.13%	10.34%	-
S&P 500 Index	0.12%	6.07%	17.17%	10.37%	13.30%
Dodge & Cox Stock	(0.37%)	4.96%	28.56%	9.43%	15.23%
Boston Partners	(0.70%)	3.82%	18.63%	6.58%	12.32%
S&P 500 Index	0.12%	6.07%	17.17%	10.37%	13.30%
Russell 1000 Value Index	(1.02%)	3.27%	19.22%	8.67%	13.13%
Harbor Cap Appreciation (5)	1.87%	10.67%	15.88%	10.19%	12.31%
Janus Research (6)	0.79%	8.76%	13.22%	9.53%	12.78%
S&P 500 Index	0.12%	6.07%	17.17%	10.37%	13.30%
Russell 1000 Growth Index	1.16%	8.91%	15.76%	11.27%	13.32%
Mid Cap Equities					
Fidelity Low Priced Stock	0.92%	4.30%	12.36%	5.99%	11.15%
Royce Total Return (1)	0.14%	2.22%	22.47%	6.50%	11.16%
Russell MidCap Value Idx	(0.73%)	3.76%	19.82%	8.94%	14.07%
Morgan Stanley (2)	2.87%	12.51%	7.79%	(2.31%)	3.74%
Janus Enterprise (6)	0.96%	7.18%	16.92%	10.91%	13.45%
Russell MidCap Growth Idx	0.55%	6.89%	14.07%	7.88%	11.95%
Small Cap Equities					
Prudential Small Cap Value (3)	(1.11%)	(0.83%)	29.95%	8.91%	12.96%
US Small Cap Value Idx	(0.93%)	1.44%	25.14%	8.56%	13.32%
Russell 2000 Value Index	(0.85%)	(0.13%)	29.37%	7.62%	12.54%
AB US Small Growth (4)	2.28%	9.75%	27.37%	4.28%	10.84%
RS Investments (1)	1.53%	10.54%	26.12%	6.62%	12.89%
Russell 2000 Growth Index	1.18%	5.35%	23.03%	6.72%	12.10%
Micro Cap Equities					
AMG Managers Emerging Opp Fund	2.13%	2.72%	28.10%	3.60%	11.89%
Russell Microcap Index	0.87%	0.38%	27.77%	4.86%	12.43%
Russell Micro Growth Idx	1.68%	2.63%	20.24%	1.62%	10.72%

Preliminary March flash report

Performance as of March 31, 2017

	Last Month	Last 3 Months	Last 12 Months	Last 36 Months	Last 60 Months
International Equities	3.75%	8.97%	12.82%	(0.07%)	4.58%
MSCI ACWI ex-US Index	2.63%	7.98%	13.70%	1.03%	4.84%
EuroPacific (1)	3.51%	9.37%	13.10%	2.17%	6.64%
Harbor International (5)	3.88%	8.72%	8.46%	(1.11%)	3.82%
Oakmark International (4)	4.37%	9.40%	21.77%	2.17%	9.00%
Mondrian International	3.54%	7.97%	11.09%	0.14%	4.50%
MSCI EAFE Index	2.75%	7.25%	11.67%	0.50%	5.83%
MSCI ACWI ex-US Index	2.63%	7.98%	13.70%	1.03%	4.84%
Columbia Acorn Int'l (2)	3.09%	9.76%	7.19%	0.11%	5.60%
MSCI ACWI ex US Small Cap	2.07%	8.78%	12.26%	2.46%	6.68%
Domestic Fixed Income	0.03%	1.40%	3.40%	2.92%	3.18%
BB Aggregate Index	(0.05%)	0.82%	0.44%	2.68%	2.34%
Dodge & Cox Income	0.08%	1.18%	4.39%	3.08%	3.41%
PIMCO	(0.03%)	1.61%	2.41%	2.76%	2.95%
BB Aggregate Index	(0.05%)	0.82%	0.44%	2.68%	2.34%
Real Estate	0.66%	0.66%	5.01%	10.12%	10.36%
Real Estate Custom Benchmark (3)	0.65%	1.95%	7.60%	11.05%	10.97%
RREEF Private	0.00%	0.00%	6.11%	10.81%	11.46%
Barings Core Property Fund	1.25%	1.25%	7.11%	10.04%	9.84%
NFI-ODCE Equal Weight Net	0.65%	1.95%	8.07%	11.17%	11.10%
625 Kings Court	0.00%	0.00%	7.17%	9.16%	13.27%
Total Fund	1.37%	5.38%	12.48%	5.02%	8.01%
Total Fund Benchmark*	0.86%	4.89%	11.48%	5.94%	8.04%