UNITE HERE Local 25 and Hotel Association of Washington, D.C. Health and Legal Services Funds

November 19, 2025

Investment Review

Agenda

1. **Annual Review of the Health & Welfare and Legal Services Plans**
2. **Appendices**
   - Meketa Corporate Update
   - Disclaimer, Glossary, and Notes

Annual Review of the Health & Welfare and Legal Services Plans

Introduction

- This document will serve as an annual update on the Legal Services and Health and Welfare Plans for the Benefit Funds.
- We provide an update on the performance and a brief overview of the strategies the Plans are invested in.
- Additionally, this document will outline the Plan's current asset allocation highlighting the risk and return characteristics of the current portfolio.
  - We have also included alternative policy options for the Trustees to consider that have slightly different risk and return characteristics than the current policy.
  - These alternative policies are intended to highlight the tradeoffs between risk and return and encourage a discussion related to the goals and objectives of the Fund's.

Manager Performance as of September 30, 2025

- As of September 30, the Legal Services Plan was valued at $511.1 thousand, and the Health and Welfare Fund was valued at $905.1 thousand.
- The two Plans are both invested in two Core-Plus Fixed Income managers, Dodge and Cox Income Fund and Harbor Core Plus Fund. Both firms are well known to Meketa, with clients invested in strategies at each of them.
- While both Plans have 100% of their assets invested across the two strategies, the Plans have different underlying allocations to each. The Legal Services plan is 96% invested in Harbor with the remaining 4% invested in Dodge and Cox, while the Health and Welfare Fund is 80% invested in Harbor with 20% in Dodge and Cox as of the end of the third calendar quarter.

Manager Performance

Asset Manager	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)
Dodge and Cox Income Fund (DODIX)	6.9	3.4	6.6	1.3	3.2
Bloomberg US Aggregate	*6.1*	*2.9*	*4.9*	*-0.5*	*1.8*
Peer Rank	*12*	*52*	*13*	*12*	*10*
Harbor Core Plus Fund (HABDX)	6.3	3.3	5.8	0.3	2.5
Bloomberg US Aggregate	*6.1*	*2.9*	*4.9*	*-0.5*	*1.8*
Peer Rank	*52*	*55*	*44*	*49*	*39*

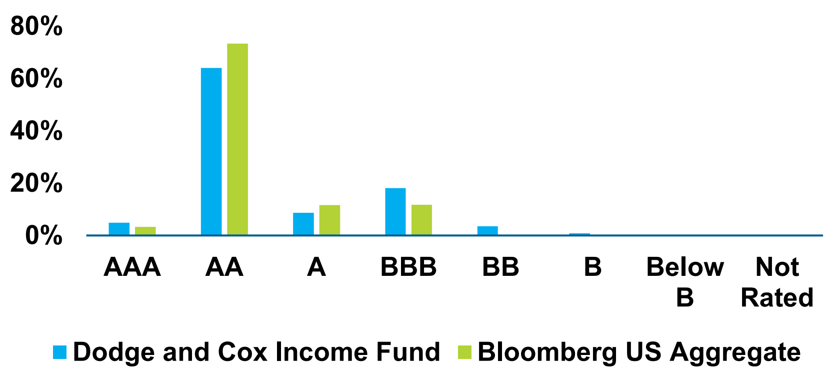
- Both strategies have also outperformed the Bloomberg US Aggregate over all trailing periods shown above.
- Both managers offer competitive fees against the Morningstar Intermediate Bond Universe. Dodge and Cox's annual management fee is 0.41%, while Harbor's fee is 0.38%. The average fee for the universe is 0.54%.

Dodge and Cox Income Fund

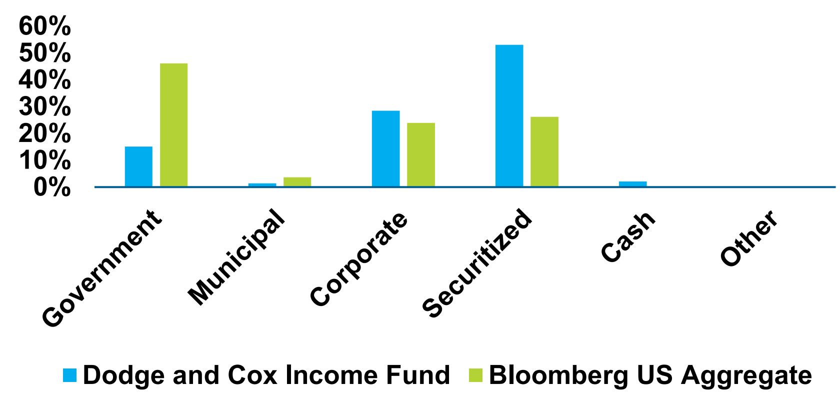
→ Overview

- Actively managed portfolio focused on investment-grade debt securities (government, corporate, municipal, mortgage- and asset-backed), with selective exposure to non-benchmark areas like below-investment-grade debt and non-US issuers.
- Securities are chosen through a fundamental analysis considering yield, credit quality, liquidity, structure, duration, covenants, call risk, capital appreciation potential, and ESG factors.

Credit Quality



Sector Allocation



	Dodge and Cox Income Fund	Bloomberg US Aggregate
Yield to Maturity	4.8%	4.4%
Effective Duration	6.1	6.0
Average Credit Quality	AA-	AA
Weighted Average Maturity	9.0	8.2

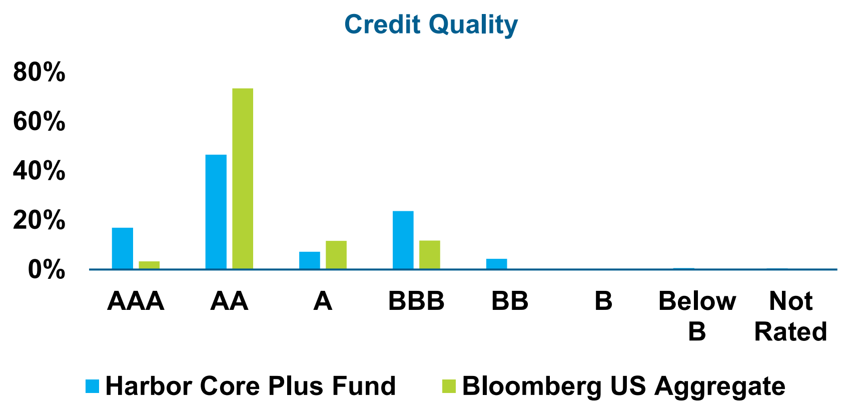
Harbor Core Plus Fund

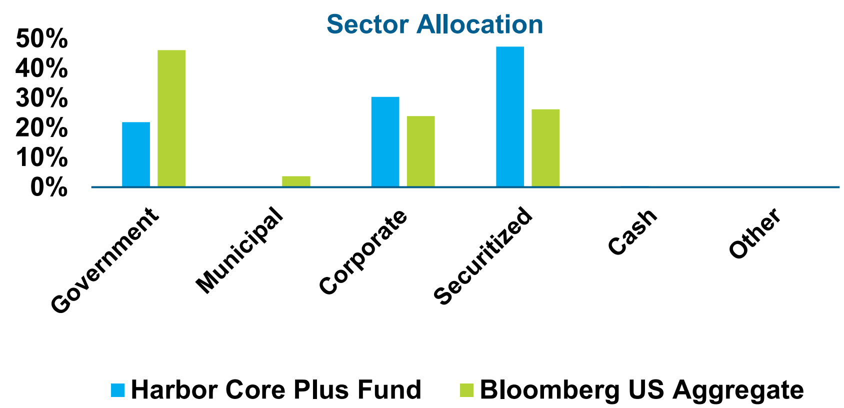
Overview

→ Income Research + Management (IR+M) serves as the sub-advisor to this strategy and is primarily responsible for the day-to-day investment decision making of the Fund.

→ The Fund invests primarily in US dollar-denominated fixed income securities, maintaining at least 80% of its net assets in a diversified portfolio that includes government, corporate, municipal, and securitized debt instruments.

→ Security selection is driven by rigorous bottom-up research, focusing on fundamental credit analysis, structural review, and relative-value comparisons, with ESG factors integrated as one consideration among others. The Fund mainly holds investment-grade securities but may allocate up to 25% to high-yield bonds; duration management aligns with its benchmark, and sector allocations are set based on relative value and risk monitoring.





	Dodge and Cox Income Fund	Bloomberg US Aggregate
Yield to Maturity	4.9%	4.4%
Effective Duration	6.0	6.0
Average Credit Quality	A+	AA
Weighted Average Maturity	9.0	8.2

Asset Allocation

What is Asset Allocation?

- Asset allocation refers to the distribution of assets across a number of asset classes that exhibit different correlations with each other. Each asset class exhibits a unique combination of risk and reward. The expected and realized long-term returns vary by asset class, as does the interim volatility of those returns. Some asset classes, like equities, exhibit high degrees of volatility, but also offer high returns over time. Other asset classes, like cash, experience very little volatility, but offer limited return potential.

Why is Asset Allocation important?

- The distribution of assets across various asset classes exerts a major influence on the return behavior of the aggregate pool over short and long time periods.

How does Asset Allocation affect aggregate performance?

- In addition to exhibiting unique characteristics, each asset class interacts differently with other asset classes. Because of low correlations, the likelihood that any two asset classes will move together in the same direction is limited, with the movement of one asset class often offsetting another’s. Combining asset classes allows investors to control more fully the aggregate risk and return of their portfolios, and to benefit from the reduction in volatility that stems from diversification.

Asset Allocation Policy Options[1]

Asset Group	Current Allocation (%)	Option A (%)	Option B (%)
Equity	**0**	**0**	**10**
Global Equity	0	0	10
Fixed Income	**100**	**100**	**90**
Investment Grade Bonds	100	80	70
Short-term TIPS	0	10	10
High Yield Bonds	0	10	10
Expected Return (20 years)	**5.3**	**5.4**	**5.8**
Standard Deviation	**4.0**	**4.1**	**4.7**
Sharpe Ratio	**0.55**	**0.57**	**0.57**

[1] Expected return and standard deviation are based upon Meketa Investment Group's Annual Capital Markets Expectations. Throughout this document, returns for periods longer than one year are annualized.

Historical Negative Scenario Analysis[1]
(*Cumulative* Return)

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
Post-COVID Rate Hikes (Jan 2022 - Oct 2023)	-15.42	-13.26	-13.00
COVID-19 Market Shock (Feb 2020 - Mar 2020)	-0.94	-3.00	-6.27
Taper Tantrum (May - Aug 2013)	-3.67	-3.34	-3.04
Global Financial Crisis (Oct 2007 - Mar 2009)	8.52	5.22	-0.56
Popping of the TMT Bubble (Apr 2000 - Sep 2002)	28.56	25.49	17.96
LTCM (Jul - Aug 1998)	1.84	1.12	-0.47
Asian Financial Crisis (Aug 97 - Jan 98)	4.90	4.69	3.89
Rate spike (1994 Calendar Year)	-2.92	-2.81	-2.02
Early 1990s Recession (June - Oct 1990)	3.78	1.84	0.35
Crash of 1987 (Sep - Nov 1987)	2.17	1.51	-0.75
Strong dollar (Jan 1981 - Sep 1982)	29.93	25.41	21.30
Volcker Recession (Jan - Mar 1980)	-8.71	-7.58	-7.25
Stagflation (Jan 1973 - Sep 1974)	7.92	5.02	0.18

→ The Current Allocation would have performed best in environments of declining equity markets, due to its more conservative positioning.

→ The Current Allocation would have fared worst during periods of rising rates; however, the losses in these environments are dwarfed by the losses during an equity downturn.

[1] In periods where the ideal benchmark was not yet available, we used the next closest benchmark(s) as a proxy.

Historical Positive Scenario Analysis[1]
(*Cumulative* Return)

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
Covid Recovery (Apr 2020 - Dec 2021)	2.62	6.25	13.51
Global Financial Crisis Recovery (Mar 2009 - Nov 2009)	8.98	13.07	18.16
Real Estate and Buyout Boom (Oct 2004 - Sept 2007)	12.04	13.17	19.07
Best of Great Moderation (Apr 2003 - Feb 2004)	4.62	6.37	10.53
Peak of the TMT Bubble (Oct 1998 - Mar 2000)	1.71	2.41	7.73
Short Rate Decrease Cycle (Jan 1995 - Dec 1995)	18.47	17.52	17.62
Recession Recovery (Nov 1990 - March 1992)	18.81	21.99	21.28
Plummeting Dollar (Jan 1986 - Aug 1987)	14.36	14.50	22.93
Long Rate Decrease Cycle (June 1984 - August 1986)	63.32	59.08	66.19
Volcker Recovery (Aug 1982 - Apr 1983)	26.40	24.01	26.00
Bretton Wood Recovery (Oct 1974 - June 1975)	9.19	9.48	12.94

→ Option B would have been the best option for capturing most of the upside in strongly positive markets.

[1] In periods where the ideal benchmark was not yet available, we used the next closest benchmark(s) as a proxy.

Stress Testing: Impact of Negative Market Movements (Expected Return under Negative Conditions)[1]

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
10-year Treasury Bond rates rise 100 bps	-3.90	-3.16	-2.05
10-year Treasury Bond rates rise 200 bps	-7.56	-7.05	-6.37
10-year Treasury Bond rates rise 300 bps	-10.62	-9.65	-8.64
Baa Spreads widen by 50 bps, High Yield by 200 bps	3.89	3.09	2.64
Baa Spreads widen by 300 bps, High Yield by 1000 bps	-0.36	-2.98	-6.24
Trade Weighted Dollar gains 10%	0.77	-0.06	-1.02
Trade Weighted Dollar gains 20%	4.23	3.10	2.14
US Equities decline 10%	1.33	0.71	-0.34
US Equities decline 25%	0.70	-1.20	-3.65
US Equities decline 40%	-0.99	-3.45	-7.25
Bull Steepener	5.04	4.61	4.17

→ Each policy portfolio has a different sensitivity to three major risk factors: interest rates, credit spreads, currency fluctuations, while Option B also is sensitive to equity values.

[1] Assumes that assets not directly exposed to the factor are affected, nonetheless.

Stress Testing: Impact of Positive Market Movements (Expected Return under Positive Conditions)[1]

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
10-year Treasury Bond rates drop 100 bps	4.22	3.95	3.61
10-year Treasury Bond rates drop 200 bps	8.75	8.46	9.10
10-year Treasury Bond rates drop 300 bps	13.70	12.82	13.26
Baa Spreads narrow by 30bps, High Yield by 100 bps	0.89	1.44	2.28
Baa Spreads narrow by 100bps, High Yield by 300 bps	3.92	6.43	7.99
Trade Weighted Dollar drops 10%	2.54	3.04	3.90
Trade Weighted Dollar drops 20%	9.35	8.61	11.21
US Equities rise 10%	1.76	1.89	2.52
US Equities rise 30%	3.53	3.81	5.90
Bear Steepener	-1.39	-1.44	-0.44

→ The portfolio with the least downside risk is likewise the portfolio that participates least in upside scenarios.

[1] Assumes that assets not directly exposed to the factor are affected, nonetheless.

Inflation Stress Testing: Negative Scenarios (Expected Return under Negative Inflationary Conditions)[1]

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
Inflation slightly higher than expected	-0.61	-0.46	-0.43
Inflation meaningfully higher than expected	-3.14	-2.99	-3.52
Low Growth and Low Inflation	-2.49	-3.18	-4.20
Low Growth and High Inflation	-4.43	-5.35	-6.86
Brief, moderate inflation spike	-2.08	-2.36	-2.65
Extended, moderate inflation spike	-1.89	-2.39	-3.21
Brief, extreme inflation spike	-1.86	-2.51	-3.65
Extended, extreme inflation spike	-1.45	-2.31	-3.92

Inflation Stress Testing: Positive Scenarios (Expected Return under Positive Inflationary Conditions)[2]

Scenario	Current Allocation (%)	Option A (%)	Option B (%)
High Growth and Low Inflation	0.17	0.76	2.58
High Growth and Moderate Inflation	-1.02	-0.59	0.90
High Growth and High Inflation	-1.82	-1.55	-0.46

1 See the Appendix for further details.
2 See the Appendix for further details.

Summary & Recommendations

→ Both strategies that the plans invest in are reasonable fixed income strategies with deep and well-resourced investment teams.

- The strategies have outperformed the Bloomberg Barclays Aggregate index and rank in the 10th and 39th percentile of their core plus fixed income peer group over the trailing 10-years respectively.

→ In the current interest rate environment, using Meketa's 2025 capital markets expectations, the current portfolio has a 20-year expected return of 5.3% with a standard deviation of 4.0%. Alternative options that include additional asset classes add some potential diversification without significant change to the expected risk and return.

→ Should the Trustees wish to consider these alternatives, the Trustees could consider consolidating holdings with Vanguard which would allow for low-cost exposure to multiple asset classes and simplify monitoring and operational aspects of the Funds' investments.

Appendix

Manager Performance

Asset Manager	YTD (%)	1YR (%)	3YR (%)	5YR (%)	10YR (%)
Vanguard Total Aggregate Bond Index (VBTLX)	6.1	2.9	4.9	-0.5	1.8
Bloomberg US Aggregate	*6.1*	*2.9*	*4.9*	*-0.5*	*1.8*
Peer Rank	*52*	*53*	*57*	*58*	*49*
Vanguard Short-Term Inflation Protected Securities (VTAPX)	5.7	5.6	5.4	3.7	3.1
Bloomberg TIPS 0-5	*5.7*	*5.5*	5.4	3.7	3.1
Peer Rank	*79*	*43*	*39*	*30*	*51*
Vanguard High-Yield Corporate (VWEHX)	*7.5*	*7.2*	*10.2*	*4.7*	*5.4*
Bloomberg US Corporate High Yield	*7.2*	*7.4*	*11.1*	*5.5*	*6.2*
Peer Rank	*18*	*38*	*58*	*68*	*45*
Vanguard Total World Stock Index (VTWAX)	*18.8*	*17.3*	*22.9*	*13.6*	*11.9*
MSCI ACWI Index	*18.4*	*17.3*	*23.1*	*13.5*	*11.9*
Peer Rank	*27*	*23*	*27*	*27*	*17*

→ The Vanguard strategies range in price from 0.04% to 0.09% for the index tracking strategies.

→ The Vanguard High Yield Corporate strategy is subadvised by Wellington Management and costs 0.22%.

Appendices

Corporate Update

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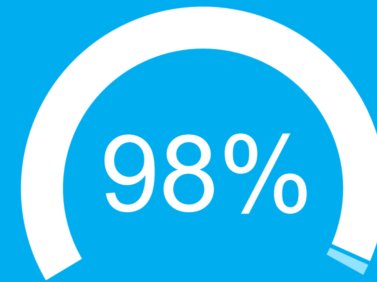
Offices



Client Retention Rate

5:1
Client | Consultant Ratio

$2.4T
Assets Under Advisement

$380B
Assets in Alternative Investments

Meketa Investment Group is proud to work for over 30 million American families everyday!

Client and employee counts as of September 30, 2025; assets under advisement preliminary as of June 30, 2025; assets in alternative investments preliminary as of June 30, 2025.

Client retention rate is one minus the number of clients lost divided by the number of clients at prior year-end. Average over the previous five years.

THOUGHT LEADERSHIP

The Spectrum of Infrastructure Assets

When most people hear “infrastructure,” they think of roads, power lines, and utilities. In reality, the investable universe of infrastructure assets is much broader. This white paper explores the full spectrum, from lower-risk “core” assets to potentially higher-returning “non-core” and “opportunistic” strategies. For investors, understanding this continuum is vital to navigating the risks and rewards of this asset class.

Read more here:
https://meketa.com/leadership/the-spectrum-of-infrastructure-assets/

Tariffs, Tech, and the Tug-of-War for Alpha

In this edition of meeting of the minds, our Public Markets Equity Research team cuts through the noise. From tariff-driven rotations to AI-fueled headwinds, from quality's setback in small caps to the growing risks of index concentration, we explore how managers are adapting and where opportunities may emerge.

Read more here:
https://meketa.com/leadership/tariffs-tech-and-the-tug-of-war-for-alpha/

Rate Cuts Under Pressure

The Risk of Yield Curve Steeping Amid Questions of Fed Independence

While US GDP has remained resilient, the labor market is showing signs of stress. August’s weaker employment report and sharp downward revisions to May and June as well as a significant downward revision of total jobs added between March 2024 and March 2025 point to a potential turning point in the cycle.

Read more here:
https://meketa.com/news/meketa-connectives-rate-cuts-under-pressure-the-risk-of-yield-curve-steepening-amid-questions-of-fed-independence/

CONGRATULATIONS TO MARY MUSTARD AND LISA RUBIN ON CELEBRATING 15 YEARS WITH MEKETA

We recently chronicled Mary's 15-year journey with Meketa where she has built a reputation for calm confidence, trusted client service, and mentorship across the firm.

View the full story here:

From Luck to Leadership: Mary Mustard's 15-Year Journey at Meketa

https://meketa.com/wp-content/uploads/2025/08/MEKETA_2025-Mary-Mustard_15-Year-Anniversary.pdf

MARY MUSTARD
Managing Principal / Consultant

LISA M. RUBIN
Managing Principal / Director of Marketing

MEKETA IN THE WILD

The Meketa team has been active at industry conferences this last quarter and is looking forward to attending others in the months ahead.

We're thankful for the chance to join fellow industry leaders in meaningful discussions on today's most important investment issues and to build both longtime and new connections.

FAOG 2025 Conference

Steve Voss, Laura Wirick, & **Kathleen Neelon,** attended FAOG's (Finance, Administration & Operations Group) 2025 Conference, where Steve led a panel on managing investment committees.

ACG Private Capital Markets Event

Steve Hartt spoke on a panel at the Association for Corporate Growth (ACG) San Diego Mid-Year Private Capital Markets Event.

Pensions & Investments

Mark McKeown moderated a panel at the Pensions & Investments 2025 Fixed Income & Credit conference.

LAPERS Conference

Shawn Bowen, Henry Jaung, & **Aaron Lally** attended the Louisiana Association of Public Employees' Retirement Systems (LAPERS) conference.

LAPERS Conference

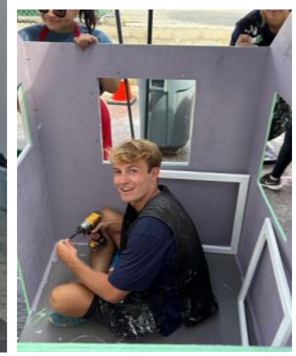
Derek Proctor participated in discussion on infrastructure and real estate at Markets Group's New England Institutional Forum.

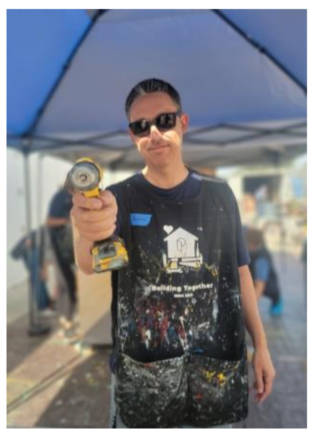
HABITAT FOR HUMANITY BUILD DAYS

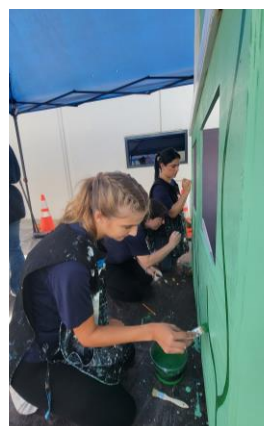
As part of Meketa's volunteer opportunities, each employee is given 8 hours to volunteer in their local communities. During the summer, our office in Carlsbad and Westwood host Habitat for Humanity Build Days.

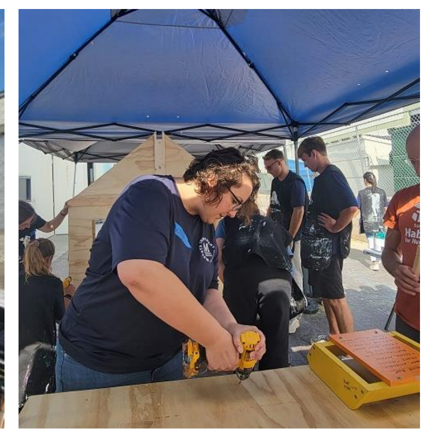
In August, employees from our Carlsbad location traveled to San Diego to help build and paint a playhouse for a local school.

> Volunteering with Habitat for Humanity is a great way to bond with colleagues, but more importantly it's a great way to give back to our local communities. I encourage all of our colleagues to get involved in Meketa sponsored volunteer opportunities.
>
> **Larry Witt**
> Managing Principal/Consultant, Meketa









MEKETA IS A COMPANY OF VOLUNTEERS

During our *Season of Service,* volunteers from coast to coast helped food donation centers, Rosie's Place, Sarah's Circle, Blanchet House, and Feeding San Diego with their efforts to fight hunger. These organizations provide millions of meals every year to children, families, students, veterans, and other underserved populations.

In addition, volunteers in our Westwood location helped fill 40 backpacks for donation to the Dedham Youth Commission and Rosie's Place.

CELEBRATING THE RELEASE OF OUR 2024 CORPORATE CULTURE REPORT

Our True North commitment to integrity, excellence, belonging, and community drives everything we do.

View our full report here:
https://meketa.com/news/meketa-is-pleased-to-present-our-2024-corporate-culture-report/

Our Values Are Our Compass. Meketa is proud to share our "2024 Corporate Culture Report: True North." The report highlights how our values, Enduring Integrity, Relentless Excellence, Opportunity, Belonging, and Advancement, guide everything we do for clients, colleagues, and communities. Explore real stories of stewardship, innovation, inclusion, and service that reflect our commitment to being a trusted partner for mission-driven institutions.

MEKETA IN THE NEWS

New Private Markets

Impact 50: Investors Turn to Affordable Housing

Sustained Political Support and a Drive to New Markets Have Allowed Affordable Housing Funds to Become a Mainstay in Private Markets Impact.

By Michael Bowen | August, 27, 2025

"Affordable housing, specifically in the US, is a big ship," says Rajeev Ranade, senior vice-president and real estate consultant at US investment management and advisory firm Meketa Investment Group.

Ranade describes how housing-related impact investing strategies have evolved from an emerging markets play to become a feature of developed markets, often focused on major cities in the US, looking to meet the needs of lower middle-class residents in expensive markets.

"These are major markets - New York, Boston, San Francisco, Los Angeles, places where the middle has really been hollowed out. That's the new view of impact. It can be done in rich markets," he tells New Private Markets.

Read More:
https://www.newprivatemarkets.com/impact-50-investors-turn-to-affordable-housing/

Private Equity International

Out of Reach?

Private Equity's 401(k) Ambitions

By Hannah Zhang | July/August 2025

While a growing number of PE firms are targeting retirement money in the US, the adoption of private market products in the participant-directed DC universe is still limited, according to Ted Benedict, managing principal and consultant at Meketa.

"I've seen and evaluated some of the products, but the adoption within the defined contribution space has been very slow, " Benedict tells PEI. "The one asset class on the private side that has seen some adoption is core private real estate. [As for] private equity and private credit, I have not seen broad adoption, in my experience. "

Liquidity and valuations are also top concerns. **"The main hurdles that you have to overcome in getting privates into a defined contribution plan are valuation process for more frequent valuations, and secondly, a liquidity process to be able to provide regular liquidity to the plans, "** says Benedict.

He adds that one reason private real estate has seen faster adoption in 401(k) plans compared with PE is its longer history of using open-end fund structures, which typically offer at least quarterly liquidity windows and allow investors to enter subscription or redemption queues. "That didn't really exist in other private market asset classes until recently, with the launch of interval funds and tender offer funds."

Read More:
https://www.privateequityinternational.com/tapping-the-trillions-private-equitys-401k-ambitions/

Buyouts

Under Siege: University Endowments Face Unique Challenges

Uncertainty Abounds as Endowments Scramble to Adapt to Government Policies, Sluggish Dealmaking and Diminished Exits.

By Alfe Crooks | September 2025

"I think you may see a shift," says Laura Wirick, managing principal at Meketa. "It's becoming a more attractive environment for smaller endowments and foundations that have wanted to access private markets asset classes that maybe couldn't get the attention of certain GPs that they wanted to invest with, historically."

"I was at a conference recently where a top-tier GP that maybe wouldn't have been marketing in this conference in the past was giving out more access to information to these smaller endowments and foundations."

Read More:
https://www.buyoutsinsider.com/under-siege-university-endowments-face-unique-challenges/

Disclaimer, Glossary, and Notes

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about is future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Tracking Error: A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays $5 a year interest on each $100 par value. To figure its current yield, divide $5 by $95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay $100 for the bond that can be bought now for $95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{\text{5\% (discount)}}{\text{5 (yrs. to maturity)}} = \begin{matrix}\text{1\% pro rata, plus} \\ \text{5.26\% (current yield)}\end{matrix} = \text{6.26\% (yield to maturity)}$$

Yield to Worst: The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

NCREIF Property Index (NPI): Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE): Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.