To: Administration and Finance Committee Date: March 2, 2016

From: Erick Cheung, Director of Finance Reviewed by:

SUBJECT: PUBLIC AGENCY RETIREMENT SERVICES (PARS) OPEB Trust

Summary of Issues:

Andrew Brown, Vice President of Highmark Capital Management, will join us to discuss the investment performance of the trust and share some insights about the future of the markets.

The A&F Committee selected the Moderately Conservative Index PLUS investment option. The allocation for this option is 20-40% equity, 50-80% fixed income and 0-20% cash.

The balance in the trust as of June 30, 2015 was $2,032,180.

The investment rate of return for FY 2015 was 1.88% but has averaged 5.95% over the last 5 years.

The previous actuarial valuation report used a 5.5% discount rate. We have contracted with Bickmore Risk Services to provide a new actuarial valuation report which should be completed by the next meeting.
OPEB Prefunding Trust Program
Client Review

Central Contra Costa Transit Authority

March 2, 2016
Contacts

PARS

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rsanders@pars.org; 800.540.6369 ext. 121

HighMark Capital Management

ANDREW BROWN, CFA, Vice President, Senior Portfolio Manager
Andrew.brown@highmarkcapital.com; 415.705.7605
# OPEB Trust Team

<table>
<thead>
<tr>
<th>Role</th>
<th>Trust Administrator and Consultant</th>
<th>Trustee</th>
<th>Investment Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Recordkeeping/Sub-trust accounting</td>
<td>• Safeguard plan assets, Oversight protection</td>
<td>• An investment sub-advisor to U.S. Bank</td>
</tr>
<tr>
<td></td>
<td>• Actuarial Coordination</td>
<td>• Plan Fiduciary, Custodian of assets</td>
<td>• Open architecture</td>
</tr>
<tr>
<td></td>
<td>• Monitor Contributions/ Process Disbursements</td>
<td>• Pre-fund Pension Option –</td>
<td>• Investment policy assistance</td>
</tr>
<tr>
<td></td>
<td>• Monitor Plan Compliance, Ongoing Client Liaison</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB Experience</td>
<td>20 years</td>
<td>9 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Number of plans under administration</td>
<td>1,400 plans for 700 public agencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dollars under administration</td>
<td>More than $1.8 billion</td>
<td>More than $4 trillion</td>
<td>More than $15.3 billion under management</td>
</tr>
</tbody>
</table>
Plan Overview

Type of Plan: IRC Section 115 Irrevocable Exclusive Benefit Trust

Trustee Approach: Discretionary

Plan Effective Date: March 18, 2010

Plan Administrator: Rick Ramacier, General Manager

Current Investment Strategy: Moderately Conservative: Index Plus (Individual Account)
- Selected 6/17/2010

As of 12/31/2015:

Initial Contribution: June, 2010- $450,000

Additional Contributions: $1,369,000

Total Contributions: $1,819,000

Disbursements: $0

Total Investment Earnings: $232,510

Account Balance: $2,007,595
Summary of the Plan Activity

Central Contra Costa Transit Authority
Total Assets, Contributions & Disbursements

Plan Y/E | Contributions | Disbursements | Total Assets
--- | --- | --- | ---
Jun –10 | $450,000 | $0 | $450,004
Jun –11 | $131,000 | $0 | $613,708
Jun –12 | $257,000 | $0 | $891,590
Jun –13 | $232,000 | $0 | $1,165,830
Jun –14 | $367,000 | $0 | $1,634,255
Jun –15 | $382,000 | $0 | $2,032,180
Jun –16† | $0 | $0 | $2,007,595

†Plan Year Ending June 2016 is based on 6 months of activity through 12/31/2015
We have received the actuarial reports prepared by Bickmore on April 3, 2014 with a valuation date of July 1, 2013. In the tables below, we have summarized the results.

**Demographic Study**

<table>
<thead>
<tr>
<th></th>
<th>July 1, 2009 Valuation</th>
<th>July 1, 2013 Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employees</td>
<td>261</td>
<td>233</td>
</tr>
<tr>
<td>Retirees</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>285</td>
<td>271</td>
</tr>
<tr>
<td>Average Active Employee Age</td>
<td>50.30</td>
<td>52.1</td>
</tr>
<tr>
<td>Average Active Employee City Service</td>
<td>12.8</td>
<td>14.5</td>
</tr>
</tbody>
</table>
Actuarial Results (continued)

<table>
<thead>
<tr>
<th></th>
<th>July 1, 2009</th>
<th>July 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Present Value of Projected Benefits (APVPB)</strong></td>
<td>Not Provided</td>
<td>$7,339,213</td>
</tr>
<tr>
<td><strong>Actuarial Accrued Liability (AAL)</strong></td>
<td>$6,552,083</td>
<td>$5,875,942</td>
</tr>
<tr>
<td><strong>Actuarial Value of Assets</strong></td>
<td>$0</td>
<td>$1,165,830</td>
</tr>
<tr>
<td><strong>Unfunded Actuarial Accrued Liability (UAAL)</strong></td>
<td>$6,354,532</td>
<td>$4,710,112</td>
</tr>
<tr>
<td><strong>Normal Cost</strong></td>
<td>$154,458</td>
<td>$227,211</td>
</tr>
<tr>
<td><strong>Amortization of UAAL</strong></td>
<td>$211,818</td>
<td>$234,113</td>
</tr>
<tr>
<td><strong>Annual Required Contribution (ARC)</strong></td>
<td>$366,276</td>
<td>$486,697</td>
</tr>
</tbody>
</table>
PARS: CCCTA

Fourth Quarter 2015

Presented by
Andrew Brown, CFA
DISCUSSION HIGHLIGHTS – CCCTA

Investment objective – Moderately Conservative HighMark Index Plus

Asset Allocation: CCCTA (As of 2-24-2016)
- Allocation Target – 28.5% stocks (20-40% range), 68.5% bonds (50-80% range), 3% cash (0-20% range)
- Large cap 15%, mid-cap 2.25%, small cap 4.5%, international 6.25%, real estate 0.5%

Performance: CCCTA
(as of 12-31-2015) gross of investment management fees, net of fund fees
- Year to date: 1.08%
- 1-Year: -0.27%
- Inception to date (7/1/2010) 5.16%
- Bonds – high yield impact
- Stocks
  - Domestic markets – Value/Growth
  - International markets – Emerging markets hurting

12-Month Changes
- Overweight to Value (August)
- Under weight to stocks (January 16)
- Real Estate – October addition

Outlook 2015
- Worries – Fed, China, Oil
- GDP est. 2.3% in 2016
- Unemployment 4.9% in 2016
- Fed Funds 1% in 2016
- 10-Year treasury 2.7%

Plan Goals and Objectives
# Selected Period Performance

**PARS/CCCTA PRHCP**

**Account 6746035400**  
**Period Ending: 12/31/2015**

<table>
<thead>
<tr>
<th>Sector</th>
<th>3 Months</th>
<th>Year to Date (1 Year)</th>
<th>3 Years</th>
<th>5 Years</th>
<th>Year to Date (66 Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Equivalents</td>
<td>.02</td>
<td>.04</td>
<td>.03</td>
<td>.03</td>
<td>.03</td>
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<tr>
<td><em>iMoneyNet, Inc. Taxable</em></td>
<td>.01</td>
<td>.02</td>
<td>.02</td>
<td>.02</td>
<td>.02</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>-.54</td>
<td>.21</td>
<td>1.28</td>
<td>2.85</td>
<td>2.74</td>
</tr>
<tr>
<td><em>BC US Aggregate Bd Index</em></td>
<td>-.57</td>
<td>.55</td>
<td>1.44</td>
<td>3.25</td>
<td>3.16</td>
</tr>
<tr>
<td>Total Equities</td>
<td>4.86</td>
<td>-1.99</td>
<td>10.37</td>
<td>8.99</td>
<td>12.84</td>
</tr>
<tr>
<td>Large Cap Funds</td>
<td>6.81</td>
<td>.74</td>
<td>14.62</td>
<td>12.22</td>
<td>15.54</td>
</tr>
<tr>
<td><em>S&amp;P 500 Composite Index</em></td>
<td>7.04</td>
<td>1.38</td>
<td>15.13</td>
<td>12.57</td>
<td>15.68</td>
</tr>
<tr>
<td>Mid Cap Funds</td>
<td>3.44</td>
<td>-2.87</td>
<td>13.65</td>
<td>11.17</td>
<td>15.29</td>
</tr>
<tr>
<td><em>Russell Midcap Index</em></td>
<td>3.62</td>
<td>-2.44</td>
<td>14.18</td>
<td>11.44</td>
<td>15.43</td>
</tr>
<tr>
<td>International Equities</td>
<td>2.50</td>
<td>-4.95</td>
<td>-.82</td>
<td>-.32</td>
<td>4.01</td>
</tr>
<tr>
<td><em>MSCI EAFE Index</em></td>
<td>4.71</td>
<td>-.81</td>
<td>5.01</td>
<td>3.60</td>
<td>7.42</td>
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<tr>
<td><em>MSCI EM Free Index</em></td>
<td>.66</td>
<td>-14.92</td>
<td>-6.76</td>
<td>-4.81</td>
<td>-18</td>
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<tr>
<td>Total Managed Portfolio</td>
<td>1.08</td>
<td>-.27</td>
<td>3.85</td>
<td>4.72</td>
<td>5.16</td>
</tr>
</tbody>
</table>

**Account Inception: 07/01/2010**

Returns are gross of account level investment advisory fees and net of any fees, including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained from sources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured, have no bank guarantee, and may lose value.
# ASSET ALLOCATION
As of December 31, 2015

<table>
<thead>
<tr>
<th>Equity</th>
<th>Allocation</th>
<th>Range:</th>
<th>Investment Vehicle</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Large Cap Core</td>
<td>29.80%</td>
<td>20%-40%</td>
<td>iShares S&amp;P 500 Index Fund</td>
<td>597,985</td>
</tr>
<tr>
<td>Large Cap Value</td>
<td>7.06%</td>
<td></td>
<td>iShares S&amp;P 500 Value Fund</td>
<td>71,500</td>
</tr>
<tr>
<td>Large Cap Growth</td>
<td>4.18%</td>
<td></td>
<td>iShares S&amp;P 500 Growth Fund</td>
<td>141,737</td>
</tr>
<tr>
<td>Mid Cap Value</td>
<td>1.37%</td>
<td></td>
<td>iShares Russell MidCap Value Fund</td>
<td>83,955</td>
</tr>
<tr>
<td>Small Cap Growth</td>
<td>1.80%</td>
<td></td>
<td>iShares R2000 Growth Fund</td>
<td>27,395</td>
</tr>
<tr>
<td>Mid Cap Growth</td>
<td>0.80%</td>
<td></td>
<td>iShares Russell MidCap Growth Fund</td>
<td>36,074</td>
</tr>
<tr>
<td>Small Cap Value</td>
<td>3.01%</td>
<td></td>
<td>iShares Russell 2000 Value Fund</td>
<td>15,994</td>
</tr>
<tr>
<td>International Core</td>
<td>4.66%</td>
<td></td>
<td>iShares MSCI EAFE Index Fund</td>
<td>60,497</td>
</tr>
<tr>
<td>Tactical - Europe</td>
<td>1.68%</td>
<td></td>
<td>SPDR EURO STOXX 50 ETF</td>
<td>93,482</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>1.18%</td>
<td></td>
<td>Vanguard FTSE Emerging Markets Fund</td>
<td>33,638</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.50%</td>
<td></td>
<td>Vanguard REIT ETF</td>
<td>23,747</td>
</tr>
</tbody>
</table>

| Fixed Income               | 67.29%     | 50%-80%         | iShares S&P 500 Index Fund                               | 1,350,418|
| Short-Term                 | 8.56%      |                 | Vanguard Short-Term Corp Adm Fund                        | 171,859  |
| Intermediate-Term          | 56.98%     |                 | iShares Barclays Aggregate Bond Fund                     | 1,143,394|
| High Yield                 | 1.75%      |                 | SPDR Barclays Capital High Yield Bond                    | 35,165   |

| Cash                       | 2.91%      | 0%-20%          | First American Prime Obligations Fund                   | 58,375   |

| TOTAL                      | 100.00%    |                 |                                                          | 2,006,777|

PARS: CCCTA
## Large Cap Equity Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares S&amp;P 500 Growth Index</td>
<td>-1.53</td>
<td>7.81</td>
<td>5.33</td>
<td>5.33</td>
<td>16.96</td>
<td>13.85</td>
<td>8.52</td>
<td></td>
</tr>
<tr>
<td>iShares S&amp;P 500 Index Fnd</td>
<td>-1.58</td>
<td>7.03</td>
<td>1.34</td>
<td>1.34</td>
<td>15.06</td>
<td>12.50</td>
<td>7.25</td>
<td></td>
</tr>
<tr>
<td>iShares S&amp;P 500 Value Index</td>
<td>-1.69</td>
<td>6.01</td>
<td>-3.24</td>
<td>-3.24</td>
<td>12.64</td>
<td>10.77</td>
<td>5.65</td>
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</table>

## Mid Cap Equity Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares Russell Midcap Growth</td>
<td>(2/10)</td>
<td>-2.28</td>
<td>4.07</td>
<td>-0.39</td>
<td>-0.39</td>
<td>14.64</td>
<td>11.33</td>
<td>7.95</td>
</tr>
<tr>
<td>iShares Russell Midcap Value</td>
<td>(2/10)</td>
<td>-3.11</td>
<td>3.09</td>
<td>-4.93</td>
<td>-4.93</td>
<td>13.15</td>
<td>11.02</td>
<td>7.43</td>
</tr>
</tbody>
</table>

## Small Cap Equity Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares Russell 2000 Growth Fund</td>
<td>-5.28</td>
<td>2.90</td>
<td>-7.53</td>
<td>-7.53</td>
<td>8.95</td>
<td>7.55</td>
<td>5.46</td>
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</tr>
</tbody>
</table>

## International Equity Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares MSCI EAFE Index</td>
<td>-1.37</td>
<td>4.62</td>
<td>-0.90</td>
<td>-0.90</td>
<td>4.89</td>
<td>3.50</td>
<td>2.93</td>
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<tr>
<td>Vanguard FTSE Emerging Markets ETF</td>
<td>(3/11)</td>
<td>-2.45</td>
<td>-0.33</td>
<td>-15.35</td>
<td>-15.35</td>
<td>-6.82</td>
<td>-4.80</td>
<td>3.39</td>
</tr>
<tr>
<td>SPDR Euro Stoxx 50 ETF</td>
<td>(6/14)</td>
<td>-4.07</td>
<td>2.83</td>
<td>-4.26</td>
<td>-4.26</td>
<td>3.79</td>
<td>2.40</td>
<td>1.65</td>
</tr>
</tbody>
</table>

## Real Estate Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard REIT ETF</td>
<td>(10/15)</td>
<td>1.80</td>
<td>7.02</td>
<td>2.37</td>
<td>2.37</td>
<td>10.96</td>
<td>11.79</td>
<td>7.56</td>
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</tbody>
</table>

## Bond Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Inception</th>
<th>1-Month Return</th>
<th>3-Month Return</th>
<th>Year-to-Date Return</th>
<th>1-Year Return</th>
<th>3-Year Return</th>
<th>5-Year Return</th>
<th>10-Year Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>iShares Barclays Aggregate Bond</td>
<td>-0.34</td>
<td>-0.61</td>
<td>0.48</td>
<td>0.48</td>
<td>1.40</td>
<td>3.13</td>
<td>4.36</td>
<td></td>
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<tr>
<td>Vanguard Short-Term Investment-Grade Adm</td>
<td>-0.36</td>
<td>-0.28</td>
<td>1.13</td>
<td>1.13</td>
<td>1.36</td>
<td>2.13</td>
<td>3.56</td>
<td></td>
</tr>
<tr>
<td>SPDR Barclays High Yield Bond</td>
<td>-3.15</td>
<td>-3.05</td>
<td>-7.22</td>
<td>-7.22</td>
<td>-0.21</td>
<td>3.53</td>
<td>--</td>
<td></td>
</tr>
</tbody>
</table>

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.
Future Anticipated Contributions

Future Anticipated Disbursement Requests - Options

Agency’s future actuarial valuation for GASB 45 compliance - July 1, 2015

Investment Guidelines Document - Completed May, 2014

Prefunding Policy

Use of 115 Trust for Pension Obligations – New!

Client Feedback – Questions?
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

<table>
<thead>
<tr>
<th>Equity</th>
<th>5 – 20%</th>
<th>15%</th>
<th>15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>60 – 95%</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>Cash</td>
<td>0 – 20%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter*</td>
<td>0.39%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>0.39%</td>
</tr>
<tr>
<td>Year To Date*</td>
<td>0.29%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>0.31%</td>
</tr>
<tr>
<td>1 Year</td>
<td>0.29%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>0.31%</td>
</tr>
<tr>
<td>3 Year</td>
<td>2.61%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>2.73%</td>
</tr>
<tr>
<td>5 Year</td>
<td>3.67%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>3.39%</td>
</tr>
<tr>
<td>10 Year</td>
<td>4.48%</td>
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<tr>
<td>Blended Benchmark</td>
<td>4.08%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-9.04%</td>
</tr>
<tr>
<td>2009</td>
<td>15.59%</td>
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<tr>
<td>2010</td>
<td>8.68%</td>
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<td>2011</td>
<td>2.19%</td>
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<td>2012</td>
<td>8.45%</td>
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<td>2013</td>
<td>3.69%</td>
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<tr>
<td>2014</td>
<td>3.88%</td>
</tr>
<tr>
<td>2015</td>
<td>0.29%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
</tr>
<tr>
<td>2009</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>2011</td>
</tr>
<tr>
<td>2012</td>
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<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
</tr>
</tbody>
</table>

PORTFOLIO FACTS

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Data</td>
<td>07/2004</td>
</tr>
<tr>
<td>No of Funds in Portfolio</td>
<td>20</td>
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<tr>
<td></td>
<td>07/2004</td>
</tr>
<tr>
<td>No of Funds in Portfolio</td>
<td>15</td>
</tr>
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</table>

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.
SAMPLE HOLDINGS

HighMark Plus (Active)
- Columbia Contrarian Core Z
- T. Rowe Price Growth Stock
- Columbia Small Cap Value II Z
- T. Rowe Price New Horizons
- Nationwide Baird International Equities
- Nationwide HighMark Bond
- Vanguard Short-Term Invest-Grade Adm
- Loomis Sayles Value Y
- PIMCO Total Return
- Dodge & Cox International Stock
- MFS International Growth I
- First American Prime Obligation Z
- TIAA-CREF Mid Cap Value
- Ivy Mid Cap Growth
- Harbor Capital Appreciation
- Schroder Emerging Market Equity
- Dodge & Cox Stock
- SPDR Euro Stoxx 50 ETF
- PIMCO High Yield
- Nuveen Real Estate Securities I

HighMark Plus (Passive)
- iShares S&P 500
- iShares S&P 500/Value
- iShares S&P 500/Growth
- iShares Russell 2000 Value
- iShares Russell 2000 Growth
- iShares MSCI EAFE
- iShares Russell Midcap Value
- iShares Russell Midcap Growth
- iShares Barclays Aggregate Bond
- Vanguard Short-Term Invest-Grade Adm
- First American Prime Obligation Z
- SPDR Euro Stoxx 50 ETF
- SPDR Barclays High Yield Bond ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard REIT ETF

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

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, 2015,
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 a 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 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.
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

<table>
<thead>
<tr>
<th>Strategic Range</th>
<th>Policy</th>
<th>Tactical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>20 - 40%</td>
<td>30%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>50 - 80%</td>
<td>65%</td>
</tr>
<tr>
<td>Cash</td>
<td>0 - 20%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter*</td>
<td>1.31%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>1.30%</td>
</tr>
<tr>
<td>Year To Date*</td>
<td>0.32%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>0.14%</td>
</tr>
<tr>
<td>1 Year</td>
<td>0.32%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>0.14%</td>
</tr>
<tr>
<td>3 Year</td>
<td>3.97%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>4.35%</td>
</tr>
<tr>
<td>5 Year</td>
<td>4.86%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>4.83%</td>
</tr>
<tr>
<td>10 Year</td>
<td>4.92%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>4.69%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-15.37%</td>
</tr>
<tr>
<td>2009</td>
<td>18.71%</td>
</tr>
<tr>
<td>2010</td>
<td>10.46%</td>
</tr>
<tr>
<td>2011</td>
<td>1.75%</td>
</tr>
<tr>
<td>2012</td>
<td>10.88%</td>
</tr>
<tr>
<td>2013</td>
<td>7.30%</td>
</tr>
<tr>
<td>2014</td>
<td>4.41%</td>
</tr>
<tr>
<td>2015</td>
<td>0.32%</td>
</tr>
</tbody>
</table>

PORTFOLIO FACTS

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inception Data</td>
<td>08/2004</td>
</tr>
<tr>
<td>No of Funds in Portfolio</td>
<td>20</td>
</tr>
</tbody>
</table>

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SAMPLE HOLDINGS

HighMark Plus (Active)
- Columbia Contrarian Core Z
- T. Rowe Price Growth Stock
- Columbia Small Cap Value II Z
- T. Rowe Price New Horizons
- Nationwide Bardt International Equities
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- Loomis Sayles Value Y
- PIMCO Total Return Dodge & Cox International Stock
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- First American Prime Obligation Z
- TIAA-CREF Mid Cap Value
- Ivy Mid Cap Growth
- Harbor Capital Appreciation
- Schroder Emerging Market Equity
- Dodge & Cox Stock
- SPDR Euro Stoxx 50 ETF
- PIMCO High Yield
- Nuveen Real Estate Securities I

Index Plus (Passive)
- iShares S&P 500
- iShares S&P 500/Value
- iShares Russell 2000/Value
- iShares Russell 2000 Growth
- iShares Midcap Value
- iShares Russell Midcap Growth
- iShares Barclays Aggregate Bond
- Vanguard Short-Term Invest-Grade Adm
- First American Prime Obligation Z
- SPDR Euro Stoxx 50 ETF
- SPDR Barclays High Yield Bond ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard REIT ETF

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

STYLE

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, 2015, 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% blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark.

ABOUT THE ADVISER

HighMark Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $15.1 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

Andrew Bates, CFA®
- Portfolio Manager
- Investment Experience: since 2008
- HighMark Tenure: since 2015
- Education: BS, University of Colorado

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 1997
- HighMark Tenure: since 2010
- Education: BA, International Christian University, Tokyo

Anne Wimmer, CFA®
- Senior Portfolio Manager
- Investment Experience: since 2007
- HighMark Tenure: since 2007
- Education: BA, University of California, Santa Barbara

Asset Allocation Committee
- Number of Members: 16
- Average Years of Experience: 24
- Average Tenure (Years): 12

Manager Review Group
- Number of Members: 8
- Average Years of Experience: 20
- Average Tenure (Years): 7

HIGHMARK CAPITAL MANAGEMENT
350 California Street
San Francisco, CA 94104
800-582-4734
www.highmarkcapital.com

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- Senior Portfolio Manager
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- Number of Members: 8
- Average Years of Experience: 20
- Average Tenure (Years): 7
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

<table>
<thead>
<tr>
<th>Strategic Range</th>
<th>Policy</th>
<th>Tactical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>40 - 60%</td>
<td>50%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>40 - 60%</td>
<td>45%</td>
</tr>
<tr>
<td>Cash</td>
<td>0 - 20%</td>
<td>5%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter*</td>
<td>2.23%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>2.52%</td>
</tr>
<tr>
<td>Year To Date*</td>
<td>0.14%</td>
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<tr>
<td>Blended Benchmark*</td>
<td>-0.12%</td>
</tr>
<tr>
<td>1 Year</td>
<td>0.14%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>-0.12%</td>
</tr>
<tr>
<td>3 Year</td>
<td>5.88%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>6.49%</td>
</tr>
<tr>
<td>5 Year</td>
<td>6.02%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>6.53%</td>
</tr>
<tr>
<td>10 Year</td>
<td>4.98%</td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>5.27%</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>HighMark Plus (Active)</td>
<td>Current Quarter*</td>
</tr>
<tr>
<td>2008</td>
<td>-22.88%</td>
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<tr>
<td>2009</td>
<td>21.47%</td>
</tr>
<tr>
<td>2010</td>
<td>12.42%</td>
</tr>
<tr>
<td>2011</td>
<td>0.55%</td>
</tr>
<tr>
<td>2012</td>
<td>12.25%</td>
</tr>
<tr>
<td>2013</td>
<td>13.06%</td>
</tr>
<tr>
<td>2014</td>
<td>4.84%</td>
</tr>
<tr>
<td>2015</td>
<td>0.14%</td>
</tr>
<tr>
<td>Index Plus (Passive)</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>-18.14%</td>
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<tr>
<td>2009</td>
<td>16.05%</td>
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<td>2010</td>
<td>11.77%</td>
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<td>2.29%</td>
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<td>2012</td>
<td>10.91%</td>
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<tr>
<td>2013</td>
<td>12.79%</td>
</tr>
<tr>
<td>2014</td>
<td>5.72%</td>
</tr>
<tr>
<td>2015</td>
<td>-0.52%</td>
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PORTFOLIO FACTS

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<thead>
<tr>
<th>HighMark Plus (Active)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Inception Data</td>
<td>10/2004</td>
</tr>
<tr>
<td>No of Funds in Portfolio</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Inception Data</td>
</tr>
<tr>
<td></td>
<td>05/2006</td>
</tr>
<tr>
<td></td>
<td>No of Funds in Portfolio</td>
</tr>
</tbody>
</table>

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/GoVt, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Cit 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% Cit 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% Cit 1 Mth T-Bill.
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). 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, will reduce the portfolio returns. Assuming an investment for five years, a 5% blended rate is 0.58%. US Bank pays HighMark 60% of the annual management fee for assets sub-advised by HighMark.

The PARS Moderate active and passive objectives and do not have equity concentration of 25% or more in one common stock holding. Holdings are subject to change at the discretion of the investment manager.

### SAMPLE HOLDINGS

**HighMark Plus (Active)**
- Columbia Contrarian Core Z
- T. Rowe Price Growth Stock
- Columbia Small Cap Value II Z
- T. Rowe Price New Horizons
- Nationwide Baird International Equities
- Nationwide HighMark Bond
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- Schroder Emerging Market Equity
- Dodge & Cox Stock
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- PIMCO High Yield
- Nuveen Real Estate Securities I

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- iShares S&P 500
- iShares S&P 500/Value
- iShares S&P 500/Growth
- iShares Russell 2000 Value
- iShares Russell 2000 Growth
- iShares MSCI EAFE
- iShares Russell Midcap Value
- iShares Russell Midcap Growth
- iShares Barclays Aggregate Bond
- Vanguard Short-Term Invest-Grade Adm
- First American Prime Obligation Z
- SPDR Euro Stoxx 50 ETF
- SPDR Barclays High Yield Bond ETF
- Vanguard FTSE Emerging Markets ETF
- Vanguard REIT ETF

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 Moderate 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, 2015, 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 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 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.

### ABOUT THE ADVISER

HighMark Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $15.1 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

Andrew Bates, CFA®
- Portfolio Manager
- Investment Experience: since 2008
- HighMark Tenure: since 2015
- Education: BS, University of Colorado

Salvatore “Tory” Milazzo III, CFA®
- Senior Portfolio Manager
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- Education: BA, International Christian University, Tokyo

Christiane Tsuda
- Senior Portfolio Manager
- Investment Experience: since 1987
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### Asset Allocation Committee

- Number of Members: 16
- Average Years of Experience: 24
- Average Tenure (Years): 12

### Manager Review Group

- Number of Members: 8
- Average Years of Experience: 20
- Average Tenure (Years): 7
**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**

<table>
<thead>
<tr>
<th>Strategic Range</th>
<th>Policy</th>
<th>Tactical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>50 – 70%</td>
<td>60%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30 – 50%</td>
<td>35%</td>
</tr>
<tr>
<td>Cash</td>
<td>0 – 20%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**ANNUALIZED TOTAL RETURNS**

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter*</td>
<td>2.64%</td>
</tr>
<tr>
<td>Blended Benchmark**</td>
<td>3.13%</td>
</tr>
<tr>
<td>Year To Date*</td>
<td>0.04%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>-0.29%</td>
</tr>
<tr>
<td>1 Year</td>
<td>0.04%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>-0.29%</td>
</tr>
<tr>
<td>3 Year</td>
<td>6.90%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>7.55%</td>
</tr>
<tr>
<td>5 Year</td>
<td>6.61%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>7.45%</td>
</tr>
<tr>
<td>Inception to Date (111-Mos.)</td>
<td>4.76%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>5.36%</td>
</tr>
</tbody>
</table>

*Returns less than 1-year are not annualized. **Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 5% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Govt, 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/Govt, 30% BC Agg, and 5% Citi 1 Mth T-Bill.

**ANNUAL RETURNS**

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-25.72%</td>
</tr>
<tr>
<td>2009</td>
<td>21.36%</td>
</tr>
<tr>
<td>2010</td>
<td>14.11%</td>
</tr>
<tr>
<td>2011</td>
<td>-0.46%</td>
</tr>
<tr>
<td>2012</td>
<td>13.25%</td>
</tr>
<tr>
<td>2013</td>
<td>16.61%</td>
</tr>
<tr>
<td>2014</td>
<td>4.70%</td>
</tr>
<tr>
<td>2015</td>
<td>0.04%</td>
</tr>
</tbody>
</table>

**PORTFOLIO FACTS**

<table>
<thead>
<tr>
<th>HighMark Plus (Active)</th>
<th>Index Plus (Passive)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of Funds in Portfolio</td>
<td>20</td>
</tr>
</tbody>
</table>

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.
SAMPLE HOLDINGS

HighMark Plus (Active)
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
Columbia Small Cap Value II Z
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
First American Prime Obligation Z
TIAA-CREF Mid Cap Value
Ivy Mid Cap Growth
Harbor Capital Appreciation
Schroder Emerging Market Equity
Dodge & Cox Stock
SPDR Euro Stoxx 50 ETF
PIMCO High Yield
Nuveen Real Estate Securities I

Index Plus (Passive)
iShares S&P 500
iShares S&P 500/Value
iShares S&P 500/Growth
iShares Russell 2000 Value
iShares Russell 2000 Growth
iShares MSCI EAFE
iShares Russell Midcap Value
iShares Russell Midcap Growth
iShares Barclays Aggregate Bond
Vanguard Short-Term Invest-Grade Adm
First American Prime Obligation Z
SPDR Euro Stoxx 50 ETF
SPDR Barclays High Yield Bond ETF
Vanguard FTSE Emerging Markets ETF
Vanguard REIT ETF

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-advisor 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, 2015, 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 35 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 $1 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 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 Russell 2000 Index has a weight of 9.6%.
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ABOUT THE ADVISER

HighMark Capital Management, Inc. (HighMark) has over 90 years (including predecessor organizations) of institutional money management experience with more than $16.1 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.

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

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Senior Portfolio Manager
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Asset Allocation Committee
Number of Members: 16
Average Years of Experience: 24
Average Tenure (Years): 12

Manager Review Group
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Average Tenure (Years): 7

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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

<table>
<thead>
<tr>
<th>Strategic Range</th>
<th>Policy</th>
<th>Tactical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>65 - 85%</td>
<td>75%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>10 - 30%</td>
<td>20%</td>
</tr>
<tr>
<td>Cash</td>
<td>0 - 20%</td>
<td>5%</td>
</tr>
</tbody>
</table>

ANNUALIZED TOTAL RETURNS

<table>
<thead>
<tr>
<th></th>
<th>Current Quarter*</th>
<th>Blended Benchmark**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year To Date*</td>
<td>-0.27%</td>
<td>4.01%</td>
</tr>
<tr>
<td>Blended Benchmark*</td>
<td>-0.62%</td>
<td>4.01%</td>
</tr>
<tr>
<td>1 Year</td>
<td>-0.27%</td>
<td>4.01%</td>
</tr>
<tr>
<td>3 Year</td>
<td>8.37%</td>
<td>8.95%</td>
</tr>
<tr>
<td>5 Year</td>
<td>7.41%</td>
<td>7.90%</td>
</tr>
<tr>
<td>Inception to Date (64-Mos.)</td>
<td>10.40%</td>
<td></td>
</tr>
<tr>
<td>Blended Benchmark</td>
<td>11.25%</td>
<td>11.25%</td>
</tr>
</tbody>
</table>

PORTFOLIO FACTS

HighMark Plus (Active)  
Inception Data: 01/2009  
No of Funds in Portfolio: 20

Index Plus (Passive)  
Inception Data: N/A  
No of Funds in Portfolio: 15

* 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/Govt, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Cit 1 Mth T-Bill.
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, 2015, common stock security.

Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the

The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria:

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).

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the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of small-cap

measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of

U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S.

is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-

Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory

Average Tenure (Years): 7
Number of Members: 8
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HIGHMARK CAPITAL MANAGEMENT
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Suite 1600
San Francisco, CA 94104
800-582-4734
www.highmarkcapital.com

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