

1Q19 SIERRA NEWSLETTER



MARKET REVIEW

THE YEAR 2019 WAS USHERED IN WITH UNCERTAINTY AS THE TRADE NEGOTIATIONS WITH CHINA AND THE GOVERNMENT SHUTDOWN LOOMED LARGE. AS THE YEAR BEGAN, CONSUMER SENTIMENT NOSE-DIVED UNDER THE IMPACT OF THE SHUTDOWN AND THE DECEMBER EQUITY MARKET SELLOFF. BY THE END OF THE FIRST QUARTER, THE MARKET ALMOST FULLY REBOUNDED. OVERALL CONSUMER CONFIDENCE RALLIED WITH SURPRISINGLY STRONG HIRING GAINS ACHIEVED DURING THE QUARTER. THIS COMBINED WITH GOOD RETAIL SALES NUMBERS MADE WHAT WAS ONCE EXPECTED TO BE A SLOW GROWTH QUARTER A VERY ROBUST QUARTER, WITH A GDP NUMBER OF 3.2% (PRELIMINARY). THE "GREAT RECESSION" OFFICIALLY ENDED IN JUNE OF 2009; IN JULY THE EXPANSION WILL OFFICIALLY BECOME THE LONGEST ON RECORD.

DOMESTIC EQUITY

OUR **LARGE CAP INTRINSIC VALUE EQUITY** STRATEGY RETURNED 11.8% (GROSS) DURING THE QUARTER, PERFORMING IN-LINE WITH THE RUSSELL 1000 VALUE RETURN OF 11.9%. OUR STRATEGY HAS BEEN EMPHASIZING THE CYCLICAL SECTORS FOR QUITE SOME TIME AS THEY ARE INEXPENSIVE, AND THEIR EARNINGS OUTLOOK REMAIN FIRM WITH THE CONTINUED ECONOMIC RECOVERY. THE MORE DEFENSIVE AREAS HAVE BEEN EXPENSIVE, WHICH HAS RESULTED IN OUR DISCIPLINE NOT EMPHASIZING THEM.

OUR **U.S. CONCENTRATED GROWTH** STRATEGY (COMPOSITE) RETURNED 3.7% VERSUS THE 2.9% RETURN OF THE RUSSELL 1000 GROWTH INDEX FOR THE MONTH OF MARCH, 2019. FOR THE FIRST QUARTER OF 2019, OUR PORTFOLIO RETURNED 14.7% VERSUS 16.1% FOR THE RUSSELL 1000 GROWTH INDEX. AS IS OFTEN THE CASE WHEN STOCKS HAVE MOVED SHARPLY HIGHER IN A RELATIVELY SHORT PERIOD, OUR STRATEGY LAGGED THE RETURN OF THE BENCHMARK IN THE QUARTER. OUR PORTFOLIO OUTPERFORMED IN BOTH

FEBRUARY AND MARCH, 2019, AS INVESTORS REWARDED ATTRACTIVELY VALUED QUALITY GROWTH STOCKS DUE TO THEIR RELATIVE STABILITY IN A PERIOD OF SLOWING GLOBAL GROWTH. SINCE INCEPTION (JANUARY 1, 1994), OUR U.S. CONCENTRATED GROWTH STRATEGY (COMPOSITE) HAS COMPOUNDED AT 11.7% COMPARED TO THE 9.5% COMPOUNDED RETURN OF THE BENCHMARK RUSSELL 1000 GROWTH INDEX.

OUR **SMALL VALUE EQUITY** PORTFOLIO (COMPOSITE) DELIVERED A TOTAL GROSS RETURN OF 11.5% VERSUS 11.9% FOR THE RUSSELL 2000 VALUE. WHILE THE PAST TWO YEARS HAVE BEEN CHALLENGING FOR VALUE MANAGERS, OUR PORTFOLIO HAS POSTED AN ANNUALIZED RETURN OF 5.9% (GROSS) VERSUS A RETURN OF 2.6% FOR THE RUSSELL 2000 VALUE INDEX. OUR PORTFOLIO HAS ALSO OUTPERFORMED THE RUSSELL 2000 VALUE INDEX SINCE INCEPTION (MARCH, 2005), POSTING AN AVERAGE ANNUAL RETURN OF 8.7% (GROSS) VERSUS 6.9% FOR THE BENCHMARK.

INTERNATIONAL EQUITY

IN **GLOBAL AND NON-U.S. VALUE EQUITY**, EQUITY MARKETS REBOUNDED IN THE FIRST QUARTER OF 2019, RECOUPING THE BULK OF LOSSES SUSTAINED IN THE FINAL MONTHS OF LAST YEAR. WHILE LITTLE CHANGED FUNDAMENTALLY TO WARRANT THE RALLY—IF ANYTHING, AGGREGATE GLOBAL ECONOMIC CONDITIONS AND CORPORATE EARNINGS TRENDS DETERIORATED DURING THE QUARTER—MARKETS RESPONDED CONSTRUCTIVELY TO A DOVISH TONE SHIFT FROM THE WORLD'S MAJOR CENTRAL BANKS.

IN **INTERNATIONAL AND GLOBAL PLUS EQUITY**, OUR EAFE PLUS EQUITY COMPOSITE RETURNED 15.9% (GROSS), VERSUS THE 10.1% RETURN OF THE MSCI EAFE INDEX, AND THE 12.0% RETURN FOR THE MSCI EAFE GROWTH (NET DIVIDENDS) INDEX. FOR THE TRAILING THREE YEARS, OUR EAFE PLUS EQUITY COMPOSITE HAS

OUTPERFORMED, RETURNING 12.0% (GROSS) VERSUS THE 7.8% RETURN OF THE MSCI EAFE INDEX, AND THE 7.6% RETURN OF THE MSCI EAFE GROWTH (NET DIVIDENDS) INDEX. FOR THE TRAILING TEN YEARS, OUR EAFE PLUS EQUITY COMPOSITE HAS OUTPERFORMED AS WELL, RETURNING 13.1% (GROSS), VERSUS THE 9.5% RETURN OF THE MSCI EAFE INDEX, AND THE 9.7% RETURN OF THE MSCI EAFE GROWTH (NET DIVIDENDS) INDEX.

FIXED INCOME

IN THE **FIXED INCOME** MARKET ARENA, DESPITE TRADE WARS, THE GOVERNMENT SHUT DOWN, AND ENDLESS POLITICAL WRANGLING, THIS PAST QUARTER TURNED OUT TO BE RISK-ON FOR THE FINANCIAL MARKETS. U.S. CORPORATE CREDIT HAD A STRONG QUARTER BOTH IN TERMS OF PERFORMANCE AND AN ABUNDANCE OF WELL-RECEIVED SUPPLY. SPREADS NARROWED DURING THE QUARTER ALLOWING THE CREDIT SECTOR TO OUTPERFORM WITH A TOTAL RETURN OF 4.9% AND EXCESS RETURN OF 2.5%.

OUR **HIGH YIELD** STRATEGY EXCEEDED THE BENCHMARK IN 1Q19 WITH BOTH SECTOR ALLOCATION AND SECURITY SELECTION BEING POSITIVE. OUR PORTFOLIO RETURNED 7.9% (GROSS) COMPARED TO THE BLOOMBERG BARCLAYS U.S. CORPORATE HIGH YIELD INDEX RETURN OF 7.3%.

EMERGING MARKETS

THE U.S. FEDERAL RESERVE'S RETREAT FROM

THE PATH OF TIGHTENING MONETARY POLICY HAS RAISED THE POSSIBILITY OF FLAT, OR EVEN LOWER, U.S. DOLLAR INTEREST RATES OUT TO 2020. THIS FORMS AN ATTRACTIVE BACKDROP FOR RISK ASSETS, AND EMERGING MARKETS MADE GOOD PROGRESS IN THE FIRST QUARTER OF 2019. OUR **EMERGING MARKETS EQUITY** PORTFOLIO (COMPOSITE) MADE A STRONG RETURN OF 9.3% FOR THE QUARTER, BUT LAGGED THE MSCI EMERGING MARKETS INDEX, WHICH RETURNED 10.0% OVER THE PERIOD. SINCE INCEPTION (JULY 1, 2012), OUR EMERGING MARKETS EQUITY PORTFOLIO (COMPOSITE) HAS RETURNED 5.5%, OUTPERFORMING THE MSCI EMERGING MARKETS INDEX BENCHMARK RETURN OF 4.6%.

THANK YOU

WE WOULD LIKE TO EXTEND OUR GRATITUDE TO THE **MID-ATLANTIC REGIONAL COUNCIL OF CARPENTERS ANNUITY FUND** AND THE **MID-ATLANTIC REGIONAL COUNCIL OF CARPENTERS PENSION FUND** FOR ALLOCATING A PORTION OF THEIR ASSETS TO SIERRA'S CONCENTRATED GROWTH EQUITY PRODUCT, AND THE **WEST VIRGINIA LABORERS PENSION TRUST FUND** FOR ALLOCATING A PORTION OF ITS ASSETS TO SIERRA'S EAFE PLUS EQUITY (INTERNATIONAL EQUITY) COMMINGLED FUND. ALSO, WE WOULD LIKE TO THANK THE **SAN MATEO ELECTRICAL WORKERS HEALTH PLAN** FOR ADDITIONAL CONTRIBUTIONS TO SIERRA'S FIXED INCOME PRODUCT. WE AT SIERRA INVESTMENT PARTNERS, INC., VALUE EACH OF OUR CLIENTS AND ARE GRATEFUL FOR THE OPPORTUNITY TO MANAGE A PORTION OF YOUR ASSETS.

DISCLOSURE

SIERRA INVESTMENT PARTNERS, INC. (SIERRA) IS A MANAGER OF MANAGERS AND USES EXCLUSIVE SUB-ADVISORY AND MARKETING RELATIONSHIPS TO MANAGE PLAN ASSETS. SIERRA'S SUB-ADVISORS ARE: AMUNDI PIONEER INSTITUTIONAL ASSET MANAGEMENT, INC. FOR CONCENTRATED GROWTH EQUITY; TODD ASSET MANAGEMENT LLC FOR LARGE CAP INTRINSIC VALUE EQUITY & INTRINSIC VALUE OPPORTUNITY; FRANKLIN TEMPLETON INSTITUTIONAL, LLC FOR FRANKLIN EAFE PLUS EQUITY & GLOBAL PLUS EQUITY; TEMPLETON INSTITUTIONAL ASSET MANAGEMENT, LLC FOR NON-U.S. EQUITY & GLOBAL EQUITY; STONERIDGE PMG ADVISORS, LLC FOR FIXED INCOME; ROBERT W. BAIRD & Co. INCORPORATED FOR SMALL VALUE EQUITY; FORT WASHINGTON INVESTMENT ADVISORS, INC. FOR HIGH YIELD FIXED INCOME; AND EDINBURGH PARTNERS LIMITED FOR EMERGING MARKETS EQUITY. PERFORMANCE REFLECTS THAT OF OUR SUB-ADVISOR FOR EACH RESPECTIVE PRODUCT. RETURNS ARE CALCULATED AND PRESENTED GROSS OF FEES. GROSS OF FEES PERFORMANCE IS CALCULATED AFTER THE DEDUCTION OF TRADING COSTS, BUT BEFORE THE DEDUCTION OF MANAGEMENT FEES, CUSTODIAL FEES OR OTHER FEES. FEE SCHEDULES ARE DESCRIBED IN PART II OF SIERRA'S FORM ADV. SIERRA CLIENT RETURNS WOULD BE REDUCED BY INVESTMENT MANAGEMENT FEES. FOR EXAMPLE, A FIVE-YEAR GROSS ANNUALIZED RETURN OF 20.10% WOULD BE REDUCED TO 18.96% AFTER THE DEDUCTION OF ANNUALIZED FEES OF 1%. THE INFORMATION PROVIDED IS HISTORIC IN NATURE AND SHOULD NOT BE TAKEN AS ANY INDICATION OF FUTURE PERFORMANCE AS FUTURE INVESTMENTS WILL BE MADE UNDER DIFFERENT ECONOMIC CONDITIONS AND MAY UTILIZE DIFFERENT SECURITIES. THE RUSSELL 1000 VALUE INDEX IS A WIDELY RECOGNIZED INDEX OF MARKET ACTIVITY BASED ON THE AGGREGATE PERFORMANCE OF COMMON STOCKS FROM THE RUSSELL 1000 INDEX, WITH LOWER PRICE-TO-BOOK RATIOS AND LOWER FORECASTED GROWTH VALUES. THE PERFORMANCE DATA WAS SUPPLIED BY FRANK RUSSELL TRUST COMPANY. THE RUSSELL 1000 GROWTH INDEX MEASURES THE PERFORMANCE OF THE RUSSELL 1000'S GROWTH SEGMENT, WHICH IS DEFINED TO INCLUDE THE FIRMS WHOSE SHARE PRICES HAVE HIGHER PRICE-TO-BOOK RATIOS AND HIGHER EXPECTED EARNINGS GROWTH RATES. THE RUSSELL 2000 VALUE INDEX MEASURES THE PERFORMANCE OF THE SMALL-CAP VALUE SEGMENT OF THE U.S. EQUITY UNIVERSE. IT INCLUDES THOSE RUSSELL 2000 INDEX COMPANIES WITH LOWER PRICE-TO-BOOK RATIOS AND LOWER FORECASTED GROWTH VALUES. THE RUSSELL INDICES ARE A TRADEMARK OF THE FRANK RUSSELL COMPANY. INDICES ARE UNMANAGED AND ARE NOT AVAILABLE FOR DIRECT INVESTMENT. THE MSCI EAFE INDEX IS AN EQUITY INDEX CALCULATED BY MSCI. THE INDEX MEASURES THE TOTAL RETURNS (GROSS DIVIDENDS ARE REINVESTED) OF EQUITY SECURITIES IN THE DEVELOPED MARKETS IN EUROPE, AUSTRALASIA AND THE FAR EAST. SECURITIES INCLUDED IN THE INDEX ARE WEIGHTED ACCORDING TO THEIR FREE FLOAT ADJUSTED MARKET CAPITALIZATION (PRICE X SHARES OUTSTANDING X FOREIGN INCLUSION FACTOR). THE MSCI EAFE GROWTH (NET DIVIDENDS) INDEX IS A FREE FLOAT-ADJUSTED MARKET CAPITALIZATION WEIGHTED EQUITY INDEX COMPRISED OF SECURITIES IN MSCI'S DEVELOPED MARKET COUNTRY SPECIFIC-INDEXES, EXCLUDING THE U.S. AND CANADA, THAT HAVE MORE GROWTH-ORIENTED INVESTMENT STYLE CHARACTERISTICS. THE INDICES ARE NET OF FOREIGN WITHHOLDING TAXES ON DIVIDENDS. THE BLOOMBERG BARCLAYS U.S. CORPORATE HIGH YIELD BOND INDEX MEASURES THE USD-DENOMINATED, HIGH YIELD, FIXED-RATE CORPORATE BOND MARKET. SECURITIES ARE CLASSIFIED AS HIGH YIELD IF THE MIDDLE RATING OF MOODY'S, FITCH AND S&P IS BA1/BB+/BB+ OR BELOW. THE MSCI EMERGING MARKETS INDEX CAPTURES LARGE AND MID-CAP REPRESENTATION ACROSS 24 EMERGING MARKETS (EM) COUNTRIES, INCLUDING BRAZIL, CHILE, CHINA, COLOMBIA, CZECH REPUBLIC, EGYPT, GREECE, HUNGARY, INDIA, INDONESIA, KOREA, MALAYSIA, MEXICO, PAKISTAN, PERU, PHILIPPINES, POLAND, RUSSIA, QATAR, SOUTH AFRICA, TAIWAN, THAILAND, TURKEY AND UNITED ARAB EMIRATES. WITH 846 CONSTITUENTS, THE INDEX COVERS APPROXIMATELY 85% OF THE FREE FLOAT-ADJUSTED MARKET CAPITALIZATION IN EACH COUNTRY. THE INDICES CHOSEN TO COMPARE PERFORMANCE ARE NOT IDENTICAL IN STRUCTURE TO THE COMPOSITES AND ARE PROVIDED TO REPRESENT THE INVESTMENT ENVIRONMENT EXISTING DURING THE TIME PERIODS SHOWN. INDICES ARE UNMANAGED, FULLY INVESTED AND DO NOT INCLUDE DEDUCTION OF FEES OR EXPENSES. THIS INFORMATION IS ONLY AN EXPLANATION OF INVESTMENT PHILOSOPHY AND HISTORIC PERFORMANCE AND IS NOT MEANT TO BE AN INVESTMENT RECOMMENDATION. FOR A DISCLOSURE PREPARED IN COMPLIANCE WITH THE GLOBAL INVESTMENT PERFORMANCE STANDARDS (GIPS®) AND A LIST OF COMPOSITES AND PERFORMANCE RESULTS, PLEASE CALL OUR CORPORATE HEADQUARTERS AT (925) 941-6300. GIPS HAS NOT BEEN INVOLVED WITH THE PREPARATION OR REVIEW OF THIS REPORT. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.