

AGENDA  
IRVINE RANCH WATER DISTRICT  
POST-EMPLOYMENT BENEFITS TRUST RETIREMENT BOARD  
QUARTERLY MEETING  
TUESDAY, MAY 1, 2018

CALL TO ORDER    3:30 p.m., Committee Room, Second Floor, District Office  
15600 Sand Canyon Avenue, Irvine, California

ATTENDANCE      Board Member: Peer Swan \_\_\_\_\_ Board Member: Steve LaMar \_\_\_\_\_  
Board Member: Paul Cook \_\_\_\_\_

ALSO PRESENT    Cheryl Clary \_\_\_\_\_  
Rob Jacobson \_\_\_\_\_  
Tanja Fournier \_\_\_\_\_

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**COMMUNICATIONS**

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1. Meeting Minutes: Tanja Fournier
2. Public Comments
3. Determine the need to discuss and/or take action on item(s) introduced, which came to the attention of the District subsequent to the agenda being posted.
4. Determine which items may be approved without discussion.

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**ACTION**

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5.    MINUTES OF THE MEETING OF THE IRVINE RANCH WATER DISTRICT  
RETIREMENT BOARD – FOURNIER / JACOBSON / CLARY

Recommendation: That the minutes of the February 5, 2018 Board Meeting of the Irvine Ranch Water District Retirement Board be approved as presented.

6.    IRWD POST RETIREMENT BENEFITS TRUST INVESTMENT REVIEW AS  
OF MARCH 31, 2018 – FOURNIER / JACOBSON / CLARY

Recommendation: Based on discussions and direction from the Board, staff will implement changes to the portfolio, if any.

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**OTHER BUSINESS**

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7. Directors' Comments
8. Adjourn

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the above-named Retirement Board in connection with a matter subject to discussion or consideration at an open meeting of the Retirement Board are available for public inspection in the District's office, 15600 Sand Canyon Avenue, Irvine, California ("District Office"). If such writings are distributed to members of the Retirement Board less than 72 hours prior to the meeting, they will be available from the District Secretary of the District Office at the same time as they are distributed to Retirement Board Members, except that if such writings are distributed one hour prior to, or during, the meeting, they will be available at the entrance of the meeting room at the District Office. The Irvine Ranch Water District Committee Room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.), please contact the District Secretary at (949) 453-5300 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in an alternative format upon written request to the District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

May 1, 2018

Prepared by: T. Fournier

Submitted by: R. Jacobson / C. Clary

Approved by: Paul A. Cook

RETIREMENT BOARD

MINUTES OF THE MEETING OF THE IRVINE  
RANCH WATER DISTRICT RETIREMENT BOARD

SUMMARY:

Provided are the minutes of the February 5, 2018 meeting of the Irvine Ranch Water District Retirement Board for approval.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

RECOMMENDATION:

THAT THE MINUTES OF THE FEBRUARY 5, 2018 BOARD MEETING OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD BE APPROVED AS PRESENTED.

LIST OF EXHIBITS:

Exhibit "A" – February 5, 2018 Minutes

## EXHIBIT "A"

### MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE IRVINE RANCH WATER DISTRICT RETIREMENT BOARD

February 5, 2018

The meeting of the Board of Directors of the Irvine Ranch Water District (IRWD) Retirement Board was called to order by Chairman Swan at 12:30 p.m. on February 5, 2018 in the District office, 15600 Sand Canyon Avenue, Irvine, California.

Directors Present: Chairman Peer Swan, Vice Chairman Steven Lamar, and Paul Cook

Also Present: Treasurer Robert Jacobson, Executive Director of Finance and Administrative Services Cheryl Clary, Assistant Treasurer Tanja Fournier and Dan Quirk of SageView Advisory Group (SageView).

COMMUNICATION: None.

ITEMS RECEIVED TOO LATE TO BE AGENDIZED - None.

#### ACTION CALENDAR

#### MINUTES OF BOARD MEETING

Tanja Fournier presented the minutes from the November 14, 2017 meeting.

On MOTION by Cook, seconded by Swan and affirmed by Steven Lamar, the minutes of the November 14, 2017 meeting were approved as presented.

#### Trust Investment Review

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- A capital markets and legislative update was provided by SageView.
- All trust investments were reviewed as of 12/31/2017, and were performing in line with benchmarks or above 50th percentile peer group rankings at this time.
- The portfolio return and expense summary, style analysis, and asset allocation by fund were reviewed. Of note were the following:
  - As of December 31, 2017, the IRWD Post-Retirement Benefits Trust market value was \$72,921,596, up from \$70,256,359 at September 30, 2017.
  - For the quarter, the net total return was 3.81%. This closely tracked the custom benchmark return of 3.93%, with outperformance from Baird Core Plus offsetting slight underperformance from Metropolitan West Total Return and Vanguard Corporate High Yield.

- For the FY 2016-2017, the total return was 14.83%, slightly outperforming the benchmark return of 14.82%.
- The portfolio is heavily allocated to index funds, leading to a low overall expense ratio of 0.13%.
- The three actively scored funds by SageView all score in the top quartile of rankings, while all index funds receive a pass rating.
- Trading Activity for the quarter included:
  - No activity

#### Administrative Items

The Board and staff discussed and agreed to implement the following asset allocation changes, (with trades subsequently implemented after the close of trading on February 6, 2018):

Irvine Ranch Water District Post-Employment Benefits Trust			
Ticker	Fund Name	Previous Target %	New Target %
FDRXX	FIDELITY GOVERNMENT CASH RESERVES	0.05%	0.05%
VSCSX	VANGUARD SHORT TERM CORP BD INDEX ADMRL	10.00%	3.00%
MWTIX	METROPOLITAN WEST TOTAL RETURN CLASS I	11.95%	8.95%
BCOIX	BAIRD CORE PLUS BOND INSTITUTIONAL	12.00%	15.00%
VWEAX	VANGUARD HI YIELD CORPORATE ADMIRAL	4.00%	6.00%
	Total Fixed Income	38.00%	33.00%
VINIX	VANGUARD INSTITUTIONAL INDEX I	39.00%	41.00%
VEXAX	VANGUARD EXTENDED MARKET INDEX ADMIRAL	7.00%	7.00%
VTMNX	VANGUARD DEVELOPED MRKTS INDEX INSTL	14.00%	15.00%
VEMAX	VANGUARD EMERGING MRKTS INDEX ADMIRAL	2.00%	4.00%
	Total Equity	62.00%	67.00%
	Total	100.00%	100.00%

ADJOURNMENT

There being no further business, Chairman Swan adjourned the meeting.

APPROVED and SIGNED this 1<sup>st</sup> day of May 2018.

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Board Member, IRVINE RANCH WATER DISTRICT  
RETIREMENT BOARD

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Secretary, IRVINE RANCH WATER DISTRICT  
RETIREMENT BOARD

May 1, 2018

Prepared by: T. Fournier

Submitted by: R. Jacobson / C. Clary

Approved by: Paul A. Cook

## RETIREMENT BOARD

### IRWD POST RETIREMENT BENEFITS TRUST INVESTMENT REVIEW AS OF MARCH 31, 2018

#### SUMMARY:

Staff and a representative from the District's pension investment advisor, SageView Investment Advisors, will present the Portfolio Investment Review for the quarter ended March 31, 2018, an update on current market conditions and any recommended portfolio changes.

#### BACKGROUND:

##### Quarterly Investment Review:

As of March 31, 2018, the IRWD Post-Retirement Benefits Trust market value was \$72,235,494, which is a net decrease of \$686,102 from the quarter ended December 31, 2017. The change is primarily due to a decrease in market value of \$1,023,231, which was partially offset by dividends in the amount of \$349,971. Trust expenses for the quarter were \$12,842 paid to SageView for investment advisory services. The closing balances and fund returns as of March 31, 2018 are as follows:

Investment	Quarterly Return	Benchmark Index	Morningstar Peer Category	Quarter Ended December 31, 2017	Quarter Ended March 31, 2018	Incr/(Decr)	Percent of Portfolio
<b>EQUITIES</b>							
Vanguard Institutional Index Fund	-0.77%	-0.76%	-0.97%	\$29,272,263	\$29,649,627	\$377,363	41.0%
Vanguard Extended Mkt (small/mid) Index Fund	0.15%	0.12%	-1.03%	5,266,019	5,171,148	(\$94,871)	7.2%
Vanguard Developed Market Index	-1.08%	-1.80%	-0.86%	10,279,223	10,819,401	\$540,178	15.0%
Vanguard Emerging Markets Index	2.08%	1.29%	2.01%	1,470,941	2,852,924	\$1,381,983	3.9%
<b>FIXED INCOME</b>							
Metropolitan Total Return Bond Fund	-1.30%	-1.46%	-1.32%	8,406,538	6,466,003	(\$1,940,535)	9.0%
Baird Core Plus Bond Fund	-1.40%	-1.46%	-1.32%	8,435,722	10,828,961	\$2,393,239	15.0%
Vanguard High-Yield Corporate Fund	-1.45%	-0.91%	-0.97%	2,807,638	4,283,978	\$1,476,340	5.9%
Vanguard Short Term Bond Index Admiral	-0.80%	-0.71%	-0.34%	6,960,978	2,140,034	(\$4,820,944)	3.0%
<b>CASH-SHORT TERM</b>							
Fidelity Government Cash Reserves	0.26%	0.35%	0.24%	22,273	23,418	\$1,145	0.0%
Closing Balance				\$72,921,596	\$72,235,494	(\$686,102)	100.0%

For the quarter ended March 31, 2018, the portfolio return was (0.91%), which slightly outperformed the custom benchmark return of (0.93%). For the one-year period ended March 31, 2018 the return was 9.32%, which is in line with the custom benchmark return of 9.33%. The Portfolio Investment Review as of March 31, 2018 is attached as Exhibit "A".

A representative from SageView will present the Portfolio Investment Review for the quarter ended March 31, 2018, an update on current market conditions, as well as any recommended portfolio changes for the Board's consideration.

FISCAL IMPACTS:

As of March 31, 2018, the IRWD Post-Retirement Benefits Trust market value was \$72,235,494, which is a net decrease of \$686,102 from the quarter ended December 31, 2017. The change is primarily due to a decrease in market value of \$1,023,231, which was partially offset by dividends in the amount of \$349,971. Trust expenses for the quarter were \$12,842 paid to SageView for investment advisory services.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3 Section 15378.

RECOMMENDATION:

BASED ON DISCUSSIONS AND DIRECTION FROM THE BOARD, STAFF WILL IMPLEMENT AGREED UPON CHANGES TO THE PORTFOLIO, IF ANY.

LIST OF EXHIBITS:

Exhibit "A" – The Portfolio Investment Review as of March 31, 2018



## **Plan Investment Review**

### **Irvine Ranch Water District Post-Employment Benefits Trust**

**For period ending March 31, 2018**

SEE  
WHERE  
YOU'RE  
GOING

Jonathan Upham Registered Representative with and securities offered through Cetera Advisor Networks LLC, member FINRA/SIPC  
1920 Main Street, Suite 800, Irvine, CA 92614 | T 949.955.1395 | SageView is not affiliated with Cetera





# Table of Contents



<b>Section - I</b>	<b>Market Overview.....</b>	<b>3</b>
	Industry Analysis	
<b>Section - II</b>	<b>Investment Summary.....</b>	<b>9</b>
	Asset Allocation by Fund	
	Portfolio Composition and Sector Weightings	
	Fund Performance Summary	
	Investment Discussion Summary - Current Investments	
	Historical IPS Ranking	
	Fund Score Summary	
	IPS Performance Analysis	
<b>Section - III</b>	<b>Portfolio Summary.....</b>	<b>19</b>
	Portfolio Return vs. Custom Benchmark	
	Management Style Analysis	
	Style Map	
<b>Section - IV</b>	<b>Appendix.....</b>	<b>25</b>
	Quarterly Investment Analysis Criteria	
	Glossary of Terms	



# Section I

## Market Overview

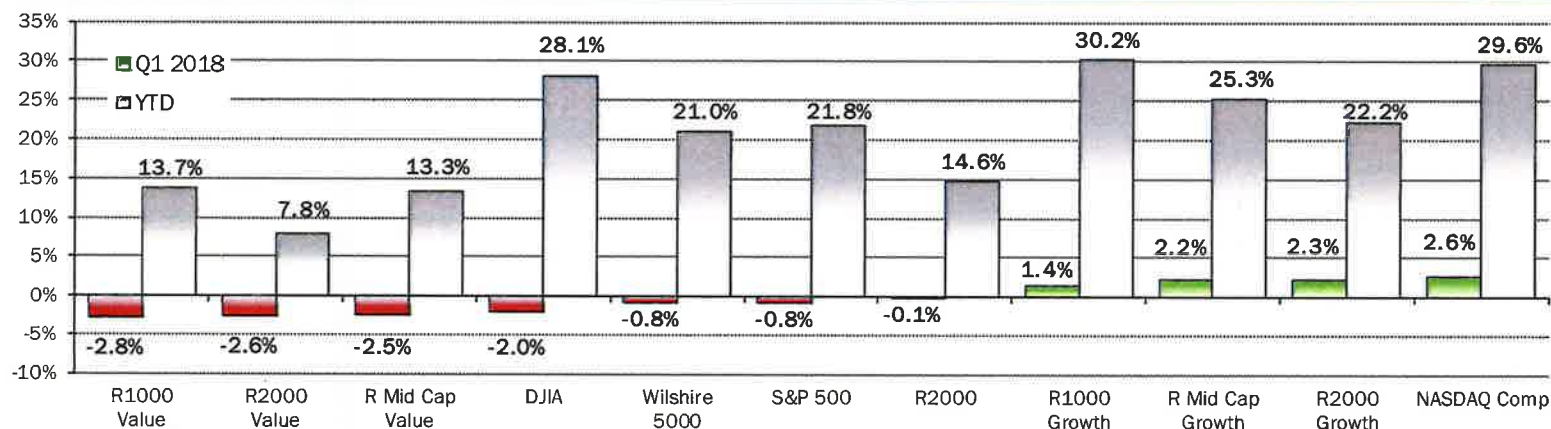
The views are those of SageView Advisory Group and should not be construed as investment advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Additional risks are associated with international investing, such as currency fluctuations, political and economic stability, and differences in accounting standards. Please consult your financial advisor for more information.

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# U.S. Equities

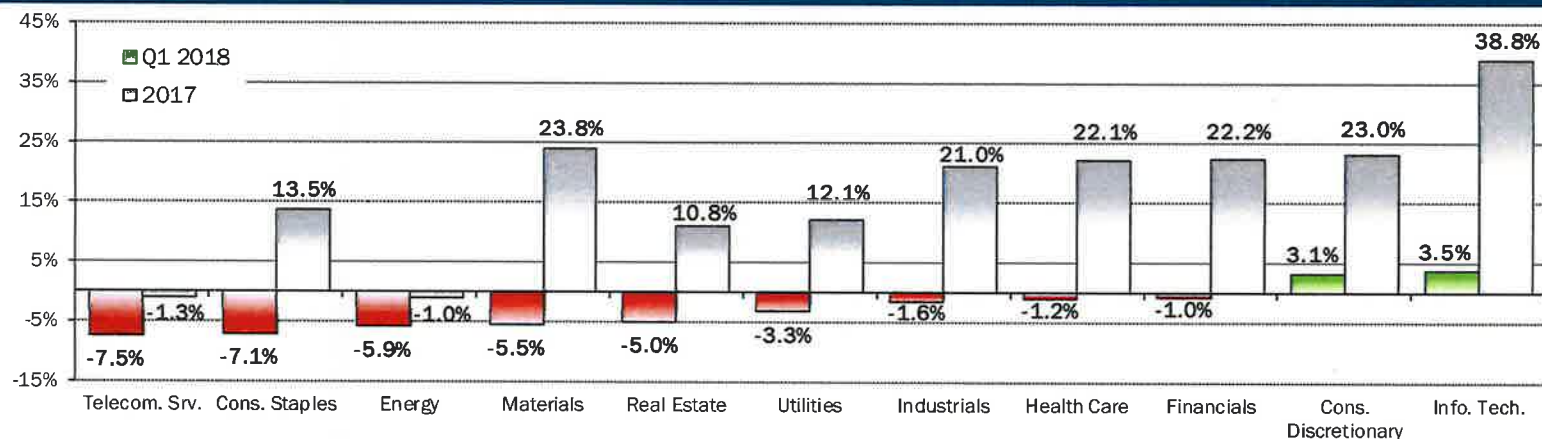
After very strong gains in January, major U.S. equity benchmarks finished the quarter lower, with the exception of growth stocks. Only two sectors posted gains in Q1 and surprisingly the defensive sectors like telecom, consumer staples and utilities, performed poorly in a higher volatility environment.

Performance of Major U.S. Equity Indexes - 2017 and Q1 2018



Source: Morningstar. Returns represent total return, including dividends.

S&P 500 Sector Returns, Q1 2018 and 2017



Source: Morningstar. Returns represent cumulative total return, including dividends.

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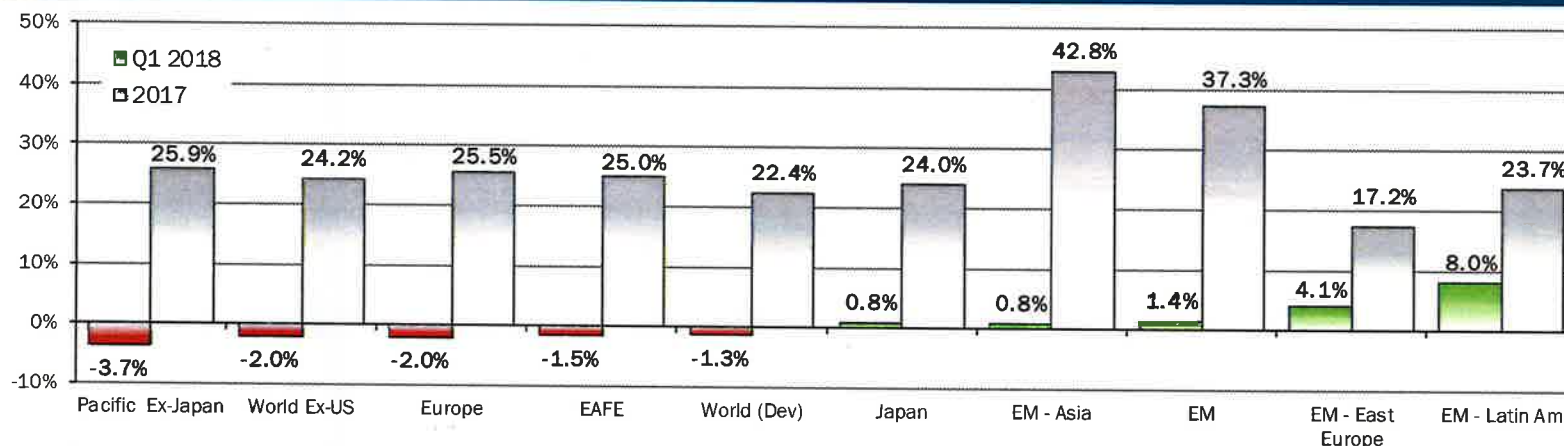




# International Equities

International stock markets were also negatively impacted by the higher volatility and the prospect of trade wars that could disrupt international supply chains. With the exception of some individual countries, developed markets generally posted negative returns in Q1. Emerging markets fared slightly better. The dollar continued its weakening trend in 2018.

International Equity Market Returns - 2017 and Q1 2018



Source: Morningstar. Returns represent cumulative total return, including dividends.

Dollar Trade Weighted Exchange Index for Broad Currencies: 1973 - 2018



Source: Bloomberg. Data as of March 31, 2018.

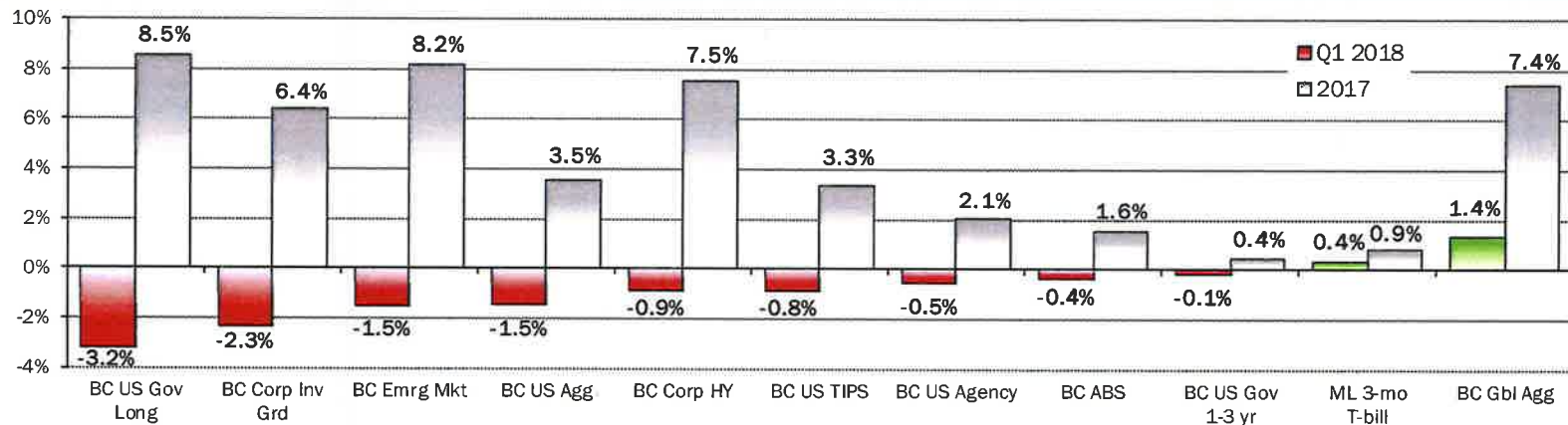
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# Fixed Income

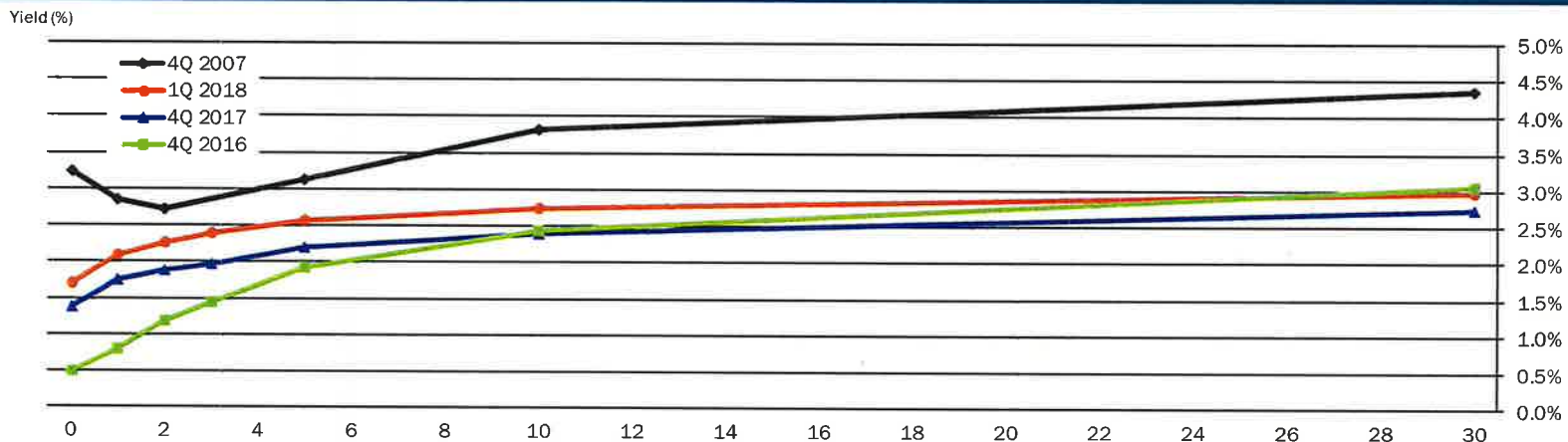
Bond benchmarks gave up some of their gains from last year as interest rates moved quickly higher during the first part of Q1. The U.S. Treasury yield curve moved higher in a parallel fashion during the quarter. The Federal Reserve increased short-term rates for sixth time in this tightening cycle.

Fixed Income Returns - 2017 and Q1 2018



Source: Morningstar. Returns represent total return, including dividends.

U.S. Treasury Yield Curve



Source: Bloomberg. Data as of respective quarter end.

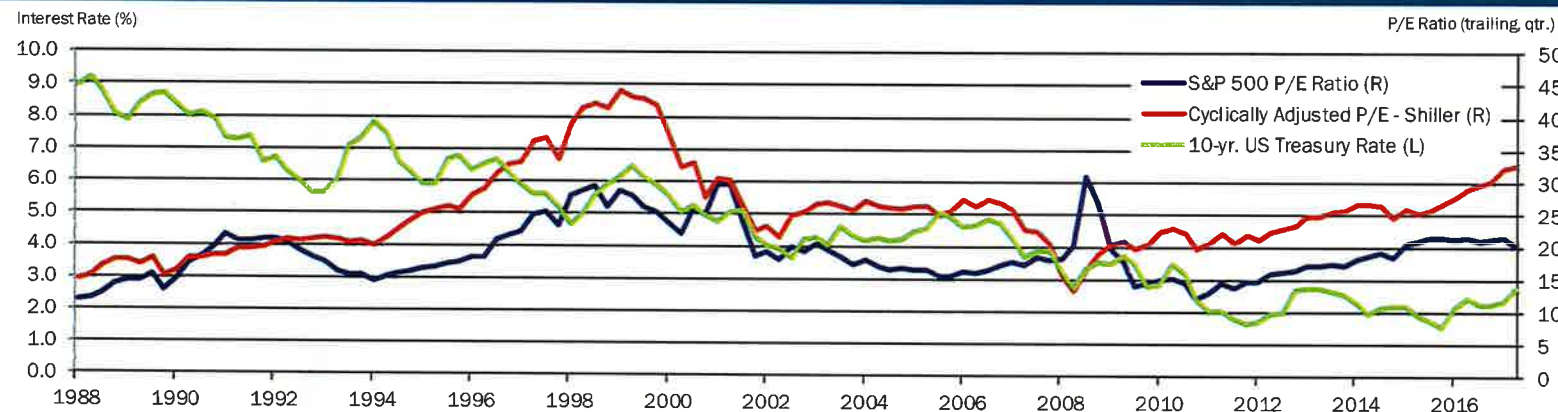
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# U.S. Equity Valuation Metrics

Valuations for the S&P 500 Index continued to get richer and the Cyclically Adjusted P/E (CAPE) ratio rose to levels not seen since the technology market bubble. From a bottom-up perspective, S&P 500 total operating earnings are forecast to rise to \$156 per share by the end of 2018, which is 25% above their levels in 2017.

S&P 500 Index Trailing P/E Ratio, Cyclically Adjusted P/E and 10-yr Treasury: 1988 - 2018

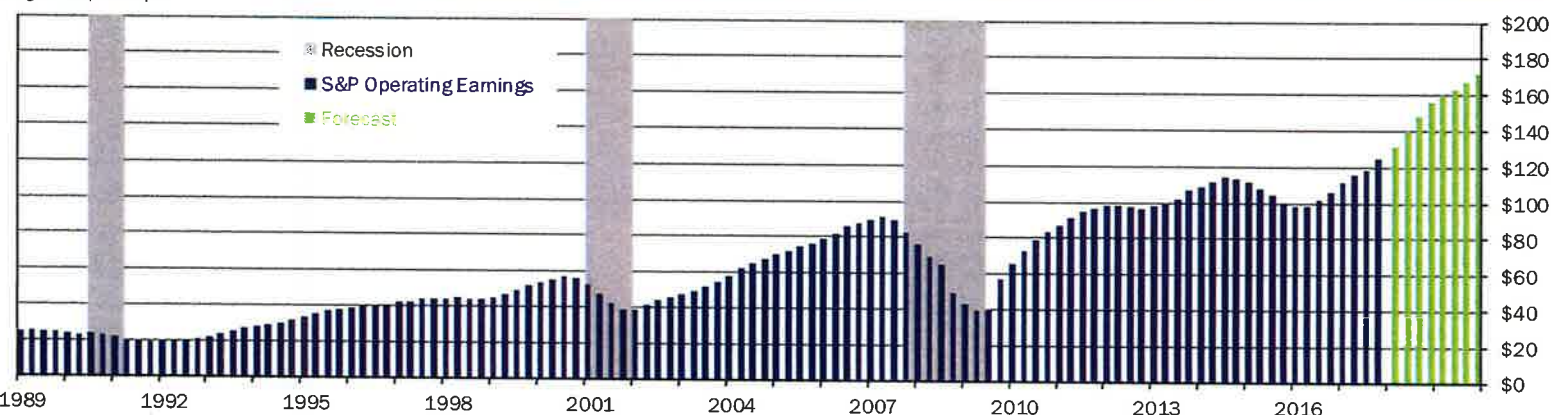


Source: Standard & Poor's, Robert Shiller, Federal Reserve. Data as of March 31, 2018.

Note: P/E is the S&P 500 Index divided by the last four completed quarters of operating earnings except for the most recent quarter which uses an estimate of operating earnings.

S&P 500 Operating Earnings: 1989 - Q4 2019F

Rolling sum of prior 4 qtrs.



Source: Standard & Poor's. Data as of Mar-2018.

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# Asset Class Returns

																2003 - 2017	
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	Ann.	Vol.
EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	EM Equity 1.5%	EM Equity 12.7%	EM Equity 23.0%
Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Cash 0.3%	Small Cap 11.2%	REITs 22.3%
DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	Small Cap -0.1%	REITs 11.1%	Small Cap 18.8%
REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -0.4%	Large Cap 9.9%	Comdty. 18.8%
High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Comdty. -0.4%	High Yield 9.6%	DM Equity 18.4%
Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. 0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 16.4%	Large Cap -0.8%	DM Equity 8.6%	Large Cap 14.5%
Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Asset Alloc. -1.1%	Asset Alloc. 8.3%	High Yield 11.3%
Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	DM Equity -1.4%	Fixed Income 4.1%	Asset Alloc. 11.0%
Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	Fixed Income -1.5%	Cash 1.2%	Fixed Income 3.3%
Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	REITs -6.7%	Comdty. -0.3%	Cash 0.8%

Source: Russell, MSCI, Bloomberg, Standard & Poor's, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Barclays HY Index, Fixed Income: Barclays Capital Aggregate, REITs: NAREIT Equity REIT Index. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) returns and volatility (Vol.) represent period of 12/31/02 - 12/31/17. All data represents total return for stated period. Past performance is not indicative of future returns. Investors cannot invest directly in an index. Please see disclosure page at end for index definitions.

Source: JPMorgan Asset Management. Data as of March 31, 2018.

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## Section II

### Investment Summary



## Executive Summary and Observations

- Assets total \$72,235,493 at March 31, 2018 down from \$72,921,596 at December 31, 2017.
- Activity during the quarter: trades executed at close on February 6, 2018

Ticker	Fund Name	December 31, 2017 Year-End Value	February 5, 2018 Current Value	Actual 2/5/2018 Allocation %	Previous Target %	New Target %
FDRXX	FIDELITY GOVERNMENT CASH RESERVES	\$22,273	\$22,230	0.03%	0.05%	0.05%
VSCSX	VANGUARD SHORT TERM CORP BD INDEX ADMRL	\$6,960,978	\$6,925,163	9.35%	10.00%	3.00%
MWTIX	METROPOLITAN WEST TOTAL RETURN CLASS I	\$8,406,538	\$8,280,148	11.17%	11.95%	8.95%
BCOIX	BAIRD CORE PLUS BOND INSTITUTIONAL	\$8,435,722	\$8,308,388	11.21%	12.00%	15.00%
VWEAX	VANGUARD HI YIELD CORPORATE ADMIRAL	\$2,807,638	\$2,811,801	3.79%	4.00%	6.00%
	<b>Total Fixed Income</b>	<b>\$26,633,149</b>	<b>\$26,347,730</b>	<b>35.55%</b>	<b>38.00%</b>	<b>33.00%</b>
VINIX	VANGUARD INSTL INDEX INSTL CLASS	\$29,272,263	\$30,278,625	40.86%	39.00%	41.00%
VEXAX	VANGUARD EXTENDED MARKET INDEX ADMIRAL	\$5,266,019	\$5,347,408	7.22%	7.00%	7.00%
VTMNX	VANGUARD DEVELOPED MRKTS INDEX INSTL	\$10,279,223	\$10,564,163	14.26%	14.00%	15.00%
VEMAX	VANGUARD EMERGING MRKTS INDEX ADMIRAL	\$1,470,941	\$1,559,552	2.10%	2.00%	4.00%
	<b>Total Equity</b>	<b>\$46,288,447</b>	<b>\$47,749,748</b>	<b>64.44%</b>	<b>62.00%</b>	<b>67.00%</b>
	<b>Total</b>	<b>\$72,921,596</b>	<b>\$74,097,478</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

- For the quarter, the net total return was -0.91%. This slightly outperformed the custom benchmark return of -0.93%, with outperformance from Baird Core Plus, Metropolitan West and the two international funds offsetting underperformance from the Vanguard Corporate High Yield fund.
- For the past 12 months, the net total return was 9.32%, closely in line with the benchmark return of 9.33%.
- The portfolio is dominated by index funds, leading to a low overall expense ratio of 0.13%.
- The three actively scored funds by SageView all score in the top decile or top quartile of rankings, while all index funds receive a pass rating.

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## Asset Allocation by Fund

As of 03/31/2018

Fund	% of Plan Assets	Total Assets
Vanguard Institutional Index I	41.05%	\$29,649,626.82
Baird Core Plus Bond Inst	14.99%	\$10,828,960.96
Vanguard Developed Markets Index Instl	14.98%	\$10,819,401.10
Metropolitan West Total Return Bd I	8.95%	\$6,466,002.58
Vanguard Extended Market Index Admiral	7.16%	\$5,171,147.91
Vanguard High-Yield Corporate Adm	5.93%	\$4,283,977.77
Vanguard Emerging Mkts Stock Idx Adm	3.95%	\$2,852,924.36
Vanguard Short-Term Corp Bd Idx Admiral	2.96%	\$2,140,034.28
Fidelity® Government Cash Reserves	0.03%	\$23,417.79
<b>Total Market Value:</b>	<b>100.00%</b>	<b>\$72,235,493.57</b>

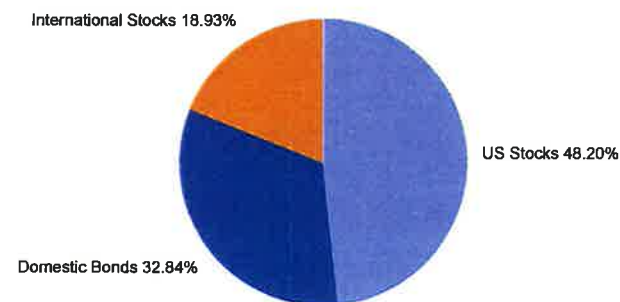
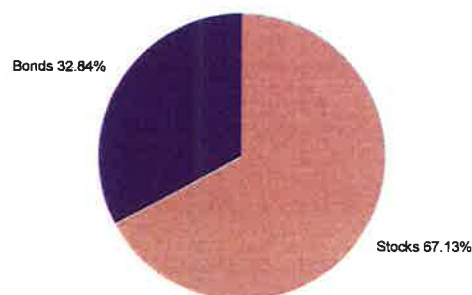
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# Portfolio Composition - Sector Weightings

As of 03/31/2018

## Portfolio Composition



Cash

Bonds

Stocks

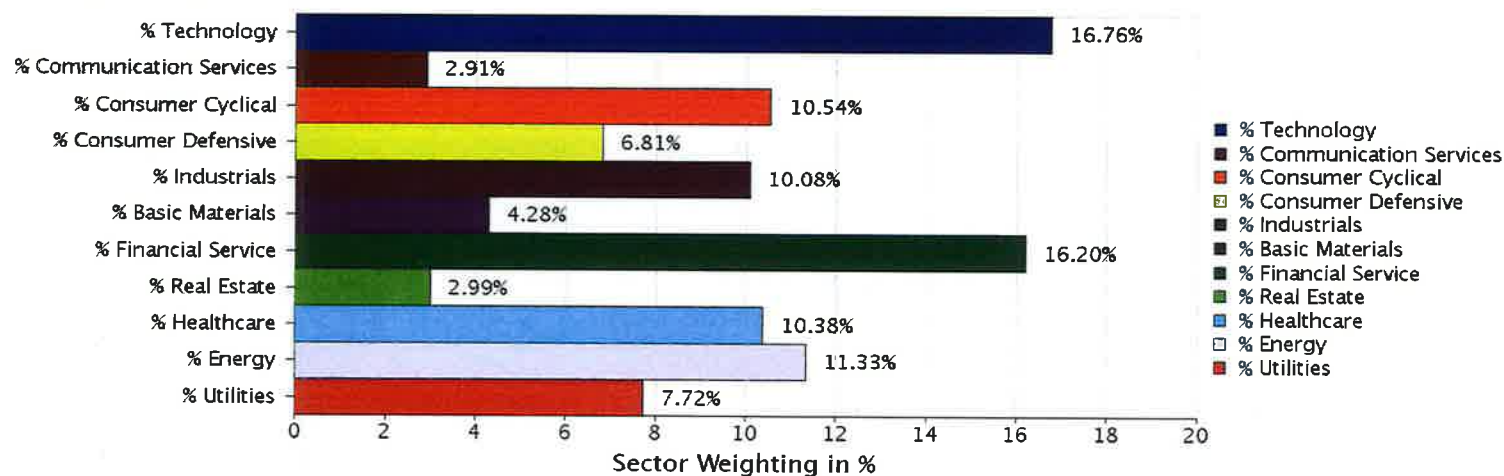
Cash

International Stocks

Domestic Bonds

US Stocks

## Sector Weightings



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A-12



# Fund Performance Summary

As of 03/31/2018

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
<b>Fidelity® Government Cash Reserves</b>	<b>Money Market-Taxable</b>	<b>0.03%</b>	<b>0.26</b>	<b>0.26</b>	<b>0.76</b>	<b>0.31</b>	<b>0.19</b>	<b>0.35</b>	<b>0.37</b>	<b>NA</b>
<b>ICE BofAML US 3M Trsy Bill TR USD*</b>			<b>0.35</b>	<b>0.35</b>	<b>1.11</b>	<b>0.53</b>	<b>0.34</b>	<b>0.34</b>		
Cat: Morningstar Money Market - Taxable			0.24	0.24	0.67	0.27	0.17	0.21	0.49	
<b>Vanguard Short-Term Corp Bd Idx Admiral</b>	<b>Short-Term Bond</b>	<b>2.96%</b>	<b>-0.80</b>	<b>-0.80</b>	<b>0.70</b>	<b>1.43</b>	<b>1.64</b>	<b>NA</b>	<b>0.07</b>	<b>NA</b>
<b>BBgBarc Credit 1-5 Yr TR USD*</b>			<b>-0.71</b>	<b>-0.71</b>	<b>0.70</b>	<b>1.36</b>	<b>1.57</b>	<b>3.24</b>		
Cat: Morningstar Short-Term Bond			-0.34	-0.34	0.73	1.07	1.00	2.13	0.73	
<b>Baird Core Plus Bond Inst</b>	<b>Intermediate-Term Bond</b>	<b>14.99%</b>	<b>-1.40</b>	<b>-1.40</b>	<b>1.97</b>	<b>2.05</b>	<b>2.56</b>	<b>5.05</b>	<b>0.30</b>	<b>TOP DEC</b>
<b>BBgBarc US Agg Bond TR USD*</b>			<b>-1.46</b>	<b>-1.46</b>	<b>1.20</b>	<b>1.20</b>	<b>1.82</b>	<b>3.63</b>		
Cat: Morningstar Intermediate-Term Bond			-1.32	-1.32	1.31	1.27	1.73	3.81	0.76	
<b>Metropolitan West Total Return Bd I</b>	<b>Intermediate-Term Bond</b>	<b>8.95%</b>	<b>-1.30</b>	<b>-1.30</b>	<b>1.17</b>	<b>1.14</b>	<b>2.03</b>	<b>5.34</b>	<b>0.44</b>	<b>TOP DEC</b>
<b>BBgBarc US Agg Bond TR USD*</b>			<b>-1.46</b>	<b>-1.46</b>	<b>1.20</b>	<b>1.20</b>	<b>1.82</b>	<b>3.63</b>		
Cat: Morningstar Intermediate-Term Bond			-1.32	-1.32	1.31	1.27	1.73	3.81	0.76	
<b>Vanguard High-Yield Corporate Adm</b>	<b>High Yield Bond</b>	<b>5.93%</b>	<b>-1.45</b>	<b>-1.45</b>	<b>3.28</b>	<b>4.37</b>	<b>4.53</b>	<b>7.03</b>	<b>0.13</b>	<b>TOP QUAR</b>
<b>ICE BofAML US High Yield TR USD*</b>			<b>-0.91</b>	<b>-0.91</b>	<b>3.69</b>	<b>5.18</b>	<b>5.01</b>	<b>8.12</b>		
Cat: Morningstar High Yield Bond			-0.97	-0.97	3.20	3.90	3.82	6.66	1.02	
<b>Vanguard Institutional Index I</b>	<b>Large Blend</b>	<b>41.05%</b>	<b>-0.77</b>	<b>-0.77</b>	<b>13.96</b>	<b>10.75</b>	<b>13.28</b>	<b>9.50</b>	<b>0.04</b>	<b>Pass</b>
<b>S&amp;P 500 TR USD*</b>			<b>-0.76</b>	<b>-0.76</b>	<b>13.99</b>	<b>10.78</b>	<b>13.31</b>	<b>9.49</b>		
Cat: Morningstar Large Blend			-0.97	-0.97	12.86	8.91	11.74	8.59	0.91	
<b>Vanguard Extended Market Index Admiral</b>	<b>Mid-Cap Blend</b>	<b>7.16%</b>	<b>0.15</b>	<b>0.15</b>	<b>13.13</b>	<b>8.06</b>	<b>11.86</b>	<b>10.41</b>	<b>0.08</b>	<b>Pass</b>
<b>S&amp;P Completion TR USD*</b>			<b>0.12</b>	<b>0.12</b>	<b>13.09</b>	<b>7.97</b>	<b>11.77</b>	<b>10.29</b>		
Cat: Morningstar Mid-Cap Blend			-1.03	-1.03	10.13	6.51	10.43	8.88	1.04	
<b>Vanguard Developed Markets Index Instl</b>	<b>Foreign Large Blend</b>	<b>14.98%</b>	<b>-1.08</b>	<b>-1.08</b>	<b>16.03</b>	<b>6.62</b>	<b>7.13</b>	<b>3.17</b>	<b>0.06</b>	<b>Pass</b>
<b>FTSE Dv Ex US TR USD*</b>			<b>-1.80</b>	<b>-1.80</b>	<b>15.49</b>	<b>6.46</b>	<b>6.89</b>	<b>3.36</b>		
Cat: Morningstar Foreign Large Blend			-0.86	-0.86	15.20	5.75	6.21	2.64	1.01	
<b>Vanguard Emerging Mkts Stock Idx Adm</b>	<b>Diversified Emerging Mkt</b>	<b>3.95%</b>	<b>2.08</b>	<b>2.08</b>	<b>21.00</b>	<b>7.50</b>	<b>4.47</b>	<b>2.62</b>	<b>0.14</b>	<b>Pass</b>
<b>FTSE EMs AC China A Incl (US RIC) NR USD*</b>			<b>1.29</b>	<b>1.29</b>	<b>20.58</b>	<b>7.14</b>	<b>4.92</b>	<b>3.10</b>		
Cat: Morningstar Diversified Emerging Mkt			2.01	2.01	22.90	8.23	4.45	3.01	1.33	

\* Investment Policy Benchmark

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# Investment Discussion Summary - Current Investments

Fund Name % of Plan Assets Category	Comment Date	Comments
<b>Baird Core Plus Bond Inst</b> <b>14.99</b> Intermediate-Term Bond	03/31/2018	<p>Performance Update (03/31/2018): The fund outperformed the Bloomberg Barclays U.S. Universal Bond Index in Q1. An overweight to investment grade bonds particularly in Financials and positioning in securitized sectors generated positive returns over the quarter and trailing year. Concerns around high yield bonds lead the manager to underweight those securities in 2017 but high yield credit continued to run detracting from relative performance. Over the last year, the fund outpaced its benchmark by a healthy margin.</p> <p>Strategy Summary: This portfolio is managed by a team of 5 co managers, each of whom contribute to research in their respective sectors. The fund utilizes a duration neutral approach relative to the benchmark. Typically, portfolio managers hope to generate the most excess return (about 40% of alpha) through security selection, then sector allocation (30% of alpha), yield curve positioning (25% of alpha), and lastly trade execution (5% of alpha). Credit analysts first determine which issuers appear to offer the best value within each sector. Only U.S. dollar denominated securities are utilized in this fund with no use of derivative securities.</p>
<b>Metropolitan West Total Return Bd I</b> <b>8.95</b> Intermediate-Term Bond	03/31/2018	<p>Performance Update (03/31/2018): The fund beat the return of the Bloomberg Barclays US Aggregate in Q1. The shorter duration position was positive as short term rates rose. The fund's overweight to government backed student loans and commercial MBS, and an allocation non agency MBS contributed to performance. Performance was hindered by an underweight to corporate credit. For the trailing twelve months, the fund slightly lagged the benchmark and attribution factors were essentially the same as for the first quarter. Believing that current risks in the market are mispriced, the fund remains true to its disciplined, value based approach, reflected in a focus on higher quality, more defensive areas of the market and a relatively short duration profile</p> <p>Strategy Summary: The MetWest Total Return fund applies a long term value discipline while emphasizing fundamental bottom up research, which represents the most important facet of portfolio construction process. The core of the investment process is a long term economic outlook, which is determined by the generalist investment team on a quarterly basis and reviewed constantly. The portfolio construction process is made up of five strategies that include: 1) duration management, 2) yield curve positioning, 3) sector allocation, 4) security selection, and 5) opportunistic ideas.</p>

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# IPS Historical Ranking

Fund Name	06/2015	09/2015	12/2015	03/2016	06/2016	09/2016	12/2016	03/2017	06/2017	09/2017	12/2017	03/2018
Fidelity® Government Cash Reserves	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Vanguard Short-Term Corp Bd Idx Admiral	NA	NA	NA	NA	NA	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Baird Core Plus Bond Inst	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC
Metropolitan West Total Return Bd I	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC	TOP DEC
Vanguard High-Yield Corporate Adm	TOP QUAR	TOP QUAR	TOP DEC	TOP DEC	TOP DEC	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR	TOP QUAR
Vanguard Institutional Index I	NA	NA	NA	NA	NA	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Extended Market Index Admiral	NA	NA	NA	NA	NA	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Developed Markets Index Instl	NA	NA	NA	NA	NA	Pass	Pass	Pass	Pass	Pass	Pass	Pass
Vanguard Emerging Mkts Stock Idx Adm	NA	NA	NA	NA	NA	Pass	Pass	Pass	Pass	Pass	Pass	Pass

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# Baird Core Plus Bond Inst

BCOIX

Ranking Vs. Peers - Intermediate-Term Bond

March 31, 2018

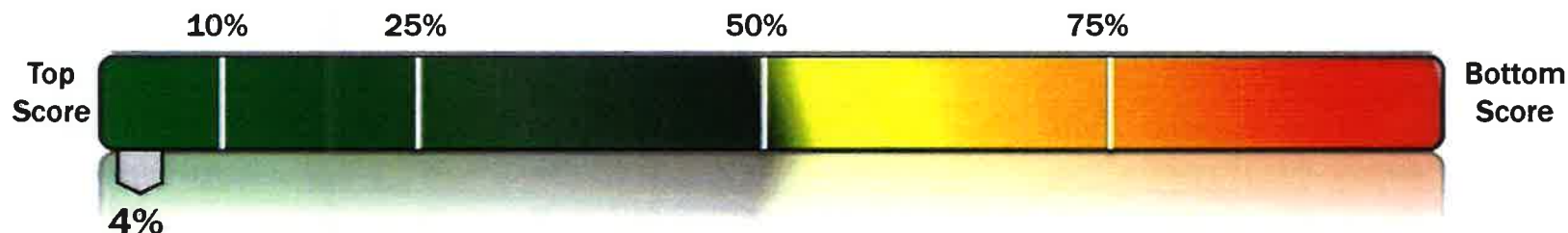
Intermediate-Term Bond Universe: 1296 Funds

Performance Ranking			Ranking
Total Return Composite Ranking			11.20%
	10 Year	6.00%	
	5 Year	11.00%	
	3 Year	10.00%	
	1 Year	19.00%	
Rolling 12 Month - 5 Years			20.28%
Rolling 36 Month - 10 Years			17.43%

Ratio Statistics		Ranking
Sharpe Ratio - 60 Months		13.00%
Alpha - 60 Months		14.00%
Up Capture Ratio - 5 years		7.00%
Down Capture Ratio - 5 years		42.00%
Fund Expense		Ranking
Expense Ratio	0.3	3.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
BBgBarc US Agg Bond TR USD	R2	49.00%

SageView Normalized Ranking	
SageView Normalized Ranking	4.00%
STATUS	TOP DECILE



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# Metropolitan West Total Return Bd I

MWTIX

Ranking Vs. Peers - Intermediate-Term Bond

March 31, 2018

Intermediate-Term Bond Universe: 1296 Funds

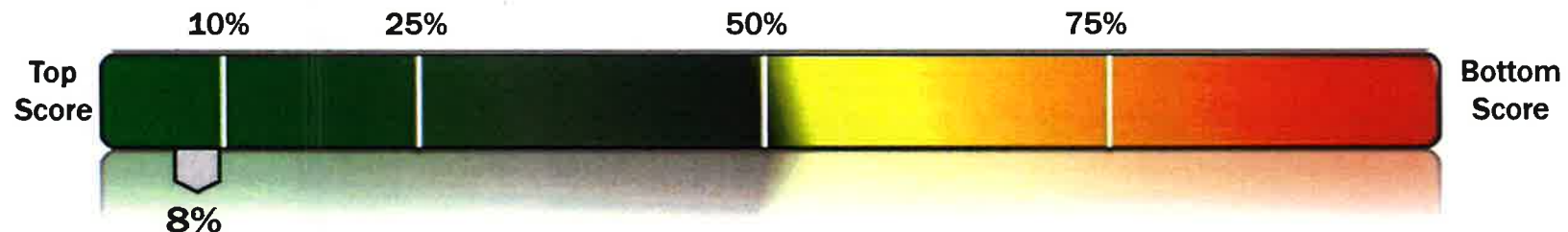
Performance Ranking		Ranking
Total Return Composite Ranking		32.25%
10 Year	4.00%	
5 Year	27.00%	
3 Year	48.00%	
1 Year	50.00%	
Rolling 12 Month - 5 Years		32.33%
Rolling 36 Month - 10 Years		15.34%

Ratio Statistics		Ranking
Sharpe Ratio - 60 Months		23.00%
Alpha - 60 Months		27.00%
Up Capture Ratio - 5 years		43.00%
Down Capture Ratio - 5 years		19.00%

Fund Expense		Ranking
Expense Ratio	0.44	11.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
BBgBarc US Agg Bond TR USD	R2	18.00%

SageView Normalized Ranking	
SageView Normalized Ranking	8.00%
STATUS	TOP DECILE



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# Vanguard High-Yield Corporate Adm

VWEAX

Ranking Vs. Peers - High Yield Bond

March 31, 2018

High Yield Bond Universe: 662 Funds

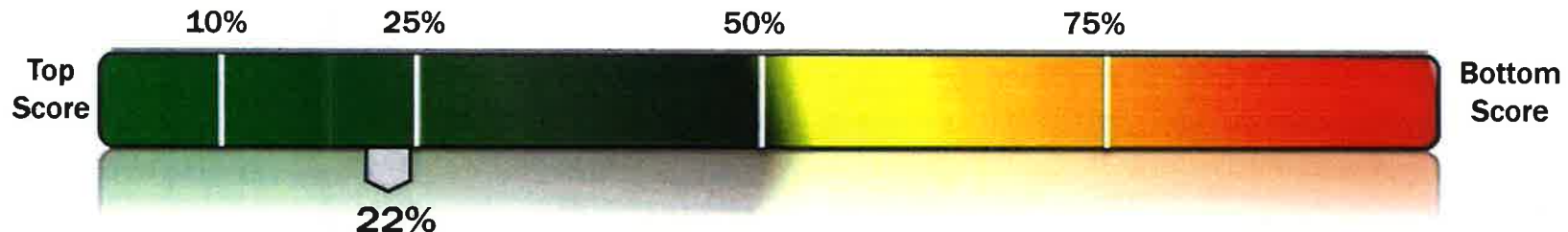
Performance Ranking		Ranking
Total Return Composite Ranking		34.35%
10 Year	42.00%	
5 Year	26.00%	
3 Year	36.00%	
1 Year	49.00%	
Rolling 12 Month - 5 Years		45.78%
Rolling 36 Month - 10 Years		40.33%

Ratio Statistics		Ranking
Sharpe Ratio - 60 Months		20.00%
Alpha - 60 Months		20.00%
Up Capture Ratio - 5 years		72.00%
Down Capture Ratio - 5 years		18.00%

Fund Expense		Ranking
Expense Ratio	0.13	2.00%

Style Consistency		Ranking
Style Consistency to Benchmark		
BBgBarc US HY 2% Issuer Cap TR USD	R2	55.00%

SageView Normalized Ranking	
SageView Normalized Ranking	22.00%
STATUS	TOP QUARTILE



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A-18





## **Section III**

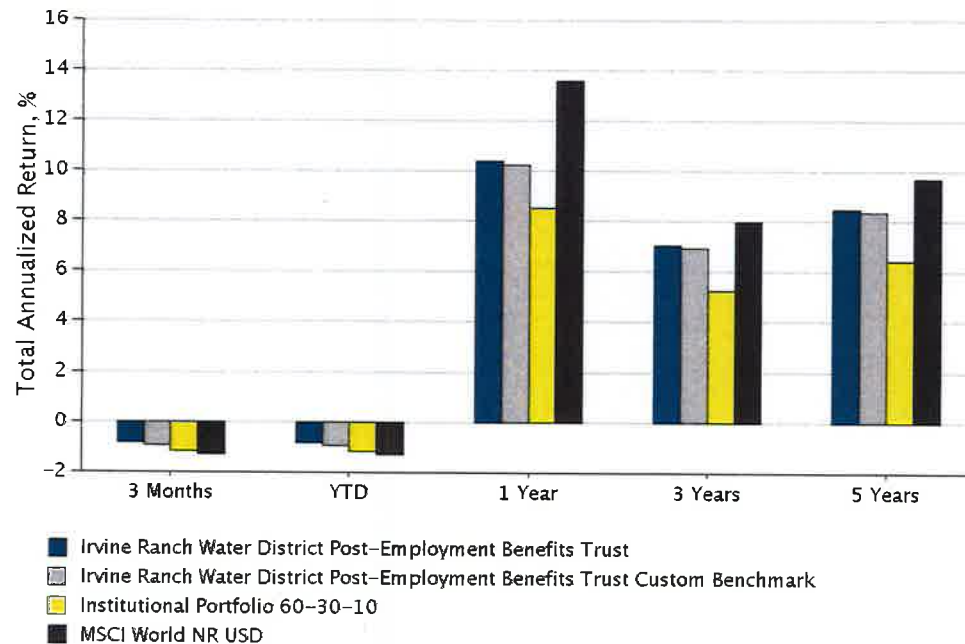
### **Portfolio Summary**

# Portfolio Return vs. Custom Benchmark

As of 03/31/2018

Performance As Of March 31, 2018	3 Month	YTD	1 Year	3 Year	5 Year	Std Dev 5 Yr	Prospectus Exp Ratio
Irvine Ranch Water District Post-Employment Benefits Trust	-0.91	-0.91	9.32	NA	NA	NA	0.13
Irvine Ranch Water District Post-Employment Benefits Trust Custom Benchmark	-0.93	-0.93	9.33	6.95	8.35	7.01	NA
Irvine Ranch Water District Post-Employment Benefits Trust Custom Category Averages Benchmark	-0.90	-0.90	8.66	5.88	7.34	8.34	0.92
Institutional Portfolio 60-30-10	-1.17	-1.17	8.52	5.25	6.43	6.20	NA
MSCI World NR USD	-1.28	-1.28	13.59	7.97	9.70	10.19	NA

<sup>1</sup>Industry Average Exp Ratio 0.89%. Based on plan assets \$50Mil+



Benchmark	Weight
S&P 500 TR USD	41.05%
BBgBarc US Agg Bond TR USD	23.94%
FTSE Dv Ex US TR USD	14.98%
S&P Completion TR USD	7.16%
ICE BofAML US High Yield TR USD	5.93%
FTSE EMs AC China A Incl (US RIC) NR USD	3.95%
BBgBarc Credit 1-5 Yr TR USD	2.96%
ICE BofAML US 3M Trsy Bill TR USD	0.03%

<sup>1</sup>Industry Average Expense Ratio Source: 401(k) Averages Book, 16th Edition, published by HR Investment Consultants

The Institutional Portfolio 60-30-10 consists of 60% MSCI World NR USD, 30% BBgBarc US Agg Bond TR USD and 10% ICE BofAML US 3M Trsy Bill TR USD

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# Management Style Analysis

As of 03/31/2018

Domestic Equity Style Box

	VALUE	BLEND	GROWTH
LARGE CAP		<ul style="list-style-type: none"> <li>Vanguard Institutional Index I(\$100.15 bn)</li> </ul>	
MID CAP		<ul style="list-style-type: none"> <li>Vanguard Extended Market Index Admiral (\$4.23 bn)</li> </ul>	
SMALL CAP			

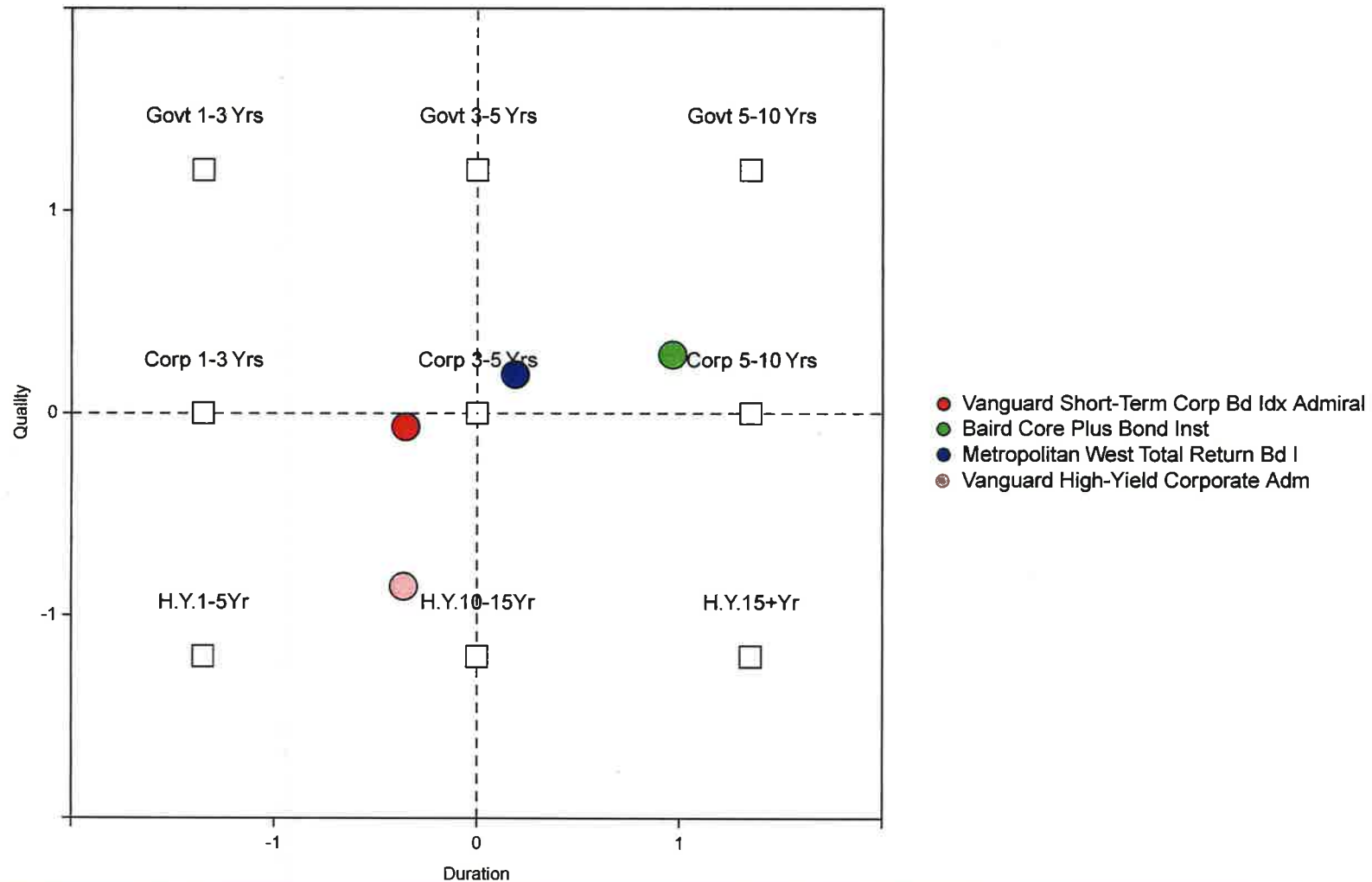
Average Market Cap. listed in parentheses

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# Manager Style Box

Fixed Income - Single Computation  
April 2008 - March 2018



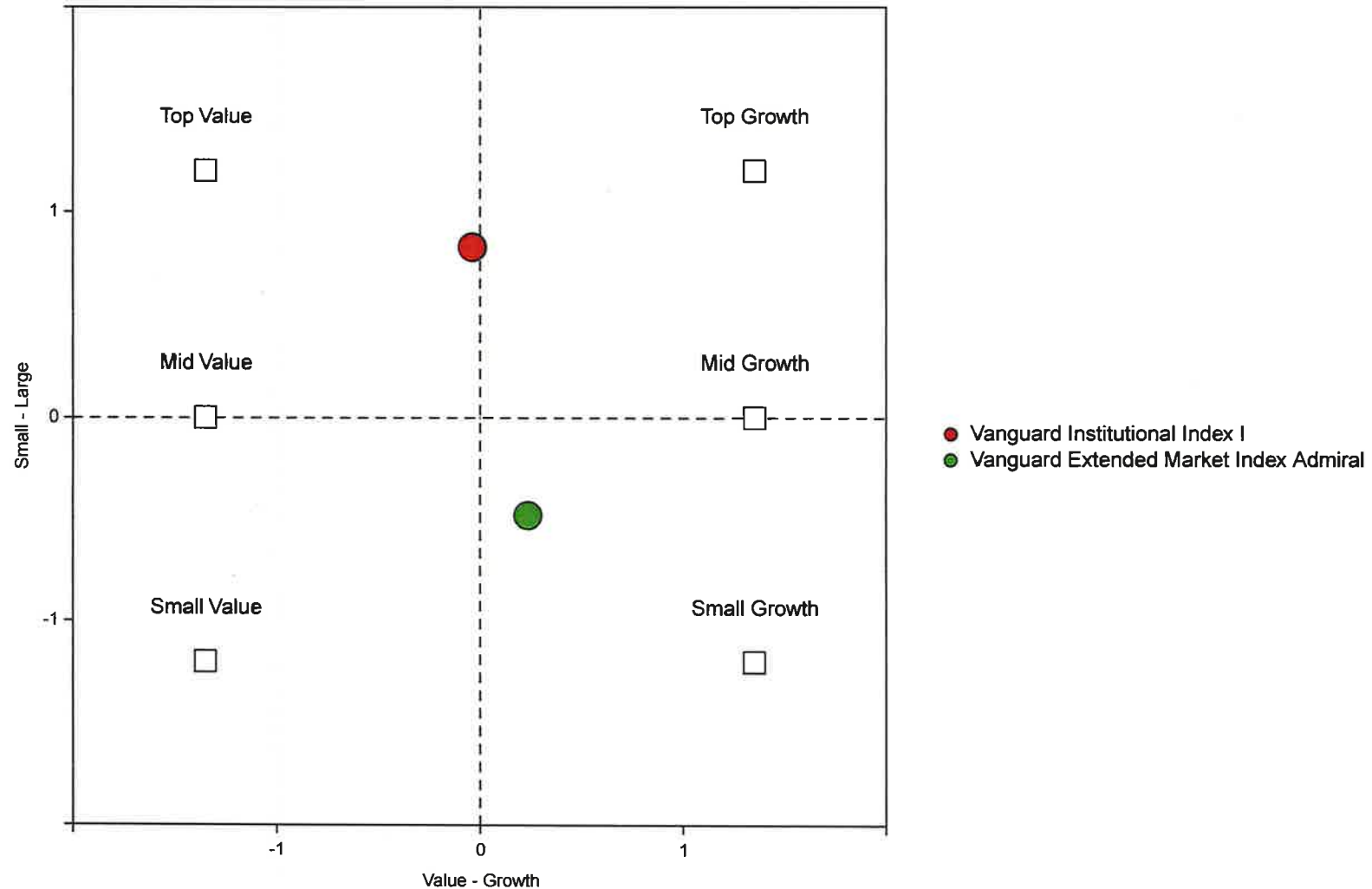
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## Manager Style Box

Equity - Single Computation  
April 2008 - March 2018

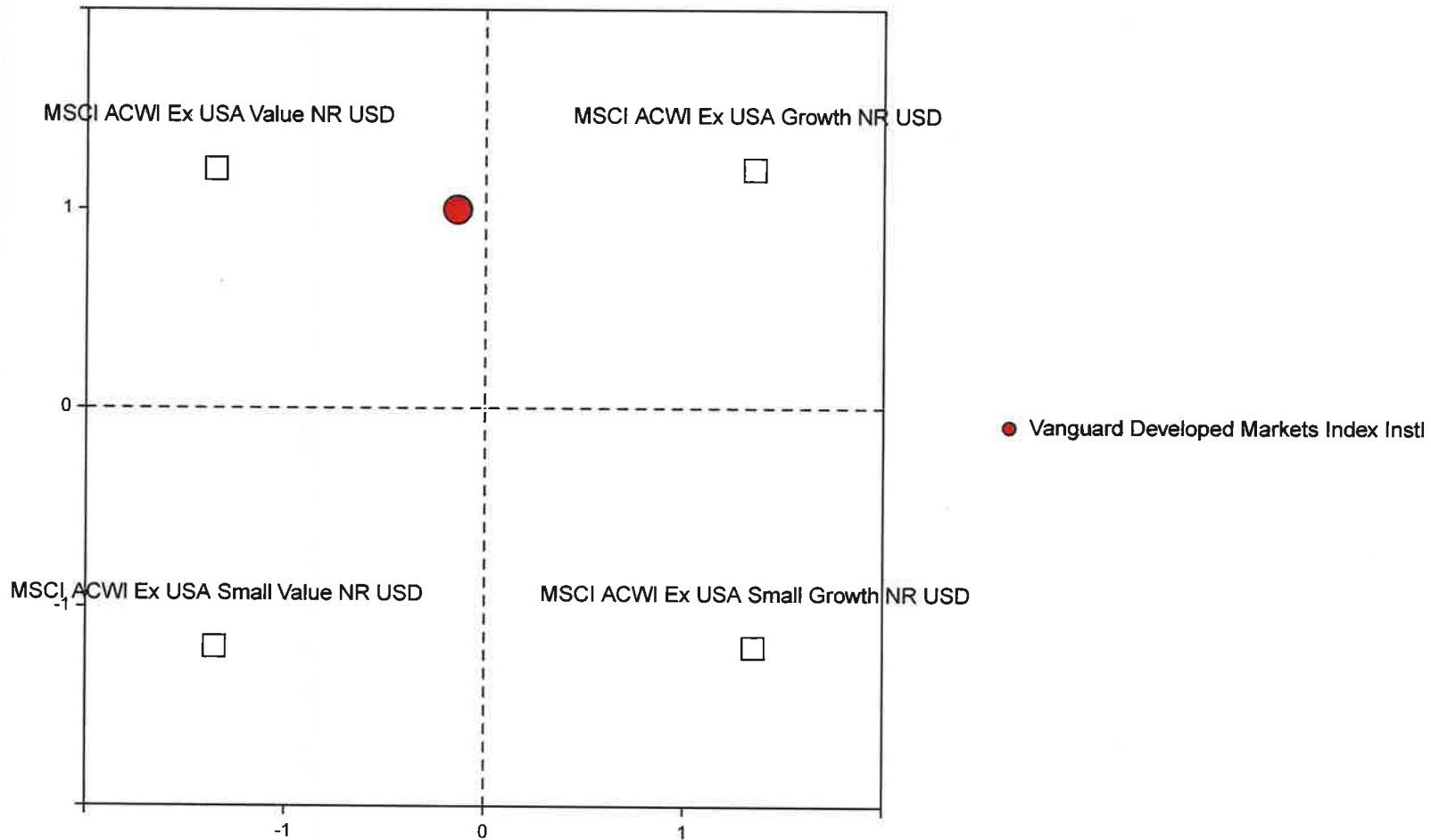


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# Manager Style Box

International Equity - Single Computation  
April 2008 - March 2018



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# **Section IV**

## **Appendix**



# Quarterly Investment Analysis Criteria

All active plan investment options are reviewed quarterly against their peer group and index benchmark to determine the performance and quality of each offering. Each are evaluated using the following criteria:

1. Trailing 1, 3, 5 and 10 year returns – Total return is a basic measure of a fund's performance. Investors tend to focus more on total return than any other measure of a fund's success or failure. Fund returns over each period are factored into a weighted average, based on the life of a fund. Recent returns receive a slightly higher weighting, while older returns, which may have been produced under different conditions, are weighted less.
2. Rolling 12-month returns (5 years) – The use of 12-month rolling returns minimizes the problem of end-point sensitivity. To score high, a manager must consistently outperform peers across a variety of market cycles, not just the current cycle.
3. Rolling 36 month returns (10 years) – Using 36-month rolling returns allows us to assess fund returns over longer time segments, thus putting more emphasis on performance across different market cycles.
4. Style Consistency to the appropriate index – We utilize R-squared to assess whether the funds selected for the plan continue to operate and perform as expected within their appropriate asset class. R-squared measures the closeness between a fund's returns and movements in the benchmark. All active funds have some deviation from their benchmark, but excessive deviation could indicate that a fund is drifting away from its stated category mandate.
5. Sharpe Ratio – This is a measure of a fund's risk-adjusted performance. How much additional risk did an investor have to assume to achieve a greater return? The Sharpe Ratio is calculated by dividing the annualized return in excess of the risk free Treasury bill rate by the standard deviation of returns earned over that same time frame. This ratio is an excellent measure for determining whether an investor is being rewarded for taking on additional risk.
6. Alpha – The use of Alpha allows us to gauge the effectiveness of the manager. Alpha is the difference between the portfolio's actual return and its expected return given the funds level of risk as calculated by beta.
7. Up Capture Ratio (5 years) – The up capture ratio calculates the percentage of return of an index that a fund has captured during up market cycles. It tracks the fund's relative performance versus the appropriate index when the index is going up.
8. Down Capture Ratio (5 year) – The down capture ratio calculates the percentage of return of an index a fund has captured during down market cycles. Funds that perform well in this category tend to reduce the downside loss for investors during bear markets.
9. Expense Ratio – All else equal, a lower expense ratio is preferred. The expense ratio is compared as a percentage of the appropriate category average and then given a score based upon that percentage. This rewards low-cost funds and penalizes high-cost funds. Some may (correctly) argue that expense ratios are "double weighted" in our scoring methodology, because performance returns are net of expenses, but fiduciaries are encouraged to carefully manage expenses.

Each fund is benchmarked to a specific market index, and fund performance is evaluated and compared to a relevant peer group using Morningstar category classifications. A fund is given a peer group ranking for each criterion, shown as a percentage. A ranking of 10% indicates a fund is in the top 10% of its peer group for that criterion. The percentage rankings for all criteria are then averaged to give a fund its average ranking score.

The lower the average ranking score the better. For example, a fund with an average ranking score of 25% would in general be a better overall fund than a comparable fund with a ranking score of 50%.

All funds with at least a three year track record are scored in the above manner. A fund is then classified as Top Decile, top Quartile, 2nd Quartile, 3rd Quartile or 4<sup>th</sup> Quartile based upon the overall score compared to all other funds within that particular asset category.

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# Passive Investment Options Analysis Criteria

All passive investment options are reviewed quarterly against their peer group and index benchmark to determine the performance and quality of each offering. Each are evaluated using the following criteria:

1. **Expense Ratio** – The percentage of fund assets, net of reimbursements, used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio. The Prospectus Net Expense Ratio is collected annually from a fund's prospectus.
2. **Tracking Error** – A measure of the difference in returns between an investment and a benchmark. Tracking error is reported as a standard deviation of the difference between the returns of an investment and its benchmark.
3. **R-Squared** – A statistical metric that ranges from zero to 100 and measures the percentage of portfolio's performance that is explained by the movement of its benchmark index. R-Squared is helpful in assessing the reliability of alpha and beta in explaining a portfolio risk and return characteristics. An r-squared of 100 would mean that the portfolio's performance movements are perfectly correlated with those of the benchmark over time, and would suggest that alpha and beta may be relied upon with a high degree of confidence.
4. **Beta** – A measure of the volatility, or systematic risk, of an investment in comparison to a market index as a whole. Beta is calculated using regression analysis. Beta represents the tendency of an investment's returns to respond to moves in the market or index that it's calculated against. A beta of 1 indicates that the investment's price moves with the market. A beta of less than 1 means that the investment is theoretically less volatile than the market. A beta of greater than 1 indicates that the investment's price is theoretically more volatile than the market. The reliability of an investment's beta is a function of the investment's r-squared value in relation to the benchmark. A high r-squared value signifies that the beta measure is reliable, while a low r-squared signifies that it is potentially inaccurate.

Each of the criteria above carries a proprietary weight. An index fund is evaluated and ranked in each of the above criteria relative to their peer group. A fund is given a peer group ranking for each criterion. The percentage rankings for all criteria are then weighted to give a fund its average ranking score.

The raw score is then normalized on a scale of 1 to 100, with 1 being the best and 100 the worst. The top 75% of the funds in a category receive a passing score, while the bottom 25% fail.



