MEKETA
INVESTMENT GROUP

Hospitality Industry 401(k) Plan

Investment Review
September 13, 2023

Fund Evaluation Report

Agenda

Defined Contribution Marketplace Update

Defined Contribution Marketplace Update

→ On June 29, the American Benefits Council (ABC) sent an Action Letter to legislators containing signatures from over 200 entities requesting a delay in the Roth catch-up provision of the SECURE 2.0 Act of 2022, set to become effective in 2024.

- The provision requires that catch-up contributions be made on a Roth basis for workers who earned over $145,000 in the preceding year.

→ Following quarter-end, the SEC adopted amendments to certain rules that govern money market mutual funds. The amendments are designed to improve the resilience and transparency of money market funds by:

- increasing minimum liquidity requires to provide a more substantial buffer in the event of rapid redemptions;
- removing provisions from the current rule that permit a money market fund to temporarily suspend redemptions and removing the regulatory tie between the imposition of liquidity fees and a funds liquidity level;
- requiring certain money market funds to implement a liquidity fee framework that will better allocate the costs of providing liquidity to redeeming investors; and
- enhancing certain reporting requirements to improve the SEC's ability to monitor and assess money market fund data.

→ On May 30, 2023, a complaint was filed against American Airlines that is focused on the use of Environmental, Social, and Governance (ESG) factors by investments in the American Airlines 401(k) Plan. Fidelity Investments Institutional and Financial Engines are also named as defendants in the complaint. (investmentnews.com)

  - The complaint alleges that the defendants violated their fiduciary duties by prioritizing ESG factors over investment performance in the American Airlines 401(k) Plan.

Defined Contribution Marketplace Update (continued)

→ In May, the Retirement Clearinghouse notified more than 10,000 account holders of a data breach, stating their Social Security Numbers had been compromised.

- Retirement Clearinghouse provides retirement account portability services and is part of the Portability Services Network, a group that provides automatic account portability for 401(k)s and other types of retirement plans. (investmentnews.com)

→ Vanguard released their 2023 How America Saves Report reflecting 2022 plan-year data of approximately 1,700 qualified defined-contribution plans covering nearly 5 million participants which Vanguard directly provides recordkeeping services. Notable findings include:

- 58% of plans have adopted auto-enroll with two-thirds of these plans also having automatic annual deferral increases.
  - 59% of plans had a default rate of 4% or higher, compared with 35% of plans in 2013.
- 98% of plans with auto-enroll use a suite of target date funds as the qualified default investment alternative ("QDIA").
- 83% of participants use target date funds, with 71% of them invested solely in one target date fund.
- The Average Deferral Rate was 7.4%, up modestly from 7.0% in 2013.
- 80% of plans offered a Roth feature, up from 68% in 2017.
- 20% of plans offer a self-directed brokerage window with only 1% of participants in these plans using the feature.
- 41% of plans offer a managed account program, but only 7% of participants are using this feature when offered.
  - For participants using managed accounts, the average account balance was $158,321 with the median account balance being $72,509.
- 15% of plans offer socially responsible funds, up from 10% in 2018.

Executive Summary

→ The value of the 401(k) Plan increased by $2.1 million during the second quarter of 2023, ending at $42.9 million on June 30, 2023.

Quarter	Market Value ($mm)
2023Q2	$42.9
2023Q1	$40.8
2022Q4	$38.8
2022Q3	$36.3
2022Q2	$37.7
2022Q1	$43.0

→ All managers except for Vanguard TIPS, Vanguard Total Bonds and Baird produced positive returns for the quarter. Cooling inflation has allowed stocks to rally, as all equity funds have produced a positive one-year trailing return.

→ All managers have produced positive gains over the 5-year period. Over the trailing ten years, all managers have produced positive returns.

→ The Guaranteed Income Fund was the largest single investment and represented 20.5% of the Plan's assets as of June 30. As a group, the Target Date funds accounted for 34.6% of the Plan assets.

→ Touchstone, Goldman Sachs and Artisan Mid Cap are the only investment options with net expense ratios slightly higher than their respective peer group average.

Aggregate Performance and Fees
As of June 30, 2023

Asset Class	% of 401(k)	Average Investment Return 1YR (%)	Benchmark Return 1YR (%)	Average Plan Investment Management Fee (%)	Average Universe Investment Management Fee[1] (%)
Large Cap U.S. Equity	22	19.2	19.6 (S&P 500)	0.35	0.72
Small/MidCap U.S. Equity	13	13.6	13.6 (Russell 2500)	0.57	0.90
Global ex US Equity	1	14.1	12.7 (ACWI ex US)	0.29	0.85
International Developed Equity	3	15.3	10.2 (MSCI EAFE Small Cap)	0.44	1.03
Emerging Market Equity	0	1.2	1.9 (Spliced EM Index)	0.14	1.01
Balanced Assets	35	11.4	10.6 (TDF Blended Benchmark[2])	0.08	0.43
High Yield Bonds	2	8.8	8.9 (Barclays HY)	0.63	0.69
Investment Grade Bonds	4	-0.7	-0.7 (Barclays Agg)	0.15	0.45
Real Estate	1	-3.9	-3.8 (MSCI US REIT)	0.12	0.87
Cash	21	2.1	3.6 (91 Day T-Bill)	0.00	0.20

→ The fees remain low, overall, relative to their respective peer groups.

→ Developed Equities, Balanced Assets, and Non-US Equity, outperformed their benchmarks on a one-year basis, while US Large Cap Equities, High Yield Bonds, EM Equities and REITS all underperformed their respective indexes.

[1] Based on applicable underlying Morningstar peer fee groups.

[2] Weighted Blend of Morningstar Mod Target Date Fund Indexes.

401(k) Plan Update
As of June 30, 2023

	1 Yr (%)	Index (%)	Excess Return (%)	Rank	3 Yrs (%)	Index (%)	Excess Return (%)	Rank	5 Yrs (%)	Index (%)	Excess Return (%)	Rank	Expense Ratio	Median Expense Ratio
Vanguard Target Retirement Income	4.5	*5.1*	-0.6	52	1.7	*3.0*	-1.3	53	3.4	*3.9*	-0.5	46	0.08%	0.41%
Vanguard Target Retirement 2020	6.6	*6.1*	0.5	59	3.8	*3.0*	0.8	66	4.6	*4.3*	0.3	52	0.08%	0.37%
Vanguard Target Retirement 2025	8.6	*7.0*	1.6	11	5.0	*3.6*	1.4	34	5.3	*4.6*	0.7	27	0.08%	0.39%
Vanguard Target Retirement 2030	9.9	*8.3*	1.6	16	6.0	*4.8*	1.2	51	5.8	*5.0*	0.8	33	0.08%	0.42%
Vanguard Target Retirement 2035	11.3	*10.2*	1.1	49	7.2	*6.5*	0.7	70	6.4	*5.6*	0.8	43	0.08%	0.42%
Vanguard Target Retirement 2040	12.6	*12.0*	0.6	62	8.4	*8.2*	0.2	72	6.9	*6.1*	0.8	44	0.08%	0.44%
Vanguard Target Retirement 2045	13.9	*13.2*	0.7	68	9.5	*9.2*	0.3	64	7.5	*6.5*	1.0	38	0.08%	0.44%
Vanguard Target Retirement 2050	14.6	*13.7*	0.9	58	9.7	*9.6*	0.1	63	7.6	*6.6*	1.0	32	0.08%	0.45%
Vanguard Target Retirement 2055	14.6	*13.7*	0.9	67	9.7	*9.6*	0.1	65	7.6	*6.5*	1.1	40	0.08%	0.45%
Vanguard Target Retirement 2060	14.6	*13.7*	0.9	69	9.8	*9.6*	0.2	73	7.6	*6.4*	1.2	43	0.08%	0.46%
Vanguard Target Retirement 2065	14.6	*13.7*	0.9	69	9.8	*9.6*	0.2	73	7.6	*6.4*	1.2	45	0.08%	0.46%
Vanguard Inflation Protected Securities	-1.8	*-1.4*	-0.4	71	-0.2	*-0.1*	-0.1	69	2.4	*2.5*	-0.1	53	0.10%	0.43%
Vanguard Total Bond Market Index	-0.9	*-0.8*	-0.1	58	-4.0	*-4.0*	0.0	74	0.8	*0.8*	0.0	58	0.05%	0.44%
Vanguard 500 Index	19.5	*19.6*	-0.1	37	14.6	*14.6*	0.0	32	12.3	*12.3*	0.0	22	0.04%	0.70%
Vanguard MidCap Index	13.7	*13.7*	0.0	62	12.0	*12.0*	0.0	53	8.6	*8.6*	0.0	37	0.05%	0.84%
Vanguard Small Cap Index	14.9	*14.8*	0.1	38	12.5	*12.5*	0.0	54	6.6	*6.6*	0.0	37	0.05%	0.94%
Vanguard Emerging Markets Stock Index	1.2	*1.9*	-0.7	82	3.4	*4.1*	-0.7	43	2.1	*2.5*	-0.4	42	0.14%	1.01%
Vanguard Total International Stock Index	12.3	*12.9*	-0.6	85	7.5	*7.9*	-0.4	62	3.7	*4.0*	-0.3	59	0.11%	0.82%
Guaranteed Income Fund	2.1	*3.6*	-1.5	99	2.0	*1.3*	0.7	1	2.2	*1.5*	0.7	1		0.20%
Baird Core Bond Plus	0.5	*0.0*	0.5	33	-3.1	*-3.4*	0.3	54	1.4	*1.0*	0.4	23	0.30%	0.49%
Vanguard Equity Income	8.9	*11.5*	-2.6	75	14.7	*14.3*	0.4	58	9.4	*8.1*	1.3	26	0.19%	0.71%
Touchstone Sands Institutional Growth	29.1	*27.1*	2.0	16	-1.8	*13.7*	-15.5	95	6.3	*15.1*	-8.8	96	0.82%	0.75%
Victory Sycamore MidCap Value	13.7	*10.5*	3.2	36	19.4	*15.0*	4.4	19	10.6	*6.8*	3.8	3	0.54%	0.83%
Artisan MidCap	13.4	*23.1*	-9.7	84	2.5	*7.6*	-5.1	85	10.1	*9.7*	0.4	26	0.96%	0.85%
Goldman Sachs Small Cap Value	5.1	*6.0*	-0.9	95	14.0	*15.4*	-1.4	96	3.1	*3.5*	-0.4	94	0.96%	0.95%
Principal Small Cap Growth	16.9	*18.5*	-1.6	35	5.8	*6.1*	-0.3	61	6.9	*4.2*	2.7	46	0.86%	0.96%
Capital Research & Mgmt American Funds EuroPacific Growth	15.8	*13.3*	2.5	55	5.5	*4.0*	1.5	43	4.3	*4.1*	0.2	58	0.47%	0.87%
DFA International Small Cap Value	15.3	*11.8*	3.5	42	12.7	*3.7*	9.0	59	2.2	*0.5*	1.7	86	0.44%	1.03%
Columbia High Yield Bond	8.8	*8.9*	-0.1	41	2.9	*3.2*	-0.3	60	3.6	*3.2*	0.4	21	0.63%	0.69%
Vanguard REIT Index	-3.9	*-3.8*	-0.1	70	5.9	*6.0*	-0.1	83	4.4	*4.5*	-0.1	71	0.12%	0.87%

Used manager composite for trailing periods before client invested.
The Trustees voted to replace Goldman Sachs Small with Vaughn Nelson. The mapping will take place once the Prudential completes its transition to Empower.

Plan Summary

Asset Class Performance Summary

	Market Value 6/30/23 ($)	% of Portfolio	Market Value 3/31/23 ($)
Total Fund Aggregate	**42,874,044**	**100.0**	**40,753,863**
Tier I	**14,849,938**	**34.6**	**13,969,754**
Tier II	**8,820,200**	**20.6**	**8,013,102**
Tier III	**18,040,705**	**42.1**	**17,565,288**
Tier IV	**1,163,201**	**2.7**	**1,205,718**

Trailing Net Performance

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Total Fund Aggregate	**42,874,044**	**100.0**	--						
Tier I	**14,849,938**	**34.6**	**34.6**						
Vanguard Target Retirement Income	1,482,129	3.5	10.0	1.4	5.6	4.5	1.7	3.4	--
Morningstar Lifetime Mod Incm TR USD				*1.4*	*5.0*	*5.1*	*3.0*	*3.9*	*4.2*
Target Date Retirement Mstar MF Rank				*59*	*52*	*52*	*53*	*46*	--
Vanguard Target Retirement 2020	3,407,339	7.9	22.9	2.1	7.0	6.6	3.8	4.6	--
Morningstar Lifetime Mod 2020 TR USD				*1.8*	*6.2*	*6.1*	*3.0*	*4.3*	*5.4*
Target Date 2020 Mstar MF Rank				*27*	*37*	*59*	*66*	*52*	--
Vanguard Target Retirement 2025	401,179	0.9	2.7	3.0	8.5	8.6	5.0	5.3	--
Morningstar Lifetime Mod 2025 TR USD				*2.1*	*6.8*	*7.0*	*3.6*	*4.6*	*5.9*
Target Date 2025 Mstar MF Rank				*9*	*8*	*11*	*34*	*27*	--
Vanguard Target Retirement 2030	4,990,501	11.6	33.6	3.6	9.4	9.9	6.0	5.8	--
Morningstar Lifetime Mod 2030 TR USD				*2.5*	*7.5*	*8.3*	*4.8*	*5.0*	*6.6*
Target Date 2030 Mstar MF Rank				*10*	*12*	*16*	*51*	*33*	--
Vanguard Target Retirement 2035	374,921	0.9	2.5	4.1	10.3	11.3	7.2	6.4	--
Morningstar Lifetime Mod 2035 TR USD				*3.1*	*8.4*	*10.2*	*6.5*	*5.6*	*7.2*
Target Date 2035 Mstar MF Rank				*42*	*33*	*49*	*70*	*43*	--
Vanguard Target Retirement 2040	2,819,865	6.6	19.0	4.6	11.1	12.6	8.4	6.9	--
Morningstar Lifetime Mod 2040 TR USD				*3.7*	*9.2*	*12.0*	*8.2*	*6.1*	*7.7*
Target Date 2040 Mstar MF Rank				*63*	*59*	*62*	*72*	*44*	--

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Vanguard Target Retirement 2045	134,621	0.3	0.9	5.1	11.9	13.9	9.5	7.5	--
Morningstar Lifetime Mod 2045 TR USD				*4.1*	*9.8*	*13.2*	*9.2*	*6.5*	*7.9*
Target Date 2045 Mstar MF Rank				*61*	*50*	*68*	*64*	*38*	*--*
Vanguard Target Retirement 2050	791,053	1.8	5.3	5.4	12.4	14.6	9.7	7.6	--
Morningstar Lifetime Mod 2050 TR USD				*4.2*	*10.0*	*13.7*	*9.6*	*6.6*	*7.9*
Target Date 2050 Mstar MF Rank				*53*	*48*	*58*	*63*	*32*	*--*
Vanguard Target Retirement 2055	76,806	0.2	0.5	5.4	12.4	14.6	9.7	7.6	--
Morningstar Lifetime Mod 2055 TR USD				*4.2*	*10.0*	*13.7*	*9.6*	*6.5*	*7.9*
Target Date 2055 Mstar MF Rank				*53*	*56*	*67*	*65*	*40*	*--*
Vanguard Target Retirement 2060	339,697	0.8	2.3	5.4	12.4	14.6	9.8	7.6	--
Morningstar Lifetime Mod 2060 TR USD				*4.2*	*10.0*	*13.7*	*9.6*	*6.4*	*7.8*
Target Date 2060 Mstar MF Rank				*53*	*55*	*69*	*73*	*43*	*--*
Vanguard Target Retirement 2065	31,828	0.1	0.2	5.3	12.3	14.6	9.8	7.6	--
Morningstar Lifetime Mod 2060 TR USD				*4.2*	*10.0*	*13.7*	*9.6*	*6.4*	*7.8*
Target Date 2060 Mstar MF Rank				*56*	*56*	*69*	*73*	*45*	*--*

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Tier II	**8,820,200**	**20.6**	**20.6**						
Vanguard Inflation Protected Securities	65,351	0.2	0.7	-1.6	1.8	-1.8	-0.2	2.4	2.0
Bloomberg US TIPS TR				*-1.4*	*1.9*	*-1.4*	*-0.1*	*2.5*	*2.1*
Inflation-Protected Bond MStar MF Rank				*79*	*40*	*71*	*69*	*53*	*28*
Vanguard Total Bond Market Index	33,663	0.1	0.4	-0.9	2.2	-0.9	-4.0	0.8	1.5
Bloomberg US Aggregate Float Adjusted TR				*-0.9*	*2.1*	*-0.8*	*-4.0*	*0.8*	*1.5*
Intermediate Core Bond MStar MF Rank				*65*	*61*	*58*	*74*	*58*	*63*
Vanguard 500 Index	5,982,511	14.0	67.8	8.7	16.9	19.5	14.6	12.3	12.8
S&P 500				*8.7*	*16.9*	*19.6*	*14.6*	*12.3*	*12.9*
Large Cap MStar MF Rank				*34*	*34*	*37*	*32*	*22*	*27*
Vanguard MidCap Index	1,090,158	2.5	12.4	4.8	8.8	13.7	12.0	8.6	10.4
CRSP US Mid Cap TR USD				*4.8*	*8.8*	*13.7*	*12.0*	*8.6*	*10.5*
Mid Cap MStar MF Rank				*56*	*54*	*62*	*53*	*37*	*36*
Vanguard Small Cap Index	1,474,245	3.4	16.7	5.3	9.3	14.9	12.5	6.6	9.5
CRSP US Small Cap TR USD				*5.3*	*9.2*	*14.8*	*12.5*	*6.6*	*9.4*
Small Cap MStar MF Rank				*34*	*43*	*38*	*54*	*37*	*37*
Vanguard Emerging Markets Stock Index	123,592	0.3	1.4	1.1	4.7	1.2	3.4	2.1	3.2
Spliced Emerging Markets Index				*1.2*	*4.3*	*1.9*	*4.1*	*2.5*	*3.4*
Diversified Emerging Mkts MStar MF Rank				*68*	*83*	*82*	*43*	*42*	*48*
Vanguard Total International Stock Index	50,681	0.1	0.6	2.6	9.4	12.3	7.5	3.7	5.0
Spliced Total International Stock Index				*2.7*	*9.3*	*12.9*	*7.9*	*4.0*	*5.3*
Foreign Large Blend MStar MF Rank				*63*	*80*	*85*	*62*	*59*	*67*

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Tier III	**18,040,705**	**42.1**	**42.1**						
Guaranteed Income Fund	8,806,797	20.5	48.8	0.5	1.1	2.1	2.0	2.2	--
91 Day T-Bills				*1.2*	*2.3*	*3.6*	*1.3*	*1.5*	*0.9*
Prime Money Market Mstar MF Rank				*99*	*99*	*99*	*1*	*1*	*--*
Baird Core Bond Plus	1,465,271	3.4	8.1	-0.4	2.6	0.5	-3.1	1.4	2.3
Bloomberg US Universal TR				*-0.6*	*2.3*	*0.0*	*-3.4*	*1.0*	*1.8*
Intermediate Core Plus Bond MStar MF Rank				*28*	*53*	*33*	*54*	*23*	*23*
Vanguard Equity Income	466,148	1.1	2.6	3.1	0.9	8.9	14.7	9.4	10.3
Russell 1000 Value				*4.1*	*5.1*	*11.5*	*14.3*	*8.1*	*9.2*
Large Value MStar MF Rank				*69*	*88*	*75*	*58*	*26*	*20*
Touchstone Sands Institutional Growth	3,006,048	7.0	16.7	13.9	34.2	29.1	-1.8	6.3	11.0
Russell 1000 Growth				*12.8*	*29.0*	*27.1*	*13.7*	*15.1*	*15.7*
Large Growth MStar MF Rank				*19*	*11*	*16*	*95*	*96*	*90*
Victory Sycamore MidCap Value	309,776	0.7	1.7	2.2	4.0	13.7	19.4	10.6	12.2
Russell MidCap Value				*3.9*	*5.2*	*10.5*	*15.0*	*6.8*	*9.0*
Mid-Cap Value MStar MF Rank				*87*	*63*	*36*	*19*	*3*	*1*
Artisan MidCap	2,034,665	4.7	11.3	4.5	17.5	13.4	2.5	10.1	10.8
Russell MidCap Growth				*6.2*	*15.9*	*23.1*	*7.6*	*9.7*	*11.5*
Mid-Cap Growth MStar MF Rank				*78*	*23*	*84*	*85*	*26*	*59*

	Market Value ($)	% of Portfolio	% of Sector	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)
Goldman Sachs Small Cap Value	168,385	0.4	0.9	1.2	1.2	5.1	14.0	3.1	7.2
Russell 2000 Value				*3.2*	*2.5*	*6.0*	*15.4*	*3.5*	*7.3*
Small Value MStar MF Rank				*94*	*92*	*95*	*96*	*94*	*72*
Principal Small Cap Growth	292,319	0.7	1.6	6.3	13.3	16.9	5.8	6.9	10.5
Russell 2000 Growth				*7.1*	*13.6*	*18.5*	*6.1*	*4.2*	*8.8*
Small Growth MStar MF Rank				*29*	*36*	*35*	*61*	*46*	*31*
Capital Research & Mgmt American Funds EuroPacific Growth	293,167	0.7	1.6	2.2	12.2	15.8	5.5	4.3	6.3
MSCI ACWI ex USA Growth				*1.9*	*10.7*	*13.3*	*4.0*	*4.1*	*5.6*
Foreign Large Growth MStar MF Rank				*66*	*59*	*55*	*43*	*58*	*45*
DFA International Small Cap Value	1,198,130	2.8	6.6	0.9	7.5	15.3	12.7	2.2	6.1
MSCI World ex USA SMID Net USD				*0.9*	*8.5*	*11.8*	*3.7*	*0.5*	*4.7*
Foreign Small/Mid Value MStar MF Rank				*65*	*59*	*42*	*59*	*86*	*13*
Tier IV	**1,163,201**	**2.7**	**2.7**						
Columbia High Yield Bond	724,618	1.7	62.3	1.3	5.0	8.8	2.9	3.6	4.2
ICE BofA US High Yield Cash Pay Constrained TR				*1.6*	*5.3*	*8.9*	*3.2*	*3.2*	*4.3*
High Yield Bond MStar MF Rank				*69*	*51*	*41*	*60*	*21*	*34*
Vanguard REIT Index	438,584	1.0	37.7	1.6	3.5	-3.9	5.9	4.4	6.1
Vanguard REIT Benchmark				*1.7*	*3.5*	*-3.8*	*6.0*	*4.5*	*5.6*
Real Estate MStar MF Rank				*59*	*79*	*70*	*83*	*71*	*70*

Benchmark History

As of June 30, 2023

Vanguard Emerging Markets Stock Index		
9/19/2016	Present	FTSE Emerging Markets All Cap China A Inclusion Index

Vanguard REIT Index		
2/1/2018	Present	MSCI US Inv Mkt Real Estate 25-50 Transition GR USD
5/1/2009	1/31/2018	MSCI US REIT
1/1/1990	4/30/2009	98% MSCI US REIT / 2% 91 Day T-Bills

MEKETA

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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%.

5% (discount) / 5 (yrs. to maturity)	=	1% pro rata, plus 5.26% (current yield)	=	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.