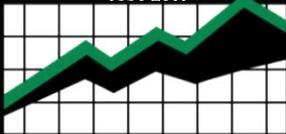


3Q17 SIERRA NEWSLETTER



21 YEARS OF EXCELLENCE
1996-2017



SIERRA INVESTMENT
PARTNERS, INC.®



MARKET REVIEW

IT WAS AN EVENTFUL THIRD QUARTER IN TERMS OF NEWS HEADLINES: THE SEVENTH MOST ACTIVE ATLANTIC HURRICANE SEASON ON RECORD CAUSED MAJOR DAMAGE IN MANY AREAS OF THE U.S. AND THE CARIBBEAN, DOMESTIC AND INTERNATIONAL TERRORISM EVENTS, NUCLEAR THREATS FROM NORTH KOREA, AND POLITICAL BICKERING IN WASHINGTON. AS A RESULT, GROWTH IN THE THIRD QUARTER WAS LIKELY DEPRESSED. PRIOR TO HURRICANE HARVEY, ECONOMISTS WERE FORECASTING GROWTH OF APPROXIMATELY 3.0% FOR THE QUARTER. BY THE TIME HURRICANE IRMA HAD PASSED OVER FLORIDA, ESTIMATES HAD BEEN LOWERED TO AROUND 2.0%. WE EXPECT GROWTH TO STAGE A COMEBACK IN THE FOURTH QUARTER AS HURRICANE VICTIMS REBUILD AND REPLACE LOST GOODS.

DOMESTIC EQUITY

OUR **LARGE CAP INTRINSIC VALUE EQUITY** STRATEGY RETURNED 6.1% (GROSS) DURING THE QUARTER, OUTPERFORMING THE RUSSELL 1000 VALUE INDEX AT 3.1%. OVER THE LAST 12 MONTHS, OUR STRATEGY IS UP 28.6% (GROSS) VERSUS THE RUSSELL 1000 VALUE INDEX AT 15.1%. OUR STRATEGY IS CONTINUING A RECOVERY THAT BEGAN OVER A YEAR AGO, AND WAS PROMPTED BY BETTER CONFIDENCE AND THE BELIEF THAT THE ECONOMY HAS COMPLETED THE "GREAT RESET" FROM THE FINANCIAL CRISIS. STOCK SELECTION DROVE PERFORMANCE DURING THE QUARTER, ACCOUNTING FOR ALMOST ALL OF OUR OUTPERFORMANCE.

FOR THE QUARTER, OUR **U.S. CONCENTRATED GROWTH** STRATEGY LAGGED ITS BENCHMARK, THE RUSSELL 1000 GROWTH INDEX. HOWEVER, THIS IS CONSISTENT WITH HOW WE WOULD EXPECT THE STRATEGY TO PERFORM IN A RAPIDLY RISING MARKET DRIVEN BY MOMENTUM GROWTH STOCKS WITH HIGH VALUATIONS. SIERRA IS A HIGH QUALITY, FUNDAMENTALS BASED, LARGE CAP GROWTH MANAGER, WITH PROVEN DOWNSIDE PROTECTION. OVER A FULL MARKET CYCLE, OUR STRATEGY HAS PROVEN TO OUTPERFORM WITH LESS RISK. YEAR-TO-DATE RETURNED 18.4% COMPARED TO THE BENCHMARK RUSSELL 1000 GROWTH INDEX RETURN OF 5.9%. SINCE INCEPTION (01/01/94),

OUR STRATEGY HAS OUTPERFORMED, RETURNING 11.6% VERSUS THE BENCHMARK RUSSELL 1000 GROWTH INDEX RETURN OF 9.1%.

OUR **SMALL VALUE EQUITY** PORTFOLIO OUTPERFORMED ITS BENCHMARK DELIVERING A TOTAL RETURN OF 8.4% VERSUS A 5.1% RETURN FOR ITS BENCHMARK, THE RUSSELL 2000 VALUE. YEAR-TO-DATE, THE PORTFOLIO HAS RETURNED 12.6% OUTPACING THE RUSSELL 2000 VALUE BENCHMARK RETURN OF 5.7%. OUR BARBELL POSITIONING IN TERMS OF BETA SERVED THE PORTFOLIO WELL DURING BOTH UP AND DOWN MARKET DAYS.

INTERNATIONAL EQUITY

IN **GLOBAL AND NON-U.S. VALUE EQUITY**, GLOBAL AND INTERNATIONAL EQUITIES ADVANCED IN THE THIRD QUARTER AS INVESTORS WEIGHED STILL-EASY FINANCIAL CONDITIONS AND INCREASINGLY SYNCHRONIZED GLOBAL ECONOMIC GROWTH AGAINST ESCALATING GEOPOLITICAL TENSIONS, PUNCTUATED BY A STRING OF DISRUPTIVE WEATHER EVENTS. WITH A FEW EXCEPTIONS, OUR PORTFOLIOS WERE WELL-POSITIONED TO TAKE ADVANTAGE OF THESE UNFOLDING TRENDS, BENEFITTING FROM AN OVERWEIGHT IN ENERGY, AND IN MATERIALS MORE MODESTLY, AS WELL AS FROM SOLID EXPOSURE AND BROADLY POSITIVE STOCK SELECTION IN EUROPE AND ASIA. YET, OUR UNDERWEIGHT TO EMERGING MARKETS AND SEVERAL DETRIMENTAL STOCK-SPECIFIC ISSUES OFFSET THE POSITIVE IMPACT OF PORTFOLIO POSITIONING, RESULTING IN MODEST RELATIVE UNDERPERFORMANCE IN THE THIRD QUARTER DESPITE SOLID ABSOLUTE GAINS.

IN **INTERNATIONAL AND GLOBAL GROWTH EQUITY**, THE TRENDS UNDERPINNING THE STOCK MARKET'S ADVANCE SO FAR THIS YEAR HAVE PROVEN TO BE BENEFICIAL FOR OUR STRATEGIES. IN GENERAL, WE HAVE SEEN NON-U.S. MARKETS OUTPERFORM THEIR U.S. COUNTERPARTS AFTER YEARS OF U.S. STOCKS LEADING THE MARKET HIGHER. THE GROWTH STYLE HAS BEEN STRONGLY IN FAVOR AND SECTORS LIKE INFORMATION TECHNOLOGY, WHERE WE HAVE FOUND MANY COMPELLING INVESTMENTS, HAVE PACED THIS YEAR'S MARKET ADVANCE.

FIXED INCOME

IN THE **FIXED INCOME** MARKET ARENA, CORPORATE BONDS OUTPERFORMED TREASURIES IN THE THIRD QUARTER WITH THE INVESTMENT GRADE CORPORATE INDEX RETURNING 1.3% COMPARED TO 0.4% FOR U.S. TREASURIES. THROUGHOUT THE QUARTER, THE BID FOR LOWER QUALITY BONDS CONTINUED TO OUTPACE HIGHER QUALITY PAPER. THE 10-YEAR TREASURY YIELD IS STILL TRADING IN A NARROW RANGE OF 2.3% TO 2.5%. TAME INFLATION AND INVESTMENT FROM ABROAD REMAIN AN ANCHOR TO ANY SIGNIFICANT SPIKE IN YIELDS.

IN THE **HIGH YIELD** MARKET, OUR STRATEGY OUTPACED ITS BENCHMARK, THE BLOOMBERG BARCLAYS U.S. CORPORATE HIGH YIELD INDEX, BY 23BPS (GROSS) PRIMARILY DUE TO SECURITY SELECTION. POSITIVE SELECTION WAS GENERATED IN A WIDE VARIETY OF SECTORS INCLUDING MEDIA ENTERTAINMENT, RETAILERS, SUPERMARKETS, ELECTRIC UTILITIES, AND HEALTH CARE. THOUGH THERE WAS NO COMMON ELEMENT TO OUR RESULTS, THE AVOIDANCE OF PARTICULARLY HARD HIT ISSUERS IN MULTIPLE SECTORS BENEFITTED PERFORMANCE.

EMERGING MARKETS

WEAKNESS IN THE U.S. DOLLAR AND THE ONGOING APPARENT STABILITY OF THE CHINESE ECONOMY PROVIDED A FAVORABLE BACKDROP FOR CONTINUING INVESTOR FLOWS INTO **EMERGING MARKET** EQUITIES. INVESTORS ARE STARTING TO RECOGNIZE THE POTENTIAL FOR SOME TECHNOLOGY DRIVEN EMERGING MARKET COMPANIES TO OVERTAKE THEIR DEVELOPED MARKET PEERS. WE CONTINUE TO BELIEVE THAT WE ARE IN A SUSTAINED PERIOD WHERE VALUATION RATHER THAN MOMENTUM WILL DRIVE SHARE PRICES AND WE EXPECT THE PORTFOLIO TO BENEFIT ACCORDINGLY.

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: 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 NON-U.S. 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 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 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. 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.

THANK YOU

WE WOULD LIKE TO EXTEND OUR GRATITUDE TO THE **HAWAII ELECTRICIANS ANNUITY FUND** AND THE **HAWAII ELECTRICIANS PENSION FUND** FOR ALLOCATING A PORTION OF THEIR ASSETS TO SIERRA'S EAFE PLUS EQUITY (INTERNATIONAL EQUITY) PRODUCT, AND THE **INTERNATIONAL BROTHERHOOD OF TEAMSTERS LOCAL No. 705 PENSION FUND** FOR ALLOCATING A PORTION OF ITS ASSETS TO SIERRA'S EMERGING MARKETS EQUITY PRODUCT. ALSO, WE WOULD LIKE TO THANK THE **OHIO LABORERS DISTRICT COUNCIL – OHIO CONTRACTORS ASSOCIATION INSURANCE FUND** FOR ADDITIONAL CONTRIBUTIONS TO SIERRA'S HIGH YIELD FIXED INCOME PRODUCT, THE **SACRAMENTO AREA ELECTRICAL WORKERS PENSION TRUST FUND** FOR ADDITIONAL CONTRIBUTIONS TO SIERRA'S CONCENTRATED GROWTH EQUITY PRODUCT, THE **SAN DIEGO ELECTRICAL PENSION TRUST** FOR ADDITIONAL CONTRIBUTIONS TO SIERRA'S HIGH YIELD FIXED INCOME AND SIERRA'S FIXED INCOME PRODUCTS, 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.

KEEPING MEMORY ALIVE

WE WANT TO EXTEND A SINCERE THANK YOU TO ALL OF YOU WHO HONORED US WITH YOUR PRESENCE AT OUR ANNUAL COCKTAIL PARTY DURING THE INTERNATIONAL FOUNDATION OF EMPLOYEE BENEFIT PLANS CONFERENCE IN LAS VEGAS, NEVADA. CONGRATULATIONS TO ALL OF OUR BINGO WINNERS!

