



## **2014 ANNUAL INVESTMENT REVIEW**

*PRESENTED TO:*

**HUMBOLDT AREA FOUNDATION INVESTMENT COMMITTEE**

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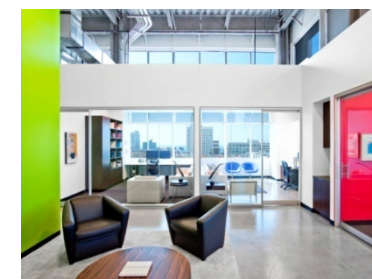
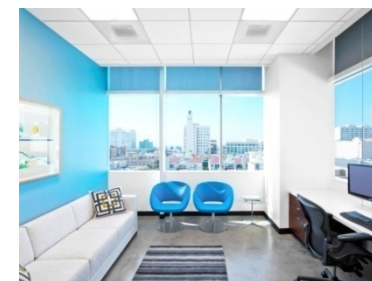
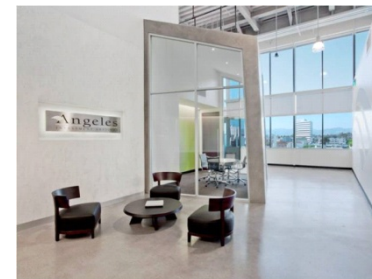
MARCH 6, 2015

# IMPORTANT DISCLOSURES

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# AGENDA

- Overview
- Highlights of HAF 2014 Investment Performance Review
- Appendix



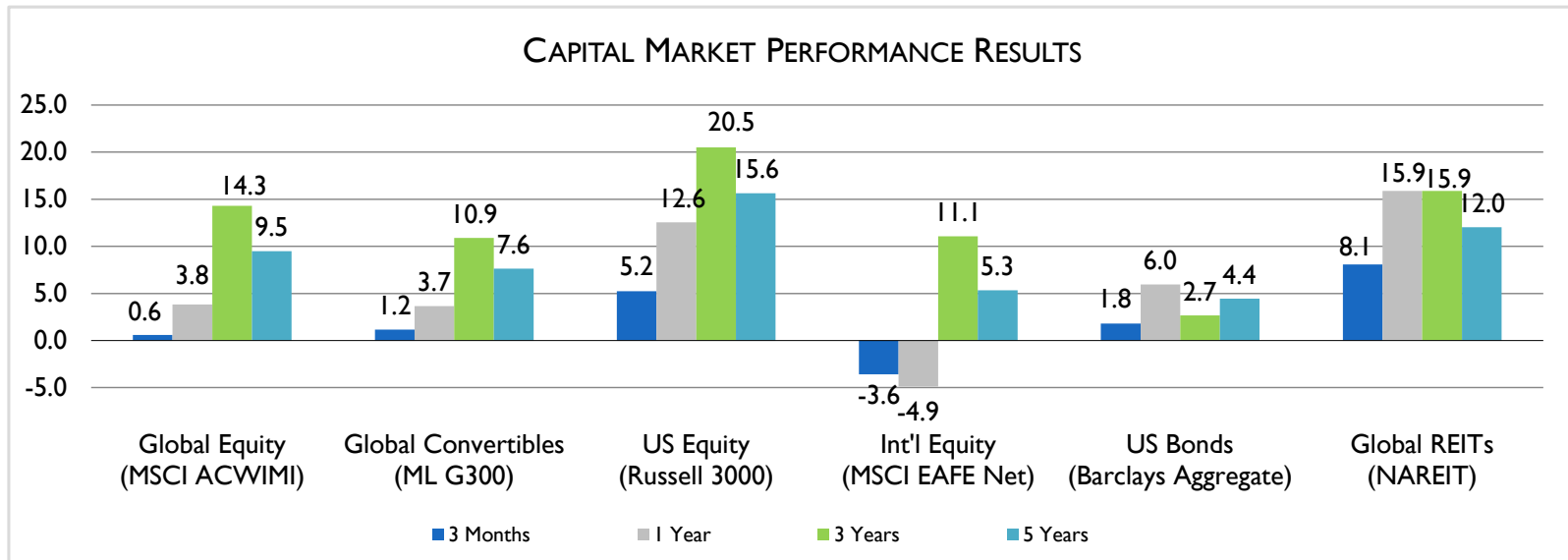
# ANGELES AND HAF

- Angeles has worked with the Humboldt Area Foundation since 2003.
  - From 2003 to 2007, Angeles worked with HAF on a project basis.
  - Since 2007, Angeles has offered advice and recommendations on any investment-related issues that arise during the year
  - In the fall of 2011, the Medium Term Investment Pool was established for investors with a shorter time horizon and/or lower risk tolerance than those invested in HAF's Long Term Investment Pool. The Medium Term Pool is now comprised of HAF assets for operations.
- Angeles is experienced in working with non-profits like HAF.
  - Our firm is 100% employee-owned by seven active employees.
  - Institutional and private investors are Angeles' sole source of revenue.
  - We have 56 clients, of which approximately 60% are non-profits.

# CAPITAL MARKET ENVIRONMENT

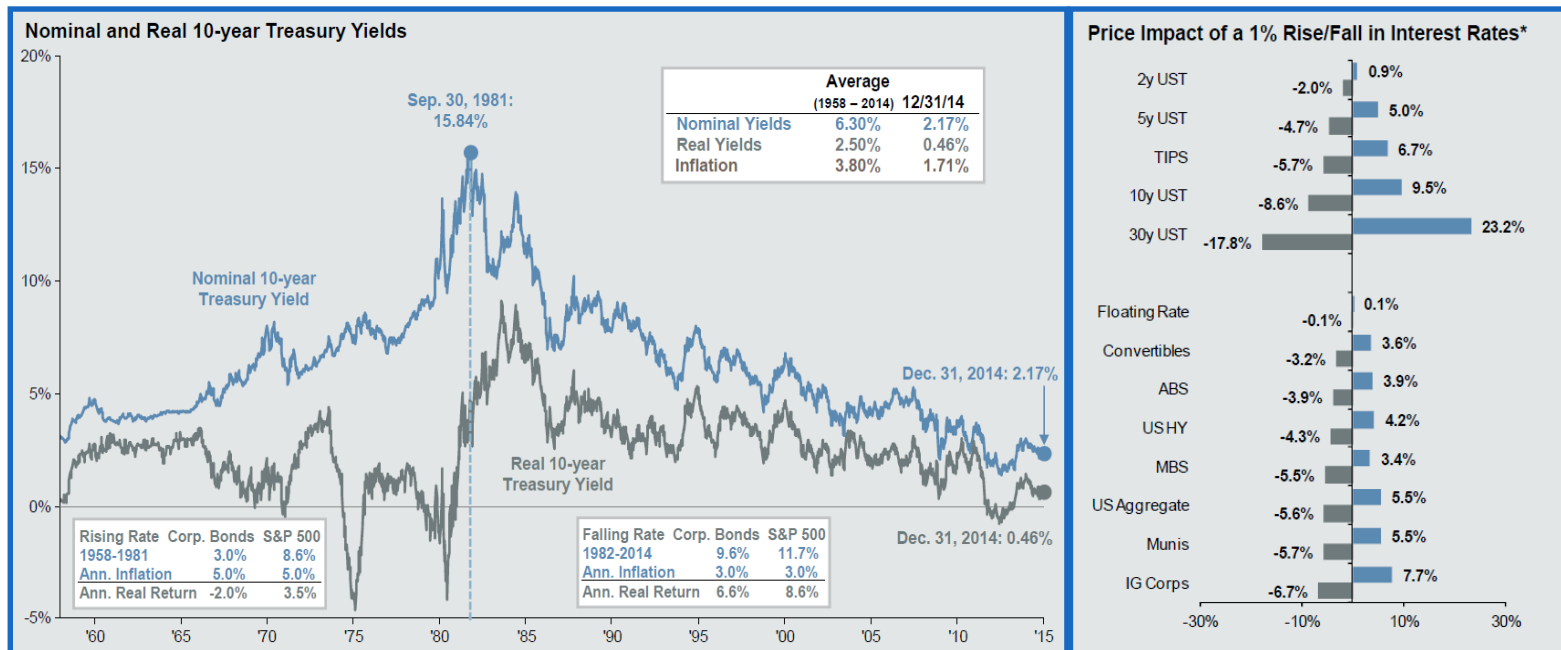
## FOURTH QUARTER AND CALENDAR YEAR 2014

- Global equities (MSCI ACWIMI) rose 0.6% during the quarter and 3.8% during 2014. Continued strong performance from US equities tempered losses in non-US markets.
  - The broad US stock market (Russell 3000 Index) continued to outperform its international developed and emerging markets counterparts, returning a robust 5.2% during the fourth quarter and 12.6% during the year.
  - Europe, in particular, struggled during the fourth quarter as a result of continued deflationary pressures and a weakening euro.
- Fixed Income (Barclays Aggregate) returned 1.8% during the fourth quarter and 6% for 2014.
  - The yield on the 10-year Treasury sank to 2.2% during the fourth quarter from 2.5% at the end of Q3.
- Global REITs rebounded, returning 8.1% and finishing the year with a 15.9% return.



# INTEREST RATES

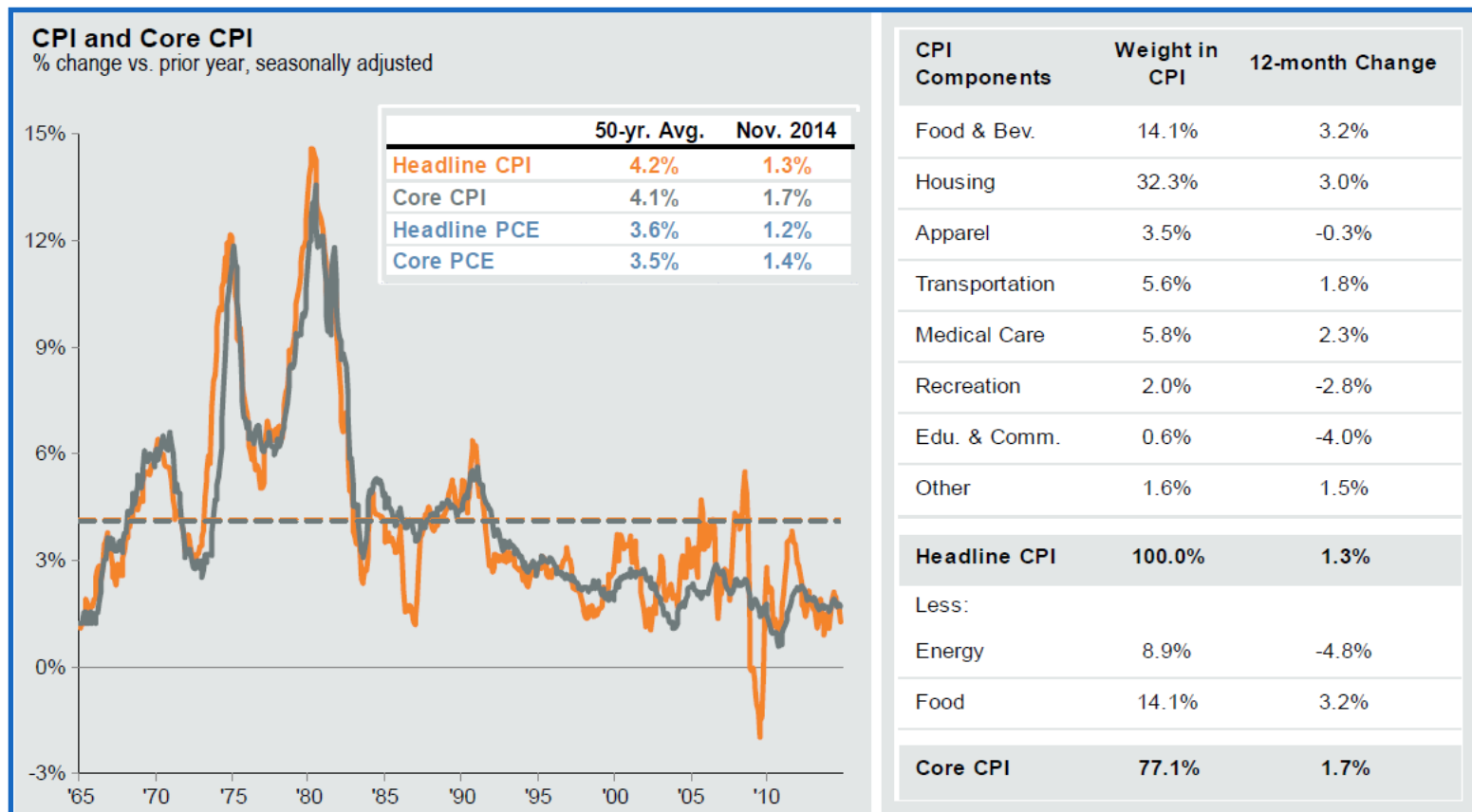
- The yield on the 10-year Treasury fell from 2.5% to 2.2% by year end.
  - On October 29, 2014, the Fed announced the conclusion of its bond-buying program as a result of “substantial improvement” observed in the strength of the labor market and broader economy.
  - The federal funds rate is expected to remain near zero for after the end of the asset purchase program, especially in the context of projected inflation remaining below the long-term goal of 2%. The target rate range remains at 0.0-0.25%. The Fed has said it was remain patient and data-focused.



# US INFLATION

## FOURTH QUARTER 2014

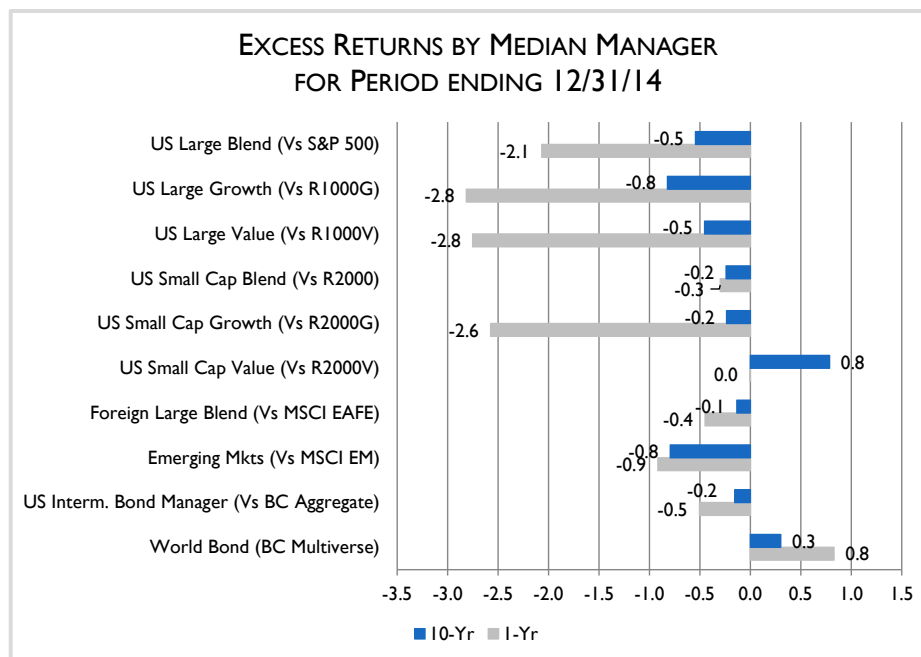
- Headline CPI and Core CPI are up 1.3% over the year ending November 30, 2014.
  - Inflation remains below the Fed's long run target of 2.0%.



Source: BLS, FactSet, JP Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago and reflect November 2014 CPI data. CPI component weights are as of November 2014. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed weight basket used in CPI calculations.

# ACTIVE MANAGEMENT RESULTS

- Over the trailing year, active managers struggled to outperform their respective indices. Over the 10-year period, manager performance has fared slightly better, but continues to underperform against relevant indices.
  - During 2014, dispersion of returns and volatility remained generally low, resulting in reduced upside for choosing the best-performing stocks.
  - Additionally, a small cap bias within active management (even within large cap managers) detracted from relative performance as the largest cap stocks outperformed their smaller counterparts.
  - Within equities, opportunistic exposure to foreign issuances within US managers also drove underperformance as foreign equities meaningfully underperformed their domestic counterparts on the whole.



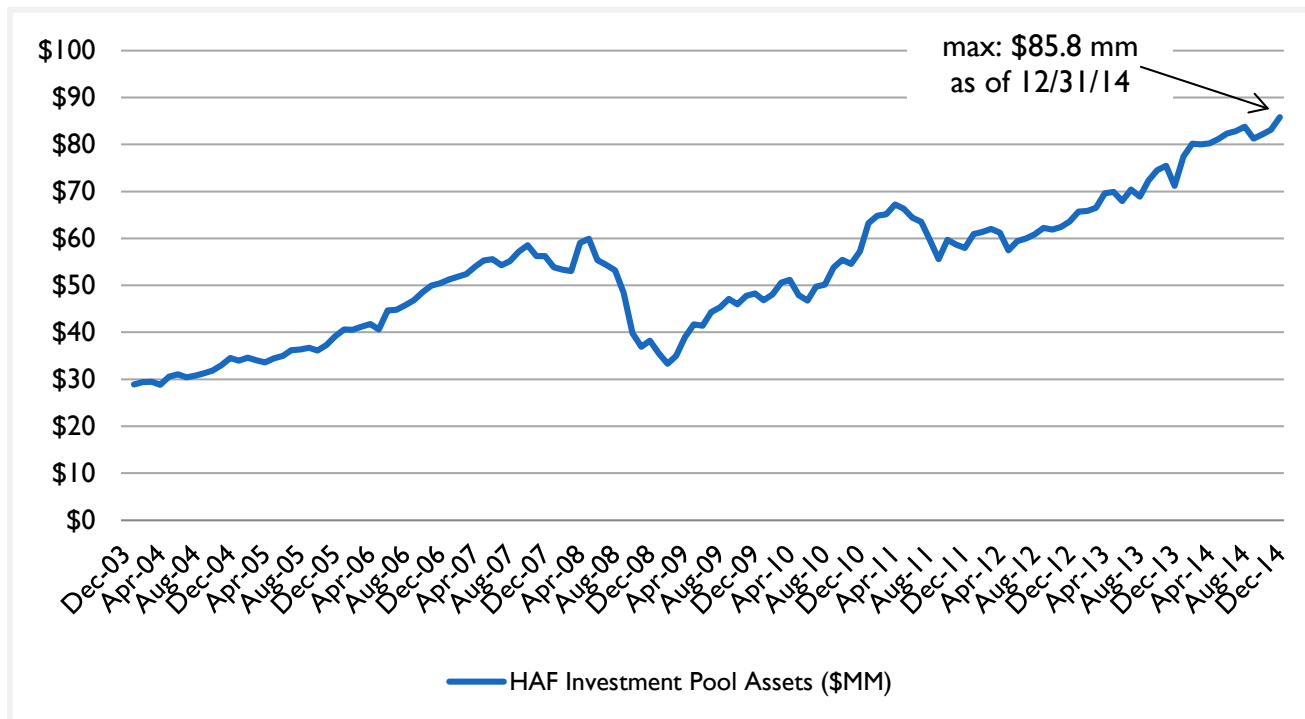


# HIGHLIGHTS OF 2014 HAF REVIEW

## INVESTMENT PORTFOLIO

- HAF's Long Term Investment Pool assets totaled \$85.8 million on December 31, 2014, up from \$78.9 million at the end of 2013.
  - The Medium Term Investment Pool assets ended the year with \$769K in assets.

HAF LONG TERM INVESTMENT POOL – DECEMBER 31, 2014 ASSETS (\$85.8 MM)



# HIGHLIGHTS OF 2014 HAF REVIEW

## ASSET ALLOCATION

<b>Long Term Investment Pool</b>	<b>HAF Target Allocation</b>	<b>Actual Allocation (12/31/14)</b>	<b>Difference</b>
Global Equity	70.0%	69.8%	-0.2%
Absolute Return	5.0%	5.0%	0.0%
Fixed Income	20.0%	19.9%	-0.1%
Real Estate Securities	5.0%	5.0%	0.0%
Cash	0.0%	0.2%	0.2%

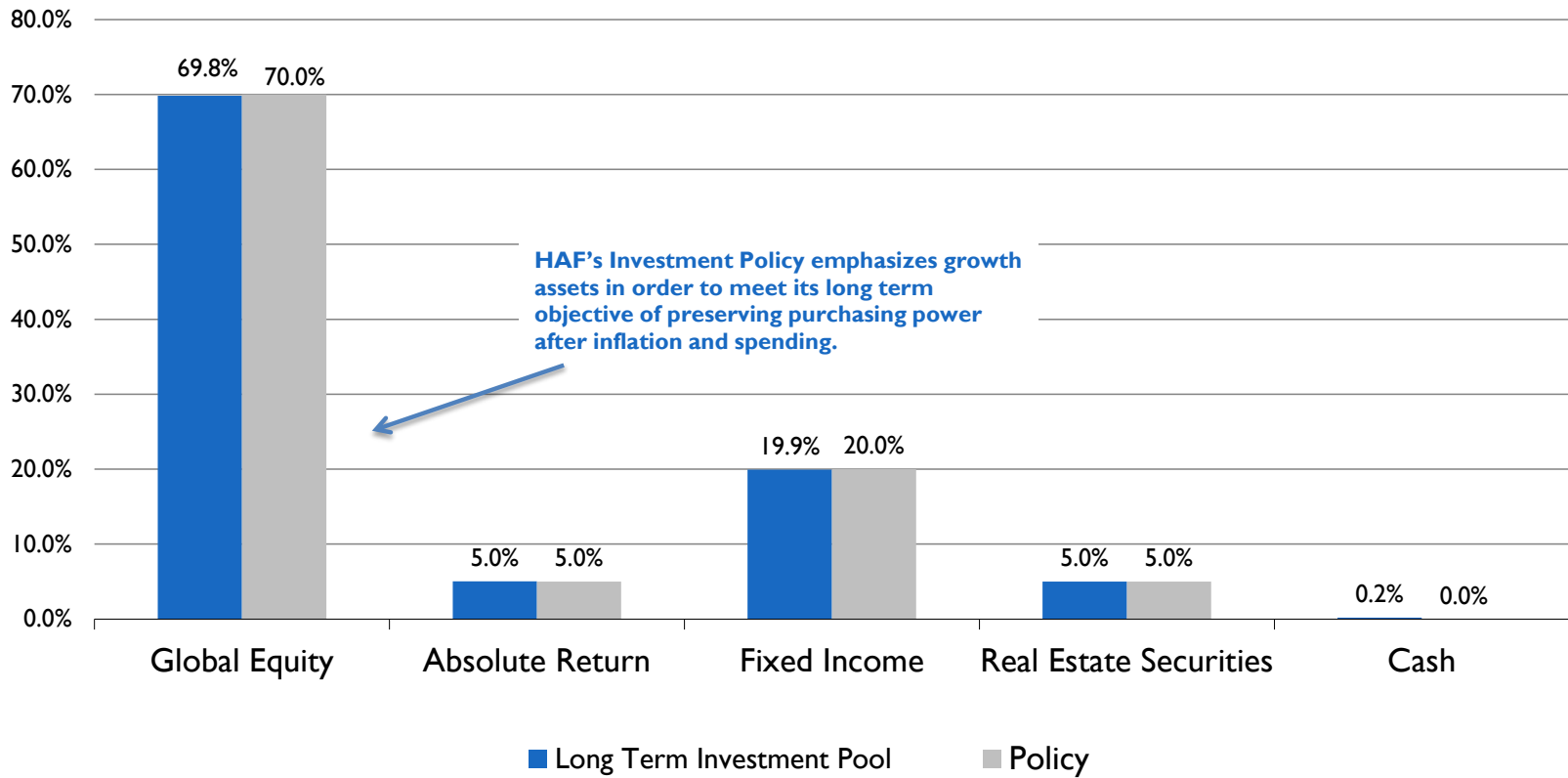
<b>Medium Term Investment Pool</b>	<b>HAF Target Allocation</b>	<b>Actual Allocation (12/31/14)</b>	<b>Difference</b>
US Equity	17.5%	20.7%	3.2%
Int'l Equity	17.5%	16.2%	-1.3%
Fixed Income	60.0%	57.6%	-2.4%
Real Estate Securities	5.0%	5.1%	0.1%
Cash	0.0%	0.4%	0.4%

Note: Totals may not sum to 100%.

# ASSET ALLOCATION

## LONG TERM INVESTMENT POOL

HAF LONG TERM INVESTMENT POOL  
ASSET ALLOCATION VS. POLICY IN 2014



# HIGHLIGHTS OF 2014 HAF REVIEW

## ASSET ALLOCATION

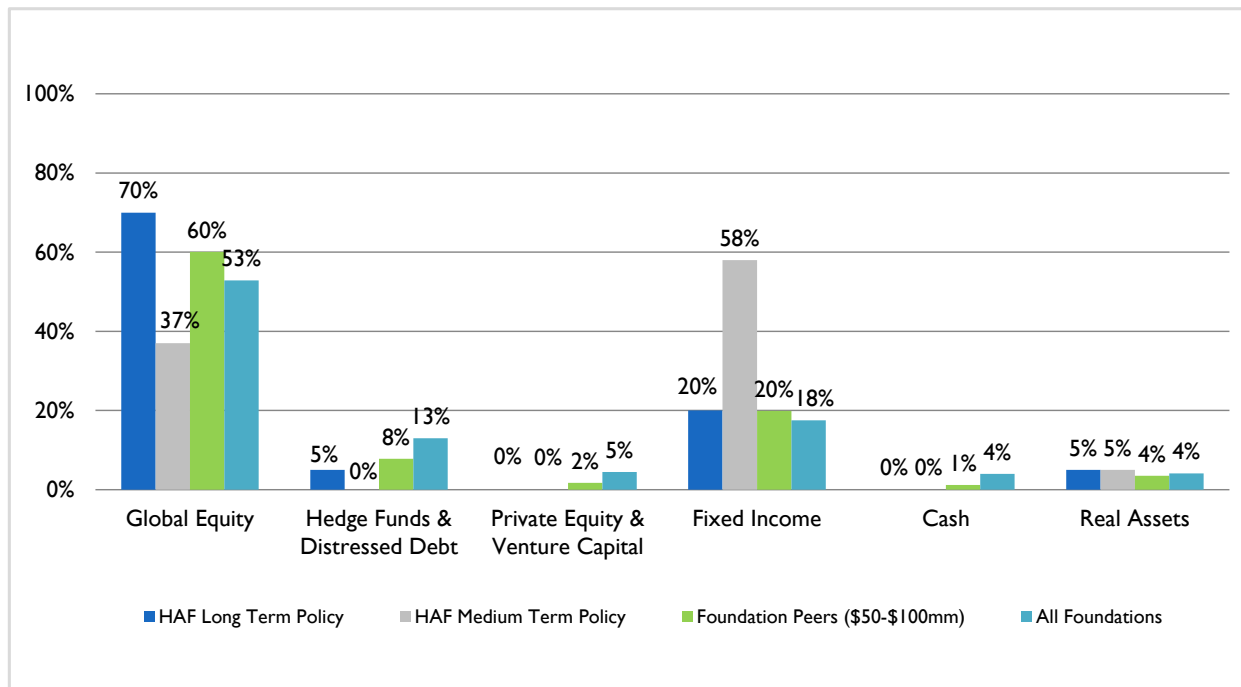
- Allocations to all asset classes were in compliance with allowable ranges at the end of 2014.
- As of December 31, 2014, the HAF's Long Term Investment Pool assets matched their long term targets.
- Absolute Return (hedge funds) completed its first year in HAF's portfolio, following approval in November 2013. HAF implemented this decision effective January 1, 2014.
  - The addition of a 5% target for Absolute Return/Hedge Funds was accompanied by a commensurate reduction in fixed income from 25% to 20%.

# HIGHLIGHTS OF 2014 HAF REVIEW

## PEER COMPARISON

- In comparison to similarly sized Community Foundation peers (\$50-\$100mm), HAF's long term investment policy allocations are overweight global equity, while underweight alternative asset classes, including hedge funds and private equity.
  - Compared to all Community Foundation peers, HAF's medium term investment policy was underweight global equity, while overweight fixed income.

HAF ASSET ALLOCATION VS. COMMUNITY FOUNDATION PEERS



# EXPECTATIONS FOR THE FUTURE

- **The Foundation's primary investment goal is to preserve purchasing power after inflation and spending.**

$$\begin{array}{rclcl}
 \textit{Return hurdle} & = & \textit{Spending} & + & \textit{Inflation} \\
 6.25 & = & 4.0\% & + & 2.0
 \end{array}$$

ANGELES' PROJECTED LONG TERM (>10 YEARS)  
 ASSET CLASS RETURN AND RISK ASSUMPTIONS  
 AS OF JANUARY 2015  
 (NET OF FEES AND TRANSACTIONS COSTS)

	<b>Expected Return</b>	<b>Expected Risk</b>
Global Equity	7.25%	17.0%
Absolute Return	6.25%	8.0%
Global Real Estate Securities	5.75%	19.0%
Core Fixed Income	2.50%	5.0%
<i>Inflation</i>	2.0%	

# HIGHLIGHTS OF 2014 HAF REVIEW

## EXPECTED RETURNS

- Based on the long term capital market assumptions for future returns and HAF's current policy targets, we estimate that the expected return of the HAF Long Term Investment Pool will be 6.2% without excess returns, and 6.7% with excess returns.
  - Versus last year, our expected returns for core fixed income fell from 2.75% to 2.5%.
  - Risk (volatility) assumptions for hedge funds were reduced by 1% to bring expectations in line with historical results.
  - All other return and risk assumptions remain unchanged.

HAF LONG TERM INVESTMENT POOL<sup>1</sup>

	Long Term Pool
<b>Global Equity</b>	<b>70%</b>
<b>Absolute Return</b>	<b>5%</b>
<b>Global REITs</b>	<b>5%</b>
<b>Fixed Income</b>	<b>20%</b>
Expected Return	6.2
Expected Excess Return	0.6
Expected Return Incl. Manager Excess Returns	6.7
Expected Risk	13.1
Sharpe Ratio	0.32
<i>Probability of a Loss:</i>	
1-Year	33%
5-Years	18%
10-Years	11%
<b>2 Standard Deviation Event</b>	
<b>Very Bad Scenario**</b>	<b>-22.3</b>

\*\* Very Bad Scenario assumes that correlations across asset classes go to 1 and each class experiences a two standard deviation negative event.

<sup>1</sup>The Total Fund's expected excess return from manager outperformance is a weighted sum of the underlying asset class composites' excess returns. Global equity's expected excess return is 0.5%, absolute return's expected excess return is 2.0%, core fixed income's expected excess return is 0.5%, and REITs' excess return expectation is 0% (given DFA's passively managed approach in its REIT portfolios).

# HIGHLIGHTS OF 2014 HAF REVIEW

## LONG TERM INVESTMENT POOL PERFORMANCE THROUGH 12/31/14

- HAF's Long Term Investment Pool returned 4.8% in 2014.
- Based on Council on Foundation data on 169 community foundations, in 2014 the Long Term Investment Pool outperformed the median community foundation return of 4.4%.
- In 2014, Global Equity and Fixed Income underperformed while Real Estate and Absolute Return outperformed their respective composite benchmarks.

	% of Fund	Annualized					Since Fund	Inception
		1 Year	3 Year	5 Year	7 Year	10 Year	Inception <sup>^</sup>	Date
<b>Total Fund</b>	<b>100%</b>	<b>4.8</b>	<b>12.1</b>	<b>8.7</b>	<b>3.7</b>	<b>5.6</b>	<b>6.2</b>	<b>12/31/2003</b>
<i>Policy Index<sup>1</sup></i>		5.1	11.6	9.0	4.3	5.9	6.5	
<b>Global Equity<sup>2</sup></b>	<b>69.8%</b>	<b>3.6</b>	<b>15.4</b>	<b>10.1</b>	<b>4.0</b>	<b>6.6</b>	<b>7.4</b>	<b>12/31/2003</b>
<i>Global Equity Blended Index<sup>3</sup></i>		3.8	14.4	9.9	3.5	5.9	6.6	
<b>Fixed Income</b>	<b>19.9%</b>	<b>5.7</b>	<b>3.8</b>	<b>5.2</b>	<b>3.0</b>	<b>3.3</b>	<b>3.6</b>	<b>12/31/2003</b>
<i>Fixed Income Blended Index<sup>4</sup></i>		6.0	3.2	4.8	5.0	4.9	4.9	
<b>Real Estate Securities</b>	<b>5.0%</b>	<b>22.7</b>	<b>15.6</b>	<b>14.0</b>	<b>6.1</b>	<b>6.5</b>	<b>8.6</b>	<b>12/31/2003</b>
<i>Real Estate Blended Index<sup>5</sup></i>		21.5	15.1	13.4	5.9	6.6	8.9	
<b>Absolute Return</b>	<b>5.0%</b>	<b>5.4</b>	--	--	--	--	<b>5.4</b>	<b>12/31/2013</b>
<i>HFRI Fund of Funds Index</i>		3.3	--	--	--	--	3.3	
<b>Total Cash</b>	<b>0.2%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>1.4</b>	<b>1.4</b>	<b>12/31/2003</b>
<i>90-day T-Bills</i>		0.0	0.1	0.1	0.3	1.5	1.4	

Note: See Appendix for footnotes



# CALENDAR YEAR RETURNS: LONG TERM INVESTMENT POOL

	% of Fund	Calendar Years										
		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Total Fund</b>	<b>100%</b>	<b>4.8</b>	<b>18.1</b>	<b>13.7</b>	<b>-5.2</b>	<b>13.7</b>	<b>28.9</b>	<b>-33.9</b>	<b>5.7</b>	<b>15.4</b>	<b>9.0</b>	<b>13.2</b>
<i>Policy Index<sup>1</sup></i>		<i>5.1</i>	<i>15.7</i>	<i>14.4</i>	<i>-2.8</i>	<i>13.8</i>	<i>29.1</i>	<i>-32.3</i>	<i>6.6</i>	<i>15.5</i>	<i>7.1</i>	<i>12.3</i>
<b>Global Equity<sup>2</sup></b>	<b>69.8%</b>	<b>3.6</b>	<b>25.9</b>	<b>17.7</b>	<b>-8.9</b>	<b>15.5</b>	<b>36.6</b>	<b>-40.2</b>	<b>9.0</b>	<b>17.2</b>	<b>13.0</b>	<b>15.8</b>
<i>Global Equity Blended Index<sup>3</sup></i>		<i>3.8</i>	<i>23.6</i>	<i>16.8</i>	<i>-6.9</i>	<i>14.9</i>	<i>35.9</i>	<i>-41.7</i>	<i>8.4</i>	<i>18.4</i>	<i>8.5</i>	<i>14.0</i>
<b>Fixed Income</b>	<b>19.9%</b>	<b>5.7</b>	<b>1.3</b>	<b>4.6</b>	<b>7.3</b>	<b>7.5</b>	<b>11.2</b>	<b>-14.2</b>	<b>3.2</b>	<b>6.8</b>	<b>2.2</b>	<b>6.5</b>
<i>Fixed Income Blended Index<sup>4</sup></i>		<i>6.0</i>	<i>-1.8</i>	<i>5.5</i>	<i>7.4</i>	<i>7.2</i>	<i>8.6</i>	<i>2.4</i>	<i>6.5</i>	<i>5.0</i>	<i>2.7</i>	<i>5.0</i>
<b>Real Estate Securities</b>	<b>5.0%</b>	<b>22.7</b>	<b>1.8</b>	<b>23.5</b>	<b>0.8</b>	<b>23.7</b>	<b>32.2</b>	<b>-40.5</b>	<b>-18.7</b>	<b>35.3</b>	<b>13.2</b>	<b>32.1</b>
<i>Real Estate Blended Index<sup>5</sup></i>		<i>21.5</i>	<i>1.7</i>	<i>23.2</i>	<i>0.1</i>	<i>22.7</i>	<i>34.4</i>	<i>-40.6</i>	<i>-17.9</i>	<i>35.9</i>	<i>14.1</i>	<i>34.8</i>
<b>Absolute Return</b>	<b>5.0%</b>	<b>5.4</b>	--	--	--	--	--	--	--	--	--	--
<i>HFRI Fund of Funds Index</i>		<i>3.3</i>	--	--	--	--	--	--	--	--	--	--
<b>Total Cash</b>	<b>0.2%</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>	<b>2.0</b>	<b>4.8</b>	<b>4.8</b>	<b>3.0</b>	<b>1.2</b>
<i>90-day T-Bills</i>		<i>0.0</i>	<i>0.0</i>	<i>0.1</i>	<i>0.1</i>	<i>0.1</i>	<i>0.2</i>	<i>1.8</i>	<i>4.7</i>	<i>4.8</i>	<i>3.0</i>	<i>1.2</i>

# HIGHLIGHTS OF 2014 HAF REVIEW

## MEDIUM TERM INVESTMENT POOL PERFORMANCE THRU 12/31/14

- HAF's Medium Term Investment Pool returned 5.8% in 2014.
- In 2014, the Medium Term Investment Pool outperformed the median community foundation return of 4.4%.

	<b>% of Total Fund</b>	<b>4th Quarter</b>	<b>FYTD</b>	<b>1 Year</b>	<b>Fund Inception</b>
<b>Total Fund</b>	<b>100%</b>	<b>1.2%</b>	<b>0.2%</b>	<b>5.8%</b>	Nov-11
Policy Benchmark <sup>1</sup>		<b>1.6%</b>	<b>0.6%</b>	<b>5.7%</b>	
<b>US Equity</b>	<b>21%</b>				
Vanguard Total Stock Market Index Fund	21%	5.2%	5.2%	12.6%	Jul-12
<b>Russell 3000 Index</b>		<b>5.2%</b>	<b>5.3%</b>	<b>12.6%</b>	
<b>International Equity</b>	<b>16%</b>				
Vanguard All World ex-US Index Fund	16%	-4.1%	-9.1%	-4.0%	Jul-12
<b>FTSE All World ex-US Index</b>		<b>-3.6%</b>	<b>-8.5%</b>	<b>-3.0%</b>	
<b>Fixed Income</b>	<b>58%</b>				
Vanguard Total Bond Market Index	23%	1.7%	1.9%	5.9%	Dec-11
DFA Short-Term Extended Quality	11%	0.4%	0.3%	1.7%	Mar-13
PIMCO Income Fund	23%	-0.1%	0.7%	7.2%	Mar-13
<b>Blended Fixed Income Benchmark<sup>2</sup></b>		<b>1.5%</b>	<b>1.6%</b>	<b>5.1%</b>	
<b>Real Estate Securities</b>	<b>5%</b>				
DFA Global Real Estate Securities	5%	10.0%	5.7%	22.7%	Jul-12
<b>S&amp;P Global REIT Index</b>		<b>9.7%</b>	<b>5.3%</b>	<b>21.6%</b>	

# HIGHLIGHTS OF 2014 HAF REVIEW

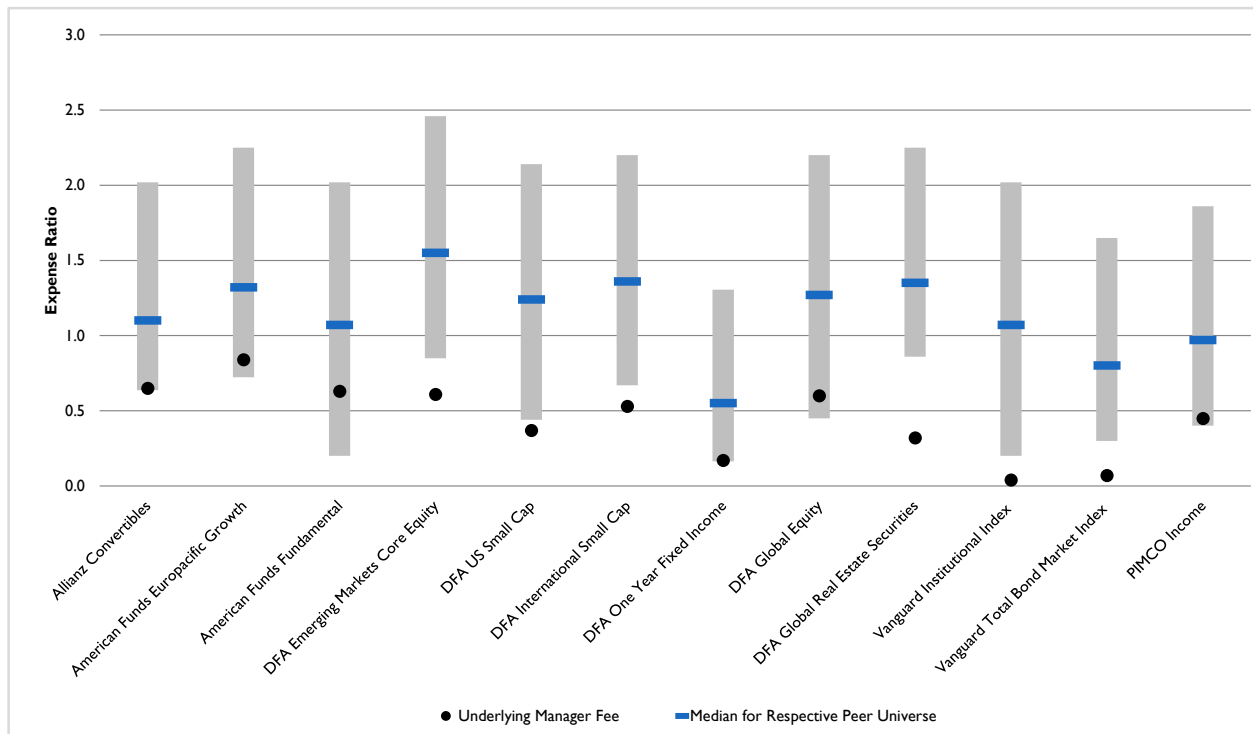
## ORGANIZATIONS

- The five firms which HAF has chosen to manage investment assets remain solid and stable organizations.
  - American Funds
  - Dimensional Fund Advisors
  - Vanguard Group
  - Allianz Global Investors Capital
  - PIMCO
- Angeles retains its confidence in these organizations. We do not recommend any changes at this time.
- Angeles will continue to work the HAF Investment Committee on reviewing investment managers and recommending changes as needed.

# HIGHLIGHTS OF 2014 HAF REVIEW

## COST REVIEW

- HAF's portfolio continues to be cost-effective.
  - Fees charged by the Foundation's managers are well below the median for funds in each of their respective universes
    - Six of the twelve funds held by HAF's Long Term Pool reported fees in the bottom 5th percentile of all fees for managers in their peer groups.
  - Based on the approved target asset allocations and fund fees as of 12/31/14, the weighted fees for investment management services for the Long Term Investment Pool and the Medium Term Investment Pool were 55 basis points and 19 basis points, respectively.



Note: Data regarding expense ratios and respective peer universes are sourced from Morningstar as of 12/31/14. Each circle represents the listed manager's net expense ratio. The blue bars show the fees for the 50th percentile, while the gray bars represent fees for the 95th and 5th percentile fund within the respective peer universe.

# SUMMARY OF CURRENT FUNDS LONG TERM INVESTMENT POOL

## DATA AS OF 12/31/14

	Ticker	Assets (MM) as of 12/31/14	Expense Ratio (bps)	Turnover	Number of Holdings	Morningstar Rating
<b>Global Equity</b>						
DFA Small Cap Index	DFSTX	\$10,091.7	37	9%	2092	★★★★★
Fundamental Investors	ANCFX	\$73,163.0	63	34%	248	★★★
DFA Emerging Mkts Core Fund	DFCEX	\$15,716.3	61	2%	3987	★★★
DFA Int'l Small Cap Fund	DFISX	\$8,968.4	53	--	4114	★★★
DFA Global Equities	DGEIX	\$4,109.0	31	--	11,842	★★★★★
Allianz Convertibles	ANNPX	\$2,561.5	65	94%	121	★★★★★
EuroPacific Growth Fund	AEPGX	\$124,416.9	84	28%	468	★★★
Vanguard Institutional Index	VINIX	\$184,730.5	4	5%	504	★★★★★
<b>Fixed Income</b>						
PIMCO Income Fund	PIMIX	\$41,145.5	45	251%	3748	★★★★★
Vanguard Total Bond Market Index	VBTIX	\$141,127.0	7	72%	7038	★★★
DFA 1-Year Fixed Income	DFIHX	\$8,547.5	17	72%	201	★★★
<b>Real Estate Securities</b>						
DFA Global Real Estate Securities	DFGEX	\$3,736.7	32	--	373	★★★★★

# SUMMARY OF CURRENT FUNDS MEDIUM TERM INVESTMENT POOL

## DATA AS OF 12/31/14

	Ticker	Assets (MM) as of 12/31/14	Expense Ratio (bps)	Turnover	Number of Holdings	Morningstar Rating
<b>US Equity</b>						
Vanguard Total Stock Market Index Fund	VTSAX	\$379,933.4	5	4%	3808	★★★★★
<b>International Equity</b>						
Vanguard All World ex-US Index Fund	VFWAX	\$22,342.5	14	4%	2467	★★
<b>Fixed Income</b>						
PIMCO Income Fund	PIMIX	\$41,145.5	45	251%	3748	★★★★★★
DFA Short-Term Extended Quality	DFEQX	\$4,204.8	22	23%	463	★★★★★
Vanguard Total Bond Market Index	VBTIX	\$141,127.0	7	72%	7038	★★★
<b>Real Estate Securities</b>						
DFA Global Real Estate Securities	DFGEX	\$3,732.4	32	--	373	★★★★★★

# PERFORMANCE OF CURRENT LONG TERM POOL FUNDS: AMERICAN FUNDS (AS OF 12/31/14)

Fund Name	Ticker	Net Assets		Annlzd	Annlzd	Annlzd	Annlzd	% Rank	% Rank	% Rank	% Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
<b>Fundamental Investors Fund</b>	<b>ANCFX</b>	<b>\$73,163</b>	<b>0.63%</b>	<b>9.0</b>	<b>18.8</b>	<b>13.4</b>	<b>8.6</b>	<b>76</b>	<b>59</b>	<b>62</b>	<b>9</b>
Morningstar Large Blend Average			1.10%	10.7	18.6	13.5	6.7				
S&P 500 Index				13.7	20.4	15.5	7.7				
<b>EuroPacific Growth Fund</b>	<b>AEPGX</b>	<b>\$124,417</b>	<b>0.84%</b>	<b>-2.6</b>	<b>11.7</b>	<b>5.7</b>	<b>6.7</b>	<b>29</b>	<b>36</b>	<b>57</b>	<b>14</b>
Morningstar Foreign Large Blend Average			1.20%	-5.2	10.2	4.9	4.2				
MSCI ACWI ex-US Index				-3.9	9.0	4.4	5.1				

Performance rankings are as of 12/31/14 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst. Listed net assets are for the share class in which HAF invests. Overall assets in the strategy are larger.

# PERFORMANCE OF LONG TERM POOL FUNDS: DIMENSIONAL FUND ADVISORS (AS OF 12/31/14)

Fund Name	Ticker	Net Assets		Annlzd	Annlzd	Annlzd	Annlzd	% Rank	% Rank	% Rank	% Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
<b>DFA Global Real Estate</b>	<b>DFGEX</b>	<b>\$3,737</b>	<b>0.32%</b>	<b>22.7</b>	<b>15.4</b>	<b>14.2</b>	--	<b>1</b>	<b>30</b>	<b>1</b>	--
Morningstar Global Real Estate Average			1.43%	11.5	14.6	9.5	-				
S&P Global REIT Index				21.5	14.8	13.2	-				
<b>DFA U.S. Small Cap</b>	<b>DFSTX</b>	<b>\$10,092</b>	<b>0.37%</b>	<b>4.4</b>	<b>20.7</b>	<b>17.4</b>	<b>8.8</b>	<b>53</b>	<b>20</b>	<b>11</b>	<b>16</b>
Morningstar Small Blend Average			1.26%	3.8	18.1	14.6	7.2				
Russell 2000 Index				4.9	19.2	15.5	7.8				
<b>DFA Emerging Mkts Core Equities</b>	<b>DFCEX</b>	<b>\$15,716</b>	<b>0.61%</b>	<b>-0.9</b>	<b>5.1</b>	<b>2.7</b>	--	<b>29</b>	<b>40</b>	<b>35</b>	--
Morningstar Diversified Emerging Mkts Average			1.57%	-3.0	4.4	1.6	--				
MSCI Emerging Mkts Net Div				-2.2	4.0	1.8	--				
<b>DFA International Small Cap</b>	<b>DFISX</b>	<b>\$8,968</b>	<b>0.53%</b>	<b>-6.3</b>	<b>12.4</b>	<b>8.3</b>	<b>6.7</b>	<b>65</b>	<b>58</b>	<b>50</b>	<b>46</b>
Morningstar Foreign Small/Mid Blend Average			1.41%	-4.8	12.1	7.8	6.7				
MSCI ACWI Ex US Small Cap Index				-4.0	10.8	6.8	6.9				
<b>DFA Global Equities</b>	<b>DGEIX</b>	<b>\$4,109</b>	<b>0.31%</b>	<b>4.6</b>	<b>16.9</b>	<b>12.0</b>	<b>7.1</b>	<b>28</b>	<b>15</b>	<b>12</b>	<b>32</b>
Morningstar World Stock Average			1.31%	2.7	14.0	9.1	5.9				
MSCI ACWI IMI				3.8	14.3	9.5	6.4				
<b>DFA One-Year Fixed-Income I</b>	<b>DFIHX</b>	<b>\$8,547</b>	<b>0.17%</b>	<b>0.3</b>	<b>0.5</b>	<b>0.7</b>	<b>2.1</b>	<b>63</b>	<b>72</b>	<b>68</b>	<b>35</b>
Morningstar Ultrashort Bond			0.58%	0.3	0.9	1.1	1.3				
BofA ML 6 Month Treasuries				0.1	0.1	0.2	1.8				

Performance rankings are as of 12/31/14 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst. Listed net assets are for the share class in which HAF invests. Overall assets in the strategy are larger.



# PERFORMANCE OF CURRENT FUNDS: VANGUARD (AS OF 12/31/14)

Fund Name	Ticker	Net Assets		Annld	Annld	Annld	Annld	% Rank	% Rank	% Rank	% Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
<b>Vanguard Total Bond Market Index Fund</b>	<b>VBTIX</b>	<b>\$141,127</b>	<b>0.07%</b>	<b>5.9</b>	<b>2.6</b>	<b>4.4</b>	<b>4.7</b>	<b>30</b>	<b>76</b>	<b>68</b>	<b>42</b>
Morningstar Intermediate-Term Bond Average			0.87%	5.1	3.5	4.8	4.2				
Barclays Aggregate Index				6.0	2.7	4.4	4.7				
<b>Vanguard Institutional Index</b>	<b>VINIX</b>	<b>\$184,731</b>	<b>0.04%</b>	<b>13.7</b>	<b>20.4</b>	<b>15.4</b>	<b>7.7</b>	<b>18</b>	<b>29</b>	<b>19</b>	<b>25</b>
Morningstar Large Blend Average			1.10%	10.7	18.6	13.5	6.7				
S&P 500 Index				13.7	20.4	15.5	7.7				

Performance rankings are as of 12/31/14 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst. Listed net assets are for the share class in which HAF invests. Overall assets in the strategy are larger.

# PERFORMANCE OF CURRENT FUNDS: ALLIANZ AND PIMCO (AS OF 12/31/14)

Fund Name	Ticker	Net Assets		Annlzd	Annlzd	Annlzd	Annlzd	% Rank	% Rank	% Rank	% Rank
		\$MM	Exp Ratio	Return	Return	Return	Return	in Cat	in Cat	in Cat	in Cat
				1 Yr	3 Yr	5 Yr	10 Yr	1 Yr	3 Yr	5 Yr	10 Yr
<b>Allianz Convertibles Fund</b>	<b>ANNPX</b>	<b>\$2,561</b>	<b>0.65%</b>	<b>6.7</b>	<b>14.5</b>	<b>12.2</b>	<b>9.4</b>	<b>41</b>	<b>23</b>	<b>1</b>	<b>1</b>
Morningstar Convertibles Average			1.24%	6.2	12.7	9.7	6.4				
BofA ML All US Convertibles				9.4	16.3	11.7	7.1				
<b>PIMCO Income Fund</b>	<b>PIMIX</b>	<b>\$41,145</b>	<b>0.45%</b>	<b>7.2</b>	<b>11.1</b>	<b>11.9</b>	<b>--</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>--</b>
Morningstar Multisector Bond Average			1.04%	3.4	5.6	6.1	--				
Barclays Aggregate Index				6.0	2.7	4.4	--				

Performance rankings are as of 12/31/14 and rank manager's performance relative to peers. Provided by Morningstar; 1=Best, 100=Worst. Listed net assets are for the share class in which HAF invests. Overall assets in the strategy are larger.

# APPENDIX

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<sup>1</sup> Effective January 1, 2014, Policy Index = 70% MSCI All Country World Investable Market Index, 20% Barclays Aggregate Index, 5% HFRI FoF Index, and 5% S&P Global REIT Index. From April 1, 2013 to December 31, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Barclays Aggregate Index, and 5% S&P Global REIT Index. From August 1, 2012 to March 31, 2013, the Policy Index = 70% MSCI All Country World Investable Market Index, 25% Barclays Universal Index, and 5% S&P Global REIT Index. From June 1, 2008 to July 31, 2012, the Policy Index = 35% Russell 3000 Index, 35% MSCI All Country World Ex US Investable Market Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index) and 5% Blended REIT Index. The Blended REIT Index consists of 50% Wilshire REIT Index and 50% S&P/Citi Global Ex US REIT Broad Market Index. From June 1, 2006 to May 31, 2008, the policy index consists of 50% Russell 3000 Index, 20% MSCI ACWI Ex-US Index, 25% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index. Prior to June 1, 2006, the policy index consists of 50% Russell 3000 Index, 15% MSCI ACWI Ex-US Index, 30% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), and 5% DJ Wilshire REIT Index.

<sup>2</sup> Historical performance of the Global Equity composite is based on the consolidated weighted returns of the US Equity and International Equity composites.

<sup>3</sup> Effective August 1, 2012, the Global Equity Blended Index consists of 100% MSCI All Country World Investable Market Index. Prior to August 1, 2012, the blended benchmark is calculated based on the weighted returns of the US Equity Benchmark and the International Equity Benchmark. From June 1, 2008 to August 1, 2012, the blended index consists of 50% Russell 3000 Index and 50% MSCI All Country World Ex US Investable Market Index. From June 1, 2006 to May 31, 2008, the blended index consists of 71.4% Russell 3000 Index and 28.6% MSCI ACWI Ex-US Index. Prior to June 1, 2006, the blended index consists of 76.9% Russell 3000 Index and 23.1% MSCI ACWI Ex-US Index.

<sup>4</sup> Effective April 1, 2013, the Fixed Income Blended Index consists of 100% Barclays Aggregate Index. Prior to April 1, 2013, the blended benchmark consisted of 100% Barclays Universal Index.

<sup>5</sup> Real Estate Securities benchmark is a custom blended benchmark: Effective August 1, 2012, the benchmark consists of 100% S&P Global REIT Index. From June 1, 2008 to July 31, 2012, the benchmark consists of 50% DJ Wilshire RE Securities and 50% S&P/Citi Global US RE Index. Prior to 6/1/08, the benchmark consists of 100% DJ Wilshire RE Secs.

^Returns are annualized for periods greater than a year.

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<sup>1</sup> Effective April 1, 2013, the Policy Benchmark = 17.5% Russell 3000 Index, 17.5% FTSE All World ex-US Index, 5% S&P Global REIT Index, 48% Barclays Aggregate Index, and 12% BofA ML 1-5 Year US Corp/Govt Index.

From August 1, 2012 to March 31, 2013, the Policy Benchmark = 17.5% Russell 3000 Index, 17.5% FTSE All World ex-US Index, 5% S&P Global REIT Index, 44% Barclays Aggregate Index, and 16% Barclays 1-5 Year Government Index.

Prior to August 1, 2012, the Policy Benchmark = 17.5% Russell 3000 Index, 17.5% MSCI All Country World Ex US Investable Market Index, 44% Barclays Capital Universal Index (formerly Lehman Brothers Universal Index), 16% Barclays Capital 1-5 Year Govt Index, and 5% Blended REIT Index. The Blended REIT Index consisted of 50% DJ Wilshire US Select REIT Index and 50% S&P/Citi Global Ex US REIT Broad Market Index.

<sup>2</sup> Effective April 1, 2013, the benchmark consists of 80% Barclays Aggregate Index and 20% BofA ML 1-5 Year US Corp/Govt Index. Prior to April 1, 2013, the benchmark consisted of 73.3% Barclays Aggregate Index and 26.7% Barclays 1-5 Year Government Index.