

---

**DECEMBER 12, 2023**

**AGENDA ITEM 4  
INFORMATION ITEM**

**CALIFORNIA ABLE ACT BOARD**

---

Review of CalABLE Investment Performance and Evaluation for the Third Quarter 2023

***Background***

The CalABLE Act Board and its investment consultant, Meketa Investment Group, Inc. (Meketa) will review the “Performance and Evaluation Report” for Third Quarter 2023, provided by Meketa. Attachment #1 provides comparisons for each underlying fund allocated to the portfolios used in the Plan to applicable benchmark criteria and labels the current status of the funds as “positive,” “acceptable,” “caution,” or “watch.” Attachment #2 is the Watch Review memo.

***Presenters***

Kay Ceserani, Principal/Consultant, Meketa Investment Group, Inc.  
Aysun Kilic, FCA, Consultant/Portfolio Strategist, Meketa Investment Group, Inc.

***Attachments***

- Attachment #1 – Performance and Evaluation Report 3Q23
- Attachment #2 – Review of Underlying Funds for “Watch” Status

This page is intentionally left blank.

# CalABLE Plan

December 12, 2023

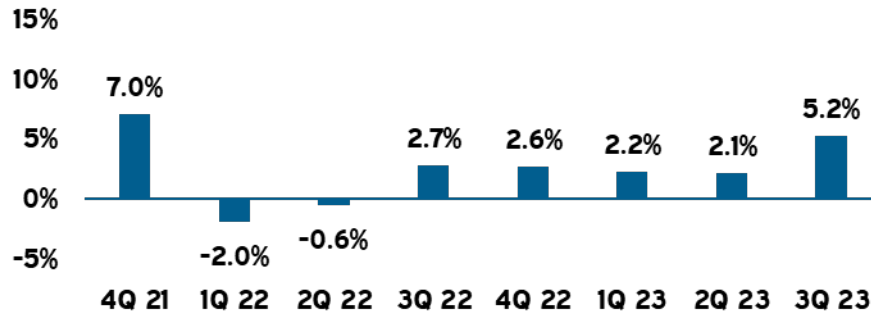
3Q23 Performance & Evaluation  
Report

1. Economic and Market Update
2. Summary of Monitoring Status
3. CalABLE Portfolios Analysis
4. Fee Schedule

**Economic and Market Update**  
Data as of September 30, 2023

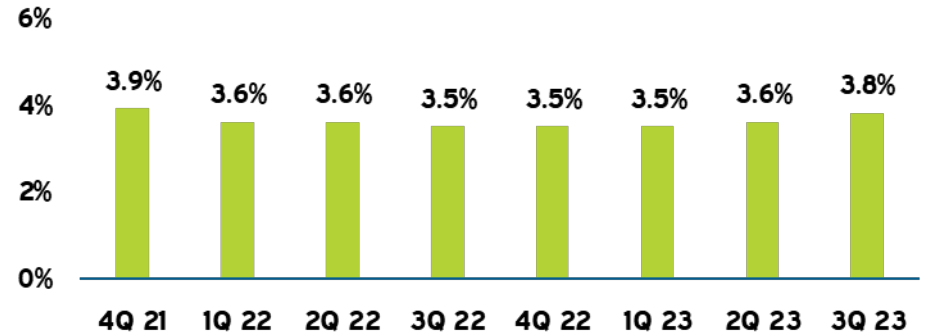
### Economic and Market Update

#### Quarterly Real GDP (Annualized)



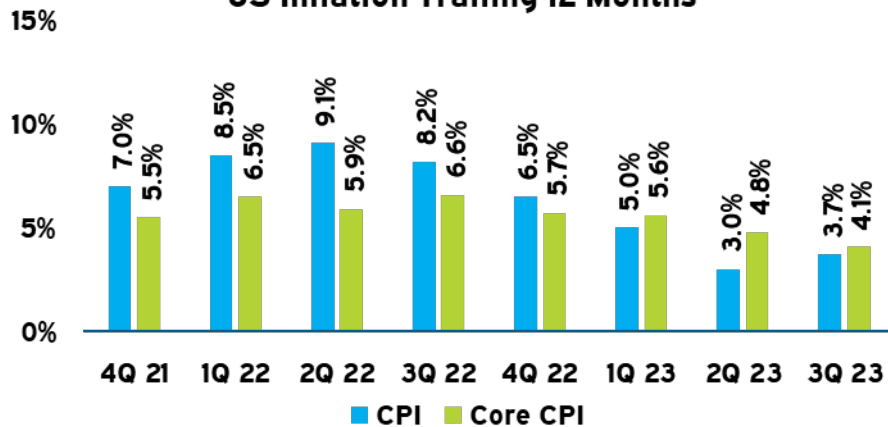
Source: Bureau of Economic Analysis. Data as of Q3 2023 represents the "second" estimate. The Q3 2023 "third" estimate will be released December 21, 2023.

#### US Unemployment



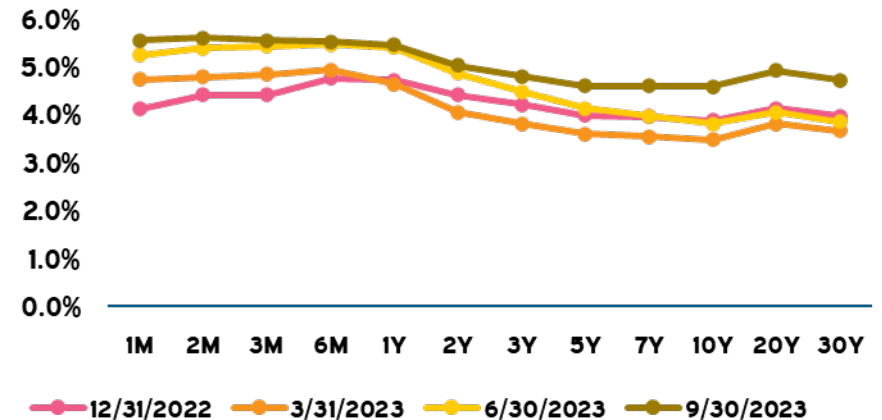
Source: Bureau of Labor Statistics. Data as of September 30, 2023. Seasonally adjusted.

#### US Inflation Trailing 12 Months



Source: Bureau of Labor Statistics. Data is non-seasonally adjusted CPI, which may be volatile in the short-term. Data as of September 30, 2023.

#### US Yield Curve



Source: US Department of the Treasury.

**Market Updates as of September 30, 2023**
**Index Returns**

	<b>QTR (%)</b>	<b>1 YR (%)</b>	<b>3 YR (%)</b>	<b>5 YR (%)</b>	<b>10 YR (%)</b>
<b>Domestic Equity</b>					
S&P 500	(3.3)	21.6	10.2	9.9	11.9
Russell 3000	(3.3)	20.5	9.4	9.1	11.3
Russell 1000	(3.2)	21.2	9.5	9.6	11.6
Russell 1000 Growth	(3.1)	27.7	8.0	12.4	14.5
Russell 1000 Value	(3.2)	14.4	11.1	6.2	8.5
Russell MidCap	(4.7)	13.5	8.1	6.4	9.0
Russell MidCap Growth	(5.2)	17.5	2.6	7.0	9.9
Russell MidCap Value	(4.5)	11.1	11.0	5.2	7.9
Russell 2000	(5.1)	8.9	7.2	2.4	6.7
Russell 2000 Growth	(7.3)	9.6	1.1	1.6	6.7
Russell 2000 Value	(3.0)	7.8	13.3	2.6	6.2
<b>Non-US Equity</b>					
MSCI ACWI (ex. US)	(4.1)	24.0	6.1	3.4	3.8
MSCI EAFE	(4.1)	25.7	5.8	3.2	3.8
MSCI EAFE Growth	(8.6)	20.0	0.4	3.2	4.4
MSCI EAFE Value	0.6	31.5	11.1	2.8	3.0
MSCI EAFE (Local Currency)	(1.3)	20.3	10.8	5.7	6.8
MSCI EAFE Small Cap	(3.5)	17.9	1.1	0.8	4.3
MSCI Emerging Markets	(2.9)	11.7	(1.7)	0.6	2.1
MSCI Emg Mkts (Local Currency)	(1.4)	10.9	0.6	2.7	5.0
MSCI China	(1.9)	5.2	(14.3)	(4.2)	1.7
<b>Fixed Income</b>					
Bloomberg Universal	(2.9)	1.6	(4.7)	0.3	1.4
Bloomberg Aggregate	(3.2)	0.6	(5.2)	0.1	1.1
Bloomberg US TIPS	(2.6)	1.3	(2.0)	2.1	1.7
Bloomberg High Yield	0.5	10.3	1.8	3.0	4.2
JPM GBI-EM Global Diversified	(3.3)	13.1	(2.7)	0.0	(0.8)
<b>Other</b>					
FTSE NAREIT Equity	(7.1)	3.0	5.8	2.8	6.0
Bloomberg Commodity Index	4.7	(1.3)	16.2	6.1	(0.8)

**During the Quarter:**

- Following a strong start to Q3, markets declined in August and September as expectations shifted to the Fed keeping interest rates higher for longer. The uncertainty surrounding the geopolitical risks with the wars in Ukraine and Israel and slowing global growth also contributed to the declines.
  - Volatility continued as inflation remained elevated, unemployment stayed historically low and weak international data, specifically Europe and China, weighed on results.
- Despite a rough Q3, returns remain positive year-to-date apart from fixed income markets as rates rose at both ends of the curve.
- The FOMC raised its federal funds rate target range by 0.25% in July to 5.25% to 5.50% but held the target range steady in September. Investors are expecting a pause from the FOMC in November.
- The rebound in equities ended in Q3 as most asset classes declined.
  - US equities (-3.3%) continue to outpace non-US equities (-3.8%).
  - US Large Caps outperformed US Small Caps as investors favored larger, higher quality companies in most industries
  - Value outpaced Growth across all market capitalizations in the US except for Large Cap, which were largely the same.
  - YTD Large Cap Growth kept its massive lead over value despite pressure on Big Tech from surging rates.
  - Within Non-US, Emerging Markets outperformed Developed Markets.
- Broad fixed income returns were mostly negative.
  - US Treasury yields rose mainly due to higher policy expectations and the higher for longer narrative.
- Diversifying asset classes produced mixed results.
  - Commodities were up (+4.7%).
  - REITs decreased (-7.1%)

## **Summary of Monitoring Status**



**Total Fund Assets Summary  
As of September 30, 2023**

Portfolios	Total Fund Assets (\$K)	% of Total
Growth Portfolio	1,759	2%
Moderate Growth Portfolio	26,449	24%
Conservative Growth Portfolio	253	0%
Balanced Portfolio	21,089	19%
Income & Growth Portfolio	62	0%
Conservative Portfolio	18,505	17%
Income Portfolio	174	0%
FDIC-Insured Portfolio	42,838	39%
<b>Total</b>	<b>111,128</b>	<b>100%</b>

**Monitoring Summary**  
As of September 30, 2023

Underlying Funds	Total Fund Assets (\$K)	% of Total	Prior QTR Status	Current QTR Status	Qualifies for Watch?	On Watch <sup>1</sup>
Fidelity Total Market Index Fund	12,350	11%	---	Positive	No	No
Schwab Total Stock Market Index Fund	11,936	11%	---	Positive	No	No
Fidelity International Index Fund	9,203	8%	---	Caution	No	No
Fidelity Emerging Markets Index Fund	3,753	3%	---	Caution	No	No
Fidelity US Bond Index Fund	12,738	11%	---	Positive	No	No
Schwab US Aggregate Bond Index Fund	12,063	11%	---	Positive	No	No
Fidelity Long-Term Treasury Bond Index Fund	2,545	2%	---	Caution	No	No
Schwab Treasury Inflation Protected Securities Index fund	991	1%	---	Positive	No	No
Vanguard Emerging Markets Bond Fund Admiral Shares	1,336	1%	---	Acceptable	No	No
Vanguard High-Yield Corporate Fund Admiral Shares	1,341	1%	---	Acceptable	No	No
Vanguard Cash Reserves Federal Money Market Fund Admiral Shares	35	0%	---	---		
FDIC-Insured TIAA Bank Account	42,838	39%	---	---		
<b>Total</b>	<b>111,128</b>	<b>100%</b>	<b>---</b>	<b>---</b>		

<sup>1</sup> Watch criteria summarized on Page 8.

### Monitoring Guidelines

Performance Category	Active Funds	Passive Funds
<b>Positive</b>	Performance exceeds the benchmark	Tracking error is within the allowable range (short-, medium-, and long-term periods)
<b>Acceptable</b>	Performance meets or trails the benchmark but is within the allowable range	N/A
<b>Caution</b>	Performance is below allowable range but either: <ul style="list-style-type: none"> <li>i) For less than six consecutive months</li> <li>ii) The Board has not taken (or decided not to take) a formal action to place the underlying fund on Watch even though performance has been below allowable range for six months or longer.</li> </ul>	Tracking error falls outside of the allowable range but either <ul style="list-style-type: none"> <li>i) For less than six consecutive months or</li> <li>ii) The Board has not voted to place the underlying fund on Watch.</li> </ul>
<b>Watch</b>	Performance is below allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.	Tracking error falls outside of the allowable range for more than 6 consecutive months and the Board has formally voted to place the underlying fund on Watch.

### Monitoring Guidelines As of September 30, 2023

Asset Class	Shorter-Term Performance (rolling 12-month periods)	Medium-Term Performance (rolling 36-month periods)	Long-Term (>60 months)
<b>Actively Managed Funds</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>Fund return &lt; Benchmark return for 6 consecutive months</b>	<b>VRR &lt; for 6 consecutive months</b>
Emerging Markets Bond	-6.5%	-3.25%	0.96
<b>Passively Managed Funds</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Tracking Error &gt; for 6 consecutive months</b>	<b>Fund annualized return &lt; Benchmark annualized return for 6 consecutive months</b>
Domestic Equity	0.30%	0.25%	-0.30%
International Equity	0.75%	0.70%	-0.30%
Fixed Income	0.40%	0.55%	-0.35%

### FDIC Insured Deposit Portfolio

Asset Class	FDIC-Insured Status	Stability
Bank Deposit	Bank continues with appropriate levels of insurance with the FDIC	No identifiable issues regarding changes in the bank's financial stability

## CaABLE Portfolios Analysis

**Asset Allocation & Performance | As of September 30, 2023**

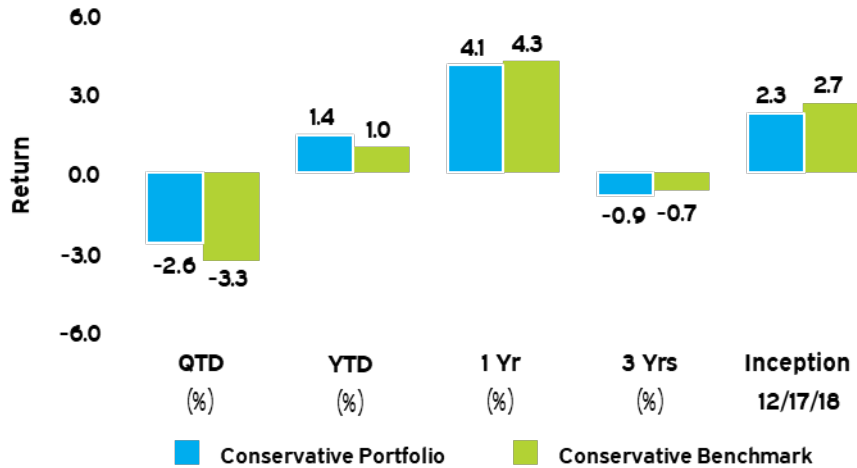
<b>Underlying Investment Trailing Performance</b>									
	<b>Market Values</b>	<b>QTR (%)</b>	<b>YTD (%)</b>	<b>1 YR (%)</b>	<b>3 Yrs (%)</b>	<b>5 Yrs (%)</b>	<b>Since Inception</b>	<b>Inception Date</b>	
<b>CalABLE Total Plan</b>	<b>111,128,218</b>								
Fidelity Total Market Index	12,350,074	-3.3 (51)	12.5 (37)	20.5 (47)	9.3 (52)	9.0 (43)	8.0 (28)	Dec-97	
<i>Dow Jones U.S. Total Stock Market Index</i>		-3.3 (53)	12.4 (37)	20.5 (48)	9.3 (53)	9.0 (43)	8.0 (27)		
<i>Large Blend Median</i>		-3.3	11.3	20.3	9.4	8.8	7.6		
Schwab Total Stock Market Index	11,935,962	-3.3 (53)	12.4 (38)	20.5 (48)	9.2 (54)	9.0 (44)	7.2 (26)	May-99	
<i>Dow Jones U.S. Total Stock Market Index</i>		-3.3 (53)	12.4 (37)	20.5 (48)	9.3 (53)	9.0 (43)	7.1 (32)		
<i>Large Blend Median</i>		-3.3	11.3	20.3	9.4	8.8	6.7		
Fidelity International Index Fund	9,202,522	-4.7 (49)	6.8 (27)	26.3 (18)	5.8 (23)	3.4 (30)	4.8 (55)	Dec-97	
<i>MSCI EAFE (net)</i>		-4.1 (31)	7.1 (23)	25.6 (27)	5.8 (22)	3.2 (33)	4.7 (59)		
<i>Foreign Large Blend Median</i>		-4.7	5.7	23.2	4.3	2.8	4.8		
Fidelity Emerging Markets Index Fund	3,752,723	-3.4 (43)	1.7 (67)	11.7 (61)	-2.2 (49)	0.3 (64)	1.6 (58)	Sep-11	
<i>MSCI Emerging Markets (net)</i>		-2.9 (33)	1.8 (65)	11.7 (61)	-1.7 (43)	0.6 (56)	1.8 (52)		
<i>Diversified Emerging Mkts Median</i>		-3.8	3.3	13.2	-2.3	0.8	1.8		
Fidelity US Bond Index Fund	12,738,218	-3.2 (52)	-1.0 (49)	0.6 (46)	-5.2 (52)	0.1 (42)	4.9 (24)	Apr-90	
<i>Blmbg. U.S. Aggregate Index</i>		-3.2 (63)	-1.2 (63)	0.6 (47)	-5.2 (52)	0.1 (42)	5.0 (16)		
<i>Intermediate Core Bond Median</i>		-3.1	-1.0	0.6	-5.2	0.0	4.7		
Schwab US Aggregate Bond Index	12,062,593	-3.2 (62)	-1.1 (54)	0.6 (47)	-5.3 (59)	0.0 (52)	0.2 (60)	Feb-17	
<i>Blmbg. U.S. Aggregate Index</i>		-3.2 (63)	-1.2 (63)	0.6 (47)	-5.2 (52)	0.1 (42)	0.3 (43)		
<i>Intermediate Core Bond Median</i>		-3.1	-1.0	0.6	-5.2	0.0	0.3		
Fidelity Long-Term Treasury Bond Index	2,545,224	-11.8 (47)	-8.0 (42)	-9.2 (50)	-15.7 (51)	-2.8 (19)	3.0 (19)	Jan-06	
<i>Blmbg. U.S. Treasury: Long</i>		-11.8 (51)	-8.6 (55)	-9.1 (41)	-15.7 (55)	-2.8 (15)	3.1 (10)		
<i>Long Government Median</i>		-11.8	-8.2	-9.2	-15.7	-3.1	2.9		

**Asset Allocation & Performance | As of September 30, 2023**

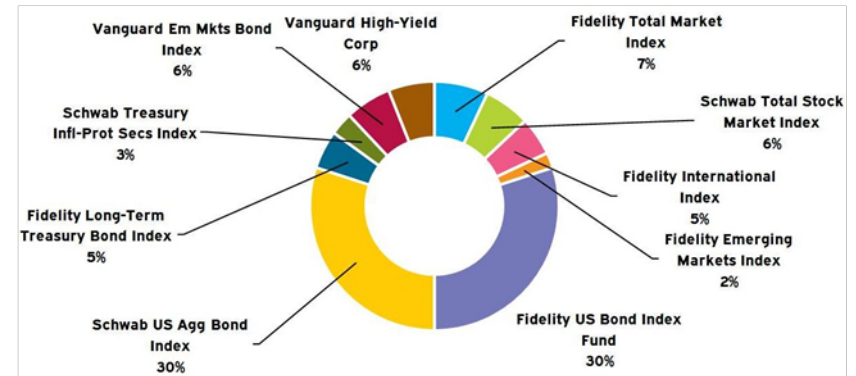
	Market Values	QTR (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	Since Inception	Inception Date
Schwab Treasury Infl-Prot Securities Index	991,152	-2.5 (64)	-0.6 (53)	1.2 (61)	-2.0 (52)	2.1 (40)	3.0 (39)	Apr-06
<i>Blmbg. U.S. TIPS</i>		-2.6 (69)	-0.8 (60)	1.2 (57)	-2.0 (48)	2.1 (37)	3.4 (7)	
<i>Inflation-Protected Bond Median</i>		-2.3	-0.6	1.6	-2.0	1.9	2.9	
Vanguard Emerging Markets Bond Index	1,335,805	-0.9 (26)	4.2 (14)	14.4 (14)	-1.6 (17)	3.7 (2)	5.3 (2)	Apr-16
<i>JPM EMBI Global Diversified</i>		-2.2 (53)	1.8 (56)	10.0 (59)	-4.6 (77)	-0.4 (61)	1.3 (55)	
<i>Emerging Markets Bond Median</i>		-2.1	2.0	10.7	-3.1	0.0	1.4	
Vanguard High-Yield Corporate Fund	1,340,797	-0.2 (89)	4.1 (84)	9.2 (61)	1.0 (70)	2.8 (32)	7.7 (38)	Jan-79
<i>Vanguard High Yield Benchmark</i>		0.4 (57)	5.6 (38)	9.9 (45)	1.6 (51)	2.9 (30)	--	
<i>High Yield Bond Median</i>		0.5	5.3	9.6	1.6	2.4	7.6	
Vanguard Cash Reserves Federal Money Market	34,770	1.3 (6)	3.7 (3)	4.6 (3)	1.8 (4)	1.7 (2)	2.9 (1)	Oct-89
<i>Lipper Inst US Gov MM IX</i>		1.3 (29)	3.6 (24)	4.5 (23)	1.7 (20)	1.6 (18)	2.7 (25)	
<i>Money Market-Taxable Median</i>		1.3	3.5	4.3	1.6	1.5	2.5	
BNY Mellon FDIC Account	42,838,379							

### Portfolio Returns and Allocations | As of September 30, 2023

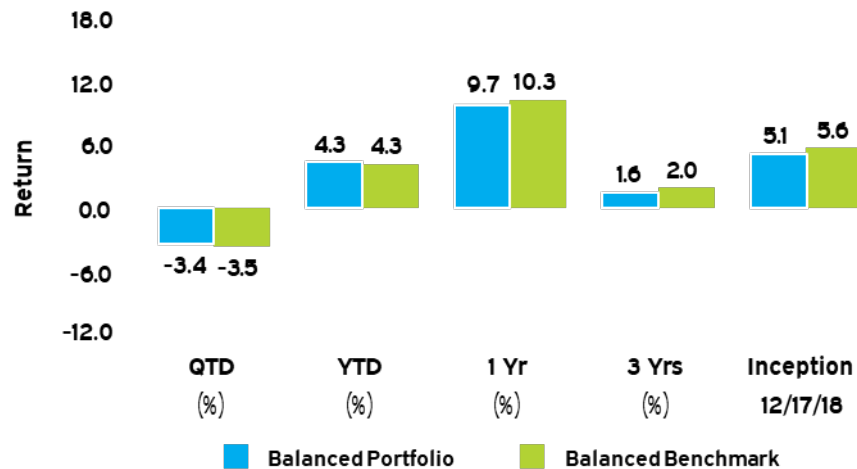
#### Conservative Return Summary



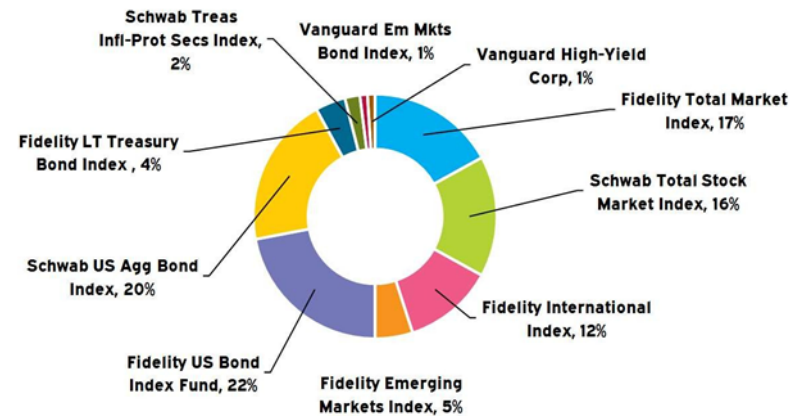
#### Conservative Current Allocation



#### Balanced Return Summary



#### Balanced Current Allocation

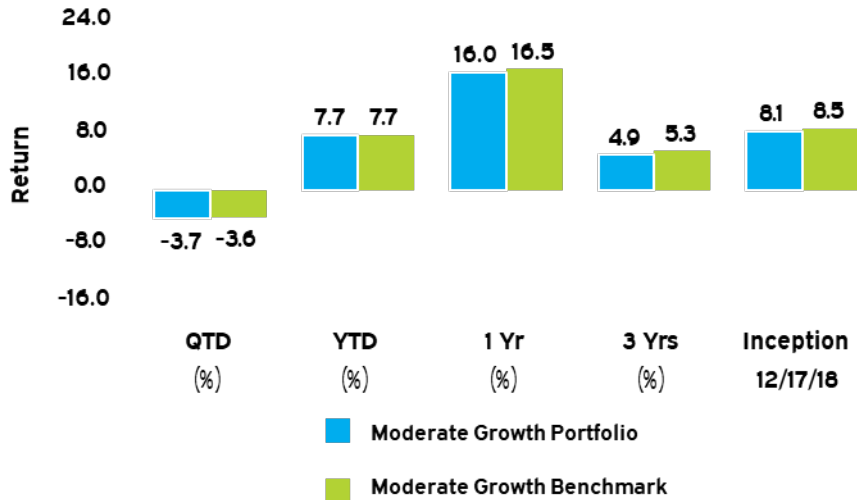


Returns prior to 8/1/2023 reflect prior program manager's conservative and moderate options. Vestwell program inception date is 8/1/2023.

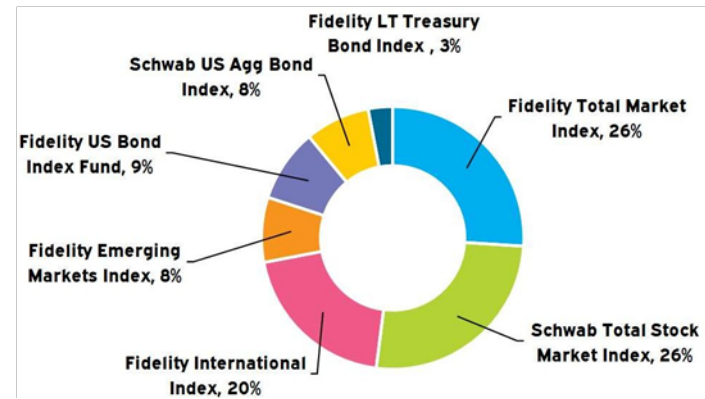


Portfolio Returns and Allocations | As of September 30, 2023

### Moderate Growth Return Summary



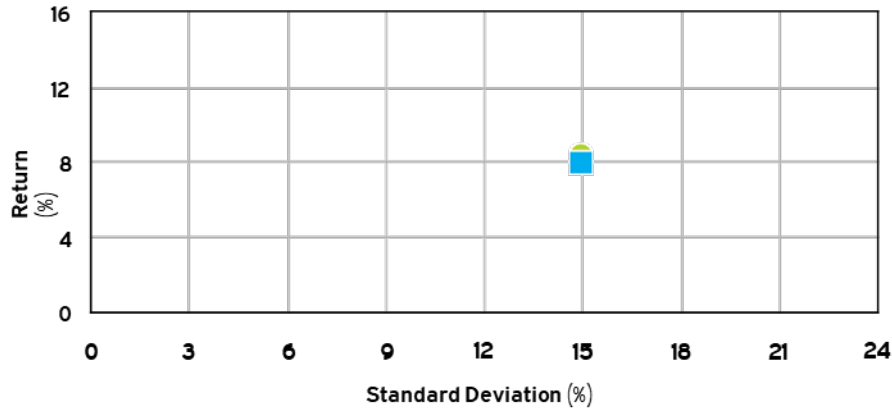
### Moderate Growth Current Allocation



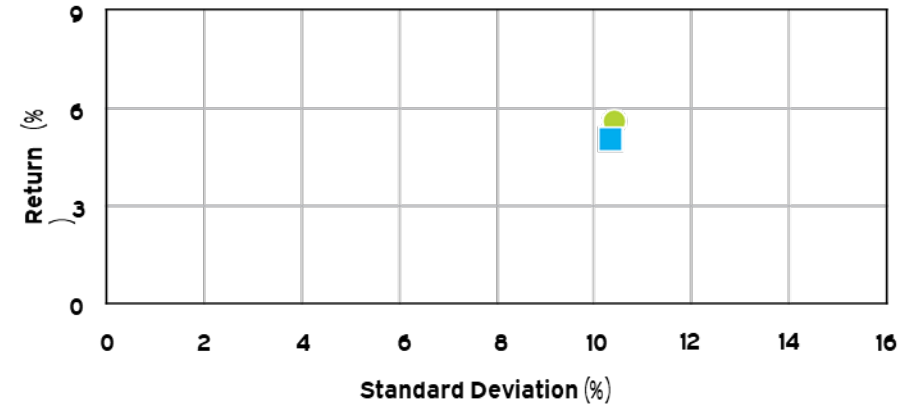
Returns prior to 8/1/2023 reflect prior program manager's conservative and moderate options. Vestwell program inception date is 8/1/2023.

### Managed Portfolios | As of September 30, 2023

Since Inception Standard Deviation vs Return  
As of Sep 30, 2023

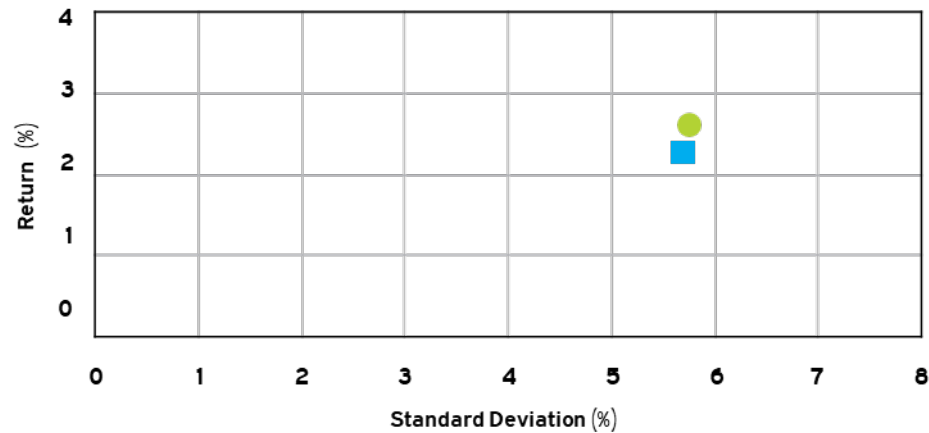


Since Inception Standard Deviation vs Return  
As of Sep 30, 2023



■ Moderate Growth Portfolio    
 ● Moderate Growth Benchmark    
 ■ Balanced Portfolio    
 ● Balanced Benchmark

Since Inception Standard Deviation vs Return  
As of Sep 30, 2023



■ Conservative Portfolio    
 ● Conservative Benchmark

Since inception statistics are inclusive of prior program manager returns and benchmarks. Vestwell program inception date is 8/1/2023.

## Fee Schedule

Fee Schedule as of September 30, 2023

Portfolio <sup>1</sup>	Underlying Investment Fees and Expenses (bps) <sup>2</sup>	Annual Program Management Fee (bps)	Annual State Administration Fee (bps)	Total Annual Asset-Based Fees and Expenses
Growth Portfolio	3.1	10	28	<b>41.1</b>
Moderate Growth Portfolio	3.1	10	28	<b>41.1</b>
Conservative Growth Portfolio	3.2	10	28	<b>41.2</b>
Balanced Portfolio	3.6	10	28	<b>41.6</b>
Income & Growth Portfolio	4.1	10	28	<b>42.1</b>
Conservative Portfolio	6.0	10	28	<b>44.0</b>
Income Portfolio	7.4	10	28	<b>45.4</b>
FDIC-Insured Portfolio <sup>3</sup>	0.0	0	28	<b>28.0</b>

1. Source: California's 529A Qualified ABLE Program Disclosure Statement and Participation Agreement, August 19, 2023

2. Figures in column are derived from publicly available information for the underlying mutual funds as of January 1, 2023

3. To the extent the interest rate on the FDIC-Insured Portfolio is less during a particular period than the State Administrative Fee, the Board will waive the portion of the State Administrative Fee that exceeds such interest rate for the applicable period, and the Total Annual Asset-Based Fees for the FDIC-Insured Portfolio will be reduced accordingly for the applicable period

Fee Schedule as of September 30, 2023

Underlying Funds <sup>1</sup>	Prospectus Net Expense Ratio (bps)
Fidelity Total Market Index Fund (FSKAX)	1.5
Schwab Total Stock Market Index Fund (SWTSX)	3.0
Fidelity International Index Fund (FSPSX)	3.5
Fidelity Emerging Markets Index Fund (FPADX)	7.5
Fidelity US Bond Index Fund (FXNAX)	2.5
Schwab US Aggregate Bond Index Fund (SWAGX)	4.0
Fidelity Long-Term Treasury Bond Index Fund (FNBGX)	3.0
Schwab Treasury Inflation Protected Securities Index fund	5.0
Vanguard Emerging Markets Bond Fund Admiral Shares	40.0
Vanguard High-Yield Corporate Fund Admiral Shares	13.0
Vanguard Cash Reserves Federal Money Market Fund Admiral Shares	10.0
BNY Mellon Omnibus FDIC Account	0

<sup>1</sup> Source: Morningstar, Inc.

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

## MEMORANDUM

**TO:** California ABLE Board  
**FROM:** Kay Ceserani; Aysun Kilic; Inwoo Hwang;  
Meketa Investment Group  
**DATE:** December 12, 2023  
**RE:** Review of Underlying Funds Qualifying for “Watch” Status

### Summary

Meketa Investment Group (“Meketa”) has conducted a review of the underlying funds in the CalABLE Plan. The review included a quantitative analysis of the underlying funds based on specific performance criteria (as per the *Monitoring Procedures and Criteria*) as well as a qualitative analysis, including a review of organizational concerns, stability of personnel, changes in investment objectives, etc.

This memo summarizes the period from July 1, 2023, through September 30, 2023. During the period, the CalABLE Plan assets were transferred to Vestwell, the new program manager, and invested in their offered investment options. As a result, our review for “Watch” status considers the new underlying investments’ performance history beyond the new Vestwell program’s inception date for monitoring/review purposes. At the end of the period, three passively managed funds qualify for “Watch” status (Fidelity International Index, Fidelity Emerging Markets Index, Fidelity Long-Term Treasury Bond Index).

*Meketa does not recommend placing the three qualifying funds on “Watch” status as all have elevated tracking error resulting from operational causes. However, we do recommend the funds be placed on “Monitor” status. We will continue to review these funds and report any material findings to the Board.* All funds listed below are discussed in more detail on the following pages.

### Performance of Funds on Watch Status As of 9/30/2023

Funds on Watch Status	Board Action Date	Watch Status Start Date	No. Months Since Watch Began	Excess Perf. Since Watch Began	Plan Assets (\$M)	% of Plan Assets
-----------------------	-------------------	-------------------------	------------------------------	--------------------------------	-------------------	------------------

None

## Background

New Funds Qualifying for “Watch” Status: Meketa has conducted a review of the underlying fund in the CalABLE Plan (see also the 3Q2023 CalABLE Plan Investment Performance Status Report) and determined that no new funds should be placed on “Watch” status.

Funds Currently on “Watch” Status: No funds are currently on “Watch” status.

## Funds Currently on “Monitor” Status

Funds are placed on “Monitor” status when there is a quantifiable reason not to place them on “Watch” status, even though they may qualify.

At the end of the period, the Fidelity International Index fund and the Fidelity Emerging Markets Index fund, both passively managed, qualify for “Monitor” status. The two international equity index funds fall into the Caution range primarily due to “Fair Value” adjustment procedures, which increases tracking error. The Fidelity Long-Term Treasury Bond Index falls into caution range primarily due to the statistical sampling methodology used to mirror the index in portfolio composition.

### Fair Value Pricing:

Some ETFs or mutual funds will use Fair Value pricing if the value of their underlying securities has been materially affected by events occurring before the US market closes, but after the close of the markets or exchanges on which the security is traded. This situation most commonly occurs with foreign securities, which may trade on foreign exchanges that close many hours before the ETF or mutual fund is priced in the US. Fair Value pricing addresses the price discrepancies in such scenarios. As a result, a divergence in a Fair Value priced asset and the index may be observed temporarily.

### Sampling:

When an ETF or mutual fund invests by sampling the index, it means that the fund holds a range of securities that, in the aggregate, approximates the full Index in terms of key risk factors and other characteristics. For the Fidelity Long-Term Treasury Bond Index, the fund’s prospectus states that investments are selected through the sampling process, and under normal circumstances at least 80% of the fund’s assets are invested in bonds included in the Index. The fund also maintains a dollar-weighted average maturity that generally is consistent with that of the index. The result is that while trailing period returns are closely tracking the index, intra-period deviations can result in higher tracking errors.

### Recommendation:

Although these funds qualify for “Watch,” Meketa does not recommend placing them on “Watch” given the root cause for them qualifying is operational versus a fundamental flaw with the funds’ investment processes. However, we do recommend these funds remain on “Monitor” status.

KRCAK/IH/mp



### Disclaimer

WE HAVE PREPARED THIS REPORT (THIS "REPORT") FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE "RECIPIENT").

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE "FORWARD - LOOKING STATEMENTS," WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "AIM," "ANTICIPATE," "TARGET," "PROJECT," "ESTIMATE," "INTEND," "CONTINUE" OR "BELIEVE," OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

This page is intentionally left blank.