# PARS: County of Contra Costa

## Second Quarter 2015

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CAPITAL MANAGEMENT

# DISCUSSION HIGHLIGHTS

## U.S. Economic and Market Overview

Second quarter domestic and international economic data points appeared slightly more positive on balance relative to numbers released in the first quarter. Still, asset class returns were muted as investors worried about the impact of rising interest rates on bond prices, and the potential ramifications from failed bailout talks between Greece and its creditors. Price trends in oil and the dollar reversed during the quarter, relieving pressure in areas of the market that had been hurt by the dramatic price action that occurred over the preceding three quarters. After dipping below $45 per barrel in the first quarter (from a high of $107 last July), oil (West Texas Intermediate) rebounded early in the second quarter and traded at approximately $60. The U.S. dollar's break from a long-running streak of appreciation, meanwhile, was welcomed by domestic exporters. Over the same period as oil's decline, the greenback had appreciated 25% against a trade-weighted basket of currencies.

After a slight contraction in the first quarter (-0.2%), the possibility of 3% quarterly GDP growth for the remainder of 2015 seemed to be a very reasonable expectation. May's employment report showed job growth across a broad set of sectors, though mining continued to struggle due to the fall in oil prices. In concert with a tightening labor market, anecdotal evidence and data also showed that labor costs are rising. Additional positive signs came from the consumer, with the May retail sales figures showing an increase of 1.2%, as the savings rate declined. Automobile production has been a positive for the first six months of the year, with automobile production hitting a 17.7 million unit mark in May, a level not seen since 2005. A potentially renewed outlook for economic growth in the U.S. lifted 10-year Treasury yields from 1.93% on March 31, 2015, to 2.37% by mid-June, shadowing the rise in 10-year Bund yields. The Fed, in an attempt to avoid spooking investors, has been particularly strident in saying that rates will increase slowly once policy tightening begins.

While Greece, China, and the price of oil have garnered most of the headlines in the first half of the year, The Federal Reserve will likely take center stage in terms of impacting both stock and bond markets for the remaining six months of 2015. The Fed remains committed to ending their unconventional policies, but have yet to receive sufficient help from the economic data in order to justify a move toward higher rates. U.S. economic growth, while solid, is not as robust as hoped, especially in light of the extraordinary amount of support that the Fed has provided over the past six years. Even with that support, GDP growth has averaged a disappointing 2.2% since the recession ended in June 2009, while inflation has remained below the Fed's 2% target for thirty-eight straight months. Growth in much of the rest of the world has slowed or in several countries has deteriorated into recession. Europe is trying to resume a growth path, Brazil remains in a recession, Russia suffers both from economic sanctions and lower oil prices, while China's once rapid growth continues to slow, and Japan has suffered four recessions in the past six years. As a result, we remain cautious regarding the durability of the expansion in the U.S. should the Fed decide to remove support, and therefore continue to believe that while interest rates may rise in the second half of the year, rates are unlikely to move decisively higher in the near-term.

## Market Overview/Performance Discussion

### Total Plan

The County of Contra Costa OPEB Plan returned -0.78% net of investment fees, in the second quarter, which outperformed the County's Plan benchmark return target of -1.28%. Large cap equity was the highlight in the quarter with four of the five managers placing in the top quartile within their respective Morningstar peer universe groups. The small cap equity segment also offered a slight positive contribution. In the mid-cap equity (-1.28%), fixed income (-1.29%) and alternative (-2.71%) segments, while performance was in negative territory, our managers outperformed on a relative basis in all three categories. REIT equity represented the largest declines among asset classes (-10.29%). While the Plan's REIT equity lagged slightly the benchmark target, the Plan's underweight to REITs (2% allocation vs. 4% Plan benchmark target) was the largest contributing factor to the relative outperformance vs. the Plan benchmark in the quarter. International/global equities underperformed slightly in the quarter, due mainly to the various managers' European exposure.

### Domestic Equity

Domestic equity markets, with the exception of REIT equity, offered a fairly narrow range of investment returns in the second quarter. The low end of the range was turned in by mid-cap equity, which returned -1.54% (Russell Mid Cap). The high-end of the range was posted by small caps at 0.42% (Russell 2000). This narrowness of returns is accentuated even more when we include international equity markets – with International developed at +0.69% (MSCI EAFE) followed by emerging markets +0.62% (MSCI EM). REIT equity was the negative outlier in the second quarter with the Wilshire REIT Index declining -9.93%.

Large Cap stocks, as measured by the Russell 1000 Index barely eked out a positive return, posting a 0.11% gain in the quarter. Sector performance was mixed during the quarter with five of the ten sectors finishing in positive territory. The strongest performance came from health care (+3.1%), telecommunications (+1.8%), and consumer discretionary (+1.5%). Utilities offered the worst returns, declining -6.2%. Energy continued to struggle with the sector declining -1.95%. Additionally, the stronger dollar hampered returns from industrial (-1.9%) and consumer staples (-1.7%), as these sectors tend to have higher exposure to foreign markets, where earnings have been negatively impacted by currency translation impacts.

U.S. stocks will likely require renewed earnings growth to compete for capital going forward. As returns through the first half of the year have shown, investors currently favor areas of the global equity market that offer the most room for improvement. Domestic equity valuations remain somewhat elevated. The Russell 1000 Index at a forward P/E of 17.5X, looks rich in comparison with the MSCI-EAFE Index of 15.2X, or the MSCI-Emerging Market Index of 11.8X.

- **The Plan's large cap funds returned 1.29% in the quarter, which outperformed the Russell 1000 Index return of 0.11%.**
  - The iShares Russell 1000 ETF returned 0.09% in the second quarter.
  - The Sentinel Common Stock Fund returned 0.20% in the quarter, which outperformed the benchmark. The Fund ranked in the 42nd percentile of the Morningstar Large Cap Blend Universe. **We sold out of this investment at the end of May.**

- The Columbia Contrarian Core Fund returned 1.78% in the quarter, which outperformed the benchmark. The Fund ranked in the 4th percentile of the Morningstar Large Cap Blend Universe.
- The Harbor Capital Appreciation Fund returned 2.88% in the quarter, which outperformed the Russell 1000 Growth Index's return of 0.12%. The Fund ranked in the 4th percentile of the Morningstar Large Cap Growth Universe.
- The T. Rowe Price Growth Stock Fund returned 1.02% in the quarter, which outperformed the Russell 1000 Growth Index. The Fund ranked in the 35th percentile of the Morningstar Large Cap Growth Universe.
- The Dodge and Cox Stock Fund returned 2.56% in the quarter, which outperformed the Russell 1000 Value Index's return of 0.11%. The Fund ranked in the 2nd percentile of the Morningstar Large Cap Value Universe.
- The Loomis Sayles Value Fund posted a 1.06% return in the quarter, which outperformed the Russell 1000 Value Index. The Fund ranked in the 16th percentile of the Morningstar Large Cap Value Universe.

- **The mid-cap equity segment returned -1.28% in the quarter, which outperformed the Russell Mid-Cap Equity return of -1.54%.**
  - The iShares Russell Mid-cap ETF returned -1.57% in the second quarter.
  - The TIAA-CREF Mid-Cap Value Fund returned -1.61% in the quarter, which outperformed the Russell Mid-Cap Value Index return of -1.97%. The Fund ranked in the 63rd percentile of the Morningstar Mid-Cap Value Universe.
  - The Ivy Mid Cap Growth Fund returned -0.52% in the second quarter, which outperformed the Russell Mid Cap Growth Index return of -1.14%. The Fund ranked in the 67th percentile of the Morningstar Mid-Cap Growth Universe.

- **The small-cap equity segment returned 0.66% in the quarter, which outperformed the Russell 2000 Index return of 0.42%.**
  - The iShares Russell 2000 ETF returned 0.43% in the second quarter.
  - The T. Rowe Price New Horizons Fund returned 1.29% in the quarter, and underperformed the Russell 2000 Growth Index return of 1.98%. The Fund ranked in the 60th percentile of Morningstar's Small Cap Growth Universe.
  - The Columbia Small Cap Value Fund II returned 0.32% in the quarter, and outperformed the Russell 2000 Value Index's return of -1.2%. The Fund ranked in the 26th percentile of Morningstar's Small Cap Value Universe.

## Real Estate

REIT returns in the second quarter were under pressure with investors selling out of the asset class based on fears that the Federal Reserve will begin to raise rates sometime throughout the last half of the year. Fund flows from U.S. individual investors were negative in the second quarter with approximately -$4.7 billion of fund flows (mutual funds and ETFs) leaving real estate investments. The decline in GDP (-.2% for 1Q), combined with the increase in interest rates, put pressure on REIT returns which declined by -9.93% as measured by the Wilshire REIT Index return. At quarter-end, REITs were trading at a 15.9X 2016 FFO (funds from operations) valuation, which historically has been a reasonable level for valuation of REITs. That of course reflects valuations after the 10% decline in the price of REITs in 2Q. We have been underweight REIT equity for roughly two years as we have been concerned regarding valuations. In 2014, we clearly missed much of the upside from REITs, however in 2015 our underweight allocation has protected us somewhat from the decline in REIT prices. In the quarter, the best performing sectors were the apartment, self-storage, and hotel sectors. These sectors should be supported by an expanding economy, one in which landlords are beginning to utilize pricing power to raise rents. Health care was the primary laggard sector in the quarter.

- The Nuveen Real Estate Securities Fund returned -9.92% in the quarter, which was in-line with the Wilshire REIT Index return of -9.93%. The Fund placed in the 51st percentile of the Morningstar Real Estate Manager's Universe.

**Global/International Equity**

The European stock market rally, inspired by the European Central Bank's QE program, broke down in the latter part of the quarter due to issues between Greece and the ECB. Developed international equity markets declined in local terms, but managed a slight gain with the dollar depreciating against developed market currency. The MSCI-EAFE Index was up 0.62% on a dollar basis, but down roughly 2% in local currency.

Despite the volatility in Europe in the second quarter, we still see encouraging signs of a fundamental turnaround, with the potential to register GDP growth of between 1.5% - 2%. Eurozone manufacturing has strengthened to their strongest levels since 2010. Bank lending is increasing, and the ECB's goals of creating gradual economic improvement coupled with modest inflationary gains, appears to be gaining traction. Greece does remain a wildcard, but the impact from Greece on Europe is nowhere near as significant as it was back in 2010. Greece represents an economy the size of Oregon, and the loss of Greek economic output is of little significance to resurgent Eurozone activity. More importantly very little Greek debt is now owned by European Banks – thus limiting the 'contagion' effect. If the situation with Greece does not escalate, we would expect international equities to continue to be one of the leading asset class segments for the Plan in 2015.

Emerging market returns were in-line with developed international market returns, as the MSCI-Emerging Market index was up 0.69%. China was the source of numerous negative headlines in June, due mainly to fears that bubbles in real estate, inventory, and individual investor margin debt, will derail economic growth in the Country. While the headlines in the quarter were negative, the Chinese stock market was one of the leading emerging market regions in the quarter, up +6.0%. The Chinese economy is predominately driven by capital investment, and the failure of an accommodative central bank to stabilize declining growth confirms to us that the transition from an investment-based economy to a more consumption based economy is likely to be a difficult one. That said, China recently announced a 7% growth rate for the second quarter. Some have suggested that this number might not be completely accurate given the numerous quarterly conference calls from Yum!, BMW, Mead Johnson, and others who are reporting large growth declines in earnings within their Chinese operations. China is an important component of the emerging market index, representing roughly 25% of the MSCI Emerging Market Index. However, despite some economic challenges, we do not believe that it would be prudent to spurn emerging market equities entirely. Emerging markets are currently trading at a forward PE earnings ratio of 11.8X. The investment case for emerging markets remains compelling. The fall in energy prices should benefit emerging market nations who are negatively impacted to a greater extent from energy prices.

- **The Plan's international/global equity segment returned 0.26% in the quarter. This return underperformed the MSCI-EAFE Index 0.62%, and underperformed the MSCI-ACWI Index return of 0.35%.**
  - The Nationwide Bailard International Equity Fund returned 1.54% in the quarter, and outperformed the MSCI-EAFE Index. The Fund ranked in the 30th percentile of the Morningstar Foreign Large Blend Universe.
  - The iShares MSCI-EAFE Index ETF returned 0.63% in the quarter.
  - The Dodge & Cox International Stock Fund returned -0.30% in the quarter and underperformed the MSCI-EAFE Index. The Fund ranked in the 91st percentile of the Foreign Large Blend Universe as measured by Morningstar.

- The MFS International Fund returned 0.46% in the quarter and underperformed the MSCI-EAFE Index. The Fund ranked in the 75th percentile for foreign large cap growth managers as measured by Morningstar.
- The iShares MSCI-ACWI Index ETF returned 0.20% in the quarter
- The American Funds New Perspective Fund recorded a 0.87% return in the second quarter, which outperformed the MSCI ACWI Index and ranked in the 37th percentile within the Morningstar World Stock Universe
- The MFS Global Equity R5 Fund returned -0.16%, which underperformed the benchmark and ranked in the 66th percentile of the Morningstar World Stock Universe. **This fund was added in April, and thus was not in the Plan for the entire quarter.**
- The DJ Euro-Stoxx 50 ETF returned -2.03% in the quarter, which underperformed the MSCI-EAFE Index.
- The Schroder Emerging Market Equity Fund returned 0.00% during the quarter and underperformed the MSCI-EM benchmark return of 0.69%. The Fund ranked in the 61st percentile of the Morningstar Emerging Market Universe.

### Fixed Income

The Barclays Capital U.S. Aggregate Bond Index returned -1.7% in the second quarter as investment-grade corporate bonds generated a -3.2% loss, agency mortgage-backed securities declined -0.7% and U.S. Treasuries were lower by -1.6%. Despite less than robust economic data, Treasury yields moved higher during the quarter as the market began to anticipate a September rate hike. U.S. Treasury returns were negative this quarter after posting gains for five consecutive quarters, the longest such rally since 2002-2003. Ten-year bond yields increased 43 basis points, while the 30-year yield climbed 58 basis points, resulting in returns for the quarter of –3.0% and –10.4% respectively. High-grade corporate bonds underperformed equivalent duration U.S. Treasury securities by -88 basis points, while high-yield corporate bonds were unchanged during the quarter, posting +72 basis points of excess return. Investment grade corporate bond spreads ended the quarter at +148 basis points, 12 basis points wider, while high yield bond spreads finished at +500 basis points, 18 bps wider for the quarter.

Among quality tiers, securities rated by Standard & Poor's (S&P) Aa and above performed the best on a relative basis, generating a negative excess return of -33 basis points, while BBB corporates lagged at -98 basis points of underperformance. The best performing industries during the quarter were Metals, Integrated Energy, Oil Field Services, Banking and Brokerage. Index laggards included the Chemicals, Communications, Tobacco, Utilities, and Insurance sectors.

At current levels, corporate bond spreads are only slightly below their long term average and continue to offer a significant yield advantage over Treasuries. As a result, we remain overweight high-quality corporate bonds, particularly the domestic bank and energy sectors, both of which were among the top performing sectors for the quarter. Although we remain overweight investment-grade corporates we modestly reduced the exposure this quarter while increasing the U.S. Treasury weighting as concerns over slower global growth and higher volatility caused high-grade corporate bonds to underperform. We also remain underweight mortgage-backed securities while continuing to favor other securitized products which have more stable cash flows, such as asset-backed and commercial mortgage-backed securities. Finally, although we do not expect the Federal Reserve to raise interest rates by more than 0.25% this year, and given the range of outcomes, we are maintaining our slightly defensive duration posture.

- **The Plan's fixed income segment returned -1.29% in the quarter, which outperformed the Barclays Aggregate return of -1.68%.**
  - The separately managed fixed income portfolio returned -1.25% which outperformed the benchmark. The portfolio would have ranked approximately in the 24th percentile of the Morningstar Intermediate Term Bond Universe.
  - The PIMCO Total Return Bond Fund returned -1.84% in the quarter, and underperformed the Barclays Aggregate Index. The Fund ranked in the 73rd percentile of Morningstar's Intermediate-Term Bond Universe.
  - The PIMCO High Yield Bond Fund returned -0.26% in the quarter, and outperformed the Merrill Lynch US High Yield BB-B Index return of -0.35%. The Fund ranked in the 77th percentile of Morningstar's High Yield Universe.

## Alternative Investments

The alternative segment posted a decline in the quarter, with the HFRI FOF Market Defensive Index declining -3.44%. While the Plan's alternative returns outperformed the benchmark slightly, it was a disappointing quarter with three of the four strategies registering negative returns. The one strategy that posted a positive return, the Eaton Vance Global Macro Absolute Return Fund, was up only 0.07%. The biggest impact to both the index and the Plan returns came from the managed futures component. After the first quarter where the AQR Managed Futures fund returned over +8.5%, the fund relinquished all of those returns, declining in the second quarter by -8.3%. Currencies were the weakest performing segment for the Fund, with positions in the Euro and the New Zealand dollar acting as key detractors. However, trend reversals in equities, commodities, and most notably fixed income (with the 10 year treasury widening 43 basis points) all detracted from performance. The Arbitrage Fund's return of -0.61% was noteworthy due primarily to one M&A transaction. Williams Co had announced intentions to buy Williams Partners, and the deal was set to close in August. Within the arbitrage strategy, the Fund was long Williams Partners, and short Williams Company. On June 22nd, Energy Transfer Equity LP made an all stock offer for *Williams Company*, contingent on Williams Company abandoning their bid of Partners. Williams Company rejected the offer from Energy Transfer, but the short-term damage was done as the Fund's short position in Williams Company was up 26% on the day and Williams Partners (long position) was down 8%. The managers plan on holding their long position in Williams Partners, but they have shrunk their short position on Williams Company. This transaction had by far and away the biggest negative impact on the portfolio during the quarter.

- **The alternative investment segment returned -2.71% in the second quarter, which exceeded the Hedge Fund Research Institute Market Defensive Index return of -3.44%.**
  - The Arbitrage Fund returned -0.61% in the quarter which ranked in the 54th percentile of Morningstar's Market Neutral Universe.
  - The JPMorgan Research Market Neutral Fund returned -0.65%, which placed the Fund in the 55th percentile of the Morningstar Market Neutral Universe.
  - The Eaton Vance Global Macro Absolute Return Fund posted a 0.07% return, which placed in the 45th percentile of the Morningstar Non-Traditional Bond Universe.
  - The AQR Managed Futures Fund's return of -8.32% ranked in the 77th percentile of Morningstar's Managed Futures Fund Universe.

## Asset Allocation/Portfolio Transitions

In the quarter, we eliminated the Sentinel Common Stock Fund. The fund had underperformed the benchmark throughout most of our ownership history within the Plan. The proceeds were distributed among the remaining large cap investment holdings.

In the global equity segment, the Templeton Global Equity Fund was eliminated from the Plan due to underperformance. The proceeds were placed into a new manager, the MFS Global Equity Fund.

## Manager Watch List

| ***Name of Fund*** | ***Date on watch list*** | ***Date exiting watch list*** | ***Recommendation*** | ***Rationale*** |
|---|---|---|---|---|
| | | | | |
| *Ivy Mid-Cap Growth* | 2Q 2015 | | Review | Peer ranking has fallen below the median over 3-year and 5-year periods |
| *MFS International Growth* | 4Q 2014 | | Review | Peer ranking has fallen below the median over 3-year and 5-year periods |
| *Pimco Total Return Bond Fund* | 4Q 2014 | | Review | Personnel turnover at the firm, coupled with turnover within the organization. Asset outflows are also a mitigating factor with 1Y % Change: -54% |
| *Sentinel Common Stock Fund* | 3Q2014 | 2Q 2015 | Sell | Manager was terminated due to performance. |

# INVESTMENT STRATEGY
## As of June 30, 2015

## Tactical Asset Allocation

| Asset Class | % Portfolio Weighting: Target | Current Portfolio | Over/Under Weighting | Rationale |
|---|---|---|---|---|
| **Cash** | 1.0% | 4.4% | +3.4% | ▪ The cash allocation reflects a contribution received at the end of the quarter. Our target allocation for cash is 1%. |
| **Fixed Income** | 38.0% | 35.8% | -2.2% | ▪ Fixed income is currently underweight versus the target allocation given our expectations for an increase in interest rates. While the magnitude and timing of a rate hike is in question given some of the recent softness in economic numbers, we expect the Fed will remove its zero interest rate policy during the next quarter. |
| **High Yield** | 0.0% | 1.5% | +1.5% | ▪ If the Fed is not aggressive in hiking rates, and the economy generates reasonable growth, spreads should likely stay close to current levels. |
| **Alternatives** | 10.0% | 11.8% | +1.8% | ▪ Alternatives serve to mitigate the impact of a decline in the bond market, due to a potential rise in interest rates. |
| **Real Estate (REITS)** | 4.0% | 1.9% | -2.1% | ▪ We maintain an underweight allocation to REITs due to concerns about valuations, as well as the impact of a rising interest rate environment on the asset class. |
| **Global Equity** | 7.0% | 6.7% | -0.3% | ▪ Global equities remain at reasonable valuations due to the international equity component of the MSCI-ACWI benchmark, however the U.S. equity component makes the asset class a little less attractive. |
| **International (Developed)** | 9.0% | 9.5% | +0.5% | ▪ International developed equities remain at a slight overweight. Attractive valuations in Europe, coupled with the ECB's quantitative easing program, should aid a recovery in the Eurozone. As the market digests a solution to the Greek crisis, Europe should rally. Japan should still benefit from the reform of the Government Pension Investment Fund and the BOJ's QE program. The MSCI-EAFE, at 15.2X 2016 earnings, trades at a discount to U.S. domestic equity markets. |
| **International (Emerging)** | 0.0% | 1.5% | +1.5% | ▪ We maintain our position in emerging markets, due to valuation measures (11.8X forward PE) that remain attractive relative to other areas of the market. Concerns in Latin America (inflation), Russia (oil prices), and emerging Asia (China volatility) temper our allocation levels. |
| **Total Domestic Equity** | 31.0% | 28.4% | -2.6% | |
| **Large Cap** | 17.0% | 17.4% | +0.4% | ▪ We maintain our overweight to large cap equities. At a 17.5X forward PE level, valuations remain attractive on a relative basis to mid- and small-cap domestic equities. |
| **Mid Cap** | 6.0% | 3.8% | -2.2% | ▪ We continued to remain underweight based on valuation concerns, with the Russell Mid-Cap Index trading richer than both large and small cap at a 20X forward PE ratio. |
| **Small Cap** | 8.0% | 7.2% | -0.8% | ▪ We are targeting a 7.5% target allocation to small caps, a slight underweight. |

# Asset Allocation
## Period Ending June 30, 2015

| Asset Allocation | 3/31/2015 Market Value | 3/31/2015 % of Total | 6/30/2015 Market Value | 6/30/2015 % of Total | Target Allocation |
|---|---|---|---|---|---|
| **Large Cap Equities** | | | | | |
| Columbia Contrarian Core Z | 5,690,921 | 3.5% | 5,824,916 | 3.4% | - |
| Sentinel Common Stock I (Sold 2Q15) | 2,454,969 | 1.5% | 0 | 0.0% | - |
| iShares Russell 1000 ETF | 8,139,158 | 5.0% | 9,167,856 | 5.3% | - |
| Dodge & Cox Stock Fund | 3,245,715 | 2.0% | 3,748,924 | 2.2% | - |
| Loomis Sayles Value Fund | 3,248,511 | 2.0% | 3,755,720 | 2.2% | - |
| Harbor Capital Appreciation Instl | 3,240,646 | 2.0% | 3,747,579 | 2.2% | - |
| T. Rowe Price Growth Stock Fund | 3,238,824 | 2.0% | 3,746,409 | 2.2% | - |
| **Total Large Cap Equities** | **29,258,743** | **17.8%** | **29,991,404** | **17.4%** | **17.0%** |
| | | | | *Range* | *13-32%* |
| **Mid Cap Equities** | | | | | |
| iShares Russell Mid-Cap ETF | 2,458,304 | 1.5% | 2,501,173 | 1.4% | - |
| TIAA-CREF Mid-Cap Value Instl | 2,039,825 | 1.2% | 2,077,080 | 1.2% | - |
| Ivy Mid Cap Growth Fund I | 2,045,162 | 1.2% | 2,085,668 | 1.2% | - |
| **Total Mid Cap Equities** | **6,543,291** | **4.0%** | **6,663,920** | **3.9%** | **6.0%** |
| | | | | *Range* | *2-10%* |
| **Small Cap Equities** | | | | | |
| iShares Russell 2000 ETF | 4,914,854 | 3.0% | 4,989,780 | 2.9% | - |
| Columbia Small Cap Value Fund II | 4,121,907 | 2.5% | 3,759,096 | 2.2% | - |
| T. Rowe Price New Horizons Fund | 4,121,928 | 2.5% | 3,769,586 | 2.2% | - |
| **Total Small Cap Equities** | **$ 13,158,689** | **8.0%** | **$ 12,518,463** | **7.2%** | **8.0%** |
| | | | | *Range* | *4-12%* |
| **International** | | | | | |
| Nationwide Bailard Intl Equities Fund | 3,230,298 | 2.0% | 3,317,459 | 1.9% | - |
| iShares MSCI EAFE Index Fund | 3,219,858 | 2.0% | 4,922,316 | 2.9% | - |
| Dodge & Cox International Stock Fund | 3,231,242 | 2.0% | 2,466,651 | 1.4% | - |
| MFS International Growth Fund | 3,246,942 | 2.0% | 2,470,887 | 1.4% | - |
| Schroder Emerging Market Equity | 1,641,132 | 1.0% | 2,513,949 | 1.5% | - |
| SPDR EURO STOXX 50 ETF | 3,234,405 | 2.0% | 3,237,508 | 1.9% | - |
| **Total International** | **$ 17,803,877** | **10.9%** | **$ 18,928,769** | **11.0%** | **9.0%** |
| | | | | *Range* | *4-16%* |
| **Global** | | | | | |
| MSCI iShares ACWI Index ETF | 5,691,997 | 3.5% | 5,795,959 | 3.4% | |
| American Funds New Perspective F2 | 2,771,721 | 1.7% | 2,903,680 | 1.7% | |
| MFS Global Equity FD CL R5 #4818 (Bought 2Q15) | 0 | 0.0% | 2,898,941 | 1.7% | |
| Templeton Global Opportunities A LW (Sold 2Q15) | 2,712,384 | 1.7% | 0 | 0.0% | - |
| **Total Global** | **$ 11,176,101** | **6.8%** | **$ 11,598,579** | **6.7%** | **7.0%** |
| | | | | *Range* | *4-12%* |

# Asset Allocation
# Period Ending June 30, 2015

| Asset Allocation | 3/31/2015 Market Value | 3/31/2015 % of Total | 6/30/2015 Market Value | 6/30/2015 % of Total | Target Allocation |
|---|---|---|---|---|---|
| **Real Estate** | | | | | |
| Nuveen Real Estate Secs I Fund | 3,218,973 | 2.0% | 3,315,743 | 1.9% | - |
| **Total Real Estate** | **$ 3,218,973** | **2.0%** | **$ 3,315,743** | **1.9%** | **4.0%** |
| | | | | *Range* | *0-8%* |
| **Fixed Income** | | | | | |
| Core Fixed Income Holdings | 50,342,031 | 30.7% | 50,390,226 | 29.2% | - |
| PIMCO Total Return Instl Fund | 8,293,322 | 5.1% | 8,785,253 | 5.1% | - |
| PIMCO High Yield Instl | 2,501,421 | 1.5% | 2,529,799 | 1.5% | - |
| **Total Fixed Income** | **$ 61,136,774** | **37.3%** | **$ 61,705,278** | **35.7%** | **38.0%** |
| | | | | *Range* | *30-50%* |
| **Alternatives** | | | | | |
| AQR Managed Futures I | 5,872,866 | 3.6% | 5,809,447 | 3.4% | - |
| Arbitrage I | 4,965,690 | 3.0% | 4,251,189 | 2.5% | - |
| Eaton Vance Glbl Macro Abs Ret I | 5,401,359 | 3.3% | 5,922,984 | 3.4% | - |
| JP Morgan Research Market Neutral I | 3,694,648 | 2.3% | 4,259,926 | 2.5% | - |
| **Total Alternatives** | **$ 19,934,563** | **12.1%** | **$ 20,243,546** | **11.7%** | **10.0%** |
| | | | | *Range* | *5-20%* |
| **Cash** | | | | | |
| Money Market | 1,850,594 | 1.1% | 7,703,908 | 4.5% | - |
| **Total Cash** | **$ 1,850,594** | **1.1%** | **$ 7,703,908** | **4.5%** | **1.0%** |
| | | | | *Range* | *0-5%* |
| **TOTAL** | **$ 164,081,606** | **100.0%** | **$ 172,669,611** | **100.0%** | **100.0%** |

# Investment Summary

## Period Ending June 30, 2015

| Investment Summary | Second Quarter 2015 | Year to Date 2015 |
|---|---|---|
| **Beginning Value** | **$ 164,399,416.94** | **$ 155,218,379.57** |
| Net Contributions/Withdrawals | 10,237,432.37 | 15,083,965.69 |
| Fees Deducted | -43,812.57 | -86,547.64 |
| Income Received | 543,074.66 | 1,161,650.83 |
| Market Appreciation | -2,146,385.17 | 1,674,156.75 |
| Net Change in Accrued Income | 262,116.07 | 200,237.10 |
| **Ending Market Value*** | **$ 173,251,842.30** | **$ 173,251,842.30** |

| Investment Summary | Second Quarter 2014 | Year to Date 2014 |
|---|---|---|
| **Beginning Value** | **$ 135,517,785.67** | **$ 129,408,886.38** |
| Net Contributions/Withdrawals | 9,762,183.92 | 14,528,363.38 |
| Fees Deducted | -40,568.58 | -81,302.08 |
| Income Received | 518,297.17 | 987,909.94 |
| Market Appreciation | 3,190,388.86 | 4,150,195.77 |
| Net Change in Accrued Income | 70,501.12 | 24,534.77 |
| **Ending Market Value** | **$ 149,018,588.16** | **$ 149,018,588.16** |

*Ending Market Value differs from total market value on the previous page due to differences in reporting methodology. The above ending market value is reported as of trade date and includes accruals. The Asset Allocation total market value is reported as of settlement date.

## Selected Period Performance

# PARS/COUNTY OF CONTRA COSTA PRHCP

**Account 6746038001**

**Period Ending: 06/30/2015**

| Sector | 3 Months | Year to Date (6 Months) | 1 Year | 3 Years | Inception to Date (53 Months) |
|---|---|---|---|---|---|
| Cash Equivalents | .01 | .01 | .02 | .02 | .02 |
| *iMoneyNet, Inc. Taxable* | *.00* | *.01* | *.02* | *.02* | *.02* |
| Fixed Income ex Funds | -1.25 | .58 | 1.89 | 2.10 | 3.96 |
| Total Fixed Income | -1.29 | .58 | 1.79 | 2.40 | 4.05 |
| *BC US Aggregate Bd Index* | *-1.68* | *-.10* | *1.86* | *1.83* | *3.50* |
| Total Equities | .10 | 3.47 | 3.05 | 14.08 | 9.87 |
| Large Cap Funds | 1.29 | 3.40 | 8.04 | 18.19 | 12.59 |
| *Russell 1000 Index* | *.11* | *1.71* | *7.37* | *17.73* | *13.79* |
| Mid Cap Funds | -1.28 | 2.34 | 6.27 | 16.00 | 11.42 |
| *Russell Midcap Index* | *-1.54* | *2.35* | *6.63* | *19.26* | *13.74* |
| Small Cap Funds | .66 | 5.77 | 7.03 | 19.49 | 14.01 |
| *Russell 2000 Index* | *.42* | *4.75* | *6.49* | *17.81* | *12.84* |
| REIT Funds | -10.29 | -7.05 | 3.49 | 8.31 | 9.57 |
| *Wilshire REIT Index* | *-9.93* | *-5.73* | *5.21* | *9.00* | *10.75* |
| International Equities | .26 | 3.89 | -4.14 | 11.32 | 4.91 |
| *MSCI AC World Index* | *.35* | *2.66* | *.71* | *13.01* | *7.76* |
| *MSCI EAFE Index* | *.62* | *5.52* | *-4.23* | *11.97* | *5.00* |
| *MSCI EM Free Index* | *.69* | *2.95* | *-5.12* | *3.71* | *-.63* |
| Alternatives | -2.71 | .52 | 6.48 | | |
| *HFRI FOF Market Defensive Index* | *-3.44* | *-1.42* | *4.83* | *1.67* | *-.60* |
| Total Managed Portfolio | -.76 | 1.95 | 2.84 | 8.32 | 6.63 |
| Total Account Net of Fees | -.78 | 1.89 | 2.73 | 8.19 | 6.50 |
| *County of Contra Costa** | *-1.28* | *1.33* | *3.06* | *8.80* | *7.30* |

Inception Date: 02/01/2011

* Benchmark from February 1, 2011 to June 30, 2013: 18% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 8% MSCI ACWI Index, 10% MSCI EAFE Index, 45% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 1% Citigroup 3 Month T-Bill Index. From July 1, 2013: 17% Russell 1000 Index, 6% Russell Midcap Index, 8% Russell 2000 Index, 7% MSCI AC World ex US Index, 9% MSCI EAFE Index, 38% Barclays Aggregate Index, 4% DJ Wilshire REIT Index, 10% HFRI Fund of Funds Market Defensive Index, 1% Citigroup 3 Month T-Bill Index

# COUNTY OF CONTRA COSTA

**For Period Ending June 30, 2015**

| Fund Name | Inception | 3-Month Return | Rank | YTD Return | Rank | 1-Year Return | Rank | 3-Year Return | Rank | 5-Year Return | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LARGE CAP EQUITY FUNDS** | | | | | | | | | | | |
| Sentinel Common Stock I (Sold May 2015) | (7/13) | 0.20 | 42 | 1.57 | 39 | 6.83 | 38 | 16.46 | 58 | 16.23 | 48 |
| Columbia Contrarian Core Z | (7/13) | 1.78 | 4 | 3.00 | 14 | 9.51 | 9 | 19.60 | 8 | 18.72 | 5 |
| T. Rowe Price Growth Stock | | 1.02 | 35 | 7.12 | 11 | 13.47 | 13 | 19.43 | 18 | 19.42 | 9 |
| Harbor Capital Appreciation Instl | | 2.88 | 4 | 8.60 | 3 | 14.28 | 8 | 19.69 | 14 | 19.03 | 14 |
| Loomis Sayles Value Fund | (7/11) | 1.06 | 16 | 0.68 | 36 | 4.56 | 35 | 18.49 | 12 | 16.66 | 15 |
| Dodge & Cox Stock | (10/14) | 2.56 | 2 | 1.33 | 20 | 4.54 | 35 | 20.44 | 4 | 17.79 | 4 |
| iShares Russell 1000 | (3/15) | 0.09 | 44 | 1.65 | 24 | 7.24 | 36 | 17.58 | 21 | 17.41 | 18 |
| **Idx: Russell 1000** | | **0.11** | **--** | **1.71** | **--** | **7.37** | **--** | **17.73** | **--** | **17.58** | **--** |
| **MID CAP EQUITY FUNDS** | | | | | | | | | | | |
| TIAA-CREF Mid-Cap Value Instl | | -1.61 | 63 | 1.20 | 57 | 4.27 | 40 | 17.83 | 58 | 17.14 | 34 |
| **Idx: Russell Mid Cap Value** | | **-1.97** | **--** | **0.41** | **--** | **3.67** | **--** | **19.13** | **--** | **17.73** | **--** |
| iShares Russell Mid-Cap | (3/15) | -1.57 | 78 | 2.28 | 75 | 6.48 | 21 | 19.07 | 46 | 18.04 | 47 |
| Ivy Mid Cap Growth I | (5/14) | -0.52 | 67 | 3.44 | 81 | 7.71 | 62 | 16.46 | 63 | 16.62 | 55 |
| **Idx: Russell Mid Cap Growth** | | **-1.14** | **--** | **4.18** | **--** | **9.45** | **--** | **19.24** | **--** | **18.69** | **--** |
| **SMALL CAP EQUITY FUNDS** | | | | | | | | | | | |
| Columbia Small Cap Value II Z | | 0.32 | 26 | 4.26 | 13 | 3.75 | 27 | 17.98 | 21 | 17.41 | 9 |
| **Idx: Russell 2000 Value** | | **-1.20** | **--** | **0.76** | **--** | **0.78** | **--** | **15.50** | **--** | **14.81** | **--** |
| iShares Russell 2000 | (3/15) | 0.43 | 16 | 4.78 | 21 | 6.57 | 39 | 17.87 | 75 | 17.10 | 69 |
| T. Rowe Price New Horizons | | 1.29 | 60 | 7.77 | 47 | 10.93 | 41 | 21.01 | 13 | 23.32 | 1 |
| **Idx: Russell 2000 Growth** | | **1.98** | **--** | **8.74** | **--** | **12.34** | **--** | **20.11** | **--** | **19.33** | **--** |
| **INTERNATIONAL EQUITY FUNDS** | | | | | | | | | | | |
| Dodge & Cox International Stock | | -0.30 | 91 | 3.89 | 85 | -3.64 | 53 | 15.44 | 3 | 11.24 | 10 |
| Nationwide Bailard Intl Eqs InSvc | | 1.54 | 30 | 6.10 | 49 | -0.16 | 15 | 13.10 | 16 | 10.37 | 18 |
| MFS International Growth I | | 0.46 | 75 | 5.59 | 67 | -3.47 | 83 | 8.67 | 86 | 9.11 | 61 |
| iShares MSCI EAFE | | 0.63 | 57 | 5.50 | 48 | -4.36 | 44 | 11.83 | 23 | 9.40 | 15 |
| iShares MSCI ACWI | (3/15) | 0.20 | 34 | 2.52 | 30 | 0.77 | 35 | 13.15 | 46 | 11.97 | 29 |
| American Funds New Perspective F2 | (3/15) | 0.87 | 37 | 5.64 | 20 | 5.58 | 15 | 15.50 | 23 | 14.15 | 21 |
| MFS Global Equity FD CL R5 #4818 | (4/15) | -0.16 | 66 | 2.86 | 58 | 2.20 | 36 | 15.99 | 19 | 14.67 | 14 |
| Templeton Global Opportunities A LW (Sold April 2015) | | 0.19 | 57 | 2.28 | 66 | -5.32 | 88 | 13.12 | 56 | 10.28 | 80 |
| **Idx: MSCI EAFE** | | **0.62** | **--** | **5.52** | **--** | **-4.22** | **--** | **11.97** | **--** | **9.54** | **--** |
| **Idx: MSCI ACWI** | | **0.35** | **--** | **2.66** | **--** | **0.71** | **--** | **13.01** | **--** | **11.93** | **--** |
| Schroder Emerging Market Equity | (11/12) | 0.00 | 61 | 2.94 | 34 | -5.29 | 37 | 3.13 | 51 | 3.96 | 43 |
| **Idx: MSCI Emerging Markets** | | **0.69** | **--** | **2.95** | **--** | **-5.12** | **--** | **3.71** | **--** | **3.68** | **--** |
| SPDR EURO STOXX 50 ETF | (6/14) | -2.03 | 81 | 2.41 | 94 | -11.17 | 80 | 13.34 | 45 | 7.57 | 87 |

# COUNTY OF CONTRA COSTA

## For Period Ending June 30, 2015

| Fund Name | Inception | 3-Month Return | Rank | YTD Return | Rank | 1-Year Return | Rank | 3-Year Return | Rank | 5-Year Return | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **REIT EQUITY FUNDS** | | | | | | | | | | | |
| Nuveen Real Estate Secs Y | | -9.92 | 51 | -6.17 | 68 | 3.85 | 54 | 8.67 | 26 | 14.38 | 15 |
| **Idx: Wilshire REIT** | | **-9.93** | **--** | **-5.73** | **--** | **5.21** | **--** | **9.00** | **--** | **14.73** | **--** |
| **BOND FUNDS** | | | | | | | | | | | |
| Fixed Income Portfolio | | -1.25 | 24 | 0.58 | 12 | 1.89 | 15 | 2.10 | 55 | -- | -- |
| Pimco Total Return Inst'l | | -1.84 | 73 | 0.34 | 25 | 1.30 | 45 | 2.45 | 40 | 4.03 | 36 |
| **Idx: BarCap US Aggregate Bond** | | **-1.68** | **--** | **-0.10** | **--** | **1.86** | **--** | **1.83** | **--** | **3.35** | **--** |
| PIMCO High Yield Instl | (11/14) | -0.26 | 77 | 2.20 | 62 | 0.92 | 17 | 6.25 | 42 | 7.75 | 47 |
| **Idx: Merrill Lynch US High Yield BB-B** | | **-0.35** | **--** | **2.30** | **--** | **1.67** | **--** | **6.91** | **--** | **8.56** | **--** |
| **ALTERNATIVE FUNDS** | | | | | | | | | | | |
| Arbitrage I | (7/13) | -0.61 | 54 | 0.54 | 37 | 1.32 | 34 | 1.26 | 56 | 2.16 | 36 |
| AQR Managed Futures | (7/13) | -8.32 | 77 | -0.47 | 37 | 15.16 | 20 | 7.18 | 13 | 4.38 | 1 |
| Eaton Vance Glbl Macro Abs Ret | (7/13) | 0.07 | 45 | 1.96 | 18 | 4.12 | 4 | 2.39 | 52 | 1.93 | 71 |
| JPMorgan Research Market Neutral Instl | (7/13) | -0.65 | 55 | -1.68 | 68 | -0.23 | 55 | 2.56 | 33 | 0.29 | 72 |
| **Idx: HFRI Fund of Funds Market Def** | | **-3.44** | **--** | **-1.42** | **--** | **4.83** | **--** | **1.67** | **--** | **0.84** | **--** |

Data Source: Morningstar, SEI Investments

*Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources*

# COUNTY OF CONTRA COSTA

## For Period Ending December 31, 2014

| Fund Name | Inception | 2014 Return | Rank | 2013 Return | Rank | 2012 Return | Rank | 2011 Return | Rank | 2010 Return | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **LARGE CAP EQUITY FUNDS** | | | | | | | | | | | |
| Sentinel Common Stock I | (7/13) | 10.62 | 63 | 31.04 | 61 | 14.92 | 57 | 1.79 | 21 | 14.90 | 31 |
| Columbia Contrarian Core Z | (7/13) | 12.92 | 31 | 35.73 | 17 | 18.67 | 10 | -0.93 | 52 | 16.21 | 17 |
| T. Rowe Price Growth Stock | | 8.83 | 65 | 39.20 | 12 | 18.92 | 14 | -0.97 | 39 | 16.93 | 35 |
| Harbor Capital Appreciation Instl | | 9.93 | 53 | 37.66 | 17 | 15.69 | 43 | 0.61 | 24 | 11.61 | 82 |
| Loomis Sayles Value Fund | (7/11) | 10.76 | 48 | 35.54 | 14 | 19.70 | 4 | -2.81 | 66 | 11.94 | 72 |
| Dodge & Cox Stock | (10/14) | 10.40 | 54 | 40.55 | 2 | 22.01 | 2 | -4.08 | 74 | 13.49 | 47 |
| **Idx: Russell 1000** | | **13.24** | **--** | **33.11** | **--** | **16.42** | **--** | **1.50** | **--** | **16.10** | **--** |
| **MID CAP EQUITY FUNDS** | | | | | | | | | | | |
| TIAA-CREF Mid-Cap Value Instl | | 12.85 | 19 | 32.55 | 71 | 16.60 | 48 | -2.17 | 34 | 21.20 | 59 |
| **Idx: Russell Mid Cap Value** | | **14.75** | **--** | **33.46** | **--** | **18.51** | **--** | **-1.38** | **--** | **24.75** | **--** |
| Ivy Mid Cap Growth I | (5/14) | 8.20 | 38 | 30.12 | 84 | 13.45 | 58 | -0.31 | 24 | 30.38 | 13 |
| **Idx: Russell Mid Cap Growth** | | **11.90** | **--** | **35.74** | **--** | **15.81** | **--** | **-1.65** | **--** | **26.38** | **--** |
| **SMALL CAP EQUITY FUNDS** | | | | | | | | | | | |
| Columbia Small Cap Value II Z | | 4.61 | 42 | 40.14 | 20 | 14.57 | 61 | -2.39 | 30 | 25.64 | 52 |
| **Idx: Russell 2000 Value** | | **4.22** | **--** | **34.52** | **--** | **18.05** | **--** | **-5.50** | **--** | **24.50** | **--** |
| T. Rowe Price New Horizons | | 6.10 | 19 | 49.11 | 10 | 16.20 | 22 | 6.63 | 2 | 34.67 | 12 |
| **Idx: Russell 2000 Growth** | | **5.60** | **--** | **43.30** | **--** | **14.59** | **--** | **-2.91** | **--** | **29.09** | **--** |
| **INTERNATIONAL EQUITY FUNDS** | | | | | | | | | | | |
| Dodge & Cox International Stock | | 0.08 | 9 | 26.31 | 8 | 21.03 | 16 | -15.97 | 81 | 13.69 | 6 |
| Nationwide Bailard Intl Eqs InSvc | | -1.94 | 15 | 21.68 | 28 | 20.87 | 17 | -15.58 | 74 | 11.85 | 32 |
| MFS International Growth I | | -5.10 | 58 | 13.84 | 79 | 19.71 | 31 | -10.62 | 40 | 15.24 | 35 |
| Templeton Global Opportunities A LW | | -4.06 | 93 | 25.75 | 48 | 22.27 | 7 | -10.48 | 69 | 5.20 | 95 |
| **Idx: MSCI EAFE** | | **-4.90** | **--** | **22.78** | **--** | **17.32** | **--** | **-12.14** | **--** | **7.75** | **--** |
| **Idx: MSCI ACWI** | | **4.16** | **--** | **22.80** | **--** | **16.13** | **--** | **-7.35** | **--** | **12.67** | **--** |
| Schroder Emerging Market Equity | (11/12) | -4.61 | 70 | -2.28 | 54 | 21.73 | 19 | -16.70 | 20 | 13.49 | 92 |
| **Idx: MSCI Emerging Markets** | | **-2.19** | **--** | **-2.60** | **--** | **18.22** | **--** | **-16.15** | **--** | **--** | **--** |
| SPDR EURO STOXX 50 ETF | (6/14) | -8.36 | 73 | 27.43 | 34 | 20.48 | 55 | -16.42 | 48 | -8.94 | 95 |
| **REIT EQUITY FUNDS** | | | | | | | | | | | |
| Nuveen Real Estate Secs Y | | 31.28 | 17 | 1.32 | 58 | 18.34 | 22 | 7.96 | 50 | 30.57 | 12 |
| **Idx: Wilshire REIT** | | **31.78** | **--** | **1.86** | **--** | **17.59** | **--** | **5.52** | **--** | **--** | **--** |

# COUNTY OF CONTRA COSTA

## For Period Ending December 31, 2014

| Fund Name | Inception | 2014 Return | 2014 Rank | 2013 Return | 2013 Rank | 2012 Return | 2012 Rank | 2011 Return | 2011 Rank | 2010 Return | 2010 Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **BOND FUNDS** | | | | | | | | | | | |
| Fixed Income Portfolio | | 4.74 | 69 | -1.40 | 41 | 5.42 | 69 | 8.41 | 5 | -- | -- |
| Pimco Total Return Inst'l | | 4.69 | 71 | -1.92 | 60 | 10.36 | 12 | 4.16 | 87 | 8.83 | 26 |
| **Idx: BarCap US Aggregate Bond** | | **5.97** | **--** | **-2.02** | **--** | **4.21** | **--** | **7.84** | **--** | **6.54** | **--** |
| PIMCO High Yield Instl | (11/14) | 3.31 | 13 | 5.77 | 68 | 14.55 | 52 | 4.00 | 38 | 14.24 | 45 |
| **Idx: Merrill Lynch US High Yield BB-B** | | **3.49** | **--** | **6.31** | **--** | **14.59** | **--** | **5.39** | **--** | **14.26** | **--** |
| **ALTERNATIVE FUNDS** | | | | | | | | | | | |
| Arbitrage I | (7/13) | 1.64 | 39 | 1.15 | 67 | 0.44 | 48 | 4.74 | 20 | 1.76 | 16 |
| AQR Managed Futures | (7/13) | 9.69 | 40 | 9.40 | 6 | 2.99 | 5 | -6.37 | 29 | 0.00 | 0 |
| Eaton Vance Glbl Macro Abs Ret | (7/13) | 3.03 | 18 | -0.24 | 58 | 4.11 | 79 | -0.39 | 44 | 4.75 | 61 |
| JPMorgan Research Market Neutral Instl | (7/13) | 3.38 | 25 | 2.26 | 56 | 4.51 | 9 | -7.04 | 86 | -0.90 | 36 |

Data Source: Morningstar, SEI Investments

*Returns less than one year are not annualized. Past performance is not indicative of future returns. The information presented has been obtained from sources believed accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.*