Sierra Update

Second Quarter 2015

19 Years of Excellence
1996-2015

SIERRA INVESTMENT PARTNERS, INC.

MARKET REVIEW

The U.S. economy gathered strength in the second calendar quarter following a weak start to the year. The labor market continues to improve with payrolls averaging an increase of 208,000 over the last six months. The more stable labor markets have helped households gain confidence. Gains in consumer spending exceeded 2.0% in each of the last four quarters despite the weather disruptions. Since household spending is the primary driver of growth in GDP, we have good reason to believe that the economy will maintain a healthy rate of growth through the end of the year.

Following mild downturns in mid-2014, there have also been noteworthy improvements to economic conditions in Europe and Japan in response to lower oil prices and a weakening of the euro and the yen. Europe and Japan are expected to achieve economic growth of 1.5%-2.0% in the second half of this year.

Domestic Equity

Thus far into 2015, our **Large Cap Intrinsic Value Equity (LCIV)** gross returns have been between the S&P and benchmark Russell 1000 Value indices as the market grinds. Our strategy slightly lagged the S&P and Russell 1000 Value last quarter because of the high growth bias investors had.

The largest changes to the portfolio were the 1.3% reduction in cash within our model to end at 2.3%, and the increase in exposure to the Financials.

Our U.S. **Concentrated Growth** Composite significantly outperformed its benchmark in the second quarter, the Russell 1000 Growth Index, earning 1.45% versus 0.12%. Positive stock selection results, particularly in the Consumer Staples and Information Technology sectors, drove the strategy's outperformance of the Index during the quarter. Stock selection in Energy and an overweight to Health Care also contributed to benchmark-relative returns. We believe the strategy's portfolio is well-positioned should a more volatile market environment develop.

For the quarter, our **Small Value Equity** portfolio outperformed the benchmark Russell 2000 Value by 240 basis points (bps), delivering an absolute return of 1.2%. The portfolio continues to deliver solid long-term absolute and relative returns outpacing the benchmark by 230 bps year-to-date and returning 16.3% versus 15.5% for the trailing 3-year, 17.0% versus 14.8% for the trailing 5-year, and 10.1% versus 6.9% for the trailing 10-year. Performance was predominantly driven for the quarter by our financial and information technology holdings.

International Equity

Global/international equities experienced modest gains in the second quarter (in USD), despite the turmoil that enveloped Greek politics and Chinese equities in the final weeks of trading. In our **Global and Non-U.S. Value Equity** strategies, the composites have outperformed their respective benchmarks, the MSCI All Country World Index and MSCI All Country World ex-U.S. Index since the depths of the global financial crisis six years ago.

In **International and Global Growth Equity**, the MSCI World and MSCI All Country World indices were both up approximately 0.5% in U.S. dollar terms in the second quarter. The Telecommunications Services, Financials and Health Care sectors led the MSCI World Index.

MARKET REVIEW (cont.)

With global equity markets rather sanguine in the second quarter, we saw investors focus on fundamentals. As bottom-up stock pickers, our international and global growth strategies have historically performed better during periods where fundamentals are the focus and macroeconomic factors are less impactful. There is additional comfort in the fact that our strategies do not hold Greece-listed stocks and we believe our holdings should have minimal exposure to the Greek economy.

Fixed Income

In the **Fixed Income** market arena, longer-term interest rates (10-year Treasuries) which closed March yielding 1.93% rose 40 bps to 2.33% by second quarter's end. Shorter-term notes (2-year Treasuries) rose 8 bps, ending the quarter yielding 0.63%. While interest rates rose during the quarter, Corporate America continued to sell investment grade bonds despite a decline in investor demand. However, unlike in the first quarter, higher quality Aaa- and Aa-rated bonds outperformed. The large supply of new A and Baa corporate bonds contributed to their underperformance.

Similar to equities, **High Yield** spreads were reasonably firm throughout the quarter before widening in June as oil weakened and EU tensions increased. After having tightened by 15 bps during the first calendar quarter, high yield spreads widened by 16 bps during the second calendar quarter, ending at +493, virtually on top of where they began the year.

Our portfolios outperformed due to meaningful attribution from security selection, primarily within Metals and Mining. Security selection within Health Care and Paper also contributed. Attribution from sector allocation was essentially neutral during the quarter.

SIERRA HEADLINES

Thank You

We would like to extend our gratitude to the **Hawaii Electricians Annuity and Pension Funds** for additional contributions to Sierra's Concentrated Growth Equity product, to the **IBEW Local #481 Defined Contribution Plan and Trust, St. Paul Electrical Construction Pension** and the **St. Paul Electrical Construction Workers Supplemental Pension Plan** for additional contributions to our Non-U.S. Equity commingled fund, and to the **Hawaii Masons and Plasterers Annuity Trust Fund** for additional contributions to our Intrinsic Value Equity 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-advisor relationships to manage plan assets. Sierra's sub-advisors are: Pioneer Institutional Asset Management, Inc. for Concentrated Growth Equity; Todd Asset Management, LLC for Large Cap Intrinsic Value Equity & Intrinsic Value Opportunity; Franklin Equity Group for Franklin Non-U.S. Equity & Global Growth Equity; Templeton for Non-U.S. Equity & Global Equity; PMG Advisors, LLC for Fixed Income; Robert W. Baird & Co. Incorporated for Small Value Equity; and Fort Washington Investment Advisors, Inc. for High Yield Fixed Income. Performance reflects that of our exclusive 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 Large Cap Intrinsic Value Equity composite includes all fully discretionary, non-taxable portfolios invested in the equity strategy. The Russell 1000 Index is a market capitalization weighted index that consists of the 1,000 largest securities in the Russell 3000 Index. The S&P 500 Index is a market capitalization weighted index that contains approximately 500 industrial, transportation, utility and financial companies regarded as generally representative of the U.S. stock market. Investments are not limited to the companies in the Russell 1000 or the S&P 500. The Small Value Equity composite includes all fully discretionary, institutional portfolios over $5.0 million invested in the Small Value Equity strategy benchmarked against the Russell 2000. The Russell 2000 is a market capitalization weighted index which measures the performance of approximately 2000 companies that are between the 1000th and 3000th largest in the market. The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price/book ratios and lower forecasted growth values. Investments are not limited to the companies in the Russell 2000 or Russell 2000 Value. 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. Information contained herein should be used for one-on-one presentations only and should be accompanied by this performance disclosure. 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.