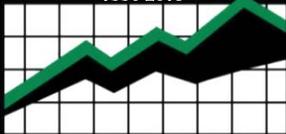


2Q18 SIERRA NEWSLETTER



22 YEARS OF EXCELLENCE
1996-2018



SIERRA INVESTMENT
PARTNERS, INC.®



MARKET REVIEW

THE U.S. GDP GROWTH ACCELERATED IN THE SECOND QUARTER, SPURRED BY A REBOUND IN CONSUMER SPENDING AND ACCELERATION IN MANUFACTURING ACTIVITY. INDUSTRIAL PRODUCTION REMAINED ROBUST AND BUSINESS CAPITAL SPENDING HELD UP, SUPPORTED BY THE TAILWIND FROM THE LATE-CYCLE FISCAL STIMULUS. NONRESIDENTIAL CONSTRUCTION EXPANDED AT A FASTER PACE. HOUSING ACTIVITY, HOWEVER, REMAINED LACKLUSTER. RESIDENTIAL CONSTRUCTION HAS SO FAR FAILED TO KEEP UP WITH DEMAND FOR REPLACEMENT UNITS AND NEW HOUSING NEEDS. SALES ACTIVITY OF EXISTING HOMES HAS ALSO BEEN RELATIVELY FLAT IN THE LAST TWO YEARS, PARTLY DUE TO LACK OF SUPPLY.

DOMESTIC EQUITY

OUR **LARGE CAP INTRINSIC VALUE EQUITY (LCIV)** STRATEGY DECLINED -0.7% (GROSS) DURING THE QUARTER, UNDERPERFORMING THE RUSSELL 1000 VALUE (+1.2%). YEAR TO DATE, OUR LCIV STRATEGY IS DOWN -1.1% (GROSS), OUTPERFORMING THE RUSSELL 1000 VALUE AT -1.7%. FOR THE TRAILING ONE YEAR, OUR LCIV STRATEGY IS UP 14.0%, SIGNIFICANTLY OUTPERFORMING THE RUSSELL 1000 VALUE RETURN OF 6.8%. U.S. MARKETS SEEM TO DISBELIEVE THE ECONOMIC RECOVERY (WHICH WE HAVE BEEN IN SINCE THE GREAT RECESSION) CAN SUSTAIN ITSELF MUCH LONGER. WE BELIEVE THE ECONOMIC RECOVERY THAT THE U.S. AND REST OF THE WORLD IS ENJOYING SHOULD LAST FOR SOME TIME TO COME, ALTHOUGH WITH SOME HICCUPS ALONG THE WAY.

OUR **U.S. CONCENTRATED GROWTH STRATEGY** (COMPOSITE) RETURNED 3.27% VERSUS THE 5.76% RETURN OF THE RUSSELL 1000 GROWTH INDEX IN THE SECOND QUARTER OF 2018, BUT THROUGH THE MANY DIFFERENT AND VARIED MARKET CYCLES, WE HAVE SUCCESSFULLY RETURNED 11.58% COMPARED TO THE RUSSELL 1000 GROWTH RETURN OF 9.46% SINCE INCEPTION (JANUARY 1, 1994). THE PRIMARY REASON FOR THE UNDERPERFORMANCE DURING THE QUARTER WAS THE PORTFOLIO'S EMPHASIS ON QUALITY STABLE GROWTH STOCKS, WITH MORE MODEST VALUATIONS IN COMPARISON TO THE HIGH GROWTH, HIGH VALUATION, HIGH VOLATILITY STOCKS

THAT ACCOUNTED FOR MUCH OF THE GAIN IN THE INDEX DURING THE SECOND QUARTER OF 2018. THE PORTFOLIO'S EMPHASIS ON STABLE GROWTH IS CONSISTENT WITH ITS INVESTMENT PHILOSOPHY AND DISCIPLINE OF SEEKING HIGH QUALITY, ATTRACTIVELY VALUED GROWTH STOCKS THAT CAN PERFORM WELL IN RISING MARKETS (BUT ALMOST NEVER KEEP UP IN MOMENTUM DRIVEN MARKETS) BUT WILL ALSO HELP MITIGATE RISK WHEN EQUITY MARKETS DECLINE.

OUR **SMALL VALUE EQUITY PORTFOLIO (COMPOSITE)** DELIVERED A TOTAL RETURN OF 5.0% VERSUS 8.3% FOR THE BENCHMARK RUSSELL 2000 VALUE. FOR THE LAST TWELVE MONTHS THE PORTFOLIO RETURNED 17.3%, OUTPACING THE BENCHMARK RETURN OF 13.1%. FURTHERMORE, THE PORTFOLIO HAS OUTPERFORMED THE RUSSELL 2000 VALUE SINCE INCEPTION (MARCH 1, 2005), POSTING AN AVERAGE ANNUAL RETURN OF 9.8% VERSUS 7.9% FOR THE BENCHMARK.

INTERNATIONAL EQUITY

IN **GLOBAL AND NON-U.S. VALUE EQUITY**, EQUITIES DELIVERED LACKLUSTER RETURNS IN THE SECOND QUARTER AMID ESCALATING TRADE TENSIONS AND ITALIAN POLITICAL DRAMA. STOCKS BEGAN EACH MONTH OF THE QUARTER WITH AN ATTEMPTED RALLY THAT ULTIMATELY FIZZLED OUT, RESULTING IN A LOSS FOR INTERNATIONAL INDEXES AND A SLIGHT GAIN FOR GLOBAL MARKETS (IN USD). PERFORMANCE TRENDS REMAINED BROADLY CONSISTENT IN RECENT PERIODS WITH A FEW EXCEPTIONS.

ALTHOUGH IT WAS A BUMPY QUARTER FOR THE BROADER MARKETS, OUR **INTERNATIONAL AND GLOBAL GROWTH EQUITY** STRATEGIES CONTINUED TO PERFORM EXTREMELY WELL AGAINST THEIR RESPECTIVE BENCHMARKS, WITH OUR EAFE PLUS EQUITY COMPOSITE RETURNING 4.6% (GROSS) FOR THE QUARTER, COMPARED TO THE 0.4% RETURN OF THE MSCI EAFE GROWTH INDEX, AND THE -1.0% RETURN OF THE MSCI EAFE (BROAD) INDEX. FOR THE ONE-YEAR TRAILING, OUR EAFE PLUS EQUITY COMPOSITE HAS RETURNED 22.4% (GROSS) COMPARED TO THE 9.8% RETURN OF THE MSCI

EAFE GROWTH INDEX, AND THE 7.4% RETURN OF THE MSCI EAFE (BROAD) INDEX. NOT ONLY HAS GROWTH CONTINUED TO OUTPERFORM VALUE, BUT THE STRATEGIES HAVE BENEFITED FROM STRONG STOCK SELECTION AS A NUMBER OF INDIVIDUAL HOLDINGS CONTINUED TO EXECUTE WELL, NOTABLY IN THE INFORMATION TECHNOLOGY AND INDUSTRIALS SECTORS.

FIXED INCOME

IN THE **FIXED INCOME** MARKET ARENA, THE CORPORATE BOND MARKET CONTINUED TO DETERIORATE DURING THE LAST QUARTER. CONSISTENT WITH THE EQUITY MARKETS' PEAK IN LATE JANUARY, CREDIT SPREADS REACHED HISTORIC TIGHTENING. INTEREST RATES CONTINUED THEIR UPWARD DRIFT DURING 2018'S SECOND QUARTER, DRIVEN BY HIGHER INFLATION, STRONGER ECONOMIC GROWTH, AND TIGHTER FEDERAL RESERVE POLICY.

IN THE **HIGH YIELD** MARKET, OUR CORE STRATEGY LAGGED THE BENCHMARK, AS CONTRIBUTION FROM SECTOR ALLOCATION WAS MODESTLY NEGATIVE WHILE ATTRIBUTION FROM CREDIT SELECTION WAS NEGATIVE PRIMARILY DUE TO THE LACK OF OWNERSHIP OF CCC-RATED SECURITIES. ATTRIBUTION AMONG SECTORS AND CREDITS WAS WELL DISTRIBUTED WITH AN EVEN WEIGHTING OF OVERWEIGHT AND UNDERWEIGHT POSITIONS MAKING THE LIST OF TOP AND BOTTOM PERFORMERS, HIGHLIGHTING THE IMPORTANCE OF CREDIT SELECTION IN THE CURRENT MARKET. NOTABLY POSITIVE SELECTION WAS GENERATED IN WIRELESS, FOOD AND BEVERAGE, AND MIDSTREAM WHILE DETRACTORS WERE DISTRIBUTED ACROSS SEVERAL SECTORS INCLUDING CABLE/SATELLITE,

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 GROWTH 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 GROWTH 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 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 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 INDEXES 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. INDEXES 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.

ENERGY, AND METALS & MINING. THE VOLATILITY THAT ENTERED THE MARKETS IN 1Q18 STAYED IN 2Q18, AS BOTH RATES AND SPREADS CONTINUED TO WIDEN (ALTHOUGH TO A LESSER EXTENT).

EMERGING MARKETS

POLITICAL AND TRADE TENSIONS DOMINATED INVESTOR SENTIMENT IN **EMERGING MARKETS** IN THE SECOND QUARTER OF 2018. DESPITE AN APPARENT DIMINUTION OF RISK ON THE KOREAN PENINSULA, THE VULNERABILITY OF ASIAN ECONOMIES TO THE EFFECTS OF INCREASING TRADE TARIFFS AND THE POSSIBILITY OF A TRADE WAR BETWEEN CHINA AND THE USA WEIGHED HEAVILY ON MARKETS. AS A RESULT, THE MSCI EMERGING MARKETS INDEX RETURNED -7.9% FOR THE QUARTER, AND OUR EMERGING MARKETS EQUITY COMPOSITE RETURNED -7.8% (GROSS). SINCE INCEPTION (JULY 1, 2012), OUR EMERGING MARKETS EQUITY COMPOSITE HAS RETURNED 5.9% COMPARED TO THE 5.0% RETURN OF THE MSCI EMERGING MARKETS INDEX.

THANK YOU

WE WOULD LIKE TO EXTEND OUR GRATITUDE TO THE **MICHIGAN LABORERS ANNUITY 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 **INTERNATIONAL BROTHERHOOD OF TEAMSTERS LOCAL NO. 705 HEALTH AND WELFARE FUND** FOR ADDITIONAL CONTRIBUTIONS TO SIERRA'S FIXED INCOME PRODUCT AND 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.