

To: Administration and Finance Committee

Date: February 26, 2014

From: Kathy Casenave, Director of Finance

Reviewed by:

SUBJECT: PUBLIC AGENCY RETIREMENT SERVICES (PARS) OPEB Trust

Summary of Issues:

Andrew Brown, Vice President of Highmark Capital Management, and Rachael Saunders, Senior Client Services Coordinator, will join us to discuss the FY 2013 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, 2013 was \$1,165,830.

The investment rate of return for FY 2013 was 5.62%; FY 2012, 4.55%; for FY 2011, the first full year of the trust, it was 8.77%. The three year average was 6.3%.

The current actuarial valuation report uses 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.

Central Contra Costa Transit Authority

PARS Post Retirement Healthcare Plan Trust Funding Client Review

March 4, 2014



PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

Making retirement work for you.

PARS

Mitch Barker, Executive Vice President

mitch.barker@pars.org

800.540.6369 ext. 116

Rachael Sanders, Senior Client Services Coordinator

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HighMark Capital Management

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Areas to Cover

Program Overview
and Responsible Parties

Section I

Plan Review
Investment Selection Document

Section II

Investment Review

Section III

Administrative Review




Section IV

Enclosures
12/31/2013 Monthly Statement
Quarterly Performance Sheets

Section V

Program Overview & Responsible Parties

OPEB Trust Team

			
Role	<p>Trust Administrator and Consultant</p> <ul style="list-style-type: none"> • Recordkeeping/Sub-trust accounting • Actuarial Coordination • Monitor Contributions/ Process Disbursements <ul style="list-style-type: none"> • Legal/Compliance • Ongoing Client Liaison 	<p>Trustee</p> <ul style="list-style-type: none"> • Safeguard plan assets • Oversight protection <ul style="list-style-type: none"> • Plan Fiduciary • Custodian of assets 	<p>Investment Manager</p> <ul style="list-style-type: none"> • An investment sub-advisor to U.S. Bank <ul style="list-style-type: none"> • Open architecture • Investment policy assistance
Corporate Experience	30 years (1984 – 2014)	151 years (1863 – 2014)	95 years (1919 – 2014)
OPEB Experience	18 years	9 years	18 years
Number of plans under administration	1,113 plans for 600 public agencies		
Dollars under administration	More than \$1.3 billion	More than \$4 trillion	More than \$21.5 billion under management

MORE THAN 115 PARS OPEB CLIENT AGENCIES

CITIES

Allen
Atherton
Bakersfield
Camarillo
Conroe
Coronado
Crescent City
Cupertino
Duarte
Eules
Fountain Valley
Ft Worth
Galt
Garland
Half Moon Bay
Haltom City
Hercules
Hermosa Beach
Hurst
La Verne
Lake Forest
Lakewood
Livermore
Mammoth Lakes
Mansfield
North Richland Hills
Novato
Redding
Rialto
Richmond
Rosemead
San Leandro

Santa Clara
Santa Clarita
Southlake
Temple City
Tyler
Union City
Woodland
Yountville

COUNTIES

Amador
Contra Costa
Inyo
Kern
Merced
Mono
Plumas
Shasta
Solano
Sonoma
Trinity
Yolo

SPECIAL DISTRICTS

Calaveras County Water District
California JPIA
Central Contra Costa Sanitary District
Central Contra Costa Transit Authority
Coachella Valley Water District
Coastside Fire Protection District
Contra Costa Mosquito & Vector Control District
Crestline Village Water District
Delta Diablo Sanitation District
Desert Recreation District
Eastern Sierra Community Services District
Fresno Irrigation District
Fresno Metropolitan Flood Control District
Glenn-Colusa Irrigation District
Great Basin Unified Air Pollution Control District
Hayward Area Recreation & Park District
Housing Authority of the County of San Bernardino
INTELECOM
Menlo Park Fire Protection District
Metropolitan Transportation Commission
Mid-Peninsula Water District
Mojave Desert Air Quality Management District
Montecito Fire Protection District
Monterey Bay Unified Air Pollution Control District
Municipal Water District of Orange County
Orange County Vector Control District
Orange County Water District
Placer County Resource Conservation District
Rancho Murieta Community Services District
Rowland Water District
Santa Barbara County Law Library
South Montebello Irrigation District
South Orange County Wastewater Authority
South Placer Fire Protection District

Southern Marin Fire Protection District
Superior Court of CA, County of Marin
Superior Court of CA, County of San Mateo
Superior Court of CA, County of Shasta
Superior Court of CA, County of Sonoma
Vallejo Sanitation & Flood Control District
Ventura Regional Sanitation District
Walnut Valley Water District
West County Wastewater District
Western Riverside Council of Governments

SCHOOL DISTRICTS

Bass Lake Jt UESD
Bellflower USD
Calistoga Joint USD
Corning Union ESD
Fowler USD
John Swett USD
Lemon Grove SD
Moreno Valley USD
Ontario-Montclair SD
Red Bluff Jt UHSD
River Delta USD
Riverdale Jt USD
San Bruno Park SD
San Marino USD
Trona Joint USD
Twin Rivers USD
Visalia USD

COMMUNITY COLLEGE DISTRICTS

State Center CCD
Yosemite CCD

Plan Review

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

- Selected 06/17/2010

As of 12/31/2013:

Initial Contribution: June 30, 2010- \$450,000

Additional Contributions: \$620,000

Total Contributions: \$1,070,000

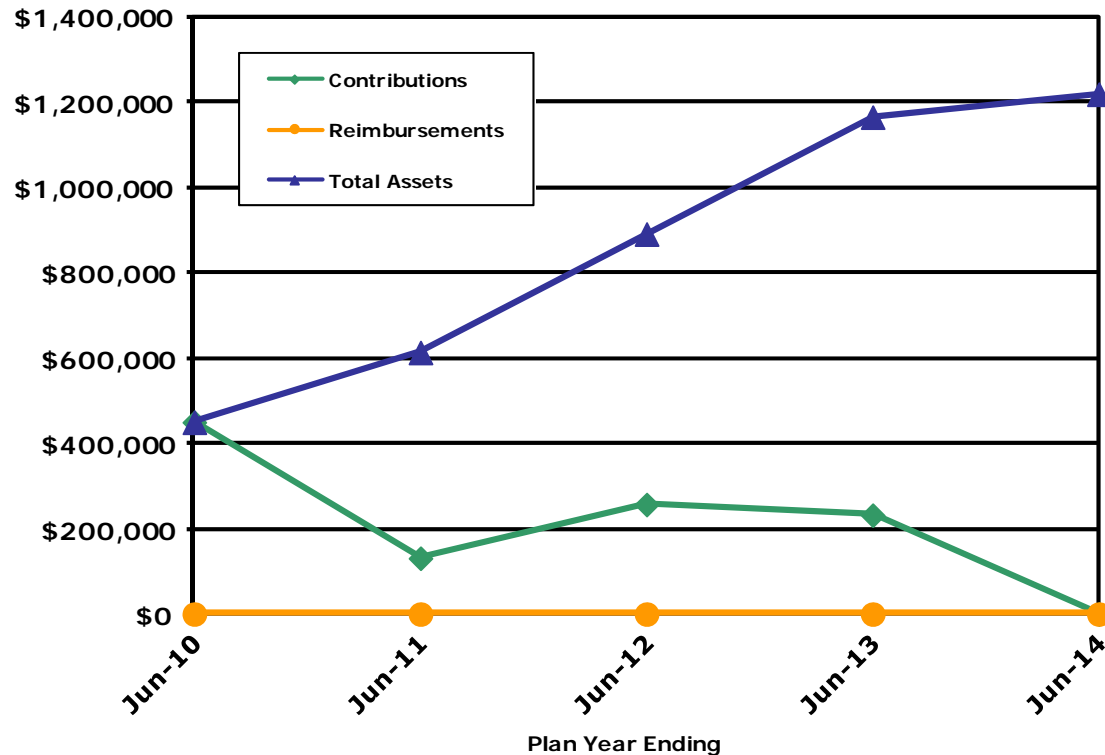
Reimbursements: \$0

Total Investment Earnings: \$173,413

Account Balance: \$1,219,816

Summary of the Plan Activity

**Central Contra Costa Transit Authority
Total Assets, Contributions & Distributions**



Plan Year End	Contributions	Reimbursements	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†	\$0	\$0	\$1,219,816

*Plan Year Ending June 2010 is based on 1 month of activity.

†Plan Year Ending June 2014 is based on 6 months of activity through 12/31/2013.

Actuarial Results

We have received the actuarial report prepared by Buck Consultants on January 4, 2012 with a valuation date of July 1, 2011. In the tables below, we have summarized the results.

Demographic Study

	July 1, 2009 Valuation	July 1, 2011 Valuation
Active Participants	261	251
Retirees	24	36
Total Plan Members	285	287
Average Active Employee Age	50.30	51.4
Average Active Employee City Service	12.8	14.0

Actuarial Results (continued)

	July 1, 2009 Valuation 5.00% Pay-Go	July 1, 2011 Valuation 5.50% Discount Rate
Actuarial Present Value of Projected Benefits (APVPB)	\$197,531	\$176,450
Actuarial Accrued Liability (AAL)	\$6,552,083	\$7,322,135
Actuarial Value of Assets*	\$0	\$613,708
Unfunded Actuarial Accrued Liability (UAAL)	\$6,354,552	\$6,531,977
Normal Cost	\$154,458	\$126,394
30 year UAAL Amortization	\$211,818	\$217,733
Annual Required Contribution (ARC)	\$366,276	\$344,127

*Total assets as of 6/30/2011



Investment Strategy Selection and Disclosure Form PARS OPEB (GASB45)

Date: _____

Agency or District: Central Contra Costa Transit Authority

Plan Name: Central Contra Costa Transit Authority PARS Post-Retirement Health Care Plan

To: HighMark Capital Management, Inc. and Union Bank, N.A.

Union Bank, N.A. has been or is hereby appointed Investment Manager of the above-referenced Plan. Please invest the assets of the above-referenced Plan and Trust for which you have been appointed Investment Manager in the (select one of the strategies listed below):

Diversified Portfolios

STRATEGY	INVESTMENT OBJECTIVE	ALLOCATION
<input type="checkbox"/> Liquidity Management	Provide current income with liquidity and stability of principal through investments in short-term U.S. Treasury obligations	Money Market Fund
<input type="checkbox"/> Liquidity Management	Generate current income with liquidity and stability of principal.	Money Market Fund
<input type="checkbox"/> Conservative HighMark PLUS	Provide a consistent level of inflation-protected income over the long-term.	Equity: 5-20%
<input type="checkbox"/> Conservative Index PLUS		Fixed Income: 60-95%
<input type="checkbox"/> Moderately Conservative HighMark PLUS	Provide current income with capital appreciation as a secondary objective.	Cash: 0-20%
<input checked="" type="checkbox"/> Moderately Conservative Index PLUS		Equity: 20-40%
<input type="checkbox"/> Moderate HighMark PLUS		Fixed Income: 50-80%
<input type="checkbox"/> Moderate Index PLUS	Provide current income and moderate capital appreciation.	Cash: 0-20%
<input type="checkbox"/> Balanced / Moderately Aggressive HighMark PLUS	Provide growth of principal and income.	Equity: 40-60%
<input type="checkbox"/> Balanced / Moderately Aggressive Index PLUS		Fixed Income: 40-60%
<input type="checkbox"/> Custom	Specify:	Cash: 0-20%
		Equity:
		Fixed Income:
		Cash:

Note: HighMark PLUS portfolios are diversified portfolios of actively managed mutual funds. Index PLUS portfolios are diversified portfolios of index-based mutual funds or exchange-traded funds.

<p><u><i>Rick Ramacier</i></u> Authorized Signer</p> <p><u>Rick Ramacier</u> Print Name</p> <p>_____ Authorized Signer</p>	<p><u>General Manager</u> Title</p> <p><u>6/17/2010</u> Date</p> <p>_____ Authorized Signer</p>
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Investment Review

PARS: CCCTA

March 4, 2014

**Presented by
Andrew Brown, CFA**

DISCUSSION HIGHLIGHTS – CCCTA

Asset Allocation – Moderately Conservative Index Plus

- 28.5% stocks, 67.75% bonds, 3.75% cash
- Large cap domestic 15.25%, international 7.0%, small cap 3.10%, mid-cap 3.15%, real estate 0%

Performance Moderately Conservative Index Plus Pool

(Gross of investment fees) January 31, 2014

- One year 5.21%
- Three year 5.94%
- Inception to date (43-Months) 6.50%
 - Stocks – Domestic markets strong
 - International – EM weak
- Bonds – Slight negative in 2013

Outlook

- Fed – Normalization of interest rates
- Earnings 6-7%
- Inflation 2.1%
- Fed Funds 0.25%, 10-year treasury 3.50%

Other

- Where are we?

Selected Period Performance

PARS/CCCTA PRHCP

Account 6746035400

Period Ending: 01/31/2014

Sector	3 Months	1 Year	3 Years	Inception to Date (43 Months)
Cash Equivalents	.00	.02	.02	.03
<i>iMoneyNet, Inc. Taxable</i>	<i>.00</i>	<i>.00</i>	<i>.00</i>	<i>.00</i>
Total Fixed Income	.74	.68	3.51	3.20
<i>BC US Aggregate Bd Index</i>	<i>.53</i>	<i>.13</i>	<i>3.74</i>	<i>3.49</i>
Total Equities	.51	17.39	11.48	17.42
Large Cap Funds	1.97	21.41	13.84	19.25
<i>S&P 500 Composite Index</i>	<i>2.00</i>	<i>21.53</i>	<i>13.93</i>	<i>19.02</i>
Mid Cap Funds	2.51	22.43	14.06	20.50
<i>Russell Midcap Index</i>	<i>2.65</i>	<i>23.67</i>	<i>14.30</i>	<i>20.56</i>
Small Cap Funds	1.92	28.14	16.85	22.31
<i>Russell 2000 Index</i>	<i>3.12</i>	<i>27.03</i>	<i>14.69</i>	<i>20.43</i>
International Equities	-5.21	-.73	.65	7.30
<i>MSCI EAFE Index</i>	<i>-1.84</i>	<i>11.94</i>	<i>5.87</i>	<i>12.16</i>
<i>MSCI EM Free Index</i>	<i>-9.19</i>	<i>-10.18</i>	<i>-3.36</i>	<i>3.02</i>
Total Managed Portfolio	.69	5.21	5.94	6.50

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 February 24, 2014

Current Asset Allocation		Investment Vehicle		
Equity	29.13%		Range: 20%-40%	358,154
Large Cap Core	5.87%	IVV	iShares S&P 500 Index Fund	72,181
Large Cap Value	4.04%	IVE	iShares S&P 500 Value Fund	49,685
Large Cap Growth	5.65%	IVW	iShares S&P 500 Growth Fund	69,407
Mid Cap Value	1.45%	IWS	iShares Russell MidCap Value Fund	17,792
Mid Cap Growth	1.83%	IWP	iShares Russell MidCap Growth Fund	22,482
Small Cap Value	1.41%	IJS	iShares S&P Small Cap 600 Value Fund	17,363
Small Cap Growth	1.93%	IJT	iShares S&P Small Cap 600 Growth Fund	23,759
International Core	5.01%	EFA	iShares MSCI EAFE Index Fund	61,612
Emerging Markets	1.94%	VWO	Vanguard MSCI Emerging Markets ETF	23,872
Fixed Income	67.10%		Range: 50%-80%	825,001
Short-Term	15.08%	VFSUX	Vanguard Short-Term Corp Adm Fund	185,407
Intermediate-Term	49.52%	AGG	iShares Barclays Aggregate Bond Fund	608,854
High Yield	2.50%	JNK	SPDR Barclays Capital High Yield Bond	30,739
Cash	3.77%		Range: 0%-20%	46,293
	3.77%	FPZXX	First American Prime Obligations Z	46,293
TOTAL	100.00%			\$1,229,447

CCCTA

For Period Ending January 31, 2014

LARGE CAP EQUITY FUNDS

Fund Name	Inception	1-Month Return	3-Month Return	Year-to-Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
iShares S&P 500 Growth Index		-2.96	2.87	-2.96	23.70	14.81	19.50	6.98
iShares S&P 500 Index Fnd		-3.46	1.99	-3.46	21.45	13.85	19.11	6.77
iShares S&P 500 Value Index		-4.00	0.98	-4.00	18.73	12.65	18.51	6.28

MID CAP EQUITY FUNDS

iShares Russell Midcap Growth	(2/10)	-2.18	3.12	-2.18	24.83	13.82	23.72	8.95
iShares Russell Midcap Value	(2/10)	-1.71	1.99	-1.71	21.82	14.22	23.15	9.61

SMALL CAP EQUITY FUNDS

iShares S&P Smallcap 600 Growth Fd		-4.12	1.77	-4.12	28.92	17.30	24.48	10.27
iShares S&P Smallcap 600 Value Fd		-3.64	2.00	-3.64	27.65	16.15	22.71	9.21

INTERNATIONAL EQUITY FUNDS

iShares MSCI EAFE Index		-4.07	-1.94	-4.07	11.78	5.77	13.68	6.18
Vanguard MSCI Emerging Markets ETF	(3/11)	-7.25	-9.95	-7.25	-12.42	-4.33	14.23	--

BOND FUNDS

iShares Barclays Aggregate Bond		1.51	0.54	1.51	-0.04	3.57	4.67	4.41
Vanguard Short-Term Investment-Grade Adm		0.55	0.60	0.55	1.56	2.56	5.05	3.73
SPDR Barclays Capital High Yield Bond	(2/12)	0.59	1.88	0.57	6.18	7.59	15.17	--

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.

Administrative Review

Administrative Issues

- ✓ Update on Program
- ✓ Administrator's Handbook
- ✓ Discussion of any administrative questions or concerns
- ✓ Future Anticipated Contributions
- ✓ Future Anticipated Disbursement Requests
- ✓ Agency's future actuarial valuation for GASB 45 compliance
- ✓ Investment Guidelines Document - Needed
- ✓ Client Feedback

Enclosures

CENTRAL CONTRA COSTA TRANSIT AUTHORITY
PARS GASB 45 Program

Monthly Account Report for the Period
12/1/2013 to 12/31/2013

Rick Ramacier
General Manager
Central Contra Costa Transit Authority
2477 Arnold Industrial Way
Concord, CA 94520

Account Summary

Source	Beginning Balance as of 12/1/2013	Contributions	Earnings	Expenses	Distributions	Transfers	Ending Balance as of 12/31/2013
Employer Contribution	\$1,216,873.19	\$0.00	\$3,297.49	\$354.83	\$0.00	\$0.00	\$1,219,815.85
Totals	\$1,216,873.19	\$0.00	\$3,297.49	\$354.83	\$0.00	\$0.00	\$1,219,815.85

Investment Selection

Central Contra Costa Transit Authority 115 Trust

Investment Objective

Individual account based on Moderately Conservative Index PLUS. The dual goals of the Moderately Conservative Strategy are current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.

Investment Return

1-Month	3-Months	1-Year	Annualized Return			Inception Date
			3-Years	5-Years	10-Years	
0.27%	2.61%	6.56%	6.37%	N/A	N/A	6/28/2010

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past Performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.

Inception Date: Plans inception date



Vision. Discipline. Results.SM

PARS Diversified Portfolios - Conservative

As of December 31, 2013

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

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

Rigorous Manager Due Diligence

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

Flexible Investment Options

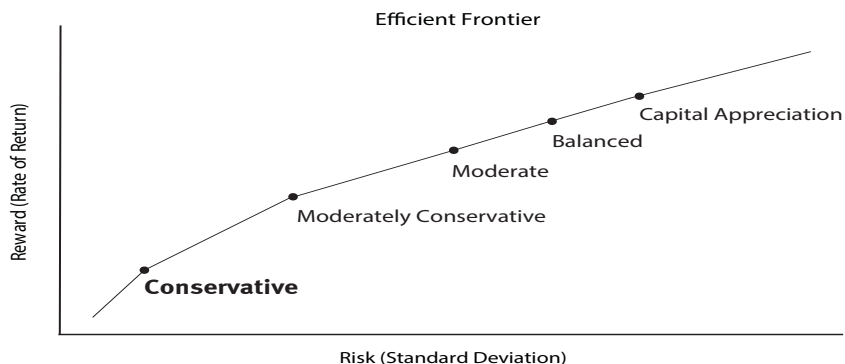
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION – CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5-20%	15%	14%
Fixed Income	60-95%	80%	81%
Cash	0-20%	5%	5%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	1.71%	Current Quarter*	1.59%
Blended Benchmark* ¹	1.28%	Blended Benchmark* ¹	1.28%
Year To Date*	3.69%	Year To Date*	3.40%
Blended Benchmark*	3.17%	Blended Benchmark*	3.17%
1 Year	3.69%	1 Year	3.40%
Blended Benchmark	3.17%	Blended Benchmark	3.17%
3 Year	4.74%	3 Year	4.43%
Blended Benchmark	3.98%	Blended Benchmark	3.98%
5 Year	7.62%	5 Year	6.26%
Blended Benchmark	5.22%	Blended Benchmark	5.22%
Inception To Date (114-Mos.)	5.20%	Inception To Date (114-Mos.)	4.67%
Blended Benchmark	4.39%	Blended Benchmark	4.39%

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

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-9.04%	2008	-6.70%
2009	15.59%	2009	10.49%
2010	8.68%	2010	7.67%
2011	2.19%	2011	3.70%
2012	8.45%	2012	6.22%
2013	3.69%	2013	3.40%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	07/2004	Inception Date	07/2004
No. of Funds Held in Portfolio	19	No. of Funds Held in Portfolio	13

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.



Vision. Discipline. Results.SM

PARS Diversified Portfolios - Conservative

As of December 31, 2013

ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$15.8 billion in assets under management. HighMark has a longterm 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

Christiane Boyd

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2010

Education: BA, International Christian University, Tokyo

Ahmed Khatib, CFA[®], CFP[®]

Senior Portfolio Manager

Investment Experience: since 1999

HighMark Tenure: since 2006

Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA[®]

Senior Portfolio Manager

Investment Experience: since 1995

HighMark Tenure: since 2011

Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA[®]

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2007

Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12

Average Years of Experience: 25

Average Tenure (Years): 13

Manager Review Committee

Number of Members: 9

Average Years of Experience: 20

Average Tenure (Years): 8

SAMPLE HOLDINGS

HighMark Plus (Active)

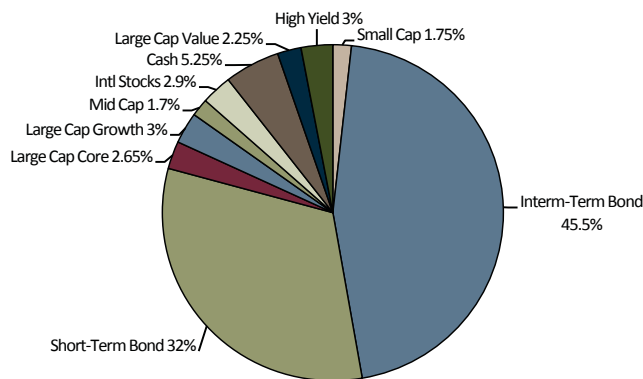
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
Columbia Small Cap Value II Z
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
Sentinel Common Stock I
First American Prime Obligation Z
TIAA-CREF Mid Cap Value
Nationwide Geneva Mid Cap Growth
Harbor Capital Appreciation
Schroder Emerging Market Equity
T. Rowe Price Equity Income
PIMCO High Yield

Index Plus (Passive)

iShares S&P 500
iShares S&P 500/Value
iShares S&P 500/Growth
iShares S&P Small Cap 600 Value
iShares S&P Small Cap 600 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 Barclays Capital High Yield Bond
Vanguard MSCI Emerging Markets 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 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 charges clients a 0.60% annual management fee, and 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.

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Vision. Discipline. Results.SM

PARS Diversified Portfolios - Moderately Conservative

As of December 31, 2013

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

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

Rigorous Manager Due Diligence

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

Flexible Investment Options

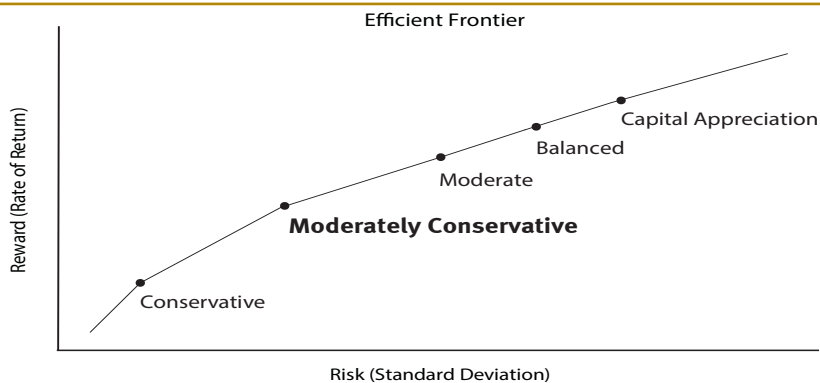
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION – MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20-40%	30%	28%
Fixed Income	50-80%	65%	68%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

• HighMark Plus (Active)

Current Quarter*	2.83%
Blended Benchmark* ¹	2.50%
Year To Date*	7.30%
Blended Benchmark*	7.14%
1 Year	7.30%
Blended Benchmark	7.14%
3 Year	6.57%
Blended Benchmark	6.07%
5 Year	9.68%
Blended Benchmark	7.56%
Inception To Date (113-Mos.)	6.08%
Blended Benchmark	5.19%

• Index Plus (Passive)

Current Quarter*	2.69%
Blended Benchmark* ¹	2.50%
Year To Date*	6.78%
Blended Benchmark*	7.14%
1 Year	6.78%
Blended Benchmark	7.14%
3 Year	6.06%
Blended Benchmark	6.07%
5 Year	7.94%
Blended Benchmark	7.56%
Inception To Date (104-Mos.)	5.32%
Blended Benchmark	5.18%

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

ANNUAL RETURNS

• HighMark Plus (Active)

2008	-15.37%
2009	18.71%
2010	10.46%
2011	1.75%
2012	10.88%
2013	7.30%

• Index Plus (Passive)

2008	-12.40%
2009	11.92%
2010	9.72%
2011	3.24%
2012	8.24%
2013	6.78%

PORTFOLIO FACTS

• HighMark Plus (Active)

Inception Date	8/2004
No. of Funds Held in Portfolio	19

• Index Plus (Passive)

Inception Date	05/2005
No. of Funds Held in Portfolio	13

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.



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As of December 31, 2013

ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$15.8 billion in assets under management. HighMark has a longterm 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

Christiane Boyd

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2010

Education: BA, International Christian University, Tokyo

Ahmed Khatib, CFA[®], CFP[®]

Senior Portfolio Manager

Investment Experience: since 1999

HighMark Tenure: since 2006

Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA[®]

Senior Portfolio Manager

Investment Experience: since 1995

HighMark Tenure: since 2011

Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA[®]

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2007

Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12

Average Years of Experience: 25

Average Tenure (Years): 13

Manager Review Committee

Number of Members: 9

Average Years of Experience: 20

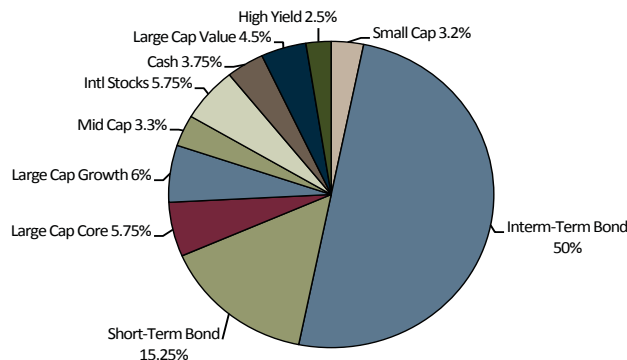
Average Tenure (Years): 8

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
 - Sentinel Common Stock I
 - First American Prime Obligation Z
 - TIAA-CREF Mid Cap Value
 - Nationwide Geneva Mid Cap Growth
 - Harbor Capital Appreciation
 - Schroder Emerging Market Equity
 - T. Rowe Price Equity Income
 - PIMCO High Yield
- Index Plus (Passive)**
 - iShares S&P 500
 - iShares S&P 500/Value
 - iShares S&P 500/Growth
 - iShares S&P Small Cap 600 Value
 - iShares S&P Small Cap 600 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 Barclays Capital High Yield Bond
 - Vanguard MSCI Emerging Markets ETF

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

STYLE



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PARS Diversified Portfolios - Moderate

As of December 31, 2013

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

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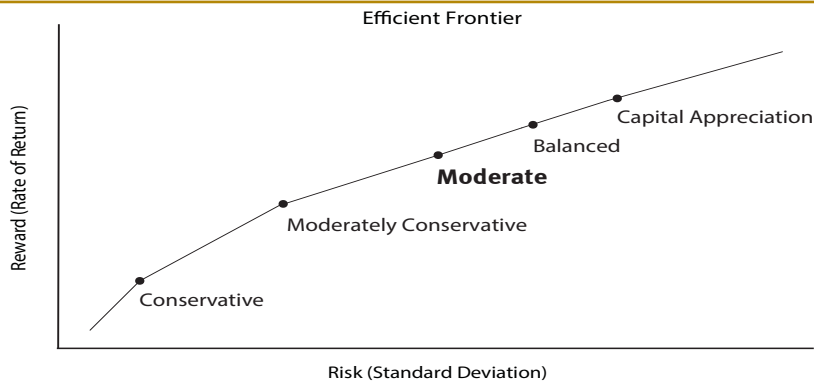
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Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION – MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40-60%	50%	48%
Fixed Income	40-60%	45%	48%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
Current Quarter* 4.32%	Current Quarter* 4.42%
Blended Benchmark* ¹ 4.21%	Blended Benchmark* ¹ 4.21%
Year To Date* 13.06%	Year To Date* 12.79%
Blended Benchmark* 13.06%	Blended Benchmark* 13.06%
1 Year 13.06%	1 Year 12.79%
Blended Benchmark 13.06%	Blended Benchmark 13.06%
3 Year 8.46%	3 Year 8.56%
Blended Benchmark 8.72%	Blended Benchmark 8.72%
5 Year 11.75%	5 Year 10.66%
Blended Benchmark 10.44%	Blended Benchmark 10.44%
Inception To Date (111-Mos.) 6.27%	Inception To Date (92-Mos.) 5.61%
Blended Benchmark 5.92%	Blended Benchmark 5.65%

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

ANNUAL RETURNS

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
2008 -22.88%	2008 -18.14%
2009 21.47%	2009 16.05%
2010 12.42%	2010 11.77%
2011 0.55%	2011 2.29%
2012 12.25%	2012 10.91%
2013 13.06%	2013 12.79%

PORTFOLIO FACTS

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
Inception Date 10/2004	Inception Date 05/2006
No. of Funds Held in Portfolio 19	No. of Funds Held in Portfolio 13

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PARS Diversified Portfolios - Moderate

As of December 31, 2013

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Number of Members: 12

Average Years of Experience: 25

Average Tenure (Years): 13

Manager Review Committee

Number of Members: 9

Average Years of Experience: 20

Average Tenure (Years): 8

SAMPLE HOLDINGS

HighMark Plus (Active)

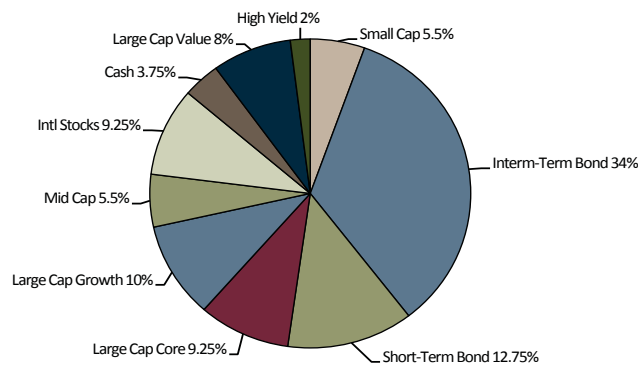
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
Columbia Small Cap Value II Z
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
Sentinel Common Stock I
First American Prime Obligation Z
TIAA-CREF Mid Cap Value
Nationwide Geneva Mid Cap Growth
Harbor Capital Appreciation
Schroder Emerging Market Equity
T. Rowe Price Equity Income
PIMCO High Yield

Index Plus (Passive)

iShares S&P 500
iShares S&P 500/Value
iShares S&P 500/Growth
iShares S&P Small Cap 600 Value
iShares S&P Small Cap 600 Growth
iShares MSCI EAFE
iShares Russell Midcap Value
iShares Russell Midcap Growth
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PARS Diversified Portfolios - Balanced

As of December 31, 2013

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

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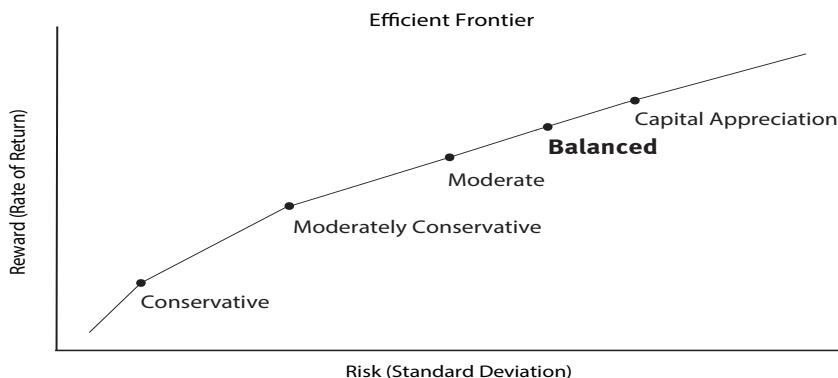
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Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION – BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50-70%	60%	57%
Fixed Income	30-50%	35%	39%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

• HighMark Plus (Active)		• Index Plus (Passive)	
Current Quarter*	5.29%	Current Quarter*	5.31%
Blended Benchmark* ¹	5.07%	Blended Benchmark* ¹	5.07%
Year To Date*	16.61%	Year To Date*	15.63%
Blended Benchmark*	16.07%	Blended Benchmark*	16.07%
1 Year	16.61%	1 Year	15.63%
Blended Benchmark	16.07%	Blended Benchmark	16.07%
3 Year	9.54%	3 Year	9.55%
Blended Benchmark	10.14%	Blended Benchmark	10.14%
5 Year	12.73%	5 Year	11.76%
Blended Benchmark	12.01%	Blended Benchmark	12.01%
Inception To Date (87-Mos.)	5.43%	Inception To Date (75-Mos.)	4.51%
Blended Benchmark	5.87%	Blended Benchmark	4.97%

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

ANNUAL RETURNS

• HighMark Plus (Active)		• Index Plus (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%

PORTFOLIO FACTS

• HighMark Plus (Active)		• Index Plus (Passive)	
Inception Date	10/2006	Inception Date	10/2007
No. of Funds Held in Portfolio	19	No. of Funds Held in Portfolio	13

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.



Vision. Discipline. Results.SM

PARS Diversified Portfolios - Balanced

As of December 31, 2013

ABOUT THE ADVISER

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ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA[®]

Senior Portfolio Manager

Investment Experience: since 1994

HighMark Tenure: since 1997

Education: MBA, University of Southern California;

BA, University of Southern California

Christiane Boyd

Senior Portfolio Manager

Investment Experience: since 1987

HighMark Tenure: since 2010

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Investment Experience: since 1987

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Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12

Average Years of Experience: 25

Average Tenure (Years): 13

Manager Review Committee

Number of Members: 9

Average Years of Experience: 20

Average Tenure (Years): 8

SAMPLE HOLDINGS

• HighMark Plus (Active)

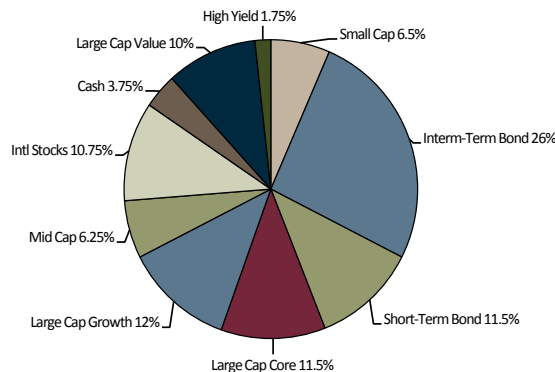
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
Columbia Small Cap Value II Z
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
Sentinel Common Stock I
First American Prime Obligation Z
TIAA-CREF Mid Cap Value
Nationwide Geneva Mid Cap Growth
Harbor Capital Appreciation
Schroder Emerging Market Equity
T. Rowe Price Equity Income
PIMCO High Yield

• Index Plus (Passive)

iShares S&P 500
iShares S&P 500/Value
iShares S&P 500/Growth
iShares S&P Small Cap 600 Value
iShares S&P Small Cap 600 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 Barclays Capital HighYield Bond
Vanguard MSCI Emerging Markets 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-adviser to US Bank to manage these portfolios. US Bank charges clients a 0.60% annual management fee, and 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 Union Bank, N.A. (Union Bank). 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. Union Bank, a subsidiary of UnionBanCal 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.

Vision. Discipline. Results.SM

PARS Diversified Portfolios - Capital Appreciation

As of December 31, 2013

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

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

Rigorous Manager Due Diligence

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

Flexible Investment Options

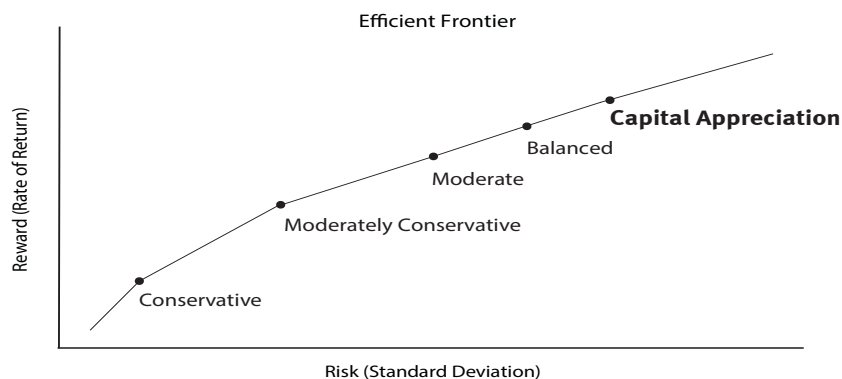
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation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

Risk Management

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

INVESTMENT OBJECTIVE

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



ASSET ALLOCATION – CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65-85%	75%	72%
Fixed Income	10-30%	20%	26%
Cash	0-20%	5%	2%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	6.44%	Current Quarter*	N/A%
Blended Benchmark* ¹	6.33%	Blended Benchmark* ¹	N/A%
Year To Date*	20.33%	Year To Date*	N/A%
Blended Benchmark*	20.62%	Blended Benchmark*	N/A%
1 Year	20.33%	1 Year	N/A%
Blended Benchmark	20.62%	Blended Benchmark	N/A%
3 Year	10.57%	3 Year	N/A%
Blended Benchmark	10.91%	Blended Benchmark	N/A%
5 Year	13.57%	5 Year	N/A%
Blended Benchmark	14.49%	Blended Benchmark	N/A%
Inception To Date (60-Mos.)	13.57%	Inception To Date (0-Mos.)	N/A%
Blended Benchmark	14.49%	Blended Benchmark	N/A%

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

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	N/A%	2008	N/A%
2009	23.77%	2009	N/A%
2010	12.95%	2010	N/A%
2011	-1.35%	2011	N/A%
2012	13.87%	2012	N/A%
2013	20.33%	2013	N/A%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	01/2009	Inception Date	N/A
No. of Funds Held in Portfolio	19	No. of Funds Held in Portfolio	13

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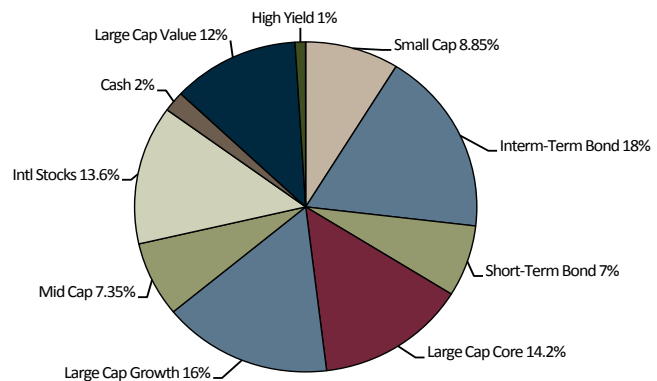
Columbia Contrarian Core Z
T. Rowe Price Growth Stock
Columbia Small Cap Value II Z
T. Rowe Price New Horizons
Nationwide Bailard International Equities
Nationwide HighMark Bond
Vanguard Short-Term Invest-Grade Adm
Loomis Sayles Value Y
PIMCO Total Return
Dodge & Cox International Stock
MFS International Growth I
Sentinel Common Stock I
First American Prime Obligation Z
TIAA-CREF Mid Cap Value
Nationwide Geneva Mid Cap Growth
Harbor Capital Appreciation
Schroder Emerging Market Equity
T. Rowe Price Equity Income
PIMCO High Yield

Index Plus (Passive)

iShares S&P 500
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iShares S&P 500/Growth
iShares S&P Small Cap 600 Value
iShares S&P Small Cap 600 Growth
iShares MSCI EAFE
iShares Russell Midcap Value
iShares Russell Midcap Growth
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