



# Sacramento Regional Transit District Agenda

**SPECIAL RETIREMENT BOARD MEETING**  
**9:00 A.M. WEDNESDAY, FEBRUARY 1, 2017**  
**REGIONAL TRANSIT AUDITORIUM**  
**1400 29<sup>th</sup> ST., SACRAMENTO, CALIFORNIA**  
**Website Address: www.sacrt.com**  
(29th St. Light Rail Station/Bus 38, 67, 68)

**MEETING NOTE:** *This is a joint and concurrent meeting of the five independent Retirement Boards for the pension plans for the employees and retirees of the Sacramento Regional Transit District. This single, combined agenda designates which items will be subject to action by which board(s). Members of each board may be present for the other boards' discussions and actions, except during individual closed sessions.*

**ROLL CALL**

- ATU Retirement Board: Directors: Li, Morin, Niz, De La Torre  
Alternates: Jennings, Muniz
- IBEW Retirement Board: Directors: Li, Morin, Ohlson, Burdick  
Alternates: Jennings, Gallow
- AEA Retirement Board: Directors: Li, Morin, Devorak, Robison  
Alternates: Jennings, McGoldrick
- AFSCME Retirement Board: Directors: Li, Morin, Mallonee, Hoslett  
Alternates: Jennings, Kent
- MCEG Retirement Board: Directors: Li, Morin, Lonergan, Thorn  
Alternates: Jennings, Sanchez-Ochoa

**PUBLIC ADDRESSES BOARD ON MATTERS ON CONSENT AND MATTERS NOT ON THE AGENDA**

At this time the public may address the Retirement Board(s) on subject matters pertaining to Retirement Board business listed on the Consent Calendar, any Closed Sessions or items not listed on the agenda. Remarks may be limited to 3 minutes subject to the discretion of the Common Chair. Members of the public wishing to address one or more of the Boards may submit a "Public Comment Speaker Card" to the Assistant Secretary. While the Retirement Boards encourage your comments, State law prevents the Boards from discussing items that are not set forth on this meeting agenda. The Boards and staff take your comments very seriously and, if appropriate, will follow up on them.

**NEW BUSINESS**

- |  | <u>ATU</u>                          | <u>IBEW</u>                         | <u>AEA</u>                          | <u>AFSCME</u>                       | <u>MCEG</u>                         |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| 1. Resolution: Receive International Fund Manager Candidate Presentations and Select Replacement Fund Manager (ALL). (Bernegger) | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. Information: Introduce the 2016 Actuarial Valuation Completed by Cheiron (ALL). (Bonnel)                                      | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

**REPORTS FROM COMMITTEES**  
**REPORTS, IDEAS AND COMMUNICATIONS**  
**ADJOURN**

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NOTICE TO THE PUBLIC

It is the policy of the Boards of Directors of the Sacramento Regional Transit District Retirement Plans to encourage participation in the meetings of the Boards of Directors. At each open meeting, members of the public shall be provided with an opportunity to directly address the Board on items of interest to the public that are within the subject matter jurisdiction of the Boards.

This agenda may be amended up to 72 hours prior to the meeting being held. An agenda, in final form, is located by the front door of Regional Transit's building at 1400 – 29<sup>th</sup> Street and posted to RT's website at [www.sacrt.com](http://www.sacrt.com).

Any person(s) requiring accessible formats of the agenda or assisted listening devices/sign language interpreters should contact the Human Resources Manager at 916-556-0280 or TDD 916/483-4327 at least 72 business hours in advance of the Board Meeting.

Copies of staff reports or other written documentation relating to each item of business referred to on the agenda are on file with the Human Resources Administrative Technician at 916-556-0298 and/or Clerk to the Board of Directors of the Sacramento Regional Transit District and are available for public inspection at 1400 29<sup>th</sup> Street, Sacramento, CA. Any person who has questions concerning any agenda item may call the Human Resources Administrative Technician of Sacramento Regional Transit District to make inquiry.

# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
1	02/01/17	Retirement	Action	12/28/16

Subject: Receive International Fund Manager Candidate Presentations and Select Fund Manager (ALL). (Bernegger)

## ISSUE

Receive International Fund Manager Candidate Presentations and Select Fund Manager (ALL). (Bernegger)

## RECOMMENDED ACTION

- A. Adopt Resolution 17-02-\_\_\_\_, Directing Staff to Negotiate a Contract with Lazard Asset Management to Provide International Large Cap Fund Manager Services within the International Equity Collective Investment Trust and Authorizing the Sacramento Regional Transit District General Manager/CEO to Execute Said Contract, in a Form Acceptable to Legal Counsel
  - B. Adopt Resolution 17-02-\_\_\_\_, Directing Staff to Negotiate a Contract with Pyrford International PLC to Provide International Large Cap Fund Manager Services within the Equity Only Non-U.S. Mutual Fund and Authorizing the Sacramento Regional Transit District General Manager/CEO to Execute Said Contract, in a Form Acceptable to Legal Counsel
  - C. Adopt Resolution 17-02-\_\_\_\_, Directing Staff to Negotiate a Contract with Pyrford International PLC to Provide International Large Cap Fund Manager Services within the New Hampshire Investment Trust and Authorizing the Sacramento Regional Transit District General Manager/CEO to Execute Said Contract, in a Form Acceptable to Legal Counsel
- or
- D. Retain JP Morgan as the Boards' International Large Cap Fund Manager

## FISCAL IMPACT

Investment Management Fees – Based upon the JP Morgan International Large Cap Fund investment balance of \$22,489,565 as of 11/30/2016:

- A. Lazard Asset Management (Lazard) – Maximum annual fee of 80 basis points (BP) or \$179,917.

Approved:

Presented:

FINAL 01/25/2017

Chief Financial Officer, Acting

Senior Accountant

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Subject: Receive International Fund Manager Candidate Presentations and Select Fund Manager (ALL). (Bernegger)

- B. Pyrford International PLC (Pyrford) – Equity only non-U.S. mutual fund maximum annual fee of 84 BP or \$188,912.
- C. Pyrford – New Hampshire Investment Trust maximum annual fee of 70 BP or \$157,427  
or
- D. JP Morgan (current manager) – Performance based pricing: Base fee of 15 BP per year and a performance fee equal to 20% of the fund’s outperformance over the MSCI EAFE Index benchmark, for an annual maximum fee of 75 BP or \$168,672.

Transition Manager – A transition manager is unlikely to be needed for any of the options, but if a transition manager becomes necessary as a result of the form of payout from the JP Morgan fund, the cost is estimated to be between \$10,000 and \$20,000.

## DISCUSSION

The Retirement Boards selected JP Morgan as an international large cap fund manager in 2007. Prior to that time, Brandes was managing all of the Plans' international large cap investments. Brandes was a much higher-risk fund manager with very volatile performance depending on market conditions. JP Morgan was hired as a complement to Brandes, offering a more conservative approach aimed at more closely tracking the benchmark while providing protection in a down market. The Retirement Boards terminated their contract with Brandes in 2012 and placed the assets previously managed by Brandes in the State Street Global Advisors' SSgA EAFE Index Fund. JP Morgan currently holds approximately \$22.4 million in Plan assets, while the SSgA MSCI EAFE Index holds approximately \$8.9 million.

Staff and Callan first advised the Boards in June, 2015 that JP Morgan does not appear to be the best fit within the international large cap space for the Plans going forward. At the June 15, 2016 Quarterly Retirement Board Meeting, pursuant to the terms of the Statement of Investment Objectives and Policy Guidelines for the Sacramento Regional Transit District Retirement Plans, the Retirement Boards officially placed JP Morgan on the “Watch List” and gave direction to staff to perform a search for a replacement international large cap fund manager. Subsequently, at the August 31, 2016 Special Retirement Board Meeting, the Boards approved an amended contract with JP Morgan to move to performance based pricing based on JP Morgan’s performance relative to the MSCI EAFE Index benchmark, which could generate significant savings on investment management fees.

As presented at the September 14, 2016 Quarterly Retirement Board Meeting, Callan Associates, Inc. (Callan) has reviewed JP Morgan’s performance based on the June 30, 2016 investment manager returns report (gross of fees), as follows:

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Subject: Receive International Fund Manager Candidate Presentations and Select Fund Manager (ALL). (Bernegger)

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
JP Morgan	-0.31%	-12.59%	0.83%	1.29%	6.05%
MSCI EAFE Index	-1.46%	-10.16%	2.06%	1.68%	5.97%
Over/(Under) Performance	1.15%	-2.43%	-1.23%	-0.39%	0.08%

Analysis of this data shows that, when the investment management fees of 70 BP are deducted, JP Morgan underperformed the benchmark during all time periods except for last quarter.

Based on direction from the Boards and input from staff, Callan completed an international fund manager search to replace JP Morgan and each of the Retirement Board Chairs appointed one member of their respective bargaining group to participate in the search committee.

On November 4, 2016 with the assistance of Anne Heaphy, Vice President in Callan’s Fund Sponsor Consulting Group, and Andy Iseri, Senior Vice President and non-U.S. Equity Investment Consultant in Callan’s Global Manager Research group, the search committee met to discuss three candidate firms recommended by Callan.

The committee meeting began with an overview of the Retirement Plans’ current asset structure and fund managers. Mr. Iseri then provided a detailed review of each of the three candidate managers, providing background on staffing, returns, investment philosophy, risk, and other attributes. The search committee opted to move forward with Retirement Board interviews with two of the candidates: Lazard and Pyrford. See Attachment #1 for the search book prepared by Callan on these two firms.

Lazard is considered a value manager that focuses on return on equity (ROE). Per Mr. Iseri, investment managers that focus on ROE tend to have more stable returns, unless lower quality stocks are leading the market. Lazard is a fundamental bottom-up manager that was founded in 1970 and currently manages \$167.8 billion in assets across all of their funds. Lazard is headquartered in New York City, New York.

Pyrford is also considered a value manager with an absolute return approach. Per Mr. Iseri, Pyrford looks at dividend yield and earnings growth. Their core strategy is defensive and they look to position themselves to add value in a down market. Pyrford is headquartered out of London, England, with offices in the U.S., and currently manages \$11.1 billion in total. Pyrford offers two different investment vehicles as options for the Plans 1) a Mutual Fund and 2) the New Hampshire Investment Trust, characteristics of the investment vehicles are below:

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Organization / Product	Proposed Vehicle	Investment Minimum (mm)	<sup>1</sup> Fee on \$15mm (CF: mgmt/all-in)	Product Assets (mm)	CF Vehicle Assets (mm)	CF Entry / Exit Fees & Investor Protections	CF Liquidity/ Valuation	EM (%) 5 yr High   Low	Policy EM Maximum Limit
Pyrford International PLC Equity Only Non-U.S.	MF R6; BISGX	\$0	0.84%	\$3,510	\$623	2% if redeemed < 30 days	Daily	10.34% Hi: 12%   Lo: 8%	20%
	New Hampshire Investment Trust	\$0	0.70% / 0.70%		\$425	None, although ADL may apply for significant transactions.	Monthly		

The committee had constructive dialogue regarding which fund manager(s) should provide presentations to the full Retirement Boards. Pyrford and Lazard were the two top choices with a slight lean towards Pyrford due to down-market protection. Based on all the information presented and discussed, the committee felt it prudent to provide the Board with options. Therefore, the committee decided unanimously to invite Lazard Asset Management and Pyrford International PLC to make detailed presentations to the full Board for consideration.

At the original committee meeting, only the Equity Only Non-U.S. mutual fund Pyrford option was presented. Callan subsequently provided the New Hampshire Investment Trust option to staff. After further discussion, the committee requested that the Boards be presented with both of Pyrford's investment vehicle options.

See Attachment #2 for the Lazard presentation materials, Attachment #3 for Lazard's January outlook and Attachment #4 for the Pyrford presentation materials.

Upon completion of the fund manager candidate presentations, staff will seek action from the Boards to (a) direct staff to negotiate a contract with either Lazard or Pyrford for approval by the General Manager/CEO of Sacramento Regional Transit District or (b) make no changes such that JP Morgan would continue to serve as fund manager.

If the Boards opt to terminate JP Morgan and select either Lazard or Pyrford, staff and Callan will report back to the Boards on progress with their negotiations with the selected manager.

RESOLUTION NO. 17-02-\_\_\_\_\_

Adopted by the Board of Directors for the Retirement Plan for Sacramento Regional Transit District Employees Who Are Members of the ATU Local Union 256 on this date:

February 1, 2017

**DIRECTING STAFF TO NEGOTIATE A CONTRACT WITH \_\_\_\_\_  
USING THE \_\_\_\_\_ INVESTMENT VEHICLE TO PROVIDE  
INTERNATIONAL EQUITY FUND MANAGER SERVICES AND AUTHORIZING THE  
SACRAMENTO REGIONAL TRANSIT DISTRICT GENERAL MANAGER/CEO TO  
EXECUTE SAID CONTRACT, IN A FORM ACCEPTABLE TO LEGAL COUNSEL**

BE IT HEREBY RESOLVED BY THE RETIREMENT BOARD OF DIRECTORS FOR THE RETIREMENT PLAN FOR SACRAMENTO REGIONAL TRANSIT DISTRICT EMPLOYEES WHO ARE MEMBERS OF THE ATU LOCAL UNION 256 AS FOLLOWS:


THAT, the Retirement Board staff is directed to negotiate a contract with \_\_\_\_\_ to provide International Equity Fund Manager Services for investments of the Retirement Plan for Sacramento Regional Transit District Employees who are Members of the ATU Local Union 256, and that the General Manager/CEO of the Sacramento Regional Transit District is authorized to execute such contract, in a form acceptable to Legal Counsel, assuming use of the \_\_\_\_\_ investment vehicle and investment fees not to exceed \_\_\_\_\_.

\_\_\_\_\_  
RALPH NIZ, Chair

A T T E S T:

Corina de la Torre, Secretary

By: \_\_\_\_\_  
Donna Bonnel, Assistant Secretary



January 2017

**Sacramento Regional Transit  
District**

Investment Manager Evaluation

International Equity





## **Investment Manager Evaluation**

### **International Equity**

**January 2017**

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The following investment manager organizations have submitted information to Callan regarding their investment management capabilities, for which information Callan has not necessarily verified the accuracy or completeness of or updated. The information provided to Callan has been summarized in this report for your consideration. Unless otherwise noted, performance figures reflect a commingled fund or a composite of discretionary accounts. All written comments in this report are based on Callan's standard evaluation procedures which are designed to provide objective comments based upon facts provided to Callan. Statements in this report are made as of the date they are expressed.

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of the content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation. Reference to or inclusion in this report of any product, service or entity should not be construed as a recommendation, approval, affiliation or endorsement of such product, service or entity by Callan. Past performance is no guarantee of future results.

# Callan

The following investment manager organizations have submitted information to Callan Associates Inc. regarding their investment management capabilities. The information has been summarized in this report for the consideration of the Sacramento Regional Transit District.

## **International Equity**

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Lazard Asset Management

Pyrford International PLC

## **Sacramento Regional Transit District Investment Manager Evaluation**

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Search Outline

Lazard Asset Management

Pyrford International PLC

Summary Matrix

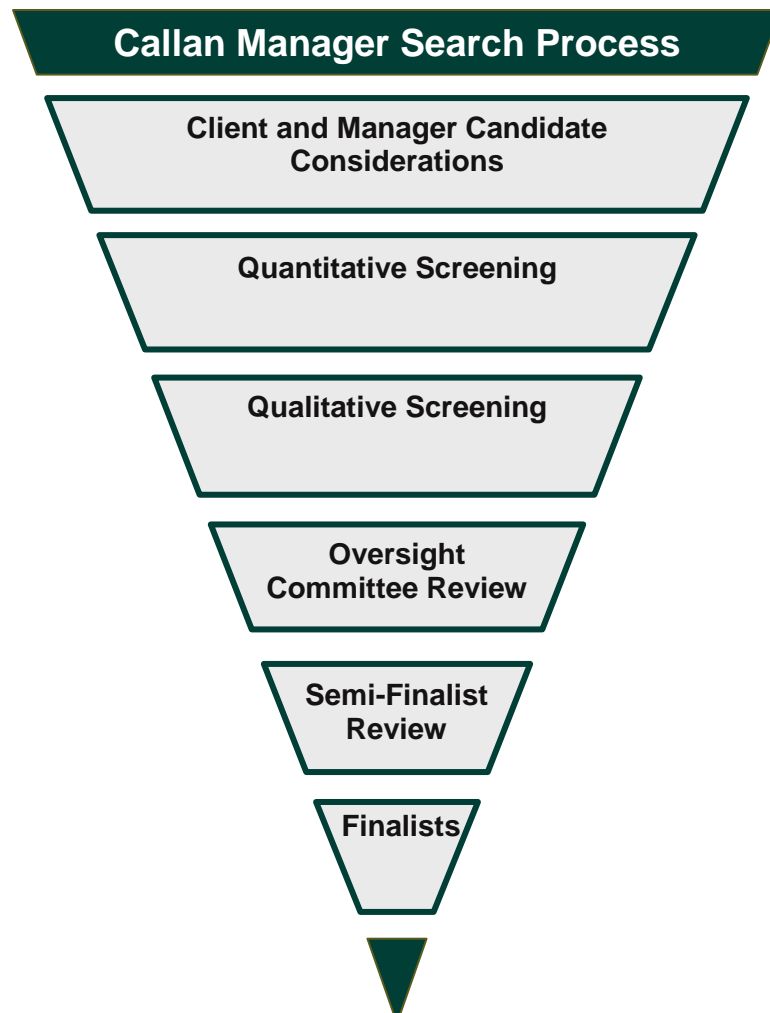
Comparative Manager Performance

Appendix



## Manager Search Process

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## Manager Search Process Overview

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Callan's investment manager searches are underpinned by a disciplined, six-step process:

### **I. Identify Client and Manager Candidate Considerations**

At the onset of each search, Callan meets with the client to review and document any specific characteristics sought in an investment manager. This includes factors such as the manager's strategy and approach, organizational structure, minimum/maximum assets under management, performance criteria relative to an appropriate index and peer group, and risk tolerance. These factors serve as the basis for developing the appropriate quantitative and qualitative screening criteria.

## **II. Conduct Quantitative Screening**

After beginning with the broadest possible universe of candidates, Callan narrows the field using client-specified screening criteria to screen our proprietary database. Screens examine numerous quantitative factors including performance, volatility, correlation with the existing structure, and assets under management. Callan screens performance across multiple time periods, market cycles, and statistical analyses so as to identify consistency of returns and avoid performance bias.

## **III. Perform Qualitative Screening**

Qualitative screening concentrates the field even further. Qualitative screens examine manager type, organizational history, depth and experience of investment personnel, investment process and style, client servicing capability and resource allocation. Callan generates qualitative assessments based on manager research conducted by our dedicated asset class specialists and generalist consultants through regular in-house meetings, conference calls, and on-site manager due diligence.

## **IV. Oversight Committee Review of Preliminary Recommendations**

Callan's Manager Search Committee—an oversight body that is comprised of more than a dozen senior consultants—reviews each search to thoroughly examine candidates and ensure Callan has met the client's specified criteria. Collectively, the Manager Search Committee vets the candidates and identifies semi-finalist candidates to present to the client.

## **V. Review Semi-finalist Candidates**

A manager evaluation document comparing the semi-finalist candidates is prepared for the client. Callan reviews the report with the client to highlight important considerations in conducting the search, compare and contrast the manager candidates, and assist in the identification of finalist candidates.

## **VI. Interview Finalists**

To gain additional insight, finalists are invited to present to the client. The presentations generally include an overview of the manager organization and a specific review of the product being considered. They also provide the opportunity for the client and/or consultant to address any outstanding issues. A winner is typically selected following these presentations.

**Sacramento Regional Transit District  
Pension Plan  
MSCI WORLD ex-US Search  
Candidate Profile  
June 2016**

**A. Manager Orientation**

Sacramento Regional Transit District (“RT”) Pension Plan seeks an investment management firm with an expertise and proven record in managing international equity portfolios.

**B. Manager Type**

Only qualified investment counselor organizations registered under the Investment Advisors Act of 1940 will be considered. This includes investment counselors and investment counseling subsidiaries of banks, brokerage houses and insurance companies.

**C. Investment Style**

RT is seeking an international manager to replace its current active manager, JPMorgan EAFE Plus. RT would like to consider MSCI WORLD ex-US managers that would be complementary to their SSgA EAFE Index mandate. Managers will be allowed to have up to 15% exposure to the emerging markets but no more as RT has a dedicated EM mandate with DFA Emerging Markets Core. RT is also in the process of funding a developed international small cap mandate with AQR.

**D. Total Assets Under Management**

Managers should have a minimum of \$5.0 billion in assets under management at the firm, ideally with a stable and well-diversified client base.

**E. Size of Professional Staff**

There should be a sufficient number of client service and investment personnel relative to the firm’s account load to assure that RT has reasonable access to the firm and that the investment portfolios are well attended.

**F. Experience in Managing Funds**

It is essential that candidates exhibit organizational stability and have compensation and ownership programs that provide reasonable assurance of their ability to retain key investment professionals. The organization should have been in business for a minimum of five years. Organizations with less than five-year history, however, may be considered in certain circumstances (e.g. spin-off from parent company).

**G. Geographic Location**

No preference.

**H. Investment Vehicles**

Institutional mutual fund or commingled trust.

**I. Flexibility of Individual Portfolio Manager**

Some flexibility of investment holdings is permissible among accounts; however, the dispersion of portfolio returns across accounts within the firm should be small. There should be a firm-wide investment process.

## **J. In-House Research Capability**

In-house research capability is preferred although limited outsourcing is acceptable.

## **K. Portfolio Risk Level**

The candidates should have a risk level that is at least commensurate with the return achieved. Candidates should demonstrate risk-adjusted performance which compares favorably to the appropriate index and style group. Risk will be considered relative to the benchmark as well as in absolute returns.

## **L. Historical Performance Criteria**

Historical performance criteria will be scored based on the following:

- Cumulative 4, 5 and 7 year data relative to the MSCI WORLD ex-US Index and CAI Non-U.S. Equity Style group
- Rolling three-year periods based on quarterly data compared to the MSCI WORLD ex-US Index and CAI Non-U.S. Equity Style group

Performance will be evaluated relative to each criteria; thus, there will be a maximum of 40 points possible (17 rolling three-year periods and 3 other cumulative periods). Candidates will receive one point for each standard passed. The relative score will be considered for candidates with limited performance history. Performance at a prior employer may be utilized on a case by case basis.

## **M. Client Servicing**

The firm should be service-oriented and responsive to individual client needs. Portfolio managers and client service professionals should be capable of clearly articulating their investment process and explaining it through unfavorable markets. The portfolio manager, or well-qualified client service professional, must be available to answer questions and provide support in a timely basis upon request.

## **N. Qualities Specifically Sought**

- Superior long-term out performance relative to peers and the benchmark
- Disciplined investment process
- Positive risk-adjusted returns
- Low turnover of personnel
- Effective communication skills

## **O. Qualities to be Avoided**

- Firms with current negative publicity
- Organizational instability
- Significant performance attributable to short periods of excess return
- Excessive recent growth in assets
- Concentrated client base

## **P. Financial Well-Being of Firm**

Must be successful in the business of money management. The firm should be professionally managed and have a long-range business plan. Principals should not have recently cashed out. The ideal firm will have strong monetary and/or equity incentives in place for the investment professionals.

## **Q. Fees**

RT seeks a competitive fee schedule that is commensurate with the firm's demonstrated expertise.





**Lazard Asset Management**  
**30 Rockefeller Plaza**  
**New York, NY 10112**

**History**

In 1848, three brothers, Alexandre, Simon, and Lazard formed the company now known as Lazard Freres & Co. LLC (LF&Co.), in New Orleans and subsequently in San Francisco. In 1970, the firm established Lazard Asset Management (LAM) as its investment management division and registered with the SEC on May 1, 1970. On January 13, 2003, LAM reorganized and became a separate legal entity and subsidiary of LF&Co. On May 5, 2005, shares of Lazard Ltd, a newly formed Bermuda corporation, began trading publicly on the New York Stock Exchange (ticker: LAZ). As before the initial public offering, Lazard Group LLC continues to be the sole member of LF&Co., a New York limited liability company, which is the parent company of LAM.

**Structure**

Founded: 1970  
 Parent: Lazard Freres & Co. LLC (LF&Co.)  
 Ownership: Publicly Owned  
 Errors and omissions insurance: Yes  
 In compliance with SEC and DOL: Yes  
 GIPS Compliant: Yes

**Contact:** Robert Connin  
 30 Rockefeller Plaza  
 New York, NY 10112  
 Phone: (212) 632-6566  
 Fax: (212) 332-5656  
 Email: robert.connin@lazard.com

**Key Professionals**

Ashish Bhutani - CEO  
 John Reinsberg - CIO of Global Equity

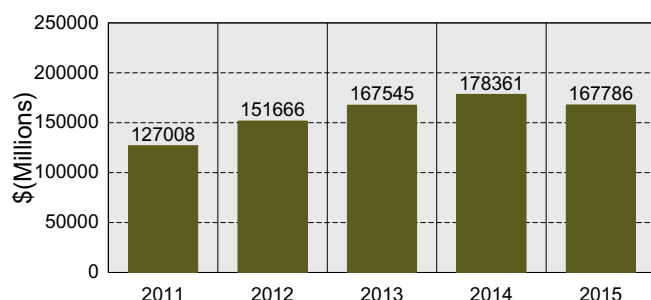
**Joined Investment Firm Experience**

2003 1985  
 1992 1981

**Employee Structure**

Client Services/Marketing	264
Dedicated Fundamental Analyst	103
Dedicated Quantitative Analyst	5
Executive Management	10
Operations	105
Portfolio Manager	146
System/Information Technology	35
Trader	15
<b>Total</b>	<b>683</b>

**Total Asset Growth**



**Total Asset Structure**

Asset Type	\$(mm)	
U.S. Tax-Exempt	41,339	25%
U.S. Taxable	32,900	20%
Non-U.S.	54,341	32%
Mutual Fund	35,274	21%
Other	3,932	2%
<b>Total</b>	<b>167,786</b>	<b>100%</b>

**U.S. Tax-Exempt Separate/Commingled Assets as of December 31, 2015**

Asset Class	\$(mm)		Client Type	\$(mm)	
Domestic Balanced	376	1%	Corporate	8,130	20%
Domestic Broad Equity	5,308	13%	Endowment/Foundation	3,532	9%
Domestic Broad Fixed-Income	2,392	6%	Multi-Employer	3,711	9%
Intl Equity	30,093	73%	Public	18,533	45%
Intl/Global Balanced	302	1%	Insurance	1,021	2%
Intl/Global Fixed-Income	2,765	7%	High Net Worth	1,055	3%
Other Alternatives	104	0%	Other	5,357	13%
<b>Total</b>	<b>41,339</b>	<b>100%</b>	<b>Total</b>	<b>41,339</b>	<b>100%</b>

Note(s): Asset increase in 2012 was attributed to the gain of 107 accounts for \$8 billion. Asset growth in 2013 was attributed to the gain of 32 accounts for \$1.4 billion and market appreciation. Asset increase in 2014 was attributed to the gain of 32 accounts for \$1.4 billion and inflows into existing accounts. Asset decline in 2015 was attributed to the loss of 229 accounts for \$10 billion and market movement. "Other" assets denote mutual funds, commingled funds, and hedge funds.

# Lazard Asset Management International Equity As of December 31, 2015

## Key Professionals

	Joined Firm	Investment Experience
Michael Fry - PM	2005	1981
Michael Bennett - PM	1992	1986
Kevin Matthews - PM	2001	2001
Michael Powers - PM	1990	1990
John Reinsberg - PM	1992	1981

## Investment Professionals

Function	#	5 Years	
		Gained	Lost
Central Research Analyst	57		
Portfolio Manager	5	1	0
Portfolio Decision: Team Management			

## Product Highlights:

**Investment Style:** Intl Core Equity

**Benchmark:** MSCI EAFE

**Invest. Strategy:** Fundamental Research (100% Bottom Up)

## Investment Process:

- 10% Country/Regional Allocation
- 10% Industry/Sector Allocation
- 80% Security Selection

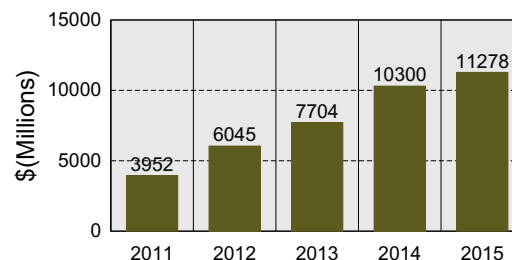
## Portfolio Characteristics

	Year End
Wtd Avg Market Cap (\$M)	50,780
% Large Cap (\$wgt) > \$15 B	68
% Mid Cap (\$wgt) \$3.5 - \$15 B	27
% Small Cap (\$wgt) \$700M - \$3.5 B	5
Number of Holdings	63
Annual Percent Turnover	35
Total Emerg. Mkts Exposure	5

## Total Asset Structure

Asset Type	\$(mm)	
U.S. Tax-Exempt Commingled	519	5%
U.S. Tax-Exempt Sep Acct	6,639	59%
U.S. Taxable	2,397	21%
Non-U.S.	172	2%
Mutual Fund	1,552	14%
<b>Total</b>	<b>11,278</b>	<b>100%</b>

## Total Asset Growth



## U.S. Tax-Exempt Assets

Vehicle	Largest Acct	# of Accts	\$(mm) Assets	5 Years Net Flows
Commingled	478	2	519	0
Separate	1,909	35	6,639	47

**Fee Schedule: See Summary Matrix**

## Performance Composite

Assets in composite (\$mm): 5,561  
Number of Accts in Composite: 11

**2015 Annual Dispersion Range:**  
Composite Return: 2.40%  
Highest Return: 2.93%  
Lowest Return: 2.15%

Note(s): Due to the recent inception of the proposed commingled vehicle (launched in 1Q15), performance represents the composite, gross-of-fees. Policy maximum to Emerging Market exposure is 10%. Portfolio manager Kevin Matthews joined the strategy in March 2013. Lazard's total International Equity strategy AUM, above, includes the following strategies Int'l Equity, Int'l Equity (ACW ex-US), Int'l Equity Plus, Int'l Equity Plus (ACW ex-US), and Int'l Equity ex-EM. Asset increase in 2012 was attributed to inflows into existing accounts and market appreciation. Asset growth in 2014 was attributed to the net gain of 17 accounts as well as inflows into existing accounts. US exposure on page 7 represents companies domiciled in the United States who derive the majority of their assets, revenues, or business from international markets.

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## Lazard Asset Management International Equity

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### Investment Philosophy:

The Lazard International Equity strategy seeks to generate strong relative returns over a full market cycle by investing in companies with strong and/or improving financial productivity at attractive valuations. The strategy typically invests in non-US companies, including those from emerging markets, with a market capitalization generally of \$3 billion or greater. EAFE and ACWI ex-US benchmarked versions are available, resulting in different emerging markets exposure. A version that excludes emerging markets is also available.

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### Research Process:

The research process is approximately 20% quantitative, but it does not use quantitative models. Lazard employs various screening processes to search global databases for companies that appear to offer strong financial productivity at attractive valuations. Screening seeks to identify companies that are attractively priced (i.e., low price/earnings, price/book and price/cash flow), relative to their financial returns (i.e., return on equity, cash return on equity, return on assets, operating margins). Screening also eliminates stocks that do not have sufficient liquidity to be included in a portfolio. Quantitative processes are used to provide insight to the portfolio management teams for risk management purposes. Optimization programs (BARRA Aegis, Northfield Optimizer, GRAM, Style Research) can be used by Lazard to identify and quantify portfolio risk. The portfolio management teams may limit exposure to various measures of risk including: industries, sectors, countries, and style characteristics (such as large or small cap bias). Individual security exposure is also limited to control risk and maintain liquidity.

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### Country Strategy:

Country weightings are a residual of Lazard's stock selection process.

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### Security Selection:

In searching for under-valued, under-appreciated and financially productive stocks, the team follows an investment process that incorporates different types of research, as well as other investment selection techniques: idea sourcing and fundamental research (return analysis, accounting validation, modeling and valuation). The results from their return analysis and accounting validation are incorporated in the construction of a set of expectations for future cash flows and profitability. In each scenario, they value the company. Stocks are selected by the portfolio management team from the wide range of ideas generated by the team and the investment platform. Stocks tend to fall into one of three broad categories: mispriced, compounders and restructuring.

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### Portfolio Construction:

Portfolio construction is driven by stock selection. The International Equity portfolio management team builds the portfolio selecting one stock at a time with inclusion of a stock in the portfolio primarily dependent on a new idea's attractiveness relative to existing portfolio holdings. Sector and regional exposures are a residual of the investment process. In addition, consideration is given to the impact the stocks inclusion may have on portfolio structure and risk metrics as well as any client specific mandate. The process is ongoing with formal and informal research and portfolio construction discussions held throughout the week. Idea sourcing, fundamental analysis and portfolio construction is a collegiate process involving all members of the portfolio management team; however the lead portfolio manager is ultimately responsible for investment decisions. The objective is to construct a portfolio which achieves the investment objectives and adheres to the investment philosophy and process detailed above. Portfolio construction utilizes risk analysis tools and processes to analyze portfolios to understand portfolio risk exposures and avoid any unintended risk concentrations.

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### Currency Strategy:

Lazard does not seek to actively manage currency, and does not typically engage in hedging. As part of the risk management process, they seek to ensure that the portfolio is not unduly concentrated in securities denominated in specific currencies or whose business is heavily exposed to adverse movements. However, the team attempts to add value through in-depth analysis of individual companies and not through forecasting complex macroeconomic relationships such as currency rates. Company analysis takes into account the effects of macroeconomic and currency effects.

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### Sell Discipline:

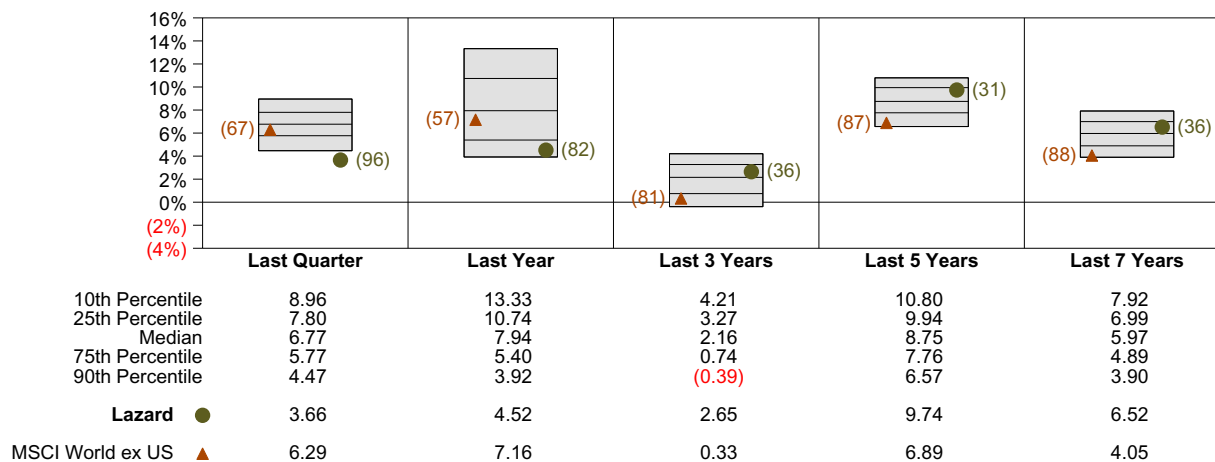
The sell discipline is an equally important component in the investment process. A review of existing portfolio holdings is triggered when a new idea offers more attractive risk/reward; the price performance objective has been achieved; or the fundamental investment assumptions change and the investment thesis is invalidated. While the fundamental research process is highly collaborative, the portfolio management team makes the final determination of what gets bought and sold in the portfolio.

# Lazard Asset Management International Equity Return Analysis Summary

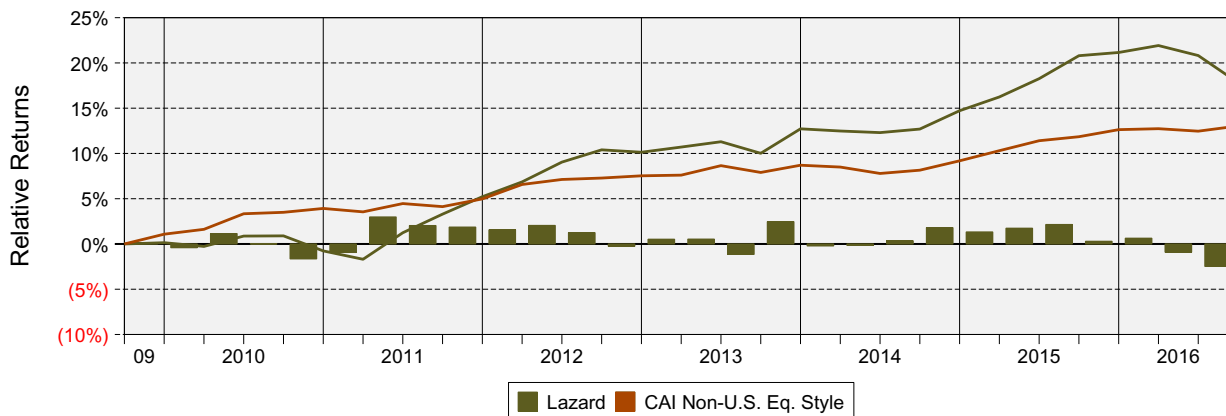
## Return Analysis

The graphs below analyze the manager's return on both a risk-adjusted and unadjusted basis. The first chart illustrates the manager's ranking over different periods versus the appropriate style group. The second chart shows the historical quarterly and cumulative manager returns versus the appropriate market benchmark. The last two charts illustrate the manager's ranking relative to their style using various risk-adjusted return measures and returns for rising/declining periods.

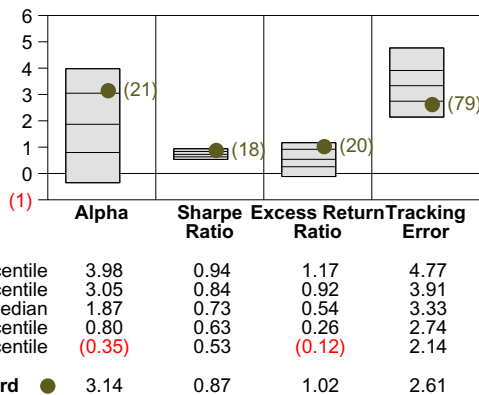
### Performance vs CAI Non-U.S. Equity Style (Gross) Periods ended September 30, 2016



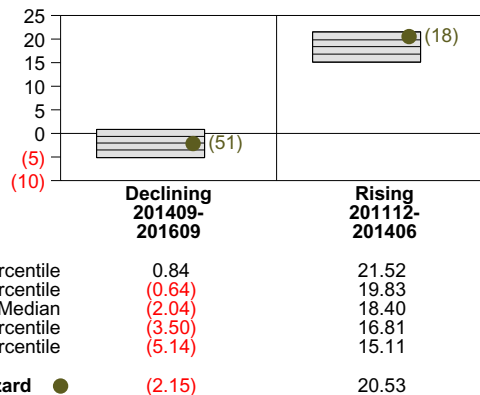
### Cumulative and Quarterly Relative Return vs MSCI World ex US



### Risk Adjusted Return Measures vs MSCI World ex US Rankings Against CAI Non-U.S. Equity Style (Gross) Five Years Ended September 30, 2016



### Returns for Intl. Rising/Declining Periods Five Years Ended September 30, 2016

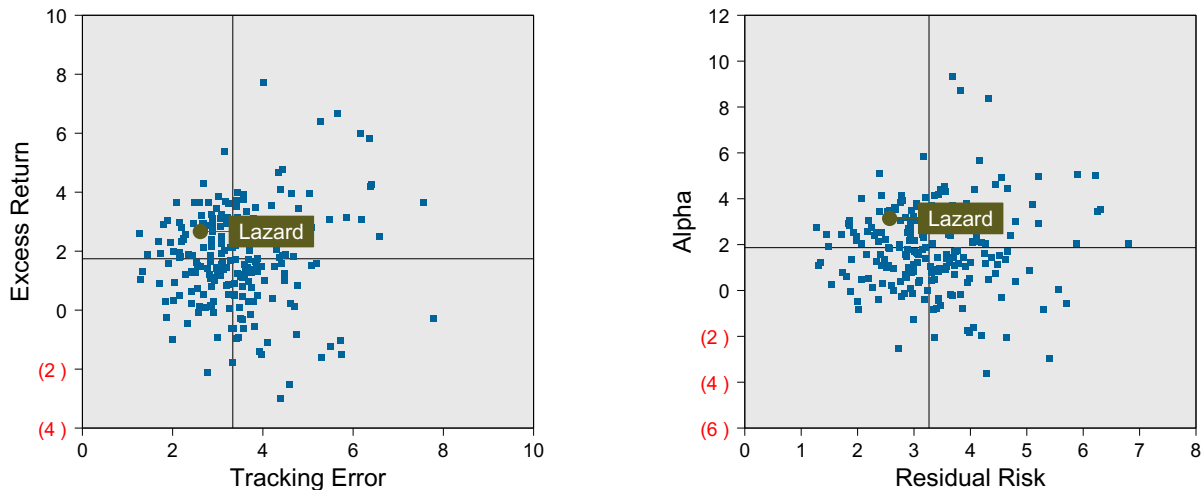


# Lazard Asset Management International Equity Risk Analysis Summary

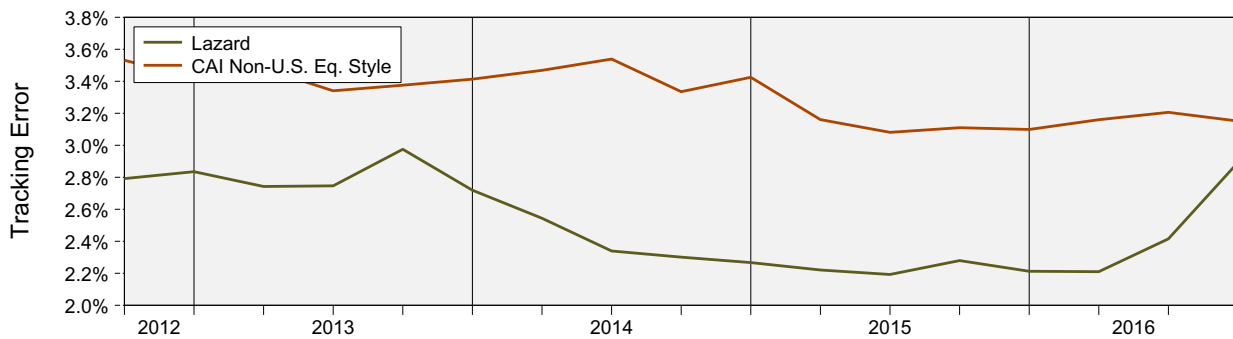
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The graphs below analyze the risk or variation of a manager's return pattern. The first scatter chart illustrates the relationship, called Excess Return Ratio, between excess return and tracking error relative to the benchmark. The second scatter chart displays the relationship, sometimes called Information Ratio, between alpha (market-risk or "beta" adjusted return) and residual risk (non-market or "unsystematic" risk). The third chart shows tracking error patterns versus the benchmark over time. The last two charts show the ranking of the manager's risk statistics versus the peer group.

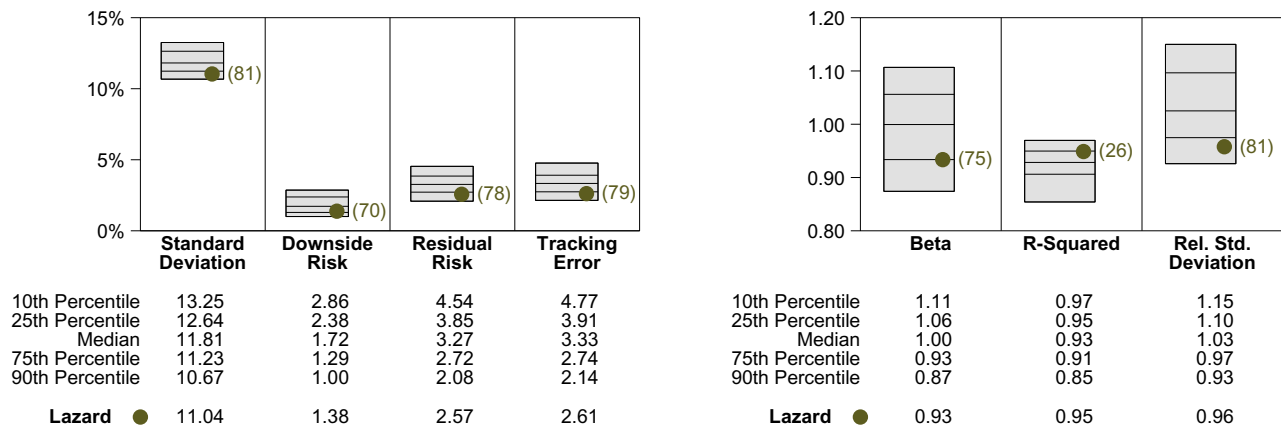
### Risk Analysis vs CAI Non-U.S. Equity Style (Gross) Five Years Ended September 30, 2016



### Rolling 12 Quarter Tracking Error vs MSCI World ex US Index (USD Net Div)

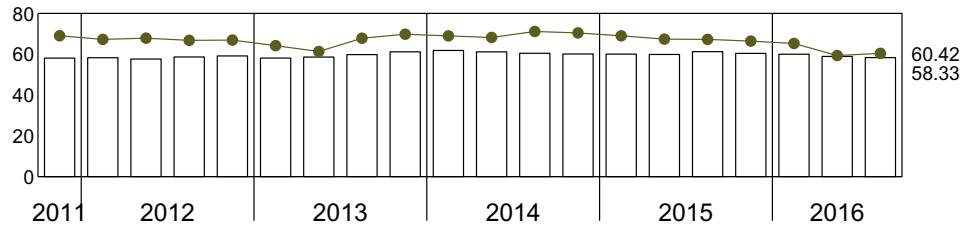


### Risk Statistics Rankings vs MSCI World ex US Index (USD Net Div) Rankings Against CAI Non-U.S. Equity Style (Gross) Five Years Ended September 30, 2016

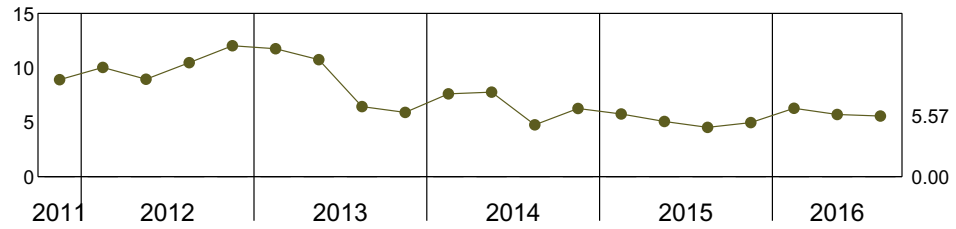


**Lazard Asset Management**  
**History of Ending Regional Weights**  
**Period Ended September 30, 2016**

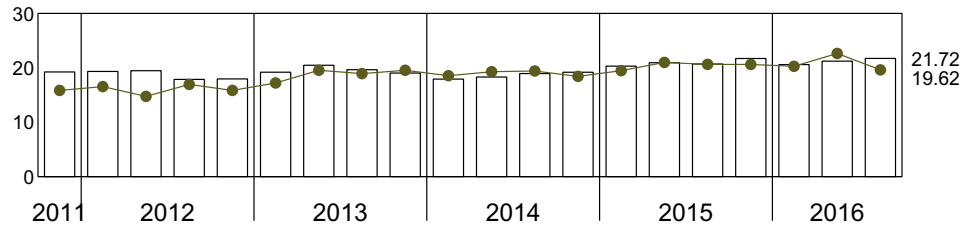
**Dev Europe/Mid East**



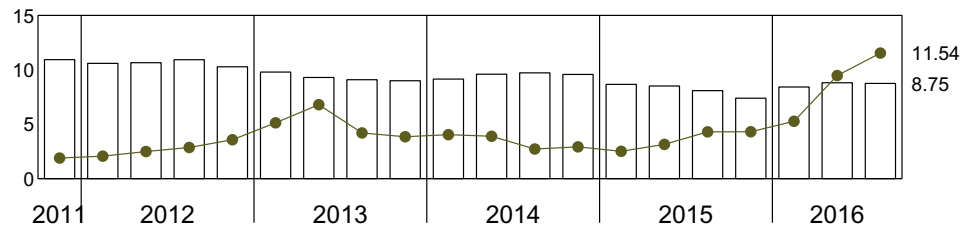
**Emerging Markets**



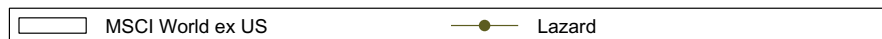
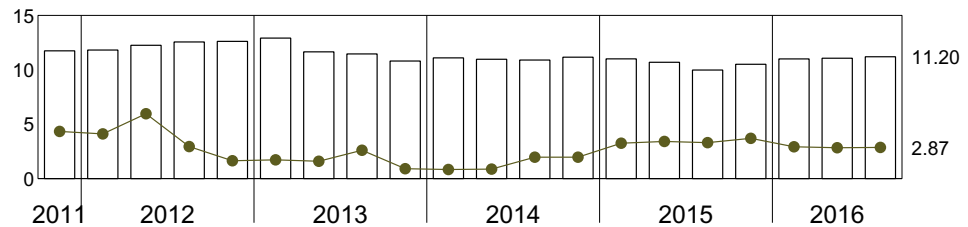
**Japan**



**North America**



**Pacific Basin**

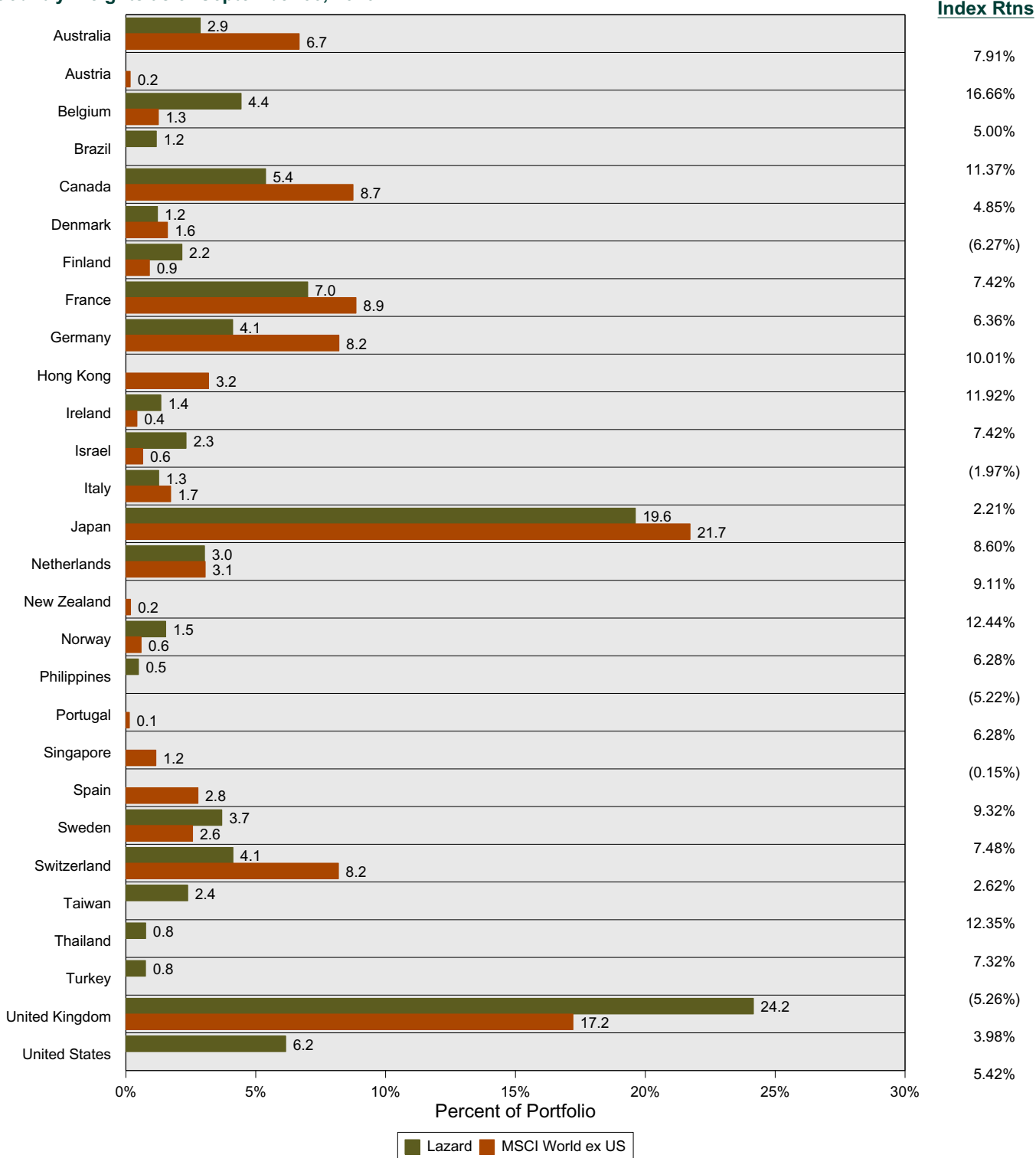


## Country Allocation Lazard VS MSCI World ex US Index (USD Net Div)

### Country Allocation

The chart below contrasts the portfolio's country allocation with that of the index as of September 30, 2016. This chart is useful because large deviations in country allocation relative to the index are often good predictors of tracking error in the subsequent quarter. To the extent that the portfolio allocation is similar to the index, the portfolio should experience more "index-like" performance. In order to illustrate the performance effect on the portfolio and index of these country allocations, the individual index country returns are also shown.

### Country Weights as of September 30, 2016



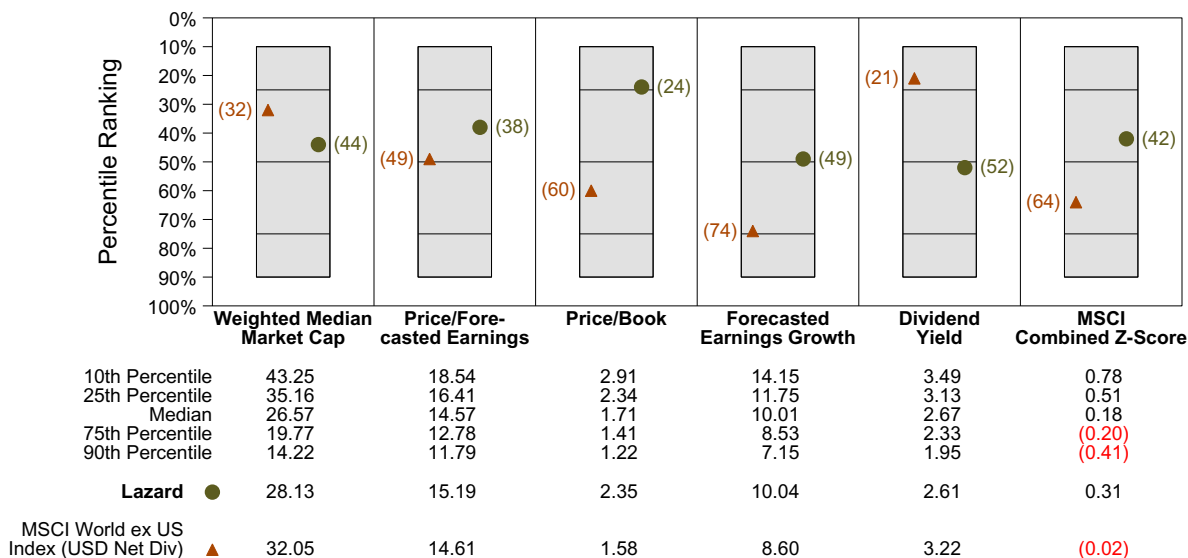


# Lazard Asset Management International Equity Equity Characteristics Analysis Summary

## Portfolio Characteristics

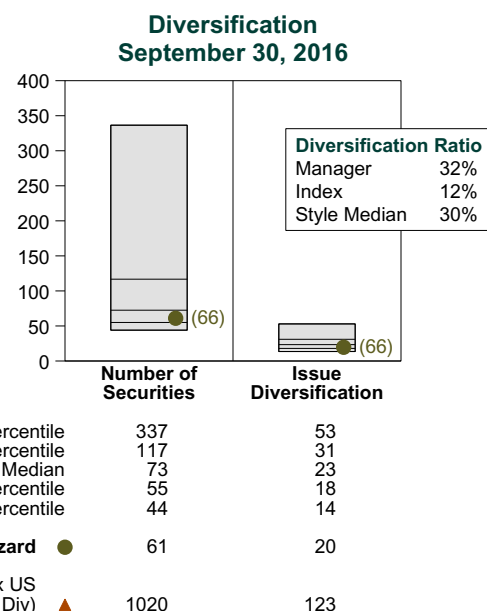
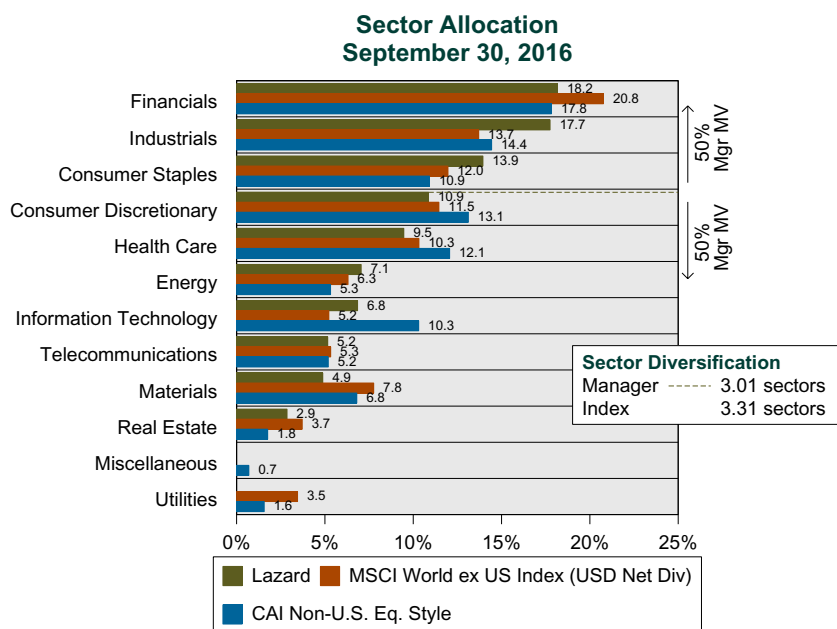
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI Non-U.S. Equity Style as of September 30, 2016



## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

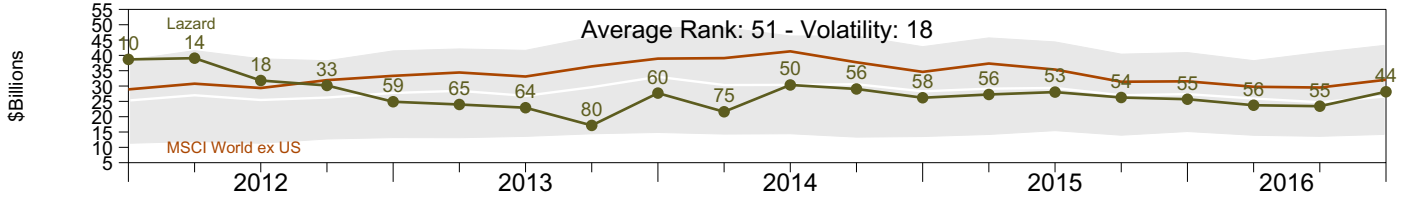


## Portfolio Characteristics Analysis

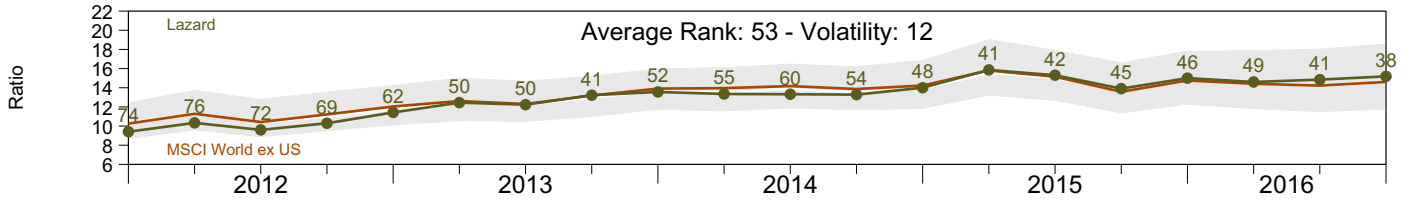
### CAI Non-U.S. Eq. Style

The charts below illustrate the behavior of the product over different portfolio characteristics through time. As a backdrop the range (from 10th to 90th percentile) is shown for the CAI Non-U.S. Eq. Style Universe. The ranking of the product in this group is shown above each quarter end dot. The average ranking of the product and, if there are at least 12 data points, the standard deviation of that ranking is also shown on the chart. The MSCI World ex US is shown for comparison purposes.

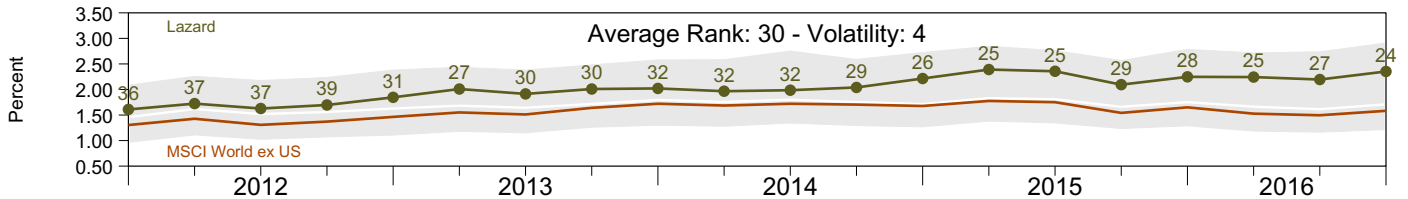
#### Weighted Median Market Cap



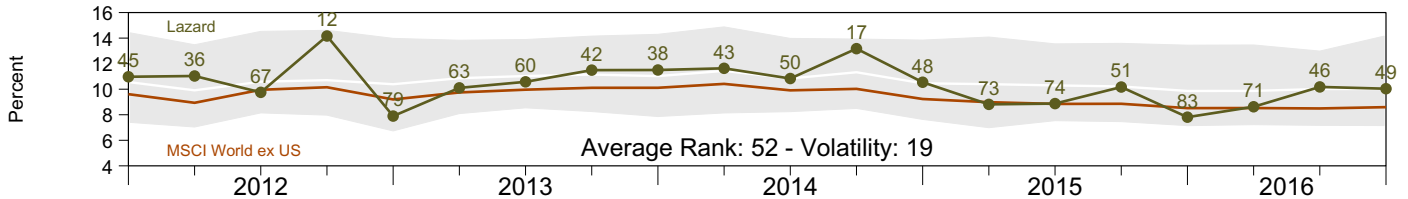
#### Forecasted P/E



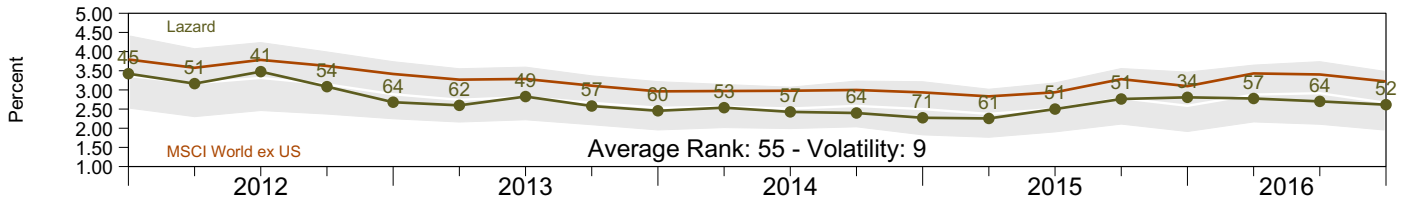
#### Price/Book Value



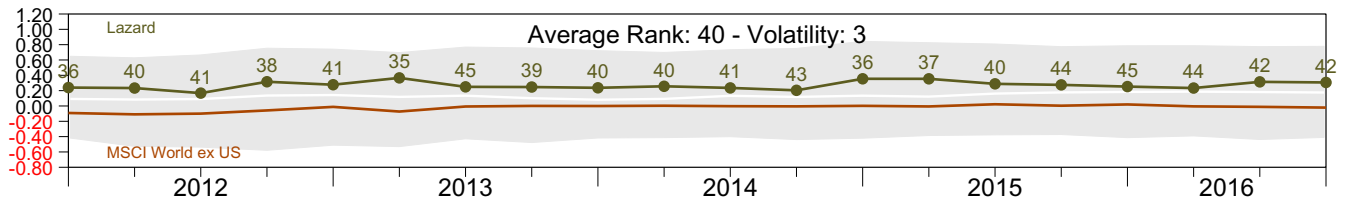
#### Forecasted Growth in Earnings



#### Dividend Yield



#### MSCI Combined Z-Score



Any particular portfolio characteristic observation(s) may be missing due to a failure to pass a minimum "coverage hurdle" intended to ensure quality. This can occur when the portfolio has a significant weight in stocks for which the data vendor(s) cannot supply the particular relevant financial metric.



**Pyrford International PLC**  
**79 Grosvenor Street**  
**London, GBR W1K-3JU**

**History**

Pyrford International PLC began in 1982 as the in-house manager of the multi-national group ElderIXL Ltd. Australia. It moved the headquarters to London in 1987 and was purchased in a management buy-out in 1991. A marketing/client service office was opened in New York that same year. The Australia and New Zealand offices were sold in 1994. Pyrford has been registered with the SEC since 1989 and gained the first tax-exempt US client in 1993. Pyrford's ultimate parent company is Pyrford Capital Ltd. which is owned 40% by key employees and 40% by Euro Equity Holdings SA, a European investment company. In addition, a 20% stake is held by Strategic Investment Group Ventures, a joint venture between CalPERS Manager Development Program and Strategic Investment Group. In December 2007, Bank of Montreal Capital Markets (Holdings) Limited, a company within the BMO Financial Group (being Bank of Montreal and its subsidiaries), acquired 100% of the share capital of Pyrford International.

**Structure**

Founded: 1987  
 Parent: BMO Financial Group  
 Ownership: Other  
 Errors and omissions insurance: Yes  
 In compliance with SEC and DOL: Yes  
 GIPS Compliant: Yes

**Contact:** Simon Phillips  
 95 Wigmore Street  
 London, GBR W1U 1FD  
 Phone: +44 207 399 2242  
 Fax: +44 207 399 2205  
 Email: simon.phillips@pyrford.co.uk

**Key Professionals**

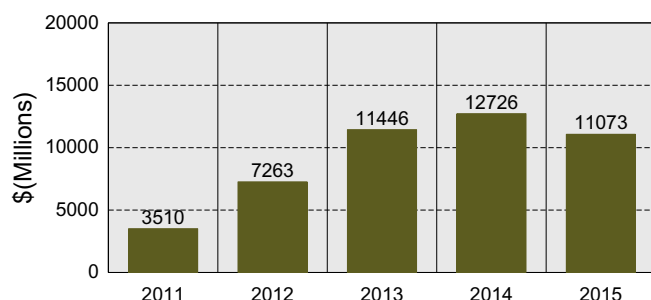
Tony Cousins - CEO, CIO  
 Drew Newman - COO

Joined Firm	Investment Experience
1989	1984
2005	1986

**Employee Structure**

Client Services/Marketing	5
Dedicated Fundamental Analyst	4
Economist	1
Executive Management	3
Portfolio Manager	8
Trader	2
<b>Total</b>	<b>23</b>

**Total Asset Growth**



**Total Asset Structure**

Asset Type	\$(mm)	%
U.S. Tax-Exempt	1,497	14%
U.S. Taxable	636	6%
Non-U.S.	6,788	61%
Mutual Fund	2,153	19%
<b>Total</b>	<b>11,073</b>	<b>100%</b>

**U.S. Tax-Exempt Separate/Commingled Assets as of December 31, 2015**

Asset Class	\$(mm)	%	Client Type	\$(mm)	%
Intl Equity	1,497	100%	Corporate	1,150	77%
<b>Total</b>	<b>1,497</b>	<b>100%</b>	Endowment/Foundation	126	8%
			Public	215	14%
			Sub-Advised	6	0%
			<b>Total</b>	<b>1,497</b>	<b>100%</b>

Note(s): Tony Cousins took over as CEO and CIO in January 2011, replacing Bruce Campbell who ultimately retired in March 2015. In January 2014, Tony Cousins expanded his responsibilities temporarily to assume the position of CEO for Lloyd George Management (LGM), which is also part of BMO Global Asset Management. In November 2014, Cousins relinquished his role as CEO of LGM to focus on Pyrford as its CEO and CIO. Asset growth in 2012 was attributed to the gain of 34 accounts for \$2.0 billion and market appreciation. Asset growth in 2013 was attributed to the gain of 30 accounts for \$1.3 billion and market appreciation. Asset growth in 2014 was attributed to the gain of 17 accounts for \$789 million. Asset decline in 2015 was attributed to the loss of 13 accounts for \$1.1 billion.

**Pyrford International PLC  
Equity Only Non-U.S.  
As of December 31, 2015**

Key Professionals	Joined Firm	Investment Experience
Tony Cousins - PM	1989	1984
Daniel McDonagh - PM	1997	1997
Paul Simons - PM	1996	1996
Stefan Bain - PM	2012	2001
Nabil Irfan - PM	2005	2000
Peter Moran - PM	2003	2003
Jun Yu - PM	2008	2000

**Investment Professionals**

Function	#	5 Years	
		Gained	Lost
Portfolio Manager	7	1	3
Portfolio Decision: Team Management			

**Product Highlights:**

**Investment Style:** Intl Value

**Benchmark:** MSCI EAFE

**Invest. Strategy:** Fundamental Research/Risk Control (Bottom Up/Top Down Overlay)

**Investment Process:**

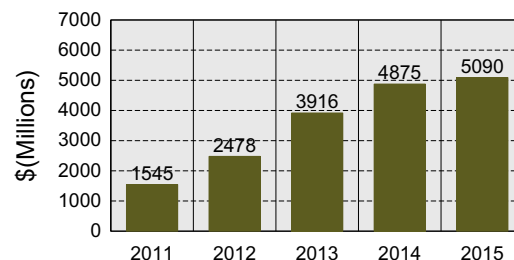
- 50% Country/Regional Allocation
- 50% Security Selection

Portfolio Characteristics	Year End
Wtd Avg Market Cap (\$M)	52,752
% Large Cap (\$wgt) > \$15 B	63
% Mid Cap (\$wgt) \$3.5 - \$15 B	29
% Small Cap (\$wgt) \$700M - \$3.5 B	8
Number of Holdings	74
Annual Percent Turnover	13
Total Emerg. Mkts Exposure	11

**Total Asset Structure**

Asset Type	\$(mm)	
U.S. Tax-Exempt Commingled	660	13%
U.S. Tax-Exempt Sep Acct	519	10%
U.S. Taxable	636	12%
Non-U.S.	1,121	22%
Mutual Fund	2,153	42%
<b>Total</b>	<b>5,090</b>	<b>100%</b>

**Total Asset Growth**



**U.S. Tax-Exempt Assets**

Vehicle	Largest Acct	# of Accts	\$(mm) Assets	5 Years Net Flows
Commingled	100	19	660	98
Separate	177	6	519	224

**Fee Schedule: See Summary Matrix**

**Vehicle Information**

Market Value (\$mm): 655

Annual 2015 Return: (3.16%)

Note(s): Performance represents the mutual fund, gross-of-fees. Due to its short track record the performance composite is shown in the performance section as supplemental information. In April 2016 Roderick Lewis was promoted from analyst to portfolio manager. Portfolio manager Bruce Campbell retired in March 2015. Japan portfolio manager, Paul Heaton, retired at the end of April 2012 and was subsequently replaced by Stefan Bain in June 2012. Portfolio manager Geraldine Arrigoni left the firm in September 2013. Asset growth in 2012 was attributed to the gain of four accounts for \$426 million and market appreciation. Asset growth in 2013 was attributed to the gain of five accounts for \$758 million and market appreciation. Asset increase in 2014 was attributed to the gain of five accounts for \$542 million and fund inflows into existing accounts. Performance dispersion between the mutual fund and composite in the first half of 2016 was due to pricing source differences and cash flows.

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## **Pyrford International PLC**

### **Equity Only Non-U.S.**

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#### **Investment Philosophy:**

Pyrford's investment strategy is based on a value-driven, absolute return approach, with both top-down and bottom-up elements. At the country level they seek to invest in countries that offer an attractive market valuation relative to their long-term prospects. At the stock level they identify companies that offer excellent value relative to in-house forecasts of long-term (5 years) earnings growth. This approach is characterized by low absolute volatility and downside protection.

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#### **Research Process:**

Internally generated research accounts for approximately 70% of the total research effort. The Chief Executive Officer concentrates on macro research; the portfolio managers assisted by regional analysts are engaged in both economic and stock research. Company visits are a key contribution to the build-up of the fundamental macro story. In addition to visiting companies, the investment professionals visit government departments, central banks, economists and local brokers. To supplement the work conducted internally, Pyrford subscribes to Marc Faber, Lombard Street Research and Smithers & Co Ltd. These help challenge Pyrford's internal work and provide a useful sounding board. For statistical data Pyrford utilizes Thomson Datastream. This gives access to national government statistical sources plus the IMF, OECD, and other databases.

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#### **Country Strategy:**

Country allocation decisions are made by the Investment Strategy Committee, which meets a minimum of once a month. Country allocations are made on a comparative value basis utilizing an internally generated Equity Valuation Matrix. This process produces a value indicator for each market. They will invest in those markets offering the best value.

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#### **Security Selection:**

The stock selection process includes two separate strands. The first step is an in-depth historical analysis of the company's balance sheet and earnings statements, focusing on a number of key ratios, including Du Pont analysis of return on equity (ROE). The output leaves out companies with levels of ROE driven by excessive leverage and prefers those who generate returns through asset turnover and net profit margin. Each analyst or portfolio manager is responsible for compiling and processing data directly from financial statements. The end result is a standard stock sheet for every company under investigation. Before a decision is made to invest in a company, an in-depth interview with management is conducted to discuss the competitive environment and the ability of the firm's business model to continue to generate an attractive return on equity. Hurdle rates utilized for the reinvestment of retained capital in the business are also scrutinized in detail. Every stock in a Pyrford portfolio is visited in this way before purchase and subsequently on an annual basis. Security selection centers on the formula: dividend yield + Pyrford's forecast 5 year EPS growth. Stocks which do not meet Pyrford's quality and value criteria involving market liquidity, corporate governance, leverage, interest cover etc, will already have been filtered out.

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#### **Portfolio Construction:**

The first step is deciding the country allocation, done by the Investment Strategy Committee. The stocks in each country are then selected by the regional teams. Once securities have been identified as suitable for investment, stock weights within each country portfolio are determined after further consideration of the following: the long-term value assessment for each stock (dividend yield plus Pyrford's forecast five year EPS growth), the confidence levels around forecasts made, and the liquidity of each stock.

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#### **Currency Strategy:**

Pyrford takes a defensive posture toward foreign exchange. Their objective is for currency to produce neutral to slightly positive returns. The assessment of whether to hedge is based on the foreign currency's value relative to its purchasing power parity equilibrium level versus the base currency. Subject to client constraints and specified benchmark, their policy is to hedge foreign currencies which are overvalued by more than 10% relative to the base currency or where there is a specific event related risk. Up to 100% of the exposure in a particular foreign currency may be hedged.

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#### **Sell Discipline:**

All portfolio holdings are continuously monitored by the relevant regional specialist portfolio manager. Generally, stocks are sold for three reasons: 1. The company's share price rises to such an extent that the sum of its dividend yield and forecast long term earnings per share growth falls to a level below that of the local market or alternative stocks within that market. 2. Changes occur in company strategy or industry which in Pyrford's view will affect its long term ability to generate adequate long term earnings per share growth or 3. Pyrford has made a country allocation change and decided to no longer maintain client funds in the country.

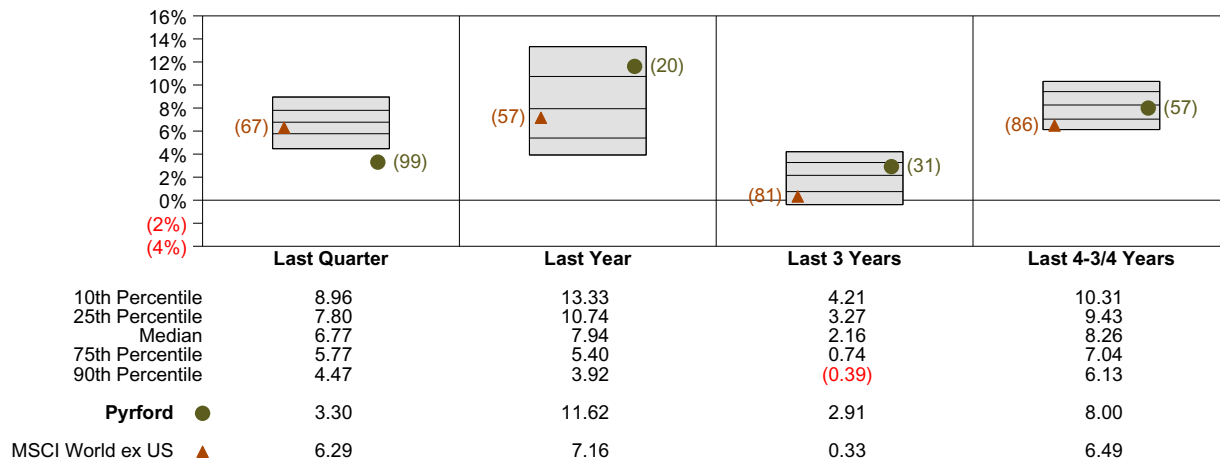
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# Pyrford International PLC Equity Only Non-U.S. Return Analysis Summary

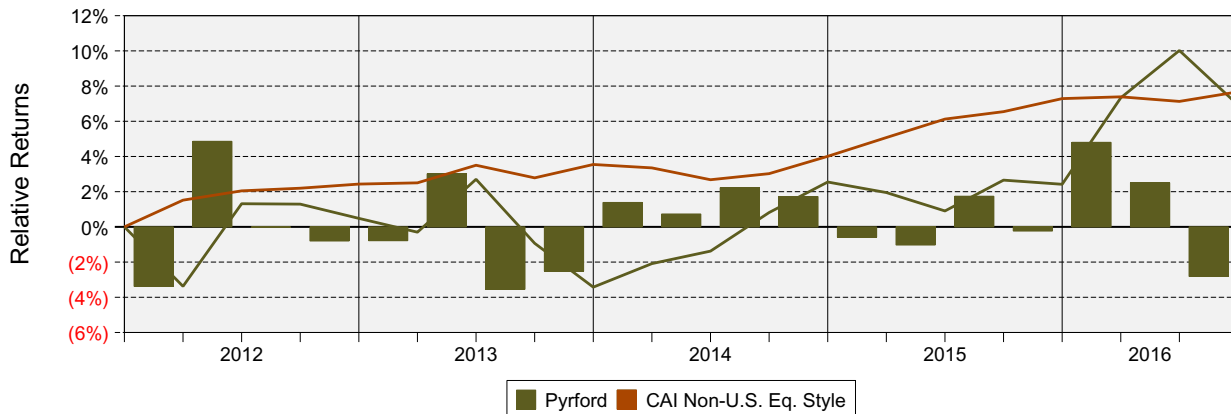
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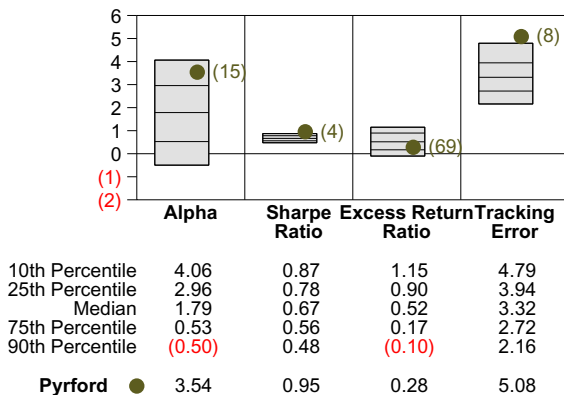
### Performance vs CAI Non-U.S. Equity Style (Gross) Periods ended September 30, 2016



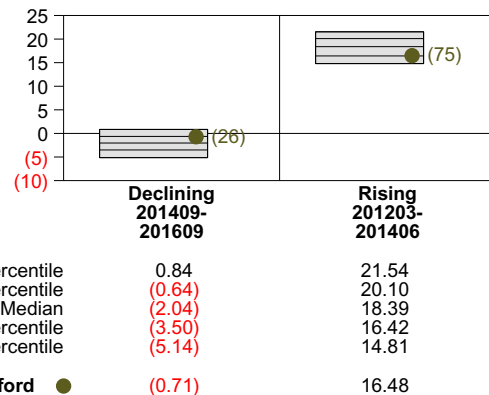
### Cumulative and Quarterly Relative Return vs MSCI World ex US



### Risk Adjusted Return Measures vs MSCI World ex US Rankings Against CAI Non-U.S. Equity Style (Gross) Four and Three-Quarter Years Ended September 30, 2016



### Returns for Intl. Rising/Declining Periods Four and Three-Quarter Years Ended September 30, 2016



# Pyrford International PLC

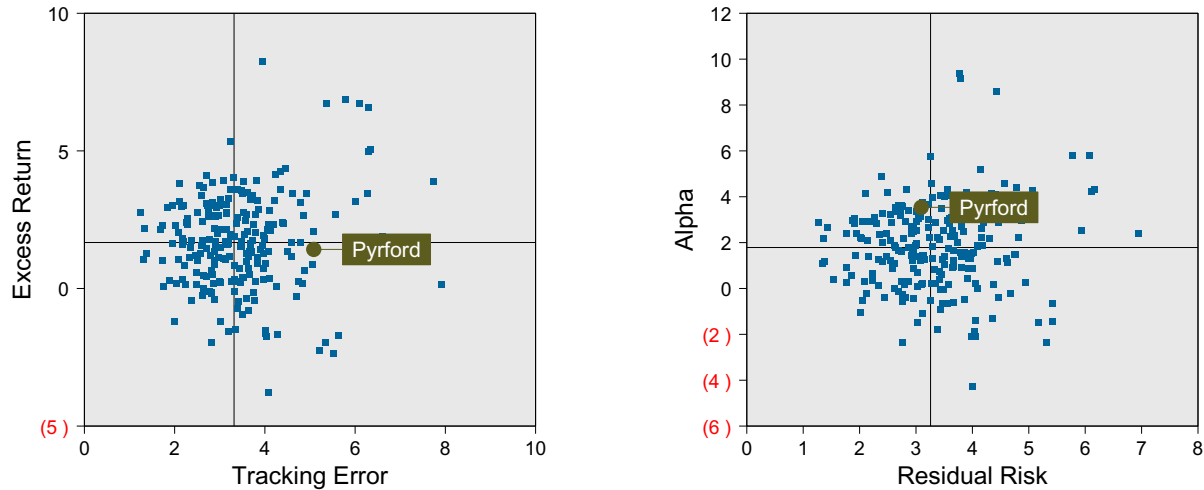
## Equity Only Non-U.S.

### Risk Analysis Summary

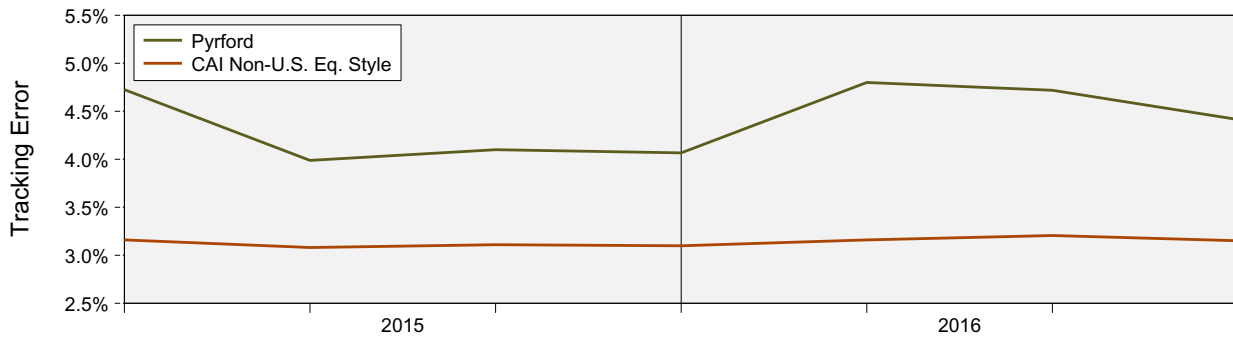
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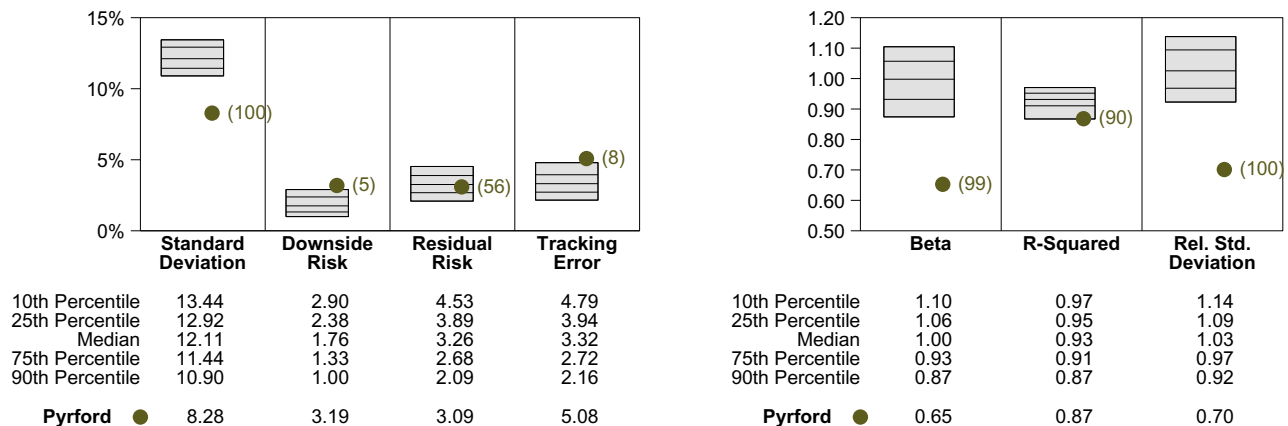
#### Risk Analysis vs CAI Non-U.S. Equity Style (Gross) Four and Three-Quarter Years Ended September 30, 2016



#### Rolling 12 Quarter Tracking Error vs MSCI World ex US Index (USD Net Div)



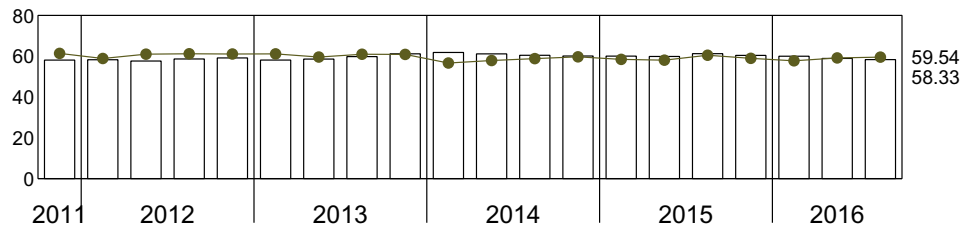
#### Risk Statistics Rankings vs MSCI World ex US Index (USD Net Div) Rankings Against CAI Non-U.S. Equity Style (Gross) Four and Three-Quarter Years Ended September 30, 2016



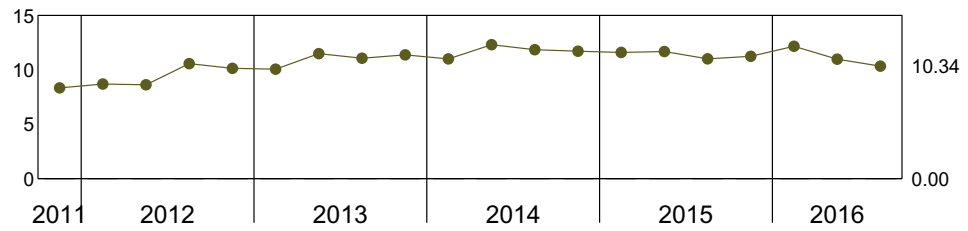


**Pyrford International PLC**  
**History of Ending Regional Weights**  
**Period Ended September 30, 2016**

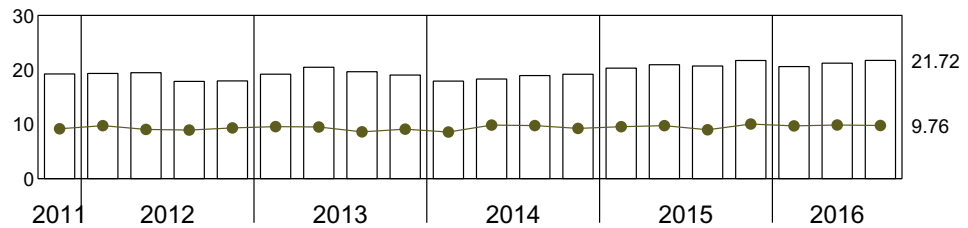
**Dev Europe/Mid East**



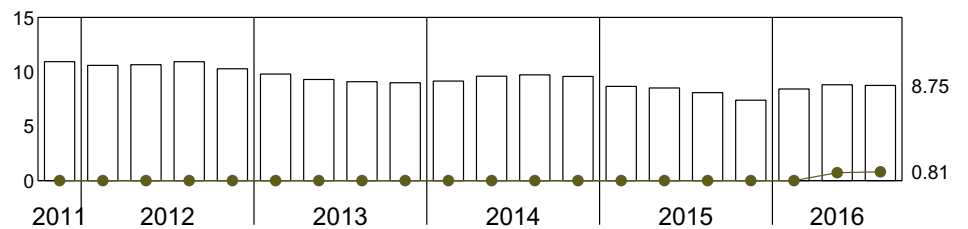
**Emerging Markets**



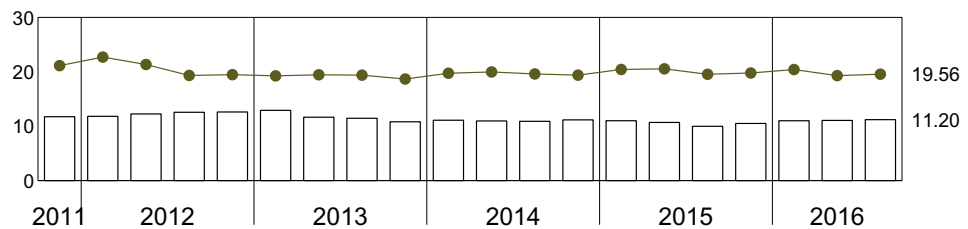
**Japan**



**North America**



**Pacific Basin**

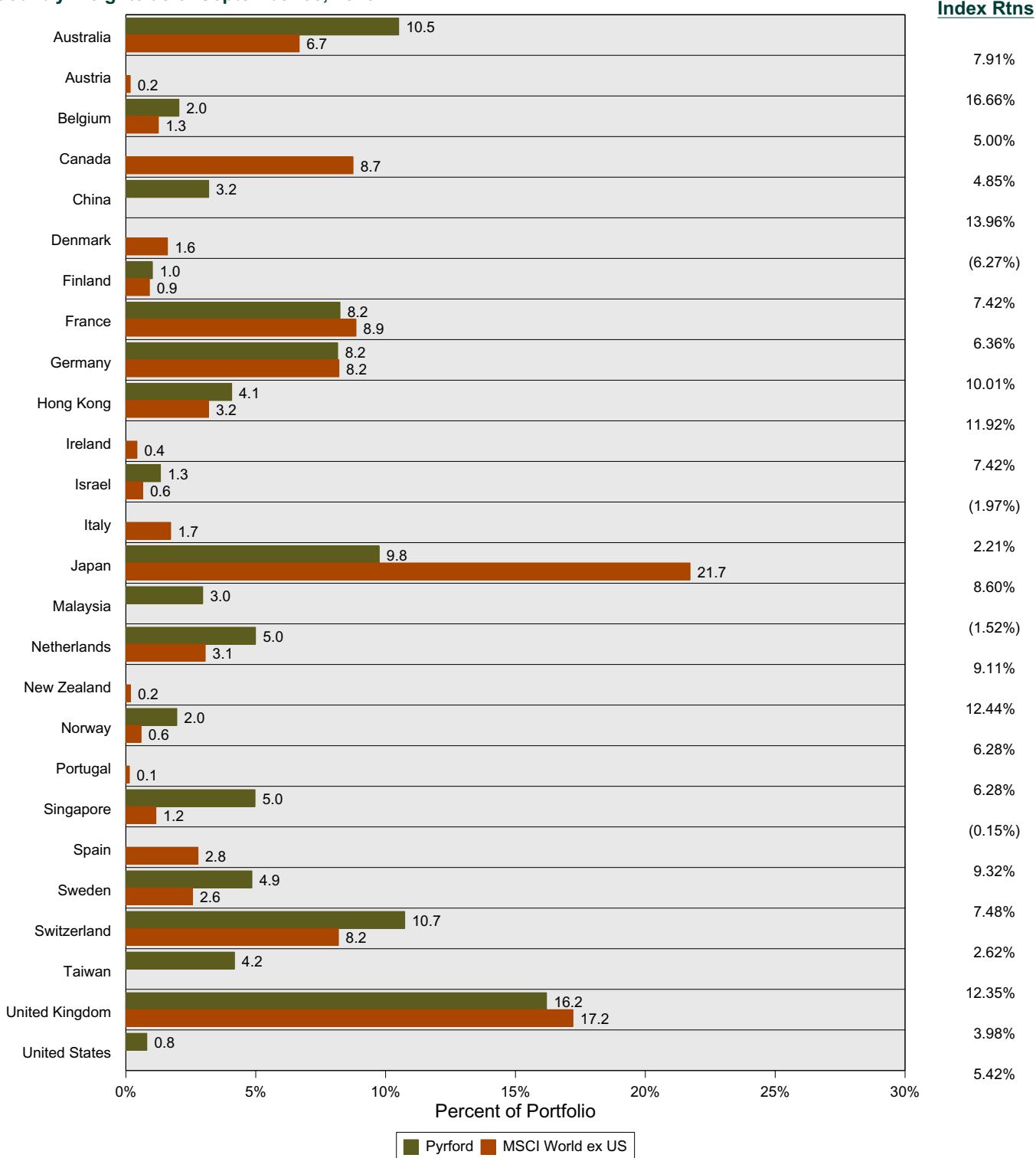


## Country Allocation Pyrford VS MSCI World ex US Index (USD Net Div)

### Country Allocation

The chart below contrasts the portfolio's country allocation with that of the index as of September 30, 2016. This chart is useful because large deviations in country allocation relative to the index are often good predictors of tracking error in the subsequent quarter. To the extent that the portfolio allocation is similar to the index, the portfolio should experience more "index-like" performance. In order to illustrate the performance effect on the portfolio and index of these country allocations, the individual index country returns are also shown.

### Country Weights as of September 30, 2016

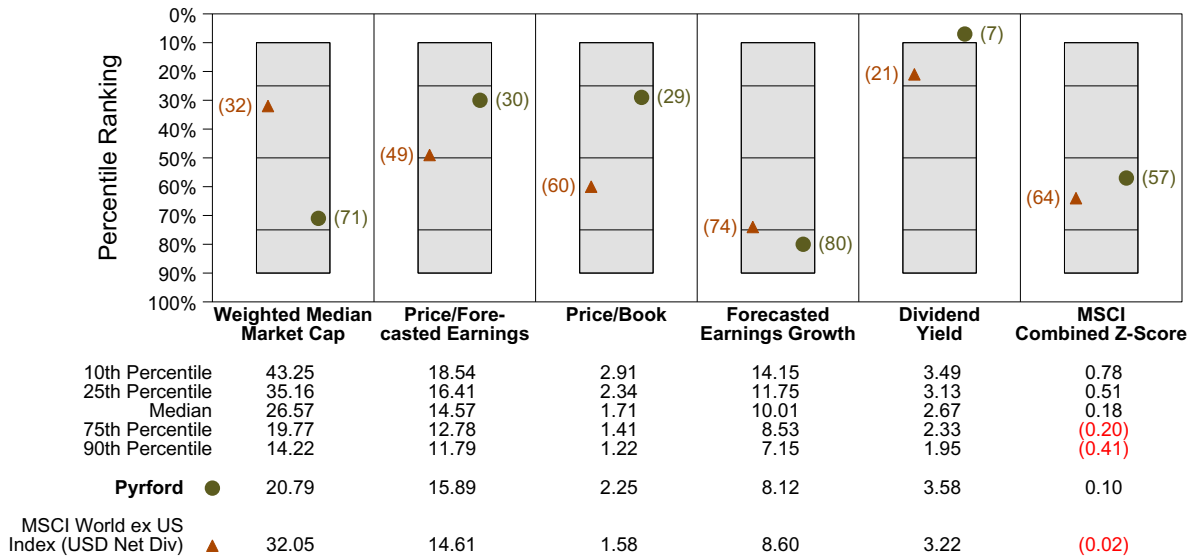


# Pyrford International PLC Equity Only Non-U.S. Equity Characteristics Analysis Summary

## Portfolio Characteristics

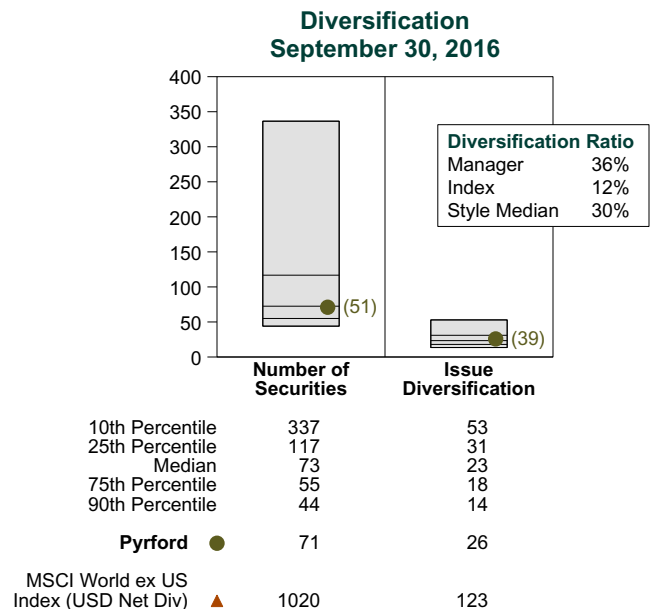
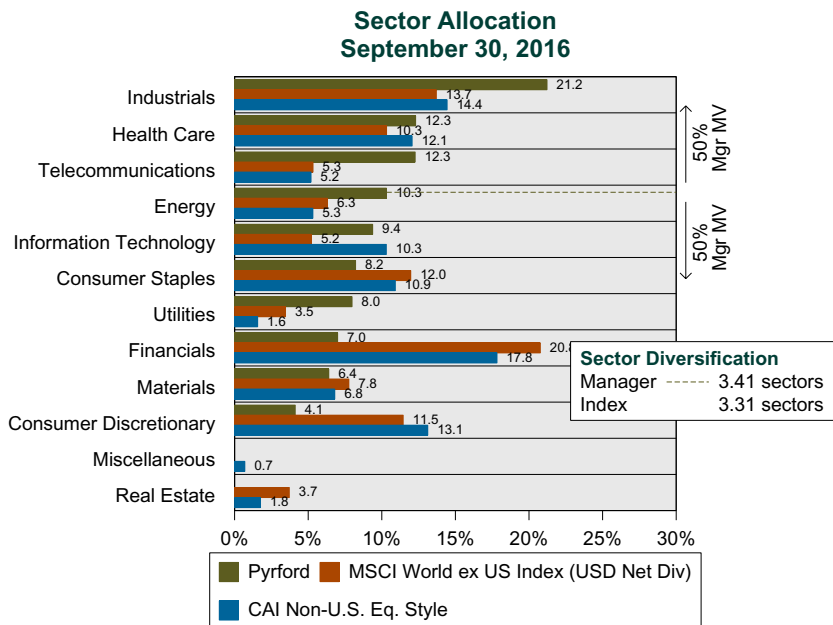
This graph compares the manager's portfolio characteristics with the range of characteristics for the portfolios which make up the manager's style group. This analysis illustrates whether the manager's current holdings are consistent with other managers employing the same style.

## Portfolio Characteristics Percentile Rankings Rankings Against CAI Non-U.S. Equity Style as of September 30, 2016



## Sector Weights

The graph below contrasts the manager's sector weights with those of the benchmark and median sector weights across the members of the peer group. The magnitude of sector weight differences from the index and the manager's sector diversification are also shown. Diversification by number and concentration of holdings are also compared to the benchmark and peer group. Issue Diversification represents by count, and Diversification Ratio by percent, the number of holdings that account for half of the portfolio's market value.

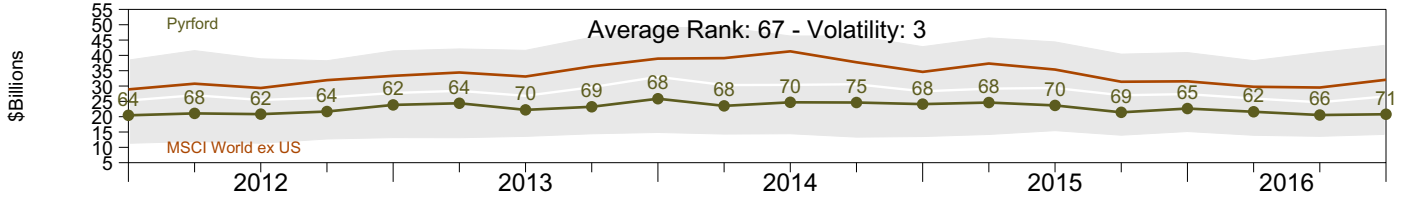


## Portfolio Characteristics Analysis

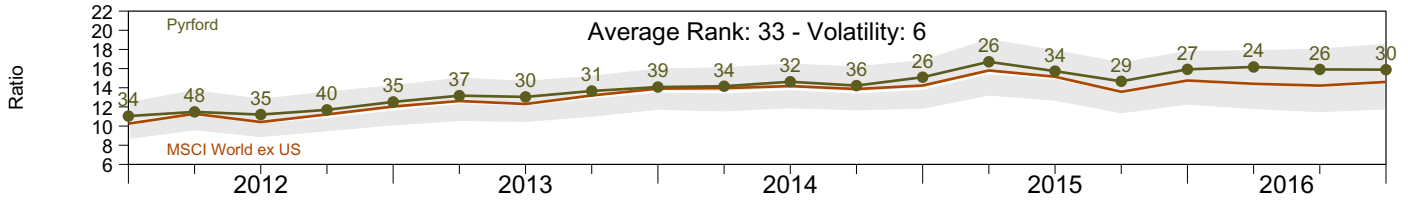
### CAI Non-U.S. Eq. Style

The charts below illustrate the behavior of the product over different portfolio characteristics through time. As a backdrop the range (from 10th to 90th percentile) is shown for the CAI Non-U.S. Eq. Style Universe. The ranking of the product in this group is shown above each quarter end dot. The average ranking of the product and, if there are at least 12 data points, the standard deviation of that ranking is also shown on the chart. The MSCI World ex US is shown for comparison purposes.

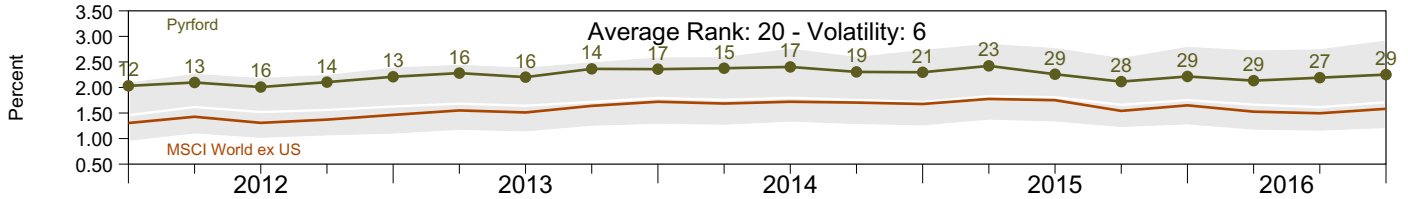
#### Weighted Median Market Cap



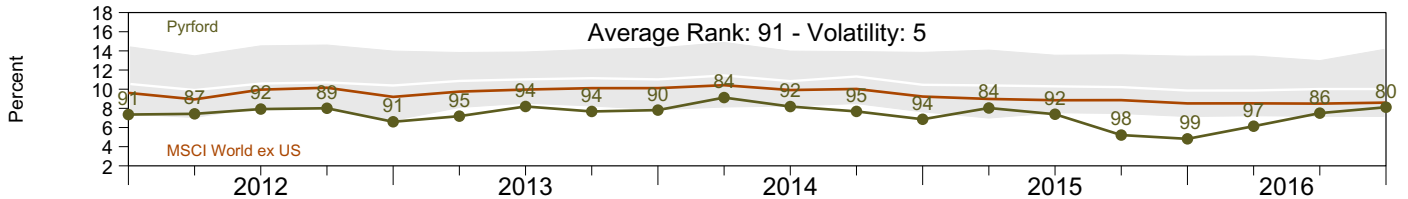
#### Forecasted P/E



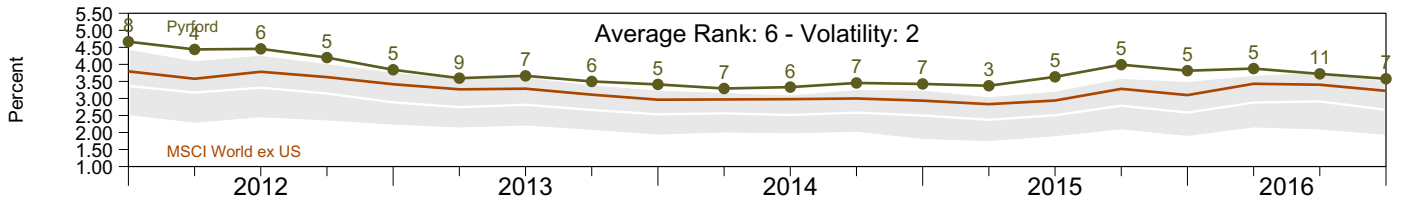
#### Price/Book Value



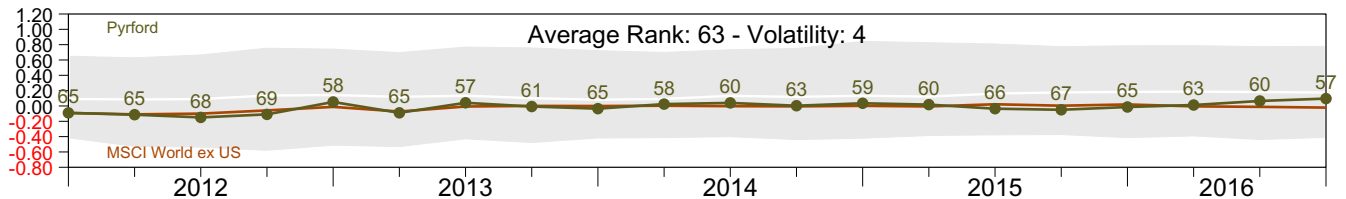
#### Forecasted Growth in Earnings



#### Dividend Yield



#### MSCI Combined Z-Score



Any particular portfolio characteristic observation(s) may be missing due to a failure to pass a minimum "coverage hurdle" intended to ensure quality. This can occur when the portfolio has a significant weight in stocks for which the data vendor(s) cannot supply the particular relevant financial metric.



Sacramento Regional Transit District  
International Equity  
Summary Matrix as of September 30, 2016

Organization / Product	Proposed Vehicle	Investment Minimum (mm)	<sup>1</sup> Fee on \$15mm (CF: mgmt/all-in)	Product Assets (mm)	CF Vehicle Assets (mm)	CF Entry / Exit Fees & Investor Protections	CF Liquidity/ Valuation	EM (%) 5 yr High   Low	Policy EM Maximum Limit	Notes
Lazard Asset Management International Equity	CIT	*\$25	0.70% / 0.80%	\$13,447	\$686	1% if redeemed < 30 days	Daily	5.57% Hi: 12%   Lo: 5%	10%	*Lazard will waive the investment minimum.
Pyrford International PLC Equity Only Non-U.S.	MF R6; BISGX	\$0	0.84%	\$3,510	\$623	2% if redeemed < 30 days	Daily	10.34% Hi: 12%   Lo: 8%	20%	
	New Hampshire Investment Trust	\$0	0.70% / 0.70%		\$425	None, although ADL may apply for significant transactions.	Monthly			

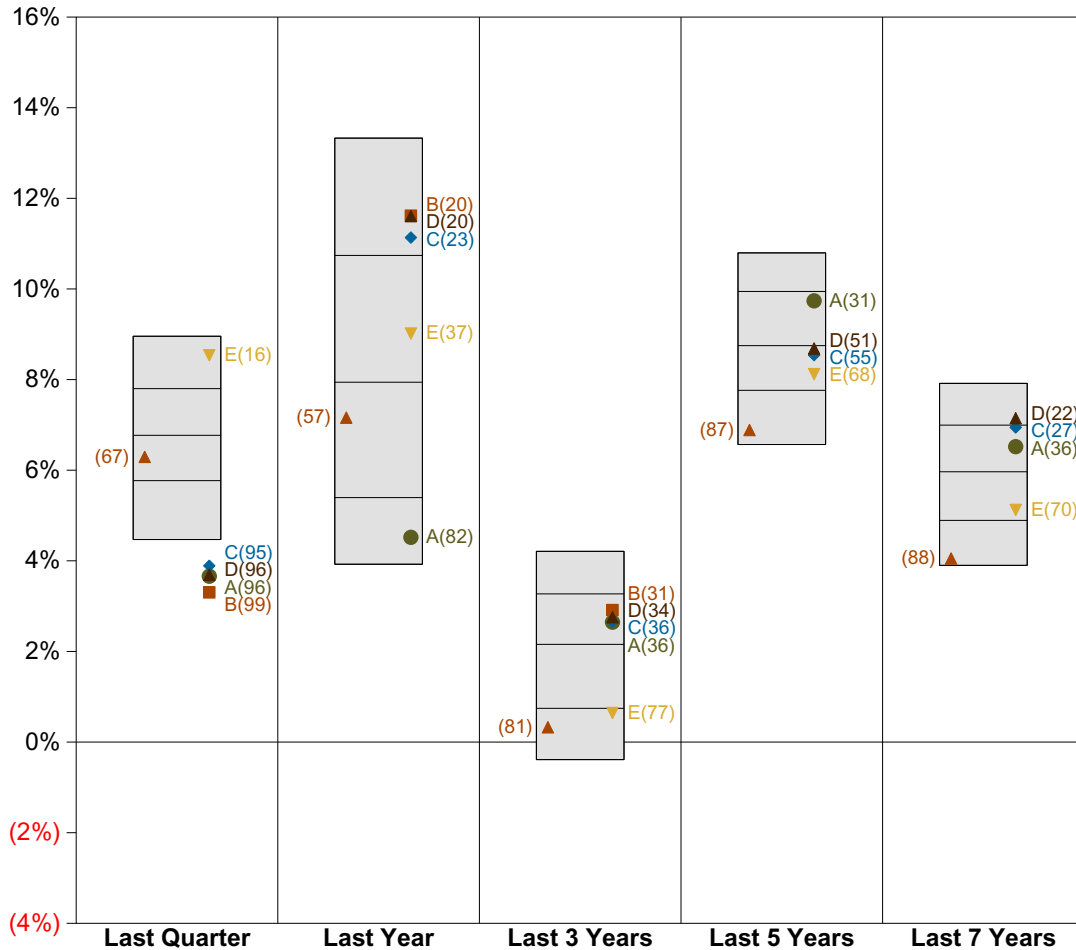
<sup>1</sup>Stated fees represent best estimates by candidate firms as of 1/05/17 based on general assumptions provided for this mandate and are subject to further negotiation.



# Sacramento Regional Transit District Performance vs CAI Non-U.S. Equity Style Periods Ended September 30, 2016

## Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Non-U.S. Equity Style. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Non-U.S. Equity Style. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.



	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
10th Percentile	8.96	13.33	4.21	10.80	7.92
25th Percentile	7.80	10.74	3.27	9.94	6.99
Median	6.77	7.94	2.16	8.75	5.97
75th Percentile	5.77	5.40	0.74	7.76	4.89
90th Percentile	4.47	3.92	(0.39)	6.57	3.90
Lazard (A)	3.66	4.52	2.65	9.74	6.52
Pyrford (MF) (B)	3.30	11.62	2.91	-	-
Pyrford (CF) (C)	3.89	11.13	2.65	8.54	6.94
Pyrford (SA) (D)	3.69	11.61	2.76	8.69	7.15

### Current Manager

J.P. Morgan (Replacement) (E) 8.53 9.01 0.64 8.12 5.12

MSCI World ex US (A) 6.29 7.16 0.33 6.89 4.05

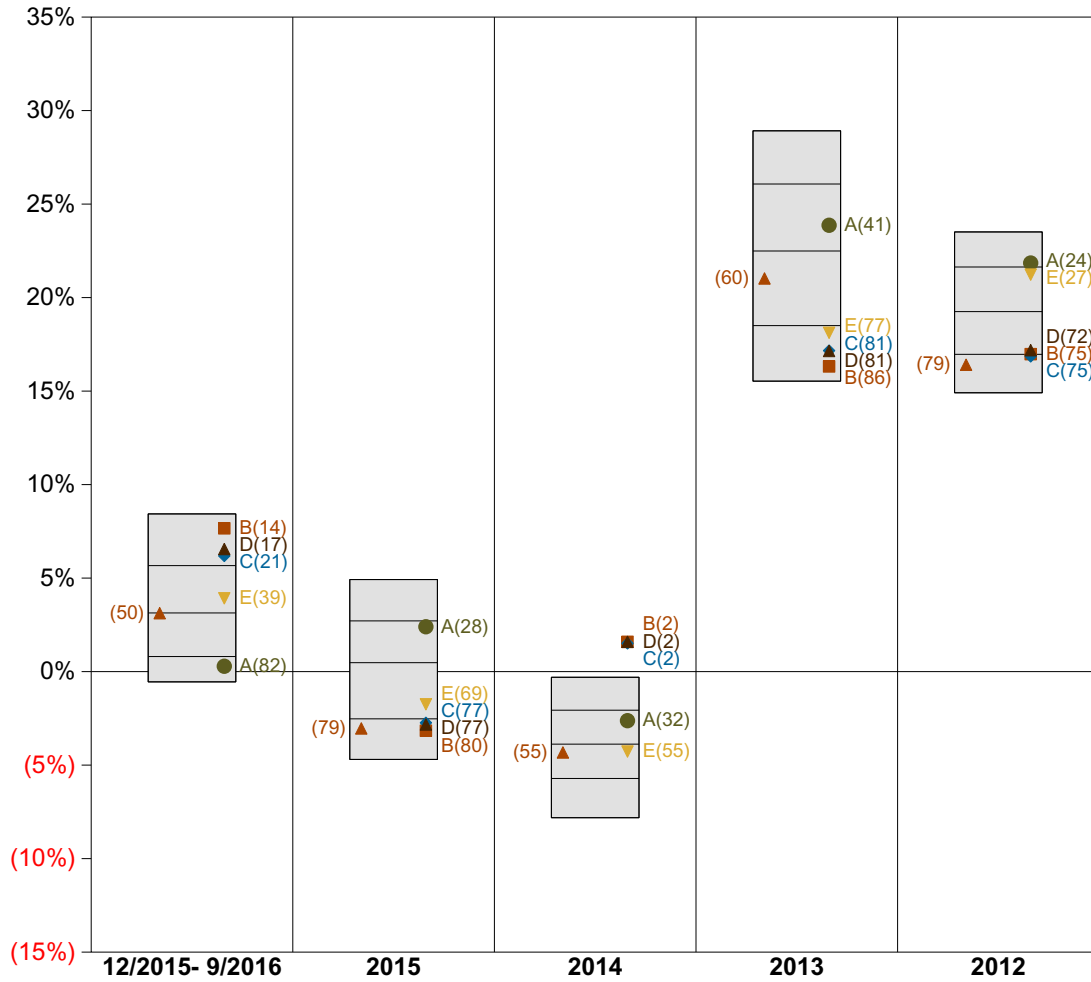
Note(s): Performance is shown gross-of-fees.



# Sacramento Regional Transit District Performance vs CAI Non-U.S. Equity Style Recent Periods

## Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Non-U.S. Equity Style. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Non-U.S. Equity Style. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.

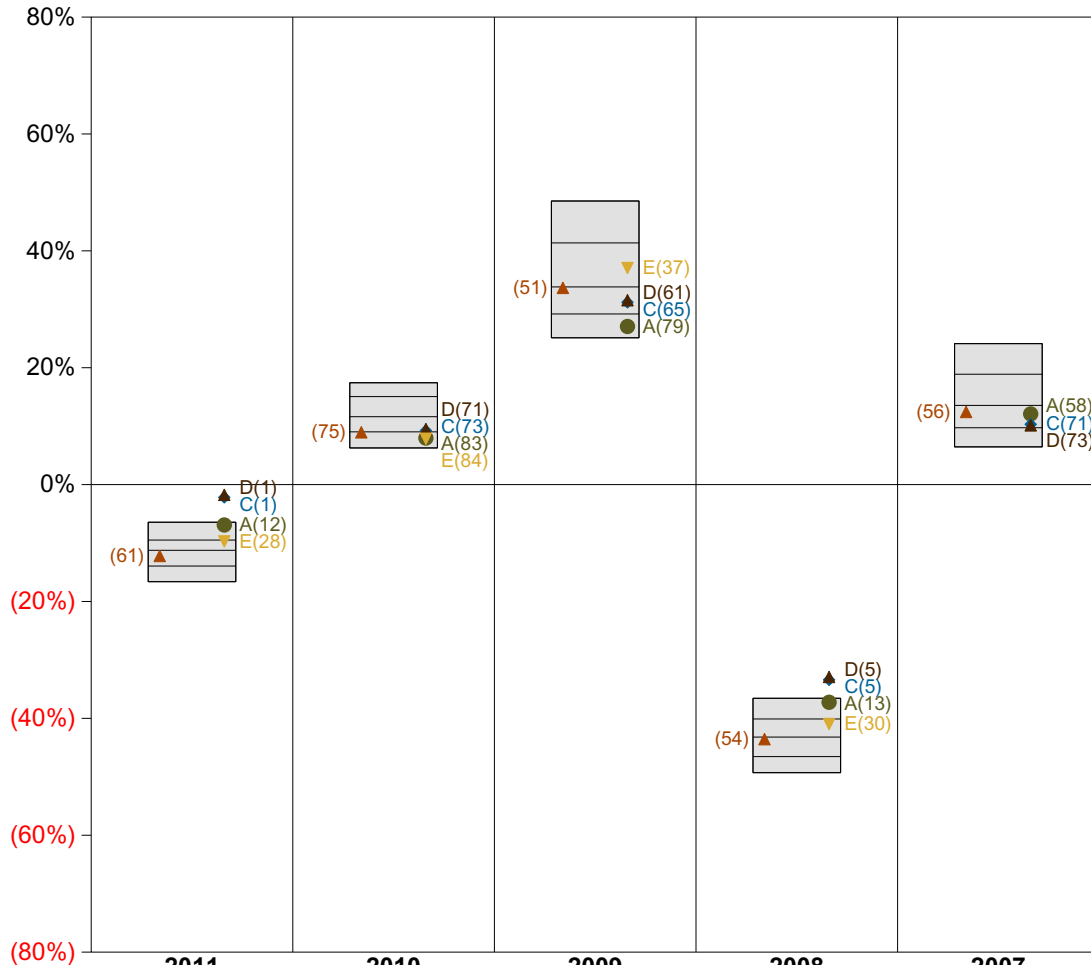


	12/2015- 9/2016	2015	2014	2013	2012
10th Percentile	8.43	4.92	(0.30)	28.92	23.51
25th Percentile	5.67	2.71	(2.06)	26.07	21.64
Median	3.14	0.48	(3.88)	22.49	19.25
75th Percentile	0.80	(2.53)	(5.71)	18.50	16.97
90th Percentile	(0.55)	(4.70)	(7.81)	15.53	14.91
Lazard ● A	0.29	2.40	(2.62)	23.87	21.85
Pyrford (MF) ■ B	7.66	(3.16)	1.59	16.32	16.98
Pyrford (CF) ◆ C	6.19	(2.74)	1.51	17.16	16.86
Pyrford (SA) ▲ D	6.56	(2.83)	1.59	17.15	17.19
<b>Current Manager</b> J.P. Morgan (Replacement) ▼ E	3.92	(1.75)	(4.28)	18.12	21.23
MSCI World ex US ▲	3.12	(3.04)	(4.32)	21.02	16.41

# Sacramento Regional Transit District Performance vs CAI Non-U.S. Equity Style Recent Periods

## Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Non-U.S. Equity Style. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Non-U.S. Equity Style. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.

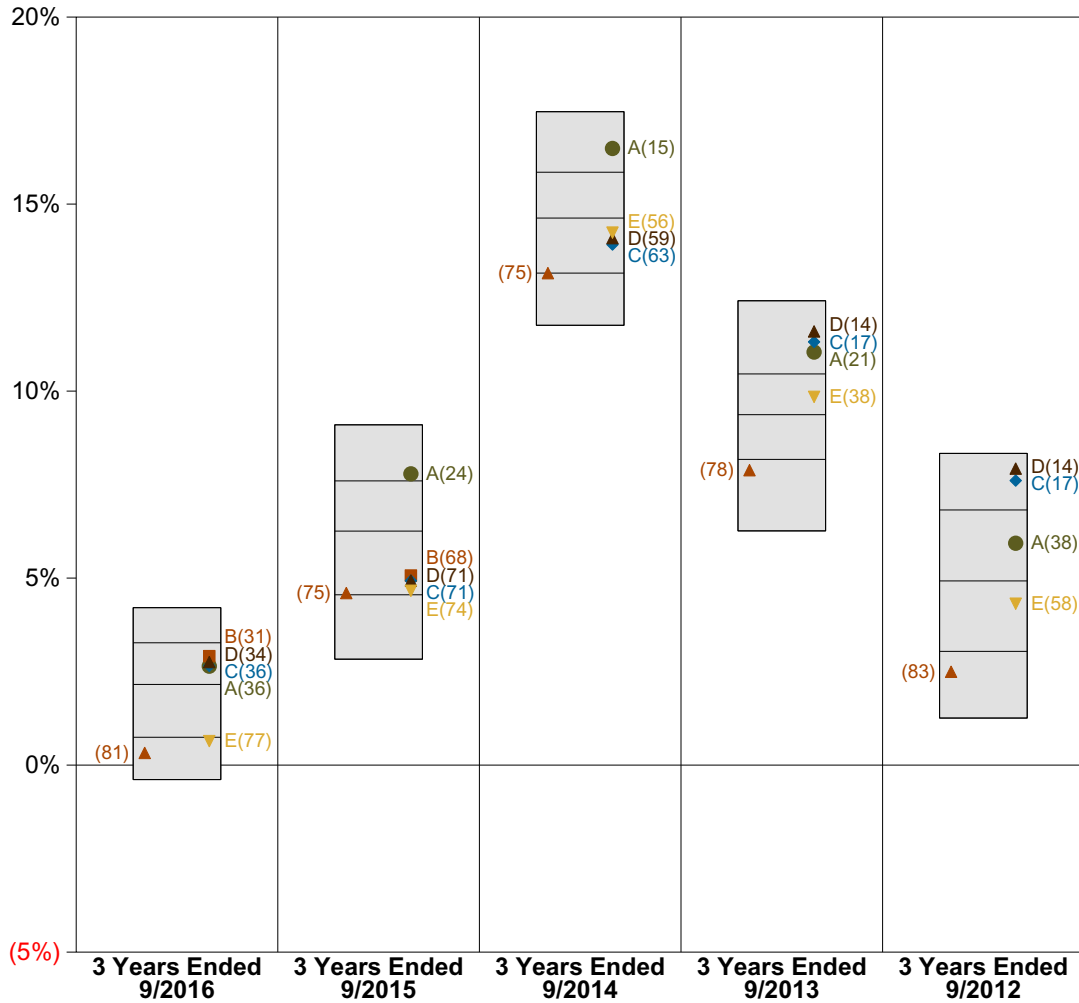


	2011	2010	2009	2008	2007
10th Percentile	(6.44)	17.43	48.53	(36.56)	24.12
25th Percentile	(9.49)	15.06	41.35	(40.10)	18.89
Median	(11.24)	11.62	33.82	(43.20)	13.55
75th Percentile	(13.94)	9.02	29.20	(46.54)	9.73
90th Percentile	(16.62)	6.27	25.12	(49.29)	6.45
Lazard	● A (6.91)	7.96	27.06	(37.25)	12.09
Pyrford (MF)	■ B -	-	-	-	-
Pyrford (CF)	◆ C (2.19)	9.24	31.19	(33.41)	10.31
Pyrford (SA)	▲ D (1.75)	9.50	31.55	(32.91)	10.14
<b>Current Manager</b>					
J.P. Morgan (Replacement)	▼ E (9.73)	7.84	37.04	(40.98)	-
MSCI World ex US	▲ (12.21)	8.95	33.67	(43.56)	12.44

# Sacramento Regional Transit District Performance vs CAI Non-U.S. Equity Style Rolling Periods

## Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Non-U.S. Equity Style. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Non-U.S. Equity Style. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.

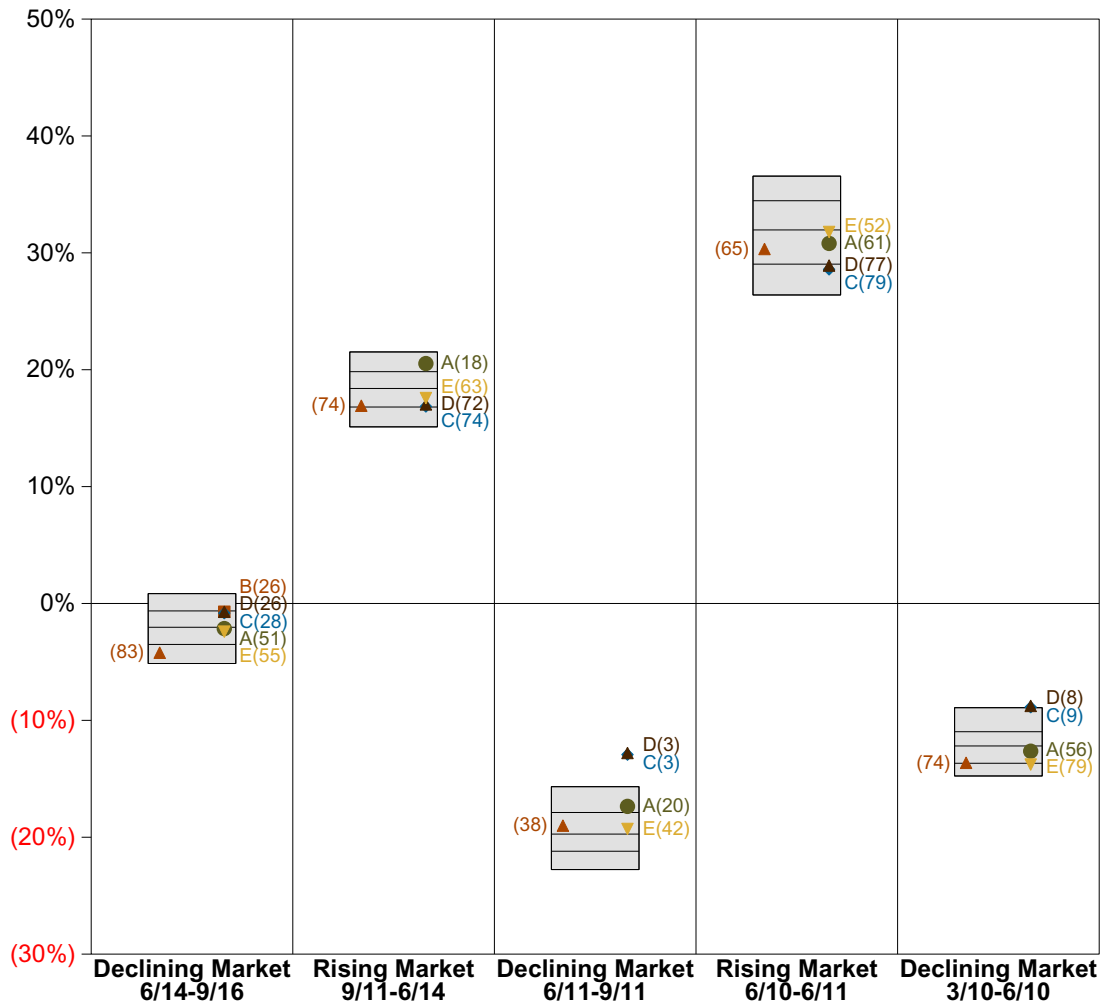


	3 Years Ended 9/2016	3 Years Ended 9/2015	3 Years Ended 9/2014	3 Years Ended 9/2013	3 Years Ended 9/2012
10th Percentile	4.21	9.10	17.47	12.42	8.33
25th Percentile	3.27	7.60	15.85	10.46	6.82
Median	2.16	6.26	14.63	9.37	4.92
75th Percentile	0.74	4.55	13.15	8.17	3.04
90th Percentile	(0.39)	2.83	11.76	6.26	1.26
Lazard (A)	2.65	7.79	16.49	11.04	5.93
Pyrford (MF) (B)	2.91	5.07	-	-	-
Pyrford (CF) (C)	2.65	4.93	13.92	11.31	7.61
Pyrford (SA) (D)	2.76	4.94	14.09	11.60	7.93
<b>Current Manager</b> J.P. Morgan (Replacement) (E)	0.64	4.66	14.24	9.85	4.31
MSCI World ex US (▲)	0.33	4.60	13.15	7.89	2.50

# Sacramento Regional Transit District Performance vs CAI Non-U.S. Equity Style International Stock Market Cycles

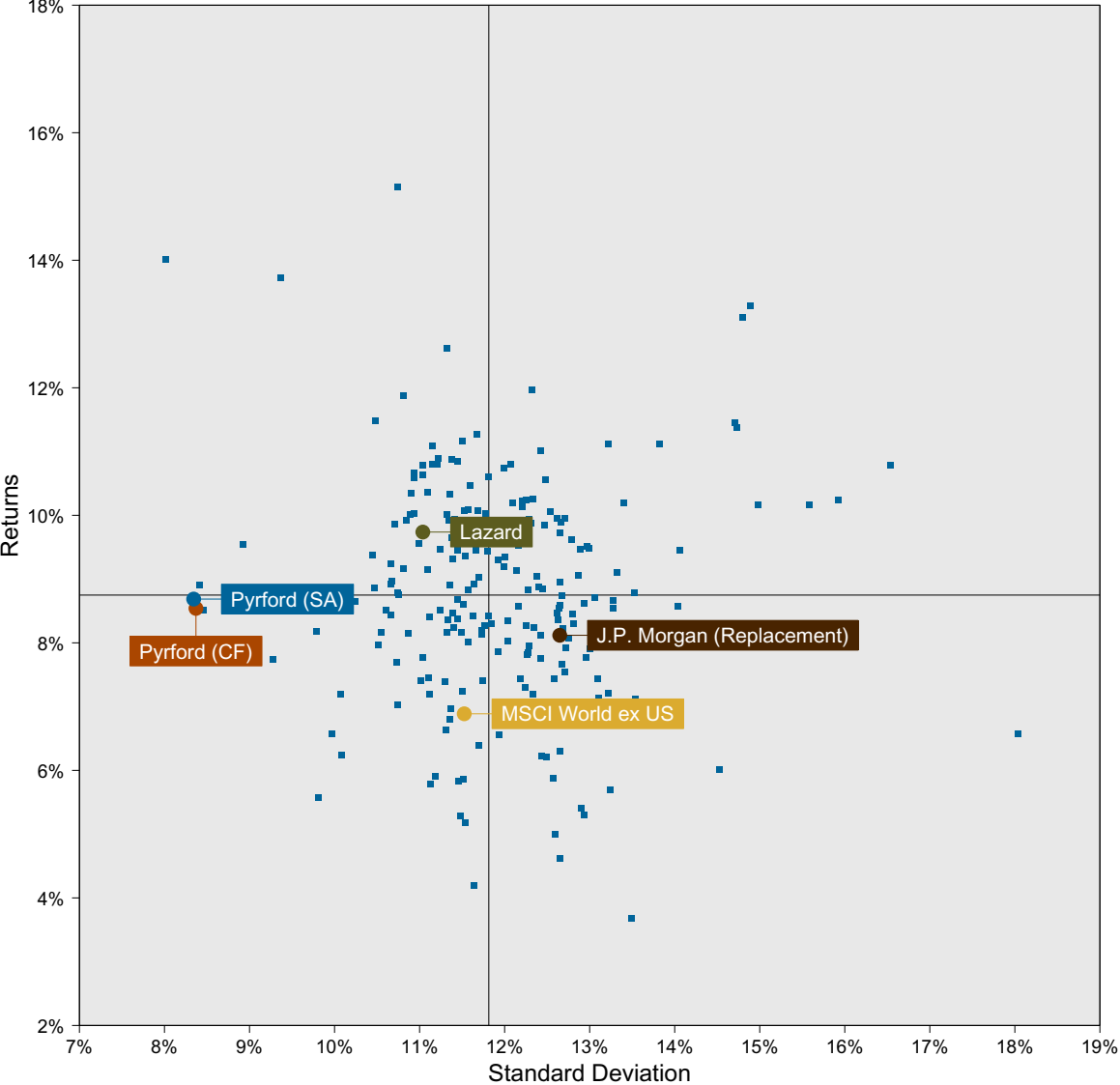
## Return Ranking

The chart below illustrates fund rankings over various periods versus the CAI Non-U.S. Equity Style. The bars represent the range of returns from the 10th percentile to the 90th percentile for each period for all funds in the CAI Non-U.S. Equity Style. The numbers to the right of the bar represent the percentile rankings of the funds being analyzed. The table below the chart details the rates of return plotted in the graph above.

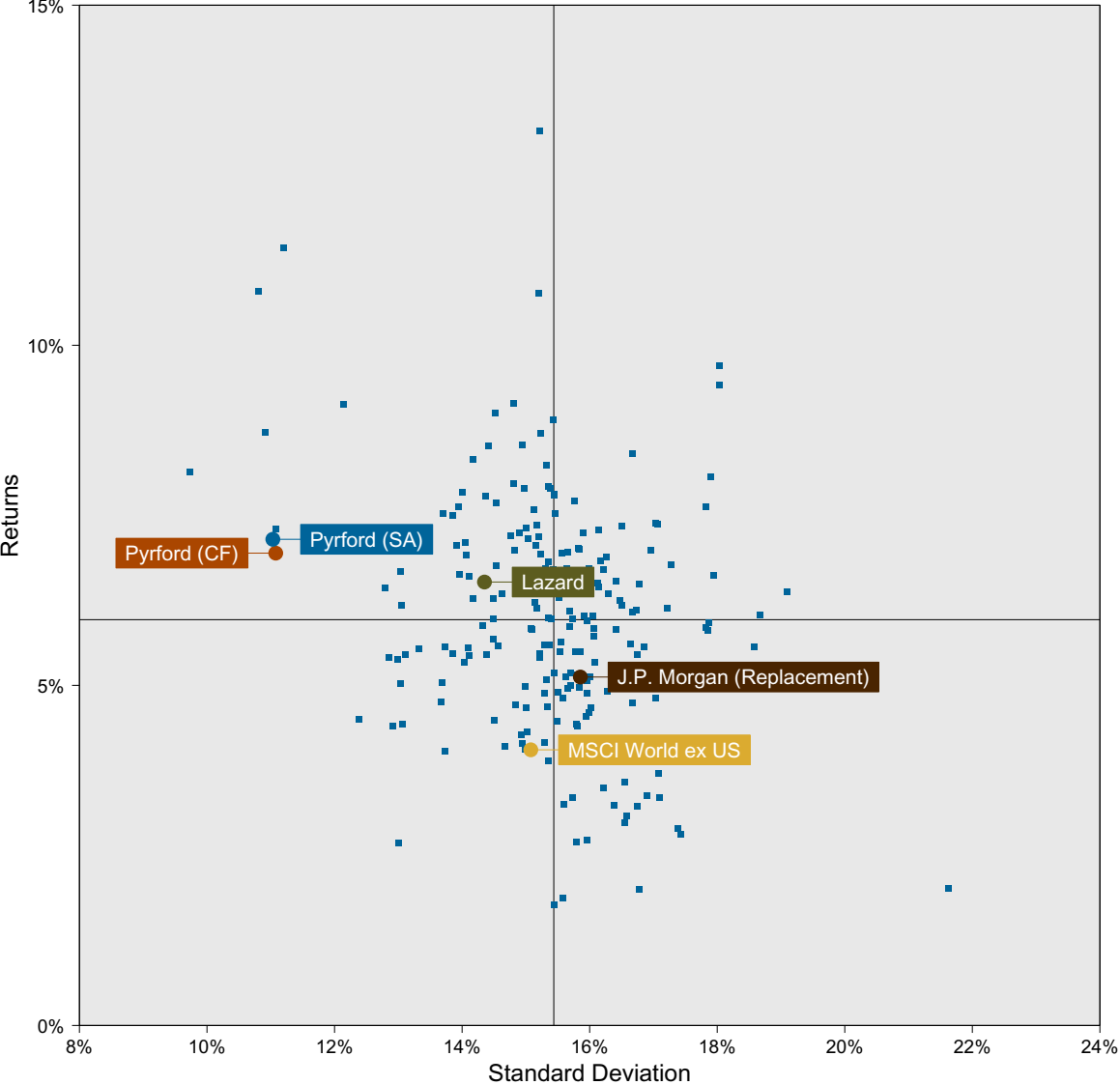


	Declining Market 6/14-9/16	Rising Market 9/11-6/14	Declining Market 6/11-9/11	Rising Market 6/10-6/11	Declining Market 3/10-6/10
10th Percentile	0.84	21.52	(15.68)	36.57	(8.92)
25th Percentile	(0.64)	19.83	(17.88)	34.46	(10.97)
Median	(2.04)	18.40	(19.73)	31.96	(12.19)
75th Percentile	(3.50)	16.81	(21.20)	29.03	(13.67)
90th Percentile	(5.14)	15.11	(22.76)	26.40	(14.76)
Lazard (A)	(2.15)	20.53	(17.36)	30.81	(12.64)
Pyrford (MF) (B)	(0.71)	-	-	-	-
Pyrford (CF) (C)	(0.83)	16.86	(12.93)	28.59	(8.87)
Pyrford (SA) (D)	(0.71)	17.03	(12.79)	28.92	(8.76)
<b>Current Manager</b> J.P. Morgan (Replacement) (E)	(2.41)	17.57	(19.29)	31.78	(13.78)
MSCI World ex US (▲)	(4.21)	16.92	(19.01)	30.33	(13.63)

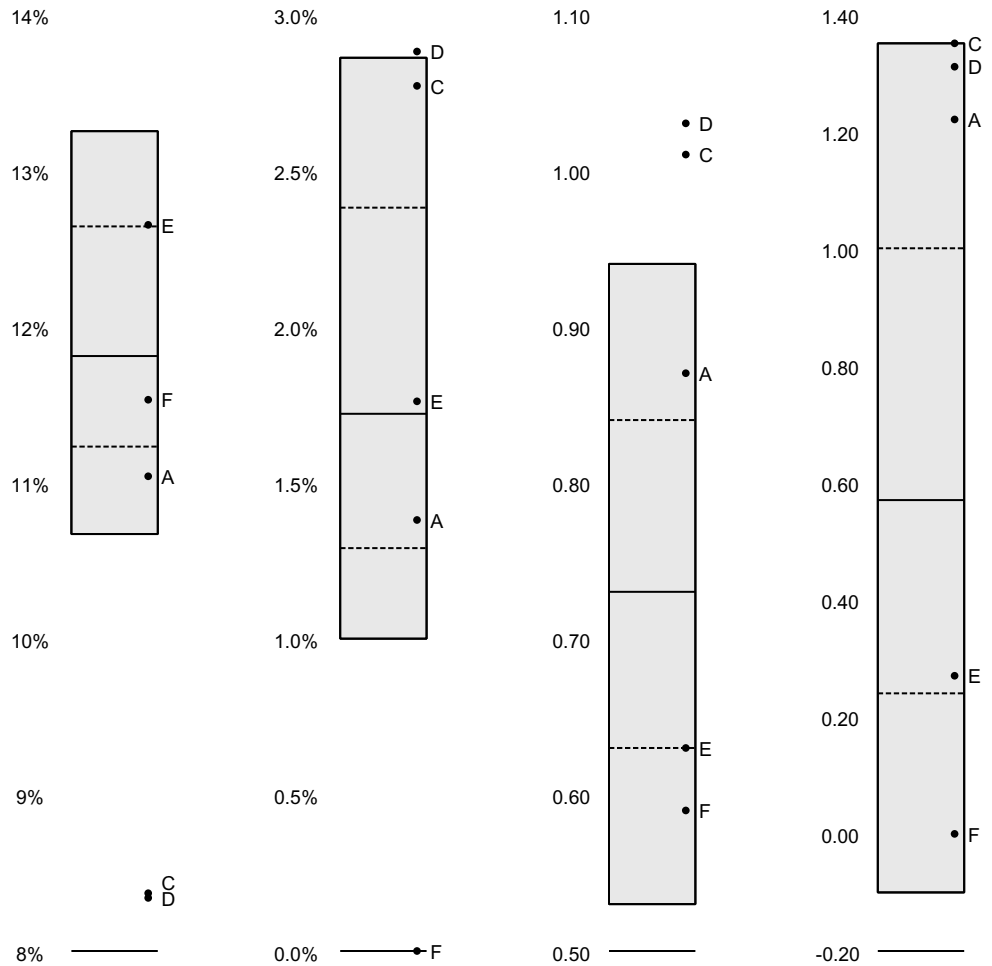
**Sacramento Regional Transit District  
Risk/Reward vs CAI Non-U.S. Equity Style  
Five Years Ended September 30, 2016**



**Sacramento Regional Transit District  
Risk/Reward vs CAI Non-U.S. Equity Style  
Seven Years Ended September 30, 2016**

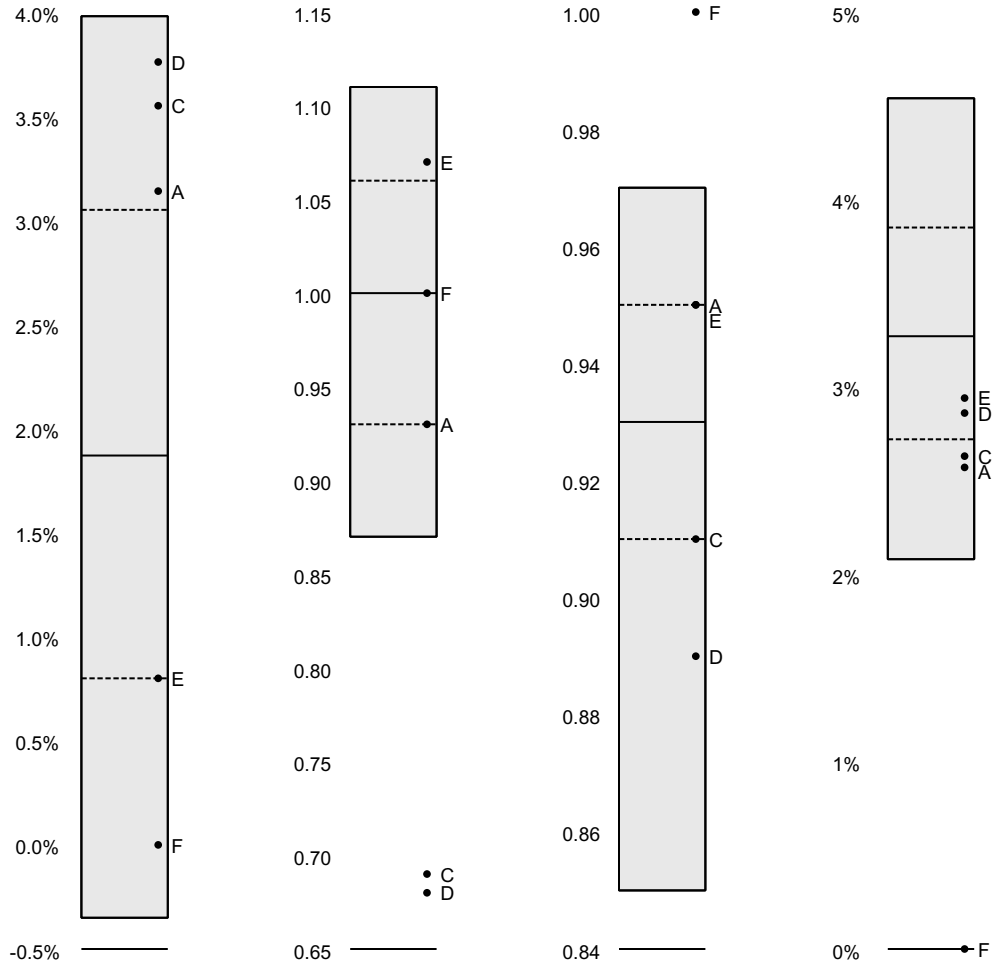


**Sacramento Regional Transit District  
 Risk Statistics Relative to MSCI World ex US Index (USD Net Div)  
 vs CAI Non-U.S. Equity Style  
 Five Years Ended September 30, 2016**



		Standard Deviation	Downside Risk(%)	Sharpe Ratio	Information Ratio
<b>CAI NON-U.S. EQ. STYLE</b>		▼	▼	▼	▼
	10th Percentile	13.25	2.86	0.94	1.35
	25th Percentile	12.64	2.38	0.84	1.00
	Median	11.81	1.72	0.73	0.57
	75th Percentile	11.23	1.29	0.63	0.24
	90th Percentile	10.67	1.00	0.53	(0.10)
	Lazard <b>A</b>	11.04	1.38	0.87	1.22
	Pyrford (MF) <b>B</b>	-	-	-	-
	Pyrford (CF) <b>C</b>	8.37	2.77	1.01	1.35
	Pyrford (SA) <b>D</b>	8.34	2.88	1.03	1.31
	J.P. Morgan (Replacement) <b>E</b>	12.65	1.76	0.63	0.27
<b>Market Indicator</b>					
	MSCI World ex US <b>F</b>	11.53	0.00	0.59	0.00

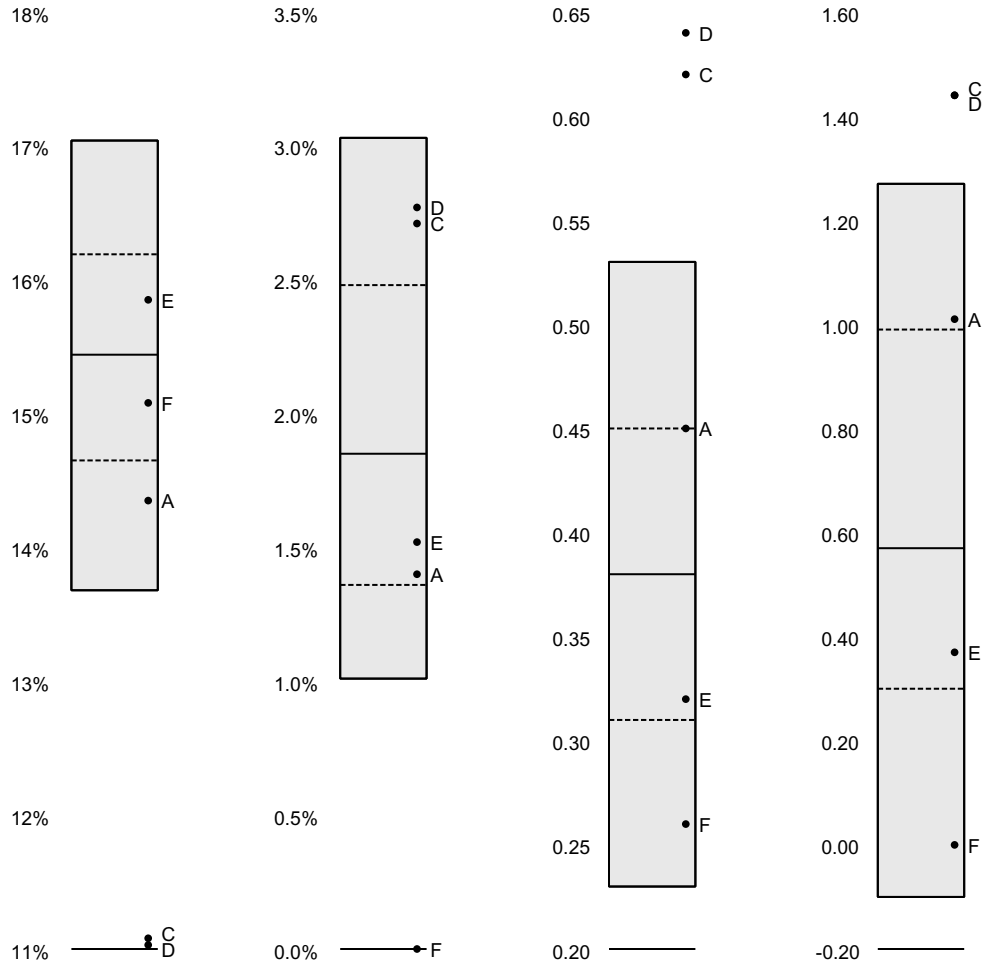
**Sacramento Regional Transit District  
 Risk Statistics Relative to MSCI World ex US Index (USD Net Div)  
 vs CAI Non-U.S. Equity Style  
 Five Years Ended September 30, 2016**



		Alpha(%)	Beta	R-Squared	Residual Risk(%)
<b>CAI NON-U.S. EQ. STYLE</b>					
10th Percentile		3.98	1.11	0.97	4.54
25th Percentile		3.05	1.06	0.95	3.85
Median		1.87	1.00	0.93	3.27
75th Percentile		0.80	0.93	0.91	2.72
90th Percentile		(0.35)	0.87	0.85	2.08
Lazard	A	3.14	0.93	0.95	2.57
Pyrford (MF)	B	-	-	-	-
Pyrford (CF)	C	3.55	0.69	0.91	2.63
Pyrford (SA)	D	3.76	0.68	0.89	2.86
J.P. Morgan (Replacement)	E	0.80	1.07	0.95	2.94
<b>Market Indicator</b>					
MSCI World ex US	F	0.00	1.00	1.00	0.00

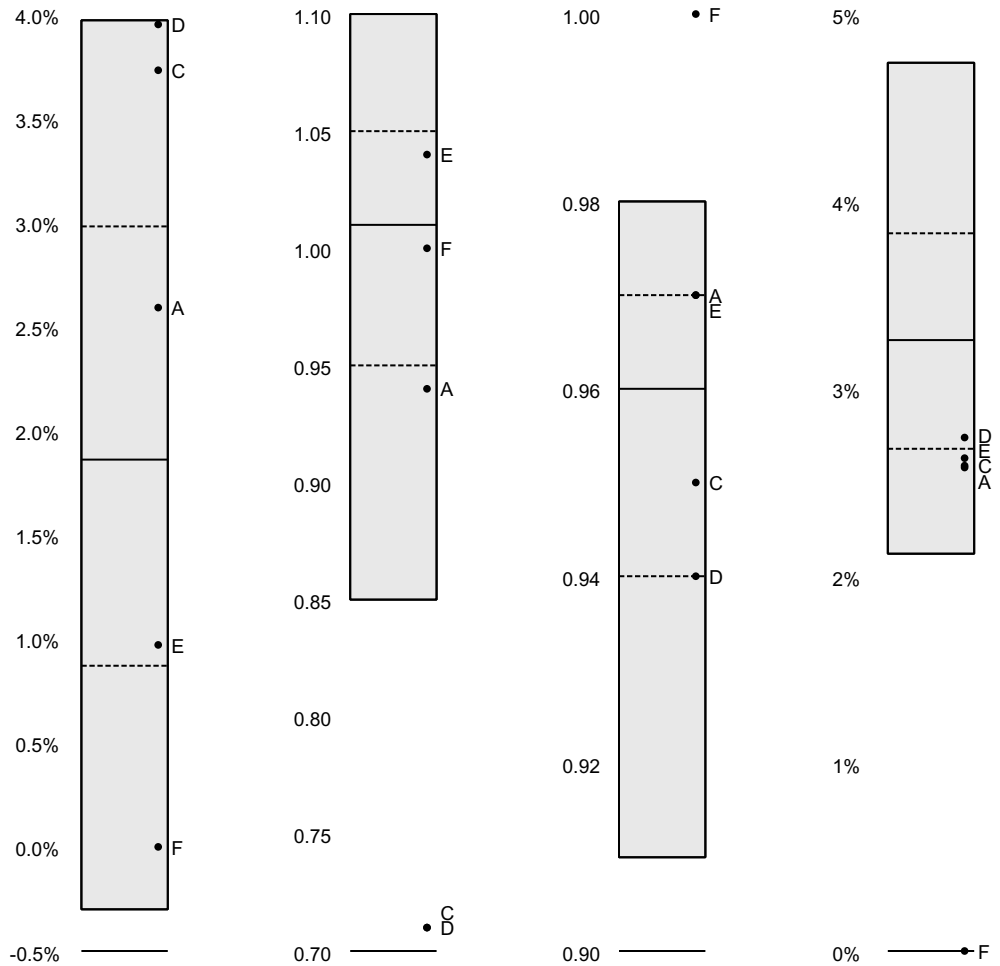


**Sacramento Regional Transit District  
 Risk Statistics Relative to MSCI World ex US Index (USD Net Div)  
 vs CAI Non-U.S. Equity Style  
 Seven Years Ended September 30, 2016**



		Standard Deviation	Downside Risk(%)	Sharpe Ratio	Information Ratio
<b>CAI NON-U.S. EQ. STYLE</b>		▼	▼	▼	▼
	10th Percentile	17.04	3.03	0.53	1.27
	25th Percentile	16.19	2.48	0.45	0.99
	Median	15.44	1.85	0.38	0.57
	75th Percentile	14.65	1.36	0.31	0.30
	90th Percentile	13.68	1.01	0.23	(0.10)
	Lazard <b>A</b>	14.35	1.40	0.45	1.01
	Pyrford (MF) <b>B</b>	-	-	-	-
	Pyrford (CF) <b>C</b>	11.08	2.71	0.62	1.44
	Pyrford (SA) <b>D</b>	11.03	2.77	0.64	1.44
	J.P. Morgan (Replacement) <b>E</b>	15.85	1.52	0.32	0.37
<b>Market Indicator</b>					
	MSCI World ex US <b>F</b>	15.08	0.00	0.26	0.00

**Sacramento Regional Transit District  
 Risk Statistics Relative to MSCI World ex US Index (USD Net Div)  
 vs CAI Non-U.S. Equity Style  
 Seven Years Ended September 30, 2016**

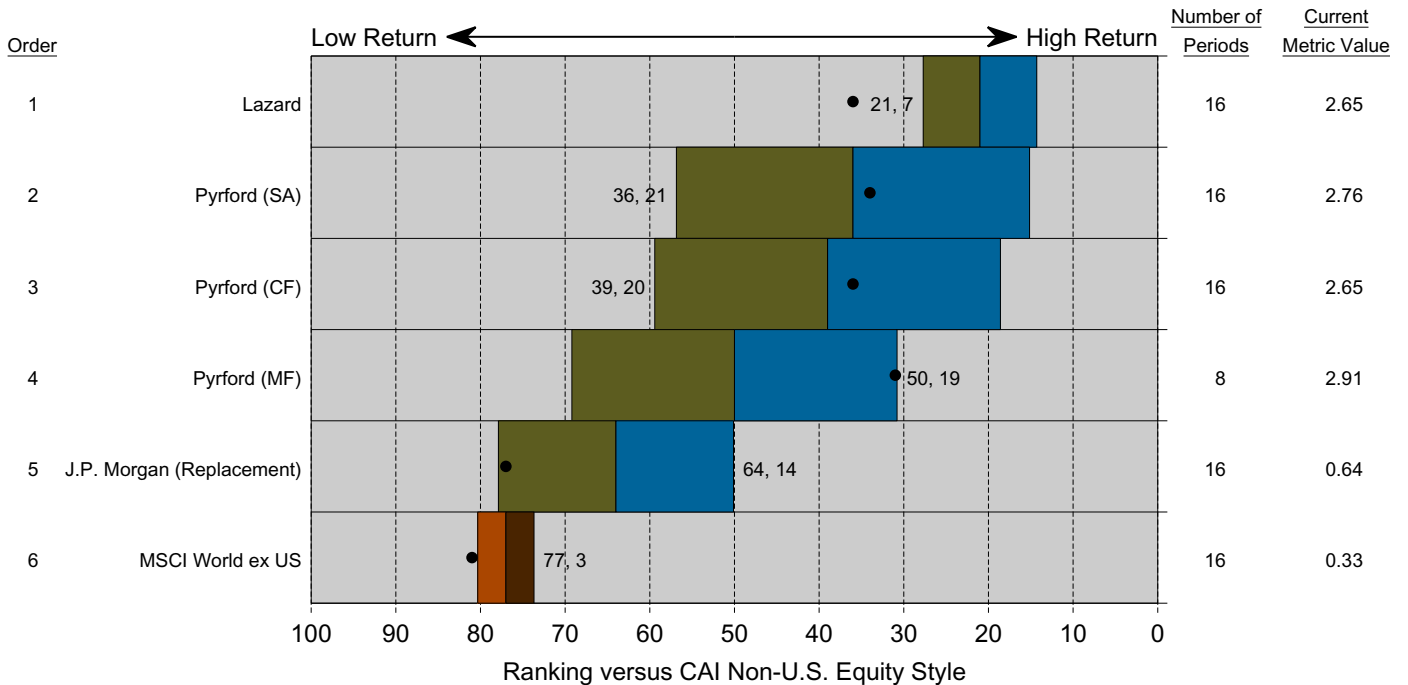


		Alpha(%)	Beta	R-Squared	Residual Risk(%)
<b>CAI NON-U.S. EQ. STYLE</b>					
10th Percentile		3.97	1.10	0.98	4.74
25th Percentile		2.98	1.05	0.97	3.83
Median		1.86	1.01	0.96	3.26
75th Percentile		0.87	0.95	0.94	2.68
90th Percentile		(0.30)	0.85	0.91	2.12
Lazard	A	2.59	0.94	0.97	2.58
Pyrford (MF)	B	-	-	-	-
Pyrford (CF)	C	3.73	0.71	0.95	2.59
Pyrford (SA)	D	3.95	0.71	0.94	2.74
J.P. Morgan (Replacement)	E	0.97	1.04	0.97	2.63
<b>Market Indicator</b>					
MSCI World ex US	F	0.00	1.00	1.00	0.00

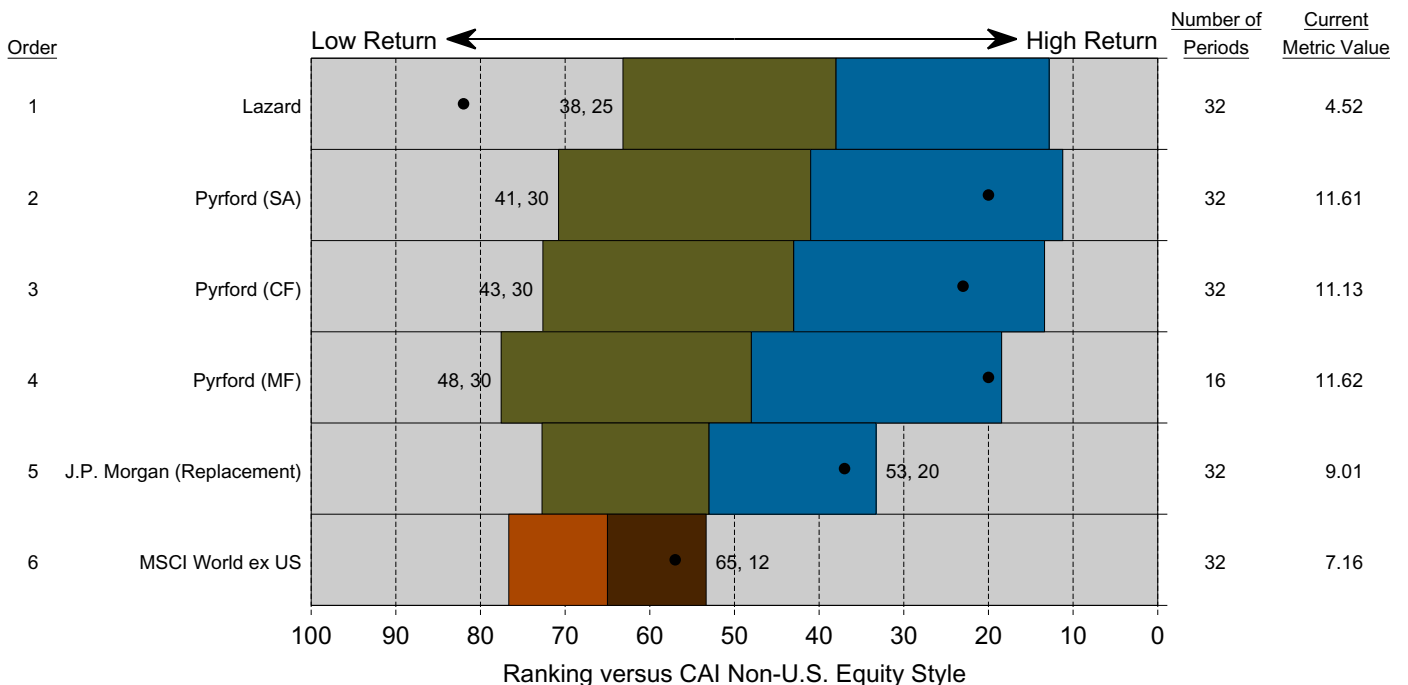
## Historical Ranking Analysis

This page compares multiple portfolios to each other by analyzing both the historical average ranking for a given metric versus a relevant peer group, as well as the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the average ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The comma-separated numbers show the average and standard deviation respectively, of the portfolios ranking. Each portfolio's current ranking is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

### Three-Year Rolling Return - Ranking For Four Years Ended September 30, 2016



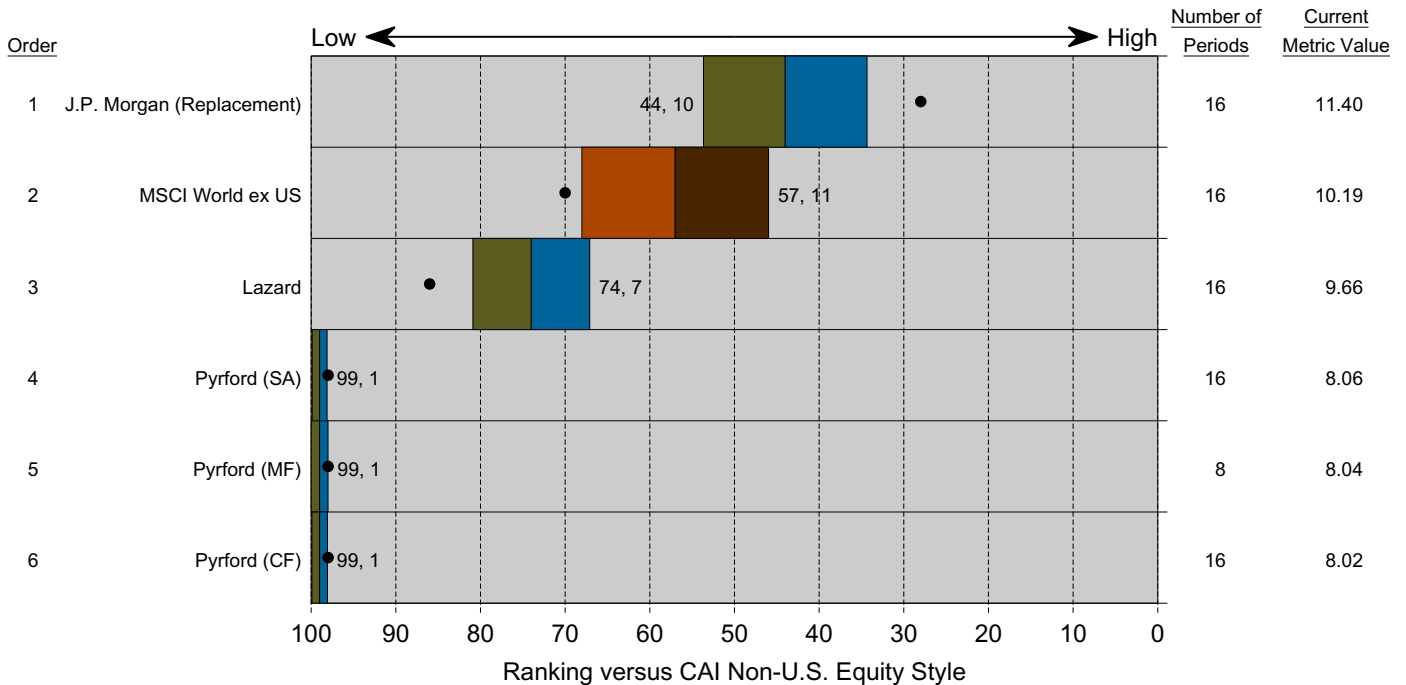
### One-Year Rolling Return - Ranking For Eight Years Ended September 30, 2016



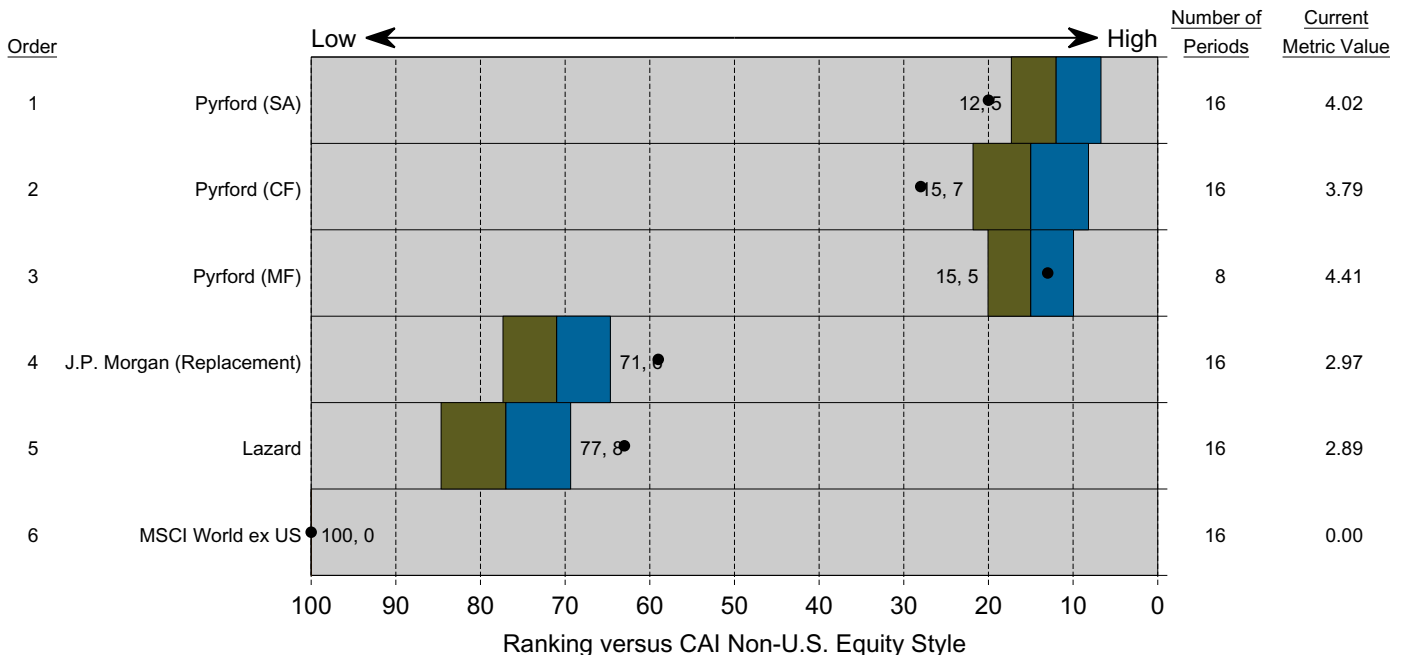
## Historical Ranking Analysis

This page compares multiple portfolios to each other by analyzing both the historical average ranking for a given metric versus a relevant peer group, as well as the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the average ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The comma-separated numbers show the average and standard deviation respectively, of the portfolios ranking. Each portfolio's current ranking is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

**Three-Year Rolling Standard Deviation - Ranking For Four Years Ended September 30, 2016**



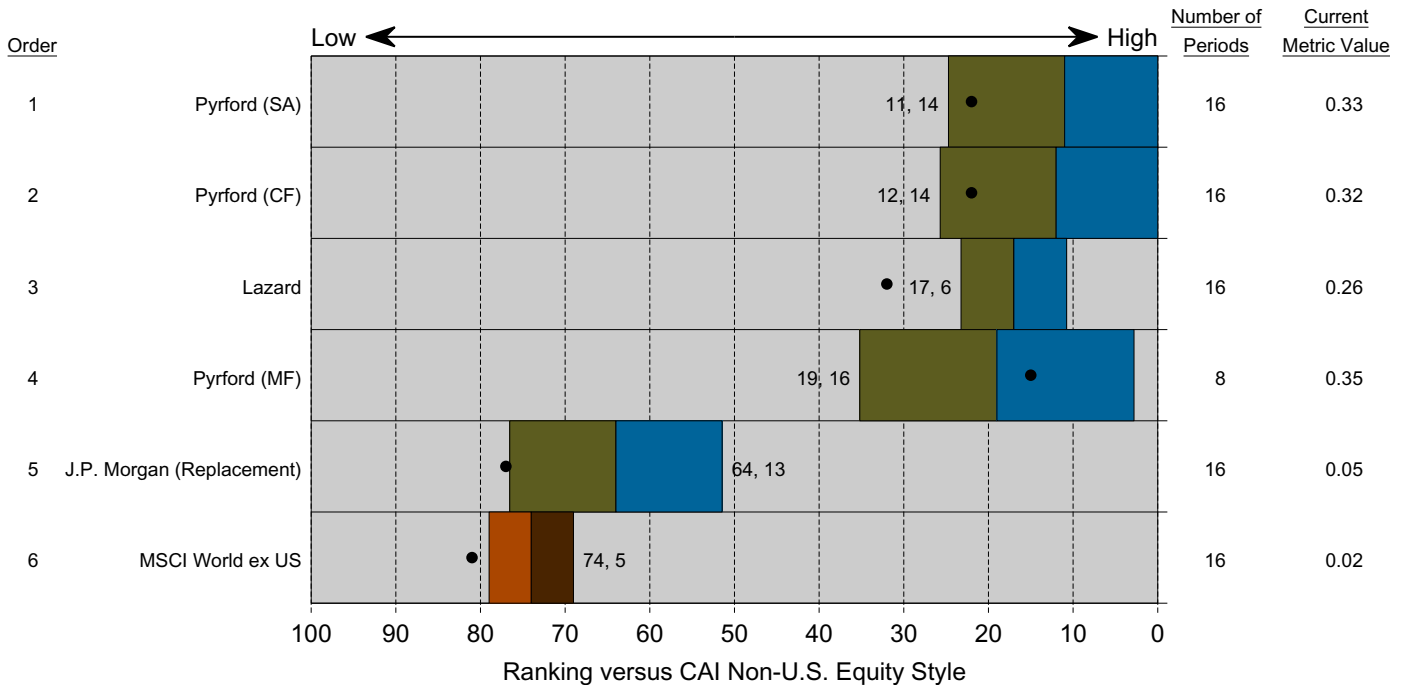
**Three-Year Rolling Tracking Error Versus MSCI World Ex US  
Ranking For Four Years Ended September 30, 2016**



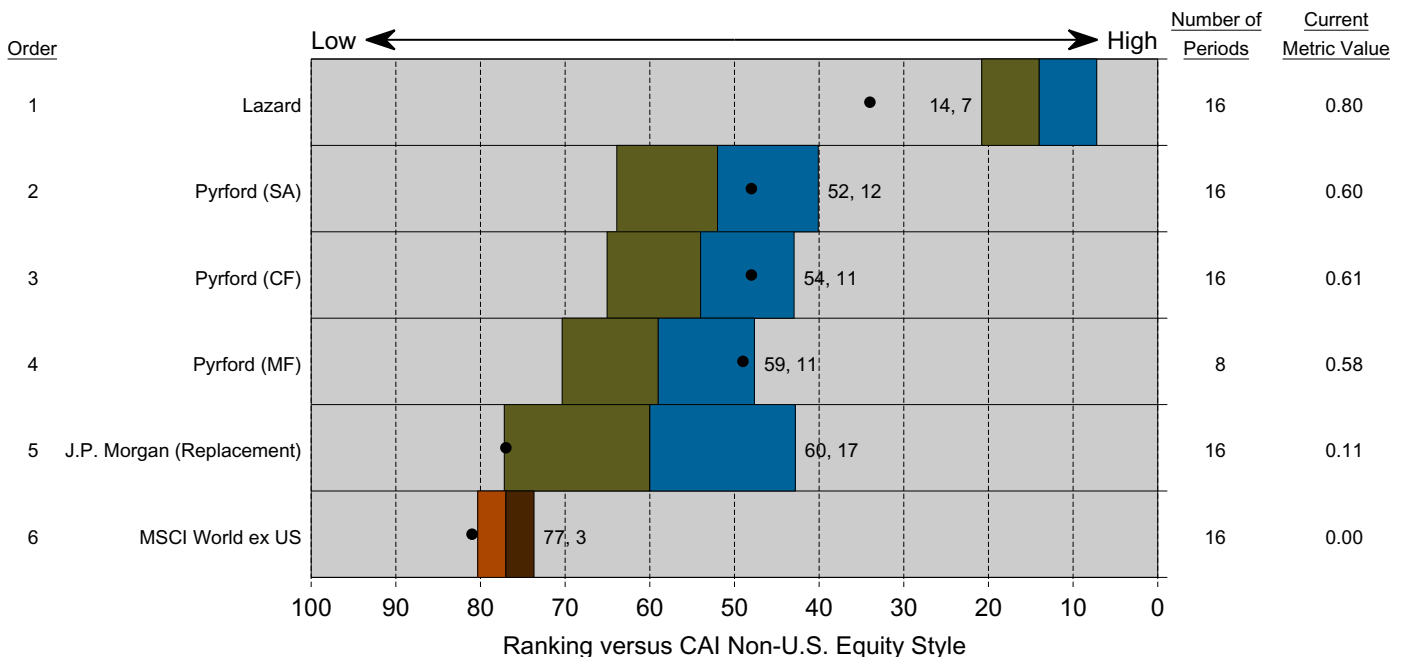
## Historical Ranking Analysis

This page compares multiple portfolios to each other by analyzing both the historical average ranking for a given metric versus a relevant peer group, as well as the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the average ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The comma-separated numbers show the average and standard deviation respectively, of the portfolios ranking. Each portfolio's current ranking is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

**Three-Year Rolling Sharpe Ratio - Ranking For Four Years Ended September 30, 2016**



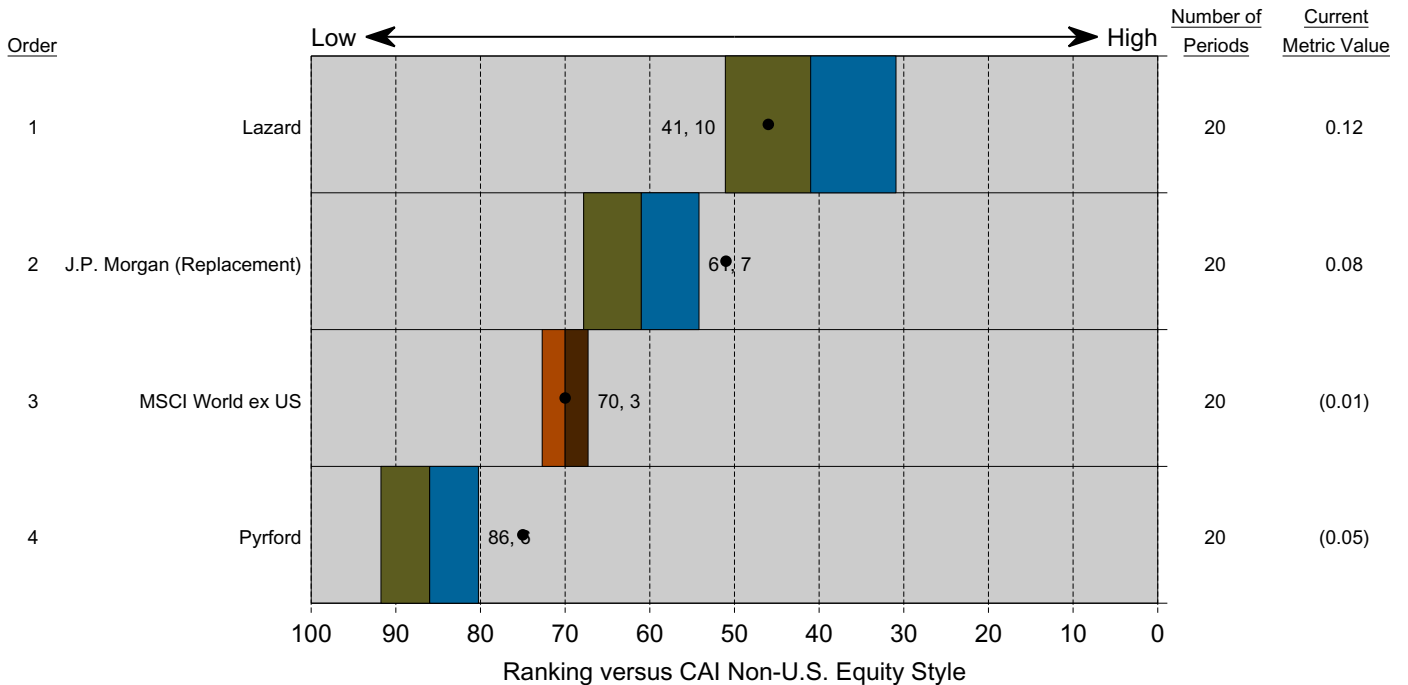
**Three-Year Rolling Excess Return Ratio Versus MSCI World Ex US  
Ranking For Four Years Ended September 30, 2016**



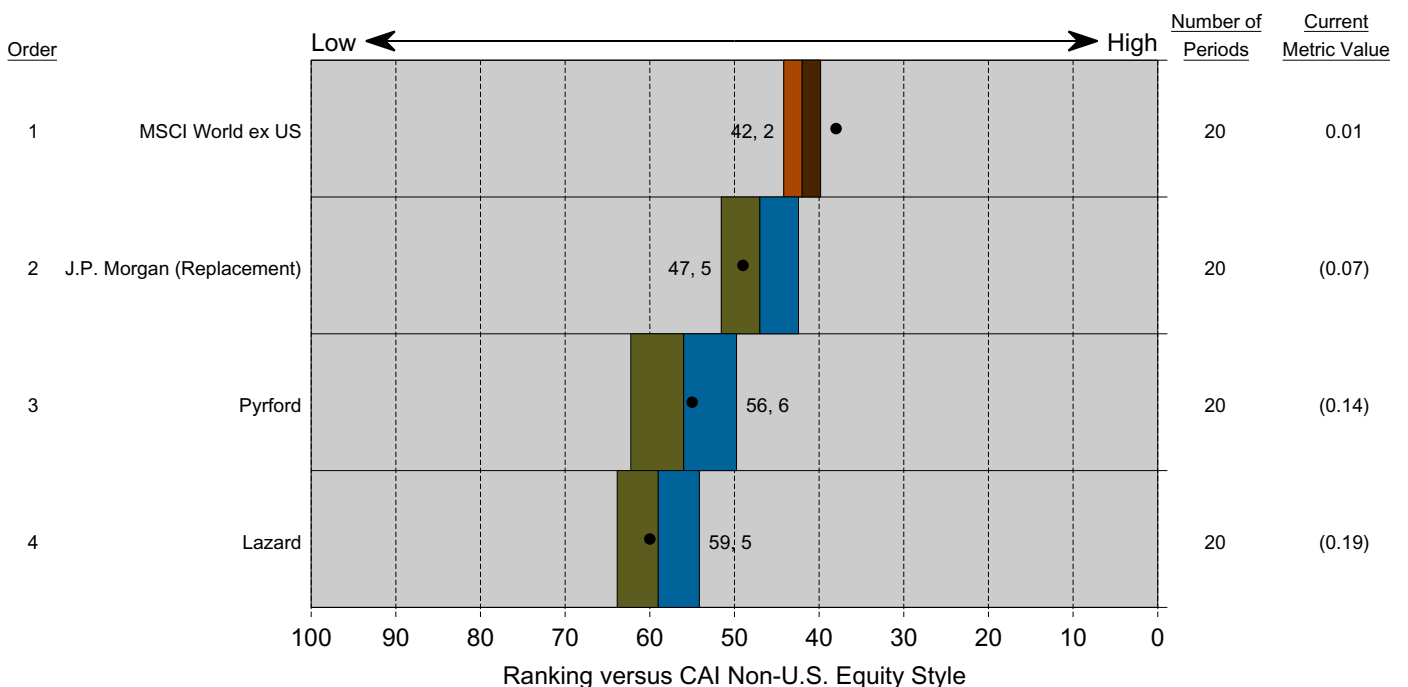
## Historical Ranking Analysis

This page compares multiple portfolios to each other by analyzing both the historical average ranking for a given metric versus a relevant peer group, as well as the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the average ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The comma-separated numbers show the average and standard deviation respectively, of the portfolios ranking. Each portfolio's current ranking is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

**MSCI Growth Z-Score Ranking For Five Years Ended September 30, 2016**



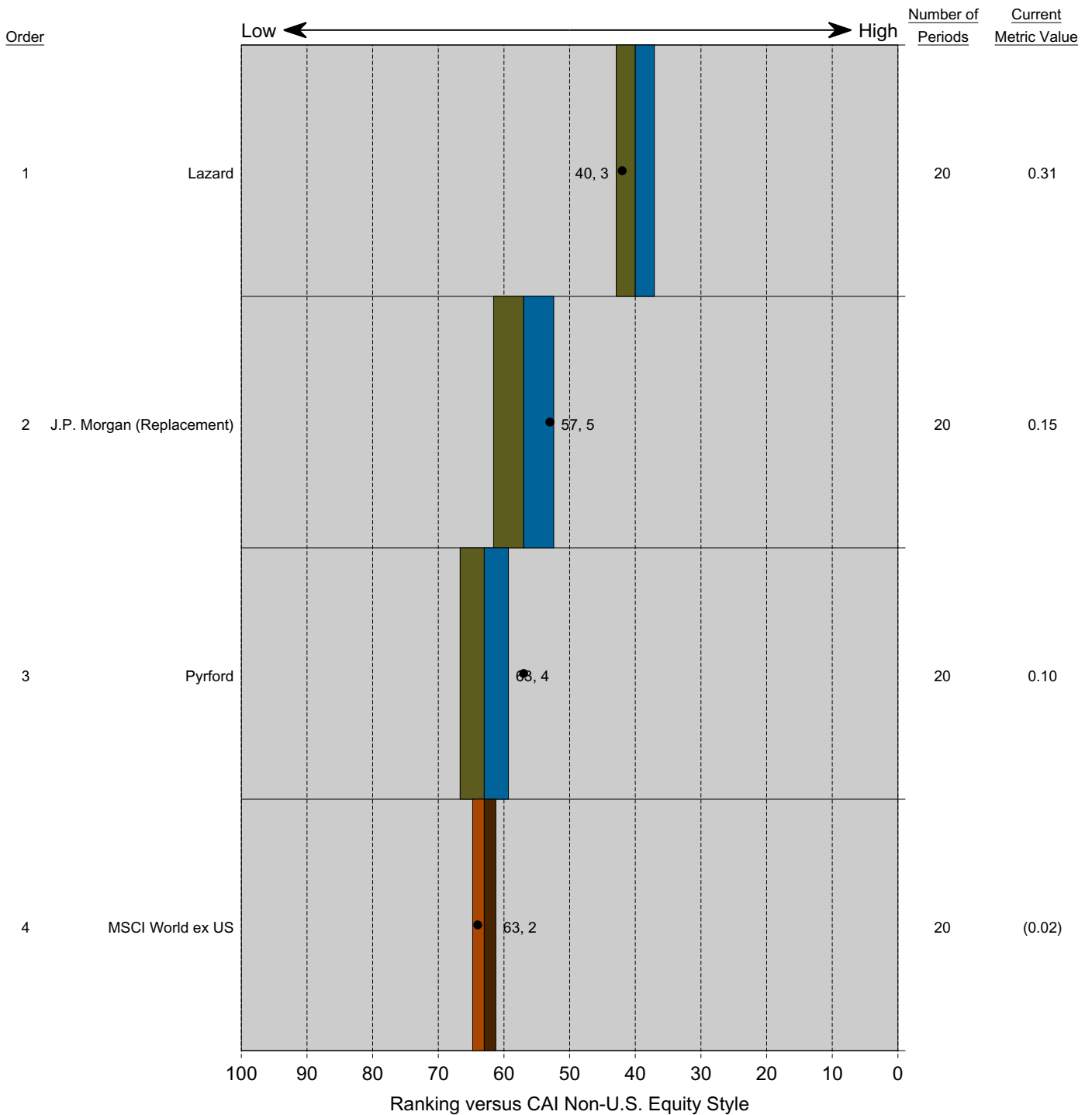
**MSCI Value Z-Score Ranking For Five Years Ended September 30, 2016**



## Historical Ranking Analysis

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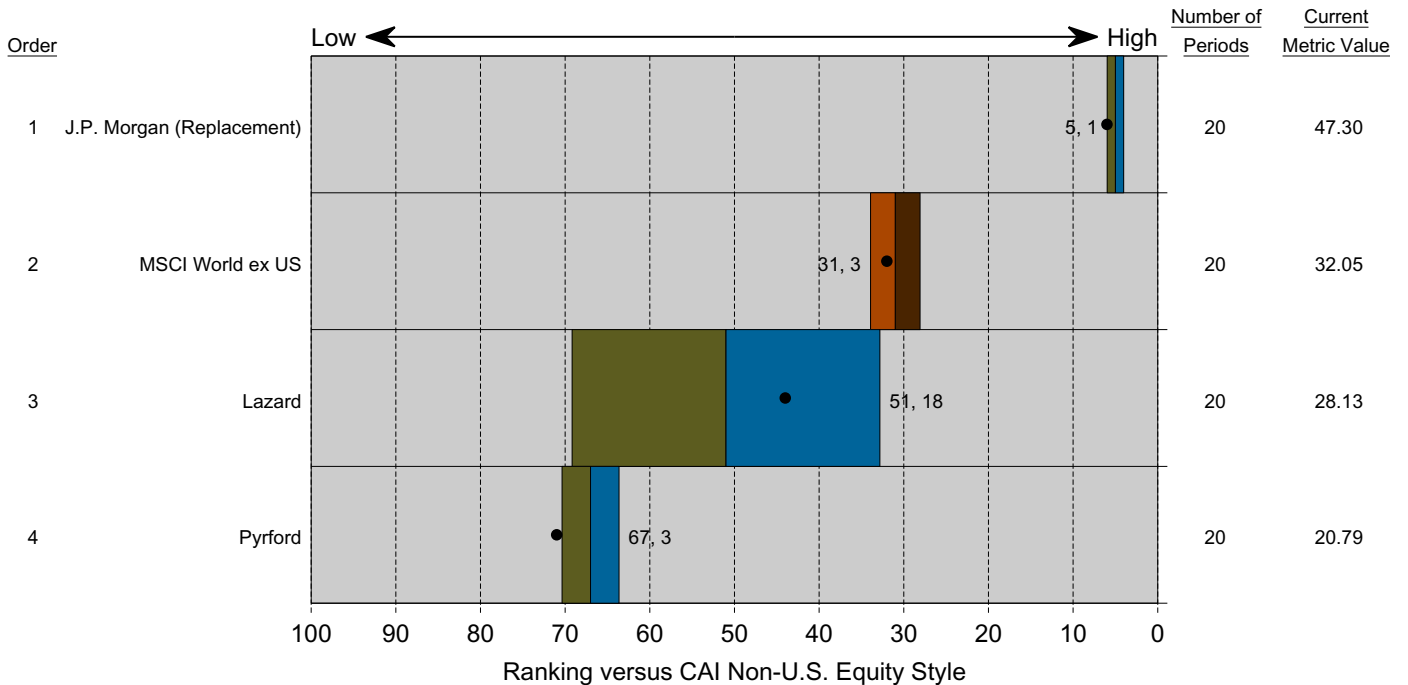
MSCI Combined Z-Score Ranking For Five Years Ended September 30, 2016



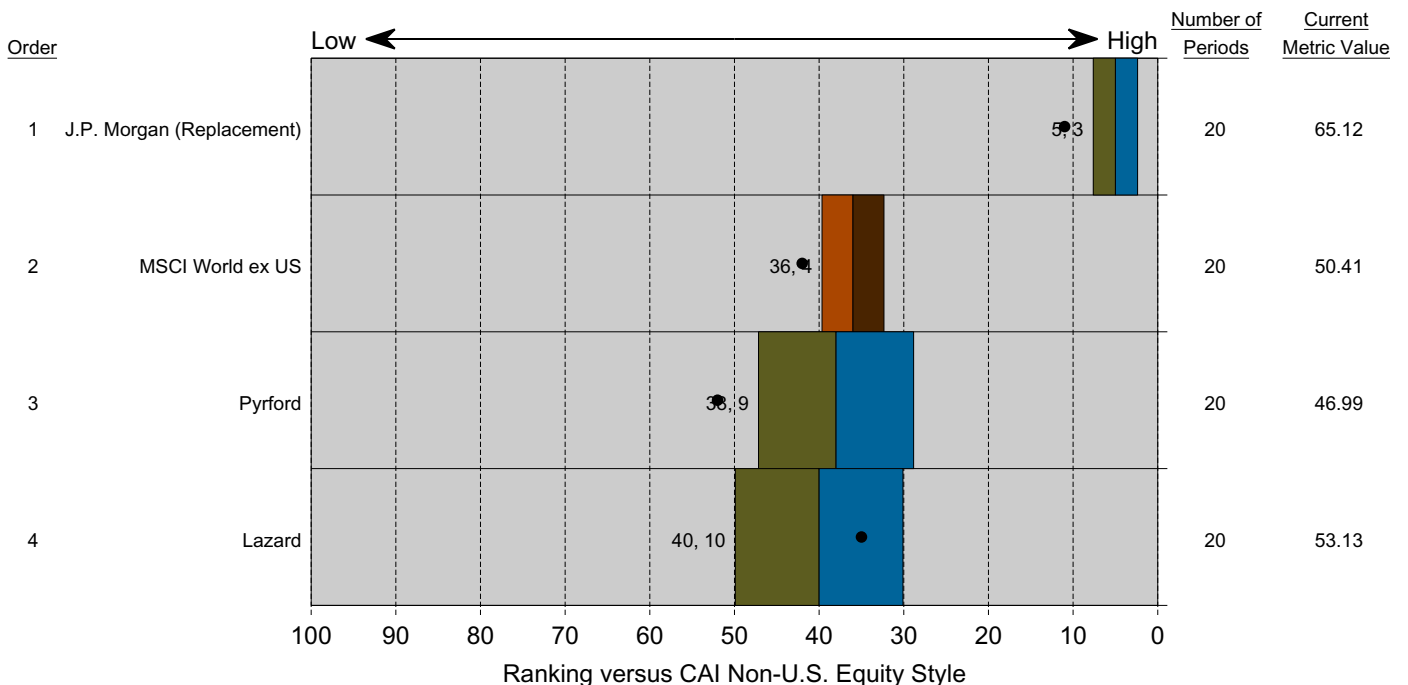
## Historical Ranking Analysis

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**Weighted Median Market Cap Ranking For Five Years Ended September 30, 2016**



**Weighted Average Market Cap Ranking For Five Years Ended September 30, 2016**

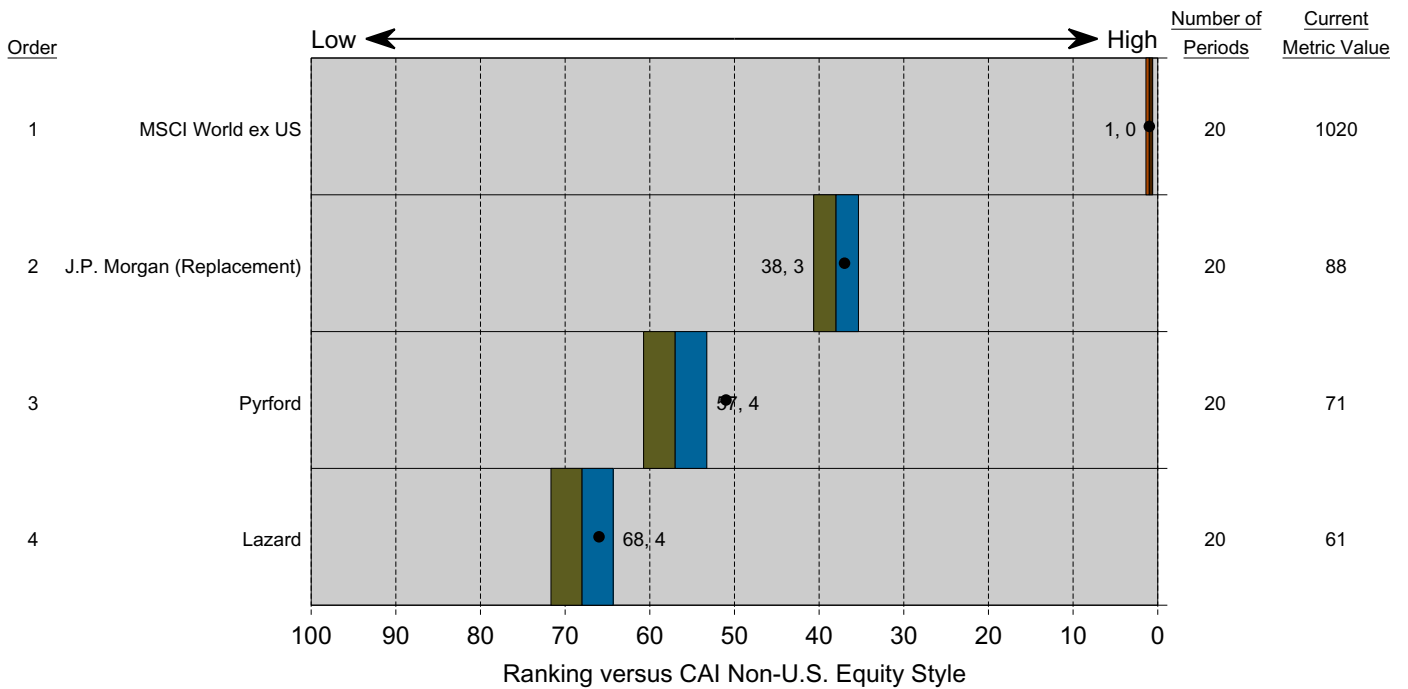




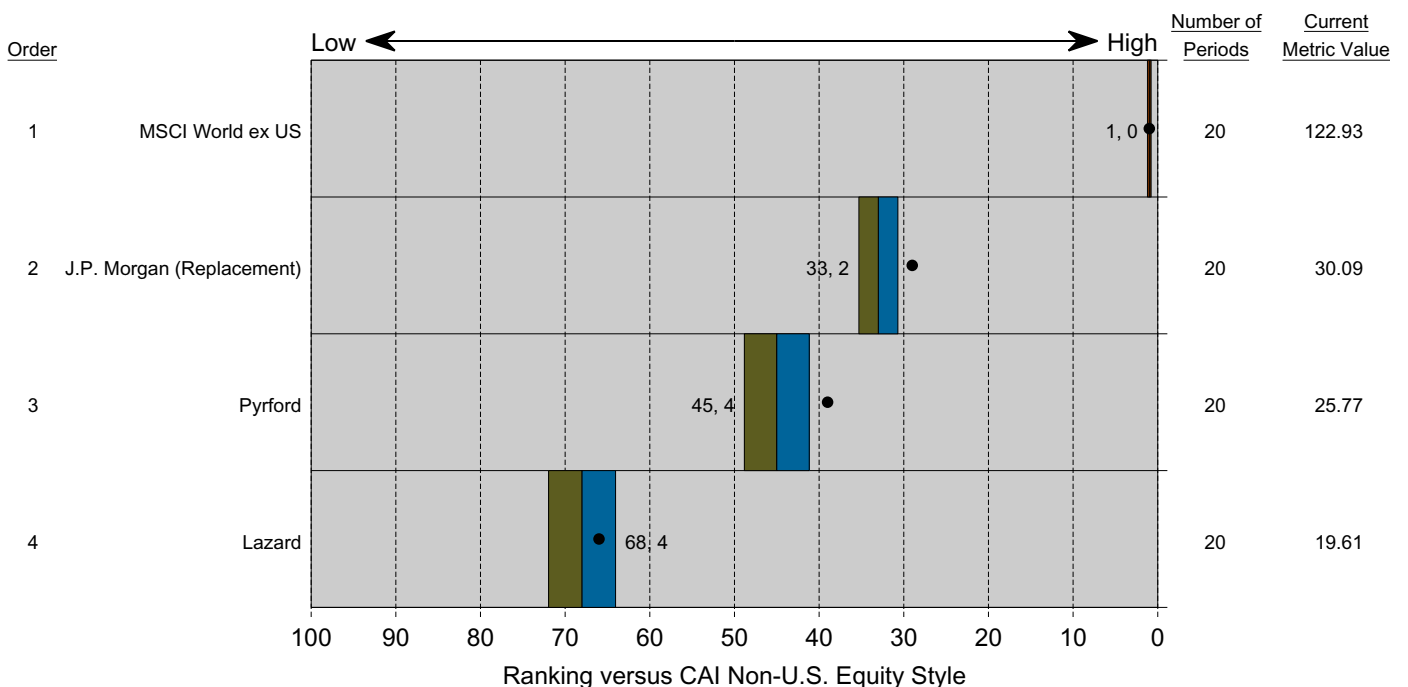
## Historical Ranking Analysis

This page compares multiple portfolios to each other by analyzing both the historical average ranking for a given metric versus a relevant peer group, as well as the consistency and range (standard deviation) of that ranking over time. The midpoint of each sideways bar represents the average ranking of a given portfolio over time, and the width of the bar represents the consistency and range of that ranking (+/- 1 standard deviation). The comma-separated numbers show the average and standard deviation respectively, of the portfolios ranking. Each portfolio's current ranking is demarcated by a dot, while the corresponding current value of the metric is displayed on the far right.

**Number of Holdings Ranking For Five Years Ended September 30, 2016**



**Security Diversification Ranking For Five Years Ended September 30, 2016**



## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. This comparative analysis can evaluate, for each portfolio pair, one portfolio's performance and risk patterns relative to the other portfolio's performance patterns. The excess return correlation matrices illustrate the extent to which various manager's excess returns versus the appropriate index are correlated to each other. Managers whose excess returns are less correlated with each other tend to diversify each other's active risk. This complementary type of manager mix can have a beneficial effect on the resulting active risk/return tradeoff.

### Excess Return Correlations for 5 Years Ended September 30, 2016 vs the MSCI World ex US

(20)	Lazard	0.00	(0.00)	0.12	0.13	-	1.00
(0)	Pyrford (MF)	-	-	-	-	-	-
(20)	Pyrford (CF)	0.00	(0.20)	1.00	1.00	-	0.13
(20)	Pyrford (SA)	0.00	(0.20)	1.00	1.00	-	0.12
(20)	J.P. Morgan (Replacement)	0.00	1.00	(0.20)	(0.20)	-	(0.00)
(20)	MSCI World ex US	0.00	0.00	0.00	0.00	-	0.00
	MSCI World ex US		J.P. Morgan (Replacement)	Pyrford (SA)	Pyrford (CF)	Pyrford (MF)	Lazard

## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. This comparative analysis can involve various types of performance statistics and holdings-based portfolio analysis over multiple time periods. The number in the middle of each box is the relevant value for a given portfolio, and the smaller number in the lower right corner is the relevant peer group ranking of that value.

### Return Based Risk Statistics for 5 Years Ended September 30, 2016 vs the MSCI World ex US and the CAI Non-U.S. Eq. Style PEER GROUP

(20)	Lazard	11.04% (81)	2.61 (79)	1.38% (70)	0.95 (26)	0.87 (18)	1.02 (20)	0.98% (13)
(0)	Pyrford (MF)	-	-	-	-	-	-	-
(20)	Pyrford (CF)	8.37% (99)	4.39 (16)	2.77% (13)	0.91 (75)	1.01 (4)	0.35 (67)	0.95% (68)
(20)	Pyrford (SA)	8.34% (99)	4.60 (12)	2.88% (9)	0.89 (84)	1.03 (4)	0.37 (66)	0.95% (81)
(20)	J.P. Morgan (Replacement)	12.65% (24)	2.97 (64)	1.76% (49)	0.95 (26)	0.63 (75)	0.39 (63)	0.97% (28)
(20)	MSCI World ex US	11.53% (61)	0.00 (100)	0.00% (100)	1.00 (1)	0.59 (83)	0.00 (87)	1.00% (1)
		Standard Deviation	Tracking Error	Downside Risk	R-Squared	Sharpe Ratio	Excess Return Ratio	Correlation

## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. This comparative analysis can involve various types of performance statistics and holdings-based portfolio analysis over multiple time periods. The number in the middle of each box is the relevant value for a given portfolio, and the smaller number in the lower right corner is the relevant peer group ranking of that value.

### Return Based Risk Statistics for 7 Years Ended September 30, 2016 vs the MSCI World ex US and the CAI Non-U.S. Eq. Style PEER GROUP

(28)	Lazard	14.35% (81)	2.70 (78)	1.40% (73)	0.97 (27)	0.45 (26)	0.88 (26)	0.99% (18)
(0)	Pyrford (MF)	-	-	-	-	-	-	-
(28)	Pyrford (CF)	11.08% (98)	4.99 (11)	2.71% (17)	0.95 (65)	0.62 (4)	0.56 (47)	0.97% (62)
(28)	Pyrford (SA)	11.03% (98)	5.14 (10)	2.77% (15)	0.94 (75)	0.64 (4)	0.58 (45)	0.97% (72)
(28)	J.P. Morgan (Replacement)	15.85% (35)	2.64 (81)	1.52% (67)	0.97 (19)	0.32 (72)	0.39 (62)	0.99% (19)
(28)	MSCI World ex US	15.08% (67)	0.00 (100)	0.00% (100)	1.00 (1)	0.26 (87)	0.00 (88)	1.00% (1)
		Standard Deviation	Tracking Error	Downside Risk	R-Squared	Sharpe Ratio	Excess Return Ratio	Correlation

## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. This comparative analysis can involve various types of performance statistics and holdings-based portfolio analysis over multiple time periods. The number in the middle of each box is the relevant value for a given portfolio, and the smaller number in the lower right corner is the relevant peer group ranking of that value.

### Average Equity Characteristics for 5 Years Ended September 30, 2016 VS THE CAI Non-U.S. Eq. Style Peer Group

(20)	Lazard	2.03 (30)	2.72% (55)	1.29% (48)	0.27 (40)	65 (68)	10.41 (52)	13.05 (53)	13.06 (53)	27.30 (51)	50.93 (40)	20.92 (68)	32.10% (44)
(20)	Pyrford	2.23 (20)	3.76% (6)	1.94% (7)	(0.02) (63)	72 (57)	7.36 (91)	13.89 (34)	14.05 (33)	22.79 (67)	52.18 (38)	25.49 (45)	35.23% (23)
(20)	J.P. Morgan (Replacement)	1.63 (56)	2.89% (43)	1.32% (48)	0.06 (57)	90 (38)	9.95 (59)	12.63 (61)	12.63 (61)	50.91 (5)	69.98 (5)	28.92 (33)	32.03% (44)
(20)	MSCI World ex US	1.57 (61)	3.25% (23)	1.43% (30)	(0.02) (63)	1009 (1)	9.41 (70)	13.27 (47)	13.30 (46)	33.85 (31)	52.54 (36)	110.24 (1)	10.93% (95)
		Price/ Book Value	Indicated Dividend Yield	P/E to Growth	MSCI Combined Z-Score	Number of Holdings	Forecasted Growth Earnings	Forecasted P/E (Exc Neg)	Forecasted P/E	Weighted Median Mkt Cap	Weighted Average Mkt Cap	Security Divers- ification	Divers- ification Ratio

## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. This comparative analysis can involve various types of performance statistics and holdings-based portfolio analysis over multiple time periods. The number in the middle of each box is the relevant value for a given portfolio.

### Average Sector Weights for 5 Years Ended September 30, 2016

(20)	Lazard	21.53%	13.48%	15.87%	11.98%	12.62%	5.15%	6.83%	5.62%	5.12%	1.41%	0.14%	0.10%	0.00%	0.00%
(20)	Pyrford	8.37%	17.61%	5.29%	9.43%	11.61%	8.44%	10.79%	12.09%	9.49%	6.39%	0.00%	0.04%	0.41%	0.00%
(20)	J.P. Morgan (Replacement)	22.40%	13.09%	14.32%	11.25%	11.33%	9.85%	7.29%	2.61%	7.06%	0.54%	0.16%	0.10%	0.00%	0.00%
(20)	MSCI World ex US	25.15%	12.56%	11.31%	10.73%	9.72%	8.88%	8.19%	5.21%	4.39%	3.59%	0.19%	0.07%	0.00%	0.00%
		Financ	Indequ	Concyc	Consta	Health	Rawmat	Energy	Commun	Tech	Pubutl	Reales	Misc	Fund	Trans

## Comparative Manager Matrix

This page allows for detailed comparisons of multiple managers against each other, as well as versus market indices and peer groups. The holding overlap matrices illustrate the degree of individual stock overlap between various portfolios' holdings. The number in parentheses in the lower left corner of each box is the number of stocks that a given portfolio pair hold in common. The number in the upper left corner is the total weight of these overlapping holdings in the y-axis (vertical) portfolio. The number in the lower right corner is the total weight of those same stocks in the x-axis (horizontal) portfolio.

### Average Holding Overlap for 5 Years Ended September 30, 2016

(20)	Lazard	78% (48)	13%	40% (19)	27%	17% (7)	13%	
(20)	Pyrford	79% (57)	17%	26% (14)	21%			13% (7)
(20)	J.P. Morgan (Replacement)	89% (78)	27%			21% (14)	26%	27% (19)
(20)	MSCI World ex US			27% (78)	89%	17% (57)	79%	13% (48)
		MSCI World ex US		J.P. Morgan (Replacement)		Pyrford		Lazard







## Definitions and Disclosures

## Definitions

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**Alpha** measures a portfolio's return in excess of the market return adjusted for risk. It is a measure of the manager's contribution to performance with reference to security selection. A positive alpha indicates that a portfolio was positively rewarded for the residual risk which was taken for that level of market exposure.

**Beta** measures the sensitivity of rates of portfolio returns to movements in the market index. A portfolio's beta measures the expected change in return per 1% change in the return on the market. If a beta of a portfolio is 1.5, a 1 percent increase in the return on the market will result, on average, in a 1.5 percent increase in the return on the portfolio. The converse would also be true.

**Diversification Ratio** – The ratio of the number of securities comprising the most concentrated half of the portfolio market value divided by the total number of portfolio securities. This value expresses to what extent a portfolio is equally weighted versus concentrated, given the number of names in the portfolio. This value can range from a high of 50% (equal weighted) to a low of 1% (half of the portfolio in 1% of the names).

**Downside Risk** stems from the desire to differentiate between "good risk" (upside volatility) and "bad risk" (downside volatility). Whereas standard deviation punishes both upside and downside volatility, downside risk measures only the standard deviation of returns below the target. Returns above the target are assigned a deviation of zero. Both the frequency and magnitude of underperformance affect the amount of downside risk.

**Excess Return Ratio** is a measure of risk adjusted relative return. This ratio captures the amount of active management performance (value added relative to an index) per unit of active management risk (tracking error against the index.) It is calculated by dividing the manager's annualized cumulative excess return relative to the index by the standard deviation of the individual quarterly excess returns. The Excess Return Ratio can be interpreted as the manager's active risk/reward tradeoff for diverging from the index when the index is mandated to be the "riskless" market position.

**Information Ratio** measures the manager's market risk-adjusted excess return per unit of residual risk relative to a benchmark. It is computed by dividing alpha by the residual risk over a given time period. Assuming all other factors being equal, managers with lower residual risk achieve higher values in the information ratio. Managers with higher information ratios will add value relative to the benchmark more reliably and consistently.

**Market Capitalization (weighted median)** – The weighted median market cap is the point at which half of the market value of the portfolio is invested in stocks with a greater market cap, and consequently the other half is invested in stocks with a lower market cap.

## Definitions (continued)

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**MSCI Combined Z Score** is the difference between the MSCI Growth Z Score and the MSCI Value Z Score (Growth - Value). A significant positive Combined Z Score implies significant "growthiness" in the stock or portfolio. A Combined Z Score close to 0.00 (positive or negative) implies "core-like" style characteristics, and a significantly negative Combined Z Score implies more "valueyness" in the stock or portfolio.

**MSCI Growth Z Score** is a holdings-based measure of the "growthiness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Growth Z Score is an aggregate score based on the growth score of five separate financial fundamentals: Long Term Forward Earnings Growth, Short Term Forward Earnings Growth, Current Internal Growth (ROE \* (1-payout ratio)), Long Term Historical Earnings Growth, and Long Term Historical Sales Growth.

**MSCI Value Z Score** is a holdings-based measure of the "valueyness" of an individual stock or portfolio of stocks based on fundamental financial ratio analysis. The MSCI Value Z Score is an aggregate score based on the value scores of three separate financial fundamentals: Price/Book, Price/Forward Earnings, and Dividend Yield.

**Number of Issues** in Top Half of MV measures the number of stocks (largest holdings) making up half of the market value of the portfolio.

**R-Squared** indicates the extent to which the variability of the portfolio returns is explained by market action. It can also be thought of as measuring the diversification relative to the appropriate benchmark. An r-squared value of .75 indicates that 75% of the fluctuation in a portfolio return is explained by market action. An r-squared of 1.0 indicates that a portfolio's returns are entirely related to the market and it is not influenced by other factors. An r-squared of zero indicates that no relationship exists between the portfolio's return and the market.

**Relative Sector Variance** – A measure illustrating how significantly a portfolio currently differs from the sector weights of the index. This measure is the sum of the differences (absolute value) between the portfolio and index sector weights across all sectors. The higher the number the more aggressive the deviation from the index sector weights, and vice versa. This relative risk measure can help explain the magnitude of past tracking error and potential future tracking error versus the index.

**Relative Standard Deviation** is a simple measure of a manager's risk (volatility) relative to a benchmark. It is calculated by dividing the manager's standard deviation of returns by the benchmark's standard deviation of returns. A relative standard deviation of 1.20, for example, means the manager has exhibited 20% more risk than the benchmark over that time period. A ratio of .80 would imply 20% less risk. This ratio is especially useful when analyzing the risk of investment grade fixed-income products where actual historical durations are not available. By using this relative risk measure over rolling time periods one can illustrate the "implied" historical duration patterns of the portfolio versus the benchmark.

## Definitions (continued)

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**Sector Concentration** – A measure of current portfolio diversification by economic sector (equity) or market sector (fixed income) to illustrate potential risk from concentrated sector exposures. The measure itself represents how few sectors contain half of the portfolio market value. A low number means the assets are concentrated in a few sectors and potentially highly exposed to the risks of those sectors.

**Sharpe Ratio** is a commonly used measure of risk-adjusted return. It is calculated by subtracting the "risk-free" return (usually 3 Month Treasury Bill) from the portfolio return and dividing the resulting "excess return" by the portfolio's risk level (standard deviation). The result is a measure of return gained per unit of risk taken.

**Standard Deviation** is a statistical measure of portfolio risk. It reflects the average deviation of the observations from their sample mean. Standard deviation is used as an estimate of risk since it measures how wide the range of returns typically is. The wider the typical range of returns, the higher the standard deviation of returns, and the higher the portfolio risk. If returns are normally distributed (i.e., has a bell shaped curve distribution) then approximately 2/3 of the returns would occur within plus or minus one standard deviation from the sample mean.

**Total Portfolio Risk** is a measure of the volatility of the quarterly excess returns of an asset. Total risk is composed of two measures of risk: market (non-diversifiable or systematic) risk and residual (diversifiable or unsystematic) risk. The purpose of portfolio diversification is to reduce the residual risk of the portfolio.

**Tracking Error** is a statistical measure of a portfolio's risk relative to an index. It reflects the standard deviation of a portfolio's individual quarterly or monthly returns from the index's returns. Typically, the lower the Tracking Error, the more "index-like" the portfolio.

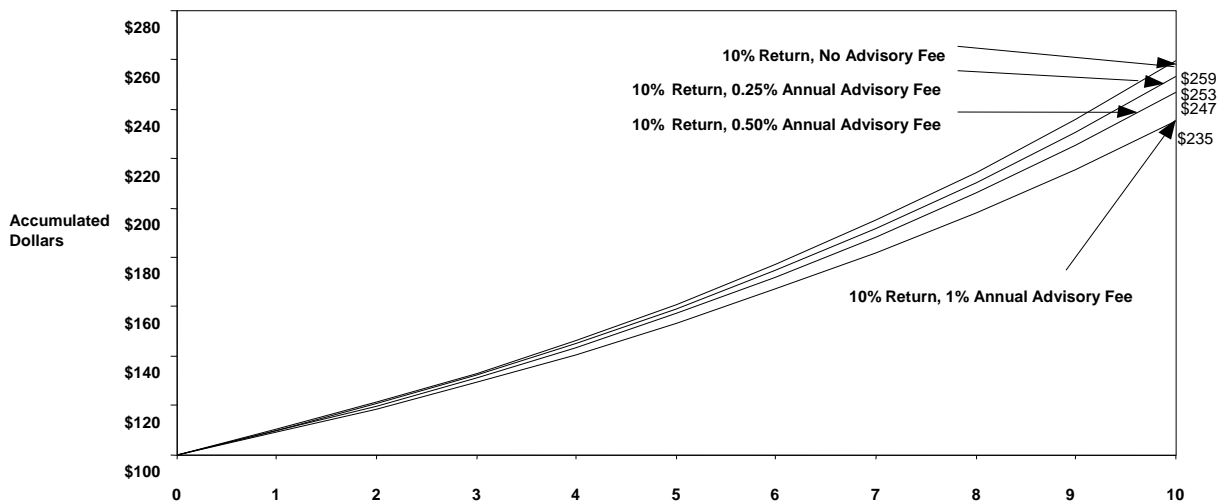
**Treynor Ratio** represents the portfolio's average excess return over a specified period divided by the beta relative to its benchmark over that same period. This measure reflects the reward over the risk-free rate relative to the systematic risk assumed.

## Disclosure Statement

The preceding report has been prepared for the exclusive use of the Sacramento Regional Transit District. Unless otherwise noted, performance returns contained in this report do not reflect the deduction of investment advisory fees. The returns in this report will be reduced by the advisory fees and any other expenses incurred in the management of an investment account. The investment advisory fees applicable to the advisors listed in this report are described in Part II of each advisor's form ADV.

The following graphical and tabular example illustrates the cumulative effect of investment advisory fees on a \$100 investment growing at 10% over ten years. Fees are assumed to be paid monthly.

### The Cumulative Effect of Advisory Fees



Accumulated Dollars at End of Years

	1	2	3	4	5	6	7	8	9	10
No Fee	110.0	121.0	133.1	146.4	161.1	177.2	194.9	214.4	235.8	259.4
25 Basis Points	109.7	120.4	132.1	145.0	159.1	174.5	191.5	210.1	230.6	253.0
50 Basis Points	109.5	119.8	131.1	143.5	157.1	172.0	188.2	206.0	225.5	246.8
100 Basis Points	108.9	118.6	129.2	140.7	153.3	166.9	181.8	198.0	215.6	234.9

10% Annual Return Compounded Monthly, Annual Fees Paid Monthly.

## List of Callan's Investment Manager Clients

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Callan takes its fiduciary and disclosure responsibilities to clients very seriously. We recognize that there are numerous potential conflicts of interest encountered in the investment consulting industry and that it is our responsibility to manage those conflicts effectively and in the best interest of our clients. At Callan, we employ a robust process to identify, manage, monitor and disclose potential conflicts on an on-going basis.

The list below is an important component of our conflicts management and disclosure process. It identifies those investment managers that pay Callan fees for educational, consulting, software, database or reporting products and services. We update the list quarterly because we believe that our fund sponsor clients should know the investment managers that do business with Callan, particularly those investment manager clients that the fund sponsor clients may be using or considering using. Please refer to Callan's ADV Part 2A for a more detailed description of the services and products that Callan makes available to investment manager clients through our Institutional Consulting Group, Independent Adviser Group and Fund Sponsor Consulting Group. Due to the complex corporate and organizational ownership structures of many investment management firms, parent and affiliate firm relationships are not indicated on our list.

Fund sponsor clients may request a copy of the most currently available list at any time. Fund sponsor clients may also request specific information regarding the fees paid to Callan by particular fund manager clients. Per company policy, information requests regarding fees are handled exclusively by Callan's Compliance Department.

Manager Name
1607 Capital Partners, LLC
Aberdeen Asset Management PLC
Acadian Asset Management LLC
AEGON USA Investment Management
Affiliated Managers Group, Inc.
AllianceBernstein
Allianz Global Investors
Allianz Life Insurance Company of North America
American Century Investment Management
Amundi Smith Breeden LLC
Analytic Investors
Angelo, Gordon & Co.
Apollo Global Management
AQR Capital Management
Ares Management LLC
Ariel Investments, LLC
Aristotle Capital Management, LLC
Artisan Holdings
Atlanta Capital Management Co., LLC
Aviva Investors Americas
AXA Investment Managers
Babson Capital Management
Baillie Gifford Overseas Limited
Baird Advisors
Bank of America
Baring Asset Management
Baron Capital Management, Inc.
Barrow, Hanley, Mewhinney & Strauss, LLC
BlackRock
BMO Asset Management, Corp.
BNP Paribas Investment Partners
BNY Mellon Asset Management
Boston Partners
Brandes Investment Partners, L.P.
Brandywine Global Investment Management, LLC
Brown Brothers Harriman & Company
Cambiar Investors, LLC

Manager Name
Capital Group
CastleArk Management, LLC
Causeway Capital Management
Chartwell Investment Partners
ClearBridge Investments, LLC
Cohen & Steers Capital Management, Inc.
Columbia Management Investment Advisers, LLC
Columbus Circle Investors
Corbin Capital Partners, L.P.
Cornerstone Capital Management
Cramer Rosenthal McGlynn, LLC
Crawford Investment Counsel, Inc.
Credit Suisse Asset Management
Crestline Investors, Inc.
DE Shaw Investment Management, LLC
Delaware Investments
DePrince, Race & Zollo, Inc.
Deutsche Asset Management
Diamond Hill Investments
Duff & Phelps Investment Mgmt. Co.
Eagle Asset Management, Inc.
EARNEST Partners, LLC
Eaton Vance Management
Epoch Investment Partners, Inc.
Fayez Sarofim & Company
Federated Investors
Fidelity Institutional Asset Management
Fiera Capital Global Asset Management
First Eagle Investment Management, LLC
First Hawaiian Bank Wealth Management Division
Fisher Investments
Fort Washington Investment Advisors, Inc.
Franklin Templeton Institutional
Fred Alger Management, Inc.
Fuller & Thaler Asset Management, Inc.
GAM (USA) Inc.
GE Asset Management

Manager Name
GMO
Goldman Sachs Asset Management
Grand-Jean Capital Management
Guggenheim Investments
GW&K Investment Management
Harbor Capital Group Trust
Hartford Funds
Hartford Investment Management Co.
Henderson Global Investors
Hotchkis & Wiley Capital Management, LLC
HSBC Global Asset Management
Income Research + Management, Inc.
Insight Investment Management Limited
Institutional Capital LLC
INTECH Investment Management, LLC
Invesco
Investec Asset Management
Janus Capital Management, LLC
Jensen Investment Management
J.P. Morgan Asset Management
KeyCorp
Lazard Asset Management
Legal & General Investment Management America
Lincoln National Corporation
LMCG Investments, LLC
Longview Partners
Loomis, Sayles & Company, L.P.
Lord Abbett & Company
Los Angeles Capital Management
LSV Asset Management
MacKay Shields LLC
Man Investments Inc.
Manulife Asset Management
Martin Currie Inc.
MFS Investment Management
MidFirst Bank
Mondrian Investment Partners Limited
Montag & Caldwell, LLC
Morgan Stanley Investment Management
Mountain Lake Investment Management LLC
MUFG Union Bank, N.A.
Neuberger Berman
Newton Investment Management (fka Newton Capital Management)
Nikko Asset Management Co., Ltd.
Northern Trust Asset Management
Nuveen Investments, Inc.
OFI Global Asset Management
Old Mutual Asset Management
Opus Capital Management Inc.
Pacific Investment Management Company

Manager Name
Parametric Portfolio Associates
Peregrine Capital Management, Inc.
PGIM
PineBridge Investments
Pinnacle Asset Management L.P.
Pioneer Investments
PNC Capital Advisors, LLC
Principal Global Investors
Private Advisors, LLC
Putnam Investments, LLC
QMA (Quantitative Management Associates)
RBC Global Asset Management
Regions Financial Corporation
RidgeWorth Capital Management, Inc.
Rockefeller & Co., Inc.
Rothschild Asset Management, Inc.
Russell Investments
Santander Global Facilities
Schroder Investment Management North America Inc.
Scout Investments
SEI Investments
Smith, Graham & Co. Investment Advisors, L.P.
Smith Group Asset Management
Standard Life Investments Limited
Standish
State Street Global Advisors
Stone Harbor Investment Partners, L.P.
Systematic Financial Management
T. Rowe Price Associates, Inc.
Taplin, Canida & Habacht
The Boston Company Asset Management, LLC
The Hartford
The London Company
The TCW Group, Inc.
Tri-Star Trust Bank
UBS Asset Management
Van Eck Global
Versus Capital Group
Victory Capital Management Inc.
Vontobel Asset Management, Inc.
Voya Financial
Voya Investment Management (fka ING)
Waddell & Reed Asset Management Group
WCM Investment Management
WEDGE Capital Management
Wellington Management Company, LLP
Wells Capital Management
Western Asset Management Company
William Blair & Company

# Callan

## Disclosure

The table below indicates whether one or more of the candidates listed in this report is itself a client of Callan as of the date of the most recent quarter end. These clients pay Callan for educational, software, database and/or reporting products and services; refer to our Form ADV 2A for additional information. Given the complex corporate and organizational ownership structures of many investment management, trust/custody and securities lending firms, the parent and affiliate firm relationships are not listed here if they don't separately contract with Callan.

The client list below may include parent companies who allow their affiliates to use some of the services for which they contract with Callan (eg, educational services including published research and attendance at conferences and workshops). Because Callan's investment manager client list changes periodically, the information below may not reflect changes since the most recent quarter end. Fund sponsor clients are welcome to request a complete list of Callan's investment manager clients at any time.

As a matter of policy, Callan follows strict procedures so that investment manager client relationships do not affect the process or outcome of any investment manager search or evaluation conducted by Callan.

<b>Firm</b>	<b>Is an Investment Manager Client of Callan<sup>A</sup></b>	<b>Is Not an Investment Manager Client of Callan<sup>A</sup></b>
Lazard Asset Management	X	
Pyrford International PLC		X

<sup>A</sup> Based upon Callan manager clients as of the most recent quarter end.





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# Sacramento Regional Transit District

## Lazard International Equity

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February 1, 2017

**Michael Powers**

*Managing Director, Portfolio Manager/Analyst*

**George Sands**

*Director, Institutional Sales & Client Service*



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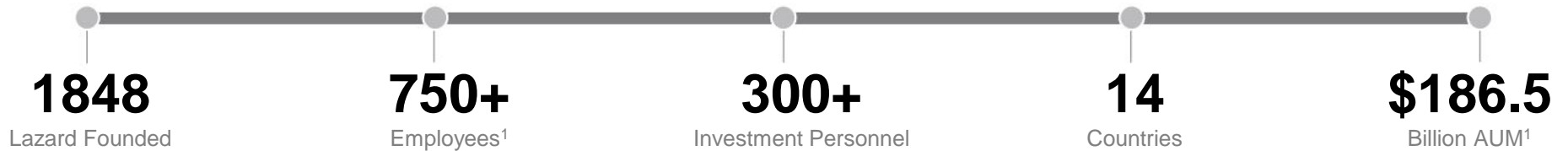
- I. Firm Overview
- II. Investment Process, Philosophy and Objectives
- III. Strategy Review
- IV. Performance Review
- V. Summary
- VI. Appendix
  - Biographies
  - Performance Disclosures

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**TAB**

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# Lazard Asset Management



<sup>1</sup> As of 30 September 2016. Includes those of Lazard Asset Management LLC (New York) and its affiliates, but do not include those of Lazard Frères Gestion (Paris) or other asset management businesses of Lazard Ltd.

# Lazard's Investment Organization

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**Ashish Bhutani**  
Chief Executive Officer

**James Donald**  
Emerging Market Equity Strategies

**John Reinsberg**  
International/Global Equities  
Fixed Income

**Ron Temple**  
Multi Asset/US Equity Strategies

## Oversight Committee

Management body for the investment platform that provides:

- Oversight for investment processes and products
- Reporting line for investment professionals

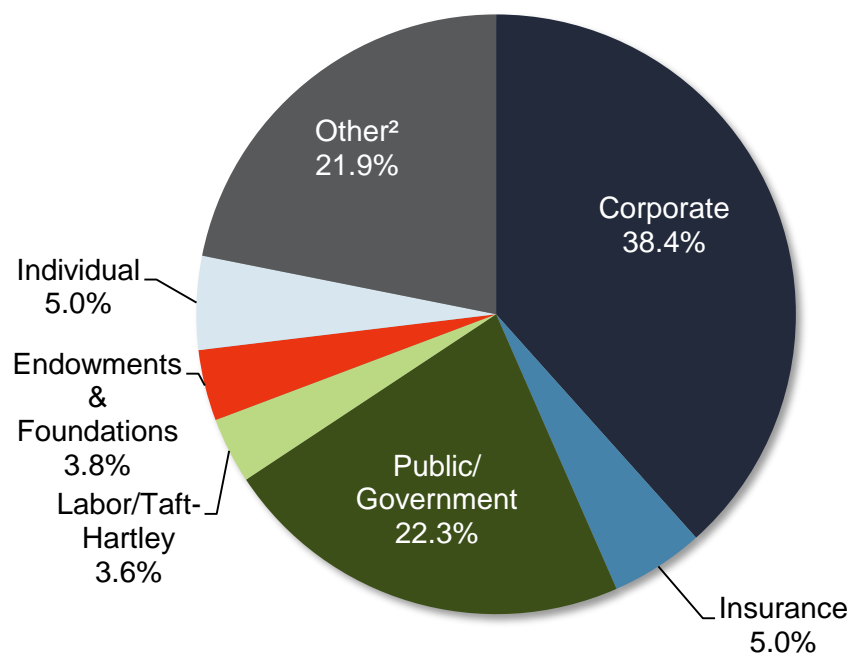
## Investment Council

Senior investment professionals focused on:

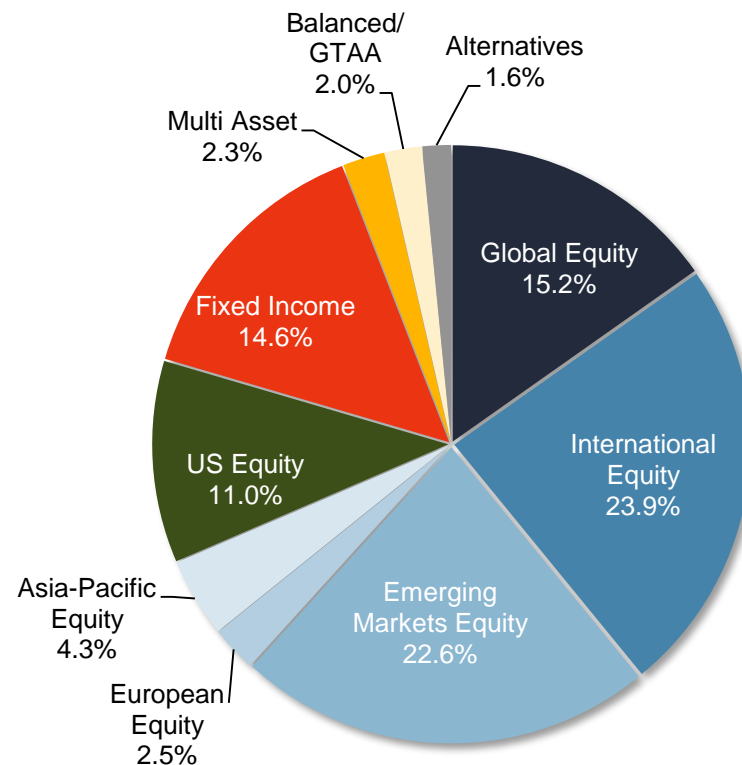
- Providing investment leadership and sharing insight
- Monitoring communication among investment platforms and regions

# Assets Under Management

## By Client Type



## By Investment Mandate



**Total Firm Assets Under Management<sup>1</sup>: 186.5 billion**

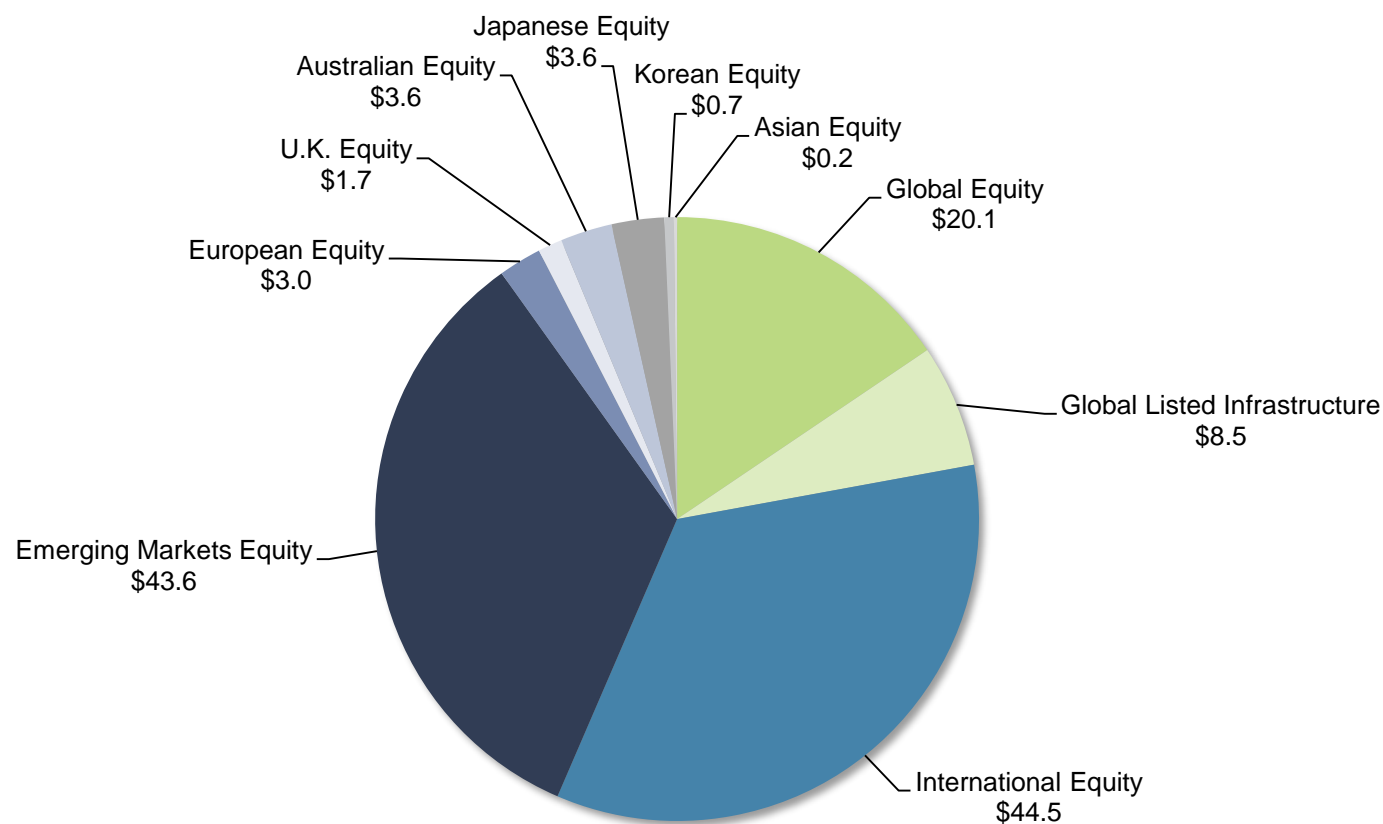
<sup>1</sup> As of 30 September 2016. Assets under management include those of Lazard Asset Management LLC (New York) and its affiliates, but do not include those of Lazard Frères Gestion (Paris) or other asset management businesses of Lazard Ltd.

<sup>2</sup> Other represents clients invested in hedge funds, mutual funds, and other investment vehicles for which client type is not reported.

# Assets Under Management

## Global/International Equity

### Lazard Global/International Equity Assets (in US\$ billions)



**Total Global/International Equity Assets:  
\$129.5 billion; 69.4% of Total Firm Assets**

# Lazard US Public Funds Client List

Client Name	City	State
Alaska Permanent Fund Corporation	Juneau	AK
Alaska Retirement Management Board	Juneau	AK
Anchorage Police & Fire Retirement System	Anchorage	AK
Alabama Trust Fund	Montgomery	AL
Arkansas Local Police and Fire Retirement System	Little Rock	AR
City of Birmingham Firefighter's and Police Officer's Supplemental Pension System	Birmingham	AL
City of Birmingham Retirement and Relief System	Birmingham	AL
Arkansas Public Employees Retirement System	Little Rock	AR
Arkansas Teacher Retirement System	Little Rock	AR
California Public Employees' Retirement System	Sacramento	CA
California State Teachers' Retirement System	Sacramento	CA
City of Delano Employees' Retirement System	Delano	CA
Los Angeles City Employees Retirement System	Los Angeles	CA
Los Angeles County Employees Retirement Association	Los Angeles	CA
Los Angeles Firemen's Relief Association	Los Angeles	CA
Sacramento County Employees' Retirement System	Sacramento	CA
City of Bridgeport Pension Plan	Bridgeport	CT
City of Milford Retirement System	Milford	CT
City of Stamford Firemen's Pension Fund	Stamford	CT
City of Boca Raton Police & Firefighters' Retirement System	Boca Raton	FL
City of Daytona Beach Police & Firefighters' Pension Fund	Daytona Beach	FL
City of Fort Lauderdale Police & Firefighters' Retirement System	Fort Lauderdale	FL
City of Naples General, Police and Fire Retirement System	Naples	FL
City of Sunrise General Employees Retirement Fund	Sunrise	FL
Delray Beach Police and Fire Pension	Delray Beach	FL
Melbourne Firefighters Retirement System	Melbourne	FL
Pompano Beach Police & Firefighters Retirement System	Pompano Beach	FL
City of Columbus Pension Plan	Columbus	GA
Chicago Transit Authority Retiree Healthcare Trust	Chicago	IL
Forest Preserve District Annuity and Benefit Fund of Cook County	Chicago	IL
Public School Teachers' Pension and Retirement Fund of Chicago	Chicago	IL
The County Employees and Officers Annuity Benefit Fund of Cook County	Chicago	IL
Illinois Municipal Retirement Fund	Oak Brook	IL
Kansas City Board of Public Utilities (BPU)	Kansas City	KS
Kansas Public Employees Retirement System	Topeka	KS
Bristol County Employees Retirement System	Taunton	MA
Brockton Contributory Retirement System	Brockton	MA
Cambridge Retirement System	Cambridge	MA
City of Worcester Retirement System	Worcester	MA



# Lazard US Public Funds Client List

Client Name	City	State
Holyoke Retirement System	Holyoke	MA
Norfolk County Retirement System	Canton	MA
North Attleborough Contributory Retirement System	North Attleborough	MA
Somerville Contributory Retirement System	Somerville	MA
State-Boston Retirement System	Boston	MA
Westfield Contributory Retirement System	Westfield	MA
Anne Arundel County Retirement and Pension System	Annapolis	MD
Birmingham Employees Retirement System	Birmingham	MI
City of Farmington Hills Employee Retirement System	Farmington Hills	MI
City of Warren General Employees' Retirement System	Warren	MI
City of Wyandotte Retirement System	Wyandotte	MI
Monroe County Employees Retirement System	Monroe	MI
Oakland County Employees' Retirement System	Pontiac	MI
Oakland County VEBA	Pontiac	MI
State of Michigan Legislative Retirement	Lansing	MI
Wayne County Employees Retirement System	Detroit	MI
St. Louis Police Retirement System	St. Louis	MO
Mississippi Public Employees Retirement System	Jackson	MS
Montana Board of Investments	Helena	MT
Nebraska Public Power District	Columbus	NB
Omaha Civilian Employees' Retirement System	Omaha	NE
Omaha Police and Fire Pension Plan	Omaha	NE
New Jersey Division of Investment	Trenton	NJ
NYC Detectives Endowment Association Annuity Fund	New York	NY
Public Employees' Retirement System of Ohio	Columbus	OH
Oregon Public Employees Retirement System	Salem	OR
Philadelphia Gas Works Pension Plan	Philadelphia	PA
Metropolitan Government of Nashville & Davidson County	Nashville	TN
Shelby County Retirement System	Memphis	TN
El Paso City Employees' Pension Fund	El Paso	TX
Midland Firemen's Relief & Retirement Trust	Midland	TX
San Antonio Fire & Police Pension Fund	San Antonio	TX
Teachers Retirement System of Texas	Austin	TX
Texas Employees' Retirement System	Austin	TX
Texas Treasury Safekeeping Trust Company	Austin	TX
City of Danville Employees Retirement System	Danville	VA
City of Falls Church	Falls Church	VA
Educational Employees of Fairfax County	Fairfax	VA
Fairfax County Employees Retirement System	Fairfax	VA
Washington State Investment Board	Olympia	WA
Wyoming State Treasurer's Office	Cheyenne	WY

It is not known whether the clients listed approve or disapprove of Lazard or the advisory services provided. The above list generally includes all institutional clients who have not objected to inclusion in a representative list. Performance-based data were not used to determine which clients to include on the list.

# Portfolio Management

## Lazard International Equity

### Portfolio Management Team

	Joined Lazard	Years in Industry
 <b>Michael G. Fry</b> Managing Director, Portfolio Manager/Analyst	2005	35
 <b>Michael Bennett</b> Managing Director, Portfolio Manager/Analyst	1992	30
 <b>Giles Edwards, CFA, CIMA</b> Vice President, Portfolio Manager/Analyst	2008	13
 <b>Kevin J. Matthews, CFA</b> Managing Director, Portfolio Manager/Analyst	2001	15
 <b>Michael Powers</b> Managing Director, Portfolio Manager/Analyst	1990	26
 <b>John Reinsberg</b> Deputy Chairman, International and Global Strategies	1992	35

### Focused Resources

International	Years in Industry	Years at Lazard	Emerging Markets	Years in Industry	Years at Lazard
Eduardo Abreu	11	8	Thomas Boyle	19	6
Nigel Barrett	27	9	Rohit Chopra	20	17
Jimmie Bork	5	0	Elizabeth Chung	22	6
Jelena Boskovic	9	6	Myla Cruz	8	8
Elias Chrysostomou	14	6	James Donald	33	20
Nathan Cockrell	21	9	Lada Emelianova	18	6
Marina Erskine-Leacock	15	12	Donald Floyd	21	5
Robert Failla	23	13	Peter Gillespie	24	9
Alistair Godrich	8	8	Robert Horton	23	5
Jenny Hardy	5	1	Arif Joshi	18	6
Peter Hunsberger	27	25	Mark Lien	26	8
Robin Jones	14	13	John Mariano	18	6
Mark Little	24	19	Andrei Morosanu	17	17
Neil Millar	10	10	Kevin O'Hare	25	15
Jonathan Morris	27	8	Stephen Russell	19	5
Dennis Neveling	10	10	Monika Shrestha	19	13
Daniel Rozier	5	5	Sookyum (Celine) Woo	12	6
Guillaume Samama	6	6	Ben Wulfsohn	25	15
Victoire Spahn	9	6			
Jeremy Taylor	20	13			
Barnaby Wilson	18	17			

### Regional Resources



# Lazard Equity Investment Resources

## Regional Expertise

### Multi-regional (Global / EAFE)

Eduardo Abreu	Kun Deng	Taras Ivanenko	Matthew Landy	Dennis Neveling	Craig Scholl
David Alcaly	Yury Dubrovsky <sup>1</sup>	Jai Jacob <sup>1</sup>	Jay Leupp	Andrew Norris	Ulrich Schweiger
Lee Ann Alexandrakis	Robert Failla	Robin Jones	Mark Little	Mark Panter <sup>1</sup>	Stephen Scott
Nigel Barrett	Sara Fischer	Peter Kashanek	Edward Lund	Hubert Parzecki	Victoire Spahn
Michael Bennett	Martin Flood	Edward Keating	Jean-Daniel Malan	Michael Per <sup>1</sup>	Jeremy Taylor
Michael Bernadiner <sup>1</sup>	Louis Florentin-Lee	Tjeert Keijzer <sup>1</sup>	Stephen Marra <sup>1</sup>	Christopher Pope	Ronald Temple <sup>2</sup>
Frank Bianco <sup>1</sup>	Steven Fockens	Erianna Khusainova <sup>1</sup>	Kevin Matthews	Michael Powers	Kim Tilley
David Bliss	Michael Fry	John King	Thomas McManus <sup>1</sup>	John Reinsberg	Yann Vasseur
Jimmie Bork	Gautam Garg	Jessica Kittay	Neil Millar	Sean Reynolds <sup>1</sup>	Kyle Waldhauer
Nicholas Bratt	Sarah George <sup>1</sup>	Kipp Kjeldgaard	Adam Mitchell <sup>1</sup>	Giuseppe Ricotta <sup>1</sup>	Barnaby Wilson
Terence Brennan <sup>1</sup>	Eduardo Gonzalez <sup>1</sup>	Antony Knep	Paul Moghtader	Anthony Rohrlach	Douglas Workman <sup>1</sup>
Irene Cheng	Jenny Hardy	Christopher Komosa <sup>1</sup>	Jonathan Morris	David Ronco	Steve Wreford
Adrian Cheung	Christopher Hartung	Werner Kraemer <sup>1</sup>	John Mulquinye	Edward Rosenfeld	Ming Zhong
Bertrand Cliquet	Rupert Hope <sup>1</sup>	Andrew Lacey <sup>2</sup>	Sriharan Nadesan <sup>1</sup>	Patrick Ryan	
James Daly <sup>1</sup>	Peter Hunsberger	Alex Lai			

### US

Dmitri Batsev	Andrew Lacey <sup>2</sup>
Christopher Blake	Jerry Liu
Daniel Breslin	Bret Miller
Rhett Brown	Keith Mori
Gary Buesser	Prateek Pant <sup>1</sup>
Zoe Chen <sup>1</sup>	David Pizzimenti
Michael DeBernardis	Henry (Ross) Seiden
Martin Flood	Nicholas Sordoni
Miriam Kim	Ronald Temple <sup>2</sup>
Stephen (Kelly) Knybel	Richard Tutino
Eugene Krishnan	Christopher Whitney

### Europe

Léopold Arminjon	Marina Erskine-Leacock
Nitin Arora	Alistair Godrich
Aaron Barnfather	Ciprian Marin
Patricia Biggers	Daniel Rozier
Christian Bockris	Guillaume Samama
Jelena Boskovic	Paul Selvey-Clinton
Elias Chrysostomou	Laura Somers-Edgar
Alan Clifford	Lloyd Whitworth
Nathan Cockrell	Jason Williams
Alan Custis	Susanne Willumsen
Giles Edwards	

### Asia-Pacific

Thurl Abrahams	Ario Kishida
Matthew Bills	Jake (Jaeyub) Myung
Aaron Binsted	Takayuki Natsume
Neal Doying	Yeaseul (Jacqueline) Oh
Timothy Griffen	Rob Osborn
Philipp Hofflin	Warryn Robertson
Takako Hoshino	Jason Tin
Andrew Il-Kweon Dong	Philippe Tison
Jaehyoun Ju	Shuichi Yoshimura
Kaitlyn (Aekyung) Kim	Tim Zhao
Se Hoon Kim	

### Emerging Markets

Mohamed Abdel-Hadi	Thomas Boyle	Donald Floyd	John Mariano	Talal Noueihed	Rahwa Senay
Sleiman (Sam) Aboul Hosn	Rohit Chopra	Peter Gillespie	Erik McKee	Kevin O'Hare	Monika Shrestha
Fadi Al Said	Elizabeth Chung	Robert Horton	Jacob (Ryan) Mims	Paul Rogers	Ashish Shrivastava
David Barton	Myla Cruz	Alex Ingham	Andrei Morosanu	Stephen Russell	Sookyum (Celine) Woo
Jagdish Bathija	James Donald <sup>2</sup>	Mark Lien	Walid Mourad	Timur Salikhov	Ben Wulfsohn
Georg Benes	Lada Emelianova				

As of 30 September 2016.

<sup>1</sup> Due to the nature of their activities, these individuals appear among both equity and fixed income resources.

<sup>2</sup> Due to the nature of their responsibilities, these individuals have been assigned more than one primary regional focus.

# Lazard Equity Investment Resources

## Sector Expertise

### Consumer

Aaron Binsted  
Christopher Blake  
Thomas Boyle  
Rohit Chopra  
Elizabeth Chung  
Nathan Cockrell  
Myla Cruz  
Marina Erskine-Leacock  
Stephen (Kelly) Knybel  
Jerry Liu  
Jake (Jaeyub) Myung  
Dennis Neveling  
Rob Osborn  
Sookyum (Celine) Woo  
Shuichi Yoshimura

### Financials

Nigel Barrett  
Dmitri Batsev  
Daniel Breslin  
Adrian Cheung  
Elias Chrysostomou  
Gautam Garg  
Philipp Hofflin  
Kaitlyn (Aekyung) Kim  
Miriam Kim  
Antony Knep  
Jay Leupp  
Mark Lien  
Jonathan Morris  
David Ronco  
Stephen Russell  
Guillaume Samama  
Rahwa Senay  
Monika Shrestha  
Ronald Temple

### Health Care

Thurl Abrahams  
Jelena Boskovic  
Rhett Brown  
John Mariano  
Henry (Ross) Seiden  
Nicholas Sordoni

### Industrials

Matthew Bills  
Jimmie Bork  
Michael DeBernardis  
Lada Emelianova  
Peter Gillespie  
Se Hoon Kim  
Kevin Matthews  
Erik McKee  
Keith Mori  
Andrei Morosanu  
Kevin O'Hare  
David Pizzimenti  
Daniel Rozier  
Victoire Spahn  
Jason Tin  
Philippe Tison

### Power

Georg Benes  
Bertrand Cliquet  
James Donald  
Alistair Godrich  
Peter Hunsberger  
Andrew Il-Kweon Dong  
Eugene Krishnan  
Matthew Landy  
Neil Millar  
Jacob (Ryan) Mims  
John Mulquiney  
Warryn Robertson  
Anthony Rohrlach  
Ben Wulfsohn

### Technology, Media, Telecom

Giles Edwards  
Donald Floyd  
Jenny Hardy  
Robert Horton  
Alex Ingham  
Ario Kishida  
Edward Lund  
Bret Miller  
Takayuki Natsume  
Paul Rogers  
Jeremy Taylor  
Christopher Whitney  
Tim Zhao

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**TAB**

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# Investment Philosophy, Objectives and Process

## Our Investment Philosophy

- Focus on those companies that are financially productive and inexpensively valued
- Add value through stock selection and portfolio management

## Our Investment Objectives

- Outperform relevant benchmark over a full market cycle
- Participate in rising markets; preserve capital in falling markets
- Outperform our investment competitors
- Seek consistent results

## Our Investment Process



Lazard's investment process for research and portfolio construction is presented here as sequential steps; in practice the process is neither static, nor sequential, but ongoing.

# Idea Sourcing

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**Idea Sourcing** is a collaboration of Lazard Asset Management's global resources

- Seeking strong and/or improving financial productivity at attractive valuations:
  - Quantitative screens
  - Sector specialists
  - Portfolio managers
  - Company meetings
- Identify industry/company inflection points
- Strategic/management changes

Daily meetings are scheduled to ensure complete sharing and communication of ideas among sector specialists and regional portfolio managers.

# Fundamental Analysis

## Return Analysis

Maximize understanding by:

- Leveraging sector expertise and relationships
- Identify key drivers of profitability
- Sustainability and directing financial productivity
- Links returns to valuation
- Management assessment
- Sensitivity analysis/macro scenarios

## Valuation

- Identify value drivers
- Fundamental valuation/margin/cash flow
- Current vs. historic valuation
- Valuation vs. peer group

## Accounting Validation

- Ensure financial statement support headline metrics
- Analyze management accounting choices
- Quantify significant risk factors
- Assess balance sheet strength and sustainability
- Corporate governance/ESG

## Modeling/Investment Thesis/Insight

- Incorporate identified discrepancies into financial model
- Identify catalyst
- Upside potential to target valuation/price
- Downside risk to valuation support level

## Differentiated Investment Perspective and Insight



# Portfolio Construction

---

## Buy Discipline

**Portfolio construction** is driven by stock selection:

- Relative to existing holdings
- Impact on portfolio structure
- Impact on risk metrics
- Client mandate and objectives

## Sell Discipline

Review of investment thesis is triggered when:

- Performance objective is achieved
- New ideas offer more attractive risk/reward
- Fundamental drivers change or thesis is invalidated

**Portfolio team makes final determination**

# Investment Process Example

## Total S.A.

**Company Overview:** Total is an all-weather integrated major oil company positioned to navigate through the oil price trough and still provide ample gearing to eventual oil price recovery.

**LAM History w/ Company:** LAM energy analyst, Peter Hunsberger, is a geologist, has been at Lazard for 25 years and meets with senior management of Total (and other energy producers) several times per year. Additionally, Peter monitors quarterly company earnings and other significant announcements, makes fields trips and attends industry conferences. Peter writes up significant company and industry news and circulates his analysis to Portfolio Mangers. Total has been owned in Lazard portfolios several times in the last 25 years.

**Differentiated Insight:** Total is in the “sweet spot” of falling costs, rising production and possibly rising oil prices at a time of cheap valuation.

### Idea Sourcing:

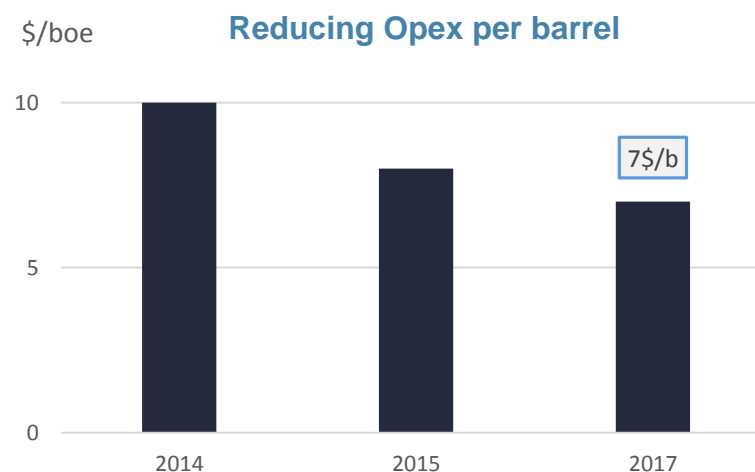
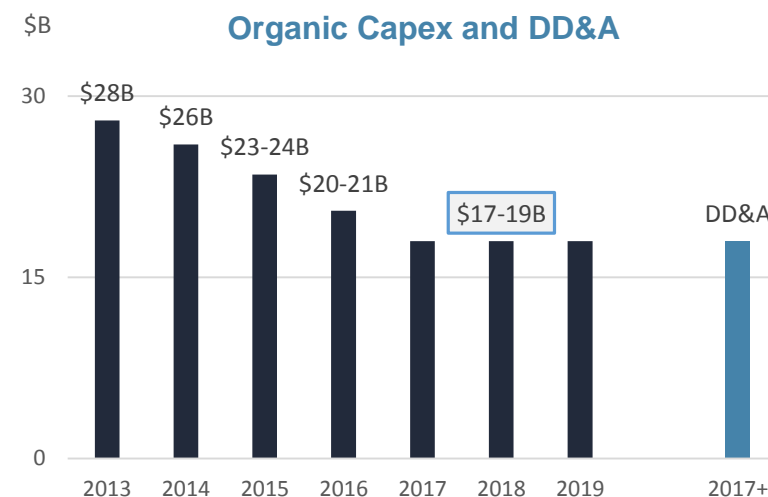
- Oil prices fell by half in the year preceding our purchase, heightening our interest in energy given our expectations for an eventual supply reduction response.
- Total brings sufficient financial resilience, attractive valuation and company-specific drivers.
- PM team regularly meets with Energy team to review opportunity set and industry developments. Former Total CEO, Christophe de Margerie, killed in a plane crash in Oct. 2014. Peter met with new CEO, Patrick Pouyanne, several times to assess his impact on the company.

### Fundamental Research View:

- Total is better positioned than peers to weather downturn, while still offering significant potential for cash flow recovery.
- Strong, capable management: New CEO, Patrick Pouyanne, and team are laser-focused on aggressively driving costs lower while simultaneously delivering new major capital projects. Message from management is that they will do whatever it takes to return Total to being cash flow positive in 2017.

### Return Analysis

- Capex is set to decline from \$26bn in 2014 to \$20bn or less in 2017. Spending decline will be helped by: 1) roll-off of spending on major projects; 2) hiatus on approving new projects; and 3) cost deflation.
- Opex cost reduction targets are equally ambitious, with Total aiming to cut 2017 opex by \$3bn compared to 2014 levels.
- New developments coming on stream over the 2015-18 period will underpin mid-single digit production growth, with management pointing to 6-7% CAGR from 2014-17 and 5% from 2014-19.



# Investment Process Example

## Total S.A.

### Fundamental Research View (cont.):

- Moreover, new production is expected to have higher cash margins than the base business due to production mix (more oil-linked production), more favorable fiscal terms and lower unit costs.
- Cash flow inflection approaching: Total is approaching a 'sweet spot' in its investment cycle, with production and cash flow set to increase, while capex declines as major projects are completed. We expect to see a significant cash flow inflection in 2016, with further improvement in 2017-18.
- As capex moves lower and new projects begin to contribute cash, financial productivity should begin to inflect higher from current low levels. A recovery in oil prices toward \$60/bbl will further underpin an improving ROCE.
- Balance sheet is sufficiently strong, with net debt/cap under 30% and credit rating still strong.
- \$10bn asset disposal program for 2015-17 will help narrow near-term cash flow deficit, as will scrip dividend issuance in 2015.

### Valuation

- Valuation is very inexpensive on price/book, which looks through current commodity price weakness. Total trading at just 1.1x book, near the low end of its 10-year range. We project 20%+ upside to price objective, plus a 6% dividend yield. (NB: We do NOT expect a dividend cut.) Our bull case objective implies 35%+ total return.

### Accounting Validation

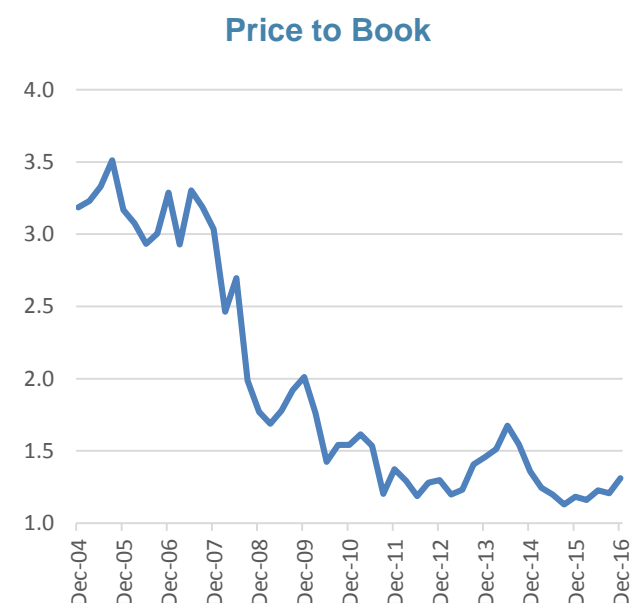
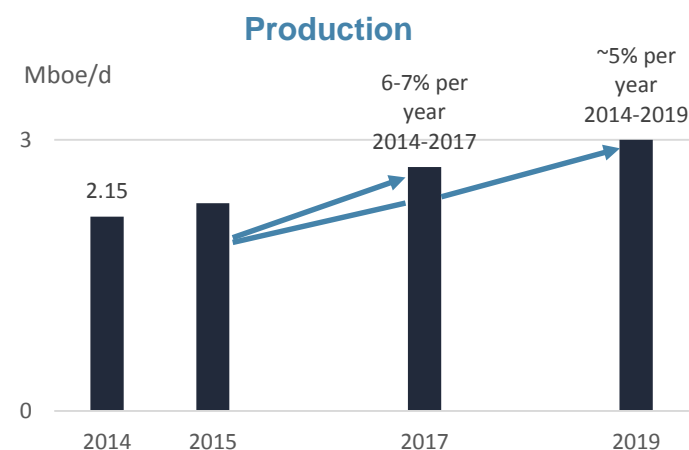
- Accounting validation: Total reports under IFRS accounting, consistent with European oil peers. Total uses 'successful efforts' accounting for its Upstream operations, consistent with other major oil peers and most large cap US E&Ps. Auditors have provided a clean fairness opinion.

### ESG

- Total and certain European peers called for the development of carbon pricing mechanisms at the UN Framework Convention on Climate Change, in June 2015. Separately, Total is taking steps to be more energy efficient and environmentally sensitive, including plans to reduce continuous flaring and to improve the energy efficiency of the company's facilities. Additionally, Total is investing more than peers in solar energy.

### Portfolio Construction:

- Initial purchase in August 2015 at 1% position size. Purchasing Total moved the portfolio from a slight underweight in energy to a modest overweight.
- Position was sold in November 2016 with a small gain and with positive attribution in a down oil market. The sale proceeds were used to fund the purchase of higher-conviction Statoil.



# Three Levels of Risk Monitoring

## A Solid Foundation

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**TAB**

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# Distinguishing Features

## Lazard International Equity Strategies

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- **Robust bottom up relative value culture and process**
  - Buy stocks, not markets
  - Relative Value trade-off between financial productivity and valuation
  - Borderless alpha generation
  - Strong emerging markets expertise
- **Exploiting market inefficiencies**
  - Sustainability of returns
  - Structural change
  - Short term focus on news flow
- **Flexibility of implementation**
  - Market Cap
  - Geography
  - Sectors
- **Historically consistent and attractive pattern of performance**
  - Downside protection with upside participation
  - Attractive risk-adjusted returns

# Outperformance/Underperformance

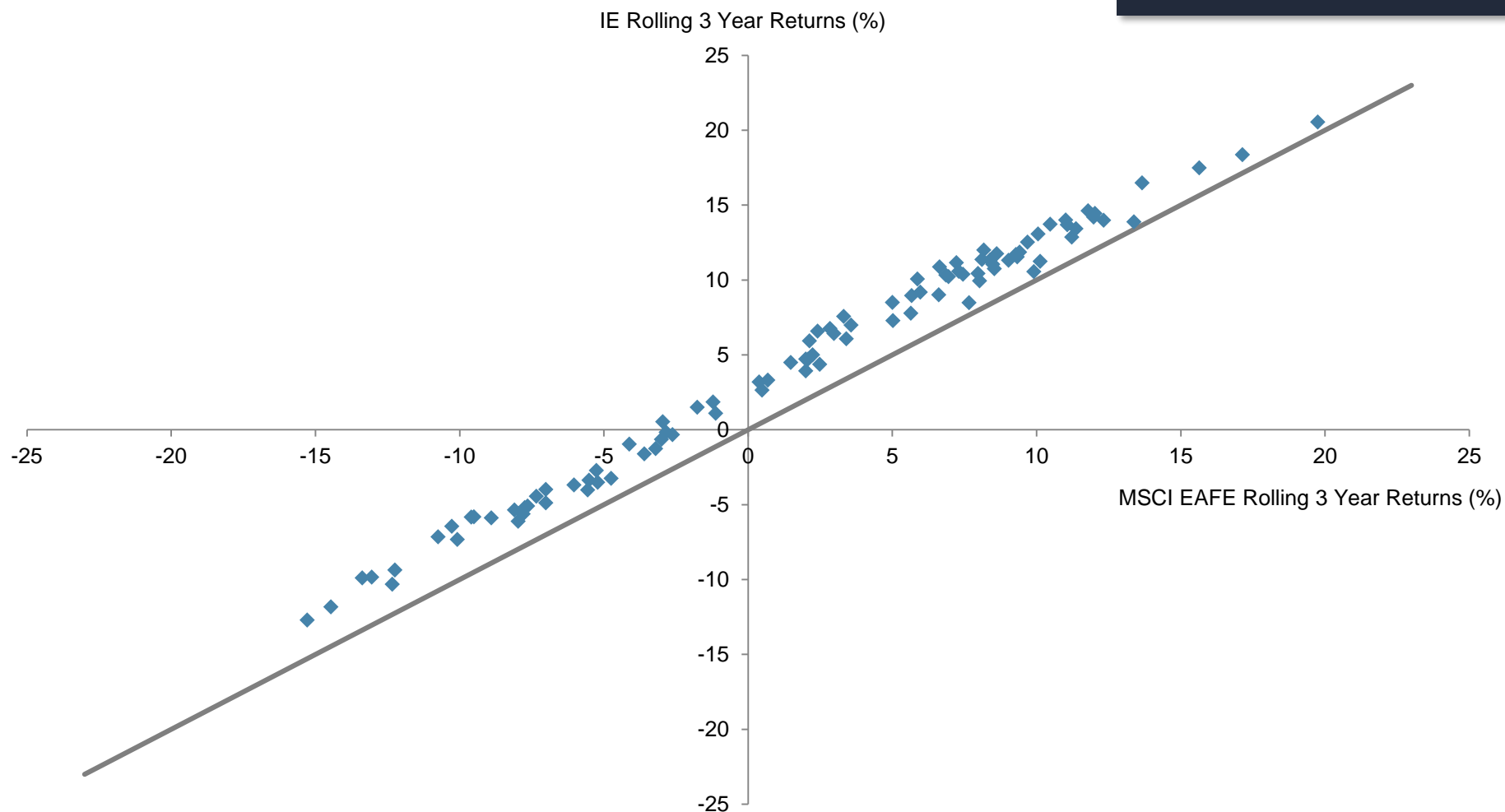
## Rolling 3 Year Annualized Returns

### Lazard International Equity vs. MSCI EAFE Index

Since Nov 1, 2005<sup>1</sup>

Up Capture Ratio: 94.7%

Down Capture Ratio: 87.4%



As of 31 December 2016. All data in USD.

<sup>1</sup> Please note data represented is from 1 November 2005, when Michael Fry joined the team as the lead portfolio manager. Portfolio inception is 1 June 1995.

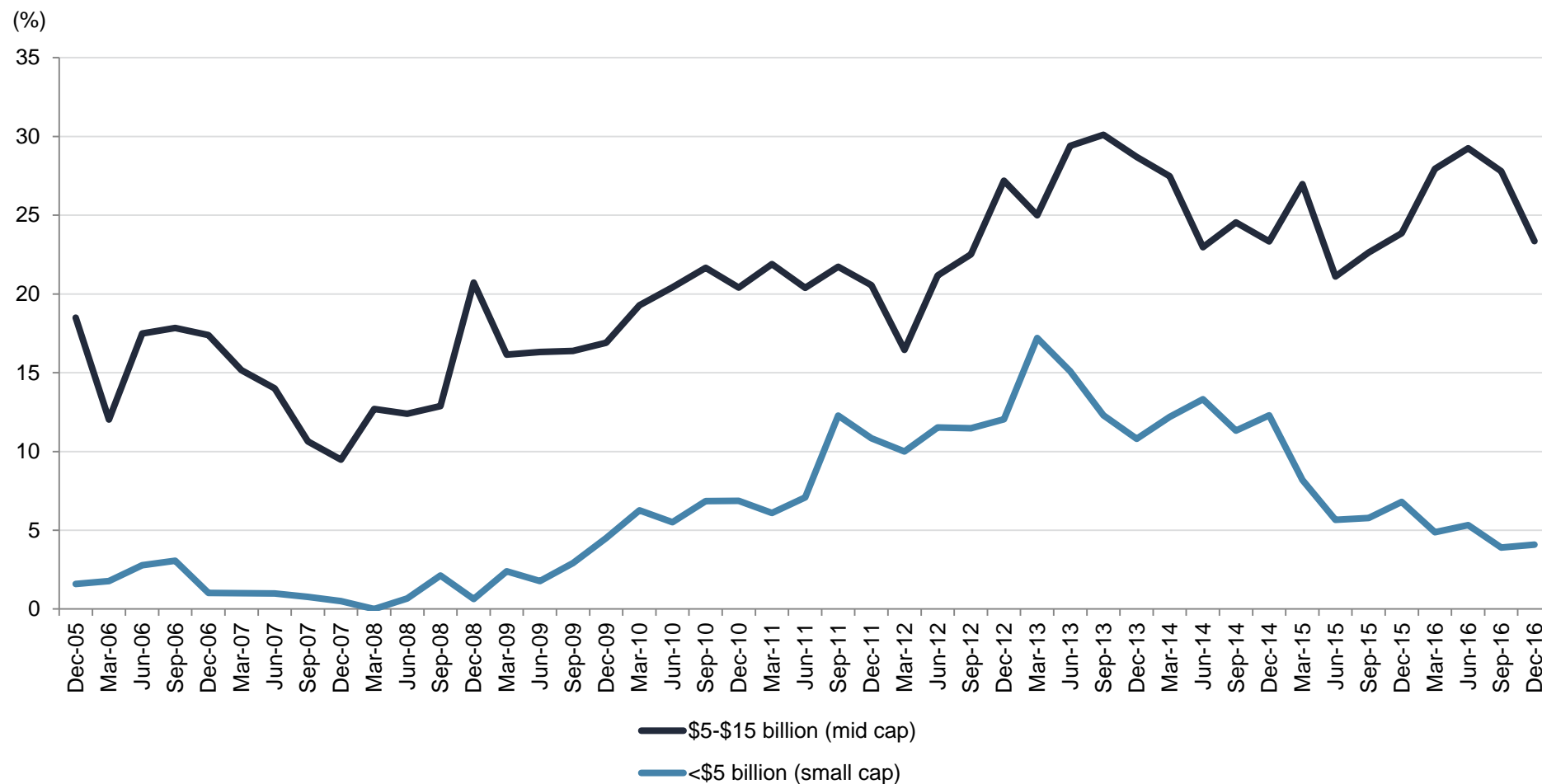
Performance is presented gross of fees. This information is supplemental to the composite performance and is provided for illustrative purposes only. Please refer to the attached disclosures for complete composite performance, performance presented on a net-of-fee basis and for a description of this composite. The performance quoted represents past performance. Past performance is not a reliable indicator future results.

Source: Lazard, MSCI

# Capitalization Exposure History

## Lazard International Equity

### Historical Portfolio Breakdown by Market Capitalization



As of 31 December 2016

Please note data represented is from 1 November 2005, when Michael Fry joined the team as the lead portfolio manager. Portfolio inception is 1 June 1995.

Please note that cash is not illustrated above. Cash is not viewed as a strategic asset.

The allocations mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations and security selection are subject to change.

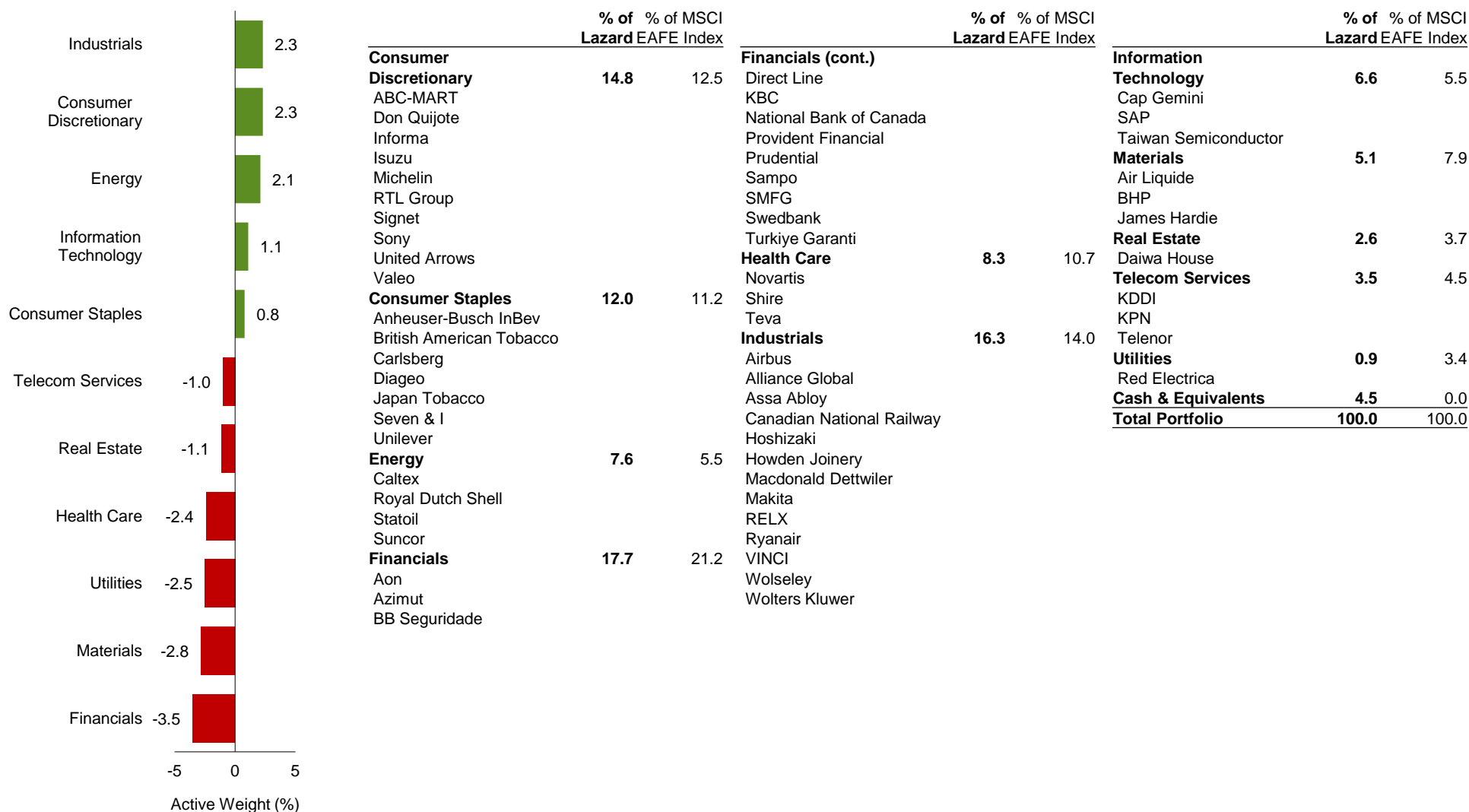
This information is for illustrative purposes only and is supplemental to the "GIPS® Composite Information."

Source: Lazard



# Holdings by Sector

## Lazard International Equity



As of 31 December 2016

Allocations and securities mentioned are based upon a portfolio which represents the proposed investments for a fully discretionary account. Allocations and security selection are subject to change. This information is for illustrative purposes only and is supplemental to the "GIPS® Composite Information."

The securities mentioned are not necessarily held by Lazard for all client portfolios, and their mention should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the portfolio or that securities sold have not been repurchased. The securities mentioned may not represent the entire portfolio.

Source: Lazard, MSCI



# Parameters and Characteristics

## Lazard International Equity

	Lazard International Equity
<b>Primary Market Capitalization Range</b>	Generally > \$3.0 billion
<b>Range of Holdings</b>	60-80
<b>Relative Value Focus</b>	Value
<b>Reference Client Benchmark</b>	MSCI EAFE
<b>Allowable Sector/Country Exposure</b>	0% – Benchmark +10%
<b>Allowable Emerging Markets Exposure</b>	0% –10%
<b>Active Share (%)</b>	87.2
<b>Top Ten Holdings (%)</b>	28.0

	Lazard International Equity	MSCI EAFE
<b>P/E FY1</b>	16.4 x	16.4 x
<b>ROE NTM</b>	15.5%	10.6%

As of 31 December 2016

Notes: There is no assurance that the strategy's objective or performance target will be achieved.

Characteristics mentioned are based upon a portfolio which represents the proposed investment for a fully discretionary account.

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**TAB**

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# Composite Performance Summary

## Lazard International Equity

### Performance as of 31 December 2016 (%)

	1 Year	3 Years	Annualized 5 Years	Since Inception 1 Jun 1995
<b>Lazard International Equity</b>	<b>-3.78</b>	<b>-1.37</b>	<b>7.68</b>	<b>6.40</b>
MSCI EAFE Index	1.00	-1.60	6.53	4.45
<b>Excess Return (bps)</b>	<b>-478</b>	<b>+23</b>	<b>+115</b>	<b>+195</b>

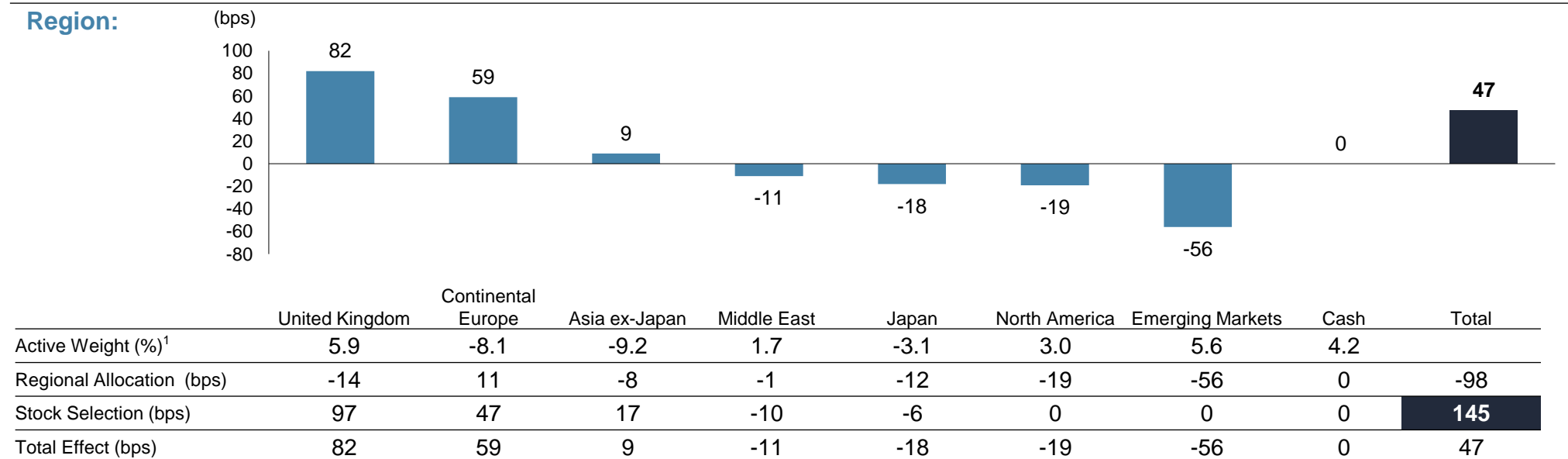
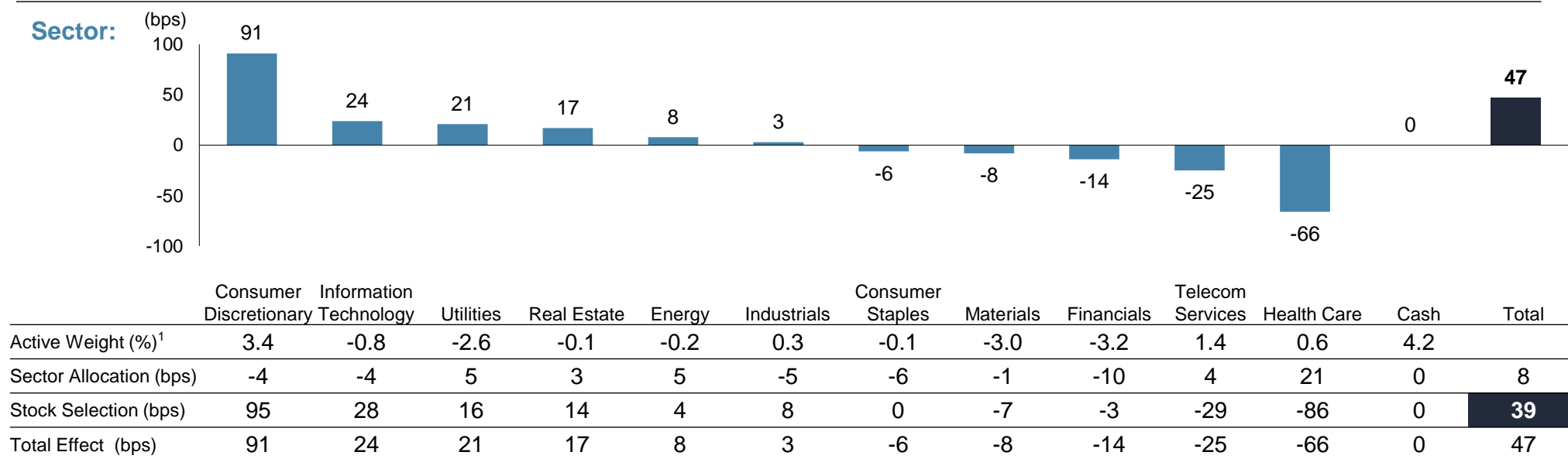
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Lazard International Equity</b>	<b>2.40</b>	<b>-2.63</b>	<b>23.86</b>	<b>21.86</b>	<b>-6.91</b>	<b>7.96</b>	<b>27.05</b>	<b>-37.25</b>	<b>12.09</b>	<b>24.07</b>
MSCI EAFE Index	-0.81	-4.90	22.78	17.32	-12.14	7.75	31.78	-43.38	11.17	26.34
<b>Excess Return (bps)</b>	<b>+321</b>	<b>+227</b>	<b>+108</b>	<b>+454</b>	<b>+523</b>	<b>+21</b>	<b>-473</b>	<b>+613</b>	<b>+92</b>	<b>-227</b>

All data in USD.

Performance is presented gross of fees. Please refer to "GIPS® Composite Information" for additional information, including net-of-fee results. The performance quoted represents past performance. Past performance is not a reliable indicator of future results..

# Attribution – 3 Year

## Lazard International Equity vs. MSCI EAFE Index



As of 31 December 2016. All data shown in USD and reflects rounding.

<sup>1</sup> Active weight reflects the Lazard International Equity average weight subtracted by the MSCI EAFE Index average weight.

\*During the 3 year period, the portfolio's annualized weighted emerging market return was -12.2% versus -2.6% for the MSCI Emerging Markets Index.

The allocations mentioned are based upon a portfolio that represents the proposed investment for a fully discretionary account. Allocations are subject to change.

Attribution is based upon a representative portfolio and is versus the benchmark noted. Attribution analysis is provided for illustrative purposes only, as values are calculated based on returns gross of fees. Performance would be lower if fees and expenses were included. Past performance is not a reliable indicator of future results. This information is for illustrative purposes only and is supplemental to the "GIPS® Composite Information."

Source: Lazard, MSCI

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**TAB**

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# Summary

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## **Robust bottom-up relative value investment process**

- Favorable trade-off between valuation and financial productivity
- Focus on both valuation and financial productivity helps avoid "value traps"
- Borderless alpha generation capability

## **Seeks to provide a strong pattern of performance**

- Aims to achieve downside protection, good upside participation
- Seeks attractive risk adjusted returns

## **Complete opportunity set**

- Use full capitalization spectrum to seek attractive ideas
- Strong emerging markets expertise

## **Proactive client-service / partnership**



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**TAB**

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# Biographies

## Lazard International Equity

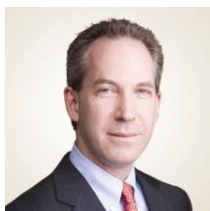
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### **Michael G. Fry**

*Managing Director, Portfolio Manager/ Analyst  
Lazard Asset Management Limited (London)*

Michael G. Fry is a Portfolio Manager/Analyst on various international equity teams. He began working in the investment field in 1981. Prior to joining Lazard in 2005, Michael was Head of Global Equity Portfolio Management, Global Head of Equity Research and Head of Australian Equities with UBS Global Asset Management, and was also previously with Armstrong Jones Fund Management, Schroder Investment Management, and Price Waterhouse in Australia. He has a BE from Flinders University, Australia. Michael is a member of the Institute of Chartered Accountants in Australia and an associate of the Financial Services Institute of Australasia.



### **Michael A. Bennett**

*Managing Director, Portfolio Manager/ Analyst  
Lazard Asset Management LLC (New York)*

Michael Bennett is a Managing Director of Lazard Asset Management and a Portfolio Manager/Analyst on various international equity teams. He also coordinates the activities of Lazard Asset Management's Investment Council. Michael began working in the investment field in 1986. Prior to joining Lazard in 1992, Michael was with G.E. Investment Corporation, Keith Lippert Associates and became a CPA while at Arthur Andersen. He has an MBA from University of Chicago and a BS in Accounting from New York University.



### **Giles Edwards, CFA, ACMA**

*Vice President, Portfolio Manager/ Analyst  
Lazard Asset Management LLC (London)*

Giles Edwards is a Portfolio Manager/Analyst on the International Equity, International Equity Select, and International Concentrated teams. Prior to joining the investment teams, he was a Research Analyst with a background in media, automotive, and services. Prior to joining Lazard in 2008, Giles was a Management Accountant at BSkyB, completing his CIMA qualifications. He has a BA (Hons) in Politics and Economics from the University of Newcastle upon Tyne.

# Biographies

## Lazard International Equity

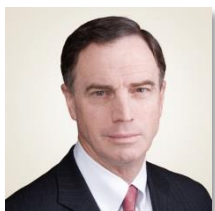
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### **Kevin J. Matthews, CFA**

*Managing Director, Portfolio Manager/Analyst  
Lazard Asset Management LLC (New York)*

Kevin Matthews is a Portfolio Manager/Analyst on the International Equity and International Equity Select teams. Prior to joining the investment teams, he was a Research Analyst with a background in financials, automotive, aerospace, and capital goods sectors. He began working in the investment field in 2001 when he joined Lazard. Kevin has a BA in Politics and Philosophy from St. Chad's College, Durham University.



### **Michael Powers**

*Managing Director, Portfolio Manager/Analyst  
Lazard Asset Management LLC (New York)*

Michael Powers is a Portfolio Manager/Analyst on various international equity teams. He began working in the investment field in 1990 when he joined Lazard. Michael has an MBA from Long Island University and a BA from Brown University.



### **John R. Reinsberg**

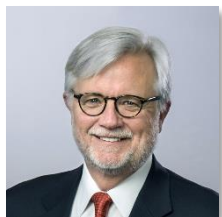
*Deputy Chairman, International and Global Strategies  
Lazard Asset Management LLC (New York)*

John Reinsberg is Deputy Chairman of Lazard Asset Management responsible for oversight of the firm's international and global strategies. He is also a Portfolio Manager/Analyst on the Global Equity and International Equity portfolio teams. He began working in the investment field in 1981. Prior to joining Lazard in 1992, John was Executive Vice President with General Electric Investment Corporation and Trustee of the General Electric Pension Trust. He was also previously with Jardine Matheson (Hong Kong) and Hill & Knowlton, Inc. John has an MBA from Columbia University and a BA from the University of Pennsylvania. He is an Overseer of the University of Pennsylvania School of Arts and Sciences, Chairman of the University of Pennsylvania Huntsman Program Advisory Board, a Trustee of the NPR Foundation (National Public Radio), a Member of the Board of Directors of the Alliance for Cancer Gene Therapy, and a Member of the Board of Directors of the U.S. Institute (Institutional Investor).

# Biographies

## Lazard Institutional Client Service

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### **George Sands**

*Director, Institutional Sales & Client Service*

*Lazard Asset Management LLC (San Francisco)*

George Sands is a Director on the Public Funds Institutional Sales and Client Services team. He began working in the investment field in 1980. Prior to joining Lazard in 2015, George was Senior Vice President and Head of Client Services with Pathway Capital Management. Previously he was Vice President and Head of Institutional Services for Dimensional Fund Advisors. He has a BA in Economics from St. Francis College.

# GIPS Composite Information

## Lazard International Equity

<b>Benchmark:</b>	MSCI EAFE Index
<b>Reporting Date:</b>	30 September 2016
<b>Composite Inception Date:</b>	01 June 1995
<b>Reporting Currency:</b>	U.S. Dollar

### Composite Description

The composite returns represent the total returns of all fully discretionary portfolios with an International Equity investment mandate and a minimum of \$5 million in assets under management. Lazard International Equity seeks to generate strong relative returns over a market cycle by investing in companies with strong and/or improving financial productivity at attractive valuations. The strategy typically invests in securities of non-US companies, including those from emerging markets, with a market capitalization generally of \$3 billion or greater. The emerging markets equity allocation is implemented by investing in individual securities.

### Calculation of Performance Returns

Lazard's account inclusion policy is the first full month or the end of the month in which the account is fully invested. The returns of the individual portfolios within the composite are time-weighted, use trade date accounting, are based upon monthly portfolio valuations, and include the reinvestment of all earnings as of the payment date. The composite returns are asset-weighted based upon beginning period market values. Additional information regarding policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Composite returns are shown before taxes and the deduction of custody fees (except for mutual funds which includes all fees). Exchange rates for composite accounts and the benchmark are normally based on the 16:00 GMT fix, with the exception of US Mutual Fund valuation exchange rates, which are based on the 21:00 GMT fix. The composite and benchmark returns are reported net of foreign withholding taxes on dividends, interest and capital gains. The composite returns presented represent past performance and is not a reliable indicator of future results, which may vary. As of April 1, 2010, this composite changed its name from International Equity with Emerging Markets Securities to International Equity.

### Fee Schedule

Lazard's standard fee schedule for International Equity accounts is 0.75% of the first \$100 million of assets and 0.50% of the balance. (This fee schedule may be presented in non-US local currency equivalents based on prevailing exchange rates.) Actual account fees, inclusive of performance-based fees (if applicable) are used in the construction of composite net of fee performance unless otherwise noted. A complete list and description of all Lazard composites is available upon request.

### Benchmark Information

The MSCI Europe, Australasia, Far East Index (EAFE) is an arithmetic, market value-weighted average return net of dividends taxation which is derived from over 900 securities listed on the stock exchanges of countries in Europe, Australasia and the Far East. The Index is compiled by Morgan Stanley Capital International.

### GIPS Compliance and Verification Status

Lazard Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Lazard Asset Management has been independently verified for the period of January 1, 1993 through December 31, 2015. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Lazard Asset Management is the "Firm" to which the GIPS Standards apply (Frankfurt office included in Firm definition as of January 1, 2003). GIPS is a registered trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this presentation. The composite creation date is January 2002.

	Calendar												Annualized				
	QTD	YTD	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	1 YR	3 YR	5 YR	10 YR	Since Inception
Lazard Rate of Return (%; Gross of Fees)	3.66	0.29	2.40	-2.63	23.86	21.86	-6.91	7.96	27.05	-37.25	12.09	24.07	4.53	2.65	9.74	4.01	6.69
Lazard Rate of Return (%; Net of Fees)	3.53	-0.08	1.93	-3.14	23.23	21.07	-7.62	7.23	26.15	-37.63	11.46	23.56	4.01	2.15	9.14	3.39	6.22
Benchmark (%; Rate of Return)	6.43	1.73	-0.81	-4.90	22.78	17.32	-12.14	7.75	31.78	-43.38	11.17	26.34	6.52	0.47	7.39	1.82	4.53
Composite Standard Deviation (3-yr. Ann.)	11.53	11.61	12.68	15.50	18.41	21.04	23.75	21.02	16.80	9.11	9.60						
Benchmark Standard Deviation (3-yr. Ann.)	12.38	12.46	13.03	16.25	19.37	22.43	26.23	23.58	19.24	9.43	9.33						
# of Portfolios	12	11	9	5	5	6	6	5	3	3	3						
Composite Dispersion (Asset Wtd. Std. Dev.)	0.24	0.23	0.25	0.12	0.58	0.32	0.51	1.65	0.53	0.10	N/A						
Composite Assets (USD Millions)	7567.3	5560.9	3913.3	3015.8	2437.4	1198.4	1519.3	1331.9	1036.6	2035.7	2465.7						
Total Firm Assets (USD Billions)	177.7	160.1	171.4	161.6	148.3	124.4	140.6	116.5	79.8	126.9	97.7						

# Important Information

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Equity securities will fluctuate in price; the value of your investment will thus fluctuate, and this may result in a loss. Securities in certain non-domestic countries may be less liquid, more volatile, and less subject to governmental supervision than in one's home market. The values of these securities may be affected by changes in currency rates, application of a country's specific tax laws, changes in government administration, and economic and monetary policy. Emerging market securities carry special risks, such as less developed or less efficient trading markets, a lack of company information, and differing auditing and legal standards. The securities markets of emerging market countries can be extremely volatile; performance can also be influenced by political, social, and economic factors affecting companies in emerging market countries.

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# Fee Schedule & Terms Summary

## Lazard/Wilmington International Equity Portfolio

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### Lazard/Wilmington International Equity Collective Trust

Inception Date: 5/30/14

AUM as of 09/30/16: \$686m

Subscriptions & Redemptions: Daily

Dividend and Gain Distributions: None Expected

Custodian: State Street Bank and Trust Company

Auditor: PricewaterhouseCoopers

### Fee Schedule – Share Class 2

Management fee\*: 70 bps

Other Estimated expenses: 10 bps (cap)

Total fee: 80 bps

\*Accrued daily and included in NAV

For more complete information concerning the portfolio, please review the relevant offering and subscription documents, which set forth in the investment objectives, risks, expenses and other data not included in this summary.



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# US Natural Gas Outlook

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January 2017

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Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the date of this presentation and are subject to change.

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# US Natural Gas Prices

## 15 Years

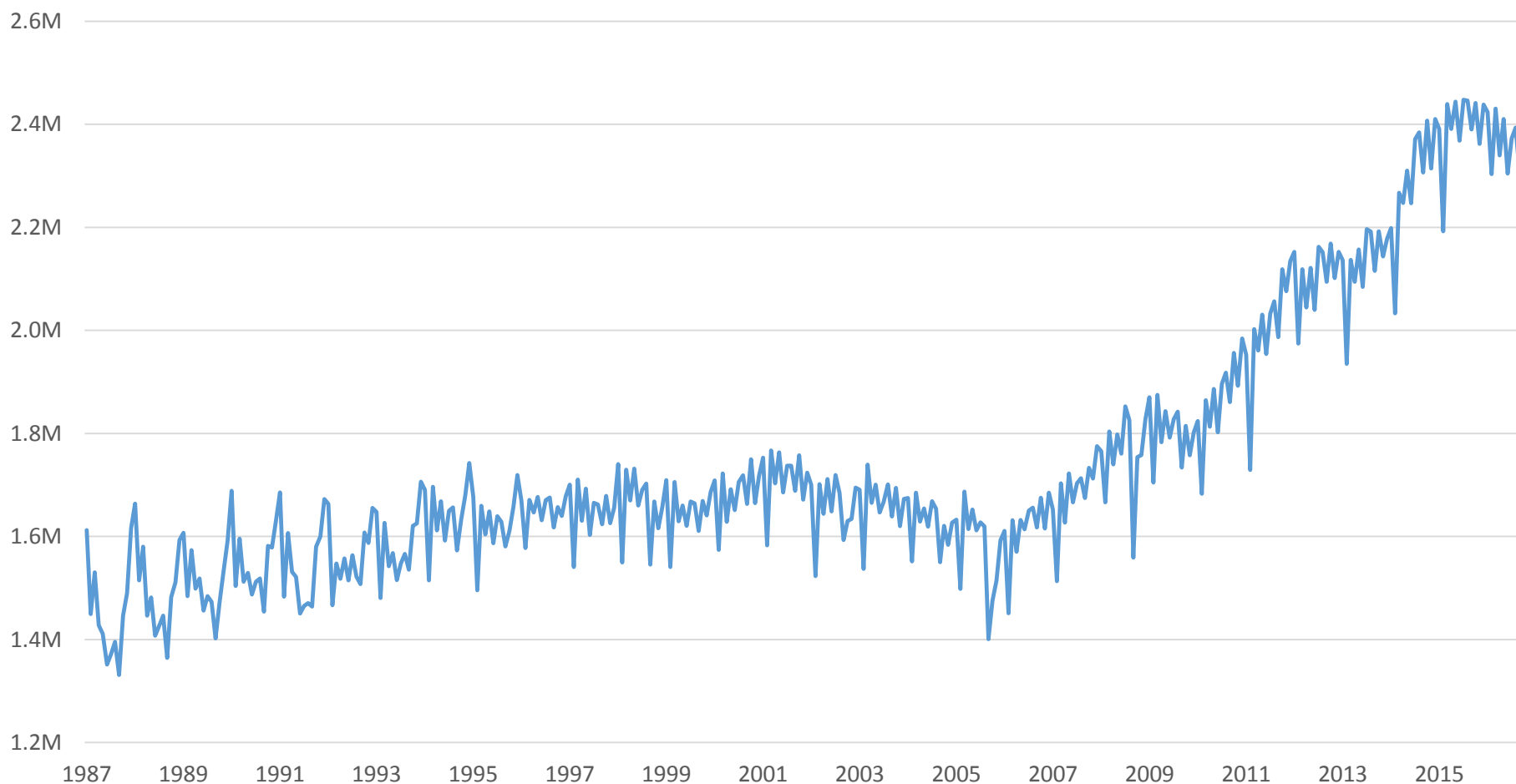
- Natural gas prices remain well below 2003-2008 levels seen prior to impact of US shale supply.



# US Natural Gas Marketed Production

## 30 Years

- Gas supply remains resilient despite the sharp decline in gas drilling.
- Why? Ample low-cost supply coming from Marcellus and from 'associated gas' in oil shale plays.



# US Natural Gas Prices

## 1 Year

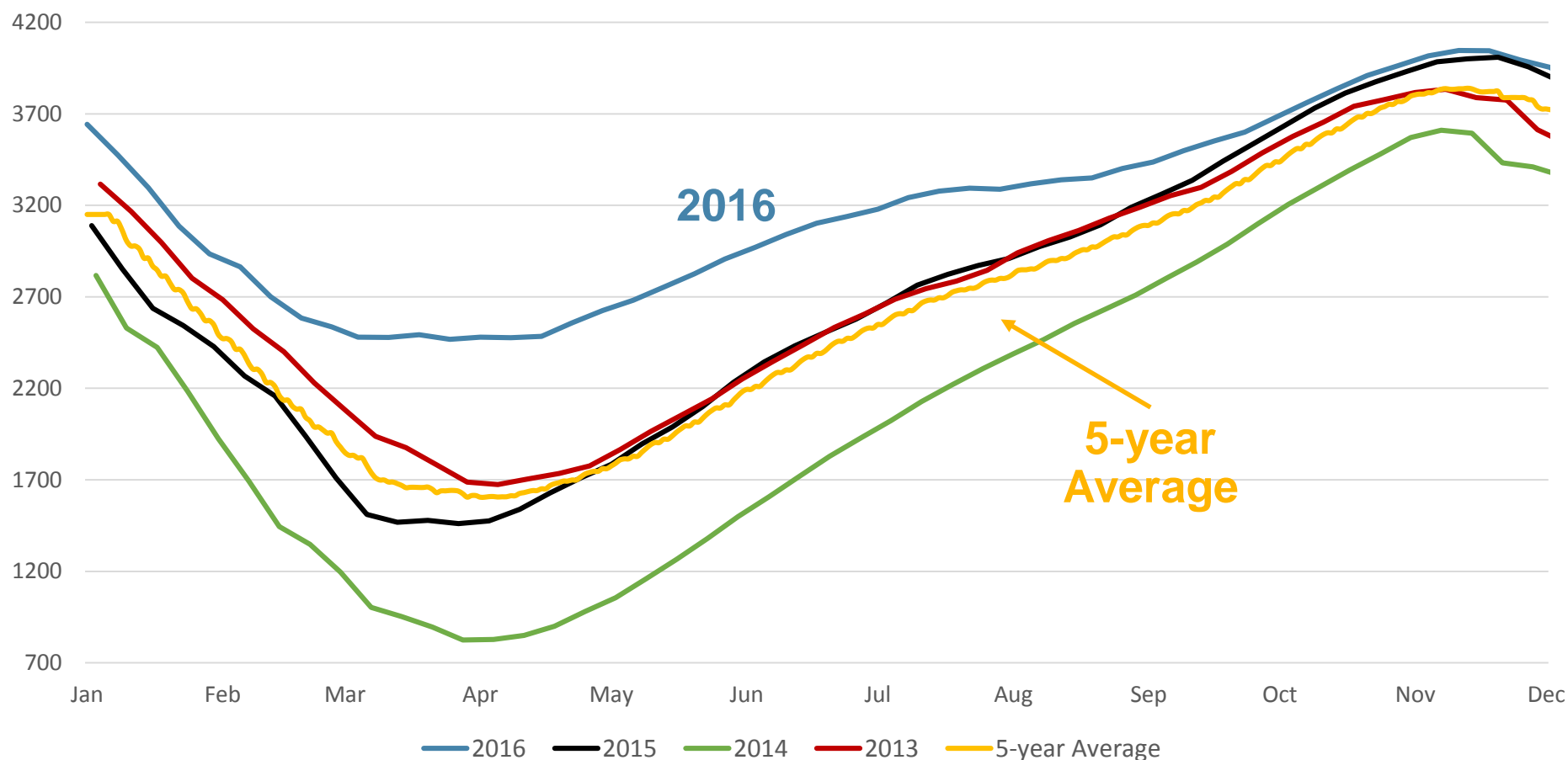
- Front month gas price is ~\$3.30/mcf, nearly doubling off the weather-impacted low of March 2016.



# US Natural Gas Inventories

## 5 Years, Seasonally Adjusted

- US gas inventories were above the top end of the 5-year range for most of 2016, reflecting a warm 2015-16 winter (= low demand).



# US Natural Gas Futures Curve

- Futures market expectations have shifted materially lower
- Current curve sees gas trading at \$2.75-3.50/mcf over most of the next 7-8 years (equivalent to ~\$17-21/bbl of oil).



# US Gas Rig Count

## 5 years

- Rig count is up 50 units (or 65%) since August but remains 80-85% below where it was five years ago.



# Conclusion

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- US natural gas prices have recovered from weather-induced lows under \$2/mcf in March 2016.
- Futures market suggests gas will trade in \$2.75-3.50/mcf range over most of next 7-8 years.
- We expect US gas prices to remain 'cheap' compared to oil and to global LNG in coming years (providing competitive advantage to US customers).
- Gas demand likely to increase due to industrial demand growth, LNG exports and power generation shift from coal to gas/solar/wind.

# Presentation to: Sacramento Regional Transit District

## International Equity (US\$)

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### Presented by:



**Daniel McDonagh, CFA**  
Head of Portfolio Management – Europe & UK  
Pyrford International Ltd  
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daniel.mcdonagh@pyrford.co.uk



**Kamila Kowalke**  
Director – Institutional Sales  
BMO Global Asset Management  
T: 949 230 2902  
C: 949 466 3342  
kamila.kowalke@BMO.com



# Why Pyrford?

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- **Attractive returns with low downside capture**

  - #1 Rule: Avoid losing money

  - Absolute rather than relative view of risk

- **Comprehensive, rigorous process delivering expected results**

  - Rigorous bottom up research and top-down macro analysis

  - Total return approach

  - Portfolio with characteristics that outperform over time

- **Stable team and firm**

  - 29 years of experience managing international equity

  - Stable experienced team aligned with clients' interest

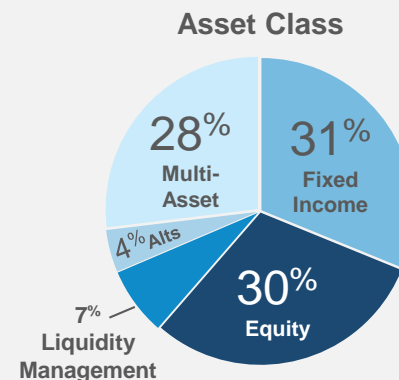
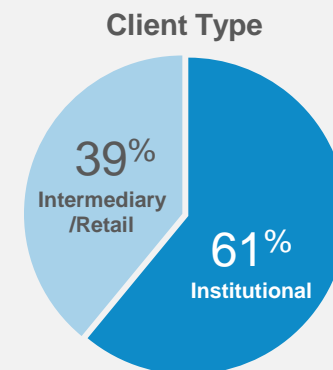
  - Total investment autonomy supported by the resources of BMO

# BMO Global Asset Management overview

## What sets us apart

- **Global presence**  
Part of the BMO Financial Group – Managing \$234 billion globally
- **Specialized investment teams**  
Independent teams that are empowered to deliver strong, consistent results while minimizing unnecessary risk.
- **Culture of partnership and innovation**  
Working in partnership with clients to create and deliver innovative solutions.

## AUM Breakdown<sup>1</sup>



<sup>1</sup> As of September 30, 2016. AUM includes \$76.7 billion managed by BMO Global Asset Management (Canada), \$51.5 billion managed by BMO Global Asset Management (U.S.), \$106.9 billion managed by BMO Global Asset Management (EMEA), \$2.4 billion managed by LGM Investments, \$1.9 billion managed by Money, \$9.8 billion managed by Pymfurd International, \$10.7 billion managed by Taplin, Canida & Habacht, and \$8.92 billion managed by BMO Real Estate Partners.

<sup>2</sup> Pensions & Investments (P&I) Largest Money Managers – Ranking of investment management firms based on worldwide assets under management. For the year ended December 31, 2015.

AUM includes both discretionary and non-discretionary assets. Figures are adjusted to avoid double-counting of assets sub-advised by boutiques.

# Pyrford's organisational overview

- Established 1987
- Stable professional staff
- 14 investment professionals
- 135 investors\* (US\$9.67 billion as at 31 December 2016)

Name	Role	Years with Pyrford	Years in industry
Tony Cousins, CFA	Chief Executive & Chief Investment Officer	28	32
Paul Simons, CFA	Head of Portfolio Management – Asia-Pacific	20	20
Daniel McDonagh, CFA	Head of Portfolio Management - Europe	19	19
Suhail Arain, CFA	Head of Portfolio Management – the Americas	8	19
Bruce Campbell	Strategic Investment Advisor	30	47

\* These figures include investors in pooled investment vehicles.

# Responsibilities of Pyrford's investment professionals

31 December 2016

			Years with Pyrford	Years in Industry
<b>Tony Cousins</b>	Investment Strategy	Chairman of Global Stock Selection Committee and Investment Strategy Committee	28	32
<b>Bruce Campbell</b>	Investment Strategy	Strategic Investment Advisor	30	47
<b>Asian Team</b>				
<b>Paul Simons</b> <i>Head of Asia</i>	Discretion Analysis	Australia; New Zealand; Korea; Thailand; Malaysia; Hong Kong; China; Indonesia India; Japan; Philippines; Taiwan	20	20
<b>Jun Yu</b>	Discretion Analysis	Taiwan; India Hong Kong; China	8	17
<b>Stefan Bain</b>	Discretion Analysis	Japan; Philippines Korea; Australia	5	15
<b>Roderick Lewis</b>	Discretion Analysis	Singapore Malaysia; Thailand; Indonesia	3	15
<b>Bethan Dixon</b>	Discretion Analysis	n/a All Asian Markets	2	2
<b>European Team</b>				
<b>Daniel McDonagh</b> <i>Head of Europe</i>	Discretion Analysis	UK; Switzerland Eurozone; Scandinavia; Israel; Turkey	19	19
<b>Peter Moran</b>	Discretion Analysis	Eurozone (Netherlands; Spain; Belgium; Portugal; Finland; Ireland; Greece); Sweden; Norway; Israel; Turkey; South Africa n/a	13	13
<b>Nabil Irfan</b>	Discretion Analysis	Eurozone (Germany; France; Italy; Austria); Denmark n/a	11	16
<b>Anneka Desai</b>	Discretion Analysis	n/a Europe	1	1
<b>Americas Team</b>				
<b>Suhail Arain</b> <i>Head of Americas</i>	Discretion Analysis	USA; Canada Mexico	8	19
<b>Andrew Sykes</b>	Discretion Analysis	Brazil; India USA; Canada	3	9
<b>Henrietta Brooks</b>	Discretion Analysis	n/a USA; Canada; Brazil	2	2

**Discretion:** authority to make investment decisions subject to CIO veto.

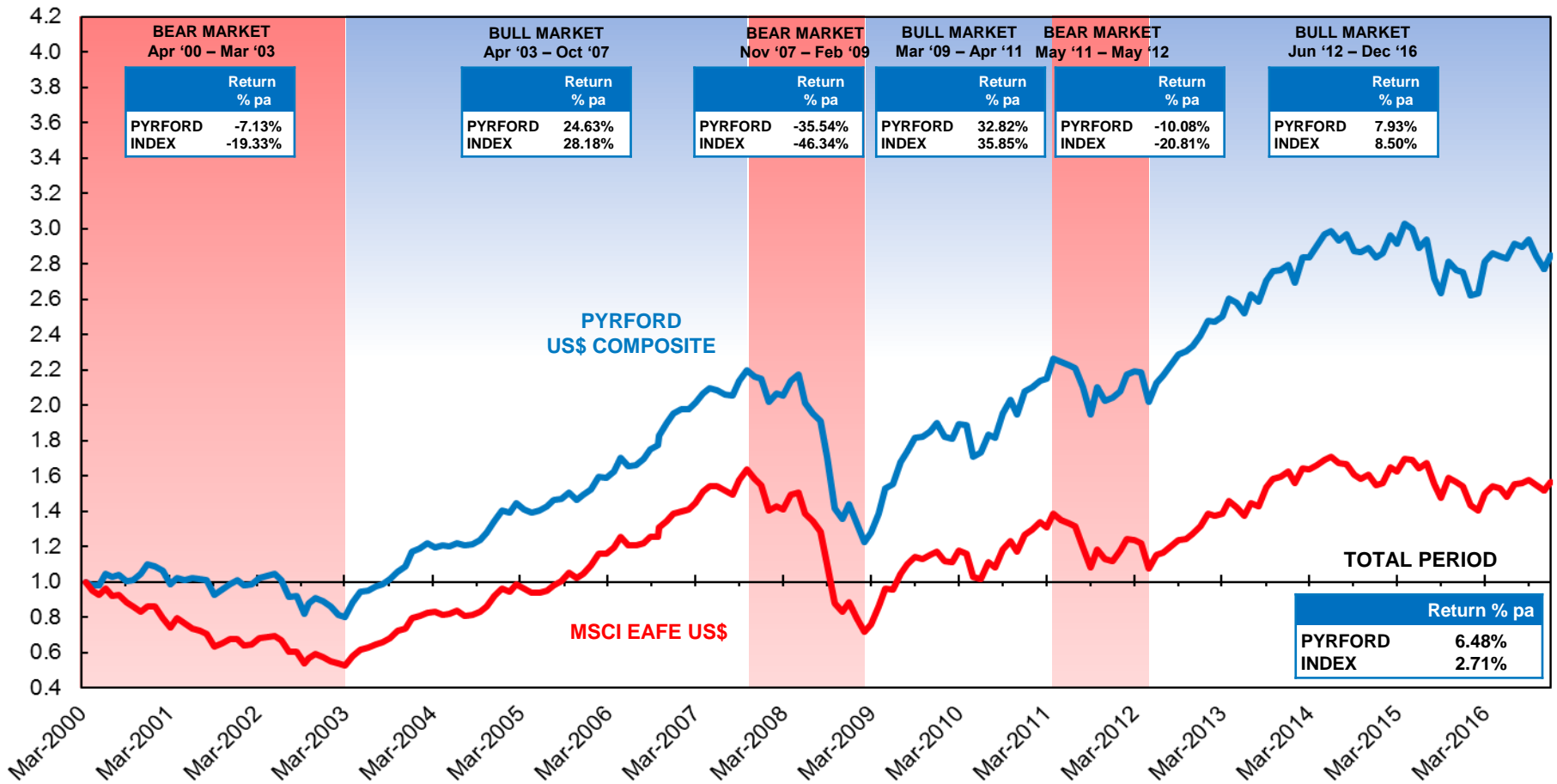
**Analysis:** authority to make investment recommendations subject to veto by investment professional with discretion or CIO.

# International Equity (EAFE)

Protect the downside – enjoy the upside

Growth of a unit value USD, 31 March 2000 – 31 December 2016. Bull & bear markets

31 March 2000 – 31 December 2016 (quarterly data)	
Downside Capture	62.01%
Upside Capture	86.45%



Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) Composite'. This is supplementary information. Please see complete GIPS compliant presentation at the end of this document. **Past performance does not guarantee future results.**

# Pyrford's investment philosophy

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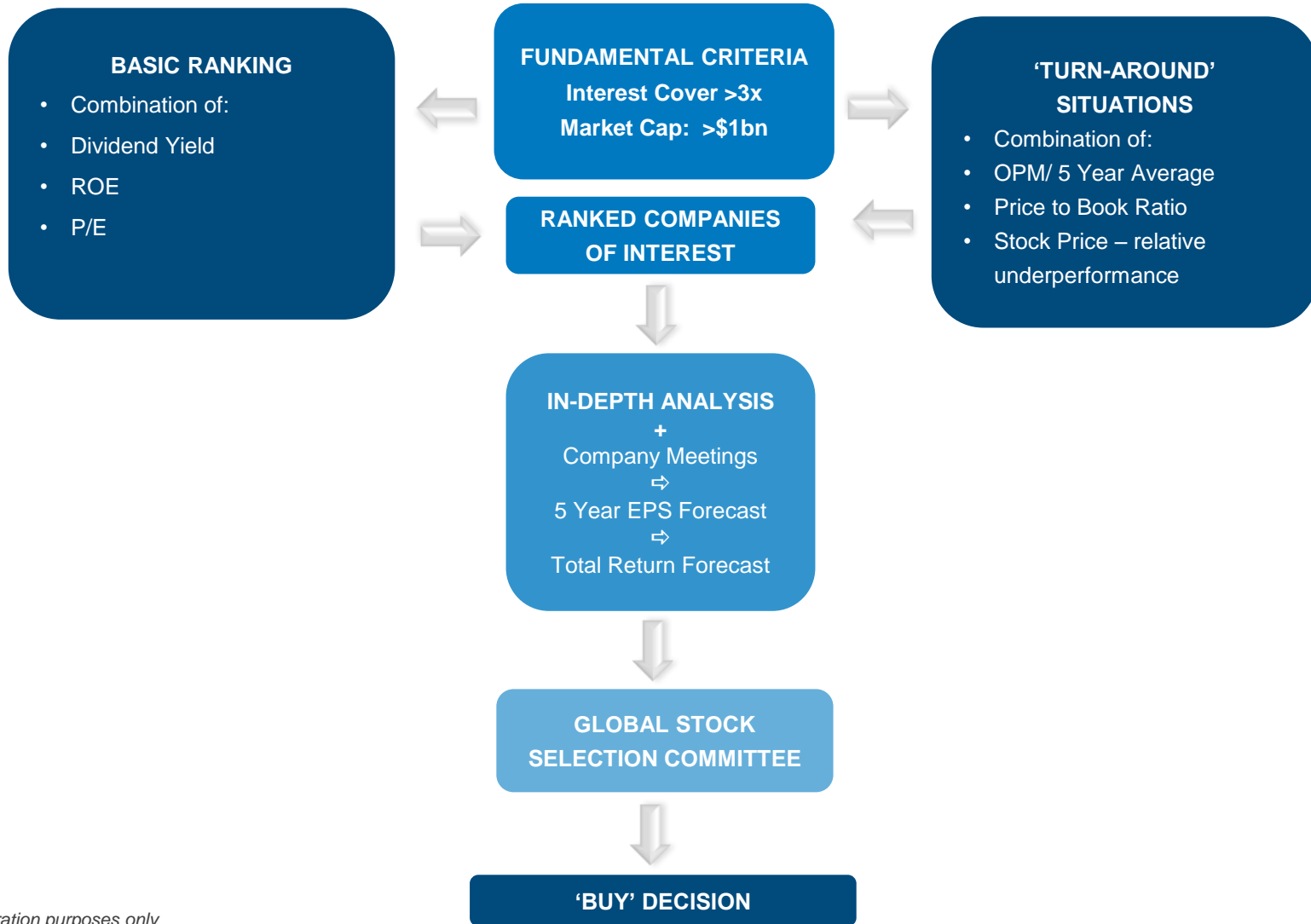
- Five year time horizon
- Total return approach  $\Rightarrow$  Dividend Yield + 5 year Earnings Growth forecast
  - Applies to country and stock analysis
- “Absolute” not “*relative*” risk - possible zero weight in any country, sector or stock
  - Key to controlling risk
  - “we won’t invest in a company or country simply because it’s big”
- Not index oriented
- Low absolute volatility
- Low portfolio turnover

# Country analysis

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- We embrace macro-economic analysis to assist in portfolio allocation
- Total return forecast by country on a five year view
  - A combination of top-down and bottom-up analysis
- Avoid markets representing poor value
  - e.g. Japan in the 1990s
- Current investable universe of 33 countries, including 10 not included in the MSCI Developed Markets Indices

# Pyrford screening and stock selection process



For illustration purposes only



# Total – process in action

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- Initial purchase made in 1993
- Why we bought it:
  - Impressive reserve replacement record
  - Industry leading access to lucrative Middle East and African projects
  - Substantial gas assets
  - Proven exploration and production project management skills

Recent company meetings:

Date	With	Where
13 February 2014	Christophe de Margerie, Chairman and CEO	London
11 June 2014	Martin Deffontaines, Investor Relations Guillaume Chalmin, Vice President Strategy for Exploration & Production	Paris
15 December 2014	Nicolas Fumex, Investor Relations	London
12 January 2015	Patrick de La Chevardiére, CFO	London
12 February 2016	Helle Kristoffersen, Senior Vice President Strategy & Business Intelligence	London
23 September 2016	Ladislav Paszkiewicz, Senior Vice President of Mergers & Acquisitions	London

# Total – why we continue to own it

---

- Current value indicator: 7.5%
- Attractive 5% dividend yield
- Is the dividend sustainable?
  - CAPEX shuffle – guidance for \$15-17bn p.a. 2017-20
  - Production growth – aiming to achieve 5% p.a. on average up to 2020
  - Operating cost savings – targeting \$4bn opex reduction 2015-18
  - Asset sales – ongoing disposal of non-core assets
  - Balance sheet support – gearing at 30%
  - Scrip issuance – reducing the cash cost of the dividend



# Strategy portfolio construction

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- Portfolio of 70 – 100 stocks
- Model country allocation determined by Investment Strategy Committee, comprising Tony Cousins, Paul Simons, Daniel McDonagh, Suhail Arain and Bruce Campbell
  - Minimum country weight 0%, maximum country weight driven by size and volatility of each market
- Stock selection by country
  - Country portfolio manager determines which stocks
  - New sales and purchases presented to full global investment team
  - New positions tend to be initially small
- All client portfolios identical (subject to investment restrictions)
- Quarterly rebalancing back to model weightings
- Overall 'check' by CIO

# Sell decisions

---

- Competition of ideas - we need to make space for a stock with better valuation fundamentals
- Valuation - a good stock has become too expensive
- A material change in our assessment of the company's fundamentals
- An overall change to portfolio positioning - reduce country weight

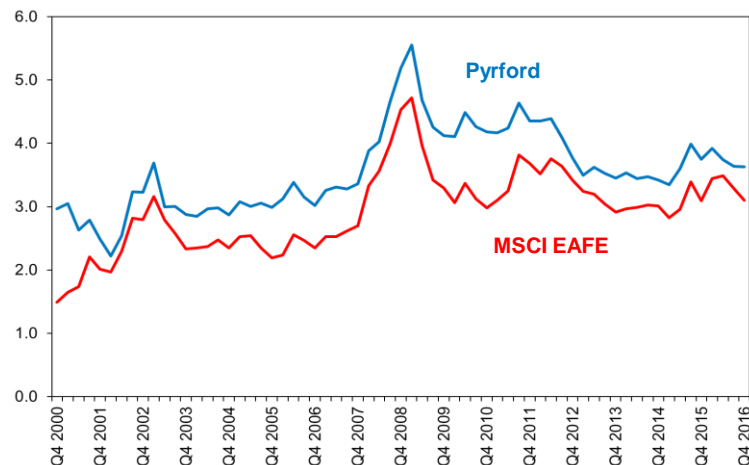
# International Equity (EAFE) Strategy – portfolio characteristics

As at 31 December 2016

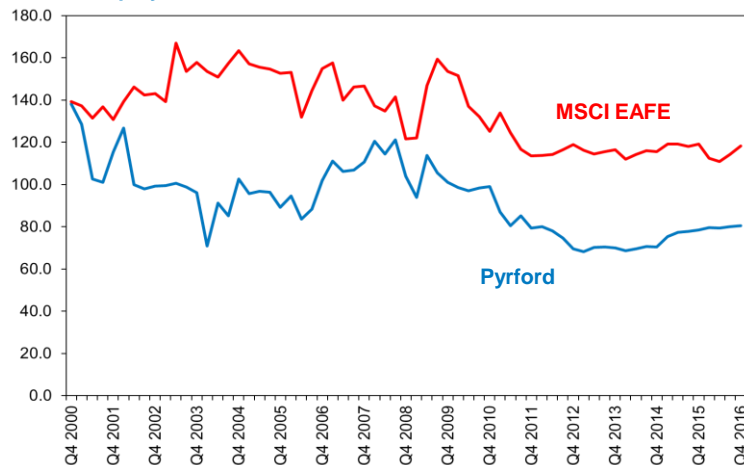
\*Dividend Yield, Debt to Equity & Return on Equity line charts contain quarterly data

	Pyrford	MSCI EAFE
Dividend Yield %	3.6	3.1
Debt to Equity	80.6	118.3
Return on Equity (1yr Av %)	16.8	13.2

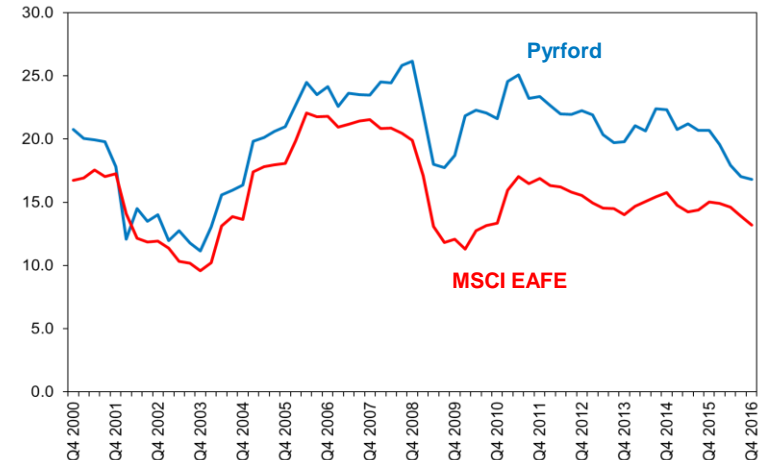
\*Dividend Yield (%)



\*Debt to Equity



\*Return on Equity (1yr Av %)



Source: Style Research.

Based on equity holdings of a representative account. This is supplementary information. Please see full GIPS compliant performance disclosure at the end of this document  
**Past performance does not guarantee future results.**



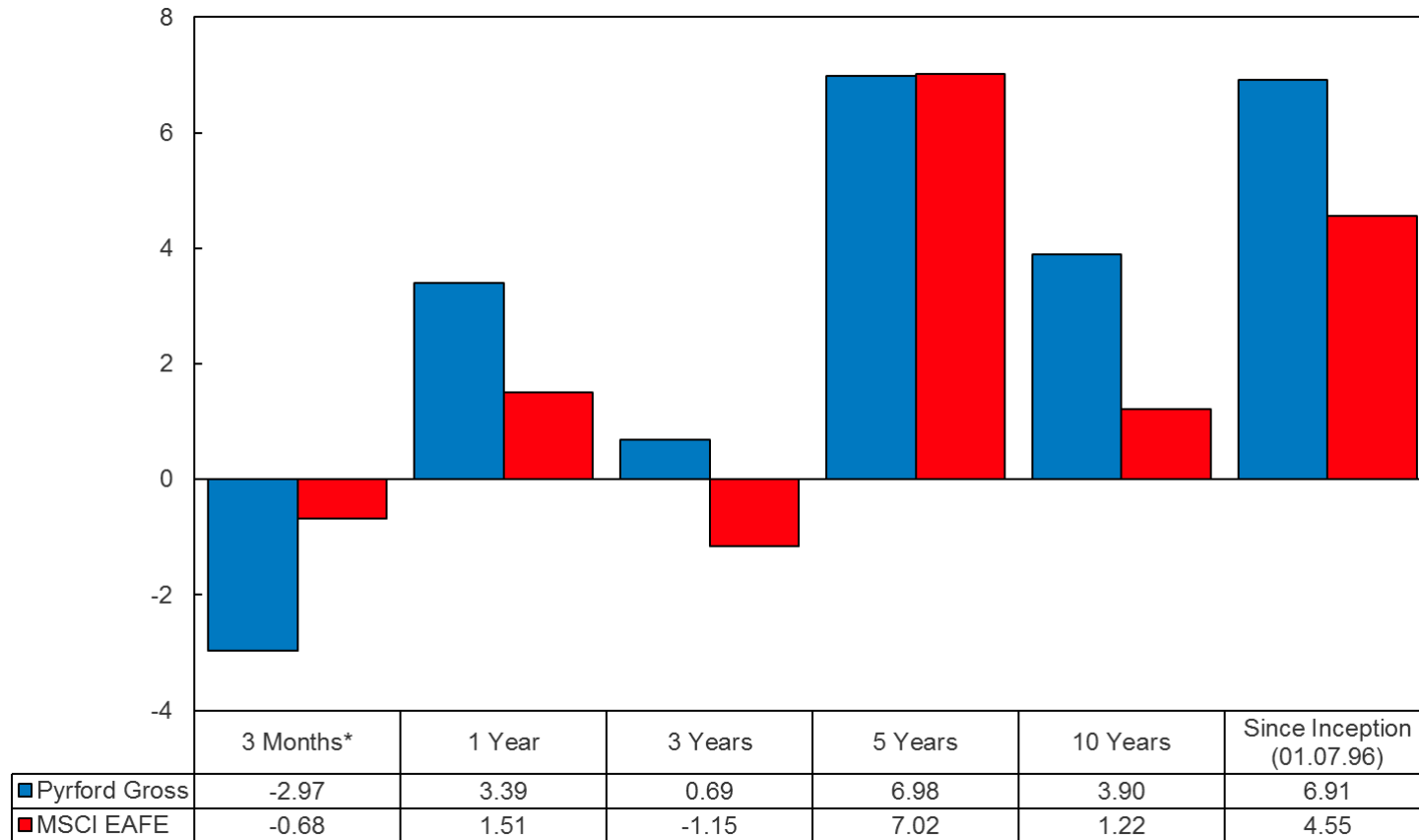
# International Equity (EAFE) strategy model portfolio

Sector allocations - as at 31 December 2016

INDUSTRY GROUP	PYRFORD MODEL WEIGHTING (%)	MSCI EAFE WEIGHTING (%)
<b>ENERGY</b>	<b>9.3%</b>	<b>5.4%</b>
ENERGY	9.3%	5.4%
<b>MATERIALS</b>	<b>6.5%</b>	<b>7.8%</b>
MATERIALS	6.5%	7.8%
<b>INDUSTRIALS</b>	<b>18.2%</b>	<b>14.3%</b>
CAPITAL GOODS	12.9%	9.7%
COMMERCIAL & PROFESSIONAL SERVICES	2.0%	1.7%
TRANSPORTATION	3.2%	3.0%
<b>CONSUMER DISCRETIONARY</b>	<b>5.3%</b>	<b>12.4%</b>
AUTOMOBILES & COMPONENTS	1.3%	5.2%
CONSUMER DURABLES & APPAREL	1.1%	3.0%
CONSUMER SERVICES	0.3%	1.4%
MEDIA	2.6%	1.3%
RETAILING	0.0%	1.5%
<b>CONSUMER STAPLES</b>	<b>12.4%</b>	<b>11.1%</b>
FOOD & STAPLES RETAILING	1.8%	1.7%
FOOD BEVERAGE & TOBACCO	8.9%	6.7%
HOUSEHOLD & PERSONAL PRODUCTS	1.8%	2.7%
<b>HEALTH CARE</b>	<b>12.1%</b>	<b>10.6%</b>
HEALTH CARE EQUIPMENT & SERVICES	1.3%	1.6%
PHARMACEUTICALS BIOTECHNOLOGY & LIFE SCIENCE	10.9%	8.9%
<b>FINANCIALS</b>	<b>7.8%</b>	<b>21.0%</b>
BANKS	2.6%	12.4%
DIVERSIFIED FINANCIALS	0.0%	3.1%
INSURANCE	5.2%	5.5%
<b>INFORMATION TECHNOLOGY</b>	<b>8.7%</b>	<b>5.4%</b>
SOFTWARE & SERVICES	3.1%	2.2%
SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT	2.8%	1.0%
TECHNOLOGY HARDWARE & EQUIPMENT	2.9%	2.3%
<b>TELECOMMUNICATION SERVICES</b>	<b>12.4%</b>	<b>4.9%</b>
TELECOMMUNICATION SERVICES	12.4%	4.9%
<b>UTILITIES</b>	<b>7.4%</b>	<b>3.4%</b>
UTILITIES	7.4%	3.4%
<b>REAL ESTATE</b>	<b>0.0%</b>	<b>3.7%</b>
REAL ESTATE	0.0%	3.7%

# International Equity EAFE strategy - performance

Annualised returns – gross of fees (%) to 31 December 2016. USD.



\* Not annualised

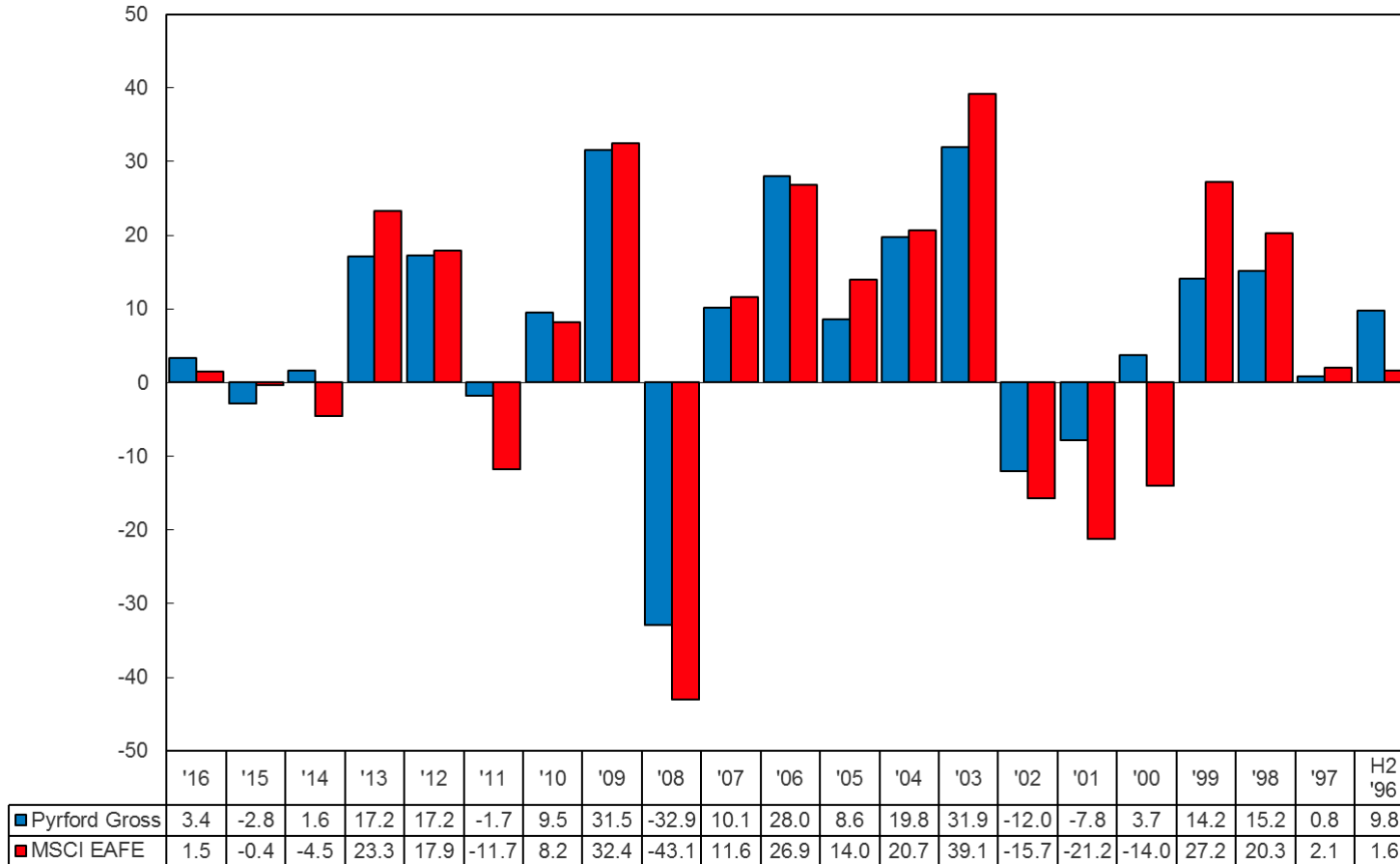
Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) composite' which comprises all fully discretionary, international equity accounts with a market value greater than US\$10m, a base currency of US\$ and no hedging restrictions. The date of inception is 1 July 1996.

**Past performance does not guarantee future results.** Please see full GIPS compliant performance disclosure at the end of this document.



# International Equity EAFE strategy - performance

Calendar year returns to 31 December 2016 - USD.



Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) composite' which comprises all fully discretionary, international equity accounts with a market value greater than US\$10m, a base currency of US\$ and no hedging restrictions. The date of inception is 1 July 1996. **Past performance does not guarantee future results.** Please see full GIPS compliant performance disclosure at the end of this document.

# Pyrford seeks to deliver:

---

- Excellent long-term historical performance with low absolute volatility of returns
- A focus on absolute returns – benchmark agnostic
- Effective downside protection
- Disciplined, consistent approach
- Comprehensive macro and micro economic analysis
- Integrity and independence
- Committed and personal level of service

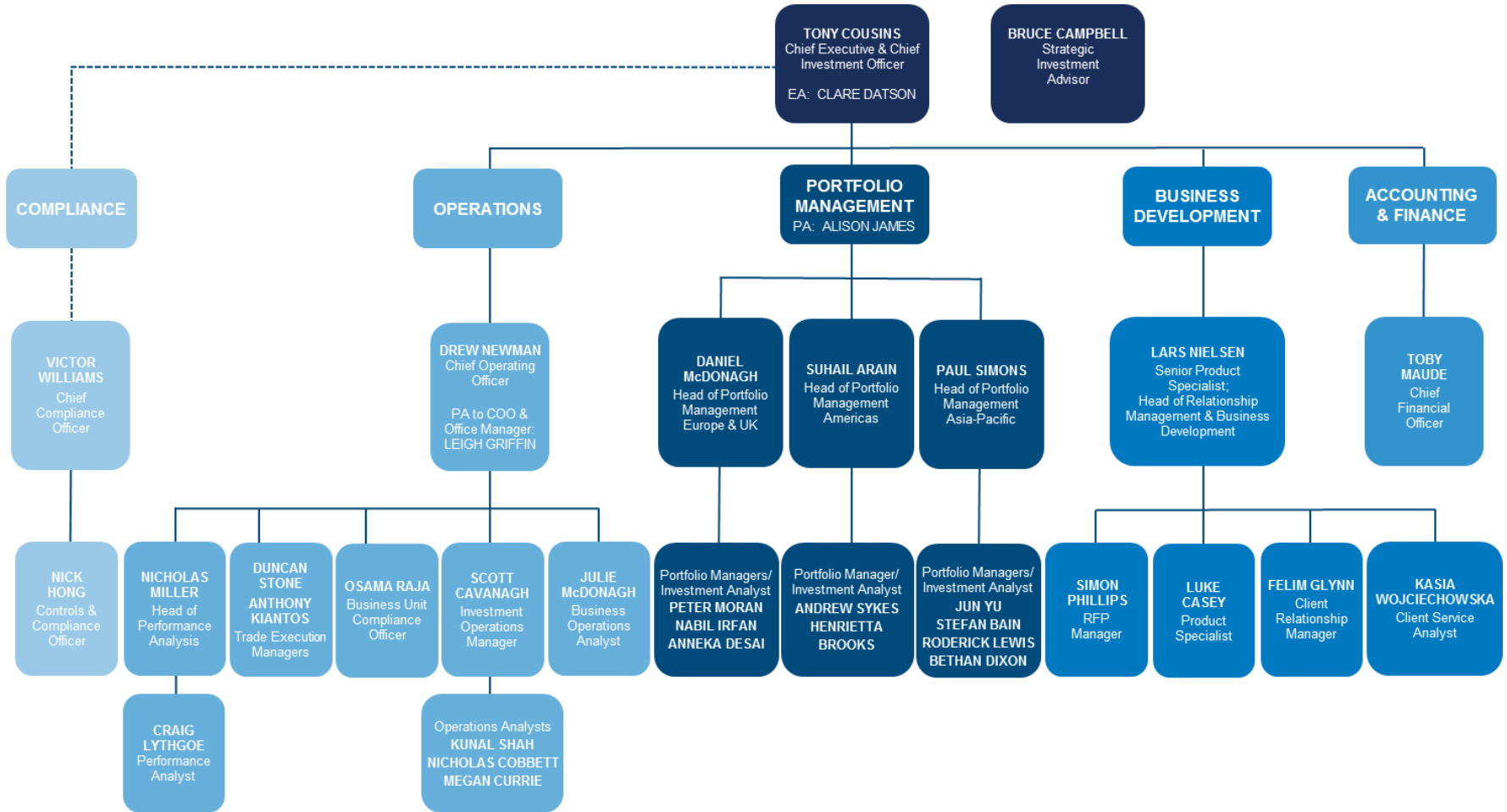
# Supplementary information index

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- Pyrford's organisation chart
- Pyrford's professionals
- Responsibilities of Pyrford's investment professionals
- Assets under management breakdown
- Representative clients
- Country allocation
- Pyrford screening & stock selection process
- Sample of purchasing power parity analysis
- Performance - International Equity
- Risk/Reward - International Equity
- Rolling 5-year absolute volatility
- Pyrford's current views
- Fees
- Sample stock sheet
- Performance disclosures

# Pyrford's organisational chart

31 December 2016



# Pyrford's professionals – Investment Strategy Committee

31 December 2016



**Tony Cousins MA (Hons), CFA**  
Role: Chief Executive & Chief Investment Officer

Years with:  
Pyrford 28  
Industry 32

After graduating from Cambridge University in 1985 with a Bachelor of Arts, Tony joined Daiwa International Capital Management in London as an Equity Portfolio Manager. He joined Pyrford in 1989 and obtained his Master of Arts and became a CFA charter-holder in 1990.

Tony headed Pyrford's European and UK investment management activities for Pyrford for almost 20 years and was promoted to the position of Joint Chief Investment Officer in November 2009. On 1 January 2011 Tony was further promoted to the roles of Chief Executive and Chief Investment Officer.



**Bruce Campbell B Com (Hons)**  
Role: Strategic Investment Advisor

Years with:  
Pyrford 30  
Industry 47

Bruce has over 40 years' experience in the international investment industry. After graduating from Melbourne University in 1969 Bruce managed the investment operations of an Australian based general insurance company for 12 years and then founded the predecessor company to Pyrford in Melbourne in 1982 – at that stage as part of the multi-national Elders IXL group. In 1987 Bruce moved the investment operations to London and in 1991 headed the buy-out of the investment management subsidiary from the Elders organisation. At that time the company's name was changed to Pyrford International.

Bruce remained Chief Executive and Chief Investment Officer until 31 December 2010 at which time he took up the role of Investment Chairman.

Bruce retired from Pyrford on 31 March 2015 and became a Strategic Investment Advisor to Pyrford on 01 April 2015.



**Paul Simons MA (Hons), CFA**  
Role: Head of Portfolio Management Asia-Pacific

Years with:  
Pyrford 20  
Industry 20

Paul joined Pyrford in 1996 after graduating from Oxford University with a degree in geography. He began his fund management career in 1997 and spent seven years covering South East Asia, Hong Kong, Taiwan, Korea and Australasia before being promoted to the role of Portfolio Manager for Australia and New Zealand in 2003. Paul became a CFA charter holder in 2000, as well being awarded his Master of Arts. Paul was appointed Head of the Asia-Pacific team and a member of the Investment Strategy Committee in 2008.



**Daniel McDonagh MA (Hons), CFA**  
Role: Head of Portfolio Management Europe & UK

Years with:  
Pyrford 19  
Industry 19

Daniel joined Pyrford in October 1997 after graduating from Oxford University with a degree in Politics and Economics. Daniel worked as a research analyst within the European portfolio management team prior to his promotion to Portfolio Manager in 2003. He became a CFA charter holder in 2000, was appointed Head of Europe and the UK in October 2009 and was awarded his Master of Arts in 2010.



**Suhail Arain, LLB (Hons) ACA MSc, CFA**  
Role: Head of Portfolio Management Americas

Years with:  
Pyrford 8  
Industry 19

Suhail joined Pyrford in September 2008 as a Portfolio Manager covering North American equities. Prior to joining Pyrford, Suhail worked at Scottish Widows as a global equities portfolio manager and research analyst covering a number of sectors including the energy, telecommunication and technology sectors. He has over 18 years experience in the asset management industry with particular emphasis in US and global equities. Suhail graduated from King's College, London with a degree in Law and completed a Masters' in Finance from London Business School. He is also a qualified chartered accountant and holds the CFA designation. Suhail has also held positions at KPMG, Hambros Merchant Bank (in corporate finance), Prudential and ABP Investments.

# Pyrford's professionals

31 December 2016



**Peter Moran, MA (Hons), CFA**  
Role: Portfolio Manager  
Team: Europe & UK

Years with:  
Pyrford 13  
Industry 13

Peter joined Pyrford in October 2003 having previously worked for Culross Global Management and Merrill Lynch. In 2001 he graduated from Oxford University with a degree in History. Peter worked as a research analyst within the European portfolio management team until November 2009 at which time he was promoted to the position of Portfolio Manager. He became a CFA charter holder in 2007.



**Andrew Sykes BA (Hons), CFA**  
Role: Investment Analyst  
Team: Americas

Years with:  
Pyrford 3  
Industry 9

Andrew joined Pyrford in July 2013 as an Investment Analyst covering North America and was promoted to Portfolio Manager in 2015 to cover Latin America. Andrew's previous roles include 3 years in portfolio management roles covering Global markets at Schroders and most recently Senhouse Capital. He graduated from Oxford University in 2005 with a BA (Hons) degree in Politics, Philosophy & Economics. Andrew is a CFA charter holder.



**Anneka Desai, BA (Hons)**  
Role: Investment Analyst  
Team: Europe & UK

Years with:  
Pyrford 1  
Industry 1

Anneka joined Pyrford in October 2015 after graduating in June 2015 with a BA (Hons) degree in Economics from Cambridge University.



**Nabil Irfan BSc (Hons), CFA**  
Role: Portfolio Manager  
Team: Europe & UK

Years with:  
Pyrford 11  
Industry 16

Nabil joined Pyrford in September 2005 as a research analyst within the European portfolio management team. In November 2009 he was promoted to the position of Portfolio Manager. Prior to joining Pyrford Nabil worked for 5 years at JPMorgan Asset Management in Equity Research as a Utilities Analyst, and prior to that as a research assistant in their technology, media and telecoms (TMT) team. Nabil graduated from University College London with an Economics degree in September 2000 and became a CFA charter holder in 2004.



**Roderick Lewis BSc, CFA**  
Role: Portfolio Manager  
Team: Asia-Pacific

Years with:  
Pyrford 3  
Industry 15

Roderick joined Pyrford in November 2013 as an Investment Analyst in the Asia portfolio management team. Roderick holds a BSc in Economics and Management from Cardiff University and is a CFA Charter holder. He joins Pyrford following 6 years on the Asian team at Legal and General in London and a further 3 analysing Asian equities at CCLA Investment Management.



**Lars Nielsen, BSc MSc**  
Role: Senior Product Specialist  
Head of RM & BD

Years with:  
Pyrford 8  
Industry 28

Lars has overall responsibility for all client oriented activities at Pyrford. He has over 25 years' experience in the asset management industry. Prior to joining Pyrford, Lars worked in similar roles at Dalton Strategic Partnership, TT International and Alliance Capital. Lars started his career in various roles at Barra, one of the world's leading investment analytics companies. He spent 9 years there and his last position was as a Director for the US equity money manager business. Before going to the US he held positions in the European part of the business. Lars graduated from Aarhus Business School in his native Denmark with a MSc and BSc in Business Administration with a concentration in Finance. Also studied at Aarhus University mathematics department and San Francisco State University MBA program.



**Jun Yu BA MBA, CFA**  
Role: Portfolio Manager  
Team: Asia-Pacific

Years with:  
Pyrford 8  
Industry 17

Jun joined Pyrford in October 2008 and is a Portfolio Manager in the Asia portfolio management team with a focus on stock selection in Hong Kong and Taiwan. She has worked in a number of investment businesses in both China and London and most recently was an equity sales person for Daiwa SMBC Europe. She has a degree in Literature from Shanghai International Studies University and an MBA from INSEAD in Paris. Jun is a native Mandarin speaker.



**Henrietta Brooks, BA (Hons)**  
Role: Investment Analyst  
Team: Americas

Years with:  
Pyrford 2  
Industry 2

Henrietta graduated from Cambridge University in 2013, having completed a BA (Hons) degree in Natural Sciences - Pharmacology, and a BA (Hons) in the Management Studies Tripos at the Judge Business School. Prior to joining Pyrford Henrietta completed a 6 month internship with Ardian, (ex-AXA Private Equity).



**Stefan Bain, MSc**  
Role: Portfolio Manager  
Team: Asia-Pacific

Years with:  
Pyrford 5  
Industry 15

Stefan joined Pyrford in June 2012 as a Portfolio Manager covering Japanese and South Korean companies within the Asian portfolio management team. Prior to joining Pyrford Stefan worked for F&C Fund Management in London for five years as a Director of Japanese Equities, and at Royal London for six years as a Japanese fund manager. Stefan has a degree in Investment Analysis from the University of Stirling and is an Associate of the Institute of Investment Management and Research.



**Bethan Dixon, BSc**  
Role: Investment Analyst  
Team: Asia-Pacific

Years with:  
Pyrford 2  
Industry 2

Bethan joined Pyrford in October 2014 with a degree in Natural Science from the University of Bath. As part of her degree Bethan spent a year on an Industrial Placement with the Investor Relations team at Lloyds Banking Group.



**Luke Casey, CFA, CAIA**  
Role: Product Specialist

Years with:  
Pyrford 1  
Industry 14

Luke joined Pyrford in July 2015 as a Product Specialist. Prior to Pyrford Luke spent several years in a similar role covering Emerging and Asia Pacific strategies at T Rowe Price, having previously covered fixed income strategies at Goldman Sachs Asset Management. He holds a BSc in Business and Finance from the University of Brighton and has earned the Chartered Financial Analyst and Chartered Alternative Investment Association designations.

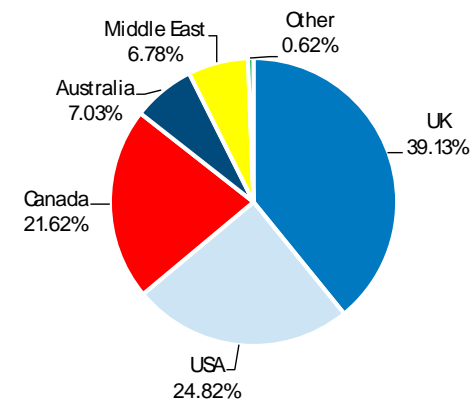
# Assets under management breakdown

As at 31 December 2016

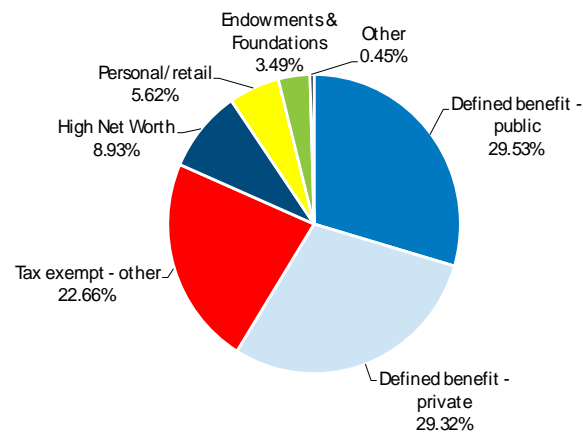
Product	USD	No. of Clients*
Global Absolute Return	4.84bn	72
International Equities	3.41bn	45
Global Equities	1.40bn	13
Shariah Compliant Equities	17.77m	4
Asia Pacific ex-Japan Equities	1.21m	1
<b>Total</b>	<b>9.67bn</b>	<b>135</b>

\* This figure includes investors in pooled investment vehicles.

## AUM by investor domicile



## AUM by investor type



# Representative clients

31 December 2016

Corporate	Inception	Foundation & Endowments; Charities	Inception	Government/Public Funds	Inception
AETC Pension Scheme	2002	Boy Scouts of America	2003	Alberta Teachers' Retirement Fund Board	1997
Canon (UK) Retirement Benefit Scheme	1994	Corporation of London Bridgehouse Estates	2004	Avon Pension Fund	2013
Consolidated Edison Retirement Trust	2013	Eton College Employees (1972) Pension & Life Assurance Scheme	2012	The British Columbia Investment Management Corp	1994
Nissan Pension Plan	2012	University of Glasgow Pension Scheme	2013	Bedfordshire Pension Fund	2012
Robert Bosch Master Retirement Trust	2011	The Samuel Roberts Noble Foundation Inc	2005	Clwyd Pension Fund	2011
Stagecoach Group Pension Scheme	2004	University of Utah	2011	Contra Costa County Employees' Retirement Association	2014
D.E UK Pension Plan	2012			Corporation of London Pension Fund	2004
VHA Inc	2010	<b>Trade Union &amp; Taft Hartley</b>	<b>Inception</b>	Highland Council	2012
Western Union Pension Plan	2011	Teamsters Local 639 - Employers Pension Trust Fund	2013	Illinois Student Assistance Commission	2010
Wyman-Gordon Ltd Retirement Benefits Plan	2002	UNISON Staff Pension Scheme	2013	Kent County Council Superannuation Fund	2012
				London Borough of Barking and Dagenham Pension Fund	2012
<b>Funds/Subadvisory</b>	<b>Inception</b>	<b>Insurance</b>	<b>Inception</b>	London CIV Ltd	2016
BMO Funds (Canada)	2008	Amerisure Mutual Insurance Company	2003	London Borough of Sutton Pension Fund	2012
BMO Funds (US)	2011	Premera Blue Cross	2015	Public Institution for Social Security Kuwait	2006
BMO Nesbitt Burns	2008			Royal Borough of Kensington & Chelsea Pension Fund	2011
Kayne Anderson Rudnick Investment Management LLC	2009			Royal Borough of Kingston upon Thames Pension Fund	2014
				Suffolk County Council Pension Fund	2012
				State of Wyoming	2012

*Clients that are listed were not selected by performance criteria and Pymfod has received consent to list their names in a representative client list. The listed clients do not approve or disapprove of Pymfod or its services.*



# Country allocation does matter

Compound Annual Returns in US\$, as at 31 December 2016. MSCI Indices (gross dividends reinvested)

	1 year	3 years	5 years	10 years
Asia Pacific ex-Japan (all countries)	7.06	0.10	4.98	3.94
Europe ex-UK	0.22	-2.63	6.88	0.96
UK	-0.04	-4.35	4.02	0.37
Japan	2.73	2.82	8.45	0.73
EAFE	1.51	-1.15	7.02	1.22
USA	11.61	8.63	14.57	7.01
Canada	25.49	-0.67	2.77	3.21
World	8.15	4.38	11.04	4.41
Emerging Markets	11.60	-2.19	1.64	2.17
All Countries World	8.48	3.69	9.96	4.12

Sources: *Pyrford & MSCI*

*Past performance does not guarantee future results.*

# Top down by country

## Key Variables

Labour Force Growth

Productivity growth

Output gap (actual vs. trend growth)

Savings ratio

Private sector debt

Real interest rates

Net exports

Participation rate

Profit share of GDP

Corporate margins

Unemployment rate

Capacity utilisation

Share issuance/buy backs

Listed corporate sector leverage

Retention ratio

## Conclusion

Trend GDP Growth Estimate

Cyclical GDP Growth Estimate

Aggregate corporate profit growth

EPS Growth Estimate

# International Equity (EAFE) – country limits

As at 31 December 2016 (quarterly data)

Country	Maximum allocation %
Australia	22.6
Brazil	3.5
Denmark	14.1
Euro-area	60.9
Hong Kong	15.7
Indonesia	11.0
Israel	11.7
Japan	49.3
Malaysia	11.0
New Zealand	11.2
Norway	11.7
Philippines	16.0
Singapore	13.7
South Korea	11.0
Sweden	20.3
Switzerland	28.6
Taiwan	16.0
Thailand	16.0
United Kingdom	43.2

Source: *Pyrford International*

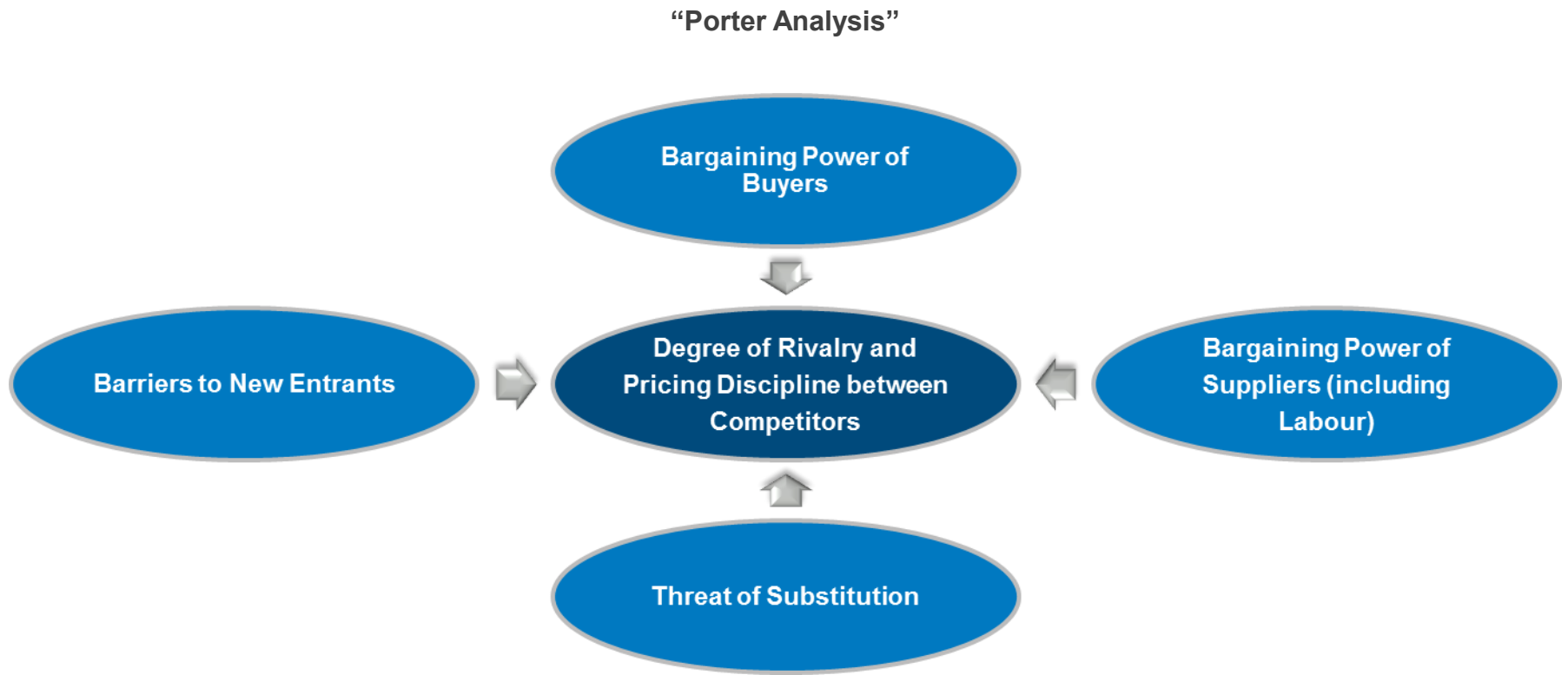
# Selecting the stocks for your portfolio

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- Screening – Which companies should be researched in depth?
  - Eliminate small companies and highly leveraged companies
  - Rank universe on basis of selected fundamentals (utilising a combination of dividend yield, return on equity and PE ratio)
- Stock sheets – Scrutiny of the past assists in evaluating the future
  - In-house, from original sources
  - Discipline across the regions
  - Helps determine long-term sustainable growth rates:
    - › Disaggregation of return on equity – Du Pont analysis
    - › Quality of earnings and balance sheet
  - 5 year earnings per share forecasts
- Company interviews – Every company, every year
  - Must visit company prior to purchase and annually thereafter
  - Examine the business model and long-term strategy
  - Focus on visibility of earnings and sustainability of return on equity
- Peer review – All buy and sell ideas are scrutinised by entire investment team

# Selecting stocks for your portfolio

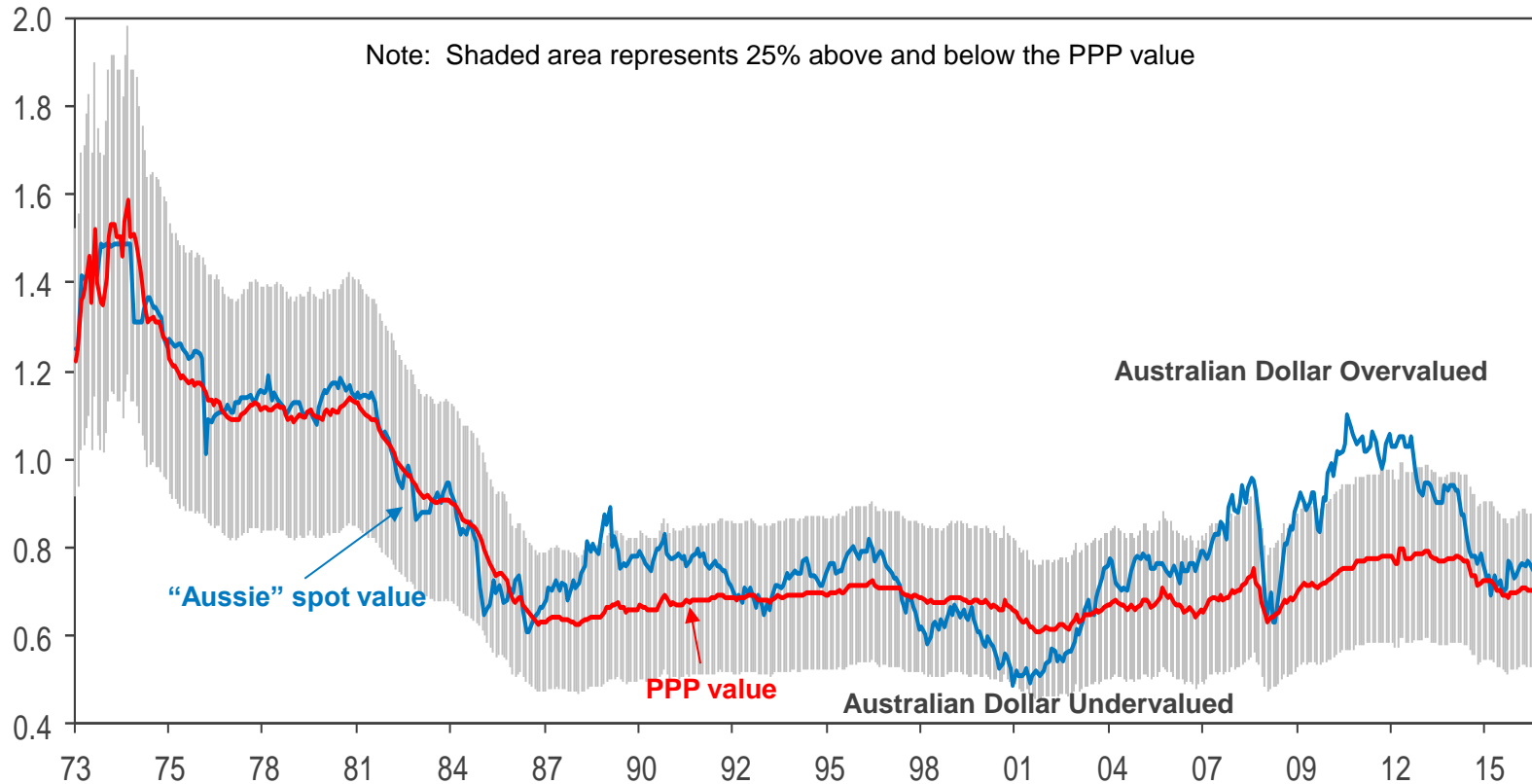
- Emphasis on company visits and management interviews
- In-depth analysis of industry competitive framework and structural corporate competitive advantage
- Sustainability of ROE



*For illustration purposes only*

# Sample of USD/AUD purchasing power parity analysis

As at 15 December 2016



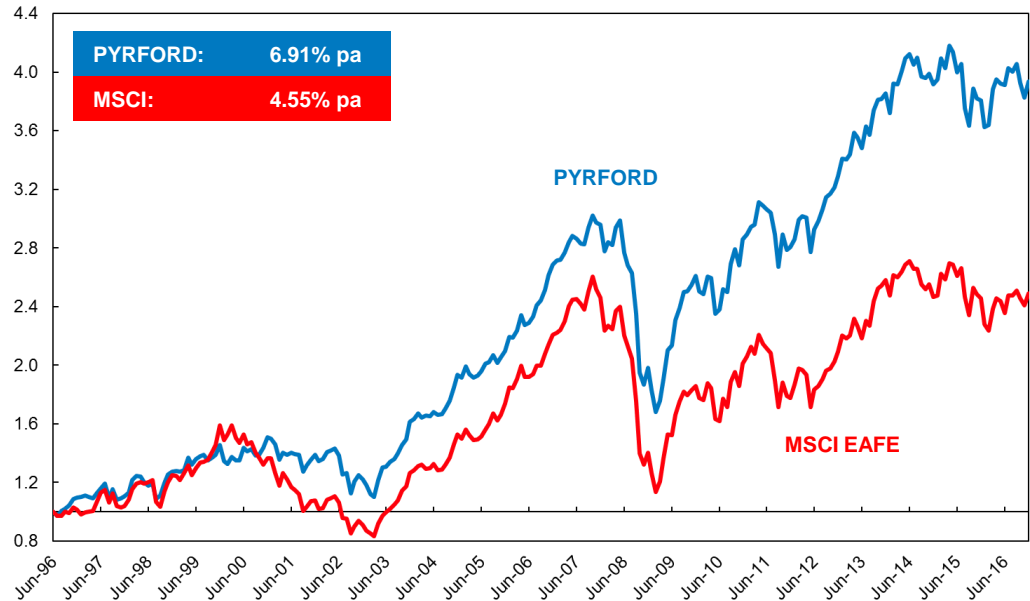
Source: Thomson Datastream/Pyrford International

# International Equity (EAFE) - investment performance

Over 20 years 6 months to 31 December 2016

- Excellent historical long-term returns
- Effective downside protection
  - Over 20 years 6 months to 31 December 2016 our client portfolios have fallen just 61c for every \$1 fall in the market
- Low historical absolute volatility

## Long-term Growth of a Unit Value (US\$)



Sources: Pyrford & MSCI

Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) composite' which comprises all fully discretionary, international equity accounts with a market value greater than US\$10m, a base currency of US\$ and no hedging restrictions. The date of inception is 1 July 1996. **Past performance does not guarantee future results.** Please see full GIPS compliant performance disclosure at the end of this document.

# International Equity (EAFE) - performance statistics

Over 20 years 6 months (01 July 1996 to 31 December 2016) USD - PSN quarterly data

	Pyrford	
<b>Downside Capture (%)</b>	61.22	
<b>Upside Capture (%)</b>	80.59	
<b>Beta*</b>	0.74	
<b>R-Squared**</b>	0.87	
<b>Standard Deviation***</b>	15.11	Index 18.99%

Source: PSN Enterprise

\* A measure of the volatility of the portfolio relative to the market. A beta less than 1.0 identifies a portfolio that will move less than the market

\*\* The percentage of the portfolio's risk that is due to the market benchmark (systematic risk)

\*\*\* A statistical measure of dispersion of returns

Based on gross of fees quarterly composite returns from 01 July 1996 – 31 December 2016 against the MSCI EAFE Index.

**Past performance does not guarantee future results.**

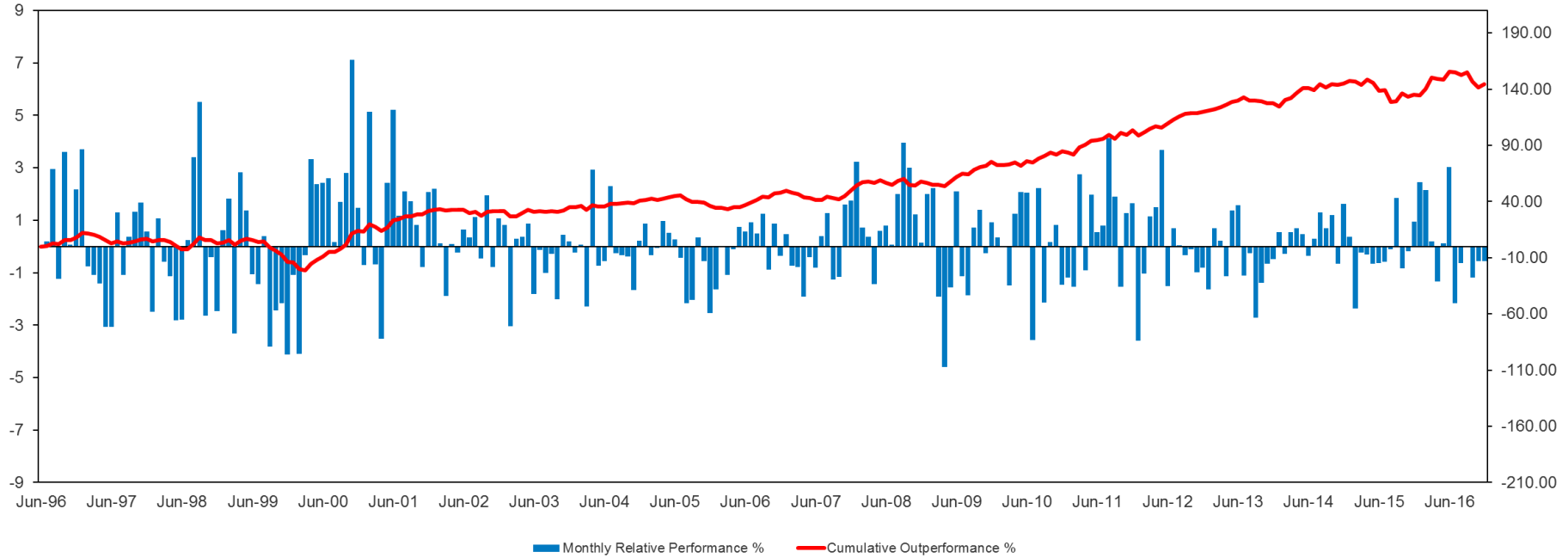


# International Equity strategy - cumulative & rolling historical outperformance

01 July 1996 – 31 December 2016

Monthly Relative Performance

Cumulative Outperformance



% of Rolling Periods In Which Portfolio Outperformed – July 1996 to December 2016

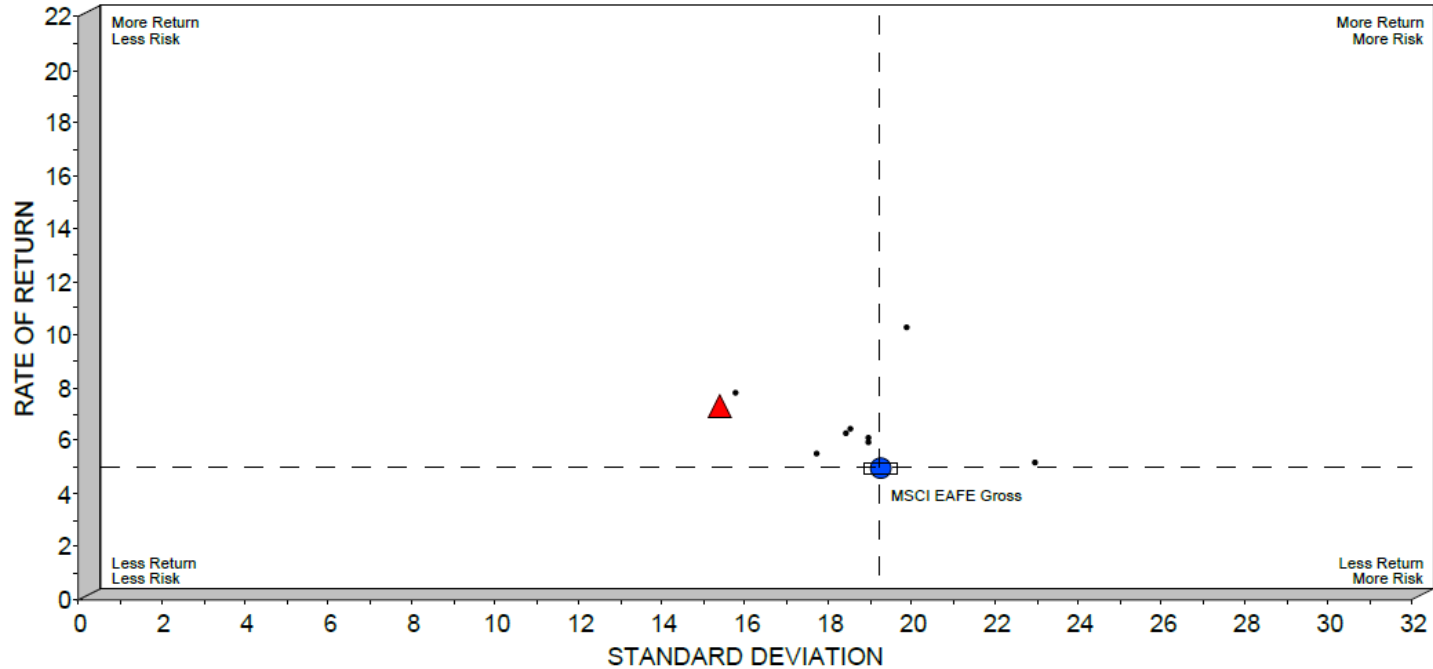
	1M	1Qtr	1 Year	3 Year	5 Year	10 Year
<b>Outperformed</b>	53%	56%	54%	67%	85%	100%
<b>Underperformed</b>	47%	44%	46%	33%	15%	0%

Performance relates to the gross of fees Pyrford International Ltd 'International Equity (Base Currency US\$) composite' which comprises all fully discretionary, international equity accounts with a market value greater than US\$10m, a base currency of US\$ and no hedging restrictions. The date of inception is 1 July 1996.

This is supplementary information. Please see full GIPS compliant performance disclosure at the end of this document. **Past performance does not guarantee future results.**

# International Equity EAFE strategy - risk/reward

Since Inception (01 July 1996 to 31 December 2016). USD. PSN quarterly data.



	ROR	Std Dev Pop	Alpha	Beta	R-Squared
▲ Pyrford Int'l Int'l Equity	6.91	15.11	2.67	0.74	0.87
● MSCI EAFE Gross	4.55	18.99	0.00	1.00	1.00

Risk Benchmark used for this analysis: MSCI EAFE Gross

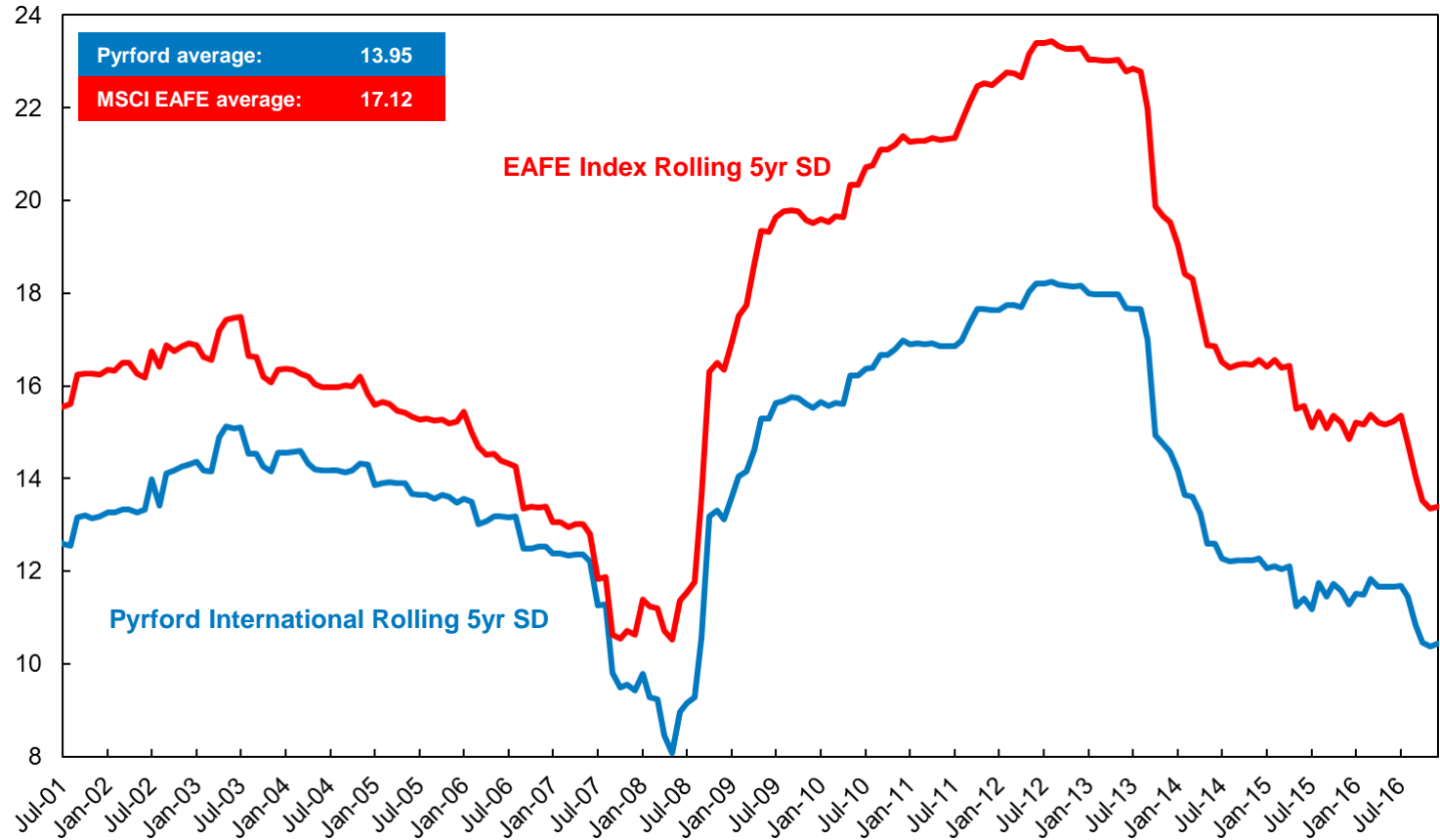
Source: PSN Enterprise by Informa Investment Solutions

Based on gross of fees quarterly composite returns from the inception date of 01 July 1996 to 31 December 2016 against MSCI EAFE Index.

Please see full GIPS compliant performance disclosure at the end of this document. **Past performance does not guarantee future results.**

# International Equity EAFE strategy - rolling 5-year absolute volatility

As at 31 December 2016. USD.



Source: Pyrford International

Based on gross of fees monthly composite returns on a 5-year rolling basis from June 2001 to 31 December 2016 against MSCI EAFE Index

Please see full GIPS compliant performance disclosure at the end of this document. **Past performance does not guarantee future results.**

# Pyrford's current views

31 December 2016

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- Trump's election victory has added further uncertainty to the direction of the US and world economy. Talk of immense stimulus expenditure has spooked bond markets but boosted equities – in the US the major equity indices have hit new highs.
- Trump's 'promises' are vague and uncosted. World trade is already extremely weak and the threat of trade restrictions and/or fresh tariff impositions will do damage.
- 'Brexit' has added additional uncertainty.
- Many equity markets represent poor long-term value as central bank 'printing' has caused markets to re-rate without a commensurate improvement in fundamentals.
- Bond markets also offer poor fundamental value - a consequence of the unorthodox practices of the major central banks. It is possible that a re-rating has now commenced.
- Excessive private and public debt levels, consequent deleveraging (in the household sector), deteriorating demographics and disappointing productivity have led to anaemic growth in developed countries. This looks set to continue.
- The fall in the oil price has negatives and positives. The biggest negative is the decline in capital investment relative to previously announced plans. The oil price is causing budgetary problems in the Middle East and for the first time several members of OPEC are seeking offshore funding.
- Eurozone economic problems remain unsolved. Debt levels in peripheral Europe and continued lack of competitiveness are unsustainable. Italian banks are in a parlous situation. Break-up of the eurozone, in some form, remains our preferred long-term solution.
- Asia ex-Japan offers the best absolute value and most attractive opportunities for growth. Demographics provide a favourable 'window' over the next 20 years.
- Money printing in Japan continues at extreme levels. The Bank of Japan Balance Sheet is now the equivalent of 80% of GDP. Five years ago it was 20%. Poor productivity growth and the most adverse demographics in the developed world provide severe headwinds.
- In general, markets are expensive. Low single-digit returns are probably the best that can be expected on a medium-term outlook.

*This is not intended to serve as a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. Information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy*

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# Fees

## Pyrford International Equity Trust <sup>1</sup> A commingled fund which is suitable for US based unit holders

Size	Management Fee <sup>2</sup>
First \$25m	0.70%
Next \$75m	0.60%
Next \$100m	0.50%
Thereafter	0.45%

<sup>1</sup> Minimum account size: US\$1 million

<sup>2</sup> Includes Custody Fees (State Street)

## BMO Pyrford International Stock Fund

	Class I <sup>4</sup>	Class R6 <sup>5</sup>
Total annual Fund operating expenses after fee waiver and expense reimbursement <sup>3</sup>	0.99%	0.84%

<sup>3</sup> BMO Asset Management Corp (Advisor) has agreed to waive or reduce its investment advisory fee and reimburse expenses to the extent necessary to prevent total annual operating expenses (excluding interest, taxes, brokerage commissions, other investment-related costs and extraordinary expenses, such as litigation and other expenses not incurred in the ordinary course of the Fund's business, and Acquired Fund Fees and Expenses) from exceeding 0.99% for Class I and 0.84% for Class R6 until 31 December 2017. This expense limitation agreement may not be terminated prior to 31 December 2017 without the consent of the Fund's Board of Directors, unless terminated due to the termination of the investment advisory agreement.

<sup>4</sup> Minimum account size: US\$1 million

<sup>5</sup> Eligible retirement plans may open an account and purchase Class R6 shares by contacting BMO Funds US Services.

# Sample stock sheet



Total																	09-Jan-17																																																				
VALUE INDICATOR		STOCK INFORMATION			Description of Operations:			5 YEAR EPS GROWTH FORECAST																																																													
<b>FORECAST DPS GROWTH RATE:</b> <input type="text" value="2.5%"/>  <b>CURRENT DIVIDEND YIELD:</b> <input type="text" value="5.0%"/>  <b>LONG TERM VALUE:</b> <input type="text" value="7.4%"/>		<table border="1"> <tr> <td>MSCI Industry Classification</td> <td>ENERGY</td> </tr> <tr> <td>Bloomberg</td> <td>FP FP</td> </tr> <tr> <td>SEDOL</td> <td>4905413</td> </tr> <tr> <td>Share price on 09/01/2017</td> <td>49.0</td> </tr> <tr> <td>Market Capitalisation</td> <td>112,917</td> </tr> </table>			MSCI Industry Classification	ENERGY	Bloomberg	FP FP	SEDOL	4905413	Share price on 09/01/2017	49.0	Market Capitalisation	112,917	<p>Total is a French oil and gas company with businesses in exploration, production, refining and marketing operations. It is also active in specialty chemicals.</p>			<table border="1"> <thead> <tr> <th></th> <th>Shareholder's Funds</th> <th>ROE</th> <th>Net Profit</th> <th>Retention Ratio</th> <th>Retained Profit</th> </tr> </thead> <tbody> <tr> <td>NOW</td> <td>94222</td> <td>5.0%</td> <td>4,711</td> <td>-11%</td> <td>-355</td> </tr> <tr> <td>YEAR 1</td> <td>92102</td> <td>6.0%</td> <td>5,526</td> <td>28%</td> <td>-1547</td> </tr> <tr> <td>YEAR 2</td> <td>90555</td> <td>8.0%</td> <td>7,244</td> <td>0%</td> <td>0</td> </tr> <tr> <td>YEAR 3</td> <td>90555</td> <td>9.0%</td> <td>8,150</td> <td>7%</td> <td>570</td> </tr> <tr> <td>YEAR 4</td> <td>91125</td> <td>9.3%</td> <td>8,464</td> <td>10%</td> <td>846</td> </tr> </tbody> </table> <p>5 YEAR COMPOUND EPS GROWTH FORECAST: <input type="text" value="22.31%"/></p> <p>Terminal year ROE assumptions</p> <table border="1"> <tr> <td>Sales/Assets</td> <td>90%</td> </tr> <tr> <td>Net Profit/Sales</td> <td>4.3%</td> </tr> <tr> <td>Assets/Equity</td> <td>240%</td> </tr> </table>											Shareholder's Funds	ROE	Net Profit	Retention Ratio	Retained Profit	NOW	94222	5.0%	4,711	-11%	-355	YEAR 1	92102	6.0%	5,526	28%	-1547	YEAR 2	90555	8.0%	7,244	0%	0	YEAR 3	90555	9.0%	8,150	7%	570	YEAR 4	91125	9.3%	8,464	10%	846	Sales/Assets	90%	Net Profit/Sales	4.3%	Assets/Equity	240%
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<b>CONCLUSION</b> New exploration fields and rising production profile will drive upstream profitability over the next ten years. Strong balance sheet and sound management. One of best reserve profiles of all European oils and a solid 5 year production profile.																																																																					
<b>CORPORATE GOVERNANCE</b>																																																																					
<b>Auditors</b> Current: Ernest & Young/KPMG Audit Fees: 40.4 Non-audit fees: 6.7 Length of service: >10		<b>Directors</b> Total Number: 15 Of which independent: 13			<b>Officers</b> Chairman: Patrick Pouyanne (2, 19, 53) CEO: Patrick Pouyanne (2, 19, 53) CFO: Patrick de La Chevallerie (8, 34, 57)			<b>Ratings</b> Moody's: Aa3 S&P: A+																																																													
<b>FINANCIAL STATEMENT DATA</b> Year Ending December 31st																																																																					
	1996	1997	1998	1999	2000	2001	2002	2003	2004 (FRS)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015																																																	
<i>(€m to 2013, \$m from 2014)</i>																																																																					
Turnover	26,919	29,131	24,333	42,178	114,557	105,318	102,540	104,852	116,842	137,607	153,802	158,752	179,976	131,327	159,269	184,693	200,061	189,544	212,018	143,421																																																	
Operating Expenses	24,376	25,985	21,643	37,139	95,485	87,760	86,622	86,905	95,390	108,431	124,617	128,026	150,534	109,521	131,963	152,897	168,674	162,320	183,644	122,973																																																	
EBITDA	2,543	3,146	2,690	5,039	19,072	17,558	15,918	17,747	21,452	29,176	29,185	30,726	29,442	21,806	27,306	31,796	31,387	27,322	28,374	20,448																																																	
Depreciation	1,054	1,153	1,201	2,235	4,859	4,781	5,792	4,977	4,762	5,007	5,055	5,425	5,755	6,682	8,421	7,506	9,525	9,031	10,656	17,720																																																	
Amortization	101	131	105	110	303	319	212	139																																																													
EBIT (adjusted)	1,489	1,993	1,489	2,804	14,213	12,777	10,126	12,770	16,690	24,169	24,130	25,301	23,687	15,124	18,885	24,290	21,862	18,191	8,718	2,728																																																	
Interest Expense, net	140	113	151	378	440	184	195	232	130	287	364	539	527	398	334	410	269	641	873																																																		
Other Income	54	73	98	122	900	1,141	1,026	1,233	1,139	1,747	2,028	1,775	1,721	1,940	1,988	2,405	2,069	2,807	2,589																																																		
Extraordinary gains/(charges)	20	-11	33	30	740	-283	-243	1,060	-380	790	-30	-573	-218	-286	496	699	547	-380	1,979	1,956																																																	
Pretax Income (Adjusted)	1,403	1,953	1,436	2,548	14,573	13,734	10,957	13,771	17,699	25,629	25,794	26,537	24,881	16,656	20,539	25,955	23,360	20,151	10,884	4,444																																																	
Tax & Minorities	421	673	412	888	6,626	6,040	5,047	5,547	8,467	12,566	14,056	13,929	14,509	7,933	10,464	14,378	13,213	11,331	8,620	1,352																																																	
Net Profit (reported)	861	1,160	886	1,520	6,904	7,658	5,941	7,025	9,612	12,273	11,768	13,181	10,590	8,447	10,571	12,276	10,694	8,440	4,244	5,087																																																	
Net Profit (adjusted)	982	1,280	1,024	1,660	7,947	7,694	5,910	8,224	9,232	13,063	11,738	12,608	10,372	8,733	10,075	11,577	10,147	8,820	2,264	3,092																																																	
Cash	4,879	1,929	1,522	2,142	4,600	3,574	4,965	4,836	3,860	4,318	2,493	5,988	12,321	11,662	14,489	14,025	15,469	14,467	25,181	23,269																																																	
Inventories	2,289	2,218	1,863	4,454	6,811	6,622	6,515	6,137	9,264	12,690	11,746	13,851	9,621	13,867	15,600	18,122	17,397	16,023	15,196	13,116																																																	
Receivables	3,640	3,563	3,122	7,466	14,307	13,497	13,087	12,357	14,025	19,612	17,393	19,129	15,287	15,719	18,159	20,049	19,206	16,984	15,704	10,626																																																	
Current Assets	12,123	9,322	8,814	16,654	31,314	31,960	31,319	29,513	32,940	43,753	42,787	48,238	47,058	49,757	56,936	63,663	67,517	61,347	77,977	70,239																																																	
Fixed Assets	11,992	13,806	14,351	66,046	53,890	56,640	54,010	50,450	53,627	62,391	62,436	65,303	71,252	77,996	85,512	100,386	104,312	112,144	151,821	154,248																																																	
Total Assets	24,115	23,128	23,165	82,700	85,174	88,600	85,329	79,963	86,767	106,144	105,223	113,541	118,310	127,753	143,718	164,049	171,829	173,491	229,798	224,484																																																	
Accumulated goodwill writeoff	101	232	337	447	750	1,059	1,281	1,420	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728	1,728																																																	
Total Assets adjusted for goodwill	24,216	23,360	23,502	83,147	85,924	89,659	86,610	81,383	88,465	107,872	106,951	115,269	120,038	129,481	145,446	165,777	173,557	175,219	231,526	226,212																																																	
Debt due within one year	5,916	4,008	4,096	8,360	15,267	16,035	14,946	12,805	14,762	16,989	18,367	17,419	19,354	18,902	21,642	24,449	25,714	21,937	10,942	12,488																																																	
Payables	2,729	2,794	2,348	5,271	9,882	10,034	10,236	10,304	11,672	16,406	15,080	18,183	14,815	15,363	18,450	21,948	21,958	24,150	20,928																																																		
Current liabilities	6,645	6,802	6,444	13,631	25,149	26,069	25,182	23,109	26,777	33,428	33,522	35,662	34,327	34,408	40,251	46,702	49,019	44,787	53,673	50,976																																																	
Long term debt	3,235	4,752	5,151	7,954	20,110	20,613	20,410	19,945	21,170	24,257	23,414	24,246	26,060	30,858	32,052	35,698	35,832	37,770	63,026	61,966																																																	
Net debt repayments/(issuance)	-830	1,887	-448	-1,525	3,819	1,515	-2,388	45	-54	-1,927	-3,716	-566	-4,446	-2,398	-3,058	-199	-2,525	-1,555	-13,412	-3,569																																																	
Shareholders' Funds	9,034	10,158	10,346	27,669	32,401	33,932	32,146	30,406	31,608	40,645	40,321	44,858	48,992	52,552	60,414	68,037	72,912	72,629	90,330	92,544																																																	
Shareholders' Funds (adjusted)	9,135	10,390	10,683	28,116	33,151	35,001	33,427	31,826	33,336	42,373	42,049	46,586	50,720	54,280	62,142	69,765	74,640	74,357	92,508	94,222																																																	
Pension Fund Deficit/(Surplus)				617	678	1,830	3,161	2,771	2,755	3,373	2,341	1,525	1,641	1,883	1,931	2,294	2,745	2,188	3,799	2,846																																																	
Net Capex	1,900	2,705	2,533	3,526	3,864	6,158	5,899	7,777	8,848	9,910	10,549	11,861	11,849	13,812	17,950	19,905	22,400	30,509	28,033																																																		
Average Brent Oil Price (US\$/b)	21	19	13	18	28	22	25	29	38	55	65	72	97	63	80	111	112	111	57	52																																																	
Shares outstanding (m)	243.21	245.90	245.90	732.29	740.47	705.93	687.19	649.12	2,428.5	2,362.8	2,312.3	2,274.4	2,246.7	2,237.3	2,244.5	2,257.0	2,266.6	2,271.5	2,281.0	2,304.4																																																	
EPS (reported) €	3.58	4.73	3.61	4.77	10.80	10.85	9.40	11.56	3.76	5.08	5.44	5.37	4.71	3.78	4.71	5.44	4.72	3.72	1.86	2.16																																																	
EPS (adjusted) €	4.04	5.20	4.16	2.27	10.73	10.90	8.60	12.67	3.80	5.53	5.08	5.54	4.62	3.90	4.49	5.13	4.48	3.88	0.99	1.34																																																	
DPS €	1.60	1.98	2.00	2.35	3.30	3.80	4.10	4.70	1.35	1.62	1.87	2.07	2.28	2.28	2.28	2.28	2.34	2.42	2.93	2.93																																																	
Share Price €	64.34	99.87	86.30	132.50	158.00	160.40	133.00	147.40	39.66	52.37	54.65	50.00	38.91	45.00	39.65	39.20	39.01	44.23	51.45	44.84																																																	

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- INTERNAL -

**Pyrford International**  
BMO Global Asset Management

For illustration purposes only

# Sample stock sheet

Total																						09-Jan-17			
<b>RATIO ANALYSIS</b>																									
<b>VALUATION :</b>	PE ratio	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004 (IFRS)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015			
	Price to Book Value	18.0	21.1	20.7	58.5	14.7	14.7	15.5	11.6	13.2	10.4	9.5	10.8	9.0	8.4	11.5	8.8	7.7	8.7	11.5	51.8	33.4			
	Dividend Yield	1.7	2.4	2.1	3.5	3.6	3.3	2.8	3.1	3.3	3.0	3.0	3.1	2.5	1.8	1.9	1.5	1.3	1.2	1.4	1.3	1.1			
<b>LEVERAGE :</b>	Long term Debt/Equity	2.5%	2.0%	2.3%	1.8%	2.1%	2.4%	3.1%	3.2%	3.4%	3.4%	3.1%	3.4%	4.1%	5.9%	5.1%	5.8%	5.8%	6.0%	5.4%	5.7%	6.5%			
	Total Debt/Total Assets	35.8%	46.8%	49.8%	28.3%	60.7%	58.9%	61.1%	65.6%	63.3%	67.0%	59.7%	58.1%	54.1%	53.2%	58.7%	53.1%	52.5%	49.1%	52.0%	69.8%	67.0%			
	Net Debt/Net Debt + Equity	37.8%	37.5%	39.3%	20.4%	42.0%	42.9%	44.5%	43.6%	43.2%	43.7%	41.4%	41.3%	37.5%	39.2%	39.9%	38.2%	37.7%	37.0%	36.3%	33.6%	34.2%			
<b>LIQUIDITY :</b>	Quick Ratio	31.9%	39.7%	42.0%	33.5%	48.1%	48.6%	47.6%	47.9%	49.4%	50.4%	47.6%	49.4%	44.3%	40.3%	42.0%	39.4%	40.4%	38.7%	38.4%	35.1%	35.6%			
	Cash Flow Interest Cover	1.1	1.0	1.1	0.9	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.2	1.1			
<b>COVERAGE :</b>	EBITDA	18.2	27.8	17.8	13.3	43.3	95.4	81.6	76.5	92.1	165.0	101.7	80.2	57.0	55.9	54.8	81.8	72.3	55.0	44.9	44.3	23.4			
	Operating	9.4%	10.8%	11.1%	11.9%	16.6%	16.7%	15.5%	17.0%	17.6%	18.4%	21.2%	19.0%	19.4%	16.4%	16.6%	17.1%	17.2%	15.7%	14.4%	13.4%	14.3%			
	Pretax	5.5%	6.8%	6.1%	6.6%	12.4%	12.1%	9.9%	12.2%	13.1%	14.3%	17.6%	16.7%	15.9%	13.2%	11.5%	11.9%	13.2%	10.9%	9.6%	4.1%	1.9%			
	Net	5.2%	6.7%	5.9%	6.0%	12.7%	13.0%	10.7%	13.2%	13.3%	15.1%	18.6%	16.8%	16.7%	13.8%	12.7%	12.9%	14.1%	11.7%	10.6%	5.1%	3.1%			
<b>GROWTH :</b>	Payout Ratio	3.2%	4.0%	4.2%	3.9%	6.9%	7.3%	5.8%	7.9%	6.3%	7.9%	9.5%	7.6%	7.9%	5.8%	6.6%	6.3%	6.3%	5.1%	4.7%	1.1%	2.2%			
	EPS Growth Rate	44.7%	41.9%	55.4%	49.3%	30.6%	36.0%	43.6%	40.7%	37.4%	35.9%	29.3%	36.8%	37.3%	49.4%	58.4%	50.8%	44.4%	52.3%	62.3%	295.0%	218.2%			
	DPS Growth Rate	31.9%	23.5%	32.0%	126.4%	0.5%	-13.4%	23.0%	24.8%	-73.9%	-64.8%	44.7%	5.7%	-13.4%	-29.6%	0.0%	43.9%	0.2%	-31.6%	-60.6%	-41.9%	-41.9%			
		23.8%	0.9%	17.5%	40.4%	15.2%	7.9%	14.6%	14.9%	-75.0%	-70.0%	38.5%	27.8%	21.9%	10.1%	10.1%	0.0%	0.0%	2.6%	6.1%	25.1%	21.0%			
<b>DU PONT ANALYSIS</b>																									
<b>IMPLIED TOTAL RETURN :</b>	Dividend Yield	2.5%	2.0%	2.3%	1.8%	2.1%	2.4%	3.1%	3.2%	3.4%	3.4%	3.1%	3.4%	4.1%	5.9%	5.1%	5.8%	5.8%	6.0%	5.4%	5.7%	6.5%			
	Implied Growth Rate	5.2%	6.5%	4.3%	3.0%	16.6%	14.3%	10.0%	15.3%	14.7%	17.8%	21.8%	17.6%	17.0%	10.4%	6.7%	8.0%	9.2%	6.5%	4.5%	-4.8%	-3.9%			
	Implied Total Return	7.7%	8.5%	6.6%	4.8%	18.7%	16.7%	13.1%	18.5%	18.1%	21.2%	24.9%	21.1%	21.1%	16.2%	11.8%	13.7%	15.0%	12.5%	9.9%	0.9%	2.7%			
<b>GROWTH RATE COMPONENTS :</b>	Retention Rate	55.3%	58.1%	44.6%	50.7%	69.4%	65.0%	56.4%	59.3%	62.6%	64.1%	70.7%	63.2%	62.7%	50.6%	41.6%	49.2%	55.6%	47.7%	37.7%	-195.0%	-118.2%			
	5yr average Retention Rate	11.1%	22.7%	31.6%	41.8%	55.6%	57.0%	57.2%	60.2%	62.5%	61.5%	62.6%	64.0%	64.6%	62.2%	57.7%	63.4%	51.9%	48.9%	46.3%	-1.0%	-34.5%			
	Return on Equity	9.4%	11.2%	9.6%	5.9%	24.0%	22.0%	17.7%	25.8%	23.5%	27.7%	30.8%	27.9%	27.1%	20.4%	16.1%	16.2%	16.6%	13.6%	11.9%	2.5%	3.3%			
	5yr average ROE	1.9%	4.1%	6.0%	7.2%	12.0%	14.5%	15.8%	19.1%	22.6%	23.3%	25.1%	27.2%	27.4%	26.8%	24.5%	21.5%	19.6%	16.6%	14.9%	12.1%	9.6%			
	Return on Assets	3.6%	5.0%	4.4%	2.0%	9.2%	8.6%	6.8%	10.1%	9.0%	10.4%	12.1%	11.0%	10.9%	8.6%	6.7%	6.9%	8.0%	5.8%	5.0%	1.0%	1.4%			
	5yr average ROA	0.7%	1.7%	2.6%	3.0%	4.8%	5.8%	6.2%	7.4%	8.8%	9.0%	9.7%	10.5%	10.7%	10.6%	9.9%	8.8%	7.0%	7.0%	6.3%	5.2%	4.0%			
<b>RETURN ON EQUITY COMPONENTS :</b>	Sales/Assets	111.6%	126.0%	105.0%	51.0%	134.5%	118.9%	120.2%	128.5%	142.86%	132.03%	127.57%	143.81%	137.72%	149.93%	101.43%	109.50%	111.41%	115.27%	108.17%	91.57%	63.40%			
	Net Profit/Sales	3.2%	4.0%	3.6%	3.9%	6.9%	7.3%	5.6%	7.6%	6.31%	7.90%	9.49%	7.63%	7.94%	5.76%	6.65%	6.33%	6.27%	5.07%	4.65%	1.07%	2.16%			
	Assets/Equity	265.1%	224.8%	220.0%	295.7%	259.2%	256.2%	259.1%	255.71%	260.36%	265.46%	254.58%	254.35%	247.43%	236.67%	238.54%	234.05%	237.62%	232.53%	235.65%	251.50%	240.08%			
<b>MARGIN COMPONENTS :</b>	EBIT/Sales	5.53%	6.84%	6.12%	6.65%	12.41%	12.13%	9.88%	12.20%	13.09%	14.28%	17.56%	15.69%	15.94%	13.16%	11.52%	11.86%	13.15%	10.93%	9.60%	4.11%	1.90%			
	PBT/EBIT (Interest Burden)	94.2%	98.0%	96.4%	90.9%	102.5%	107.5%	108.2%	107.8%	101.6%	106.0%	106.0%	106.9%	104.9%	105.0%	110.2%	108.8%	106.9%	106.9%	110.8%	124.8%	162.9%			
	NIP/PBT (Tax Burden)	70.0%	65.5%	71.3%	65.1%	54.5%	56.0%	53.9%	59.7%	47.5%	52.2%	51.0%	45.5%	47.5%	41.7%	52.4%	49.1%	44.6%	43.4%	43.8%	20.8%	69.6%			
<b>ROE CHANGE BREAKDOWN. Contribution from...</b>	Asset Turnover	1.21%	-1.13%	-5.91%	12.28%	-2.89%	0.22%	1.81%	2.61%	-2.03%	-1.01%	3.54%	-1.19%	2.03%	-7.16%	1.24%	0.28%	0.52%	-0.81%	-1.13%	-1.11%				
	Margins	2.23%	-0.24%	-0.04%	7.41%	1.18%	-4.75%	6.84%	-5.42%	5.74%	5.37%	-6.43%	1.10%	-7.58%	2.65%	-0.81%	-0.15%	-3.19%	-1.09%	-8.70%	2.08%				
	Margin/EBIT	2.48%	-0.38%	-0.08%	8.18%	-0.51%	-4.12%	4.66%	1.72%	2.23%	6.05%	-3.32%	0.43%	-4.52%	-2.49%	0.47%	1.70%	-2.79%	-1.65%	-4.95%	-2.94%				
	Interest Burden	0.50%	-0.10%	-0.01%	1.60%	1.07%	0.13%	-2.08%	-1.47%	1.09%	0.00%	0.24%	-0.52%	0.04%	0.89%	-0.21%	-0.29%	0.00%	0.46%	0.86%	0.79%				
	Tax	-0.75%	0.22%	0.05%	-2.37%	0.61%	-0.76%	2.25%	-5.70%	2.41%	-0.68%	-3.34%	1.19%	-3.09%	4.22%	-1.07%	-1.56%	-0.40%	0.10%	-4.61%	4.23%				
	Leverage	-1.71%	-0.21%	2.27%	-1.61%	-0.27%	0.23%	-0.29%	0.45%	0.50%	-1.23%	-0.03%	-0.76%	-1.07%	0.15%	-0.31%	0.22%	-0.33%	0.17%	0.43%	-0.15%				
	CHECK Leverage	-1.76%	0.43%	1.61%	-2.16%	-0.30%	0.23%	-0.16%	0.44%	0.50%	-1.23%	-0.03%	-0.76%	-1.07%	0.14%	-0.31%	0.25%	-0.33%	0.17%	0.48%	-0.13%				
	CHECK Total	1.68%	-0.94%	-4.34%	17.52%	-2.02%	-4.30%	8.29%	-2.36%	4.21%	3.14%	-0.85%	-8.60%	-4.36%	0.12%	0.36%	-3.00%	-1.73%	-9.36%	0.84%					
	Absolute change in ROE	1.74%	-1.58%	-3.88%	18.07%	-1.99%	8.16%	-2.36%	4.21%	3.13%	-2.91%	-8.61%	-4.36%	0.12%	0.36%	-3.00%	-1.73%	-9.40%	0.82%						
<b>MARGIN COMPONENTS :</b>	EBIT/Sales	5.5%	6.8%	6.1%	6.6%	12.4%	12.1%	9.9%	12.20%	13.09%	14.28%	17.56%	15.69%	15.94%	13.16%	11.52%	11.86%	13.15%	10.93%	9.60%	4.11%	1.90%			
	Interest Expense/EBIT	9.4%	5.7%	10.1%	13.5%	3.1%	1.4%	1.9%	1.82%	1.46%	0.78%	1.19%	1.51%	2.13%	2.22%	2.63%	1.77%	1.81%	2.61%	3.33%	7.35%	32.00%			
	(Tax+Minorities)/Pretax Profit	30.0%	34.5%	28.7%	34.9%	45.5%	44.0%	46.1%	40.28%	52.54%	47.84%	49.03%	54.49%	52.49%	58.31%	47.60%	50.95%	55.40%	56.56%	56.23%	79.20%	30.42%			
<b>SECTOR BREAKDOWN</b>																									
		2004		2005		2006		2007		2008		2009		2010		2011		2012*		2013*		2014*		2015*	
	Upstream	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin	Sales	Op. Margin
	Downstream	30%	35%	34%	46%	31%	49%	30%	48%	31%	47.5%	28.6%	40.1%	29.2%	42.5%	30.4%	44.5%	29.4%	37.9%	28.1%	37.0%	24.8%	19.9%	24.2%	-8.5%
	Chemicals	68%	4%	71%	6%	74%	3%	75%	5%	76%	0.7%	75.9%	2.6%	77.7%	0.9%	77.9%	1.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Corporate/intercompany	17%	5%	15%	1%	15%	5%	15%	7%	13%	-0.3%	13.8%	3.6%	13.1%	5.2%	12.4%	3.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		-14%		-21%		-22%		-20%		-20%		-18.3%		-20.1%		-20.7%		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		* REPORTING STRUCTURE CHANGED																							
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- INTERNAL -																									
												 													

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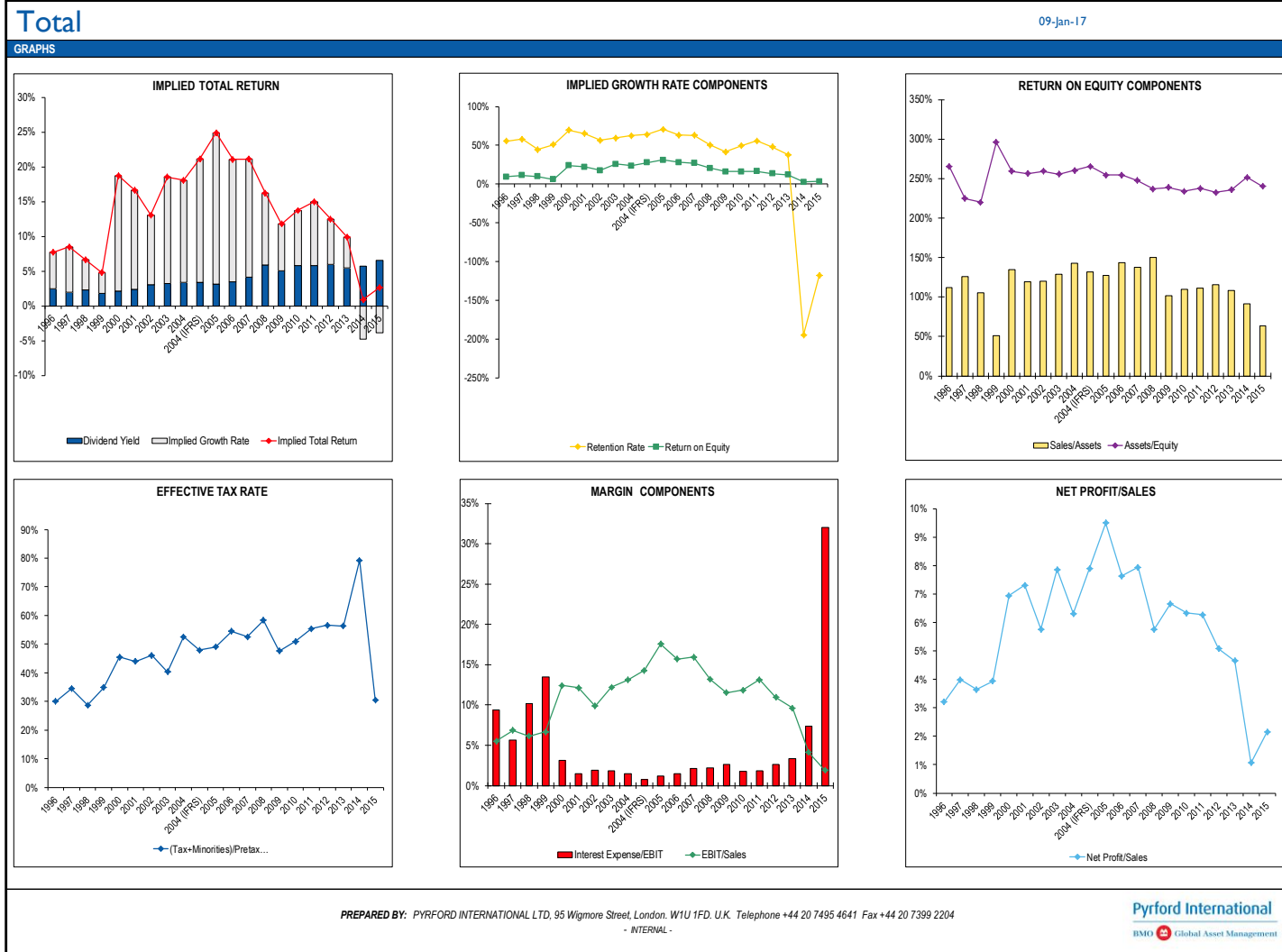
# Sample stock sheet

<b>Total</b>		09-Jan-17																		
<b>QUALITY OF EARNINGS</b>		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>FREE CASH FLOW:</b>																				
	Net Income	1,280	1,024	1,660	7,947	7,694	5,910	8,224	7,746	13,063	11,738	12,608	10,372	8,733	10,075	11,577	10,147	8,820	2,264	3,092
	Depreciation	1,153	1,201	2,235	4,859	4,781	5,792	4,977	5,498	5,007	5,055	5,425	5,755	6,682	8,421	7,506	9,525	9,031	19,656	17,720
	Change in Working Capital	-213	-360	4,012	4,587	-1,151	-719	-1,176	1,216	6,490	2,442	-1,099	-3,966	-594	5,216	1,882	-354	-5,036	-8,205	-8,232
	Capital expenditure	2,705	2,533	3,526	4,905	3,864	6,158	5,899	7,247	8,848	9,910	10,549	11,861	11,849	13,812	17,950	19,905	22,400	30,509	28,033
	Cash Flow Before Financing	-60	42	-3,643	3,314	9,762	6,263	8,478	4,781	2,732	4,441	8,583	8,232	4,160	-532	-749	121	487	-384	1,011
	Cash Conversion of Earnings (FCF) Net Income	-4.7%	4.1%	-219.5%	41.7%	126.9%	106.0%	103.1%	61.7%	20.9%	37.8%	68.1%	79.4%	47.6%	-5.3%	-6.5%	1.2%	5.5%	-17.0%	32.7%
	Dividends Paid													5,086	5,098	5,140	5,184	5,367	7,308	2,845
	Net Debt Repayments	1,887	-448	-1,525	3,819	1,515	-2,388	45	-54	-1,927	-3,716	-566	-4,446	-2,398	-3,058	-199	-2,525	-1,555	-13,412	-3,569
	Cash Flow Post Financing	-1,947	490	-2,118	505	8,247	8,651	8,433	4,835	4,659	8,157	9,149	12,678	6,558	2,526	-550	2,646	2,042	13,028	4,580
	Cash Flow Post Financing/ Net Income	-152.1%	47.9%	-127.6%	-6.4%	107.2%	146.4%	102.5%	62.4%	35.7%	69.5%	72.6%	122.2%	75.1%	25.1%	-4.8%	26.1%	23.2%	575.4%	148.1%
	Capex/Depreciation	234.6%	210.9%	157.8%	100.9%	80.8%	106.3%	118.5%	131.8%	176.7%	196.0%	194.5%	206.1%	177.3%	164.0%	239.1%	209.0%	248.0%	155.2%	158.2%
	Receivables/Sales	12.2%	12.8%	17.7%	12.5%	12.8%	12.8%	11.8%	11.4%	14.3%	11.3%	12.0%	8.5%	12.0%	11.4%	10.9%	9.6%	9.0%	7.4%	7.4%
	Inventory/Sales	7.6%	7.7%	10.6%	5.9%	6.3%	6.4%	5.9%	5.7%	9.2%	7.6%	8.7%	5.3%	10.6%	9.8%	9.8%	8.7%	8.5%	7.2%	9.1%
<b>PENSION ASSUMPTIONS</b>																				
	Nominal Expected Return on Equities Assumption						7.45%	6.99%	6.96%	6.57%	6.14%	6.26%	6.60%	6.14%	6.39%	5.90%	5.35%	5.30%	5.30%	-
	Discount Rate						5.64%	5.41%	5.12%	4.51%	4.69%	5.50%	5.93%	5.41%	5.01%	4.61%	3.79%	4.14%	3.06%	3.25%
	% of fund in equities						50%	47%	44%	46%	42%	36%	25%	31%	34%	29%	29%	30%	29%	28%
<b>NOTES AND CHANGES IN ACCOUNTING POLICIES</b>																				
1999	Total and PetroFina merged to form TotalFina																			
2000	TotalFina and Elf Aquitaine merged to form TotalFinaElf																			
2000	Extraordinary loss mainly relates to restructuring costs and early retirement plans following the two mergers.																			
2001/2	Extraordinary gain in both years largely due to significant sale of assets.																			
2003	Extraordinary loss of €1.1bn was largely due to early retirement/restructuring plans and litigation reserves of €245m, due in part to investigations of EU Commission into alleged anticompetitive practices involving certain products sold by Arkema.																			
2004	Extraordinary gain of €2.174bn due largely to asset disposals which were partly counteracted by restructuring costs of €165m and further release of contingency reserves of €150m for the Toulouse-AZF plant explosion.																			
2004	Sanofi-Synthelabo bought Aventis to form Sanofi-Aventis. The TOTAL stake in the combined company was almost halved to 12.65% of the stock after the increase in capital.																			
2004	Arkema formed on October 1, 2004. Regrouped chlorochemicals (formerly part of the base chemicals & polymers sector), intermediates and performance polymers.																			
2005	Launch of Yemen LNG and acquisition of Deer Creek in Canada.																			
2006	Arkema spun-off following shareholder meeting on May 12, 2006.																			
2006	4-for-1 stock split, effective May 18, 2006.																			
2008	Partnership agreement with GDF Suez and Arvea for the development of a nuclear power plant in the UAE. Signed 3 oil and gas agreements in Libya																			
	Patrick de La Chevadiere succeeded Robert Castaigne as CFO in June.																			
2012	Launch of the Ichthys LNG project in Australia (24%).																			
2014	Effective January 1, 2014, Total changed the presentation currency of the Group's Consolidated Financial Statements from Euro to US Dollar.																			
<b>TERMINAL ROE ASSUMPTIONS</b>																				
	Sales/Assets	Below peak levels of the past reflecting conservative forecast of oil price.																		
	Net Income/Sales	Below peak levels of the past reflecting lower oil price, higher costs of production and lightening tax regimes.																		
	Assets/Equity	In line with company's historically conservative financing policy.																		
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- INTERNAL -																				
																			<b>Pyrford International</b> BMO Global Asset Management	

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# Sample stock sheet



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# International Equity Composite US\$ - Disclosures

Calendar Year	Gross-of-fees Composite Return for the Period %	Net-of-fees Composite Return for the Period %	Benchmark MSCI EAFE Return %	Composite 3-Yr Ann. Std Dev (%)	Benchmark 3-Yr Ann. Std Dev (%)	Number of Accounts at period end	Composite Assets at period end (US\$ m)	Total Firm Assets at period end (US\$ m)	% of Total Firm Assets	Dispersion (Range) (%)	Returns %		
											High	Low	Median
1996 H2	9.8	9.4	1.6	-	-	1	71	868	8.2	-	-	-	-
1997	0.8	0.1	2.1	-	-	1	71	1,162	6.1	-	-	-	-
1998	15.2	14.4	20.3	-	-	1	82	1,143	7.2	-	-	-	-
1999	14.2	13.4	27.2	13.1	15.9	1	151	1,229	12.3	-	-	-	-
2000	3.7	3.0	(14.0)	12.9	15.7	1	22	843	2.6	-	-	-	-
2001	(7.8)	(8.5)	(21.2)	12.1	15.2	1	20	1,187	1.7	-	-	-	-
2002	(12.0)	(12.6)	(15.7)	14.8	16.0	5	152	1,328	11.4	-	-	-	-
2003	31.9	31.0	39.2	16.3	17.8	7	387	2,133	18.1	0.19	32.9	31.1	31.6
2004	19.7	18.9	20.7	14.9	15.5	7	354	2,697	13.1	0.12	20.1	18.9	19.8
2005	8.6	7.8	14.0	10.8	11.4	7	514	2,610	19.7	0.21	9.4	7.9	8.9
2006	28.0	27.1	26.9	7.4	9.3	6	555	3,076	18.0	0.23	28.3	27.8	28.0
2007	10.1	9.4	11.6	7.1	9.4	5	385	2,992	12.9	0.33	10.4	9.4	10.0
2008	(32.9)	(33.4)	(43.1)	15.7	19.3	4	170	2,009	8.5	0.58	(31.7)	(33.4)	(32.6)
2009	31.6	30.6	32.5	18.8	23.6	4	208	2,583	8.1	0.40	32.1	31.2	31.5
2010	9.5	8.8	8.2	21.0	26.3	5	269	3,123	8.6	0.29	9.9	9.2	9.6
2011	(1.7)	(2.4)	(11.7)	17.1	22.5	9	476	3,510	13.6	0.64	(0.5)	(2.4)	(1.4)
2012	17.2	16.4	17.9	14.3	19.3	11	1,046	7,263	14.4	0.40	18.0	16.9	17.3
2013	17.2	16.3	23.3	11.4	16.2	12	2,451	11,446	21.4	0.63	17.9	15.7	17.4
2014	1.6	0.9	(4.5)	9.4	13.0	13	3,443	12,706	27.1	0.38	2.7	1.4	1.8
2015	(2.8)	(3.5)	(0.4)	10.2	12.5	12	3,617	11,073	32.7	0.16	(2.2)	(3.1)	(2.7)
2016	3.4	2.7	1.5	10.6	12.5	8	1,941	9,670	20.1	0.40	4.2	2.9	3.4

*Past performance does not guarantee future results*

# Disclosure

**Pyrford International Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pyrford International Ltd has been independently verified for the period January 1, 1994 to September 30, 2016 by Grant Thornton UK LLP. The verification report is available upon request.**

**Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.**

## Notes to the performance presentation

Pyrford International, a wholly owned subsidiary of the Bank of Montreal, is an investment management firm based in the United Kingdom providing international asset management services for its clients. Pyrford is part of BMO's Wealth Management group which provides wealth management services in North America and the markets in which Pyrford additionally operates: Middle East, UK, Australia and Europe. As at December 31, 2016 Pyrford International Ltd had total assets under management and administration and term investments of US\$9,670m. For the purpose of measuring and presenting investment performance, all discretionary fee paying accounts of Pyrford International Ltd are allocated to a composite and a complete list and description of the composites is available on request. Additional information regarding the firm's policies and procedures for calculating and reporting performance returns is available upon request.

The Pyrford International Ltd "International Equity (Base Currency US\$) composite" comprises all fully discretionary, international equity accounts with a market value greater than US\$10m, a base currency of US\$ and no hedging restrictions. The benchmark for the composite is the MSCI EAFE index. The composite was first created on July 1, 1996. On April 1, 2002 the composite construction criteria were redefined to allow the inclusion of pooled funds, taxable funds and funds of between US\$10 – 15 million on the basis that these do not materially impact the returns generated.

All returns are calculated in US\$ terms on a time-weighted basis based on monthly valuations using modified Dietz. Composites have been asset weighted, where applicable, using the beginning of month market value adjusted for day weighted net inflows.

Where there are more than four accounts in the composite over a full year, dispersion is measured as the asset weighted standard deviation of asset weighted portfolio returns of all accounts in the composite for the full year.

The three-year annualised standard deviation measures the variability of the composite returns over the preceding 36-month period.

The accounts in this composite are unleveraged and derivatives are used solely for currency hedging purposes.

As at December 31, 2016, 7.0% of the composite assets were invested in Malaysia, Thailand and Taiwan which are not included in the MSCI EAFE Index. Historically the composite has invested between 2.4% and 13.0% in these countries.

Performance results are presented gross of management and custodial fees, but net of transaction costs and before taxes (except for non-reclaimable withholding tax). The standard management fee schedule for segregated management is as follows: 0.70% per annum on the first US\$50 million; 0.50% on the next US\$50 million, and thereafter 0.35% per annum.

Net-of-fees performance has been calculated using the highest management fee of 0.70% per annum, as described in the firm's fee schedule shown above.

Returns will be reduced by advisory fees and other expenses, and the effect of these fees will compound over time. As a hypothetical example, if an account generated a 10% return each year for five years, it would appreciate by 61%. If such an account paid a 1% annual fee, the appreciation on the fund would be 54%, or seven percentage points lower after five years.

There have been no significant events within the firm (such as ownership or personnel changes) which have materially impacted the historical investment performance.

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# REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
2	02/01/17	Retirement	Information	01/17/17

Subject: Introduce the 2016 Actuarial Valuation Completed by Cheiron (ALL). (Bonnel)

## ISSUE

Introduce the 2016 Actuarial Valuation Completed by Cheiron (ALL). (Bonnel)

## RECOMMENDED ACTION

1. Introduce the 2016 Actuarial Valuation Completed by Cheiron
2. Review the Assumed Rate of Return
3. Review the Assumed Inflation Rate

## FISCAL IMPACT

None as a result of this report.

## DISCUSSION

Cheiron will present the preliminary results of the 2016 Valuation Study for the Sacramento Regional Transit District's Pension Plans. In order to finalize the Plans' actuarial studies and establish the actuarially determined contribution rate (ADC) for Fiscal Year (FY) 2018, Cheiron staff will review the study results, respond to questions and accept input from the Boards.

Each Retirement Board will be asked to accept its respective valuation study at the Quarterly Retirement Board Meeting on March 15, 2017.

The draft 2016 Valuation Study uses the Pension Plans' current Assumed Rate of Return of 7.50% and Assumed Inflation Rate of 3.15%. Downward modification to either rate would lead to an increase in Sacramento Regional Transit District's contribution rate for Fiscal Year (FY) 2018 while upward modification would decrease the contribution rate.

Acceptance of the 2016 Valuation Study will allow the ADC to be incorporated into Sacramento Regional Transit District's FY 2018 budget.

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Approved:

Presented:

Final 1/24/17

Director, Human Resources

Director, Human Resources

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