



PUBLIC  
AGENCY  
RETIREMENT  
SERVICES

**PARS**

TRUSTED SOLUTIONS. LASTING RESULTS.

# FORT ORD REUSE AUTHORITY

PARS Pension Rate Stabilization Program (PRSP)

February 9, 2018

# PARS TRUST TEAM



## Trust Administrator & Consultant

- Recordkeeping/sub-trust accounting
- Actuarial coordination
- Monitor contributions/process disbursements
- Monitor plan compliance
- Ongoing client liaison

## Trustee

- Safeguard plan assets
- Oversight protection
- Plan fiduciary
- Custodian of assets

## Investment Manager

- Investment sub-advisor to U.S. Bank
- Open architecture
- Investment strategy and asset allocation development
- Investment policy assistance

## Corporate Experience

**34 years** (1984 – 2018)

**155 years** (1863 – 2018)

**99 years** (1919 – 2018)

## Plans Under Administration

1,600+ plans, 850+ public agencies, 400,000+ participants

## Dollars under Administration

Over \$2.6 billion

Over \$4 trillion

Over \$14.0 billion  
under management

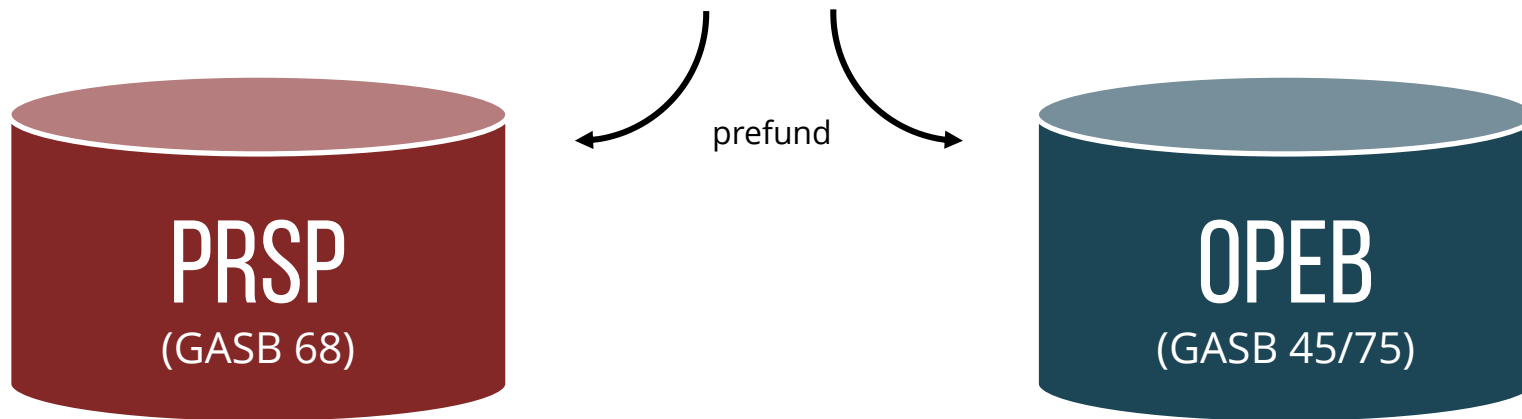
# SECTION 115 TRUST

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- Section 115 Trusts can be used by local governments to fund essential governmental functions (i.e., retiree healthcare, pension)
- Any income derived from a Section 115 Trust is tax exempt
- The PARS Trust received the first IRS Private Letter Ruling (PLR) in June 2015 to fund both OPEB and Pension Liabilities for a multiple-employer trust
- The PARS Trust is setup as a compliant, irrevocable Section 115 Trust to prefund employee benefit plan obligations
- Once contributions are placed into The PARS Trust, assets from the Trust can be used for specific benefit plan purposes including:
  - Reimbursing the Agency for retirement system contributions
  - Transferring assets directly to the retirement system
  - Paying plan expenses (actuarial valuation or audit)

# THE PARS SECTION 115 TRUST

## THE PARS IRS-APPROVED COMBINATION 115 TRUST



- Multiple employer trust structure brings investment and administration economies of scale with no risk sharing
- Pension and OPEB assets are segregated through sub-accounting
- PRSP can also subaccount by CalPERS Plan
- Address liabilities for Pension (GASB 68) and/or OPEB (GASB 45/75)
- Can choose different investment risk tolerance levels for each sub-account
- Lower fees due to aggregation of assets (Pension and OPEB) on tiered fee schedule

# WHY PREFUND PENSION OBLIGATIONS?

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1

## Complete Local Control over Assets

Pension Rate Stabilization Program provides an alternative to sending money directly to retirement system to address unfunded pension liabilities

2

## Pension Rate Stabilization

Assets can be transferred to retirement system plan at the Agency's direction, which can reduce or eliminate large fluctuations in Employer contributions to retirement system

3

## Rainy Day Fund

Emergency source of funds when Employer revenues are impaired based on economic or other conditions

4

## Diversified Investing

Potential for Greater Return than General Fund



# PENSION FUNDING STATUS

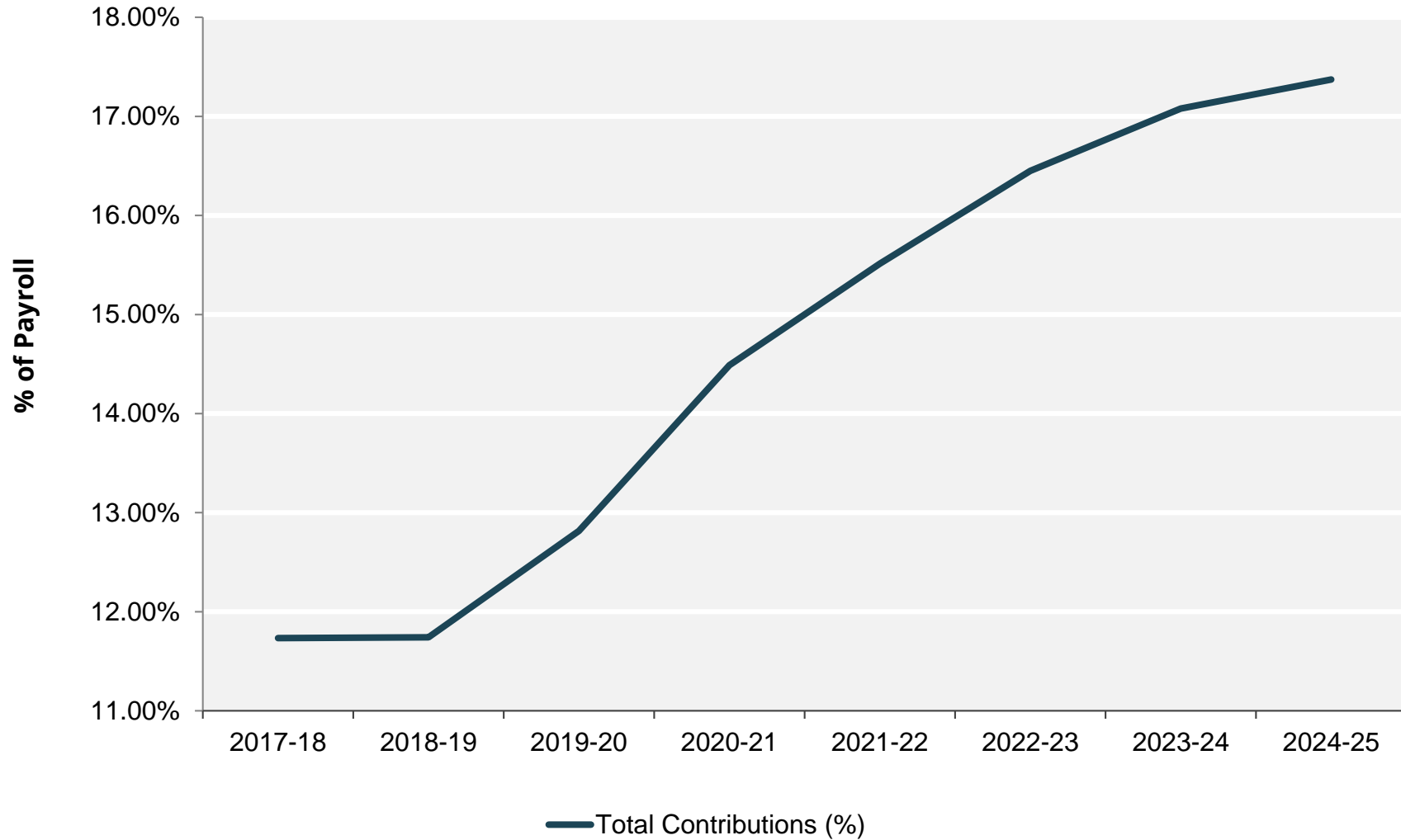
As of June 30, 2016, Fort Ord Reuse Authority's CalPERS pension plan is funded as follows\*:

|   |                      |
|---|----------------------|
| <b>Actuarial Liability</b>                        | <b>\$8.0 M</b>       |
| Assets  | \$6.5 M              |
| Unfunded Liability                                | \$1.6 M              |
| Funded Ratio                                      | 80.4%                |
| Employer Contribution Amount (FY 17-18)           | \$186,200            |
| Projected Employer Contribution Amount (FY 24-25) | \$382,120 (105.2% ↑) |

\* Data from Agency's 2016-17 CalPERS actuarial valuation

# PROJECTED EMPLOYER CONTRIBUTIONS (MISC.)

Projected misc. contributions increase from \$186,200 to \$382,120\* (105.2% ↑)



\* Data from Agency's 2016-17 CalPERS actuarial valuation

# INVESTMENT FLEXIBILITY

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- Agency maintains oversight of the investment manager and the portfolio's risk tolerance level
- Investment restrictions that apply to the general fund (CA Government Code 53601) are not applicable to assets held in The PARS Section 115 Irrevocable Trust
- Assets held in the Trust can be diversified unlike assets held within the general fund
- Assets held in The PARS Section 115 Irrevocable Trust can be invested per Government Code Section 53216 and 53620
- Investments can be diversified and invested in a prudent fashion
- Investments can be tailored to the Agency's unique demographics and needs
- Increased risk diversification



# ABOUT HIGHMARK CAPITAL MANAGEMENT, INC.

## LONGEVITY

Managing assets for clients since **1919\***

## TALENT

- 52** investment professionals
- 31** professionals hold the Chartered Financial Analyst® (CFA) designation
- 23** years average industry experience

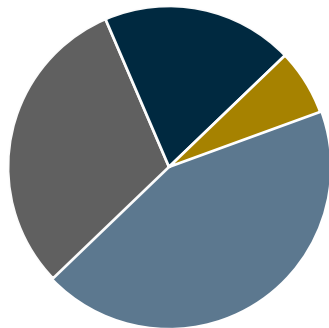
## STABILITY

Investment boutique structure headquartered in San Francisco backed by **global strength** within MUFG Union Bank, N.A. and Mitsubishi UFJ Financial Group

## ASSETS UNDER MANAGEMENT

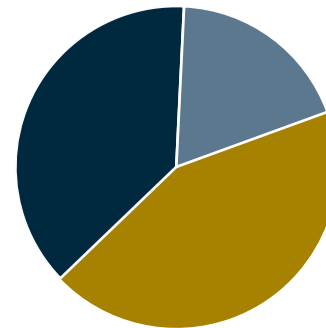
\$16.6 billion as of 9/30/2017

Asset Class



- Equity \$7.2 billion
- Fixed Income \$5.1 billion
- Liquidity \$3.2 billion
- Cash \$1.1 billion

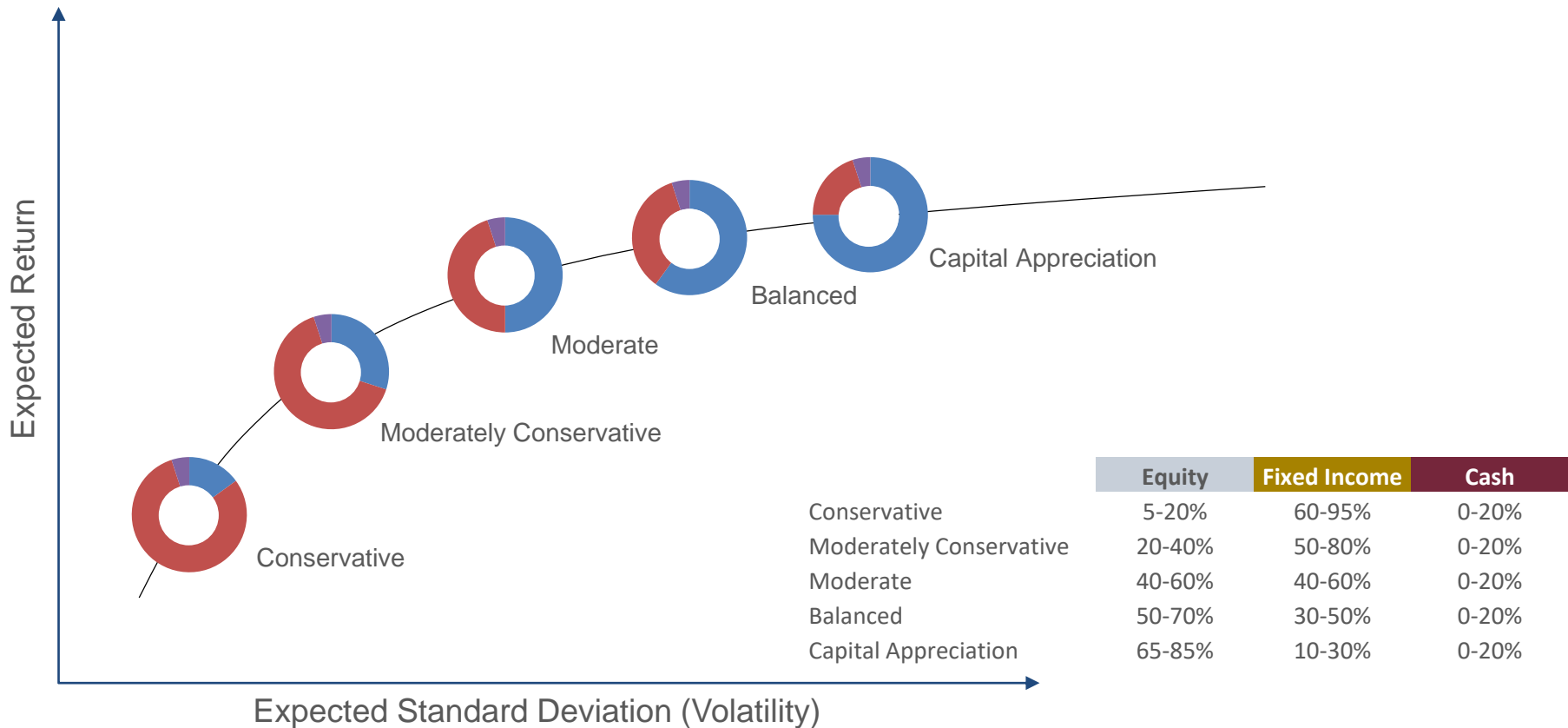
Client Base



- Institutional \$7.2 billion
- Wealth Mgmt \$6.3 billion
- Sub-Advised \$3.1 billion

# ESTABLISH: DETERMINE YOUR STRATEGIC ASSET ALLOCATION STRATEGY

Efficient frontier of portfolios with varying ranges of equities and fixed income



Each Investment Objective reflects the associated PARS Diversified Portfolio as of 9/30/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment.

# HIGHMARK CAPITAL MANAGEMENT RETURNS

RETURNS AS OF DECEMBER 31, 2017

|                                | Equity (%) | 1 Year | 3 Years | 5 Years |
|--------------------------------|------------|--------|---------|---------|
| <b>Capital Appreciation</b>    | 65-85%     | 16.72% | 8.20%   | 10.08%  |
| <b>Balanced</b>                | 50-70%     | 15.46% | 7.25%   | 8.54%   |
| <b>Moderate</b>                | 40-60%     | 13.19% | 6.46%   | 7.42%   |
| <b>Moderately Conservative</b> | 20-40%     | 9.56%  | 4.87%   | 5.26%   |
| <b>Conservative</b>            | 5-20%      | 6.73%  | 3.70%   | 3.73%   |

*\* Past performance does not guarantee future results*

# CONSTRUCT YOUR PLAN'S PORTFOLIO: PARS DIVERSIFIED PORTFOLIOS

## – ACTIVE V. PASSIVE

|                                 | HighMark Plus (Active) |  | Index Plus (Passive) |   |
|---------------------------------|------------------------|--|----------------------|---|
| Equity                          | Ticker                 | Fund Name  | Ticker               | Fund Name   |
| Large Cap Blend                 | SMGIX                  | Columbia Contrarian Core I                           | IVV                  | iShares Core S&P 500  |
| Large Cap Blend                 | VGIAX                  | Vanguard Growth & Income Adm                         |                      |   |
| Large Cap Value                 | DODGX                  | Dodge & Cox Stock                                    | IVE                  | iShares S&P 500 Value   |
| Large Cap Growth                | HNACX                  | Harbor Capital Appreciation Ret                      | IVW                  | iShares S&P 500 Growth  |
| Large Cap Growth                | PRUFX                  | T. Rowe Price Growth Stock I                         |                      |   |
| Mid Cap Blend                   | IWR                    | iShares Russell Mid-Cap                              | IWR                  | iShares Russell Mid-Cap   |
| Real Estate                     | VNQ                    | Vanguard REIT ETF                                    | VNQ                  | Vanguard REIT ETF   |
| Small Cap Value                 | UBVLX                  | Undiscovered Managers Behavioral Val L               | IWN                  | iShares Russell 2000 Value  |
| Small Cap Growth                | PRJIX                  | T. Rowe Price New Horizons I                         | IWO                  | iShares Russell 2000 Growth   |
| International                   | NWHMX                  | Nationwide Bailard Intl Eqs Instl                    |                      |   |
| International                   | DODFX                  | Dodge & Cox International Stock                      |                      |   |
| International                   | MGRDX                  | MFS International Growth R6                          | EFA                  | iShares MSCI EAFE   |
| Emerging Markets                | HHHYX                  | Hartford Schroders Emerging Mkts Eq Y                | VWO                  | Vanguard FTSE Emerging Markets ETF  |
| Fixed Income                    | Ticker                 | Fund Name  | Ticker               | Fund Name   |
| Short Term Bond                 | VFSUX                  | Vanguard Short-Term Investment-Grade Adm             | VFSUX                | Vanguard Short-Term Investment-Grade Adm  |
| Intermediate Term Bond          | PTTRX                  | PIMCO Total Return Instl                             | AGG                  | iShares Core US Aggregate Bond  |
| Intermediate Term Bond          | PTRQX                  | Prudential Total Return Bond Q                       |                      |   |
| Intermediate Term Bond          | NWJJX                  | Nationwide Loomis Bond InSvc                         |                      |   |
| Floating Rate Note              | EIFHX                  | Eaton Vance Floating-Rate & Hi Inc Inst              | BKLN                 | PowerShares Senior Loan ETF   |
| Cash                            |                        |  |                      |   |
| Characteristics                 |                        |  |                      |   |
| Fund Manager Dependency         |                        | Higher dependency on portfolio manager skill         |                      | Tracks index, thus little-to-no dependency on portfolio manager skill                                     |
| Opportunity to Outperform Index |                        | Opportunity to outperform index                      |                      | Typically performs below index after fees   |
| Costs                           |                        | Higher expense ratios due to portfolio manager skill |                      | Lower expense ratio due to little dependency on portfolio manager skill or opportunity for outperformance |

Each Investment Objective reflects the associated PARS Diversified Portfolio as of 11/30/2017. A client's portfolio construction may vary depending on the client's investment needs, objectives, and restrictions as well as the prevailing market conditions at the time of investment. Specific securities identified above do not represent all of the securities held in the portfolio and are not recommended for advisory clients, and you should not assume that investments in the securities identified in this presentation were or will be profitable.

# PROGRAM FEES

## Trust Administration/Consulting Fees



### Plan Set-Up Fee:

None

### Ongoing Fees:

|       |                              |
|-------|------------------------------|
| 0.25% | for assets \$0-10 million    |
| 0.20% | for assets \$10-15 million   |
| 0.15% | for assets \$15-50 million   |
| 0.10% | for assets over \$50 million |

## Discretionary Trustee/Investment Management Fees\*



### Plan Set-Up Fee:

None

### Ongoing Fees:

|       |                              |
|-------|------------------------------|
| 0.35% | for assets under \$5 million |
| 0.25% | for assets \$5-10 million    |
| 0.20% | for assets \$10-15 million   |
| 0.15% | for assets \$15-50 million   |
| 0.10% | for assets over \$50 million |

# CONTACTS

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## RACHAEL SANDERS

Manager, Retirement Plans



[rsanders@pars.org](mailto:rsanders@pars.org)



(800) 540-6369 ext. 121



**4350 Von Karman Avenue, Suite 100  
Newport Beach, CA 92660**



T: (800) 540-6369



F: (800) 660-8057

## PARS DIVERSIFIED PORTFOLIOS CONSERVATIVE

Q4 2017

### WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

#### Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

#### Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

#### Flexible Investment Options

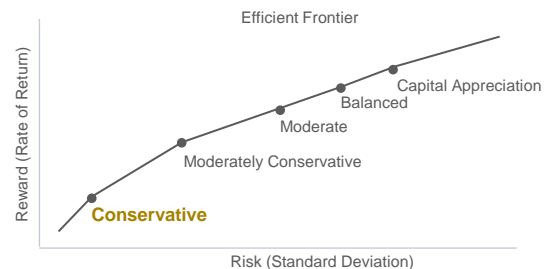
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

#### Risk Management

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

### INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



### ASSET ALLOCATION — CONSERVATIVE PORTFOLIO

|              | Strategic Range | Policy | Tactical |
|--------------|-----------------|--------|----------|
| Equity       | 5 – 20%         | 15%    | 15%      |
| Fixed Income | 60 – 95%        | 80%    | 79%      |
| Cash         | 0 – 20%         | 5%     | 6%       |

### ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

#### HighMark Plus (Active)

|                     |       |
|---------------------|-------|
| Current Quarter*    | 1.17% |
| Blended Benchmark** | 1.00% |
| Year To Date        | 6.73% |
| Blended Benchmark   | 5.24% |
| 1 Year              | 6.73% |
| Blended Benchmark   | 5.24% |
| 3 Year              | 3.70% |
| Blended Benchmark   | 3.13% |
| 5 Year              | 3.73% |
| Blended Benchmark   | 3.46% |
| 10 Year             | 4.28% |
| Blended Benchmark   | 3.74% |

#### Index Plus (Passive)

|                     |       |
|---------------------|-------|
| Current Quarter*    | 1.08% |
| Blended Benchmark** | 1.00% |
| Year To Date        | 5.52% |
| Blended Benchmark   | 5.24% |
| 1 Year              | 5.52% |
| Blended Benchmark   | 5.24% |
| 3 Year              | 3.09% |
| Blended Benchmark   | 3.13% |
| 5 Year              | 3.39% |
| Blended Benchmark   | 3.46% |
| 10 Year             | 3.75% |
| Blended Benchmark   | 3.74% |

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Gov't, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp./Gov't, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

### ANNUAL RETURNS

#### HighMark Plus (Active)

|      |        |
|------|--------|
| 2008 | -9.04% |
| 2009 | 15.59% |
| 2010 | 8.68%  |
| 2011 | 2.19%  |
| 2012 | 8.45%  |
| 2013 | 3.69%  |
| 2014 | 3.88%  |
| 2015 | 0.29%  |
| 2016 | 4.18%  |
| 2017 | 6.73%  |

#### Index Plus (Passive)

|      |        |
|------|--------|
| 2008 | -6.70% |
| 2009 | 10.49% |
| 2010 | 7.67%  |
| 2011 | 3.70%  |
| 2012 | 6.22%  |
| 2013 | 3.40%  |
| 2014 | 4.32%  |
| 2015 | 0.06%  |
| 2016 | 3.75%  |
| 2017 | 5.52%  |

### PORTFOLIO FACTS

#### HighMark Plus (Active)

|                          |         |
|--------------------------|---------|
| Inception Date           | 07/2004 |
| No of Funds in Portfolio | 19      |

#### Index Plus (Passive)

|                          |         |
|--------------------------|---------|
| Inception Date           | 07/2004 |
| No of Funds in Portfolio | 13      |

## HOLDINGS

### HighMark Plus (Active)

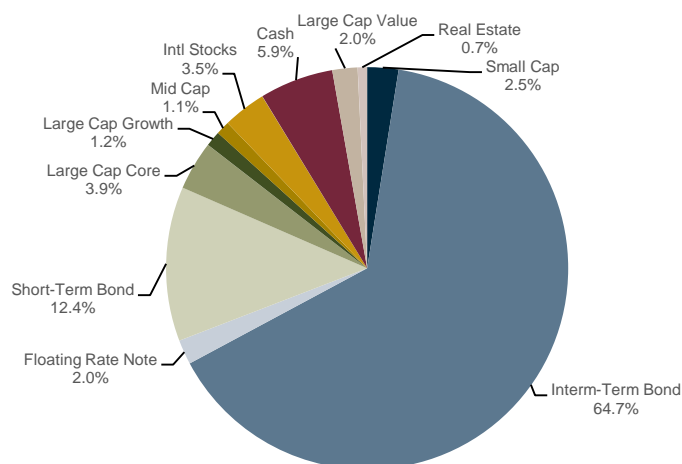
Columbia Contrarian Core Z  
Vanguard Growth & Income Adm  
Dodge & Cox Stock Fund  
Harbor Capital Appreciation  
T. Rowe Price Growth Stock  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
Undiscovered Managers Behavioral Value  
T. Rowe Price New Horizons  
Nationwide Bailard International Equities  
Dodge & Cox International Stock  
MFS International Growth I  
Hartford Schroders Emerging Markets Eq  
Vanguard Short-Term Invest-Grade Adm  
PIMCO Total Return  
Prudential Total Return  
Nationwide Loomis Bond  
Eaton Vance Floating Rate & High Income  
First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
iShares S&P 500/Value  
iShares S&P 500/Growth  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
iShares Russell 2000 Value  
iShares Russell 2000 Growth  
iShares MSCI EAFE  
Vanguard FTSE Emerging Markets ETF  
Vanguard Short-Term Invest-Grade Adm  
iShares Core U.S. Aggregate  
PowerShares Senior Loan  
First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFG Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFG Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

[www.highmarkcapital.com](http://www.highmarkcapital.com)

### ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

### ABOUT THE PORTFOLIO MANAGEMENT TEAM

#### Andrew Brown, CFA®

Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California; BA, University of Southern California

#### Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

#### J. Keith Stribling, CFA®

Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

#### Christiane Tsuda

Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

#### Anne Wimmer, CFA®

Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

#### Randy Yurchak, CFA®

Senior Portfolio Manager  
Investment Experience: since 2002  
HighMark Tenure: since 2017  
Education: MBA, Arizona State University; BS, University of Washington

#### Asset Allocation Committee

Number of Members: 16  
Average Years of Experience: 26  
Average Tenure (Years): 13

#### Manager Review Group

Number of Members: 7  
Average Years of Experience: 20  
Average Tenure (Years): 7



**PARS DIVERSIFIED PORTFOLIOS**  
**MODERATELY CONSERVATIVE**

Q4 2017

**WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

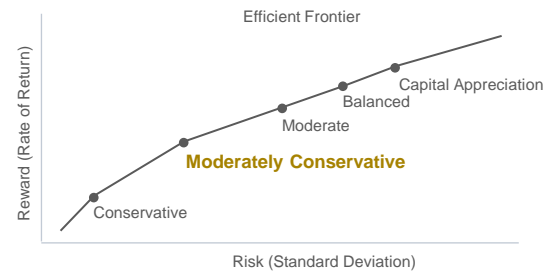
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



**ASSET ALLOCATION — MODERATELY CONSERVATIVE PORTFOLIO**

|              | Strategic Range | Policy | Tactical |
|--------------|-----------------|--------|----------|
| Equity       | 20 - 40%        | 30%    | 30%      |
| Fixed Income | 50 - 80%        | 65%    | 67%      |
| Cash         | 0 - 20%         | 5%     | 3%       |

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

| HighMark Plus (Active) |       | Index Plus (Passive) |       |
|------------------------|-------|----------------------|-------|
| Current Quarter*       | 1.94% | Current Quarter*     | 1.83% |
| Blended Benchmark**    | 1.87% | Blended Benchmark**  | 1.87% |
| Year To Date           | 9.56% | Year To Date         | 8.08% |
| Blended Benchmark      | 8.11% | Blended Benchmark    | 8.11% |
| 1 Year                 | 9.56% | 1 Year               | 8.08% |
| Blended Benchmark      | 8.11% | Blended Benchmark    | 8.11% |
| 3 Year                 | 4.87% | 3 Year               | 4.38% |
| Blended Benchmark      | 4.51% | Blended Benchmark    | 4.51% |
| 5 Year                 | 5.26% | 5 Year               | 5.06% |
| Blended Benchmark      | 5.31% | Blended Benchmark    | 5.31% |
| 10 Year                | 4.93% | 10 Year              | 4.40% |
| Blended Benchmark      | 4.63% | Blended Benchmark    | 4.63% |

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM FREE, 4% MSCI EAFE, 49.25% BC US Agg, 14% ML 1-3 Yr US Corp/Gov't, 1.75% US High Yield Master II, 1% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE, 25% ML 1-3 Year Corp./Govt, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 30% S&P 500, 25% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

| HighMark Plus (Active) |         | Index Plus (Passive) |         |
|------------------------|---------|----------------------|---------|
| 2008                   | -15.37% | 2008                 | -12.40% |
| 2009                   | 18.71%  | 2009                 | 11.92%  |
| 2010                   | 10.46%  | 2010                 | 9.72%   |
| 2011                   | 1.75%   | 2011                 | 3.24%   |
| 2012                   | 10.88%  | 2012                 | 8.24%   |
| 2013                   | 7.30%   | 2013                 | 6.78%   |
| 2014                   | 4.41%   | 2014                 | 5.40%   |
| 2015                   | 0.32%   | 2015                 | -0.18%  |
| 2016                   | 4.93%   | 2016                 | 5.42%   |
| 2017                   | 9.56%   | 2017                 | 8.08%   |

**PORTFOLIO FACTS**

| HighMark Plus (Active)   |         | Index Plus (Passive)     |         |
|--------------------------|---------|--------------------------|---------|
| Inception Date           | 08/2004 | Inception Date           | 05/2005 |
| No of Funds in Portfolio | 19      | No of Funds in Portfolio | 13      |

## HOLDINGS

### HighMark Plus (Active)

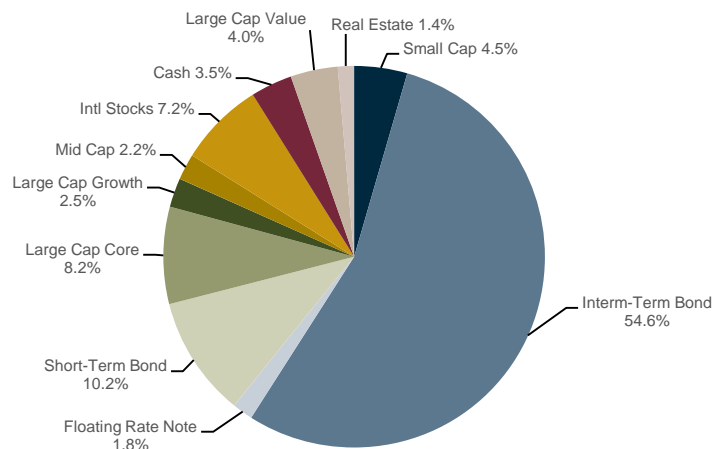
Columbia Contrarian Core Z  
Vanguard Growth & Income Adm  
Dodge & Cox Stock Fund  
Harbor Capital Appreciation  
T. Rowe Price Growth Stock  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
Undiscovered Managers Behavioral Value  
T. Rowe Price New Horizons  
Nationwide Baidard International Equities  
Dodge & Cox International Stock  
MFS International Growth I  
Hartford Schroders Emerging Markets Eq  
Vanguard Short-Term Invest-Grade Adm  
PIMCO Total Return  
Prudential Total Return  
Nationwide Loomis Bond  
Eaton Vance Floating Rate & High Income  
First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
iShares S&P 500/Value  
iShares S&P 500/Growth  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
iShares Russell 2000 Value  
iShares Russell 2000 Growth  
iShares MSCI EAFE  
Vanguard FTSE Emerging Markets ETF  
Vanguard Short-Term Invest-Grade Adm  
iShares Core U.S. Aggregate  
PowerShares Senior Loan  
First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of MUFJ Union Bank, N.A. (MUB). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds, and collective investment funds. MUB, a subsidiary of MUFJ Americas Holdings Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**

## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
Suite 1600  
San Francisco, CA 94104  
800-582-4734

[www.highmarkcapital.com](http://www.highmarkcapital.com)

### ABOUT THE ADVISER

HighMark® Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.0 billion in assets under management. HighMark has a long term disciplined approach to money management and currently manages assets for a wide array of clients.

### ABOUT THE PORTFOLIO MANAGEMENT TEAM

#### Andrew Brown, CFA®

Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California; BA, University of Southern California

#### Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager  
Investment Experience: since 2004  
HighMark Tenure: since 2014  
Education: BA, Colgate University

#### J. Keith Stribling, CFA®

Senior Portfolio Manager  
Investment Experience: since 1985  
HighMark Tenure: since 1995  
Education: BA, Stetson University

#### Christiane Tsuda

Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2010  
Education: BA, International Christian University, Tokyo

#### Anne Wimmer, CFA®

Senior Portfolio Manager  
Investment Experience: since 1987  
HighMark Tenure: since 2007  
Education: BA, University of California, Santa Barbara

#### Randy Yurchak, CFA®

Senior Portfolio Manager  
Investment Experience: since 2002  
HighMark Tenure: since 2017  
Education: MBA, Arizona State University; BS, University of Washington

#### Asset Allocation Committee

Number of Members: 16  
Average Years of Experience: 26  
Average Tenure (Years): 13

#### Manager Review Group

Number of Members: 7  
Average Years of Experience: 20  
Average Tenure (Years): 7

**PARS DIVERSIFIED PORTFOLIOS**  
**MODERATE**

Q4 2017

**WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

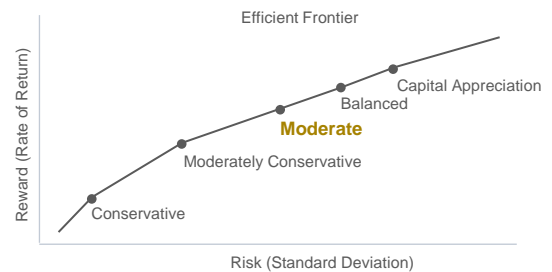
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



**ASSET ALLOCATION — MODERATE PORTFOLIO**

|              | Strategic Range | Policy | Tactical |
|--------------|-----------------|--------|----------|
| Equity       | 40 - 60%        | 50%    | 50%      |
| Fixed Income | 40 - 60%        | 45%    | 47%      |
| Cash         | 0 - 20%         | 5%     | 3%       |

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

| HighMark Plus (Active) |        | Index Plus (Passive) |        |
|------------------------|--------|----------------------|--------|
| Current Quarter*       | 2.97%  | Current Quarter*     | 2.86%  |
| Blended Benchmark**    | 2.95%  | Blended Benchmark**  | 2.95%  |
| Year To Date           | 13.19% | Year To Date         | 11.59% |
| Blended Benchmark      | 11.65% | Blended Benchmark    | 11.65% |
| 1 Year                 | 13.19% | 1 Year               | 11.59% |
| Blended Benchmark      | 11.65% | Blended Benchmark    | 11.65% |
| 3 Year                 | 6.46%  | 3 Year               | 5.98%  |
| Blended Benchmark      | 6.20%  | Blended Benchmark    | 6.20%  |
| 5 Year                 | 7.42%  | 5 Year               | 7.26%  |
| Blended Benchmark      | 7.69%  | Blended Benchmark    | 7.69%  |
| 10 Year                | 5.45%  | 10 Year              | 5.51%  |
| Blended Benchmark      | 5.56%  | Blended Benchmark    | 5.56%  |

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

| HighMark Plus (Active) |         | Index Plus (Passive) |         |
|------------------------|---------|----------------------|---------|
| 2008                   | -22.88% | 2008                 | -18.14% |
| 2009                   | 21.47%  | 2009                 | 16.05%  |
| 2010                   | 12.42%  | 2010                 | 11.77%  |
| 2011                   | 0.55%   | 2011                 | 2.29%   |
| 2012                   | 12.25%  | 2012                 | 10.91%  |
| 2013                   | 13.06%  | 2013                 | 12.79%  |
| 2014                   | 4.84%   | 2014                 | 5.72%   |
| 2015                   | 0.14%   | 2015                 | -0.52%  |
| 2016                   | 6.44%   | 2016                 | 7.23%   |
| 2017                   | 13.19%  | 2017                 | 11.59%  |

**PORTFOLIO FACTS**

| HighMark Plus (Active)   |         | Index Plus (Passive)     |         |
|--------------------------|---------|--------------------------|---------|
| Inception Date           | 10/2004 | Inception Date           | 05/2006 |
| No of Funds in Portfolio | 19      | No of Funds in Portfolio | 13      |

## HOLDINGS

### HighMark Plus (Active)

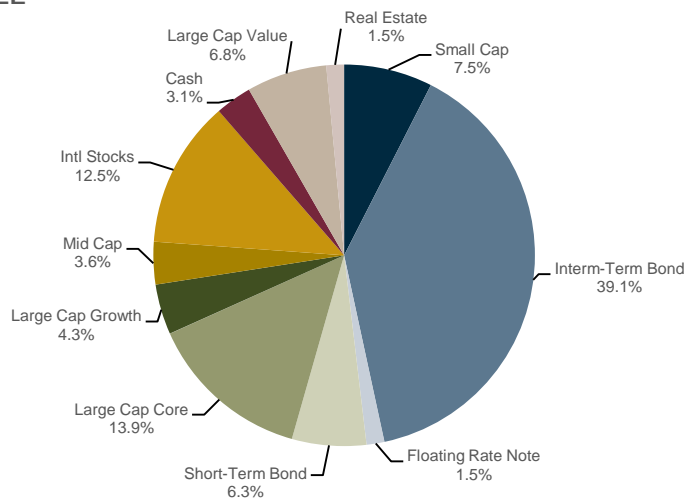
Columbia Contrarian Core Z  
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Dodge & Cox Stock Fund  
Harbor Capital Appreciation  
T. Rowe Price Growth Stock  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
Undiscovered Managers Behavioral Value  
T. Rowe Price New Horizons  
Nationwide Bailard International Equities  
Dodge & Cox International Stock  
MFS International Growth I  
Hartford Schroders Emerging Markets Eq  
Vanguard Short-Term Invest-Grade Adm  
PIMCO Total Return  
Prudential Total Return  
Nationwide Loomis Bond  
Eaton Vance Floating Rate & High Income  
First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
iShares S&P 500/Value  
iShares S&P 500/Growth  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
iShares Russell 2000 Value  
iShares Russell 2000 Growth  
iShares MSCI EAFE  
Vanguard FTSE Emerging Markets ETF  
Vanguard Short-Term Invest-Grade Adm  
iShares Core U.S. Aggregate  
PowerShares Senior Loan  
First American Government Obligations Z

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## STYLE



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Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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## HIGHMARK CAPITAL MANAGEMENT

350 California Street  
Suite 1600  
San Francisco, CA 94104  
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[www.highmarkcapital.com](http://www.highmarkcapital.com)

### ABOUT THE ADVISER

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### ABOUT THE PORTFOLIO MANAGEMENT TEAM

#### Andrew Brown, CFA®

Senior Portfolio Manager

Investment Experience: since 1994

HighMark Tenure: since 1997

Education: MBA, University of Southern California; BA, University of Southern California

#### Salvatore "Tory" Milazzo III, CFA®

Senior Portfolio Manager

Investment Experience: since 2004

HighMark Tenure: since 2014

Education: BA, Colgate University

#### J. Keith Stribling, CFA®

Senior Portfolio Manager

Investment Experience: since 1985

HighMark Tenure: since 1995

Education: BA, Stetson University

#### Christiane Tsuda

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2010

Education: BA, International Christian University, Tokyo

#### Anne Wimmer, CFA®

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2007

Education: BA, University of California, Santa Barbara

#### Randy Yurchak, CFA®

Senior Portfolio Manager

Investment Experience: since 2002

HighMark Tenure: since 2017

Education: MBA, Arizona State University;

BS, University of Washington

#### Asset Allocation Committee

Number of Members: 16

Average Years of Experience: 26

Average Tenure (Years): 13

#### Manager Review Group

Number of Members: 7

Average Years of Experience: 20

Average Tenure (Years): 7

**PARS DIVERSIFIED PORTFOLIOS**  
**BALANCED**

Q4 2017

**WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

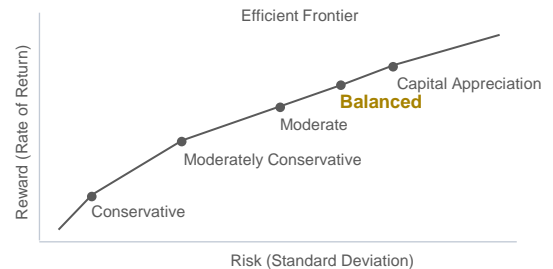
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



**ASSET ALLOCATION — BALANCED PORTFOLIO**

|              | Strategic Range | Policy | Tactical |
|--------------|-----------------|--------|----------|
| Equity       | 50 – 70%        | 60%    | 60%      |
| Fixed Income | 30 – 50%        | 35%    | 37%      |
| Cash         | 0 – 20%         | 5%     | 3%       |

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

| HighMark Plus (Active) |        | Index Plus (Passive) |        |
|------------------------|--------|----------------------|--------|
| Current Quarter*       | 3.49%  | Current Quarter*     | 3.37%  |
| Blended Benchmark**    | 3.51%  | Blended Benchmark**  | 3.51%  |
| Year To Date           | 15.46% | Year To Date         | 13.39% |
| Blended Benchmark      | 13.54% | Blended Benchmark    | 13.54% |
| 1 Year                 | 15.46% | 1 Year               | 13.39% |
| Blended Benchmark      | 13.54% | Blended Benchmark    | 13.54% |
| 3 Year                 | 7.25%  | 3 Year               | 6.78%  |
| Blended Benchmark      | 7.06%  | Blended Benchmark    | 7.06%  |
| 5 Year                 | 8.54%  | 5 Year               | 8.35%  |
| Blended Benchmark      | 8.89%  | Blended Benchmark    | 8.89%  |
| 10 Year                | 5.74%  | 10 Year              | 5.63%  |
| Blended Benchmark      | 6.06%  | Blended Benchmark    | 6.06%  |

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Gov't, 1.25% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill. Prior to October 2012, the blended benchmarks were 51% S&P 500; 3% Russell 2000, 6% MSCI EAFE, 5% ML 1-3 Year Corp./Govt, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 60% S&P 500, 5% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

| HighMark Plus (Active) |         | Index Plus (Passive) |         |
|------------------------|---------|----------------------|---------|
| 2008                   | -25.72% | 2008                 | -23.22% |
| 2009                   | 21.36%  | 2009                 | 17.62%  |
| 2010                   | 14.11%  | 2010                 | 12.76%  |
| 2011                   | -0.46%  | 2011                 | 1.60%   |
| 2012                   | 13.25%  | 2012                 | 11.93%  |
| 2013                   | 16.61%  | 2013                 | 15.63%  |
| 2014                   | 4.70%   | 2014                 | 6.08%   |
| 2015                   | 0.04%   | 2015                 | -0.81%  |
| 2016                   | 6.82%   | 2016                 | 8.26%   |
| 2017                   | 15.46%  | 2017                 | 13.39%  |

**PORTFOLIO FACTS**

| HighMark Plus (Active)   |         | Index Plus (Passive)     |         |
|--------------------------|---------|--------------------------|---------|
| Inception Data           | 10/2006 | Inception Data           | 10/2007 |
| No of Funds in Portfolio | 19      | No of Funds in Portfolio | 13      |

## HOLDINGS

### HighMark Plus (Active)

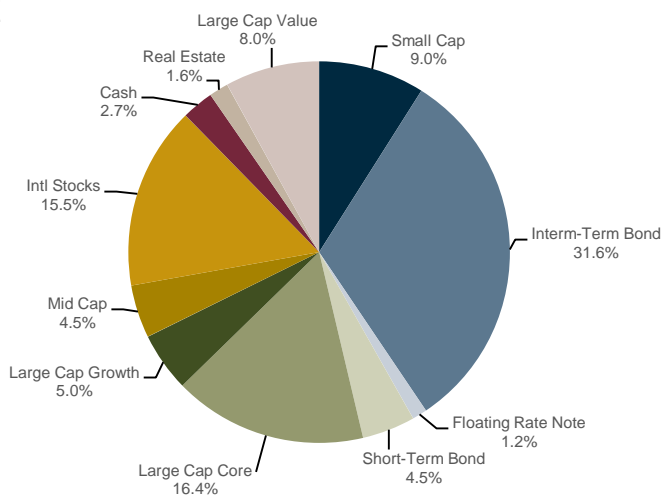
Columbia Contrarian Core Z  
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Vanguard REIT ETF  
Undiscovered Managers Behavioral Value  
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Nationwide Baidard International Equities  
Dodge & Cox International Stock  
MFS International Growth I  
Hartford Schroders Emerging Markets Eq  
Vanguard Short-Term Invest-Grade Adm  
PIMCO Total Return  
Prudential Total Return  
Nationwide Loomis Bond  
Eaton Vance Floating Rate & High Income  
First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
iShares S&P 500/Value  
iShares S&P 500/Growth  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
iShares Russell 2000 Value  
iShares Russell 2000 Growth  
iShares MSCI EAFE  
Vanguard FTSE Emerging Markets ETF  
Vanguard Short-Term Invest-Grade Adm  
iShares Core U.S. Aggregate  
PowerShares Senior Loan  
First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

## STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Balanced active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank may charge clients as much as 0.60% annual management fee based on a sliding scale. As of December 31, 2017, the blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Bloomberg Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

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### ABOUT THE ADVISER

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### ABOUT THE PORTFOLIO MANAGEMENT TEAM

#### Andrew Brown, CFA®

Senior Portfolio Manager  
Investment Experience: since 1994  
HighMark Tenure: since 1997  
Education: MBA, University of Southern California; BA, University of Southern California

#### Salvatore "Tory" Milazzo III, CFA®

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#### Randy Yurchak, CFA®

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HighMark Tenure: since 2017  
Education: MBA, Arizona State University; BS, University of Washington

#### Asset Allocation Committee

Number of Members: 16  
Average Years of Experience: 26  
Average Tenure (Years): 13

#### Manager Review Group

Number of Members: 7  
Average Years of Experience: 20  
Average Tenure (Years): 7

**PARS DIVERSIFIED PORTFOLIOS**  
**CAPITAL APPRECIATION**

Q4 2017

**WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?**

**Comprehensive Investment Solution**

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

**Rigorous Manager Due Diligence**

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

**Flexible Investment Options**

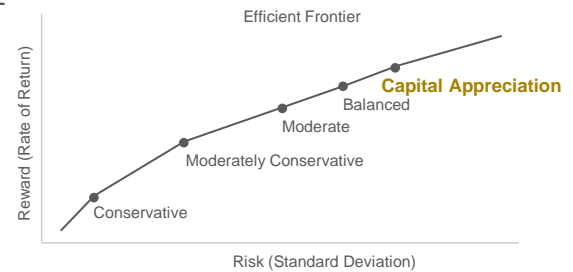
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

**Risk Management**

The portfolio is constructed to control risk through four layers of diversification – asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

**INVESTMENT OBJECTIVE**

The primary goal of the Capital Appreciation objective is growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



**ASSET ALLOCATION — CAPITAL APPRECIATION PORTFOLIO**

|              | Strategic Range | Policy | Tactical |
|--------------|-----------------|--------|----------|
| Equity       | 65 - 85%        | 75%    | 75%      |
| Fixed Income | 10 - 30%        | 20%    | 23%      |
| Cash         | 0 - 20%         | 5%     | 2%       |

**ANNUALIZED TOTAL RETURNS** (Gross of Investment Management Fees, but Net of Embedded Fund Fees)

|                              |        |
|------------------------------|--------|
| Current Quarter*             | 4.16%  |
| Blended Benchmark**          | 4.34%  |
| Year To Date                 | 16.72% |
| Blended Benchmark            | 16.55% |
| 1 Year                       | 16.72% |
| Blended Benchmark            | 16.55% |
| 3 Year                       | 8.20%  |
| Blended Benchmark            | 8.27%  |
| 5 Year                       | 10.08% |
| Blended Benchmark            | 10.56% |
| Inception to Date (108-Mos.) | 10.90% |
| Blended Benchmark            | 11.64% |

\* Returns less than 1-year are not annualized. \*\*Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM FREE, 10.25% MSCI EAFE, 16% BC US Agg, 3% ML 1-3 Yr US Corp/Gov't, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

|      |        |
|------|--------|
| 2008 | N/A%   |
| 2009 | 23.77% |
| 2010 | 12.95% |
| 2011 | -1.35% |
| 2012 | 13.87% |
| 2013 | 20.33% |
| 2014 | 6.05%  |
| 2015 | -0.27% |
| 2016 | 8.81%  |
| 2017 | 16.72% |

**PORTFOLIO FACTS**

| HighMark Plus (Active)   |         | Index Plus (Passive)     |     |
|--------------------------|---------|--------------------------|-----|
| Inception Data           | 01/2009 | Inception Data           | N/A |
| No of Funds in Portfolio | 19      | No of Funds in Portfolio | 13  |

## HOLDINGS

### HighMark Plus (Active)

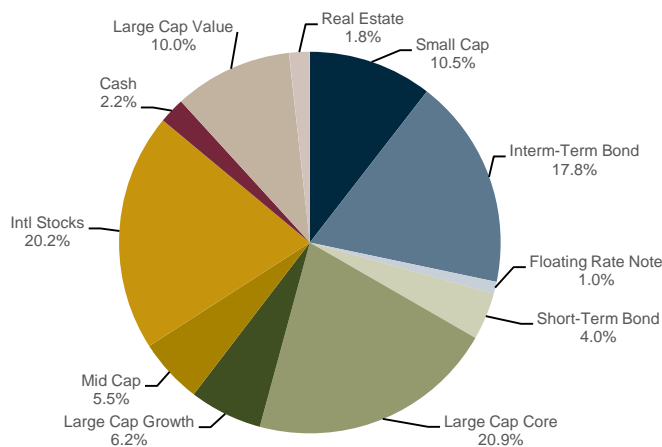
Columbia Contrarian Core Z  
Vanguard Growth & Income Adm  
Dodge & Cox Stock Fund  
Harbor Capital Appreciation  
T. Rowe Price Growth Stock  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
Undiscovered Managers Behavioral Value  
T. Rowe Price New Horizons  
Nationwide Bailard International Equities  
Dodge & Cox International Stock  
MFS International Growth I  
Hartford Schroders Emerging Markets Eq  
Vanguard Short-Term Invest-Grade Adm  
PIMCO Total Return  
Prudential Total Return  
Nationwide Loomis Bond  
Eaton Vance Floating Rate & High Income  
First American Government Obligations Z

### Index Plus (Passive)

iShares Core S&P 500 ETF  
iShares S&P 500/Value  
iShares S&P 500/Growth  
iShares Russell Mid-Cap ETF  
Vanguard REIT ETF  
iShares Russell 2000 Value  
iShares Russell 2000 Growth  
iShares MSCI EAFE  
Vanguard FTSE Emerging Markets ETF  
Vanguard Short-Term Invest-Grade Adm  
iShares Core U.S. Aggregate  
PowerShares Senior Loan  
First American Government Obligations Z

*Holdings are subject to change at the discretion of the investment manager.*

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