

**NOTICE OF A
SPECIAL MEETING OF THE
CALOPTIMA BOARD OF DIRECTORS'
INVESTMENT ADVISORY COMMITTEE**

**MONDAY, JANUARY 28, 2019
3:00 P.M.**

**CALOPTIMA
505 CITY PARKWAY WEST, SUITE 109-N
ORANGE, CALIFORNIA 92868**

AGENDA

This agenda contains a brief, general description of each item to be considered. The Committee may take any action on all items listed. Except as otherwise provided by law, no action shall be taken on any item not appearing in the following agenda.

Information related to this agenda may be obtained by contacting the CalOptima Clerk of the Board at 714.246.8400 or by visiting our website at www.caloptima.org. In compliance with the Americans with Disabilities Act, those requiring special accommodations for this meeting should notify the Clerk of the Board's office at 714.246.8806. Notification at least 72 hours prior to the meeting will allow time to make reasonable arrangements for accessibility to this meeting.

I. CALL TO ORDER

Pledge of Allegiance

II. ESTABLISH QUORUM

III. APPROVE MINUTES

- A. Approve Minutes of the November 5, 2018 Special Meeting of the CalOptima Board of Directors' Investment Advisory Committee (IAC)

IV. PUBLIC COMMENT

At this time, members of the public may address the Committee on general topics. Public Comment on posted item(s) will follow staff presentation of the item(s) to the Committee. If you wish to speak on an item contained in the agenda, please complete a Public Comment Request Form(s) identifying the item(s) and submit the form to the assistant to the IAC. When addressing the Committee, it is requested that you state your name for the record. Please address the Committee as a whole through the Chair. Comments to individual Committee members or staff are not permitted. Speakers will be limited to three (3) minutes.

V. MANAGEMENT REPORTS

- A. Chief Executive Officer Report
B. Chief Financial Officer Report

VI. REPORTS

- A. Consider Recommending Reappointment to the Board of Directors' Investment Advisory Committee

VII. INFORMATION ITEMS

- A. Quarterly Investment Report Presentation by Meketa Investment Group
- B. Investment Portfolio Presentation by Logan Circle Partners
- C. Investment Portfolio Presentation by Payden & Rygel
- D. Investment Portfolio Presentation by Wells Capital Management
- E. October 2018 Unaudited Financial Statements

VIII. COMMITTEE MEMBER COMMENTS

IX. ADJOURNMENT

MINUTES

SPECIAL MEETING OF THE CALOPTIMA BOARD OF DIRECTORS' INVESTMENT ADVISORY COMMITTEE

November 5, 2018

A special meeting of the CalOptima Board of Directors' Investment Advisory Committee (IAC) was held on Monday, November 5, 2018, at CalOptima, 505 City Parkway West, Orange, California.

CALL TO ORDER

Acting Chair Greg Hamblin called the meeting to order at 3:16 p.m. and led the Pledge of Allegiance.

ROLL CALL

Members Present: Acting Chair Greg Hamblin, Peggy Eckroth, Caroline Harkins, Rodney Johnson

Members Absent: Chair Patrick Moore, Susan Munson, David Young

Others Present: Laura Wirick, Hanna Schrinier, Nika Barbakadze, Meketa Investment Group; Asha Joshi, Adam Congdon, Payden & Rygel; Scott Pavlak, Wendy Kaszak, Logan Circle Partners; Steve Scharre, Tony Mellville, Gary Schlossberg, Wells Capital Management; Michael Schrader, Chief Executive Officer, Ladan Khamseh, Chief Operating Officer, Gary Crockett, Chief Counsel, Nancy Huang, Controller, Joyce Mellinger, Accounting Manager, Faye Heidari, Senior Accountant, Pamela Reichardt, Executive Assistant

MINUTES

Approve Minutes of the July 23, 2018, Regular Meeting of the CalOptima Board of Directors' Investment Advisory Committee

Action: On motion of Acting Chair Hamblin, seconded and carried, the Minutes of the July 23, 2018, Regular Meeting of the CalOptima Board of Directors' Investment Advisory Committee were approved as presented. (Motion carried 4-0-0, Chair Patrick Moore, Susan Munson and David Young absent)

PUBLIC COMMENT

There were no requests for public comment.

MANAGEMENT REPORTS

Chief Executive Officer (CEO) Report

CEO Michael Schrader reported that CalOptima was recognized as California's top-rated Medi-Cal Plan for the fifth consecutive year by the National Committee for Quality Assurance (NCQA). CalOptima was also honored by the Department of Health Care Services (DHCS) with the 2018 Outstanding Performance Award for a Large-Scale Plan. This was the fourth year in a row that CalOptima has received this recognition.

Chief Financial Officer (CFO) Report

CFO Greg Hamblin reported that CalOptima had received a preliminary result of \$102 million payback to the State from the 85% Medical Loss Ratio (MLR) reconciliation for the Medi-Cal Expansion population for the 18-month period of January 1, 2014 through June 30, 2015, and the 12-month period of July 1, 2015 through June 30, 2016. The payment to DHCS is scheduled on November 19, 2018. This amount is subject to future audits by state and federal regulators.

Mr. Hamblin also reported that the Whole Child Model (WCM) program is scheduled to start in January 2019, which represents \$20 million a month in both revenue and expenses for CalOptima.

REPORTS

Consider Recommending Approval the Annual Investment Policy (AIP) for Calendar Year 2019 to the CalOptima Board of Directors' Finance and Audit Committee for Consideration

Acting Chair Greg Hamblin presented the action to recommend approval of the Annual Investment Policy for Calendar Year (CY) 2019. The proposed changes reviewed with the Committee include:

- Section III.D.1.a: Increase the maximum term of Operating Fund from four hundred fifty (450) days to two (2) years, unless otherwise specified in the policy. The increase to the term falls within the 5-year term allowed by California Government Code section 53600 *et seq.*
 - Section III.D.2.a.iv: U.S. Treasuries, maximum term assigned changed from 450 days to 2 years.
 - Section III.D.2.b.iii: Federal Agencies and U.S. Government Sponsored Enterprises, maximum term assigned changed from 450 days to 2 years.
 - Section III.D.2.c.ii: State and California Local Agency Obligations, maximum term assigned changed from 450 days to 2 years.
 - Section III.D.2.h.ii: Corporate Securities, maximum term assigned changed from 450 days to 2 years.

- Section III.D.2.k.iv: Mortgage and Asset-backed Securities, maximum term assigned changed from 450 days to 2 years.
- Section III.D.2.l.iii: Variables and Floating Rate Securities, maximum term assigned changed from 450 days to 2 years.
- Section III.D.2.m.iii: Supranational Obligations, maximum term assigned changed from 450 days to 2 years.
- Section III.D.2.h.i: Corporate Securities, modify language from “rated ‘A’ or better” to “A” rating category to include “A-” securities.
- Sections III.D.2.l.ii: Variable and Floating Rate Securities, add the Secured Overnight Financing Rate (SOFR) to the allowed index list.
- Glossary Term: State and California Local Agency Obligations, revised existing language to allow the purchase of registered warrants, notes or bonds issued by a state or by a department, board, agency or authority of any of the fifty U.S. states, and local California agencies, which is consistent with California Code section 53601. This change updates the existing glossary term to be consistent with California Code.

Management recommends all other provisions in the current AIP to remain in effect in CY 2019.

Action: *On motion of Acting Chair Hamblin, seconded and carried, the Investment Advisory Committee recommended the approval of the Annual Investment Policy for 2019. (Motion carried 4-0-0, Chair Patrick Moore, Susan Munson and David Young absent)*

Consider Recommending the Investment Advisory Committee Meeting 2019 Meeting Dates to the CalOptima Board of Directors' Finance and Audit Committee for Consideration

Action: *On motion of Acting Chair Hamblin, seconded and carried, the Investment Advisory Committee recommended the approval of the IAC Meeting Dates for Calendar Year 2019. (Motion carried 4-0-0, Chair Patrick Moore, Susan Munson and David Young absent)*

Consider Recommending Reappointment to the CalOptima Board of Directors' Investment Advisory Committee

Action: *On motion of Acting Chair Hamblin, seconded and carried, the Investment Advisory Committee recommended the reappointment of David Young to the Board of Directors' Investment Advisory Committee for a two-year term beginning October 7, 2018.*

INFORMATION ITEMS

Presentation by Meketa Investment Group

Hanna Schrinier, Vice President, Meketa Investment Group, presented the third quarter portfolio performance and fund update. CalOptima's total investment balance at the end of third quarter of the calendar year was \$1.46 billion. Fixed income assets were about \$540 million. The cash account balance was \$922

million at the end of the third quarter. Ms. Schrinier also presented the investment compliance report for CalOptima's overall investment. She reported that CalOptima's investment portfolio was in compliance for the quarter.

Nika Barbakadze, Research Analyst, reported on the custom peer group used for benchmarking and on performance attributes for the quarter and throughout the year.

Presentation by Wells Capital Management

Steve Scharre, Client Relations Director, Wells Capital Management, provided a firm update for the third quarter.

Gary Schlossberg, Senior Economist provided an economic overview for the third quarter.

Tony Melville, Portfolio Manager, provided a review of CalOptima's Tier One portfolio and allocation update as of September 30, 2018. He also reported that CalOptima's investment portfolio at Wells Fargo was in compliance for the quarter.

Presentation by Logan Circle Partners

Wendy Kaszak, Vice President of Client Services, Logan Circle Partners, presented a firm update. Scott Pavlak, Senior Portfolio Manager, presented a CalOptima portfolio review and fund performance update, as of September 30, 2018, for the Tier One and Tier Two funds. Ms. Kaszak reported that all CalOptima funds in the Logan Circle portfolio were in compliance for the quarter.

Presentation by Payden & Rygel

Asha Joshi, Managing Principal, Payden & Rygel, provided a firm update.

Adam Congdon, Senior Strategist, provided a report on the CalOptima Operating Fund portfolio and Tier One Account as of September 30, 2018. He reported that CalOptima's portfolio was in compliance for the quarter.

Financial Update

Controller Nancy Huang presented a summary of CalOptima's financial performance through August 2018. CalOptima's overall enrollment totaled about 790,000 members. CalOptima's

year-to-date Change in Net Assets was \$9.5 million, which included \$4.1 million from operations and \$5.4 million from investment activities. CalOptima's fiscal year-to-date

consolidated Medical Loss Ratio (MLR) was approximately 96.0%, and the Administrative Loss Ratio (ALR) was approximately 3.6%. Ms. Huang also reported on the CalOptima balance sheet. Total Assets at the end of August totaled \$1.9 billion, which includes Board-designated reserves of \$541 million. Total Liabilities were around \$1.1 billion.

ADJOURNMENT

Hearing no further business, Acting Chair Hamblin adjourned the meeting at 4:32 p.m.

s/s Pamela Reichardt

Pamela Reichardt
Executive Assistant

Approved January 28, 2019

CALOPTIMA BOARD ACTION AGENDA REFERRAL

Action To Be Taken January 28, 2019 **Special Meeting of the CalOptima Board of Directors'** **Investment Advisory Committee**

Consent Calendar

VI. A. Consider Recommending Reappointment to the CalOptima Board of Directors' Investment Advisory Committee

Contact

Greg Hamblin, Chief Financial Officer & Treasurer, (714) 246-8400

Recommended Action

Recommend that the Finance and Audit Committee recommend Board reappointment of Patrick Moore to the CalOptima Board of Directors' Investment Advisory Committee for a two-year term effective March 7, 2019.

Background

At a Special Meeting of the CalOptima Board of Directors held on September 10, 1996, the Board authorized the creation of the CalOptima Investment Advisory Committee (IAC), established qualifications for committee members, and directed staff to proceed with the recruitment of the volunteer members of the Committee.

When creating the IAC, the Board stipulated that the Committee would consist of five (5) members; one (1) member would automatically serve by virtue of his or her position as CalOptima's Chief Financial Officer. The remaining four (4) members would be Orange County residents who possessing experience in one (1) or more of the following areas: investment banking, investment brokerage and sales, investment management, financial management and planning, commercial banking, or financial accounting.

At the September 5, 2000, meeting, the Board approved expanding the composition of the IAC from five (5) members to seven (7) members in order to have more diverse opinions and backgrounds to advise CalOptima on its investment activities.

Discussion

The candidate recommended for reappointment, Patrick Moore, has consistently provided leadership and service to CalOptima's investment strategies through his participation as an IAC member and chairman.

Mr. Moore, an attorney, represented health care provider clients for 40 years before retiring in 2018. He started his own firm, Patrick K. Moore Law Corporation, in March 2001. Prior to that, he was in-house counsel for the University of California and a partner at several law firms with significant health care practices. Mr. Moore now serves as an arbitrator, mediator and expert witness in health care disputes. He holds preeminent A/V peer review rating in the Martindale-Hubbell Law Directory.

Mr. Moore has served as director of the California Society for Healthcare Attorneys, the UCI Foundation (Executive and Finance Committees), Laguna Playhouse and Anaheim Memorial Medical Center (Finance and Audit Committees). He also was a member of the Audit Committee of Memorial Health Services.

Mr. Moore started serving on the committee when it was initiated in November 1996. During the years of 2000 through 2002, he was a partner at Foley & Lardner, which at the time was CalOptima's counsel, and did not allow him to serve on the committee. He returned to the IAC in January 2002 and has served continuously since that time. His current term expires on March 6, 2019.

Fiscal Impact

There is no fiscal impact. Individuals appointed to the IAC assist CalOptima in suggesting updates to and ensuring compliance with CalOptima's Board approved Annual Investment Policy.

Rationale for Recommendation

The individual recommended for CalOptima's IAC has extensive experience that meets or exceeds the specified qualifications for membership on the IAC. In addition, the candidate has already provided outstanding service as a member and chairman of the IAC.

Concurrence

Gary Crockett, Chief Counsel

Attachment

None

Authorized Signature

Date

FUND EVALUATION REPORT

CalOptima

Quarterly Review
December 31, 2018



M E K E T A I N V E S T M E N T G R O U P

BOSTON
MASSACHUSETTS

CHICAGO
ILLINOIS

MIAMI
FLORIDA

PORTLAND
OREGON

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LONDON
UNITED KINGDOM

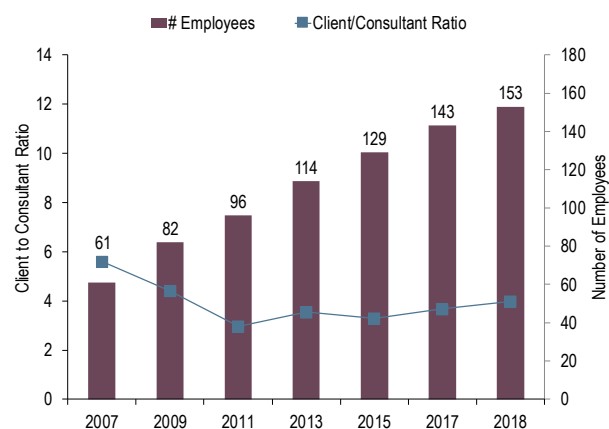
www.meketagroup.com

- 1. Corporate Update**
- 2. 4Q18 Review**
- 3. Quarterly Investment Report Supplement**
- 4. Custom Peer Group**
- 5. Performance Attribution**
- 6. Appendix**
 - Characteristics
- 7. Disclaimer, Glossary, and Notes**

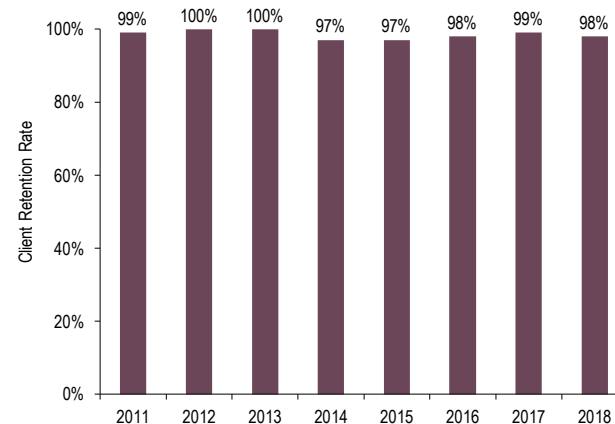
Meketa Investment Group Corporate Update

- Staff of 153, including 102 investment professionals and 31 CFA Charterholders
- 175 clients, with over 300 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Chicago, Miami, Portland (OR), San Diego, and London
- We advise on over \$640 billion in client assets
 - Over \$90 billion in assets committed to alternative investments
 - Private Equity ▪ Infrastructure ▪ Natural Resources
 - Real Estate ▪ Hedge Funds ▪ Commodities

Client to Consultant Ratio



Client Retention Rate¹



Meketa Investment Group is proud to work for over 5 million American families everyday.

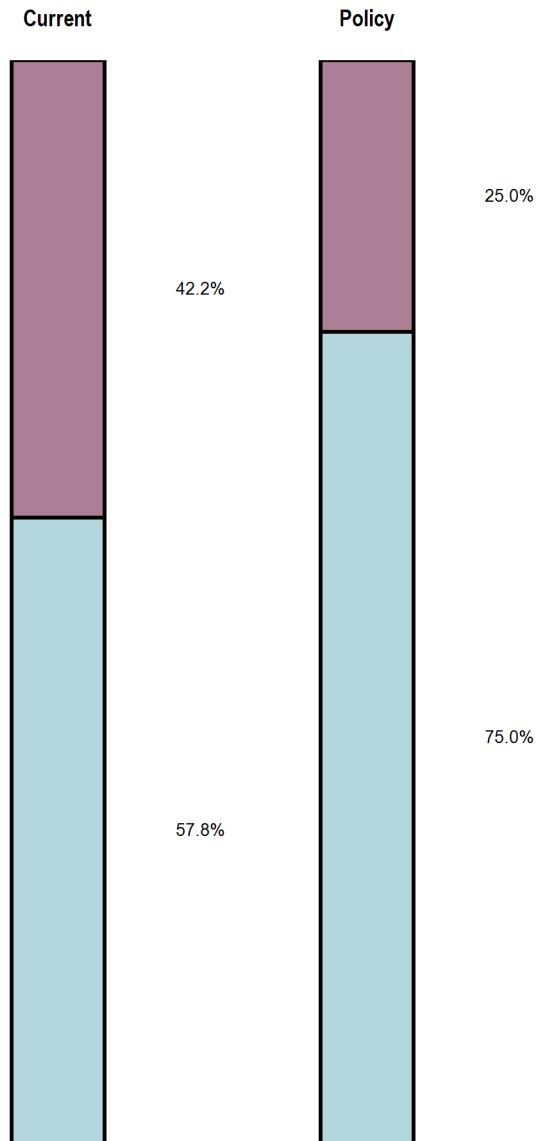
¹ Client Retention Rate is one minus the number of clients lost divided by the number of clients at prior year-end.

Asset Classes Followed Intensively by Meketa Investment Group

Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> - Passive - Enhanced Index - Large Cap - Midcap - Small Cap - Microcap - 130/30 	<ul style="list-style-type: none"> - Large Cap Developed - Small Cap Developed - Emerging Markets - Frontier Markets 	<ul style="list-style-type: none"> - Buyouts - Venture Capital - Private Debt - Special Situations - Secondaries - Fund of Funds 	<ul style="list-style-type: none"> - Public REITs - Core Real Estate - Value Added Real Estate - Opportunistic Real Estate - Infrastructure - Timber - Natural Resources - Commodities 	<ul style="list-style-type: none"> - Short-Term - Core - Core Plus - TIPS - High Yield - Bank Loans - Distressed - Global - Emerging Markets 	<ul style="list-style-type: none"> - Long/Short Equity - Event Driven - Relative Value - Fixed Income Arbitrage - Multi Strategy - Market Neutral - Global Macro - Fund of Funds - Portable Alpha

4Q18 Review

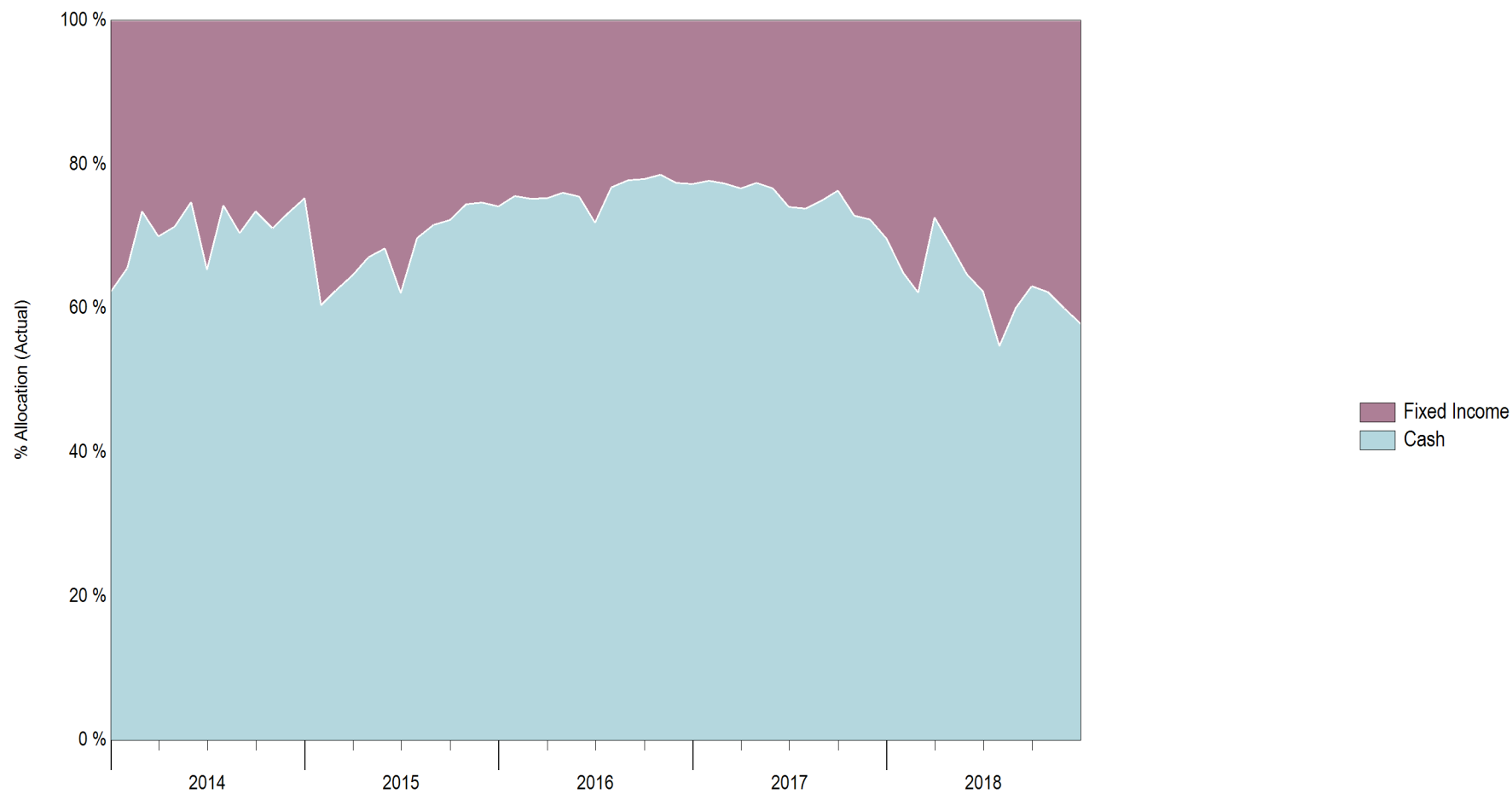
As of December 31, 2018



Allocation vs. Targets and Policy

	Current Balance	Current Allocation
Fixed Income	\$546,243,189	42%
Cash	\$748,707,642	58%
Total	\$1,294,950,831	100%

Asset Allocation History
5 Years Ending December 31, 2018



As of December 31, 2018

Asset Class Performance Summary

	Market Value (\$)	% of Portfolio	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund(Gross)	1,294,950,831	100.000	0.731	1.251	1.944	1.316	--	--	1.044	Oct-14
Total Fund(Net)			0.710	1.208	1.860	1.237	--	--	0.961	
Fixed Income(Gross)	546,243,189	42.183	1.066	1.486	1.741	1.357	--	--	1.218	Oct-14
Fixed Income(Net)			1.045	1.442	1.653	1.271	--	--	1.165	
<i>ICE BofAML 1-3 Yrs US Treasuries TR</i>			<i>1.304</i>	<i>1.501</i>	<i>1.594</i>	<i>0.966</i>	<i>0.811</i>	<i>0.949</i>	<i>0.850</i>	<i>Oct-14</i>
Cash(Gross)	748,707,642	57.817	0.509	1.075	1.967	1.286	0.835	0.499	1.949	Jul-99
Cash(Net)			0.488	1.034	1.885	1.207	0.748	0.386	--	
<i>FTSE T-Bill 3 Months TR</i>			<i>0.565</i>	<i>1.068</i>	<i>1.862</i>	<i>0.989</i>	<i>0.604</i>	<i>0.351</i>	<i>1.745</i>	<i>Jul-99</i>

As of December 31, 2018

Trailing Period Performance

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund(Gross)	1,294,950,831	100.000	--	0.731	1.251	1.944	1.316	--	--	1.044	Oct-14
Fixed Income(Gross)	546,243,189	42.183	42.183	1.066	1.486	1.741	1.357	--	--	1.218	Oct-14
ICE BofAML 1-3 Yrs US Treasuries TR				1.304	1.501	1.594	0.966	0.811	0.949	0.850	Oct-14
Tier One: Payden Low Duration(Gross)	149,467,614	11.542	27.363	1.039	1.512	1.861	1.365	1.138	1.349	2.949	Jul-99
Tier One: Payden Low Duration(Net)				1.018	1.470	1.778	1.286	1.051	1.235	--	
ICE BofAML 1-3 Yrs US Treasuries TR				1.304	1.501	1.594	0.966	0.811	0.949	2.826	Jul-99
ICE BofAML 1-3 Yrs US Corp & Govt TR				1.179	1.537	1.644	1.262	1.047	1.558	3.148	Jul-99
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR				1.237	1.543	1.648	1.136	0.958	1.344	3.040	Jul-99
Tier One: Logan Circle STAMP 1-3 Year(Gross)	149,216,560	11.523	27.317	0.960	1.356	1.771	--	--	--	1.168	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)				0.940	1.316	1.688	--	--	--	1.085	
ICE BofAML 1-3 Yrs US Treasuries TR				1.304	1.501	1.594	0.966	0.811	0.949	0.735	May-16
ICE BofAML 1-3 Yrs US Corp & Govt TR				1.179	1.537	1.644	1.262	1.047	1.558	0.999	May-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR				1.237	1.543	1.648	1.136	0.958	1.344	0.896	May-16
Tier One: Wells Capital Reserve Account(Gross)	148,838,193	11.494	27.248	1.077	1.538	1.740	--	--	--	1.130	Jun-16
Tier One: Wells Capital Reserve Account(Net)				1.059	1.502	1.666	--	--	--	1.057	
ICE BofAML 1-3 Yrs US Treasuries TR				1.304	1.501	1.594	0.966	0.811	0.949	0.800	Jun-16
ICE BofAML 1-3 Yrs US Corp & Govt TR				1.179	1.537	1.644	1.262	1.047	1.558	1.057	Jun-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR				1.237	1.543	1.648	1.136	0.958	1.344	0.956	Jun-16
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	98,720,822	7.624	18.073	1.253	1.564	1.518	1.526	1.526	--	1.293	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)				1.221	1.500	1.392	1.399	1.399	--	1.167	
ICE BofAML 1-5 Yrs US Treasuries TR				1.734	1.785	1.529	1.089	1.096	1.331	0.893	Apr-13
ICE BofAML 1-5 Yrs US Corp & Govt TR				1.447	1.734	1.409	1.435	1.372	2.170	1.195	Apr-13
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR				1.582	1.784	1.501	1.273	1.262	1.852	1.073	Apr-13

As of December 31, 2018

	Market Value (\$)	% of Portfolio	% of Sector	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Cash(Gross)	748,707,642	57.817	57.817	0.509	1.075	1.967	1.286	0.835	0.499	1.949	Jul-99
<i>FTSE T-Bill 3 Months TR</i>				<i>0.565</i>	<i>1.068</i>	<i>1.862</i>	<i>0.989</i>	<i>0.604</i>	<i>0.351</i>	<i>1.745</i>	<i>Jul-99</i>
Operating: Payden Enhanced Cash(Gross)	250,096,975	19.313	33.404	0.494	1.083	1.993	1.349	0.873	0.518	1.958	Jul-99
Operating: Payden Enhanced Cash(Net)				0.471	1.038	1.906	1.271	0.786	0.405	--	
<i>FTSE T-Bill 3 Months TR</i>				<i>0.565</i>	<i>1.068</i>	<i>1.862</i>	<i>0.989</i>	<i>0.604</i>	<i>0.351</i>	<i>1.745</i>	<i>Jul-99</i>
Operating: Logan Circle Enhanced Cash(Gross)	249,541,902	19.270	33.330	0.559	1.111	1.987	--	--	--	1.355	May-16
Operating: Logan Circle Enhanced Cash(Net)				0.538	1.069	1.901	--	--	--	1.270	
<i>FTSE T-Bill 3 Months TR</i>				<i>0.565</i>	<i>1.068</i>	<i>1.862</i>	<i>0.989</i>	<i>0.604</i>	<i>0.351</i>	<i>1.084</i>	<i>May-16</i>
Operating: Wells Capital Enhanced Cash(Gross)	249,068,766	19.234	33.266	0.476	1.046	1.929	--	--	--	1.279	Jun-16
Operating: Wells Capital Enhanced Cash(Net)				0.458	1.009	1.856	--	--	--	1.206	
<i>FTSE T-Bill 3 Months TR</i>				<i>0.565</i>	<i>1.068</i>	<i>1.862</i>	<i>0.989</i>	<i>0.604</i>	<i>0.351</i>	<i>1.111</i>	<i>Jun-16</i>

As of December 31, 2018

Asset Class Performance Summary

	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)	Fiscal 2011 (%)
Total Fund(Gross)	1.221	0.754	0.842	--	--	--	--	--
Total Fund(Net)	1.147	0.666	0.778	--	--	--	--	--
Fixed Income(Gross)	0.582	0.427	1.775	--	--	--	--	--
Fixed Income(Net)	0.495	0.336	1.699	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	0.079	-0.108	1.307	0.876	0.765	0.328	0.776	1.331
Cash(Gross)	1.492	0.858	0.509	0.166	0.131	0.112	0.185	0.137
Cash(Net)	1.427	0.758	0.446	0.058	0.018	-0.023	0.044	-0.008
FTSE T-Bill 3 Months TR	1.325	0.455	0.138	0.021	0.038	0.079	0.044	0.138

As of December 31, 2018

Trailing Period Performance

	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)	Fiscal 2011 (%)
Total Fund(Gross)	1.221	0.754	0.842	--	--	--	--	--
Fixed Income(Gross)	0.582	0.427	1.775	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	0.079	-0.108	1.307	0.876	0.765	0.328	0.776	1.331
Tier One: Payden Low Duration(Gross)	0.695	0.583	1.461	0.893	1.048	0.534	1.248	1.478
Tier One: Payden Low Duration(Net)	0.615	0.508	1.388	0.783	0.933	0.399	1.105	1.331
ICE BofAML 1-3 Yrs US Treasuries TR	0.079	-0.108	1.307	0.876	0.765	0.328	0.776	1.331
ICE BofAML 1-3 Yrs US Corp & Govt TR	0.265	0.336	1.581	0.901	1.246	0.861	1.169	1.947
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	0.198	0.147	1.492	0.906	1.038	0.656	1.058	1.782
Tier One: Logan Circle STAMP 1-3 Year(Gross)	0.842	0.478	--	--	--	--	--	--
Tier One: Logan Circle STAMP 1-3 Year(Net)	0.761	0.395	--	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	0.079	-0.108	1.307	0.876	0.765	0.328	0.776	1.331
ICE BofAML 1-3 Yrs US Corp & Govt TR	0.265	0.336	1.581	0.901	1.246	0.861	1.169	1.947
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	0.198	0.147	1.492	0.906	1.038	0.656	1.058	1.782
Tier One: Wells Capital Reserve Account(Gross)	0.425	0.403	--	--	--	--	--	--
Tier One: Wells Capital Reserve Account(Net)	0.353	0.330	--	--	--	--	--	--
ICE BofAML 1-3 Yrs US Treasuries TR	0.079	-0.108	1.307	0.876	0.765	0.328	0.776	1.331
ICE BofAML 1-3 Yrs US Corp & Govt TR	0.265	0.336	1.581	0.901	1.246	0.861	1.169	1.947
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	0.198	0.147	1.492	0.906	1.038	0.656	1.058	1.782
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	0.258	0.140	3.021	1.494	2.095	--	--	--
Tier Two: Logan Circle STAMP 1-5 Year(Net)	0.131	0.016	2.894	1.367	1.969	--	--	--
ICE BofAML 1-5 Yrs US Treasuries TR	-0.351	-0.532	2.426	1.376	1.157	-0.027	2.198	2.154
ICE BofAML 1-5 Yrs US Corp & Govt TR	-0.156	0.134	2.649	1.344	2.000	0.718	2.524	2.957
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	-0.220	-0.172	2.570	1.376	1.641	0.409	2.362	2.694

As of December 31, 2018

	Fiscal 2018 (%)	Fiscal 2017 (%)	Fiscal 2016 (%)	Fiscal 2015 (%)	Fiscal 2014 (%)	Fiscal 2013 (%)	Fiscal 2012 (%)	Fiscal 2011 (%)
Cash(Gross)	1.492	0.858	0.509	0.166	0.131	0.112	0.185	0.137
<i>FTSE T-Bill 3 Months TR</i>	<i>1.325</i>	<i>0.455</i>	<i>0.138</i>	<i>0.021</i>	<i>0.038</i>	<i>0.079</i>	<i>0.044</i>	<i>0.138</i>
Operating: Payden Enhanced Cash(Gross)	1.580	0.887	0.573	0.166	0.131	0.112	0.185	0.137
Operating: Payden Enhanced Cash(Net)	1.500	0.812	0.505	0.058	0.018	-0.023	0.044	-0.008
<i>FTSE T-Bill 3 Months TR</i>	<i>1.325</i>	<i>0.455</i>	<i>0.138</i>	<i>0.021</i>	<i>0.038</i>	<i>0.079</i>	<i>0.044</i>	<i>0.138</i>
Operating: Logan Circle Enhanced Cash(Gross)	1.501	0.898	--	--	--	--	--	--
Operating: Logan Circle Enhanced Cash(Net)	1.416	0.814	--	--	--	--	--	--
<i>FTSE T-Bill 3 Months TR</i>	<i>1.325</i>	<i>0.455</i>	<i>0.138</i>	<i>0.021</i>	<i>0.038</i>	<i>0.079</i>	<i>0.044</i>	<i>0.138</i>
Operating: Wells Capital Enhanced Cash(Gross)	1.443	0.721	--	--	--	--	--	--
Operating: Wells Capital Enhanced Cash(Net)	1.370	0.649	--	--	--	--	--	--
<i>FTSE T-Bill 3 Months TR</i>	<i>1.325</i>	<i>0.455</i>	<i>0.138</i>	<i>0.021</i>	<i>0.038</i>	<i>0.079</i>	<i>0.044</i>	<i>0.138</i>

As of December 31, 2018

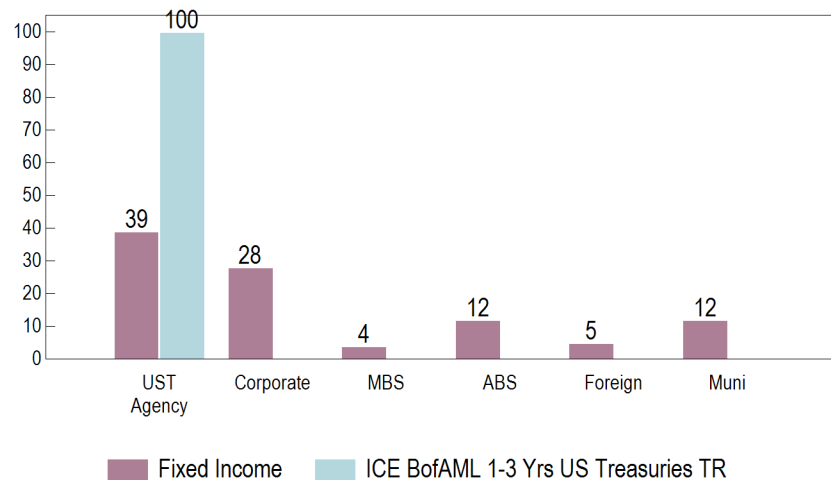
Asset Allocation on December 31, 2018

	Actual	Actual
Tier One: Payden Low Duration	\$149,467,614	27.4%
Tier One: Logan Circle STAMP 1-3 Year	\$149,216,560	27.3%
Tier One: Wells Capital Reserve Account	\$148,838,193	27.2%
Tier Two: Logan Circle STAMP 1-5 Year	\$98,720,822	18.1%
Total	\$546,243,189	100.0%

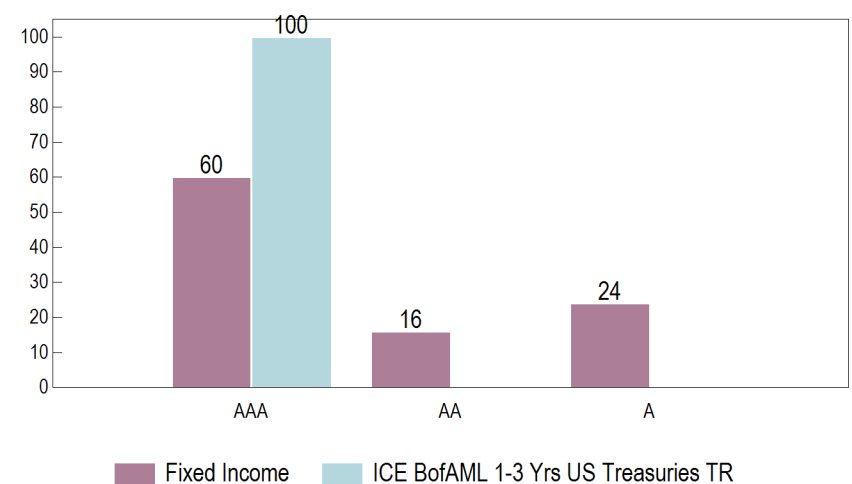
Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.8	2.5	2.9
Average Duration	1.6	1.9	1.8
Average Quality	AA	AAA	AA

Sector Allocation



Credit Quality Allocation



Tier One: Payden Low Duration

As of December 31, 2018

Account Information

Account Name	Tier One: Payden Low Duration
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

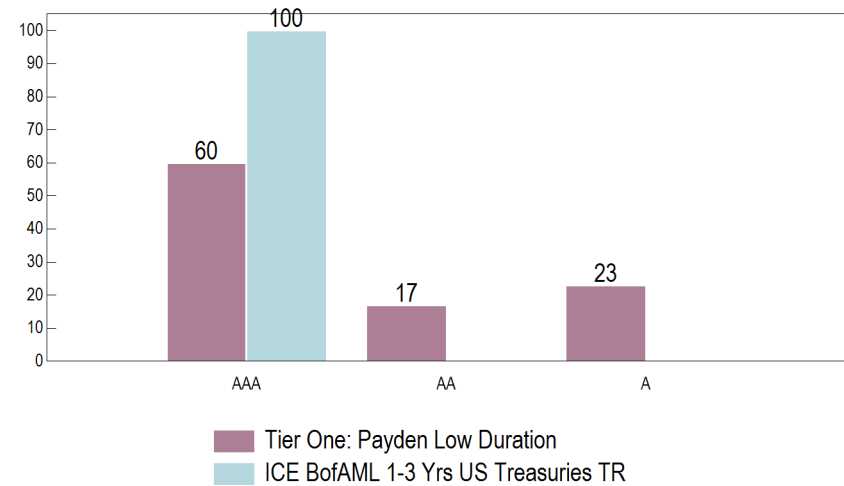
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Payden Low Duration(Gross)	1.039	1.512	1.861	1.365	1.138	1.349	2.949	Jul-99
Tier One: Payden Low Duration(Net)	1.018	1.470	1.778	1.286	1.051	1.235	--	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	2.826	Jul-99
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	3.148	Jul-99
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	3.040	Jul-99

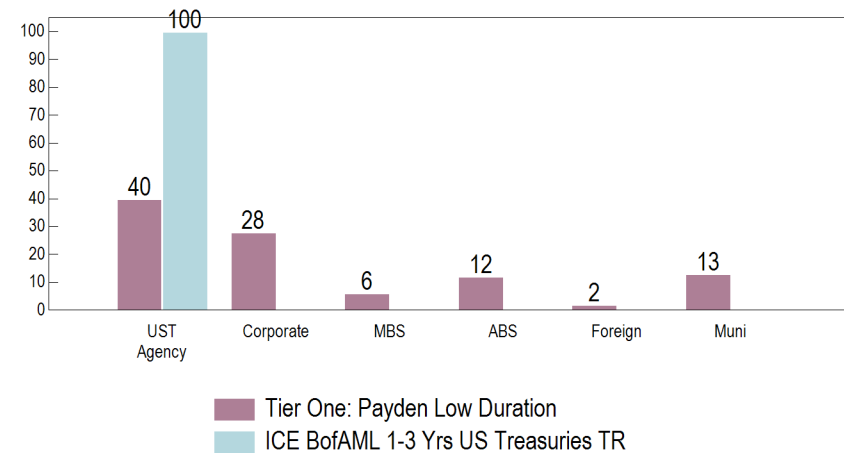
Tier One: Payden Low Duration Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.83	2.53	2.87
Average Duration	1.57	1.87	1.51
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier One: Wells Capital Reserve Account

As of December 31, 2018

Account Information

Account Name	Tier One: Wells Capital Reserve Account
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

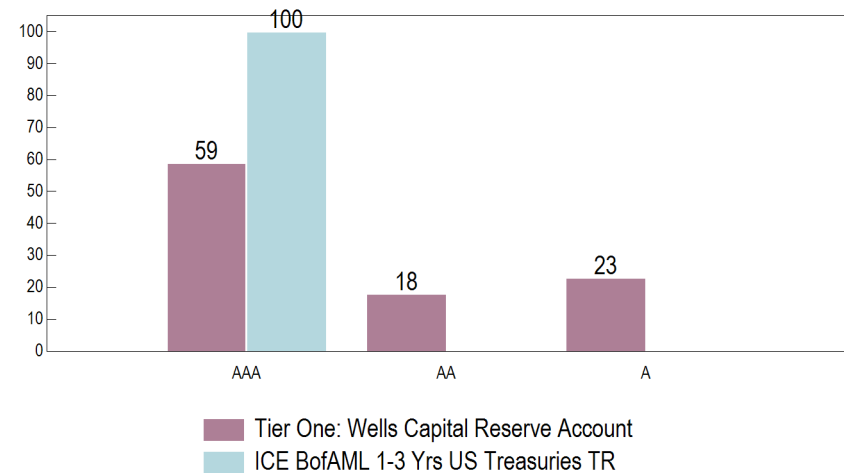
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Wells Capital Reserve Account(Gross)	1.077	1.538	1.740	--	--	--	1.130	Jun-16
Tier One: Wells Capital Reserve Account(Net)	1.059	1.502	1.666	--	--	--	1.057	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	0.800	Jun-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	1.057	Jun-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	0.956	Jun-16

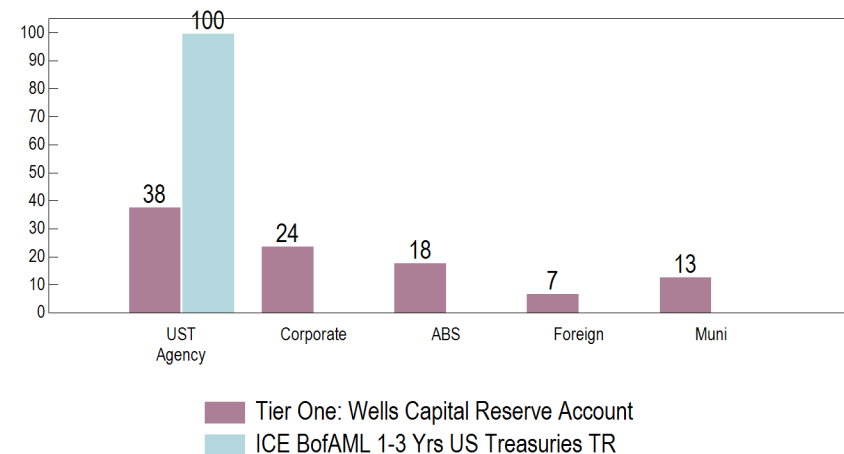
Tier One: Wells Capital Reserve Account Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.81	2.53	2.96
Average Duration	1.66	1.87	1.69
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier One: Logan Circle STAMP 1-3 Year

As of December 31, 2018

Account Information

Account Name	Tier One: Logan Circle STAMP 1-3 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

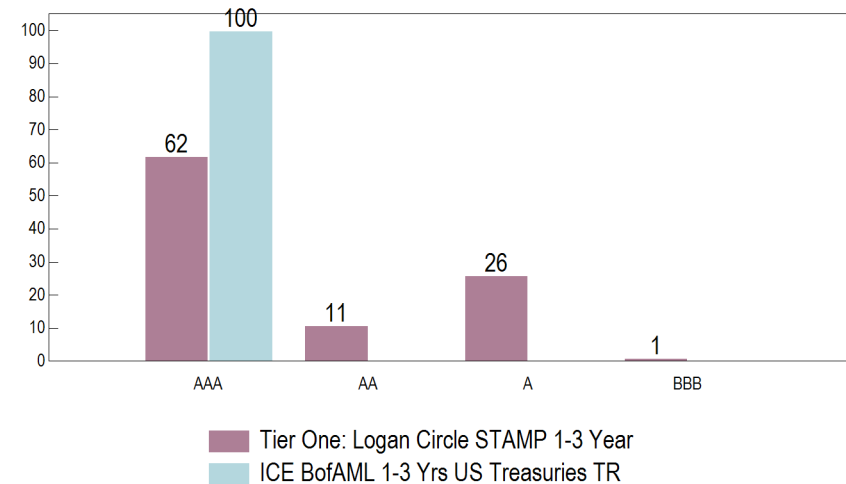
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Logan Circle STAMP 1-3 Year(Gross)	0.960	1.356	1.771	--	--	--	1.168	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)	0.940	1.316	1.688	--	--	--	1.085	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	0.735	May-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	0.999	May-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	0.896	May-16

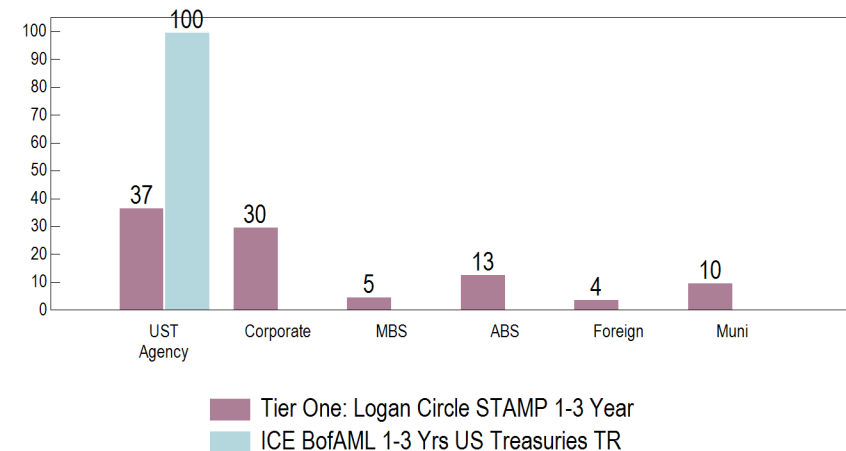
Tier One: Logan Circle STAMP 1-3 Year Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs US Treasuries TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.86	2.53	2.92
Average Duration	1.41	1.87	1.73
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier Two: Logan Circle STAMP 1-5 Year

As of December 31, 2018

Account Information

Account Name	Tier Two: Logan Circle STAMP 1-5 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	4/01/13
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-5 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

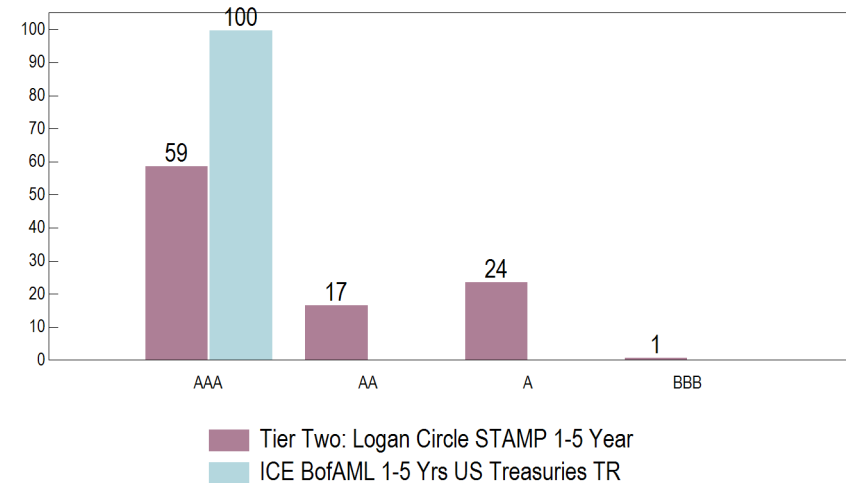
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	1.253	1.564	1.518	1.526	1.526	--	1.293	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)	1.221	1.500	1.392	1.399	1.399	--	1.167	
ICE BofAML 1-5 Yrs US Treasuries TR	1.734	1.785	1.529	1.089	1.096	1.331	0.893	Apr-13
ICE BofAML 1-5 Yrs US Corp & Govt TR	1.447	1.734	1.409	1.435	1.372	2.170	1.195	Apr-13
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	1.582	1.784	1.501	1.273	1.262	1.852	1.073	Apr-13

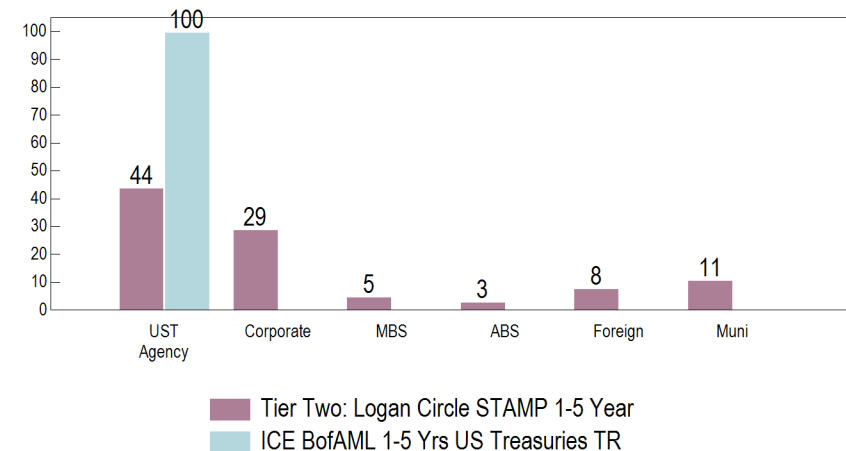
Tier Two: Logan Circle STAMP 1-5 Year Fixed Income Characteristics
vs. ICE BofAML 1-5 Yrs US Treasuries TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.82	2.52	3.04
Average Duration	2.08	2.62	2.48
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



As of December 31, 2018

Asset Allocation on December 31, 2018

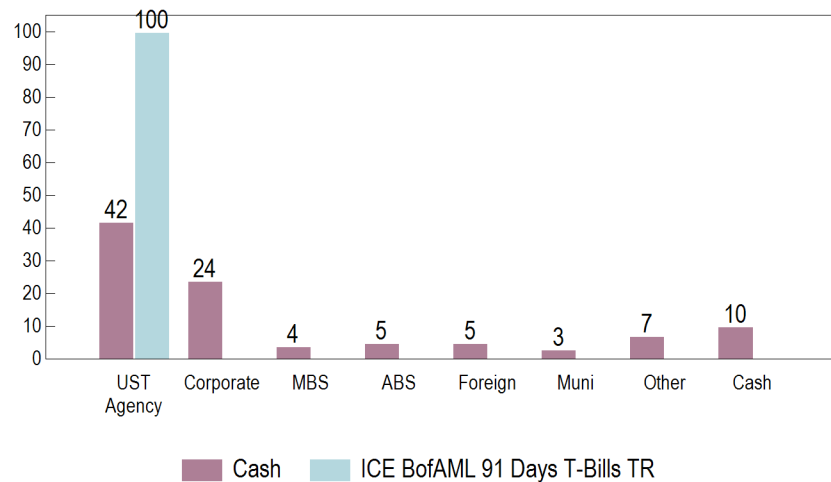
	Actual	Actual
Operating: Logan Circle Enhanced Cash	\$249,541,902	33.3%
Operating: Payden Enhanced Cash	\$250,096,975	33.4%
Operating: Wells Capital Enhanced Cash	\$249,068,766	33.3%
Total	\$748,707,642	100.0%

Cash Characteristics

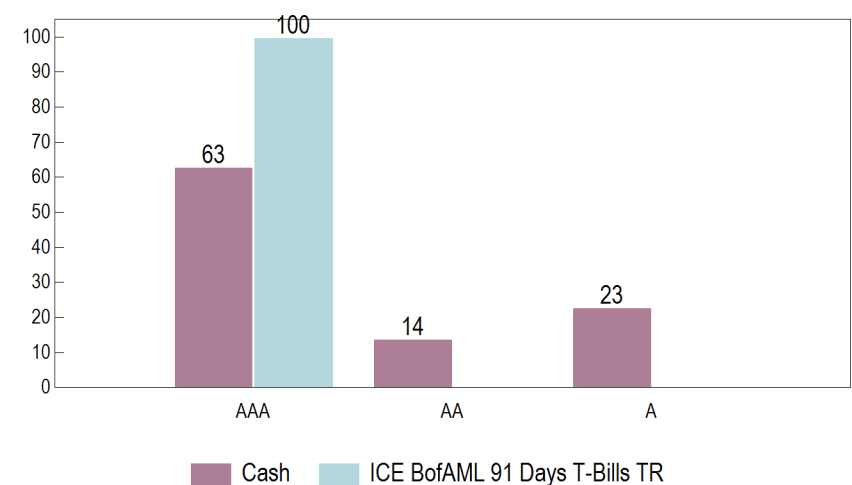
vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.7	2.4	2.3
Average Duration	0.2	0.2	0.2
Average Quality	AA	AAA	AA

Sector Allocation



Credit Quality Allocation



Operating: Payden Enhanced Cash

As of December 31, 2018

Account Information

Account Name	Operating: Payden Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	Cash Alternatives
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

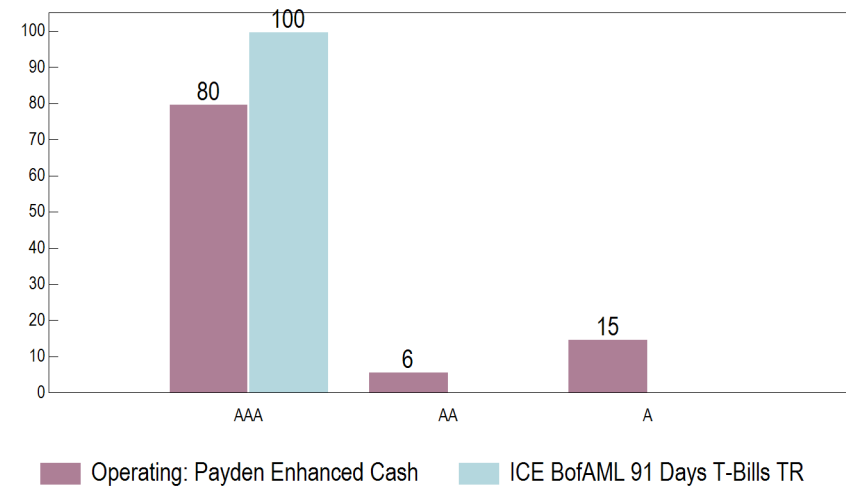
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Payden Enhanced Cash(Gross)	0.494	1.083	1 993	1 349	0.873	0 518	1 958	Jul-99
Operating: Payden Enhanced Cash(Net)	0.471	1.038	1 906	1 271	0.786	0.405	--	
FTSE T-Bill 3 Months TR	0.565	1.068	1.862	0.989	0.604	0.351	1.745	Jul-99

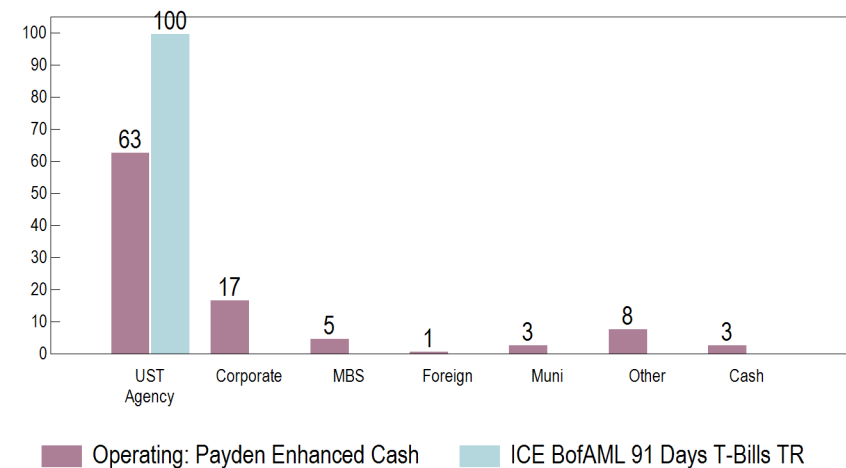
Operating: Payden Enhanced Cash Fixed Income Characteristics
vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.61	2.38	2.26
Average Duration	0.13	0.24	0.15
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Operating: Logan Circle Enhanced Cash

As of December 31, 2018

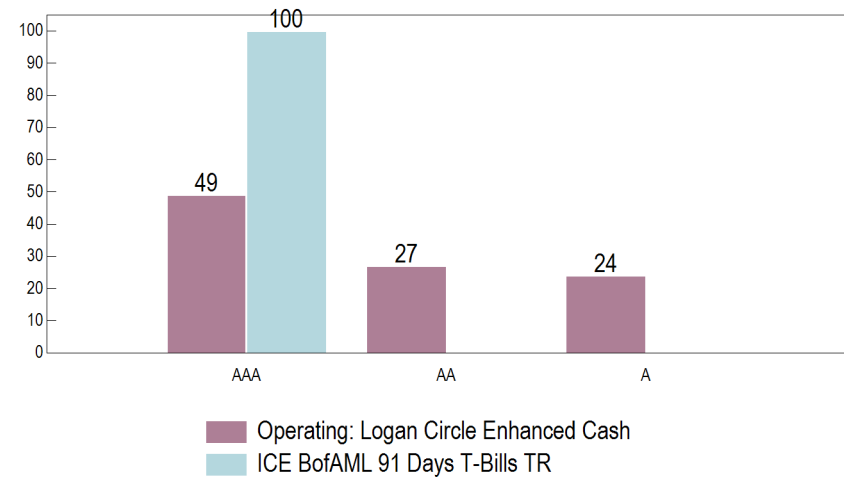
Account Information

Account Name	Operating: Logan Circle Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	Cash
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

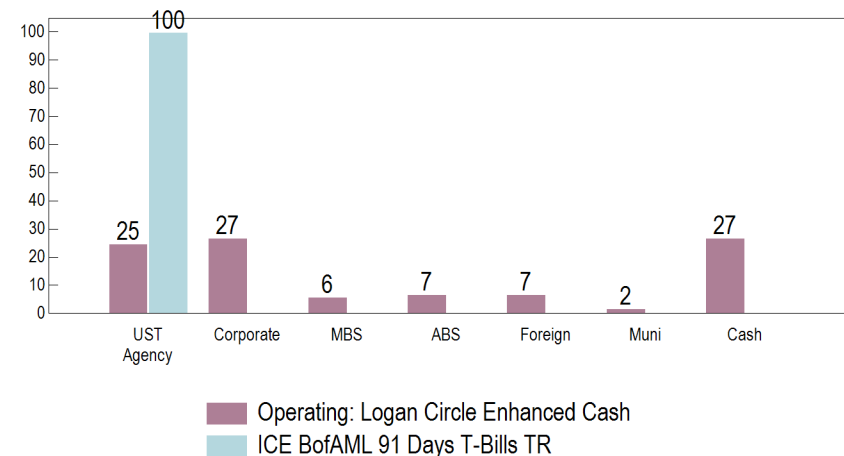
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Logan Circle Enhanced Cash(Gross)	0.559	1.111	1 987	--	--	--	1 355	May-16
Operating: Logan Circle Enhanced Cash(Net)	0.538	1.069	1 901	--	--	--	1 270	
FTSE T-Bill 3 Months TR	0.565	1.068	1.862	0.989	0.604	0.351	1.084	May-16

Credit Quality Allocation



US Sector Allocation



Operating: Logan Circle Enhanced Cash Fixed Income Characteristics vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.76	2.38	2.34
Average Duration	0.13	0.24	0.16
Average Quality	AA	AAA	AA

Operating: Wells Capital Enhanced Cash

As of December 31, 2018

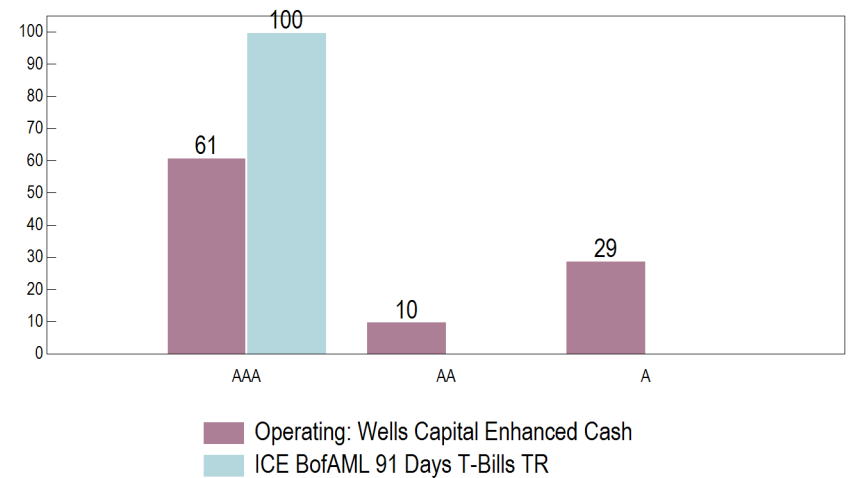
Account Information

Account Name	Operating: Wells Capital Enhanced Cash
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	Cash
Benchmark	FTSE T-Bill 3 Months TR
Universe	eV US Enh Cash Management Net

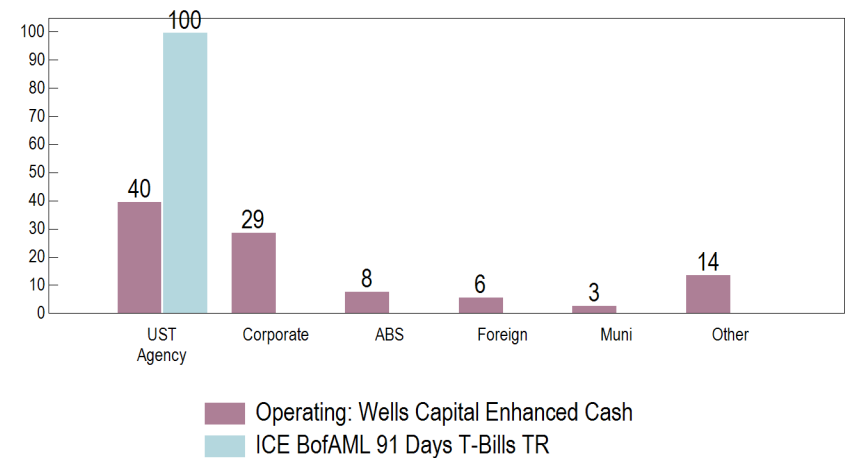
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Operating: Wells Capital Enhanced Cash(Gross)	0.476	1.046	1.929	--	--	--	1.279	Jun-16
Operating: Wells Capital Enhanced Cash(Net)	0.458	1.009	1.856	--	--	--	1.206	
FTSE T-Bill 3 Months TR	0.565	1.068	1.862	0.989	0.604	0.351	1.111	Jun-16

Credit Quality Allocation



US Sector Allocation

Operating: Wells Capital Enhanced Cash Fixed Income Characteristics
vs. ICE BofAML 91 Days T-Bills TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.68	2.38	2.41
Average Duration	0.24	0.24	0.17
Average Quality	AA	AAA	AA

As of December 31, 2018

Annual Investment Expense Analysis
As Of December 31, 2018

Name	Fee Schedule	Market Value
Fixed Income		\$546,243,189
Tier One: Payden Low Duration	0.10% of First 100.0 Mil, 0.08% of Next 250.0 Mil, 0.07% Thereafter	\$149,467,614
Tier One: Logan Circle STAMP 1-3 Year	0.10% of First 50.0 Mil, 0.09% of Next 250.0 Mil, 0.07% Thereafter	\$149,216,560
Tier One: Wells Capital Reserve Account	0.09% of First 100.0 Mil, 0.07% of Next 200.0 Mil, 0.06% Thereafter	\$148,838,193
Tier Two: Logan Circle STAMP 1-5 Year	0.15% of First 50.0 Mil, 0.10% of Next 250.0 Mil, 0.07% Thereafter	\$98,720,822
Cash		\$748,707,642
Operating: Payden Enhanced Cash	0.10% of First 100.0 Mil, 0.08% of Next 250.0 Mil, 0.07% Thereafter	\$250,096,975
Operating: Logan Circle Enhanced Cash	0.10% of First 50.0 Mil, 0.09% of Next 250.0 Mil, 0.07% Thereafter	\$249,541,902
Operating: Wells Capital Enhanced Cash	0.09% of First 100.0 Mil, 0.07% of Next 200.0 Mil, 0.06% Thereafter	\$249,068,766
Total		\$1,294,950,831

Please note that Logan Circle, Payden, and Wells Capital charge their investment management fees on an aggregate basis across Operating Cash, Tier One and Tier Two portfolios.



Quarterly Investment Report Supplement

Annual Investment Policy (2019) Maturity and Quality Requirements

	Maximum Permitted Maturity			Actual Maximum Maturity							Compliance
Allowable Instruments	Operating Funds	Tier One	Tier Two	Operating Funds			Tier One			Tier Two	
				LC	P&R	WF	LC	P&R	WF	LC	
U.S. Treasuries	2 years	5 years	5 years	46 days	45 days	304 days	4.04 years	2.96 years	2.88 years	4.04 years	Yes
U.S. Agencies	2 years	5 years	5 years	86 days	N/A	295 days	2.65 years	3.50 years	4.46 years	2.65 years	Yes
State & Local Obligations ¹	2 years	5 years	5 years	196 days	244 days	244 days	2.59 years	3.37 years	2.42 years	4.42 years	Yes
Supranationals	2 years	5 years	5 years	207 days	N/A	288 days	3.71 years	2.56 years	2.56 years	3.71 years	Yes
Negotiable Cert of Deposit	1 year	1 year	1 year	24 days	50 days	N/A	N/A	N/A	N/A	N/A	Yes
Commercial Paper	270 days	270 days	270 days	24 days	N/A	84 days	N/A	N/A	N/A	N/A	Yes
Repurchase Agreements	30 days	30 days	30 days	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Yes
Medium Term Notes	2 years	5 years	5 years	130 days	254 days	317 days	3.25 years	2.75 years	2.61 years	4.42 years	Yes
Mortgage/ Asset-Backed	2 years	5 years	5 years	352 days	52 days	N/A	4.07 years	3.00 years	4.30 years	4.07 years	Yes
Variable & Floating Rate	2 years	5 years	5 years	57 days	86 days ²	91 days	3.80 years	2.38 years	N/A	2.82 years	Yes

- Investment Managers have independently verified that they have maintained compliance with CalOptima's Investment Policy Statement-designated security credit rating requirements during the review quarter.

¹ Includes CA and any other state in the U.S.

² Effective Maturity.



Annual Investment Policy (2019) Diversification Compliance¹

Allowable Instruments	Maximum (%)	Logan Circle (%)	Logan Circle (\$ mm)	Payden (%)	Payden (\$ mm)	Wells Capital (%)	Wells Capital (\$ mm)	Total (%)	Total (\$ mm)
U.S. Treasuries	100	25.7	127.8	51.3	205.2	9.7	38.6	28.7	371.6
U.S. Agencies	100	4.5	22.5	2.4	9.5	29.3	116.5	11.5	148.4
State & Local Obligations ²	30	6.0	29.9	7.7	31.0	6.9	27.4	6.8	88.3
Supranationals	30	6.3	31.6	0.6	2.3	6.3	25.1	4.6	59.0
Negotiable Certificate of Deposit	30	2.2	11.0	0.5	2.0	0.0	0.0	1.0	13.0
Commercial Paper	25	11.2	55.7	0.0	0.0	8.7	34.5	7.0	90.2
Repurchase Agreements	100	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Medium Term Notes	30	19.5	97.1	9.6	38.5	14.3	56.8	14.9	192.4
Money Market Funds	20	2.7	13.6	0.5	1.8	0.4	1.5	1.3	16.9
Mortgage/Asset-Backed	20	8.8	43.8	5.7	22.9	6.7	26.7	7.2	93.4
Variable & Floating Rate	30	13.0	64.5	21.6	86.4	17.8	70.7	17.1	221.6
Total		100.0	497.5	100.0	399.6	100.0	397.9	100.0	1295.0

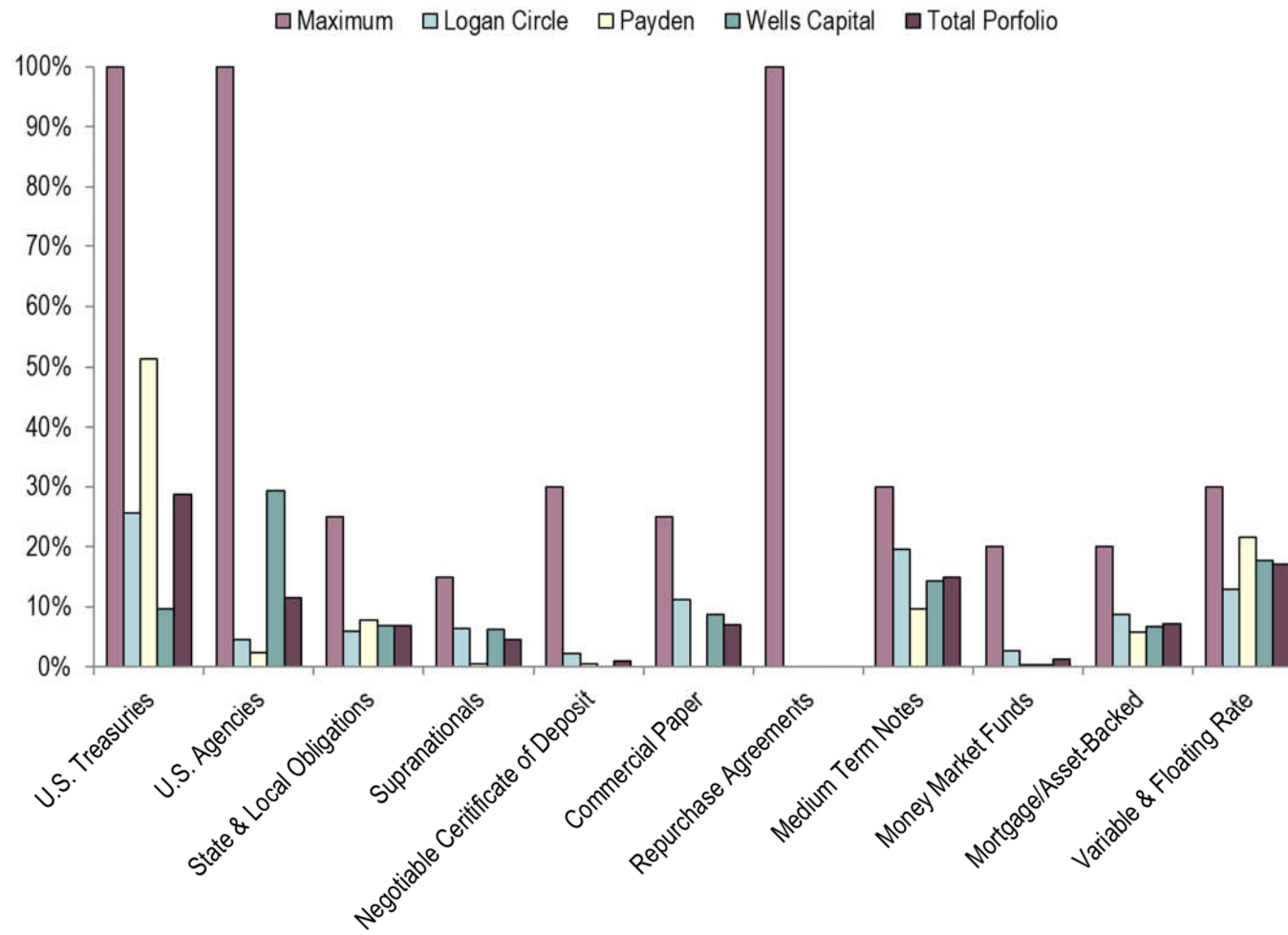
- Investment composition of each portfolio and the total portfolio are in compliance with the CalOptima Annual Investment Policy 2019.

¹ Blended allocations for Payden & Rygel, Logan Circle, and Wells Capital accounts.

² Includes CA and any other state in the U.S.

Annual Investment Policy (2019) Actual vs. Diversity Requirements

As of December 31, 2018



Custom Peer Group

Custom Peer Group

- Given CalOptima's unique investment guidelines, traditional fixed income peer groups are not the best comparison tool for the Tier One and Tier Two pools.
- Meketa Investment Group surveyed the eVestment Alliance U.S. Short Duration Fixed Income universe and Morningstar's Short Duration Fixed Income universe to create custom peer universes for each of the Tier One and Tier Two pools in order to provide a more accurate performance comparison¹.
 - For the analysis, the combined eVestment and Morningstar universe was pared down through the elimination of funds with exposure to securities with below-"A"-rated credit.
 - Two unique buckets were established based on each portfolio's historical average effective duration relative to the ICE BofA Merrill Lynch 1-3 Year Treasury index (Tier One peer group) and the ICE BofA Merrill Lynch 1-5 year Treasury index (Tier Two peer group).
 - The Tier One peer group consists of twelve strategies with a median effective duration of 1.46 years, while the Tier Two peer group consists of eight strategies with a median effective duration of 2.52 years as of September 30, 2018.
- Please note that the analysis is as of September 30, 2018, as the universe of investment managers that had reported data as of December 31, 2018 was very small at the date that these materials were submitted.
- This analysis is based on a small peer universe that may change significantly over time, potentially resulting in large changes in peer rankings quarter-to-quarter.

¹ Though this comparison is more accurate than ranking the managers relative to the broad short duration peer group, these peer managers are not subject to the restrictions of the California Government Code. They are likely to have more degrees of freedom to invest across fixed income securities and sectors.

Custom Peer Group: Logan Circle Tier One

Gross of Fees Returns as of 9/30/2018 ¹	3Q 2018 (%)	1 Year (%)	Since Inception ² (%)
Tier One: Logan Circle STAMP 1-3 Year	0.39	0.88	0.95
Peer Group Median Return	0.41	0.64	0.93
Peer Group Rank (percentile)	64	34	43

- The Logan Circle Tier One portfolio underperformed the peer group in the third quarter of 2018, but outperformed over the trailing one-year period, ranking in the 64th and 34th percentiles, respectively. The strategy outperformed the custom peer group since inception.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² Formal inception date is June 2016.

Custom Peer Group: Payden Tier One

Gross of Fees Returns as of 9/30/2018¹	3Q 2018 (%)	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Tier One: Payden Low Duration	0.47	0.80	0.96	0.96	1.56
Peer Group Median Return	0.41	0.64	1.02	1.11	1.91
Peer Group Rank (percentile)	27	39	56	71	74

Standard Deviation as of 9/30/2018²	3 Years (%)	5 Years (%)	10 Years (%)
Tier One: Payden Low Duration	0.54	0.53	0.88
Median Standard Deviation	0.71	0.70	0.96
Peer Group Rank (percentile)	10	7	28

- The Payden Tier One portfolio's trailing returns rank in the second quartile of the peer group in the third quarter of 2018 and in the one-year trailing period. Trailing returns ranked in the third quartile over the three-, five-, and ten-year trailing periods. The strategy outperformed the custom peer group in the third quarter of 2018 and over the trailing one-year period.
- Standard deviation has ranked favorably versus peers over all trailing periods.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² For peer group standard deviation rankings, a percentile rank of 99 would indicate that the strategy exhibited the lowest standard deviation relative to the peer group, and a percentile rank of 1 would indicate that the strategy exhibited the highest standard deviation relative to the peer group.

Custom Peer Group: Wells Capital Tier One

Gross of Fees Returns as of 9/30/2018 ¹	3Q 2018 (%)	1 Year (%)	Since Inception ² (%)
Tier One: Wells Capital Reserve Account	0.46	0.54	0.79
Peer Group Median Return	0.41	0.64	0.93
Peer Group Rank (percentile)	28	68	76

- The Wells Capital Tier One portfolio outperformed the custom short duration peer group over the third quarter, but underperformed the trailing one-year and since inception periods.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² Formal inception date is June 2016.

Custom Peer Group: Logan Circle Tier Two

Gross of Fees Returns as of 9/30/2018¹	3Q 2018 (%)	1 Year (%)	3 Years (%)	5 Years (%)
Tier Two: Logan Circle STAMP 1-5 Year	0.31	0.15	0.96	1.32
Peer Group Median Return	0.29	0.09	0.70	1.13
Peer Group Rank (percentile)	39	42	11	29

Standard Deviation as of 9/30/2018²	3 Years (%)	5 Years (%)
Tier Two: Logan Circle STAMP 1-5 Year	1.18	1.17
Median Standard Deviation	1.15	1.08
Peer Group Rank (percentile)	56	59

- Logan Circle's Tier Two portfolio outperformed the peer group over all periods measured, and ranked in the top quartile of the custom peer group over the three-year trailing period.
- Standard deviation for the strategy over the trailing three- and five-year periods exceeds the peer group median, ranking in the 56th and 59th percentiles, respectively.

¹ Investment managers are ranked based on performance gross of fees; given the discounted fee structures offered by CalOptima's investment managers, performance on a net-of-fee basis is more compelling relative to peers.

² For peer group standard deviation rankings, a percentile rank of 1 would indicate that the strategy exhibited the lowest standard deviation relative to the peer group, and a percentile rank of 99 would indicate that the strategy exhibited the highest standard deviation relative to the peer group.

Performance Attribution

Performance Attribution

- The following pages present attribution data for the Logan Circle Tier One and Tier Two portfolios, the Payden & Rygel Tier One portfolio, and the Wells Capital Tier One portfolio.
- Attribution represents outperformance or underperformance, based on active investment decisions across fixed income sub-sectors, relative to a manager's benchmark index. Attribution data demonstrates where managers are able to most effectively add incremental value versus the benchmark.
- Attribution data is provided by the investment managers and is presented gross of investment management fees as of December 31, 2018. Attribution data fields will vary slightly across investment managers.

Logan Circle Tier One Performance Attribution¹
Gross of Fees as of 12/31/2018

	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
Benchmark Relative Attribution (basis points)	4Q 2018	1 Year	4Q 2018	1 Year
Duration	-13	9	-13	10
Yield Curve	-2	3	-2	2
Sector Selection	-18	7	-12	1
Treasury	-1	13	-2	5
Agency	0	0	0	-1
Corporate	-16	-6	-8	-2
Financial	-12	-4	-7	-2
Industrial	-4	-2	-1	0
Utilities	0	0	0	0
MBS	0	0	0	0
CMBS	0	0	-1	-1
ABS	-1	0	-1	0
Municipal	0	0	0	0
Total Excess Return	-33	19	-27	13
Logan Circle Tier One Return	96	177	96	177
Benchmark Return	129	158	123	164

¹ Performance attribution provided by Logan Circle.



Payden & Rygel Tier One Performance Attribution¹
Gross of Fees as of 12/31/2018

	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
Benchmark Relative Attribution (basis points)	4Q 2018	1 Year	4Q 2018	1 Year
Duration	-12	21	-12	15
Yield Curve	-1	-2	-1	-1
Sector Selection	-12	8	-6	10
Treasury	NA	NA	NA	NA
Agency	0	2	-1	1
Corporate	-9	2	-2	6
Financial	-8	1	-3	3
Industrial	-1	1	1	3
Utilities	0	0	0	0
MBS	0	0	0	0
CMBS	0	0	0	0
ABS	-2	2	-1	2
Municipal	-1	2	-2	1
Residual	0	1	0	0
Total Excess Return	-25	28	-19	24
Payden & Rygel Tier One Return	104	186	104	186
Benchmark Return	129	158	123	164

¹ Performance attribution provided by Payden & Rygel.



Wells Capital Tier One Performance Attribution¹
Gross of Fees as of 12/31/2018

	ICE BofA Merrill Lynch 1-3 Year U.S. Treasury		ICE BofA Merrill Lynch 1-3 Year AAA-A U.S. Corp & Govt	
Benchmark Relative Attribution (basis points)	4Q 2018	1 Year	4Q 2018	1 Year
Duration	-11	2	-10	6
Sector Selection	-10	14	-5	4
Treasury ²	NA	NA	NA	NA
Agency	0	3	0	0
Corporate	-6	6	-1	2
Financial	-4	4	-1	1
Industrial	-2	2	0	1
Utilities	0	0	0	0
MBS	0	0	0	0
CMBS	0	0	0	0
ABS	-3	-3	-3	-4
Municipal	-1	3	0	2
Error Factor	0	5	-1	4
Total Excess Return	-21	16	-15	10
Wells Capital Tier One Return (%)	108	174	108	174
Benchmark Return (%)	129	158	123	164

¹ Performance attribution provided by Wells Capital.

² Treasury sector selection attribution is included in Duration figure.



Logan Circle Tier Two Performance Attribution¹
Gross of Fees as of 12/31/2018

	ICE BofA Merrill Lynch 1-5 Year U.S. Treasury		ICE BofA Merrill Lynch 1-5 Year AAA-A U.S. Corp & Govt	
Benchmark Relative Attribution (basis points)	4Q 2018	1 Year	4Q 2018	1 Year
Duration	-18	4	-17	3
Yield Curve	-1	1	-1	1
Sector Selection	-28	-5	-14	-1
Treasury	-4	5	-7	-1
Agency	-1	0	1	-1
Corporate	-22	-11	-7	-1
Financial	-17	-8	-8	-2
Industrial	-5	-3	1	1
Utilities	0	0	0	0
MBS	0	0	0	0
CMBS	-1	-1	-1	0
ABS	0	0	0	0
Municipal	0	2	0	2
Total Excess Return	-47	0	-32	3
Logan Circle Tier Two Return	125	152	125	152
Benchmark Return	172	152	157	149

¹ Performance attribution provided by Logan Circle.



Appendix

Characteristics

Tier One: Payden Low Duration

As of December 31, 2018

Account Information

Account Name	Tier One: Payden Low Duration
Account Structure	Separate Account
Investment Style	Active
Inception Date	7/01/99
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

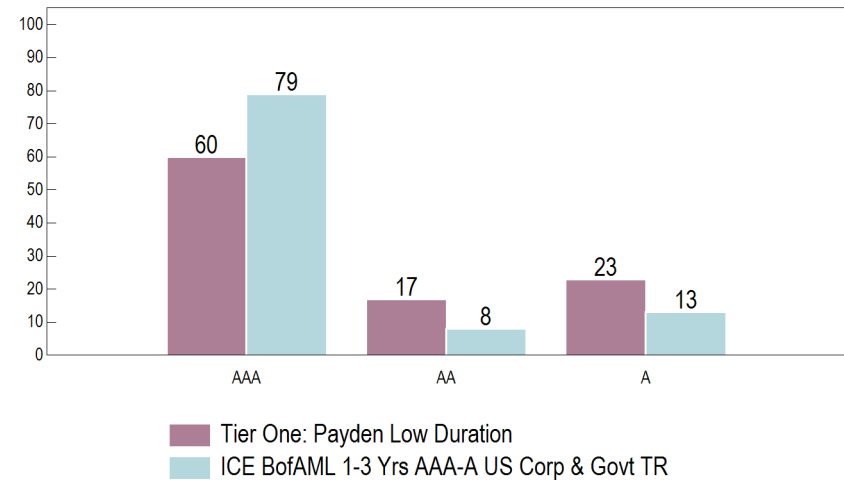
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Payden Low Duration(Gross)	1.039	1.512	1.861	1.365	1.138	1.349	2.949	Jul-99
Tier One: Payden Low Duration(Net)	1.018	1.470	1.778	1.286	1.051	1.235	--	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	2.826	Jul-99
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	3.148	Jul-99
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	3.040	Jul-99

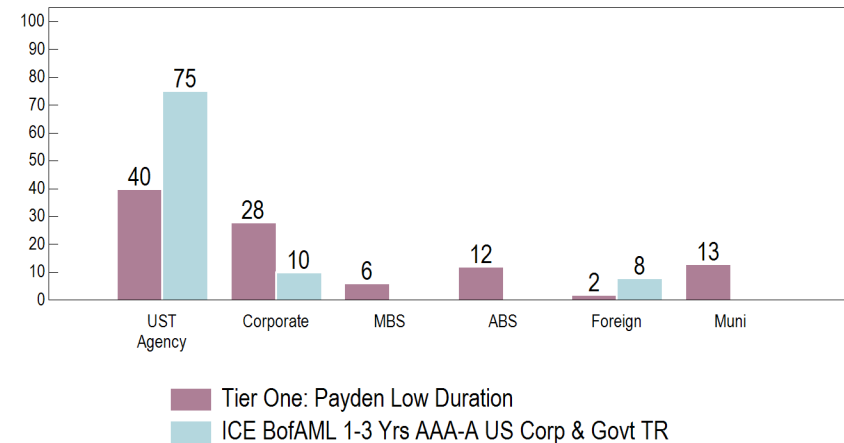
Tier One: Payden Low Duration Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.83	2.67	2.87
Average Duration	1.57	1.87	1.51
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier One: Wells Capital Reserve Account

As of December 31, 2018

Account Information

Account Name	Tier One: Wells Capital Reserve Account
Account Structure	Separate Account
Investment Style	Active
Inception Date	6/01/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

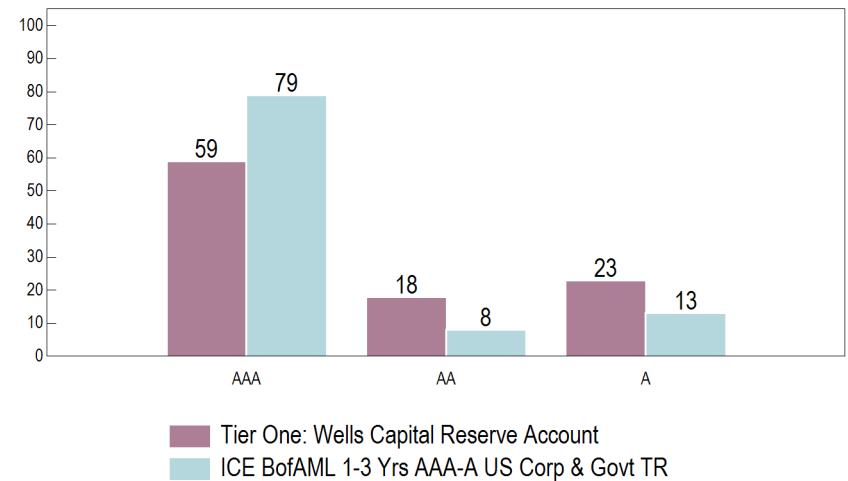
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Wells Capital Reserve Account(Gross)	1.077	1.538	1.740	--	--	--	1.130	Jun-16
Tier One: Wells Capital Reserve Account(Net)	1.059	1.502	1.666	--	--	--	1.057	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	0.800	Jun-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	1.057	Jun-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	0.956	Jun-16

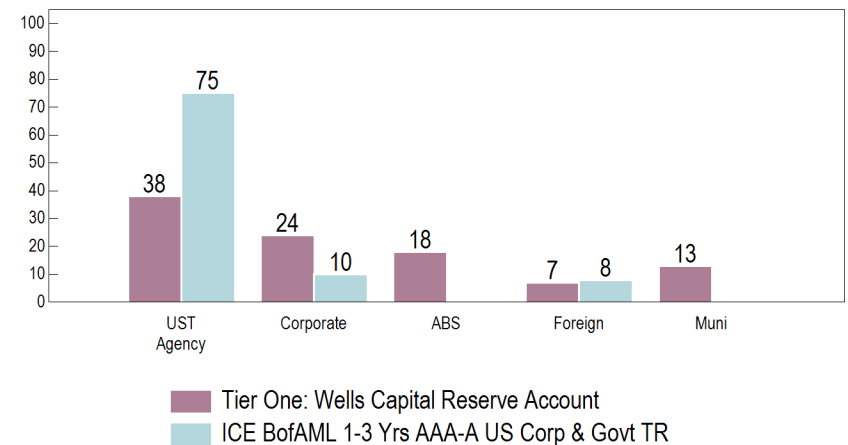
Tier One: Wells Capital Reserve Account Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.81	2.67	2.96
Average Duration	1.66	1.87	1.69
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier One: Logan Circle STAMP 1-3 Year

As of December 31, 2018

Account Information

Account Name	Tier One: Logan Circle STAMP 1-3 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	5/02/16
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-3 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

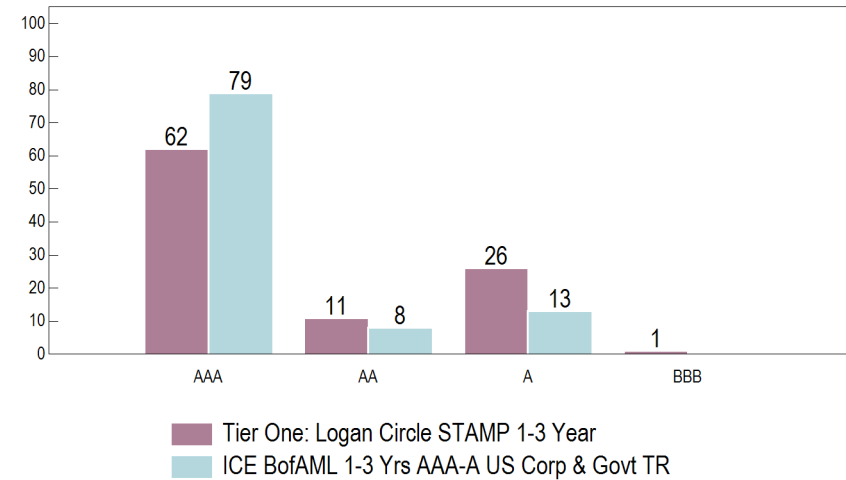
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier One: Logan Circle STAMP 1-3 Year(Gross)	0.960	1.356	1.771	--	--	--	1.168	May-16
Tier One: Logan Circle STAMP 1-3 Year(Net)	0.940	1.316	1.688	--	--	--	1.085	
ICE BofAML 1-3 Yrs US Treasuries TR	1.304	1.501	1.594	0.966	0.811	0.949	0.735	May-16
ICE BofAML 1-3 Yrs US Corp & Govt TR	1.179	1.537	1.644	1.262	1.047	1.558	0.999	May-16
ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR	1.237	1.543	1.648	1.136	0.958	1.344	0.896	May-16

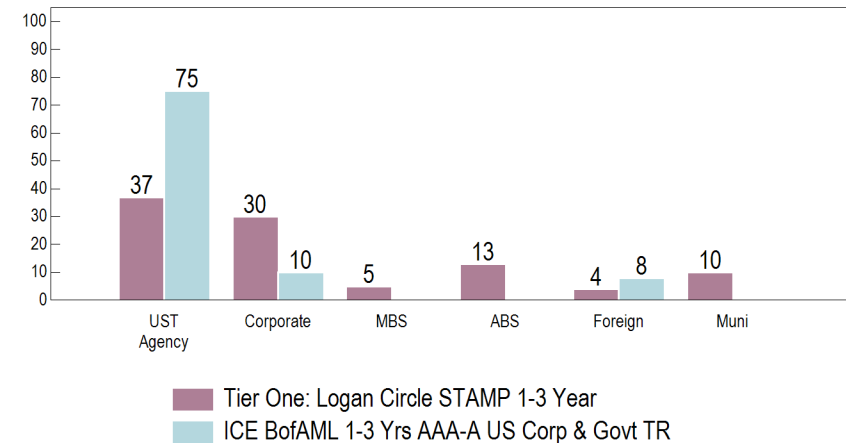
Tier One: Logan Circle STAMP 1-3 Year Fixed Income Characteristics
vs. ICE BofAML 1-3 Yrs AAA-A US Corp & Govt TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.86	2.67	2.92
Average Duration	1.41	1.87	1.73
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



Tier Two: Logan Circle STAMP 1-5 Year

As of December 31, 2018

Account Information

Account Name	Tier Two: Logan Circle STAMP 1-5 Year
Account Structure	Separate Account
Investment Style	Active
Inception Date	4/01/13
Account Type	US Fixed Income Short Term
Benchmark	ICE BofAML 1-5 Yrs US Treasuries TR
Universe	eV US Short Duration Fixed Inc Net

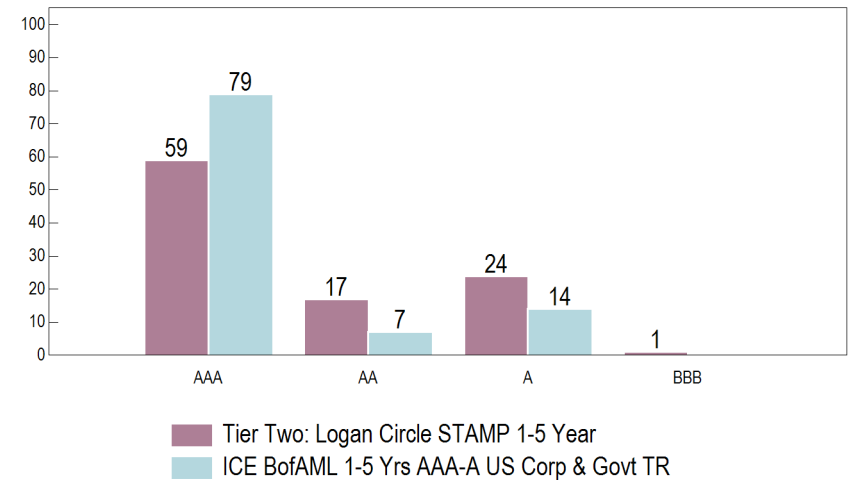
Portfolio Performance Summary

	QTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Tier Two: Logan Circle STAMP 1-5 Year(Gross)	1.253	1.564	1.518	1.526	1.526	--	1.293	Apr-13
Tier Two: Logan Circle STAMP 1-5 Year(Net)	1.221	1.500	1.392	1.399	1.399	--	1.167	
ICE BofAML 1-5 Yrs US Treasuries TR	1.734	1.785	1.529	1.089	1.096	1.331	0.893	Apr-13
ICE BofAML 1-5 Yrs US Corp & Govt TR	1.447	1.734	1.409	1.435	1.372	2.170	1.195	Apr-13
ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR	1.582	1.784	1.501	1.273	1.262	1.852	1.073	Apr-13

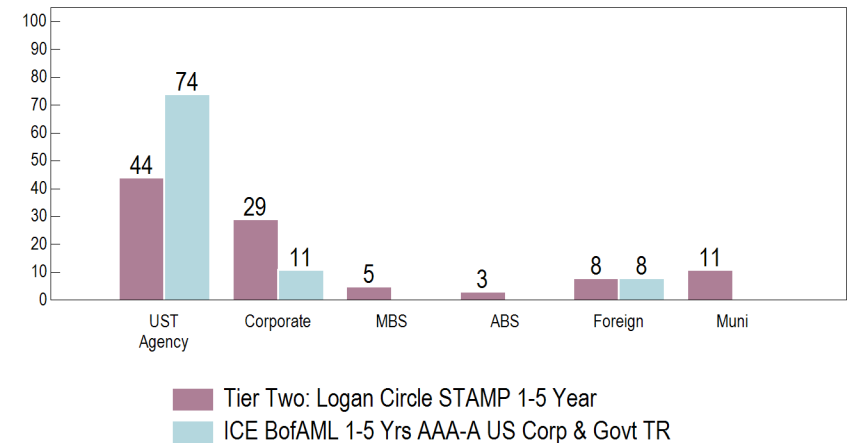
Tier Two: Logan Circle STAMP 1-5 Year Fixed Income Characteristics
vs. ICE BofAML 1-5 Yrs AAA-A US Corp & Govt TR

	Portfolio Q4-18	Index Q4-18	Portfolio Q3-18
Fixed Income Characteristics			
Yield to Maturity	2.82	2.70	3.04
Average Duration	2.08	2.59	2.48
Average Quality	AA	AAA	AA

Credit Quality Allocation



US Sector Allocation



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

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Jensen's Alpha: A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta*(market return-Risk Free Rate)].

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a “basis book.” For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.

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Portfolio Review

**Short-Term Actively Managed Program
("STAMP") Client Review for:**



January 28th, 2019

Scott Pavlak, CFA – *Portfolio Management*

David Wheeler, CFA – *Credit Research*

Short/Intermediate Duration Team:
*One MetLife Way
Whippany, New Jersey 07981*

Company Headquarters:
*Three Logan Square
1717 Arch Street, Suite 1500
Philadelphia, PA 19103
267-330-0000
www.logancirclepartners.com*

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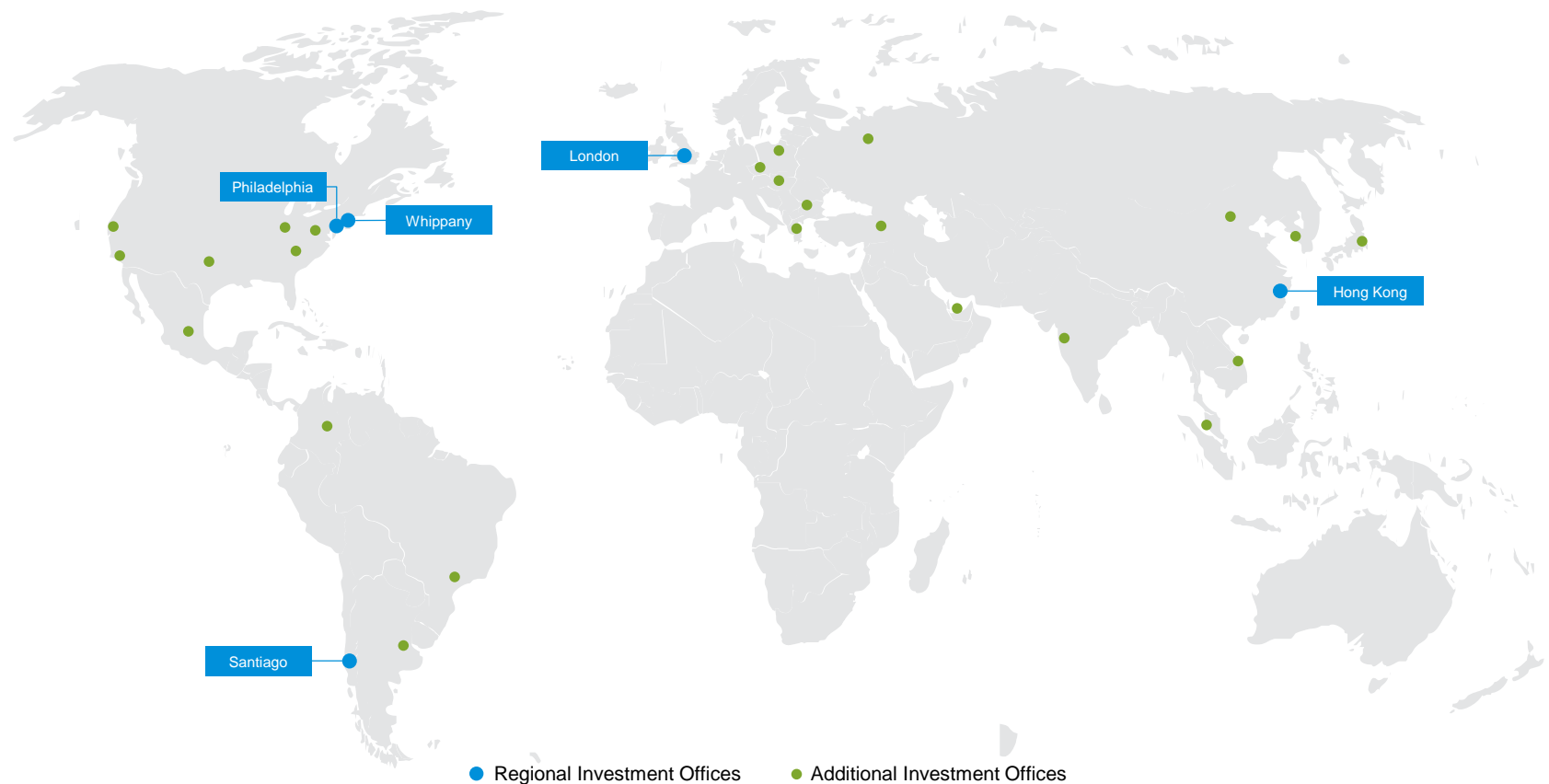
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SECTION I

Firm Overview

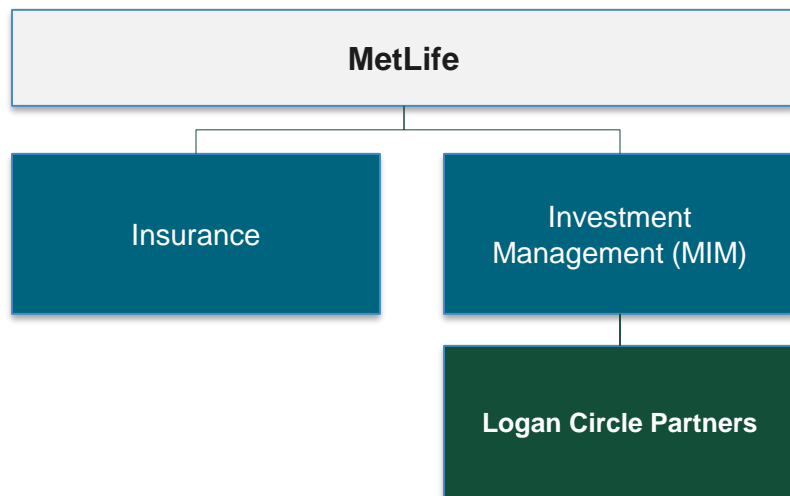
GLOBAL PRESENCE

- Logan Circle Partners, L.P. (“Logan Circle” or “LCP”) is a MetLife, Inc. company and is part of MetLife Investment Management (“MIM”), MetLife Inc.’s Institutional Investment Management Business.
- MetLife has 49,000 employees worldwide with offices in more than 40 countries.



ORGANIZATIONAL OVERVIEW

- Logan Circle is dedicated solely to the institutional marketplace and have \$38.8 billion¹ in total assets under management.
- The senior members of our short duration investment team have worked together on fixed income portfolios for over 20 years.
- Suite of fixed income investment strategies includes broad coverage of both the risk spectrum (Enhanced Cash to High Yield) and the term structure (Short-Term to Long Duration).



Assets by Client Type <i>(\$ millions as of September 30, 2018)</i>	
Corporate	\$16,431
Sub-Advisory	\$15,452
Public	\$3,616
Insurance	\$543
Other	\$2,777
TOTAL	\$38,818

121 Employees <i>(as of December 31, 2018)</i>	
Portfolio Management	10
Research	47
Trading	25
Risk Management / Portfolio Analytics	2
Client Services	16
Legal / Compliance	5
Administration / Operations	16
TOTAL	121

¹ Based on unaudited estimates and are subject to change. Fee paying assets under management as of 9/30/18.

FIXED INCOME TEAM

Fundamental

Risk Management

Technical

RESEARCH

Credit

Brian Funk, CFA
 Park Benjamin, CFA
 Zach Bauer, CFA
 Kevin Bowles, CFA
 Ian Bowman
 Marc Bromberg, CFA
 David Caras, CFA
 Jack Chan, CFA
 Rick Corbit
 Richard Davis, CFA
 Joseph Di Carlo, CFA
 Stephen Driscoll
 Michael Frey
 Brent Garrels
 Elyse Goldschmidt
 Matthew Higgins, CFA
 John Jennings, CFA
 Leo Kelser, CFA
 Brian Kish, CFA
 Kevin Kloeblen, CFA
 Richard Lee
 Jack Maine
 Christopher Meyer
 Helene Moehlman, CFA
 Scott O'Donnell
 Michael Recchiuti
 Thomas Sarkis, CFA
 Yahyin Shen, CFA

Joel Trujilo
 Scott Wancier
 Susan Young

Short Term Credit

David Wheeler, CFA

Municipal

Sharon Carroll
 Joseph Gankiewicz, CFA
 Robert Moore, CFA
 Trevor O'Connell, CFA
 William Schramm, CFA

Structured Products

Angela Best
 Andrew Butville, CFA
 Loritta Cheng, CFA
 David Glenn
 Kevin Hendrickson, CFA
 Andrew Jacobs
 Vivian Kim, CFA
 Francisco Paez, CFA
 Meena Pursnani

Sovereign

Neev Wanvari

PORTFOLIO MANAGEMENT

Jude Driscoll, CIO

Andrew Kronschnabel, CFA

Alfio Leone, CFA

Joshua Lofgren, CFA

Peter Mahoney

Scott Moses, CFA

Stephen Mullin, CFA

Scott Pavlak, CFA

Timothy Rabe, CFA

Todd Howard, CFA

RISK MANAGEMENT / PORTFOLIO ANALYTICS

Ryan Dougherty
 Jordan Marron, CFA

TRADING

High Grade

Dana Cottrell
 Anthony DeMaria
 Steven Kelly, CFA
 Lou Petriello, CFA
 Ryan Reilly

High Yield

Thomas McClintic
 Robb Barrett
 Ameera Besspiata
 James Grace
 Spencer Tullo

Sovereign

Carrie Biemer, CFA
 Mike DeFazio
 Christopher Magnus

Structured Products

Michael Brown
 Paul D'Eramo, CFA
 Sean Lyng, CFA
 John Palphreyman, CFA
 Pooja Pathak
 Timothy Rose, CFA
 Jason Valentino
 Joseph Watkins
 Spencer Woo

Money Markets / Rates

Phillip Tran

Municipal

Vincent Del Vecchio
 Kimberley Slough

CREDIT RESEARCH TEAM

Brian Funk, CFA
Head of Credit Research

35 Professionals Covering Corporate and Municipal Credit

<u>Consumer & Healthcare</u>	<u>Energy & Basic Materials</u>	<u>Financials</u>	<u>Industrials</u>	<u>Municipals</u>	<u>Telecom, Media & Technology</u>	<u>Utilities & Midstream</u>
Ian Bowman	Brent Garrels	Scott O'Donnell	John Jennings, CFA	Joe Gankiewicz, CFA	Zach Bauer, CFA	Leo Kelser, CFA
Elyse Goldschmidt	Park Benjamin, CFA	Joseph Di Carlo, CFA	Richard Davis, CFA	Sharon Carroll	Kevin Bowles, CFA	Marc Bromberg, CFA
Brian Kish, CFA	Rick Corbit	Jack Maine	Matthew Higgins, CFA	Robert Moore, CFA	David Caras, CFA	Michael Frey
Kevin Kloeblen, CFA	Stephen Driscoll	Helene Moehlman, CFA	Richard Lee	Trevor O'Connell, CFA	Jack Chan, CFA	Susan Young
Yahyin Shen, CFA	Michael Recchiuti		Thomas Sarkis, CFA	William Schramm, CFA	Christopher Meyer	
	Joel Trujillo				Scott Wancier, CFA	

Regional Credit Teams

LONDON <i>CEEMEA Credit</i> Jean-Luc Eberlin 10 professionals covering EMEA 16 avg. years experience¹	HONG KONG <i>Asia Credit</i> Bei Fu 15 professionals covering Asia 15 avg. years experience¹	SANTIAGO <i>Latin America Credit</i> Mario Cortes 12 professionals covering Latin America 18 avg. years experience¹
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1. Director level and higher.

SECTION II

Market Review

CURRENT THEMES

■ GDP

Global growth diverges with the U.S. economy's momentum continuing to be driven by the strong labor market and stimulative fiscal policy. Although the pace of domestic growth is expected to move lower over the next year from 2018 levels, consumer spending, aided by increases in business and government components will keep real GDP growth above its post-crisis average. Expectations for a slower 2H19 reflect the diminishing impact of fiscal stimulus along with uncertainties over trade-related issues, political brinksmanship and a slowdown in the housing market. Despite the expected slowdown in growth, the probability of the economy slipping into a recession in 2019 remains remote.

■ Business

Readings from confidence measures like the NFIB Small Business Optimism Index and CEO Confidence Index, both slightly below recent record highs, signal the business cycle is likely to extend further. Corporate fundamentals continue to benefit from an economic backdrop with solid revenue growth, expanded operating margins and higher pre-tax earnings. General weakness in other developed economies as well as ongoing trade-related uncertainties, support our preference for U.S.-centric issuers such as banks, insurance and other financials. Late-cycle corporate behavior is evident in select non-financial subsectors as companies ramp up M&A activity, share buybacks and dividend payouts. Production bottlenecks and supply chain disruptions coupled with selected labor shortages could pressure operating margins in coming quarters.

■ Consumer

Strength of consumer spending, especially on services, will be sustained by increased wages and low unemployment. Even as interest rates have moved higher, consumer confidence, while off of peak readings, remains near historically high levels. U.S. real median household income has reached a record level. Debt service and financial obligations ratios indicate that the consumer has delevered, supporting our premise that consumer spending will remain at levels sufficient to sustain economic growth at an above-trend pace. The recent decline in oil prices bodes well for discretionary spending as evidenced by strong holiday season retail sales.

■ Employment

The unemployment rate is expected to remain low barring a substantial upward move in the labor force participation rate. The U.S. labor market remains historically tight by most indicators. The number of job openings continues to exceed the amount of job seekers, which has translated into higher wages given the shallow pool of qualified job applicants. The seasonally-adjusted U.S. Quits Rate has reached 17-year highs, further evidence of employee confidence. The Employment Cost Index, which includes wages and employer-paid benefits, has risen as has average hourly earnings, both of which are at the highest levels in nearly a decade.

■ Central Banks / International

While the ECB halted its QE program in December and committed to hold off on reducing its balance sheet through year-end 2020, Europe's weakened pace of economic growth and low inflation call into question the aggressiveness of the ECB's future monetary policy actions. Little progress on the Brexit front has been made to date, which may continue to be a source of market uncertainty and currency volatility. Although signs point to a continued gradual slowdown in the Chinese economy, the impact will be more directly felt by commodity-sensitive economies. China is expected to ultimately agree to more cosmetic trade-related concessions, which will not significantly impact the U.S. economy but will certainly improve market sentiment.

■ Residential / Commercial Real Estate

The pace of home price appreciation continues to moderate as mortgage rates and tax law changes create headwinds. Slowing home sales metrics confirm the broader trend although less expensive properties continue to outperform higher priced properties. With affordability declining, buying appears increasingly less appealing compared to renting, especially for first-time home buyers and lower income households. Multifamily properties will benefit as rental vacancy rates remain low. Led by the strength in multifamily, commercial property prices remain stable but with prices currently at record levels, further appreciation should be modest. Lower quality mall properties continue to struggle given the challenges faced by the retail sector while heavy recent supply pushes office vacancies higher in some geographic areas.

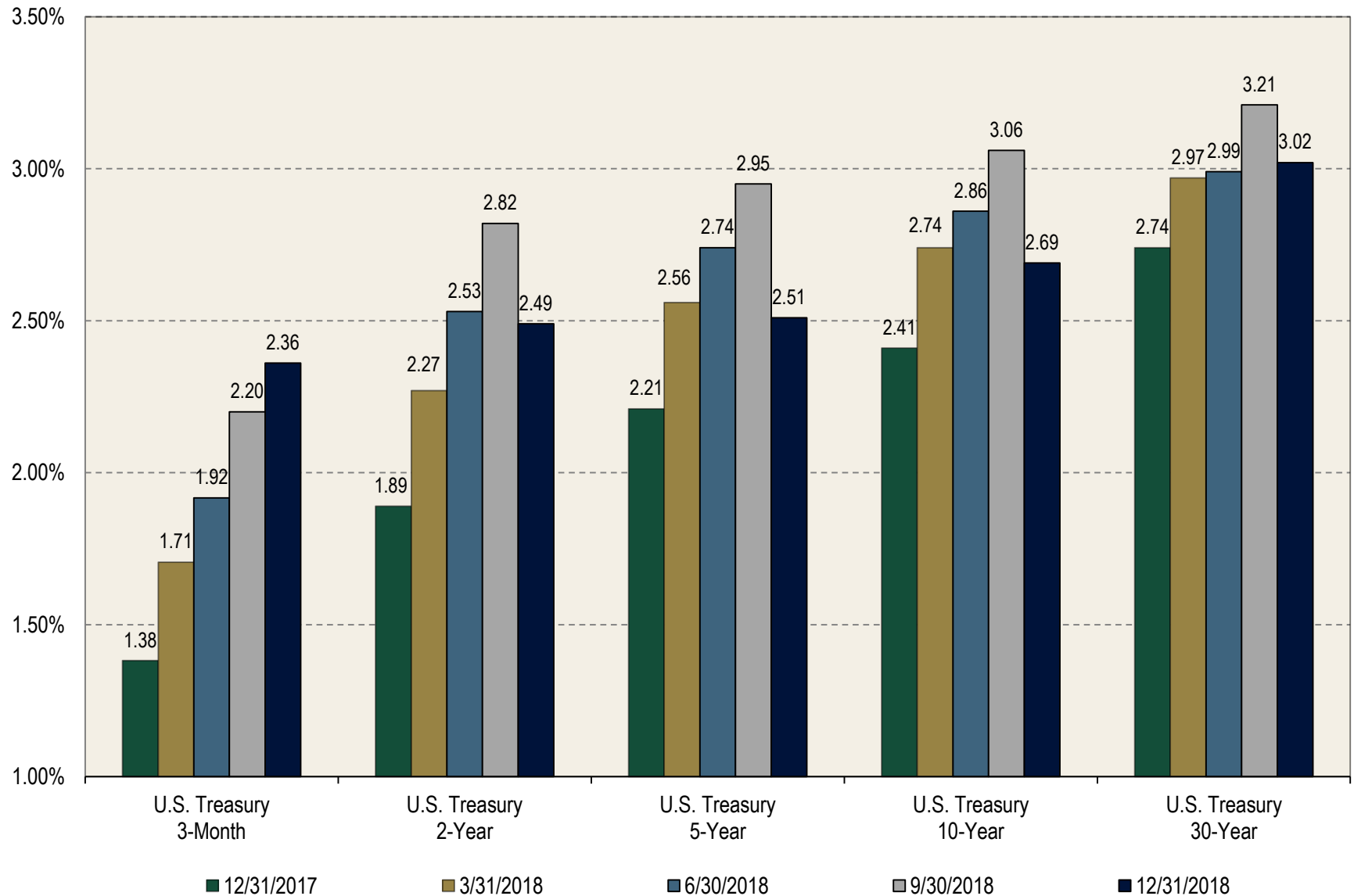
■ U.S. Monetary & Fiscal Policy

Markets are currently discounting the Federal Reserve's projected policy moves despite the underlying strength of the economy. Fed members have reasserted their focus on data dependence in an effort to shift market reliance away from forward guidance. Based in part on their lowered expectations for growth and inflation, the Fed reduced their estimate of the long-term neutral policy rate to 2.75%. Higher fiscal spending and deficits, while stimulative to economic activity, also result in elevated Treasury net issuance, making the upcoming expiration of the debt ceiling waiver in March more consequential. The Federal Reserve continues to shrink its balance sheet, resulting in lower bank reserves in furtherance of their tightening agenda.

■ Inflation

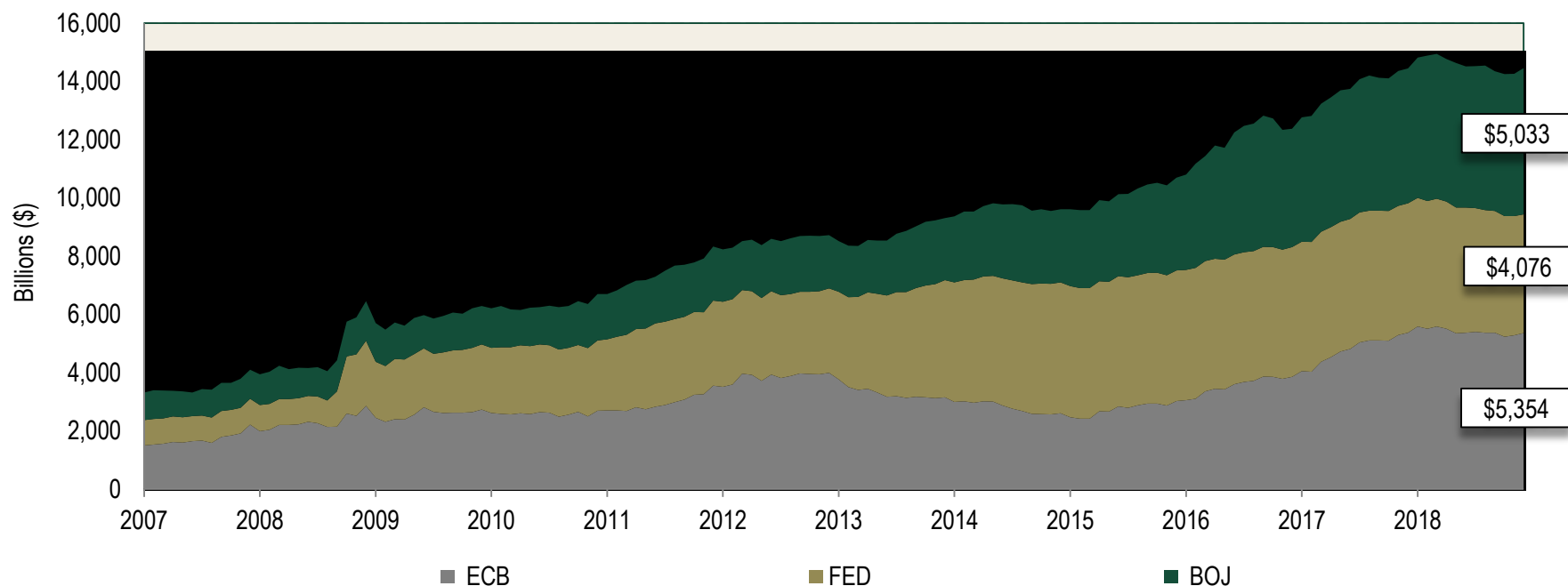
Recent softness in headline inflation stems primarily from weakness in oil prices. Core CPI remains above the Federal Reserve's 2% target and is unlikely to decline given the strength in wages. The recent downtick in Core PCE was due to lower readings in healthcare services, the largest index component. This trend is unlikely to be sustained. University of Michigan one-year consumer inflation expectations have eased slightly from the highs made in third-quarter 2018.

U.S. TREASURY YIELDS – as of December 31, 2018



Source: Bloomberg

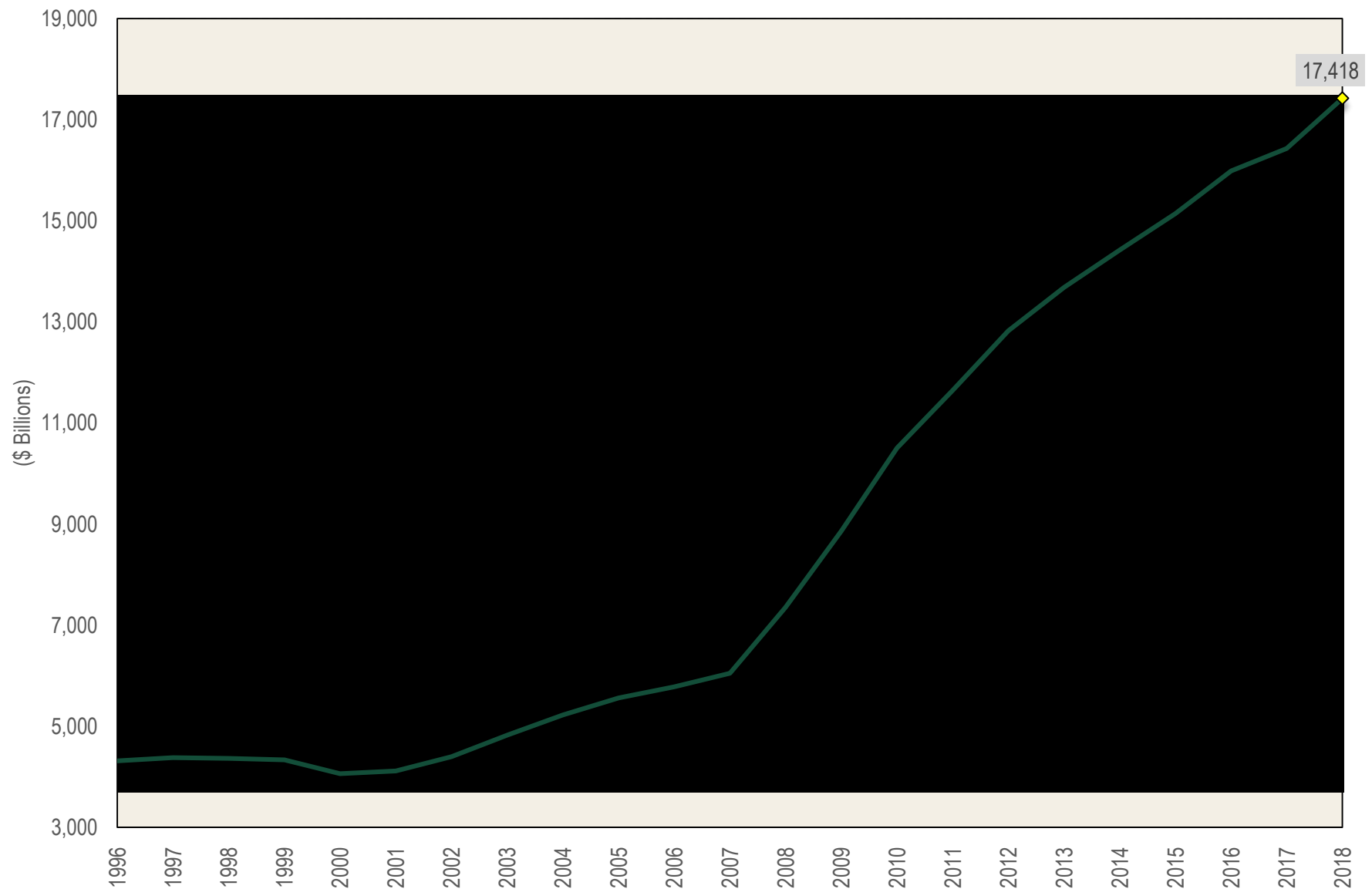
CENTRAL BANK ASSETS – as of December 31, 2018



Central Bank	12/31/2008	12/31/2013	7/31/2017	12/31/2018
European Central Bank	\$2,855	\$3,141	\$5,031	\$5,354
Federal Reserve	\$2,239	\$4,033	\$4,465	\$4,076
Bank of Japan	\$1,354	\$2,129	\$4,585	\$5,033
Total	\$6,448	\$9,303	\$14,081	\$14,463

Source: Federal Reserve, Bank of Japan, European Central Bank

U.S. TREASURY SECURITIES – as of December 31, 2018



Source: SIFMA

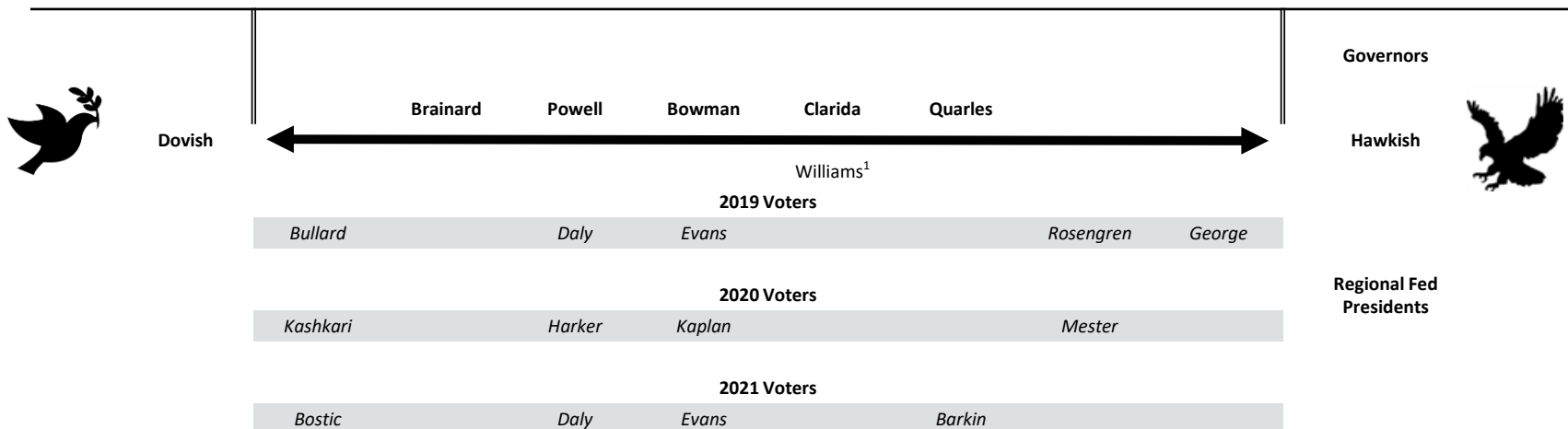
CONGRESSIONAL BUDGET OFFICE – as of December 31, 2018

(\$ Billions)	1973	1983	1993	2003	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*	2019*	2020*
Revenues	231	601	1,154	1,782	2,524	2,105	2,163	2,304	2,450	2,775	3,022	3,250	3,268	3,316	3,338	3,490	3,678
Outlays	246	808	1,409	2,160	2,983	3,518	3,457	3,603	3,537	3,455	3,506	3,688	3,853	3,982	4,142	4,470	4,685
Social Security	48	169	302	470	612	678	701	725	768	808	845	882	910	939	984	1,043	1,110
Medicare	9	56	143	274	456	500	520	560	551	585	600	634	692	702	707	776	830
Medicaid	5	19	76	161	201	251	273	275	251	265	301	350	368	375	383	401	417
Income Security	14	64	117	196	261	350	437	404	354	340	311	301	304	293	294	307	311
Retirement & Disability	12	45	68	100	129	138	138	144	144	153	158	161	164	163	160	169	177
Defense	77	210	292	405	612	657	689	699	671	626	596	583	585	590	622	669	651
Other	63	156	212	401	458	758	502	566	580	458	466	553	589	657	676	715	706
Net Interest	17	90	199	153	253	187	196	230	220	221	229	223	240	263	316	390	485
Deficit (-) or Surplus Total	-15	-208	-255	-378	-459	-1,413	-1,294	-1,300	-1,087	-680	-485	-438	-585	-665	-804	-981	-1,008

Source: Congressional Budget Office

FOMC MEMBERS & PROJECTIONS

FOMC Members



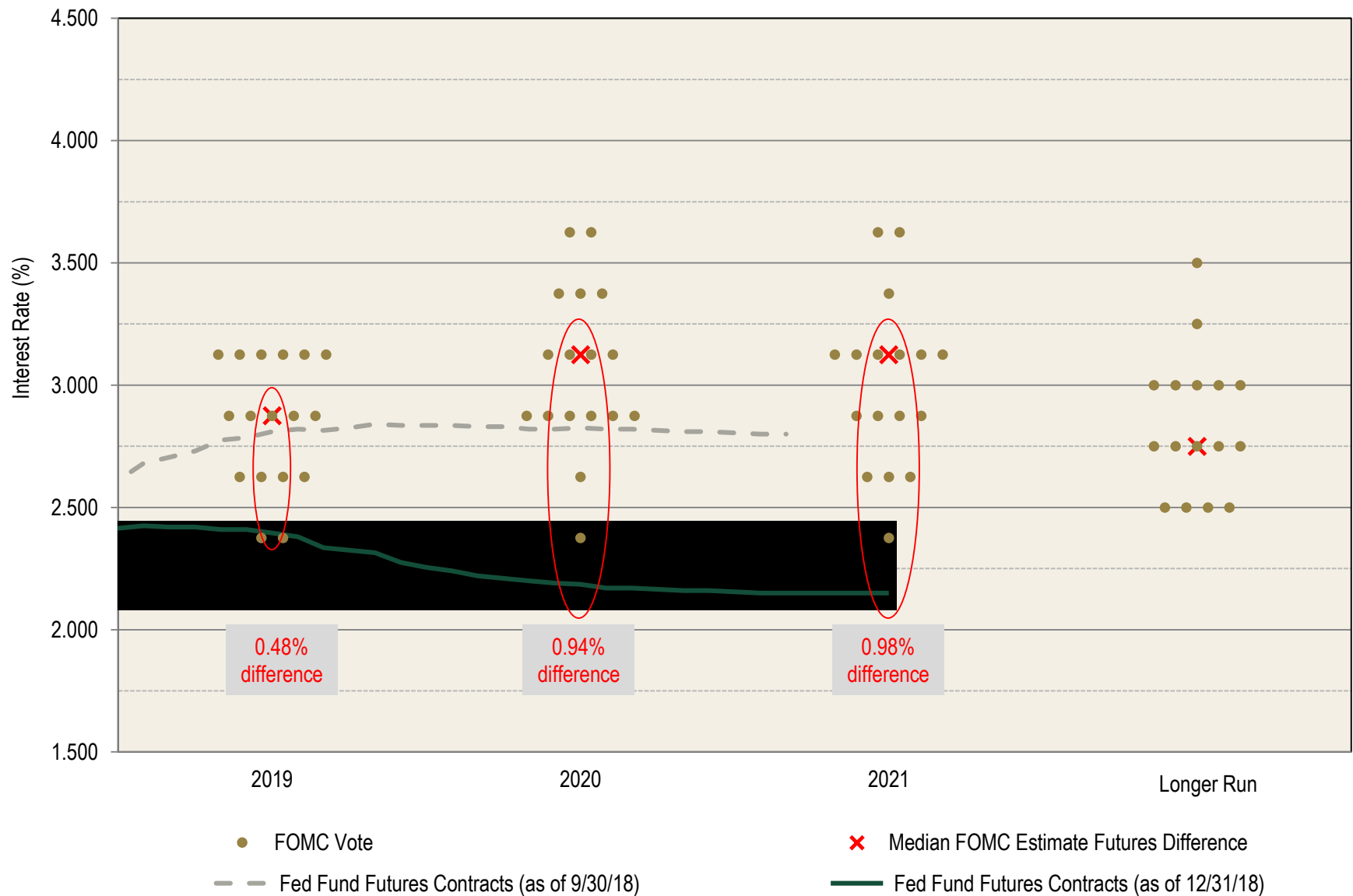
¹NY Fed President (Williams) is always a voter.

²Marvin Goodfriend (Fed governor) was confirmed in February and is awaiting Senate confirmation.

	2018	2019	2020	2021
Real GDP				
December-17 Projection	2.5%	2.1%	2.0%	N/A
March-18 Projection	2.7%	2.4%	2.0%	N/A
June-18 Projection	2.8%	2.4%	2.0%	N/A
September-18 Projection	3.1%	2.5%	2.0%	1.8%
December-18 Projection	3.0%	2.3%	2.0%	1.8%
Unemployment Rate				
December-17 Projection	3.9%	3.9%	4.0%	N/A
March-18 Projection	3.8%	3.6%	3.6%	N/A
June-18 Projection	3.6%	3.5%	3.5%	N/A
September-18 Projection	3.7%	3.5%	3.5%	3.7%
December-18 Projection	3.7%	3.5%	3.6%	3.8%
PCE Inflation				
December-17 Projection	1.9%	2.0%	2.0%	N/A
March-18 Projection	1.9%	2.0%	2.1%	N/A
June-18 Projection	2.1%	2.1%	2.1%	N/A
September-18 Projection	2.1%	2.0%	2.1%	2.1%
December-18 Projection	1.9%	1.9%	2.1%	2.1%

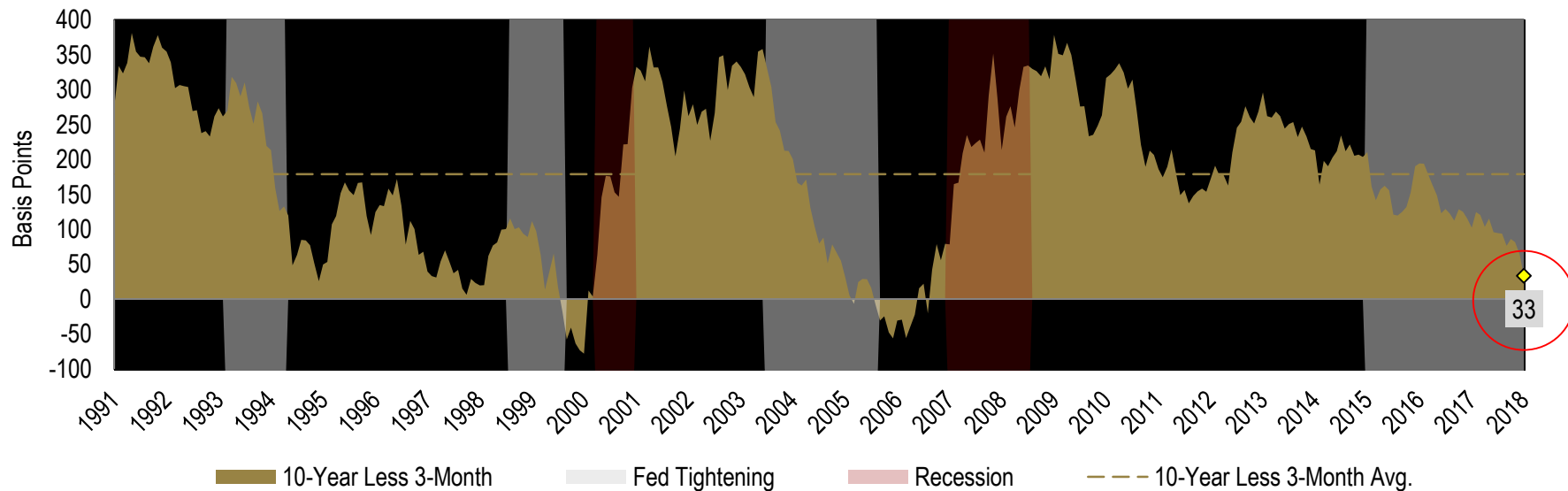
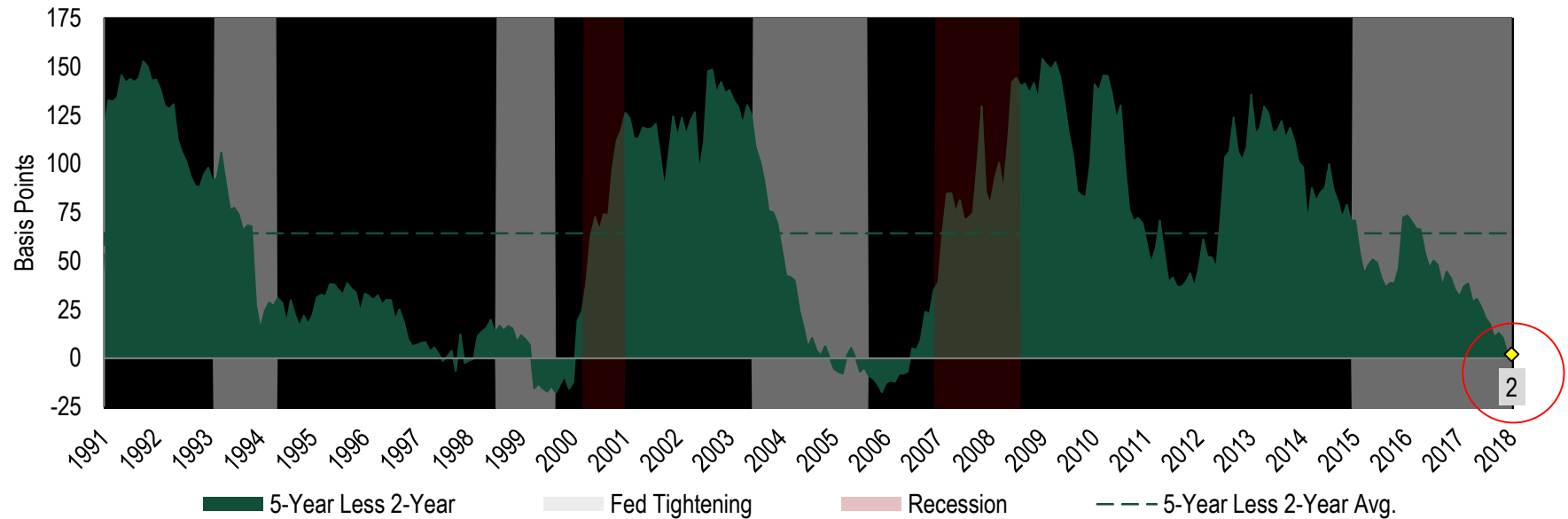
Source: Bank of America Merrill Lynch, Federal Reserve

FED EXPECTATIONS VS FED FUNDS FUTURES RATE – as of December 31, 2018



Source: Federal Reserve, Bloomberg

YIELD CURVES – as of December 31, 2018



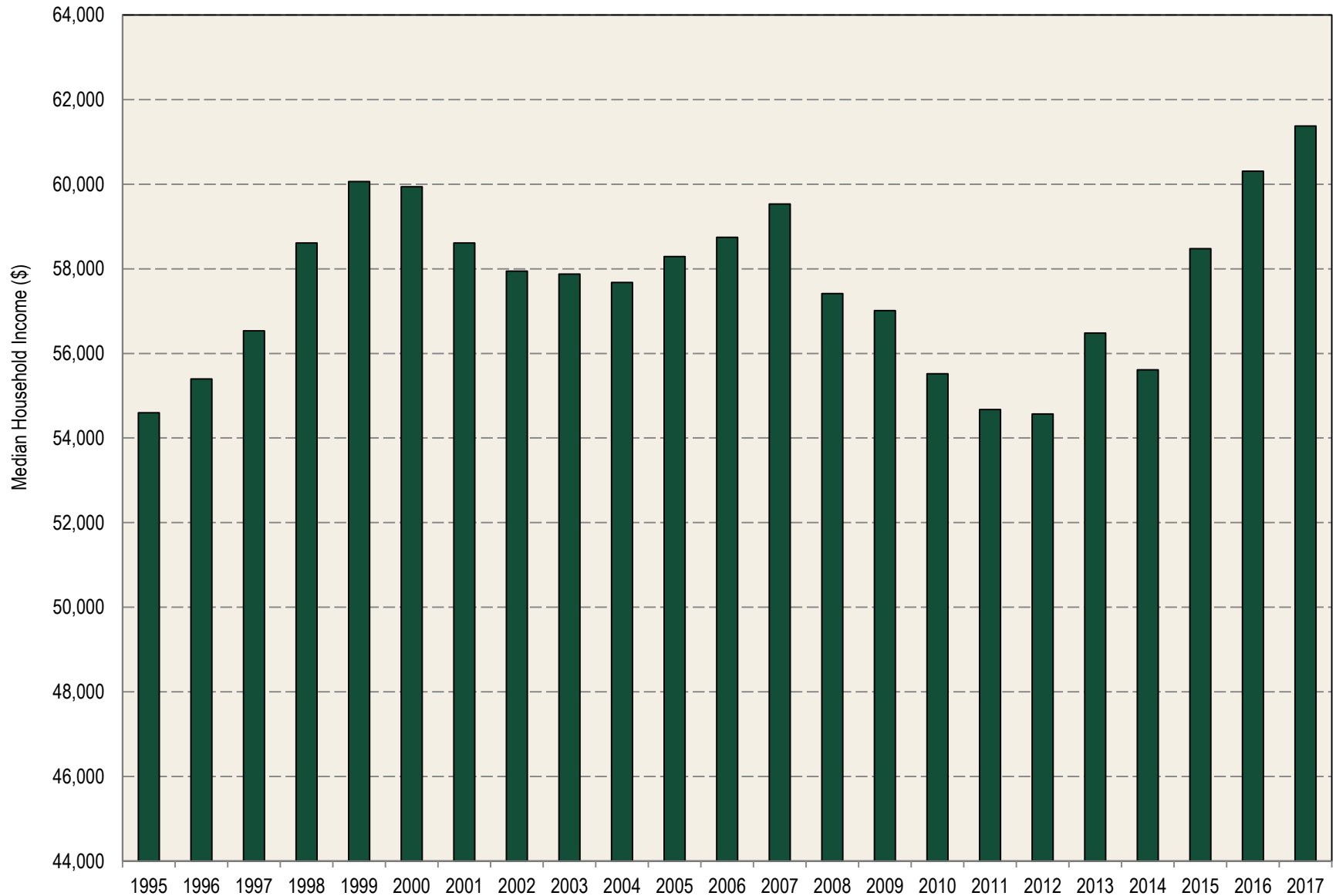
Source: Bloomberg

U.S. GDP GROWTH – as of December 31, 2018

Year	Quarter	Real GDP QoQ (%)	Consumer Spending	Fixed Investment	Government Spending	Net Exports	Inventories
2009	1Q	-4.40	-0.52	-5.07	0.92	2.40	-2.14
	2Q	-0.60	-1.03	-2.11	1.22	2.39	-1.04
	3Q	1.50	1.92	0.25	0.23	-0.61	-0.33
	4Q	4.50	-0.39	0.32	0.17	-0.07	4.44
2010	1Q	1.50	1.32	-0.02	-0.33	-0.72	1.30
	2Q	3.70	2.16	2.03	0.30	-1.67	0.92
	3Q	3.00	1.90	0.32	-0.57	-0.94	2.28
	4Q	2.00	1.80	1.08	-0.52	0.91	-1.25
2011	1Q	-1.00	1.17	-0.09	-1.01	-0.02	-1.02
	2Q	2.90	0.62	1.34	-0.55	0.45	1.03
	3Q	-0.10	1.07	2.42	-1.16	-0.21	-2.23
	4Q	4.70	0.52	1.55	-0.04	-0.36	3.06
2012	1Q	3.20	2.19	1.90	-0.34	0.00	-0.59
	2Q	1.70	0.41	1.25	-0.41	0.27	0.21
	3Q	0.50	0.45	0.09	-0.12	-0.08	0.20
	4Q	0.50	1.22	1.13	-0.76	0.57	-1.70
2013	1Q	3.60	1.44	1.10	-0.68	0.40	1.33
	2Q	0.50	0.20	0.52	-0.13	-0.33	0.23
	3Q	3.20	1.10	1.12	-0.40	-0.14	1.48
	4Q	3.20	2.31	0.89	-0.58	1.23	-0.62
2014	1Q	-1.00	1.02	0.60	-0.26	-1.08	-1.28
	2Q	5.10	2.92	1.69	0.00	-0.51	1.02
	3Q	4.90	2.98	1.35	0.51	0.12	-0.03
	4Q	1.90	3.10	0.72	-0.07	-1.08	-0.77
2015	1Q	3.30	2.36	-0.01	0.40	-1.58	2.16
	2Q	3.30	2.28	0.63	0.70	-0.01	-0.25
	3Q	1.00	1.91	0.51	0.33	-1.05	-0.73
	4Q	0.40	1.52	-0.33	0.12	-0.21	-0.70
2016	1Q	1.50	1.62	0.31	0.60	-0.36	-0.62
	2Q	2.30	2.30	0.46	-0.15	0.29	-0.62
	3Q	1.90	1.79	0.52	0.17	0.03	-0.59
	4Q	1.80	1.75	0.28	0.03	-1.32	1.03
2017	1Q	1.80	1.22	1.60	-0.13	-0.10	-0.80
	2Q	3.00	1.95	0.72	0.01	0.08	0.23
	3Q	2.80	1.52	0.44	-0.18	0.01	1.04
	4Q	2.30	2.64	1.04	0.41	-0.89	-0.91
2018	1Q	2.20	0.36	1.34	0.27	-0.02	0.27
	2Q	4.20	2.57	1.10	0.43	1.22	-1.17
	3Q	3.40	2.37	0.21	0.44	-1.99	2.33
Average (2009-2018)		2.06	1.49	0.59	-0.03	-0.13	0.13

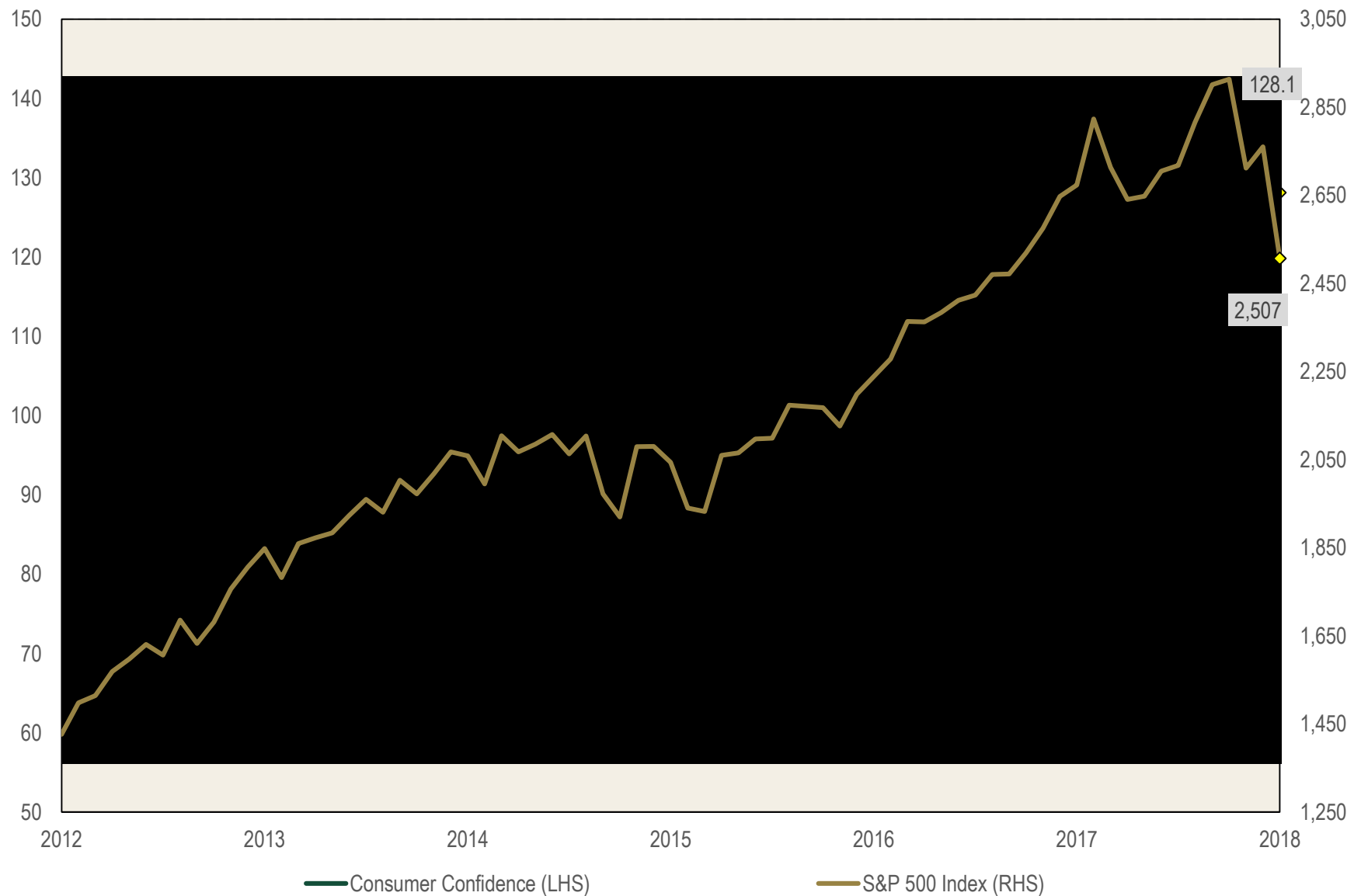
Source: Bureau of Economic Analysis

U.S. REAL MEDIAN HOUSEHOLD INCOME – as of December 31, 2018



Source: U.S. Census Bureau

CONSUMER CONFIDENCE AND S&P 500 – as of December 31, 2018

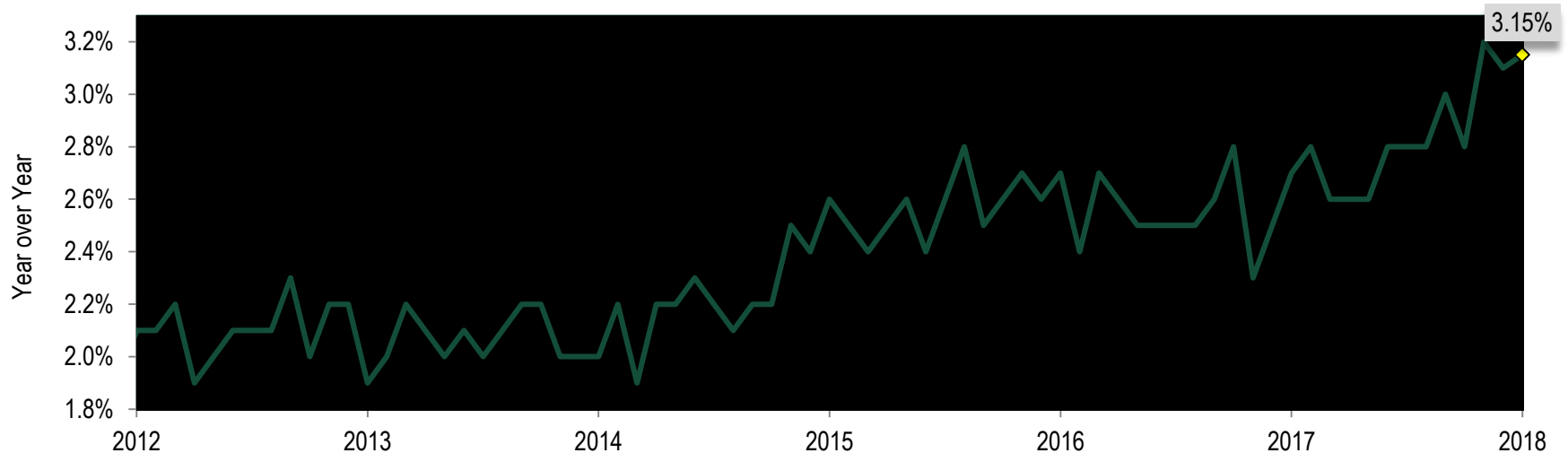


Source: Bloomberg

U.S. LABOR & AVERAGE EARNINGS – as of December 31, 2018

	Labor Force Participation Rate	Unemployment Rate	Non-Farm Payroll
Average (1982 – 2016)	65.5%	6.3%	129,869
Current	63.1%	3.9%	312,000
Average (2017 – 2018)	62.8%	4.1%	201,083

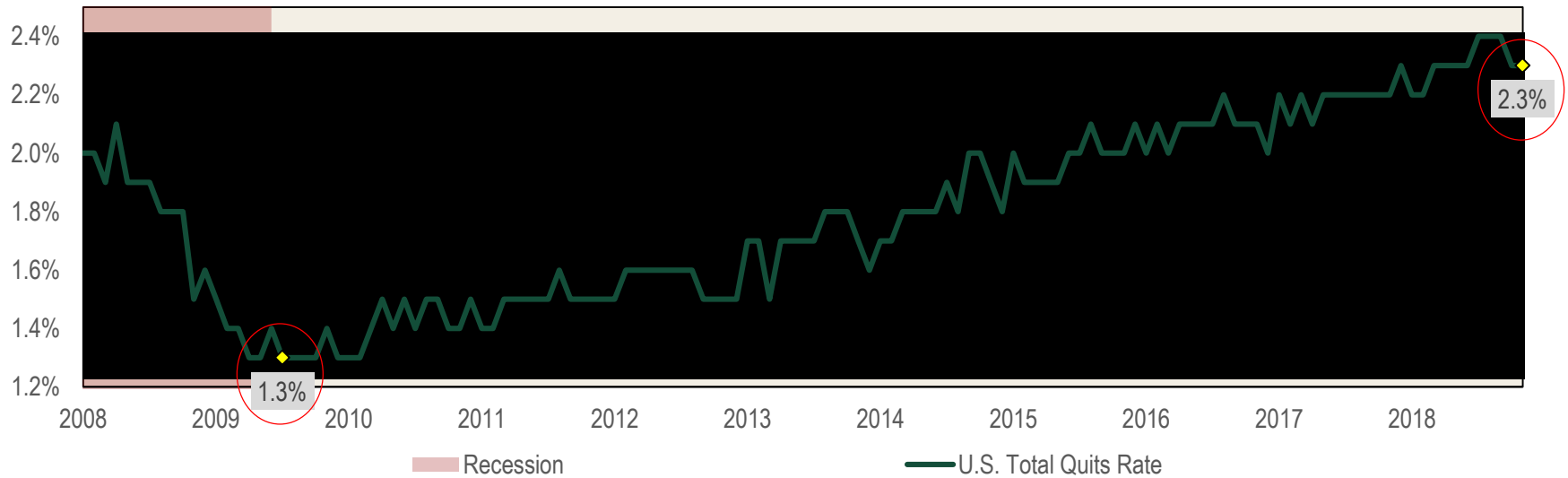
U.S. Average Hourly Earnings



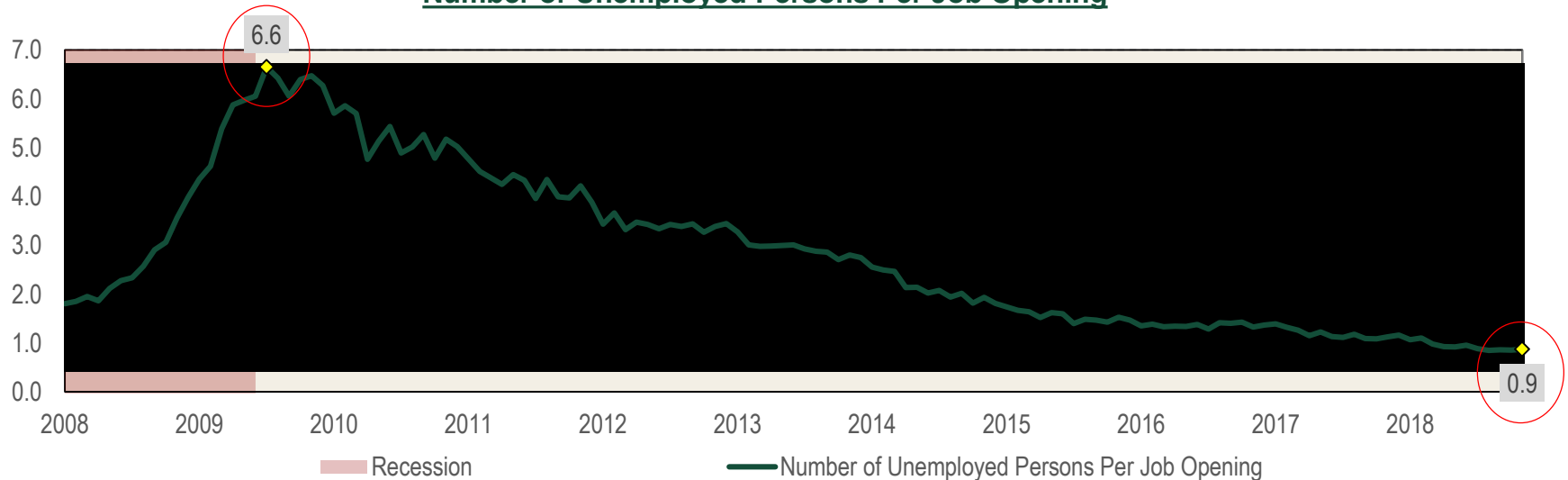
Source: Bureau of Labor Statistics

U.S. LABOR MARKET – as of December 31, 2018

U.S. Total Quits Rate



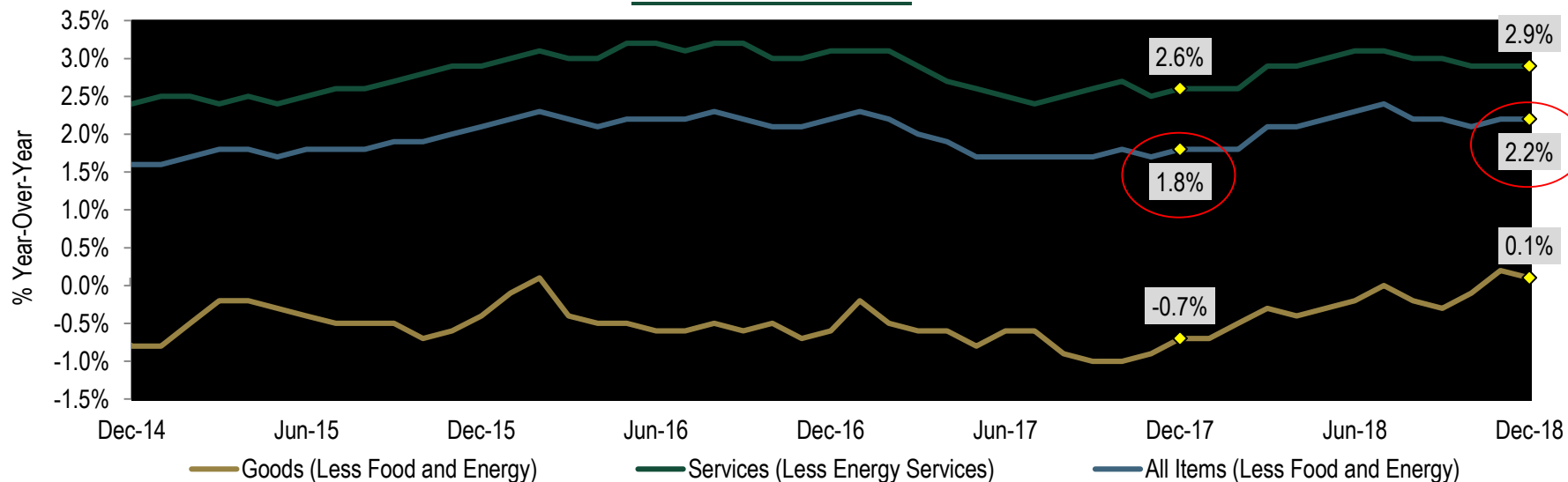
Number of Unemployed Persons Per Job Opening



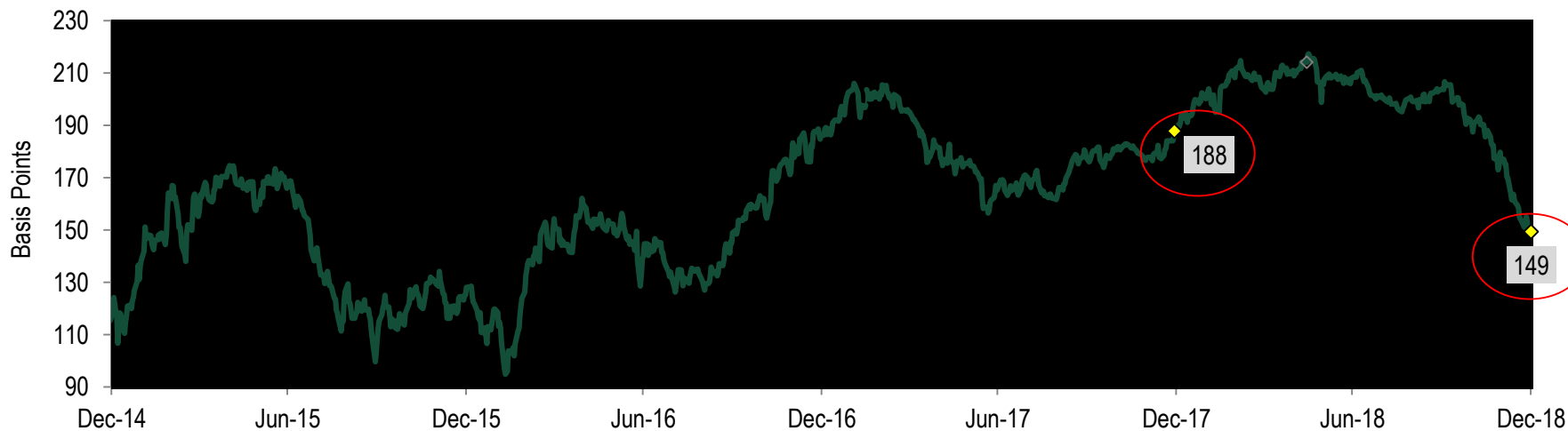
Source: Bureau of Labor Statistics, National Bureau of Economic Research

U.S. INFLATION – as of December 31, 2018

CPI Core Breakdown

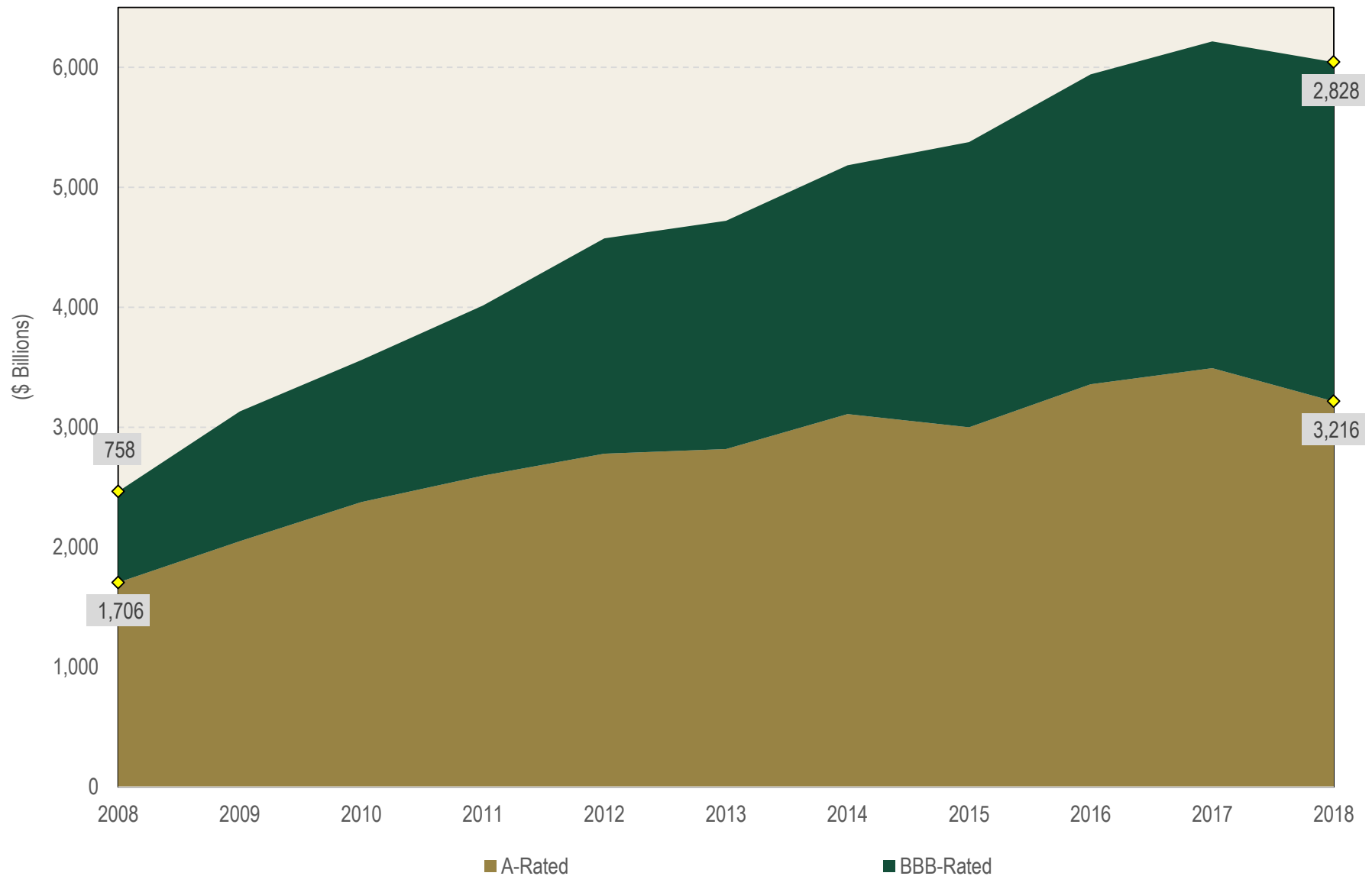


5-Year TIPS Breakeven Rate



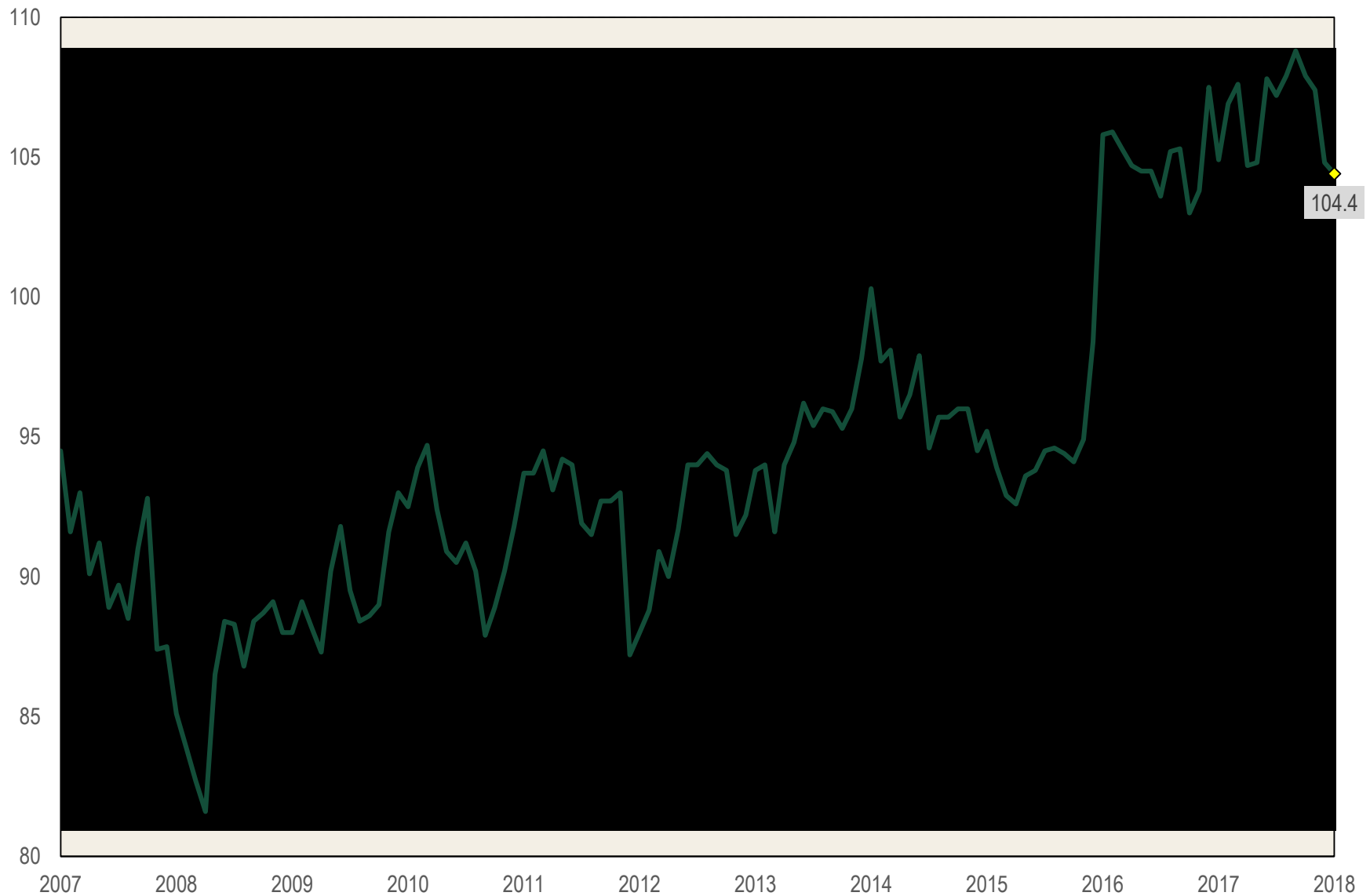
Source: Bureau of Labor Statistics, Bloomberg

SIZE AND COMPOSITION OF BARCLAYS U.S. CREDIT INDEX – as of December 31, 2018



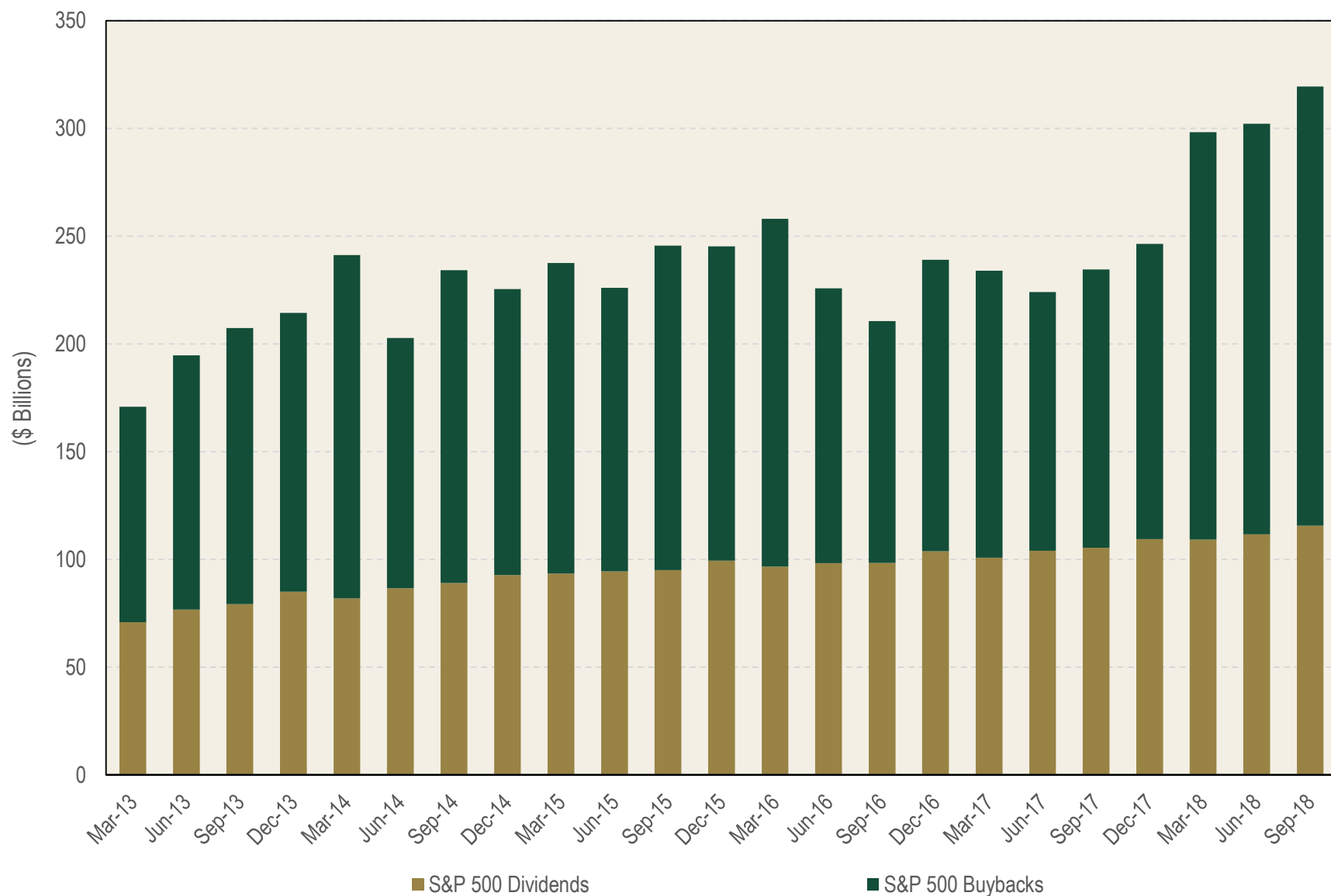
Source: Barclays

NFIB SMALL BUSINESS OPTIMISM INDEX – as of December 31, 2018



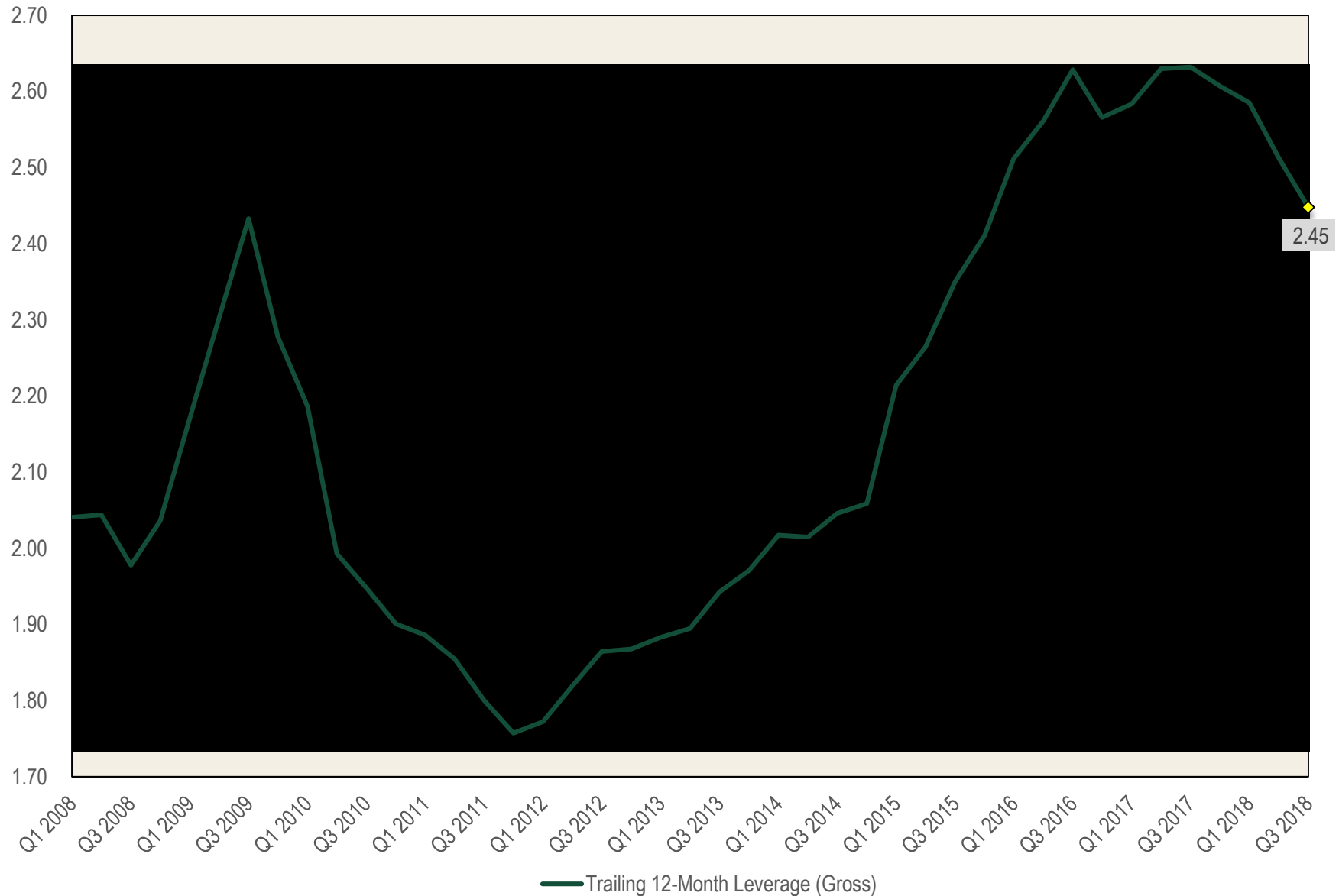
Source: Bloomberg

S&P 500 DIVIDENDS AND BUYBACKS – as of December 31, 2018



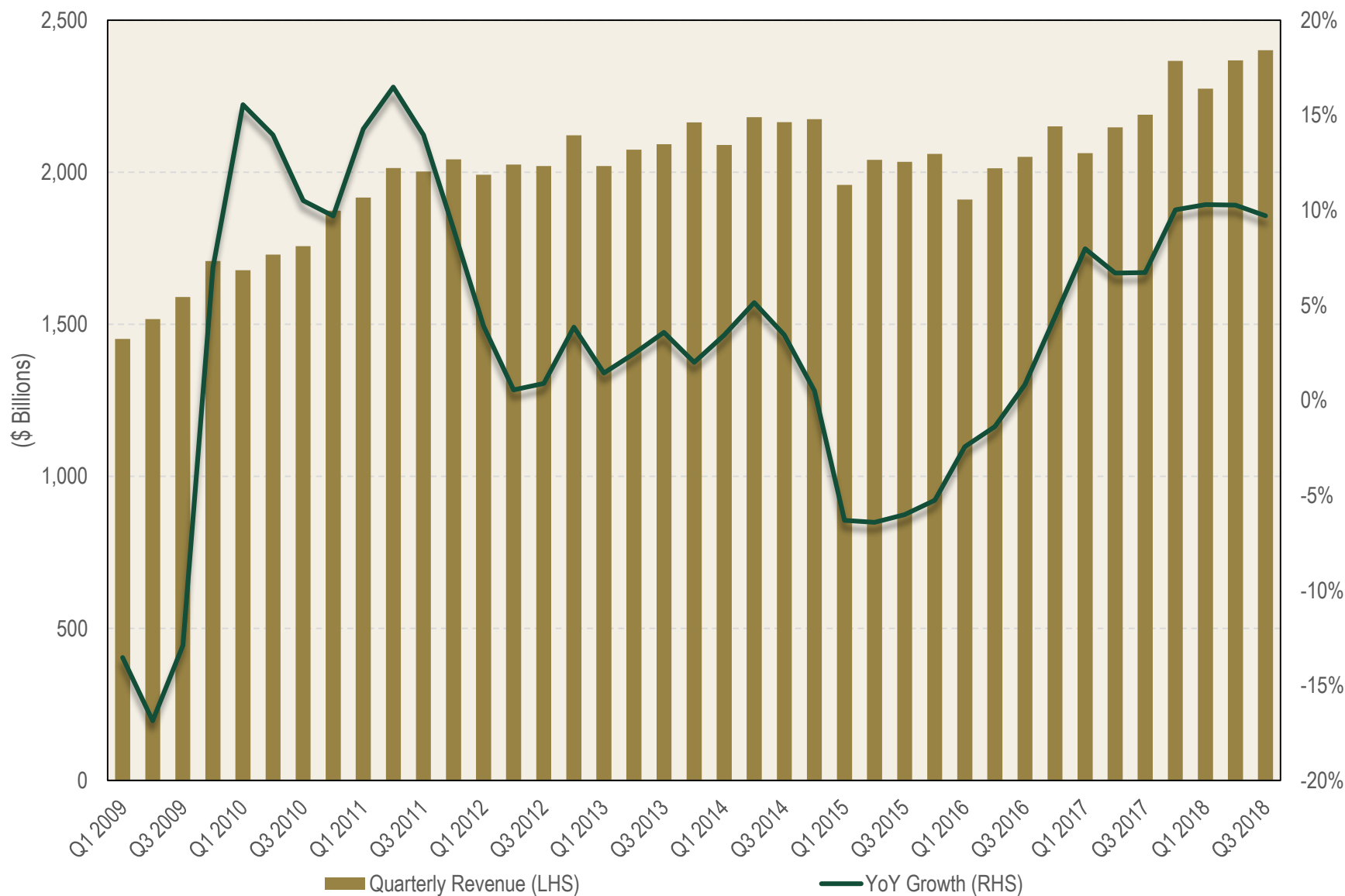
Source: Bloomberg

INVESTMENT GRADE LEVERAGE – as of December 31, 2018



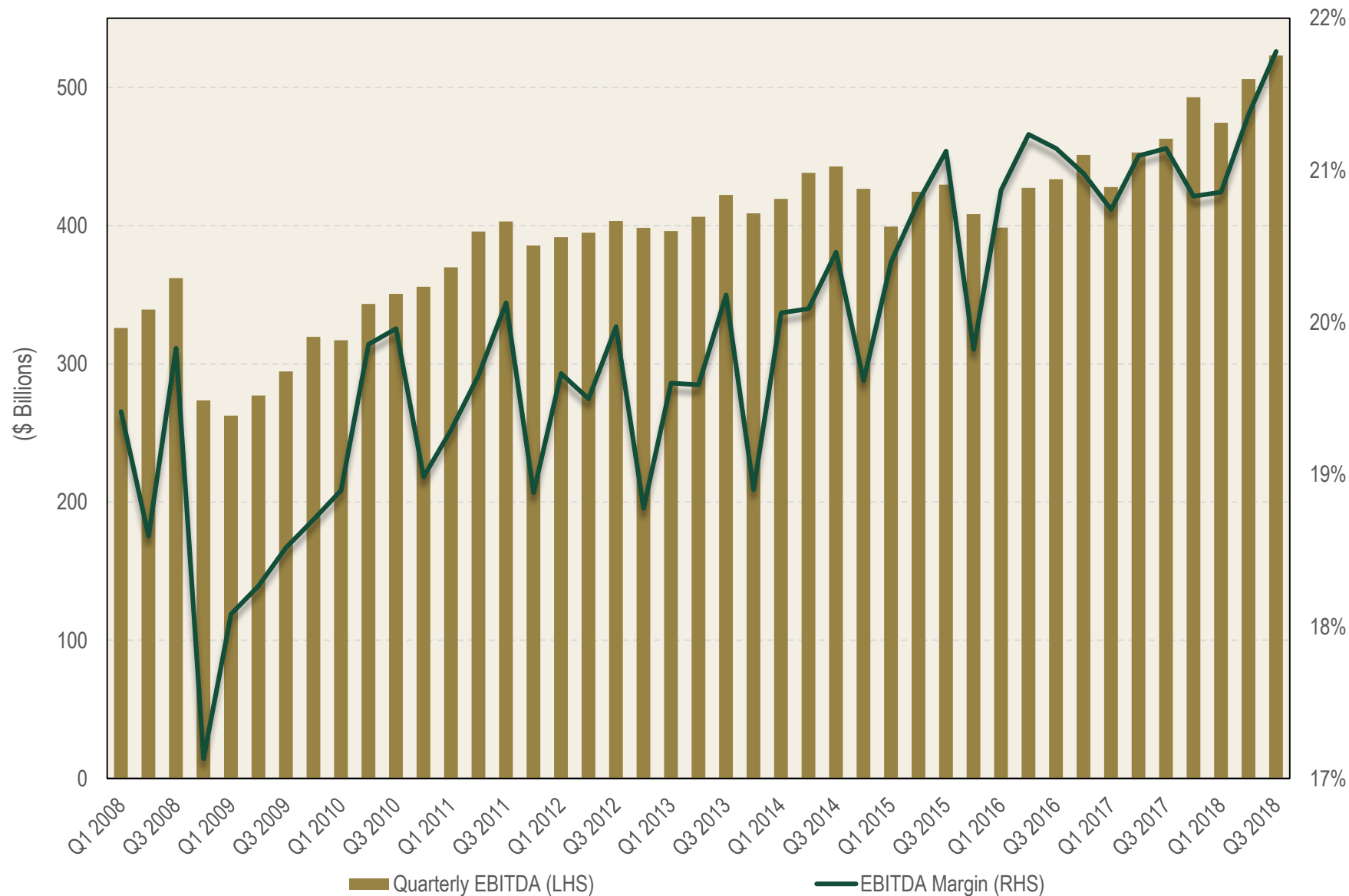
Source: Bloomberg

INVESTMENT GRADE REVENUE – as of December 31, 2018



Source: Bloomberg

INVESTMENT GRADE EBITDA – as of December 31, 2018



Source: Bloomberg

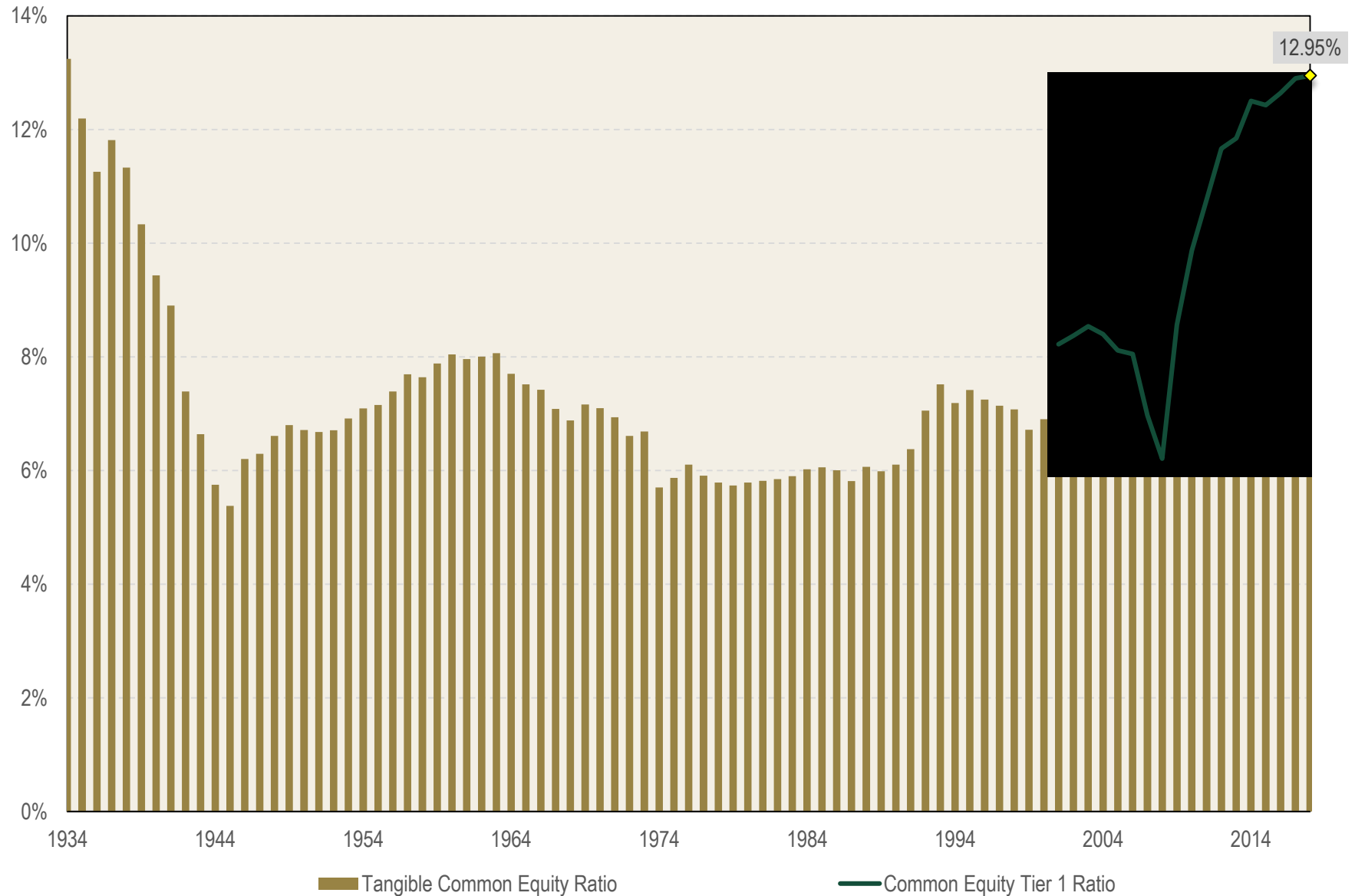
INVESTMENT GRADE LEVERAGE COMPARISONS – as of December 31, 2018

	LTM Revenue			LTM EBITDA			LTM Leverage				
Industry Sector	Current Quarter	QoQ % Change	YoY % Change	Current Quarter	QoQ % Change	YoY % Change	Current Quarter	QoQ % Change	YoY % Change	Median*	Current vs Median
Basic Industry	369,938	2%	13%	76,763	5%	16%	2.07	-4%	-15%	2.18	(0.11)
Capital Goods	937,006	2%	9%	160,310	3%	11%	2.91	0%	-5%	4.03	(1.12)
Communications	605,934	2%	5%	194,527	3%	5%	2.79	-4%	-1%	2.15	0.64
Consumer Cyclical	2,182,195	2%	8%	263,066	2%	9%	2.40	0%	-3%	2.12	0.28
Consumer Non Cyclical	2,177,540	1%	5%	366,779	0%	2%	2.54	0%	2%	1.86	0.68
Energy	1,297,576	6%	25%	261,476	10%	38%	2.38	-10%	-28%	1.37	1.01
Industrial Other	45,339	1%	8%	3,547	-6%	2%	2.18	2%	-10%	1.75	0.44
Technology	1,158,532	3%	16%	327,030	3%	15%	1.43	-4%	-15%	0.85	0.58
Transportation	292,739	2%	9%	67,016	2%	4%	1.68	-1%	10%	1.50	0.18
Electric	279,770	1%	2%	98,488	-2%	-2%	4.58	2%	7%	3.97	0.62
Natural Gas	48,922	0%	7%	15,175	-3%	1%	4.84	0%	-5%	3.97	0.87
Total	9,395,491	2%	10%	1,834,176	3.0%	11%	2.45	-3%	-7%	2.06	0.39
Ex-Energy	8,097,915	2%	8%	1,572,700	2%	8%	2.46	-1%	-3%	2.34	0.12
Ex-Energy & M/M	8,043,357	2%	8%	1,560,817	2%	8%	2.46	-1%	-3%	2.34	0.13

* Median range is 3Q 2008 – 3Q 2018

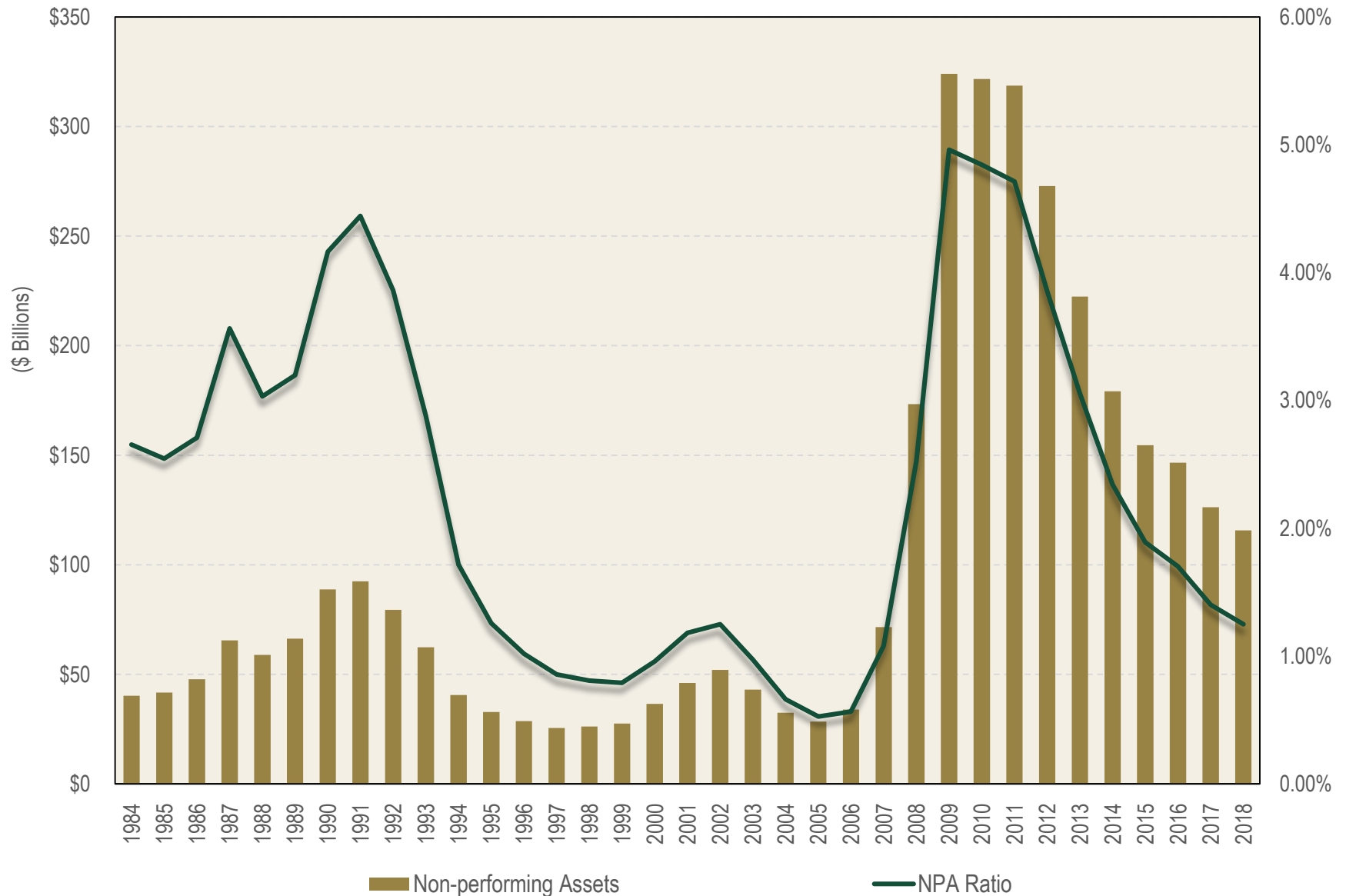
Source: Bloomberg

FDIC BANKS CAPITAL RATIOS – as of December 31, 2018



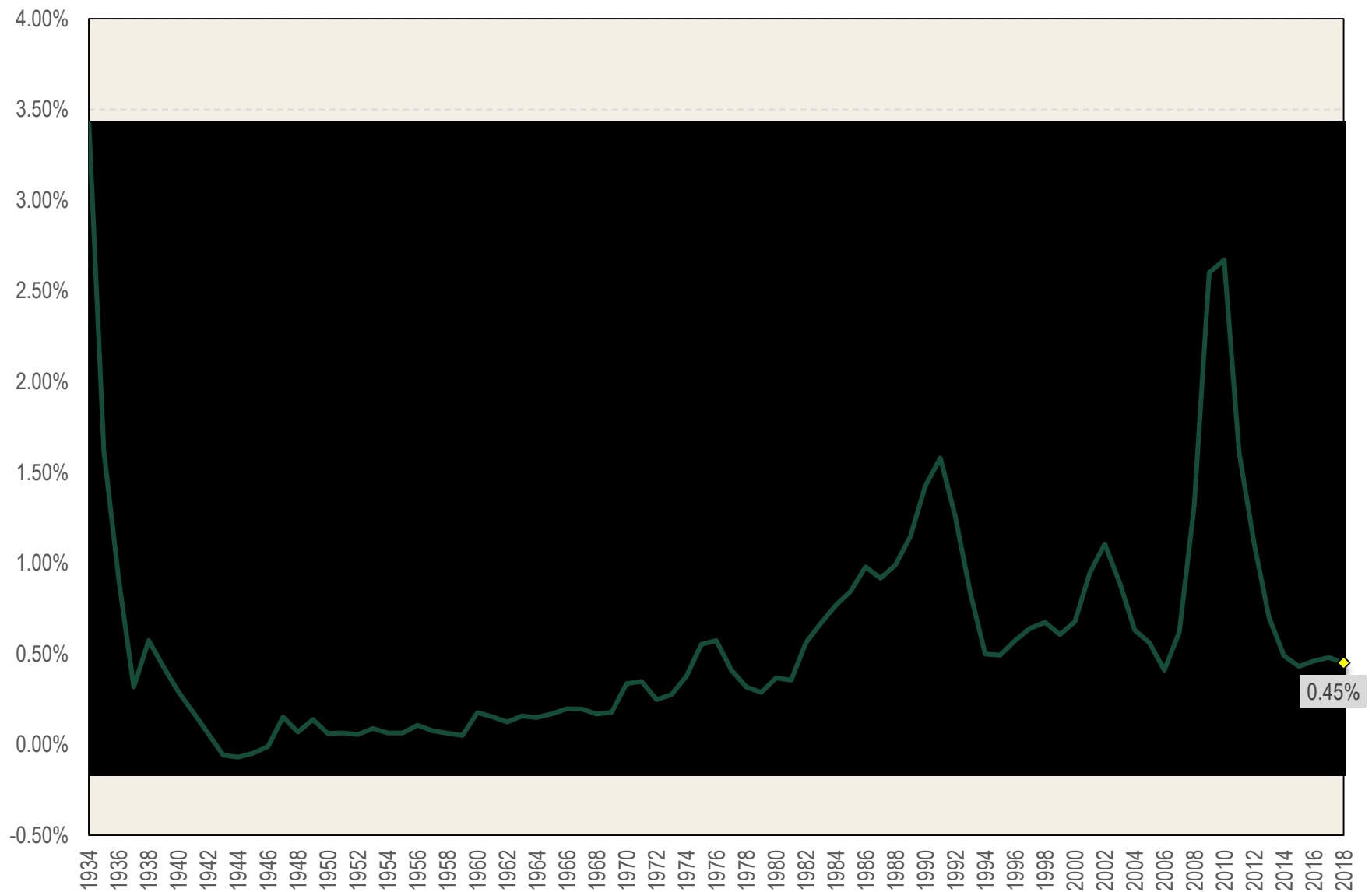
Source: FDIC, NY Federal Reserve, Barclays

FDIC BANKS NON-PERFORMING ASSETS – as of December 31, 2018



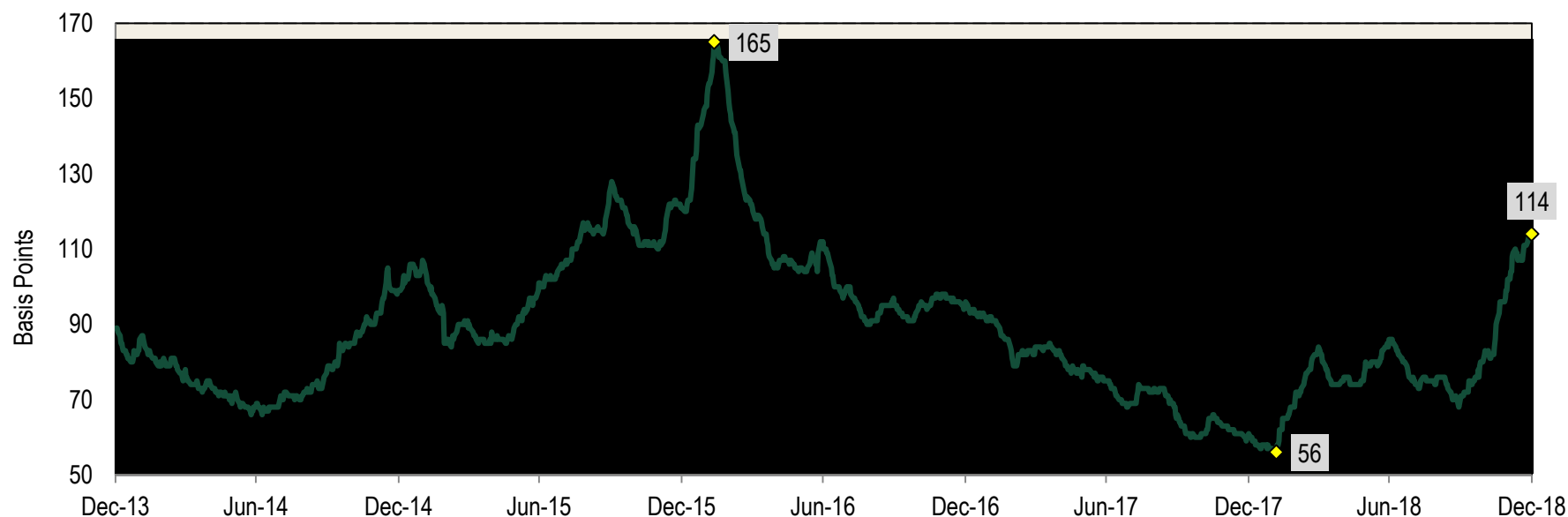
Source: FDIC, Barclays

FDIC BANKS NET CHARGE-OFF RATIO – as of December 31, 2018



Source: FDIC, Barclays

ICE BofAML CORPORATE 1-5 YEAR INDEX – as of December 31, 2018



OAS (bps)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Corporate (1–5)	174	70	61	65	62	196	639	166	136	227	110	89	99	121	96	61	114
Financial (1–5)	165	51	50	57	56	212	663	204	158	308	126	93	96	104	100	60	116
Industrial (1–5)	176	86	73	75	69	181	624	135	116	164	96	85	103	134	92	61	112
Utility (1–5)	236	79	63	73	71	175	576	155	131	169	110	99	89	120	101	64	126

Past performance is not indicative of future results.

Source: ICE Data Services

SECTION III

Portfolio Review

PERFORMANCE – as of December 31, 2018

	4Q 2018	YTD	1-Year	3-Year	5-Year	Since Inception ¹ (4/1/13)
Tier Two (Gross of fees)	1.25%	1.52%	1.52%	1.53%	1.53%	1.29%
Tier Two (Net of fees)	1.22%	1.39%	1.39%	1.40%	1.40%	1.17%
ICE BofAML 1-5 Years U.S. Treasury ²	1.72%	1.52%	1.52%	1.09%	1.09%	0.89%
ICE BofAML 1-5 Years AAA-A Corp/Gov ²	1.57%	1.49%	1.49%	1.27%	1.26%	1.07%

	4Q 2018	YTD	1-Year	3-Year	5-Year	Since Inception ¹ (5/2/16)
Tier One (Gross of fees)	0.96%	1.77%	1.77%	--	--	1.17%
Tier One (Net of fees)	0.94%	1.69%	1.69%	--	--	1.09%
ICE BofAML 1-3 Years U.S. Treasury ²	1.29%	1.58%	1.58%	--	--	0.73%
ICE BofAML 1-3 Years AAA-A Corp/Gov ²	1.23%	1.64%	1.64%	--	--	0.89%

	4Q 2018	YTD	1-Year	3-Year	5-Year	Since Inception ¹ (5/2/16)
Operating Fund (Gross of fees)	0.56%	2.00%	2.00%	--	--	1.36%
Operating Fund (Net of fees)	0.54%	1.91%	1.91%	--	--	1.27%
FTSE 3-Month Treasury Bill ²	0.57%	1.86%	1.86%	--	--	1.08%

Past performance is not indicative of future results. Performance is preliminary and subject to change.

¹Performance for periods greater than one year are annualized.

²The performance benchmark for the CalOptima Tier Two portfolio is the ICE BofAML U.S. Treasury 1-5 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to five years, inclusive, reflecting total return. The performance benchmark for the CalOptima Tier One portfolio is the ICE BofAML 1-3 Year U.S. Treasury Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, inclusive, reflecting total return. The performance benchmark shown for the CalOptima Operating Fund is the FTSE 3-Month Treasury Bill, which tracks the return of one three-month Treasury bill until maturity. The ICE BofAML U.S. Corporate & Government 1-5 Years, A and above Index, which is a broad-based index consisting of U.S. Government and Corporate securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to five years, and securities rated AAA through A3, inclusive reflecting total return. The ICE BofAML U.S. Corporate & Government 1-3 Year, A and above Index, which is a broad-based index consisting of U.S. Corporate and Government securities with an outstanding par greater than or equal to \$250 million and a maturity range from one to three years, and securities rated AAA through A3, inclusive reflecting total return, and is presented here for discussion purposes only.

PERFORMANCE ATTRIBUTION (in basis points) – as of December 31, 2018

Tier Two	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
YTD 2018 1-5 TSY	4	1	5	0	-11	0	-1	0	2	0
YTD 2018 1-5 Gov/Cred AAA-A	3	1	-1	-1	-1	0	0	0	2	+3

Tier One	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
YTD 2018 1-3 TSY	9	3	13	0	-6	0	0	0	0	+19
YTD 2018 1-3 Gov/Cred AAA-A	10	2	5	-1	-2	0	-1	0	0	+13

Operating Fund	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
YTD 2018	9	5	0	-1	2	0	1	-2	0	+14

Past performance is not indicative of future results.

¹Performance for periods greater than one year are annualized.

²The performance benchmark for the CalOptima Tier Two portfolio is the ICE BofAML U.S. Treasury 1-5 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to five years, inclusive, reflecting total return. The performance benchmark for the CalOptima Tier One portfolio is the ICE BofAML 1-3 Year U.S. Treasury Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, reflecting total return. The performance benchmark shown for the CalOptima Operating Fund is the FTSE 3-Month Treasury Bill, which tracks the return of one three-month Treasury bill until maturity.

PERFORMANCE ATTRIBUTION (in basis points) – as of December 31, 2018

Tier Two	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
4Q 2018 1-5 TSY	-18	-1	-4	-1	-22	0	-1	0	0	-47
4Q 2018 1-5 Gov/Cred AAA-A	-17	-1	-7	1	-7	0	-1	0	0	-32
Tier One	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
4Q 2018 1-3 TSY	-13	-2	-1	0	-16	0	0	-1	0	-33
4Q 2018 1-3 Gov/Cred AAA-A	-13	-2	-2	0	-8	0	-1	-1	0	-27
Operating Fund	Duration	Yield Curve	Treasury	Agency	Corporate	RMBS	CMBS	ABS	Municipal	Excess Return
4Q 2018	-1	6	-2	0	-3	0	0	-1	0	-1

Past performance is not indicative of future results.

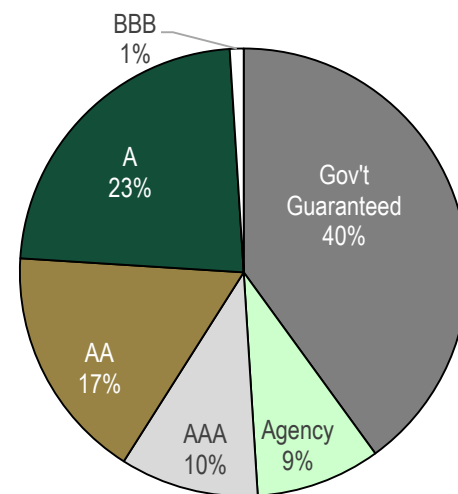
¹Performance for periods greater than one year are annualized.

²The performance benchmark for the CalOptima Tier Two portfolio is the ICE BofAML U.S. Treasury 1-5 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to five years, inclusive, reflecting total return. The performance benchmark for the CalOptima Tier One portfolio is the ICE BofAML 1-3 Year U.S. Treasury Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, reflecting total return. The performance benchmark shown for the CalOptima Operating Fund is the FTSE 3-Month Treasury Bill, which tracks the return of one three-month Treasury bill until maturity.

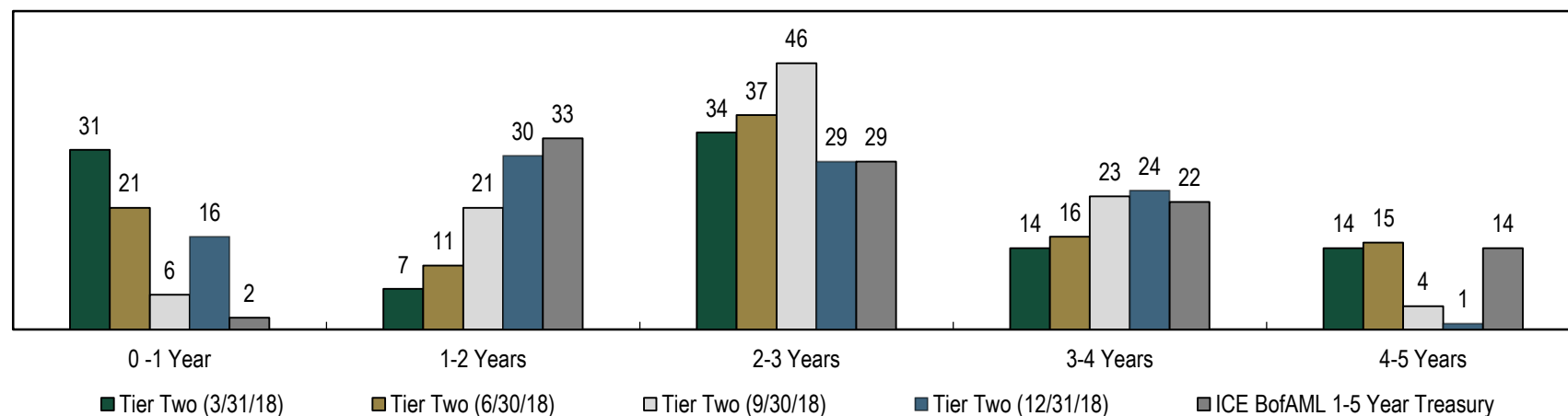
TIER TWO PORTFOLIO – as of December 31, 2018

	Tier Two (9/30/18)	Tier Two (12/31/18)	ICE BofAML U.S. Treasury 1-5 Year ¹ (12/31/18)
Yield to Maturity	3.04%	2.82%	2.51%
Duration	2.48 Years	2.08 Years	2.62 Years
Average Quality (Moody's)	Aa2	Aa2	TSY
Fixed / Floating	97% / 3%	91% / 9%	100% / 0%
Market Value	\$97,498,949	\$98,720,231	NA

Quality Ratings Distribution



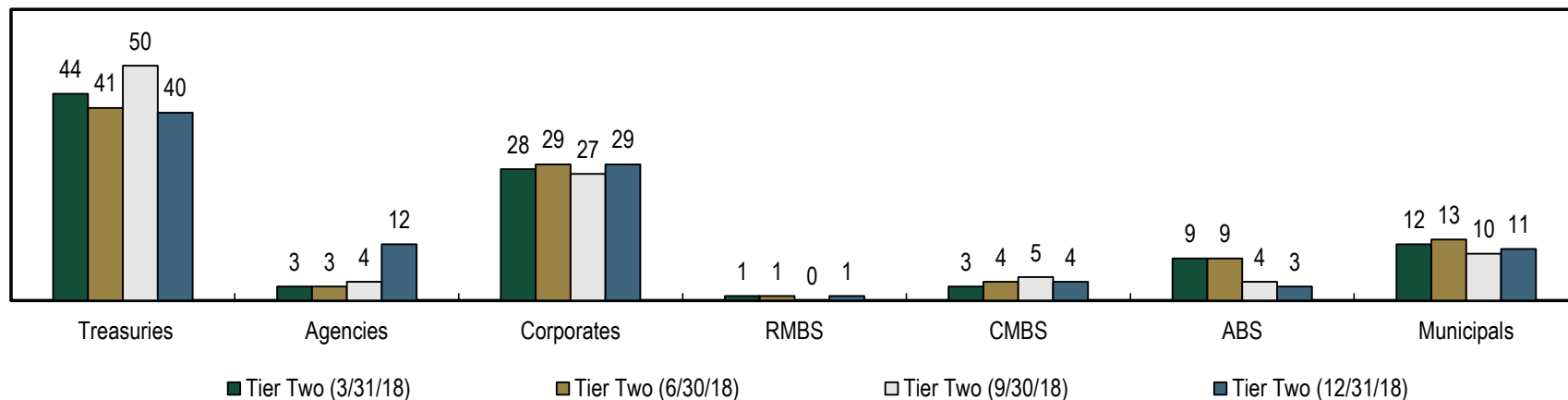
Duration Distribution (% Market Value)



Past performance is not indicative of future results. Portfolio characteristics are preliminary and subject to change. ¹The performance benchmark for the CalOptima Tier Two portfolio is the ICE BofAML U.S. Treasury 1-5 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to five years, inclusive, reflecting total return.

TIER TWO PORTFOLIO – as of December 31, 2018

Sector Distribution (% Market Value)



Treasuries/Agencies

- Added short FHLB maturing in 2019
- Added short IADB and IFC floaters indexed off Libor
- Sold three to five year treasuries to reallocate to other spread sectors

Structured Products

- Bought 1.8 year Santander auto ABS
- Bought 1.2 year Fannie Mae CMO
- Sold 0.2 year BMW auto lease ABS

Corporates

- Bought 2020 fixed-rate (Comcast, IBM)
- Bought 2021 fixed-rate (SunTrust, Citigroup)
- Bought 2021 floating-rate (American Express)
- Sold 2021 fixed-rate (Goldman Sachs)
- Sold longer-dated 2022 fixed (Bank of New York Mellon)

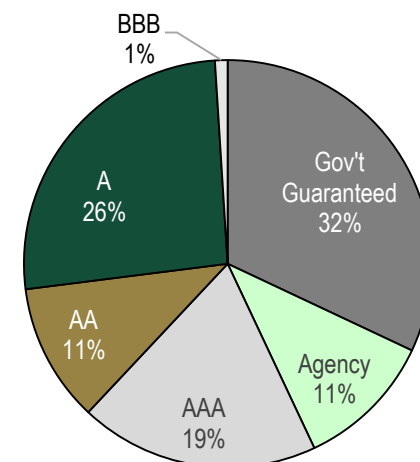
Municipals:

- Bought 2.5 year Sacramento, CA Convention Center and 3.5 year City of La Verne, CA
- Sold 3.25 year University of California

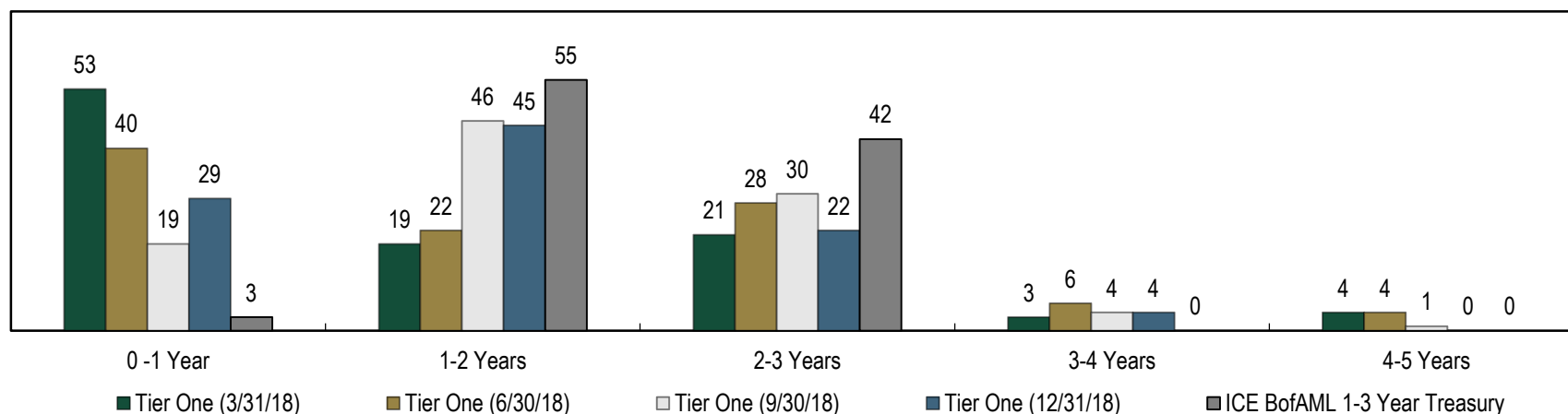
TIER ONE PORTFOLIO – as of December 31, 2018

	Tier One (9/30/18)	Tier One (12/31/18)	ICE BofAML U.S. Treasury 1-3 Year ¹ (12/31/18)
Yield to Maturity	2.92%	2.86%	2.52%
Duration	1.73 Years	1.41 Years	1.87 Years
Average Quality (Moody's)	Aa2	Aa2	TSY
Fixed / Floating	92% / 8%	88% / 12%	100% / 0%
Market Value	\$147,797,556	\$149,216,560	NA

Quality Ratings Distribution



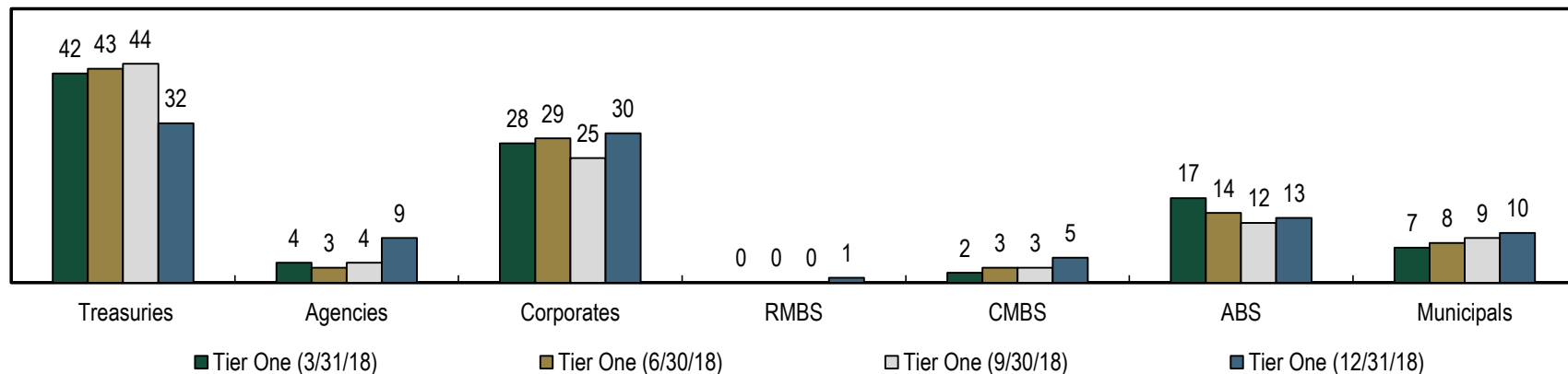
Duration Distribution (% Market Value)



Past performance is not indicative of future results. Portfolio characteristics are preliminary and subject to change. ¹The performance benchmark for the CalOptima Tier One portfolio is the ICE BofAML U.S. Treasury 1-3 Year Index, which is a broad-based index consisting of U.S. Treasury securities with an outstanding par greater than or equal to \$1 billion and a maturity range from one to three years, inclusive, reflecting total return.

TIER ONE PORTFOLIO – as of December 31, 2018

Sector Distribution (% Market Value)



Treasuries/Agencies

- Added short FHLB maturing in 2019
- Added short IADB and IFC floaters indexed off Libor
- Added IBRD floaters indexed off new SOFR rate
- Sold treasuries to reallocate to other spread sectors

Structured Products

- Bought .68 year Santander auto ABS
- Bought 1.36 year Freddie Mac 15-year mortgage pool
- Sold 1.16 year John Deere equipment ABS

Municipals

- Bought 2-year California State Educational Facilities Authority (University of San Francisco)

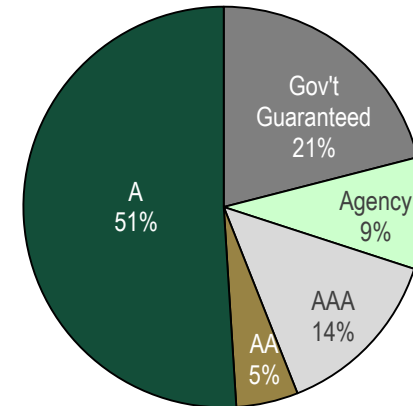
Corporates

- Bought 2020 fixed-rate (Comcast, Manufacturers & Traders Trust, Key Bank, Fifth Third Bank, Citizens Bank, DowDuPont, IBM, KeyCorp, Prudential Financial)
- Bought 2021 fixed-rate (SunTrust, Citigroup)
- Bought 2020 floating-rate (American Express)
- Bought 2021 floating-rate (Caterpillar)
- Sold 2021 fixed-rate (Goldman Sachs)
- Sold 2022 fixed-rate (Key Bank)

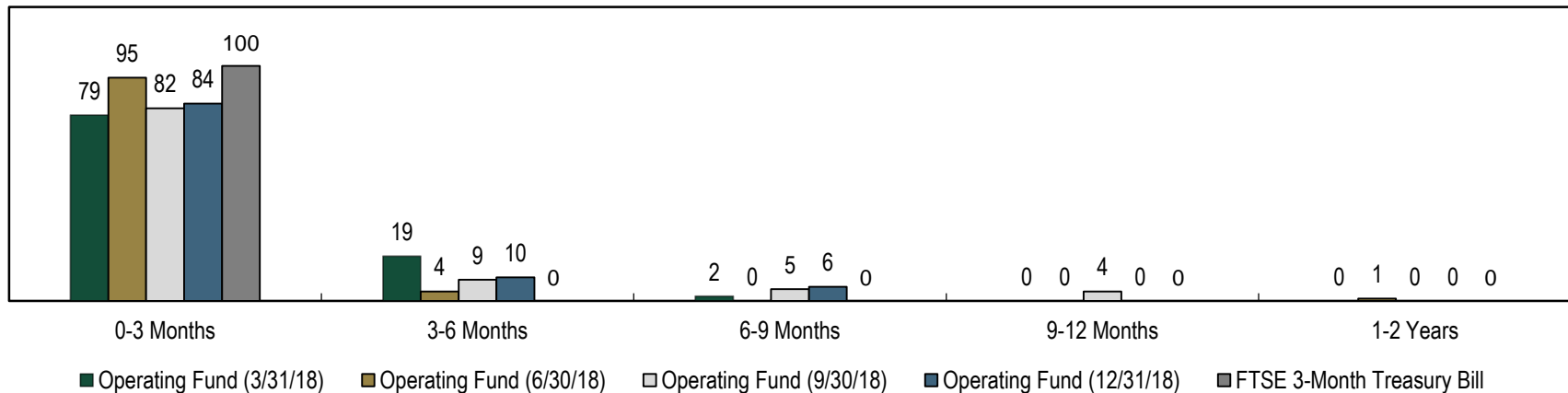
OPERATING FUND PORTFOLIO – as of December 31, 2018

	Operating Fund (9/30/18)	Operating Fund (12/31/18)	FTSE 3-Month Treasury Bill ¹ (12/31/18)
Yield to Maturity	2.34%	2.76%	2.34%
Duration	0.16 Years	0.13 Years	0.23 Years
Average Quality (Moody's)	Aa2	Aa2	TSY
Fixed / Floating	76% / 24%	73% / 27%	100% / 0%
Market Value	\$283,047,921	\$249,541,902	NA

Quality Ratings Distribution



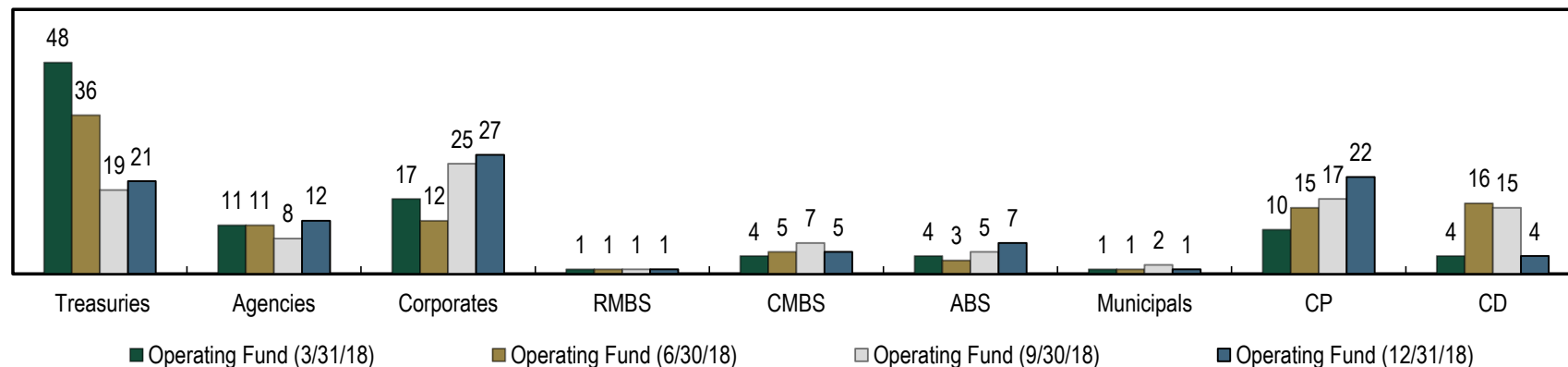
Duration Distribution (% Market Value)



Past performance is not indicative of future results. Portfolio characteristics are preliminary and subject to change. ¹The performance benchmark shown for the CalOptima Operating Fund is the FTSE 3-Month Treasury Bill, which tracks the return of one three-month Treasury bill until maturity.

OPERATING FUND PORTFOLIO – as of December 31, 2018

Sector Distribution (% Market Value)



Treasuries/Agencies

- Added short Treasuries maturing in 2019
- Added FNMA floaters indexed off new SOFR rate
- Added short FHLMC and IADB bullets maturing in 2019
- Added commercial paper, CDs, and Agency discount notes maturing in 2018 and 2019

Corporates

- Purchased short-dated 2019 fixed (JPMorgan, Goldman Sachs, Citigroup)

Structured Products

- Bought 0.13 year Santander auto ABS
- Bought 0.77 year Freddie Mac “K-bond” CMBS
- Bought 0.56 year floating-rate American Express credit card ABS

TIER TWO PORTFOLIO COMPLIANCE – as of December 31, 2018

Permitted Investments	Max % of Portfolio	Actual %	Max Stated Term Per Security	Actual Max Maturity	Min Quality Per Security	Actual Min Credit
U.S. Treasuries	100 (Code)	40	5 Years	4.04 Years	TSY	TSY
Agencies	100 (Code)	12	5 Years	2.65 Years	AGY	AGY
Corporate	30 (Code)	29	5 Years	4.42 Years	A-	BBB+**
Mortgages & Asset-Backed (combined)	20 (Code)	8	5 Years	4.07 Years	AA-	AAA
Municipals	25 (Code 100)	11	5 Years	4.42 Years	A-	A-
Commercial Paper	25 (Code)	NA	270 Days	NA	NA	NA
Bankers Acceptances	30 (Code 40)	NA	180 Days	NA	NA	NA
Certificates of Deposit	30 (Code)	NA	1 Year	NA	NA	NA
Variable & Floating Rate Securities*	30 (Code)	9	5 Years	2.82 Years	A-	A-

*May include securities from other sectors such as US Governments, Agencies, Corporates and Structured.

**Notification sent to CalOptima and Meketa on 11/5/18 with details of the General Electric downgrade.

TIER ONE PORTFOLIO COMPLIANCE – as of December 31, 2018

Permitted Investments	Max % of Portfolio	Actual %	Max Stated Term Per Security	Actual Max Maturity	Min Quality Per Security	Actual Min Credit
U.S. Treasuries	100 (Code)	32	5 Years	4.04 Years	TSY	TSY
Agencies	100 (Code)	9	5 Years	3.71 Years	AGY	AGY
Corporate	30 (Code)	30	5 Years	3.25 Years	A-	BBB+**
Mortgages & Asset-Backed (combined)	20 (Code)	19	5 Years	4.07 Years	AA-	AA+
Municipals	25 (Code 100)	10	5 Years	2.59 Years	A-	A-
Commercial Paper	25 (Code)	NA	270 Days	NA	A1/P1	NA
Bankers Acceptances	30 (Code 40)	NA	180 Days	NA	A1/P1	NA
Certificates of Deposit	30 (Code)	NA	1 Year	NA	A1/P1	NA
Variable & Floating Rate Securities*	30 (Code)	12	5 Years	3.80 Years	A-	A-

*May include securities from other sectors such as US Governments, Agencies, Corporates and Structured.

**Notification sent to CalOptima and Meketa on 11/5/18 with details of the General Electric downgrade.

OPERATING FUND PORTFOLIO COMPLIANCE – as of December 31, 2018

Permitted Investments	Max % of Portfolio	Actual %	Max Stated Term Per Security	Actual Max Maturity	Min Quality Per Security	Actual Min Credit
U.S. Treasuries	100 (Code)	21	450 Days	46 Days	TSY	TSY
Agencies	100 (Code)	12	450 Days	86 Days	AGY	AGY
Corporate	30 (Code)	27	450 Days	130 Days	A-	A-
Mortgages & Asset-Backed (combined)	20 (Code)	13	450 Days	352 Days	AA-	AAA
Municipals	25 (Code 100)	1	450 Days	196 Days	A-	AA-
Commercial Paper	25 (Code)	22	270 Days	24 Days	A1/P1	A1/P1
Bankers Acceptances	30 (Code 40)	NA	180 Days	NA	A1/P1	NA
Certificates of Deposit	30 (Code)	4	1 Year	24 Days	A1/P1	A1/P1
Variable & Floating Rate Securities*	30 (Code)	27	450 Days	57 Days	A-	A-

*May include securities from various asset Classes such as Corporates, Structured and US Governments. Contains Treasuries, Agencies, Corporate, Mortgages, and Asset-Backed securities which fall within the sector guidelines and reset in less than 450 days. .



LOS ANGELES | BOSTON | LONDON | MILAN

CalOptima Investment Advisory **Investment Committee Meeting**

January 28, 2019

Asha B. Joshi, CFA
Managing Principal

(213) 830-4247
ajoshi@payden.com

Darren T. Marco, CFA
Vice President

(213) 830-4643
dmarco@payden.com

Payden & Rygel Highlights



Independence

- Established in 1983 – US Corporation – Privately held.
- 21 Shareholders – All active in the management of the firm.
- Conflict-free, Headline-free – for over three decades.

Culture

- Cohesive team approach – incentivized to share ideas.
- Exceptionally low turnover in people and clients.
- Diverse client base.

Client Focus

- Tailored Mandates and Reporting on Client-Specified Parameters.
- Investment Management is our Only Source of Revenue.
- Focused team for each client – access to client service and strategy teams.

Right-Sized

- Over \$112 billion in Assets Under Management.
- Nimble ability for active management.
- Efficient trading and execution.

Advising the World's Leading Institutions and Individual Investors

OVER
\$112
BILLION
AUM

OVER
370
CLIENT
RELATIONSHIPS
WORLDWIDE

25
YEARS
AVERAGE TENURE OF
MANAGEMENT TEAM

200
EMPLOYEES

CalOptima Portfolio Summary as of December 31, 2018



	Operating Fund	Tier One Fund
Market Value	\$250,096,975	\$149,467,614
Yield to Maturity (%)	2.61	2.83
Effective Duration	0.13	1.57
Spread Duration	0.44	1.03
Average Portfolio Credit Quality	AA+	AA
Inception Date	July 1, 1999	July 1, 1999



Contents

I

Economic Update

II

Market Overview and Portfolio Review



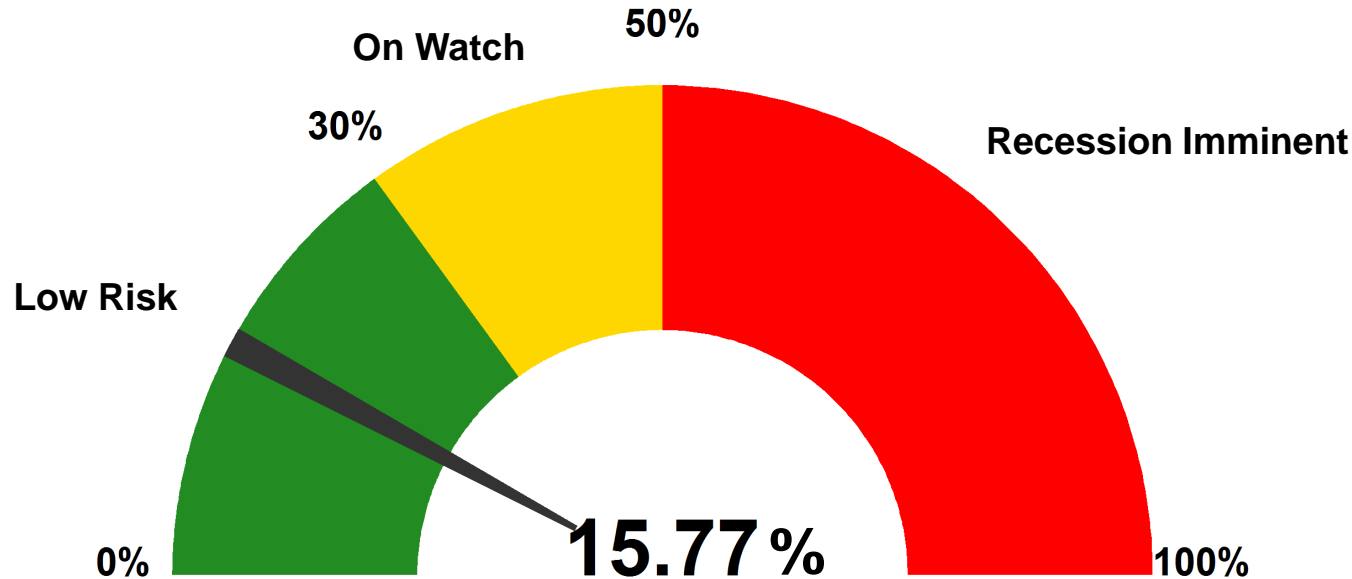
Economic Update

Recession Risk in 2019? Still Low



The New York Federal Reserve created a model using probit equations “to convert the value of a measure of yield curve steepness into a probability of recession one year ahead.” Even though the yield curve is “flat,” based on the current slope, the probability of a recession in the next 12 months remains firmly in the “low risk” category on the recession risk gauge.

Probability of a Recession in the Next 12 Months



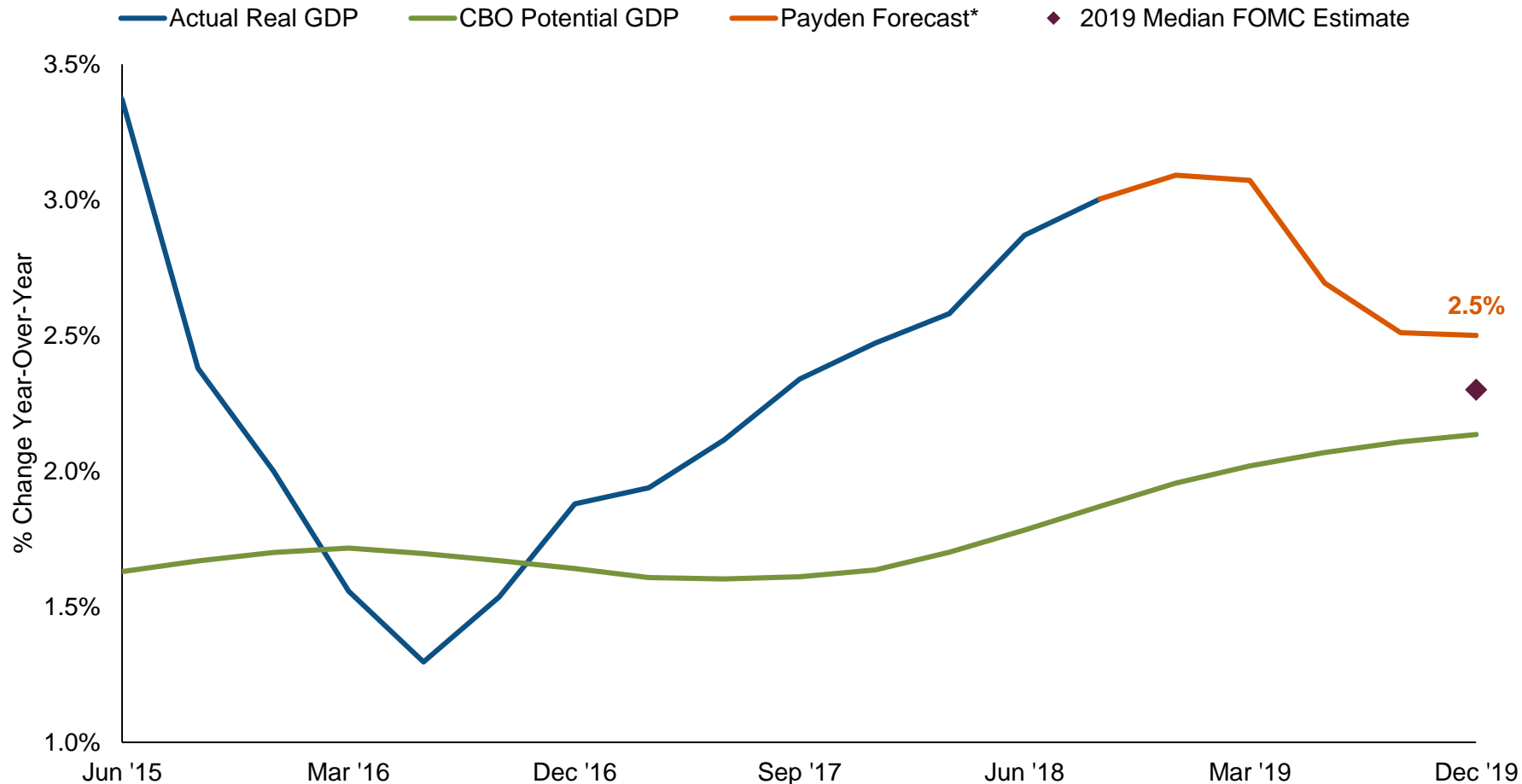
Source: New York Federal Reserve, NBER

GDP Will Continue To Grow Above-Trend In 2019



We expect GDP growth to slow somewhat in 2019 from 2018's rapid pace (2.5% versus 3.1%). However, we expect growth to remain above trend. The FOMC also expects above-trend growth, with the median policymaker estimating 2.3% GDP growth in 2019.

Actual and Forecasted GDP Versus Potential



Source: Bureau of Economic Analysis, Atlanta Fed, New York Fed, Congressional Budget Office, Payden Calculations

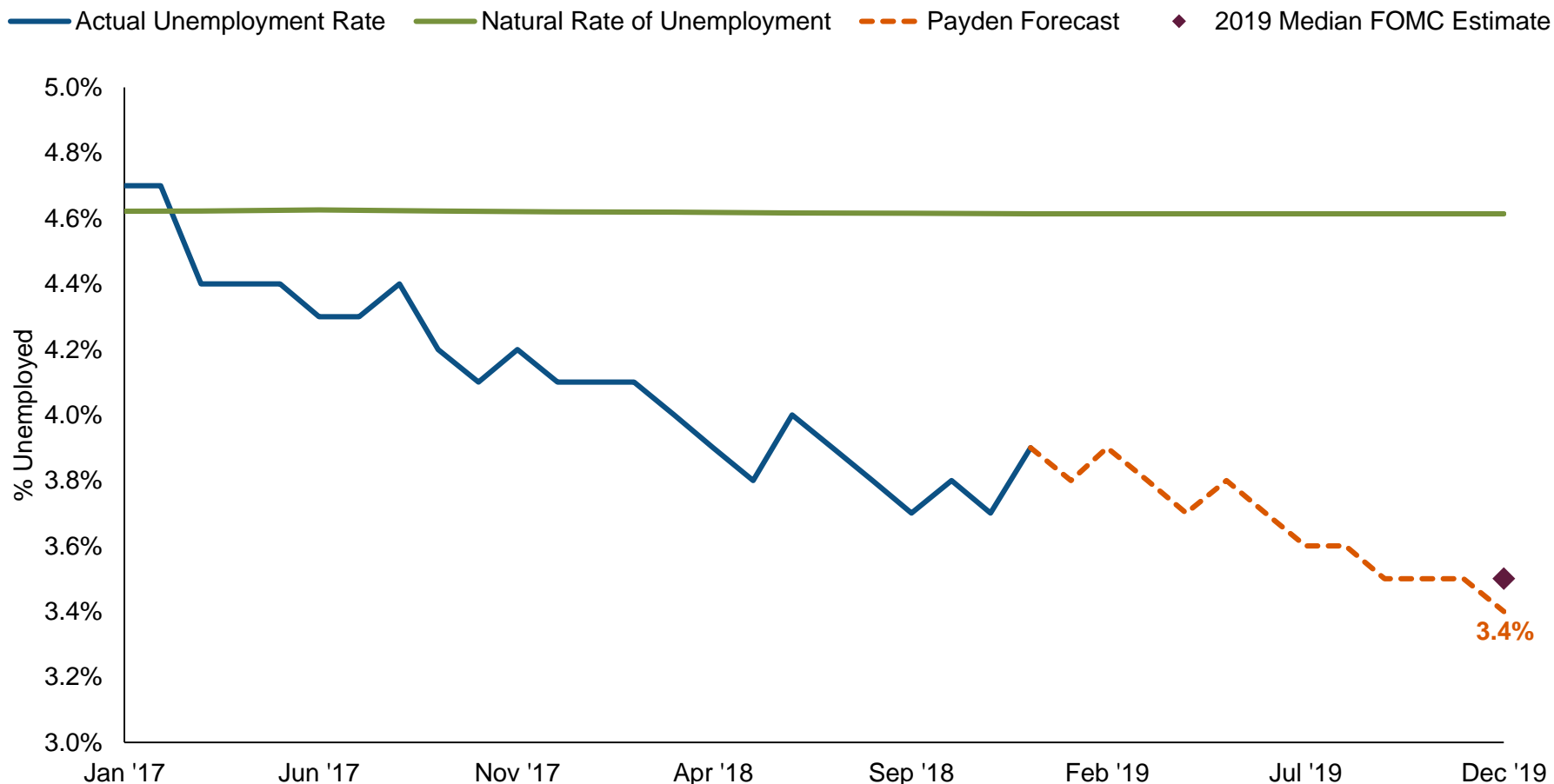
*Utilizing nowcasts for Q4'18 and Q1'19

Unemployment Will Fall To 3.4% By Year-End, Well Below The “Natural Rate”



The unemployment rate dipped below 4% in April 2018, falling to 3.9%--the lowest rate since the turn of the century. In September 2018, it fell to 3.7%. As such, we have entered rare territory. Only three times in post-war history has the unemployment rate been so low: in the early 1950s, the late 1950s, and the late 1960s. We expect the unemployment rate to fall below 3.5% by the end of the year, even with more people entering the labor force.

“U-3” Unemployment Rate



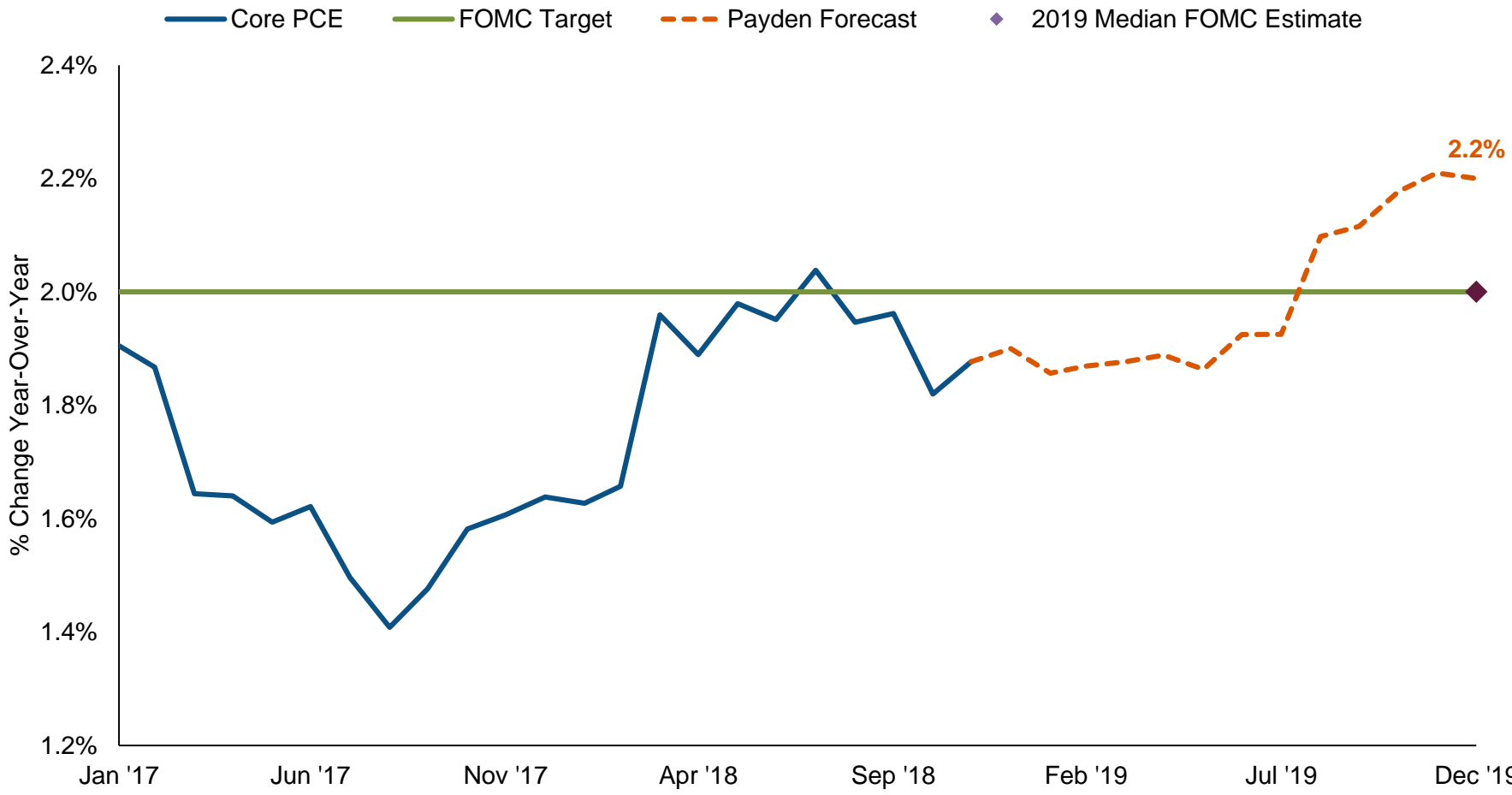
Source: Federal Reserve, Bureau of Labor Statistics, Payden Calculations

Inflation Will Hover Below 2% Early In The Year And Move Above The Fed Target Later In The Year



With solid economic growth, continued job growth, and an unemployment rate below the natural rate, we expect a continued pick-up in price pressures. The FOMC’s preferred metric of prices is the core PCE, which excludes volatile food and energy prices. While core PCE hovered at 1.7% in Q1 2017 before slowing to 1.3% in August, prices have risen back to 2% (the Fed’s target rate) in 2018.

Core Price Consumption Expenditures Inflation Index



Source: Federal Reserve, Bureau of Economic Analysis, Payden Calculations

Financial Conditions Remain Loose, But Recent Tightening Could Set The Stage for a “Pause”



Across the board, even after 9 rate hikes, financial conditions remain accommodative. In 2015 and 2016, financial conditions tightened causing the Fed to delay rate hikes. This could be why the Fed pauses in Q1 2019. Gauging financial conditions is more complicated than just looking at overnight lending rates. For a broader perspective, we look at the Goldman Sachs Financial Conditions index which includes the Fed Funds rate, 10-year Treasury yields, the BBB spread, the equity market and the trade-weighted dollar index.

Goldman Sachs U.S. Financial Conditions Index



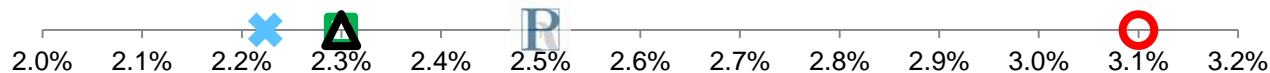
Source: Goldman Sachs, Bloomberg

Our 2019 Outlook Summary: If The Unemployment Rate Continues To Fall, The Fed Will Continue To Hike. We Still See Three More Rate Rises To Get To “Neutral”.



We expect GDP growth to slow to 2.5% in 2019 compared to 3.1% in 2018. However, even with slower GDP growth, job growth will remain strong enough to exert downward pressure on the unemployment rate, pushing it to 3.4% by the end of the year. We also expect inflation, as measured by core PCE, to settle in above 2.0% by year-end 2019. If the unemployment rate continues to fall, the Fed will keep nudging up the federal funds rate. However, unless there are signs of “overheating” (e.g., wage growth and/or core PCE surprise higher than our forecast), we think the Fed can move forward at a slightly slower pace than in 2018. As such, we expect a pause in early 2019 before resuming rate hikes later in the year.

Economic Growth (Q4/Q4 Real GDP) By Year End



▲ Median FOMC 2019 Forecast

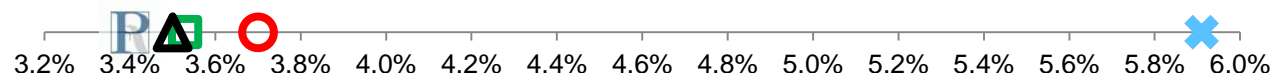
○ 2018 Actual*

P P&R 2019 Forecast

× 20-Year Average

□ Consensus 2019 Forecast

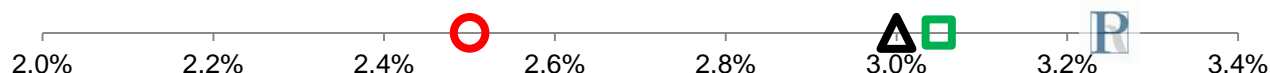
Unemployment Rate By Year End



Core PCE (% Change Year-Over-Year) By Year End



Policy Interest Rate At Year End (Upper Bound of Fed Funds Rate Target Range)



Sources: Bloomberg Consensus, Payden Estimates, Bureau of Labor Statistics and Bureau of Economic Analysis

*Using 2018 year-end forecasts until actual data is available



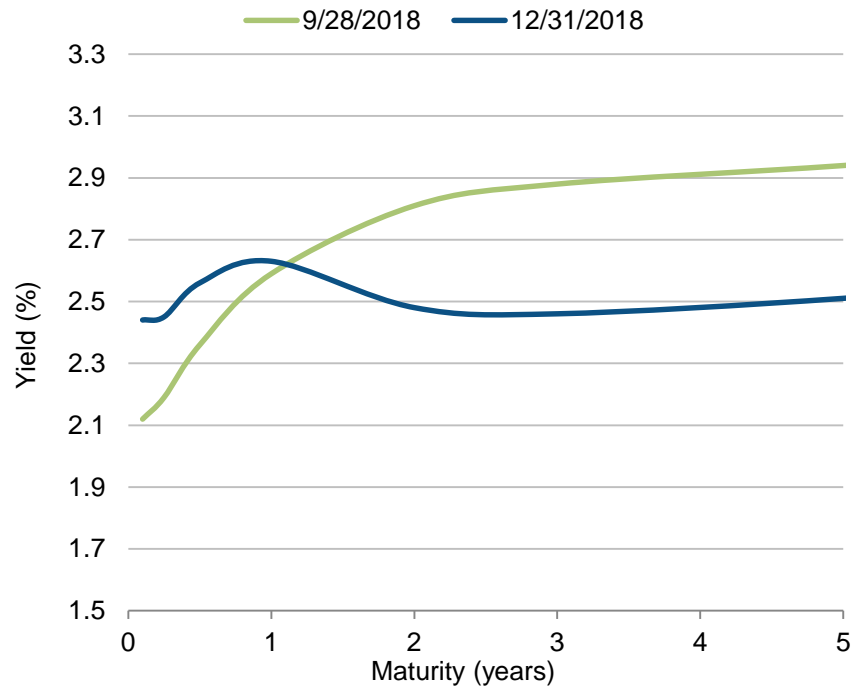
II

Market Overview and Portfolio Review

U.S. Interest Rates Reprice And The Curve Flattens

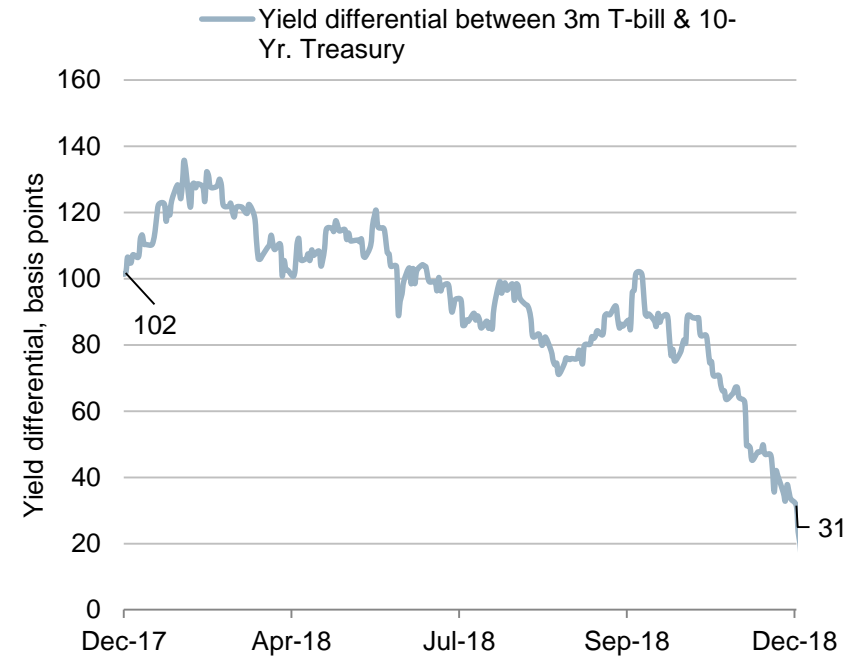


U.S. Treasury yields declined in Q4 2018 in 2-year and longer maturities as the market repriced future growth and Fed hikes



U.S. Treasury Tenor	1m	3m	1 Yr.	2 Yr.	3 Yr.	5 Yr.
Yield change, qtr. over qtr. (%)	0.32	0.26	0.04	-0.33	-0.42	-0.43

The spread between the 3-month T-bill and 10-year Treasury Note yield continued to narrow in Q4 2018



Market Expectations, Once Again, Diverge From The Fed's



Number of cumulative Fed hikes as of December 31, 2017: Market vs. Fed Expectations

	Market*	Fed	Difference
Year end 2018	2.0	3.0	1.0
Year end 2019	2.8	5.3	2.5
Year end 2020	2.9	7.0	4.1

Source: Bloomberg, FOMC, Payden Calculations

*Implied by the fed funds futures market

Number of cumulative Fed hikes as of January 7, 2019 : Market vs. Fed Expectations

	Market*	Fed	Difference
Year end 2019	0.0	2.0	2.0
Year end 2020	-0.7	3.0	3.7
Year end 2021	-0.9	3.0	3.9

Source: Bloomberg, FOMC, Payden Calculations

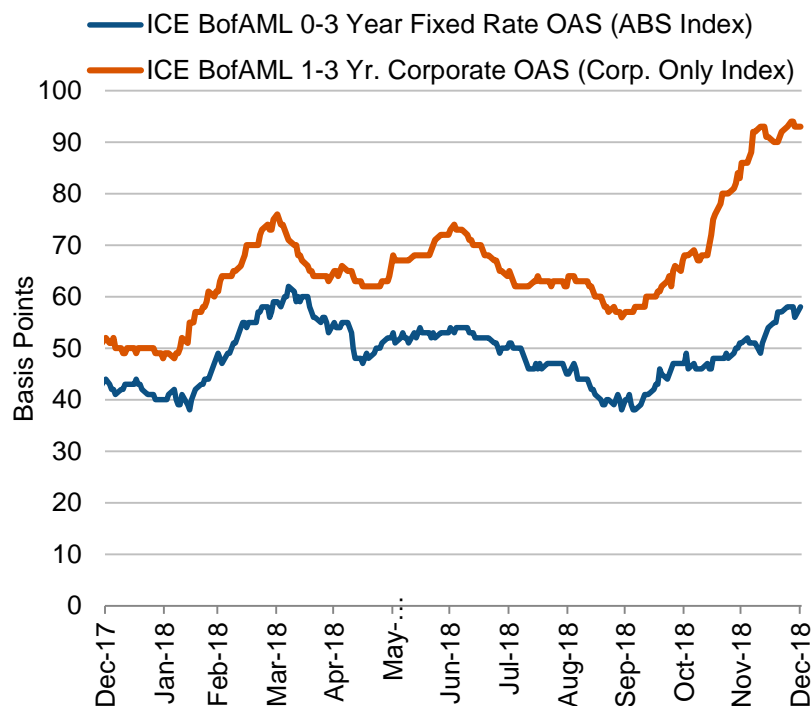
*Implied by the fed funds futures market

Expectations for future hikes from market participants and the Fed are once again at odds. Currently, the market is not only pricing in a pause in 2019 but also a rate cut in 2020 based on fed fund futures. Expectations have been at odds since the normalization began in December 2015. Future economic data ultimately decide how many hikes or cuts.

2018 Revisited: Credit Spreads and Income Generation

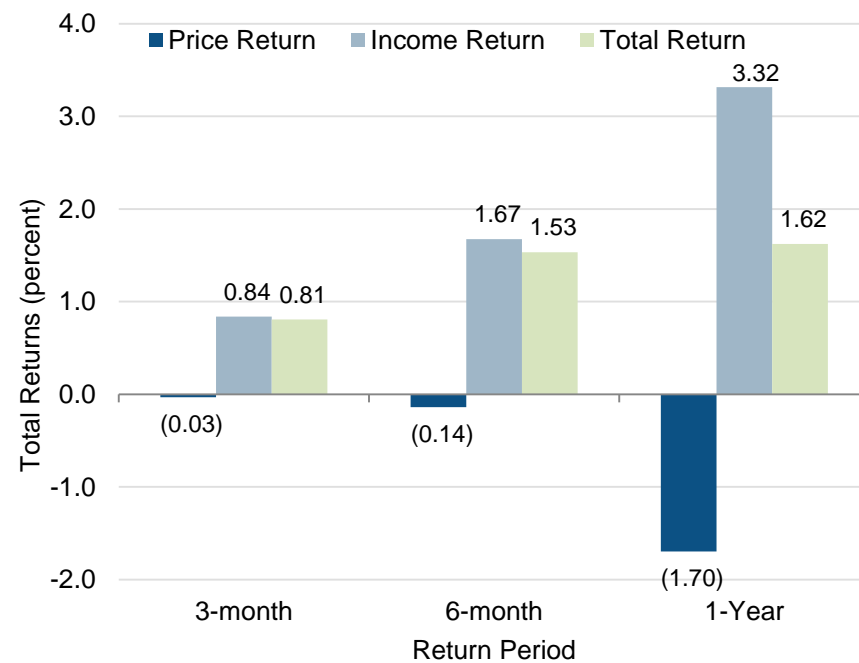


Corporate spread widening was more pronounced than securitized spread widening in 2018



Source: ICE BofAML Index data through December 31, 2018

Despite spread widening, higher yields in corporates provided favorable income generation that offset negative price returns

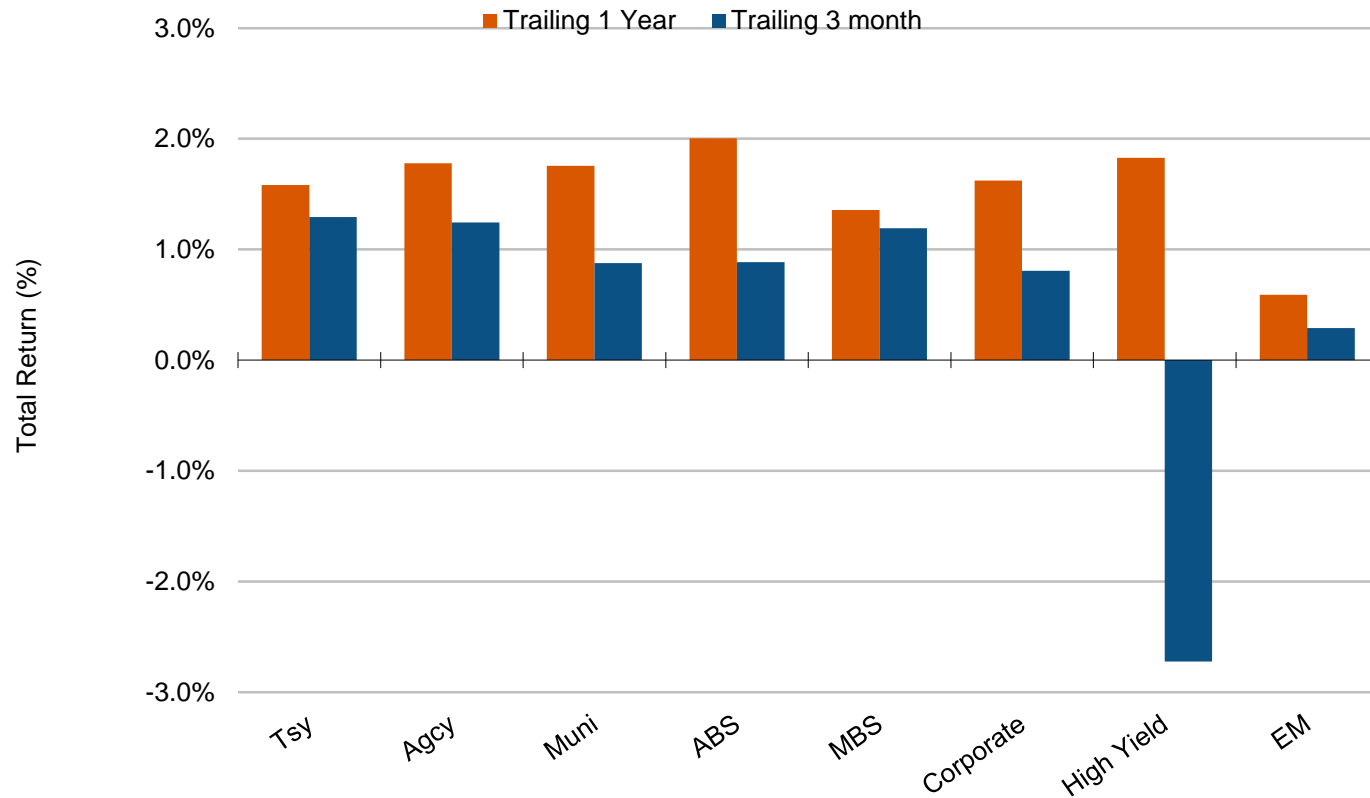


Source: ICE BofAML 1-3 Yr. Corporate Index as of December 31, 2018

Fixed Income Total Returns



Fixed-Income sector total returns (1-3 yr. maturities) were positive for 2018 despite rates moving higher in the front-end of the curve and credit spreads widening



Source: ICE BofAML Index data and JP Morgan (EM only) 1-3 Yr. Index data as of December 31, 2018

Operating Fund Portfolio as of December 31, 2018

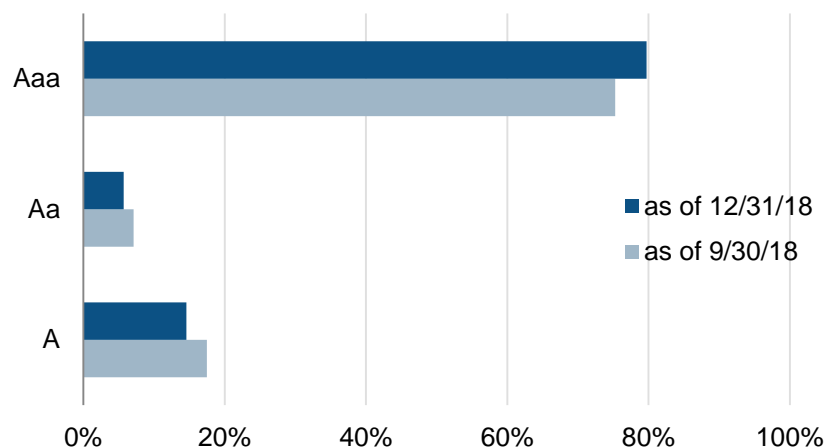


Portfolio Characteristics

	Operating Fund 12/31/18	Operating Fund 9/30/18	Benchmark
Market Value	\$250,096,975	\$356,562,482	-
Yield to Maturity (%)	2.61	2.26	2.38
Effective Duration	0.13	0.15	0.23
Average Rating	AA+	AA+	Aaa/AA+u

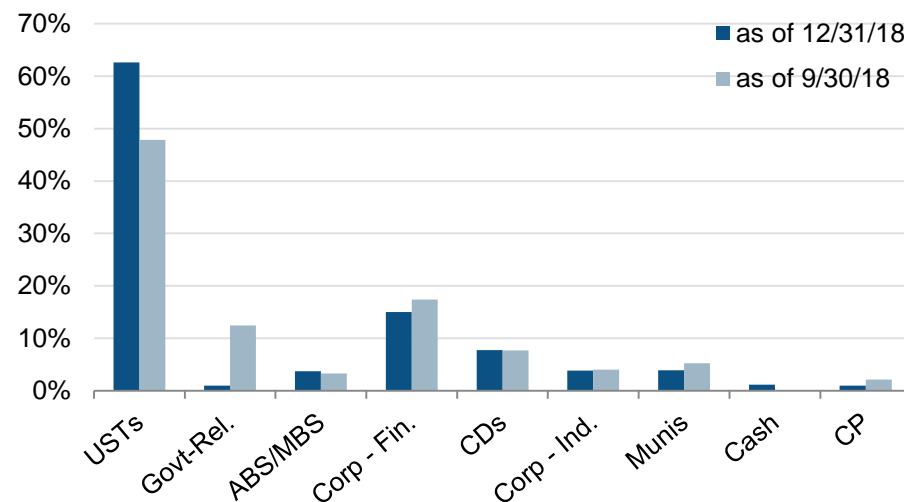
Benchmark is Citi 3-month Treasury Bill Index

Credit Quality Breakdown - Percentage of Portfolio

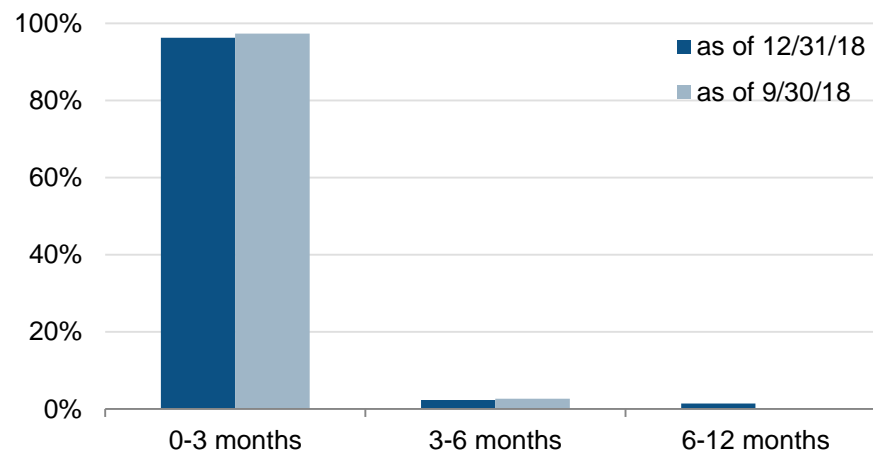


Source: Payden & Rygel Calculations

Portfolio Sector Allocation



Duration Distribution



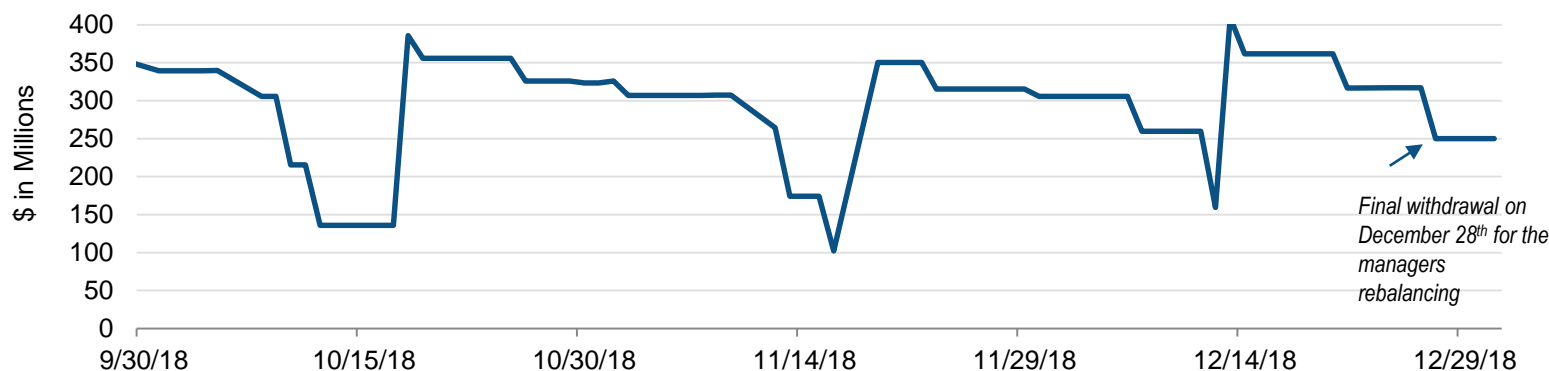
Operating Fund Performance & Liquidity



PORTFOLIO RETURNS (As of 12/31/18)

	Q4 2018	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 10 Years
Operating Fund (gross)	0.49%	1.99%	1.35%	0.87%	0.52%
Operating Fund (net)	0.47%	1.91%	1.27%	0.78%	0.40%
Citigroup 3-Month Treasury Bill Index	0.57%	1.86%	0.99%	0.61%	0.35%
Alpha (net)	-0.09%	0.04%	0.28%	0.18%	0.05%

Q4 2018 - Flow Quarter Market Value Summary



- Q4 2018 contributions were fairly consistent with \$250 million in the middle of each month
- Average withdrawal amounts totaled \$50 million with the largest one week withdrawal totaling \$170 million
- 94% of all outflows were met with government securities (T-bills or agency discount notes) which are more liquid and have better bid-ask spreads in volatile markets

Tier One Fund Portfolio as of December 31, 2018

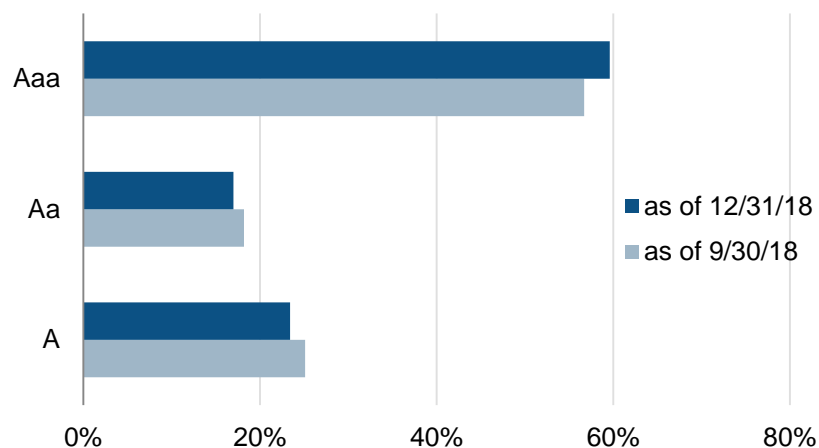


Portfolio Characteristics

	Tier One Fund 12/31/18	Tier One Fund 9/30/18	Benchmark
Market Value	\$149,467,614	\$147,932,600	-
Yield to Maturity (%)	2.83	2.87	2.52
Effective Duration	1.57	1.51	1.88
Average Rating	AA	AA	Aaa/AA+u

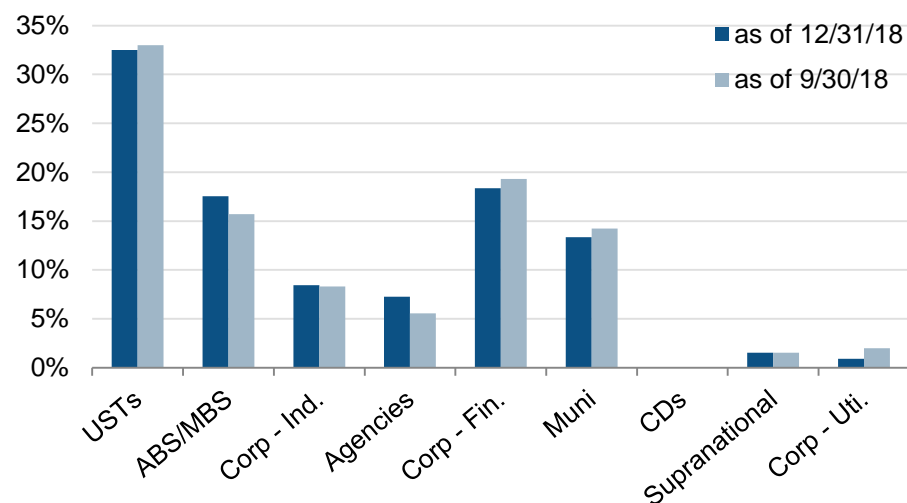
Benchmark is ICE BofAML 1-3 U.S. Treasury Index

Credit Quality Breakdown - Percentage of Portfolio

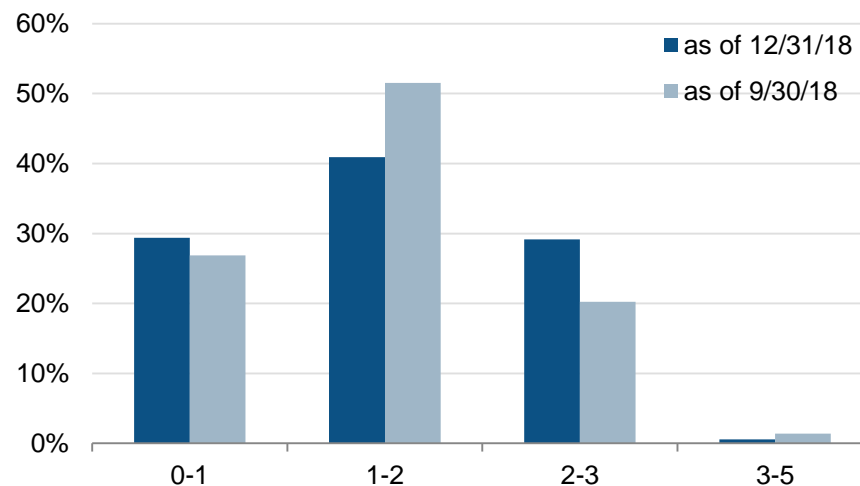


Source: Payden.

Portfolio Sector Allocation



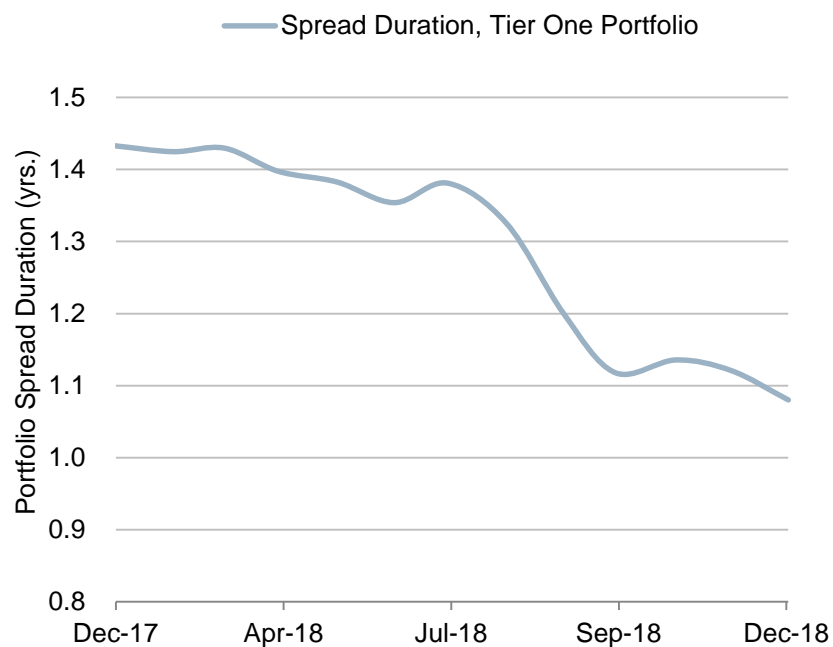
Duration Distribution



Reducing Sensitivity To Corporates and The Fixed vs. Floating Rate Decision



The sensitivity to corporate spreads has been actively managed lower since the summer of 2018...



The fixed versus floater decision warrants further analysis

Recent Comcast October 2018 2-Yr. Issuance

Bond	Coupon	Yield at Purchase	Maturity
2 Yr. Fixed	3.3%	3.3%	10/1/2020
2 Yr. FRN	2.7%	2.7%	10/1/2020

- A 60 basis point differential between a fixed rate and initial FRN fixing for the same credit, was compelling in early October 2018.
- The differential was being driven by higher Treasury yields at the time.
- This incremental yield made us more inclined to purchase the fixed rate security, despite breakevens and our rate hike forecast.

Tier One Fund Performance: Historical Returns



PORTFOLIO RETURNS (As of 12/31/18)

	Q4 2018	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 10 Years
Tier One Fund (gross)	1.04%	1.86%	1.36%	1.14%	1.35%
Tier One Fund (net)	1.02%	1.78%	1.29%	1.05%	1.23%
ICE BofAML 1-3 Year Treasury Index*	1.29%	1.58%	0.96%	0.81%	0.95%
ICE BofAML 1-3 Yr. AAA-A G/C Index	1.23%	1.62%	1.13%	0.95%	1.34%

**1/04 ICE BofAML 1-3 Year Treasury Index; 5/00 Citigroup 1-Year Treasury Index; 7/99-5/00 Citigroup 3-month T-bill Index.*

Tier One Fund Performance: Attribution



ICE BofAML 1-3 Yr. Treasury Index	Q4 2018	Trailing 12 months
Interest Rates	-13	19
Duration	-12	21
Curve	-1	-2
Sector & Selection	-12	8
Agency	0	2
Corporate	-9	2
Financial	-8	1
Industrial	-1	1
Utilities	0	0
ABS/MBS	-2	2
Municipals	-1	2
Residual	0	1
Total	-25	28

ICE BofAML 1-3 Yr. AAA-A Government / Credit	Q4 2018	Trailing 12 months
Interest Rates	-13	14
Duration	-12	15
Curve	-1	-1
Sector & Selection	-6	10
Agency	-1	1
Corporate	-2	6
Financial	-3	3
Industrial	1	3
Utilities	0	0
ABS/MBS	-1	2
Municipals	-2	1
Residual	0	0
Total	-19	24

Figures rounded to the nearest basis point, based on gross returns

CalOptima – Compliance Report – As of December 31, 2018



Allowable Instruments	CalOPTIMA-Combined		Maximum Stated Term Per Security		Actual Maximum Maturity				Minimum Quality Per Security	Actual Minimum Credit
	Maximum % of Portfolio	Actual %	Operating Funds	Reserve Tier 1	Operating Funds		Reserve Tier 1			
U.S. Treasuries	100	51.35%	450 Days	5 Years	45	Days	2.96	Years	TSY	TSY
Federal Agencies	100	2.37%	450 Days	5 Years			3.50	Years	AGY	AGY
State of CA & Other Municipal Obligations	25	7.75%	450 Days	5 Years	244	Days	3.37	Years	A3/A-	A3/A-
Supranationals	15	0.57%	450 Days	5 Years			2.56	Years	Aa2/AA	AAA
Bankers Acceptances	30	0.00%	180 Days	180 Days					A-1/P-1	n/a
Commercial Paper	25	0.00%	270 Days	270 Days					A-1/P-1	n/a
Negotiable Certificates of Deposit	30	0.50%	1 Year	1 Year	50	Days			A-1/P-1	A-1/P-1
Repurchase Agreements	100	0.00%	30 Days	30 Days					TSY	n/a
Medium Term Notes & Depository Notes	30	9.65%	450 Days	5 Years	254	Days	2.75	Years	A3/A-	A3/A-
Money Market & other Mutual Funds (combined)	20	0.45%	N/A	N/A	1	Days	0.00	Years	Aaa/AAA	AAA
Mortgage & Asset-Backed Securities (combined)	20	5.73%	450 Days	5 Years	52	Days	3.00	Years	Aa3/AA-	AAA
Variable & Floating Rate Securities	30	21.64%	450 Days	5 Years	86	Days	2.38	Years	A3/A-	A3/A-

100.00%

Diversification Guidelines

Maximum per Corporate Issuer	5%	1.31%
Repurchase Agreements (Maturity > 7 days)	25%	0.00%
Repurchase Agreements (Maturity < = 7 days)	50%	0.00%



OVER 30 YEARS OF INSPIRING
CONFIDENCE WITH AN
UNWAVERING COMMITMENT TO
OUR CLIENTS' NEEDS.

US DOMICILED MUTUAL FUNDS

CASH BALANCE

Payden Kravitz Cash
Balance Plan Fund

EQUITY

Equity Income Fund

GLOBAL FIXED INCOME

Emerging Markets Bond Fund
Emerging Markets Corporate Bond Fund
Emerging Markets Local Bond Fund
Global Fixed Income Fund
Global Low Duration Fund

TAX-EXEMPT

California Municipal Income Fund

US FIXED INCOME

Absolute Return Bond Fund
Cash Reserves Money Market Fund
Core Bond Fund
Corporate Bond Fund
Floating Rate Fund
GNMA Fund
High Income Fund
Limited Maturity Fund
Low Duration Fund
Strategic Income Fund
U.S. Government Fund

For more information about Payden & Rygel's funds, contact us at a location below.

Payden & Rygel

LOS ANGELES

333 South Grand Ave
Los Angeles, CA
90071
213 625-1900

BOSTON

265 Franklin Street
Boston, MA 02110
617 807-1990

LONDON

1 Bartholomew Lane
London EC2N 2AX
United Kingdom
+ 44 (0) 20-7621-3000

MILAN

Corso Matteotti, 1
20121
Milan, Italy

Wells Capital Management | December 2018

Portfolio review

CalOptima

Presented by:

Tony Melville, CFA, Senior Portfolio Manager

Stephen Scharre, CFA, Client Relations Director



Table of contents

- I. Wells Fargo Asset Management
- II. Short Duration Fixed Income overview
- III. Market overview
- IV. CalOptima
- V. CalOptima – Tier 1

Wells Fargo Asset Management

Wells Fargo Asset Management and affiliates

As the asset management business of Wells Fargo, we put clients first in everything we do.

We foster enduring client relationships with:

- Institutions
- Financial advisors
- Individual clients

Our values center on:

Specialized, independent investment teams with proven processes

Rigorous investment risk management oversight

Client-centric relationships

Firm snapshot

AUM	\$482 billion ¹
Investment teams	29
Global investment talent	500+
Team members	1,600+
Offices worldwide	31

Assets under management

By asset class	AUM (\$B)	Assets (%)
Equity	94	19
Fixed Income / Stable Value	256 ¹	53
Money Market	109	23
Multi-Asset Solutions	25	5

Note: All figures in USD as of September 30, 2018.

¹ AUM includes \$90B from Galliard Capital Management, an investment advisor that is not part of the WFAM trade/GIPS firm. Total firm assets include \$1.8B in notional assets.

² Source: Wells Fargo Asset Management.

WFAM institutional

Model to best serve our clients

- Straightforward interaction with WFAM via one point of contact
- Expertise in client-type specific needs
- Global client group – 181 professionals
 - Average of 24 years of industry experience and 10 years with the firm¹
 - 31 offices including 9 global offices
 - U.S. clients, relationship teams organized by client type
 - International clients, relationship teams with local office presence
- Delivering comprehensive and customized reports



¹ Figures as of September 30, 2018. Note: Institutional global client group. Years of experience statistics do not include Associates, only Directors.

² Intermediaries include: Private Banks; Platforms; Fund-of-Funds; Far

Short Duration Fixed Income overview

WFAM Short Duration Fixed Income overview

Providing highly customized short duration fixed income solutions has been a core competency of WFAM since 1988.

- \$55.77 billion in assets under management¹ as of September 30, 2018
- Taxable, municipal and crossover strategies for **offshore and domestic** institutional portfolios
- **Competitive risk-adjusted returns** with primary objectives of **principal preservation and liquidity**
- **Tenured team** of investment professionals
- **Depth of credit research** capabilities across corporate, municipal and structured asset classes
- **Emphasis on risk management** in the construction, management and oversight of client portfolios
- Singular focus on **consultative client partnerships**

The financial strength of our affiliate company, Wells Fargo Bank, N.A., affords us the resources, capital and stability essential to our ongoing commitment to this core business.

¹ WFAM Short Duration AUM managed by Short Duration, Municipal, and Customized Fixed Income teams.

WFAM Short Duration Fixed Income investment team

Investment team



Jeffrey L. Weaver, CFA
Senior Portfolio Manager
Head of Money Funds &
Short Duration
Entered industry: 1991
Joined firm: 1994



Andrew Greenberg, CFA
Senior Portfolio Manager
Short Duration Team Lead
Entered industry: 1986
Joined firm: 2002



Anthony J. Melville, CFA
Senior Portfolio Manager
Corporates
Entered industry: 1993
Joined firm: 1994



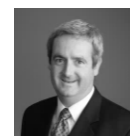
Dean Meddaugh, CFA
Senior Portfolio Manager
ABS, MBS & CMBS
Entered industry: 1994
Joined firm: 2004



Raymond M. Wong
Senior Portfolio Manager
Municipals
Entered industry: 1980
Joined firm: 2002



James Rutzen, CFA, FRM
Senior Portfolio Manager
Municipals/Crossover
Entered industry: 1986
Joined firm: 1996



Travis Dugan, CFA
Senior Portfolio Manager
Governments & Corporates
Entered industry: 1997
Joined firm: 2011



Janat Ibraev, CFA
Portfolio Manager
Corporates
Entered industry: 1994
Joined firm: 2015



Jonathan Buenaventura
Portfolio Manager
Money Market Securities
Entered industry: 2004
Joined firm: 2011



Henri Proutt
Associate Portfolio Manager
Corporates
Entered industry: 2008
Joined firm: 2011



George Hoch
Associate Portfolio Manager
Entered industry: 2011
Joined firm: 2015



Samuel Arocha
Repo Trader
Entered industry: 1989
Joined firm: 1989

Fixed Income portfolio specialists



Michael Rodgers
Senior Portfolio Specialist
Entered industry: 1992
Joined firm: 1992



Daniel Sarnowski
Portfolio Specialist
Entered Industry: 2002
Joined firm: 2002

Firm-Wide Credit Research

Money Market Research



Matthew Grimes, CFA
Head of Money Markets
Credit Research
Team of 10 Analysts

Global Credit Research Platform Resources



Jamie Newton, CFA
Co-Head of Global Credit
Research
Team of 11 Analysts



Duncan Warwick-Champion
Co-Head of Global Credit
Research
Team of 10 Analysts

Municipal Credit Research



Thomas Stoeckmann
Head of Municipal
Credit Research
Team of 12 Analysts

Additional firm-wide fixed income resources

U.S. High Yield

Non-U.S. High Yield

Structured Products Research

Quantitative & Applied

Macro / Economic

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WFAM Fixed Income research resources

Global Credit Research –73 Investment professionals

Corporate Research Analysts – 44 Total

Ambreesh Bansal, CFA Capital Goods, Transportation	Brian Barry, CFA Lodging, Retail	Alex Basman, CFA Chemicals, Healthcare	Marianne Beyer, CFA Capital Goods, European, Paper, Packaging	James Brown, CFA Communications, REITs, Technology	Patricia Calzado Real Financials
Matthew Cox, CFA Healthcare, Insurance, Pharmaceuticals	Henry Craik-White Industrials	Paul Davey, CFA Energy, Infrastructure, Transportation, Utilities	Dominic Delia Utilities	Scott Dreier, CFA Environmental, Utilities	James Fitzpatrick, CFA Communications, Technology
Stephane Fieeve Industrials	Ali Gardo, CFA Chemicals, Consumer Products, Tobacco	Matthew Grimes, CFA Head of MM Credit Research	Donald Henken, CFA Banking, Financials	Heidi Hermann, CFA Energy, Metals & Mining	Kelly Hunter, CFA Banks, Sovereigns
Brian Keller, CFA Building Products, Energy, Homebuilders	Kevin Maas, CFA Autos, Banks & Thrifts, Healthcare	Michael Mallardi Co-Director of High Yield Research	Jodi McGlynn Lodging, REITs, Retailers	Robert McHenry Consumer Products, Food & Drug, Retail	Cristiano Mela Construction, Metals & Mining
Nashat Moin ESG	Robert Montague Financials	David Moon, CFA Autos, Food	Henry Naah Co-Director of High Yield Research	Jamie Newton, CFA Co-Head of Credit Research	Cheryl Ngo Capital Goods, Environmental, Leisure, Restaurants, Services
Oscar Olivas, CFA Energy, Insurance	Manola Perrone Infrastructure, Utilities	Steve Pfeiffer Gaming, Hotels, Media, Utilities	Bridget Powers Banks, Brokers, Energy, Utilities	Satish Pulle Financials	Maya Sarda Consumer Products, Food & Drug, Retail
Mike Shinnars, CFA Banks, Sovereigns	Anna Tabor Sovereigns	Kirstin Thomas Banks, Sovereigns	Lauren Van Biljon, CFA Sovereigns	Duncan Warwick-Champion Co-Head of Credit Research	Beatrice Woo Financials
Michie Yana, CFA Chemicals, Pharmaceuticals	Marcus Zahn Banks, Insurance				

Municipal Research Analysts – 15 Total

Jed Bruss, CFA Education, GOs	Ed Clayton Money Markets	Dennis Derby GOs, High Yield, Resource Recovery	Philip Godager GOs, Water	Luke Hammer, CFA GOs, Special Tax, Transportation	Ladson Hart Money Markets
Kerry Laurin, CFA Electric, GOs, IDR, PCR	Kim Nakahara Education, GOs, Water	Brandon Pae GOs, Healthcare, Tobacco	Michi Rives GOs, Leasing, Water	Francisco San emeterio GOs, Water	Todd Sisson GOs, Healthcare
Gilbert Southwell Housing, Special Tax, Structured	David Statham Money Markets	Thomas Stoeckmann Charter Schools, Transportation			

Structured Products – 14 Total

Sasha Bessonova, CFA, FRM Structured Products	Joseph Christensen, CFA Structured Products	Andy Greenberg, CFA Short Duration MBS	Mark Hsu, CFA ABS, CLO, CMBS	Jin Im Structured Products	Chris Kauffman, CFA Agency MBS, ARMs
Brian Krum ABS, Asset-Backed CP	Dean Meddaugh, CFA Short Duration ABS, CMBS	Mira Park, CFA Structured Products	Brian Prucyk, Ph.D. Structured Products	Anant Ramgarhia ABS, CMBS	Maddi Rowlett ABS
Mike Shinnars, CFA Structured Products	Grace Wu CMBS				

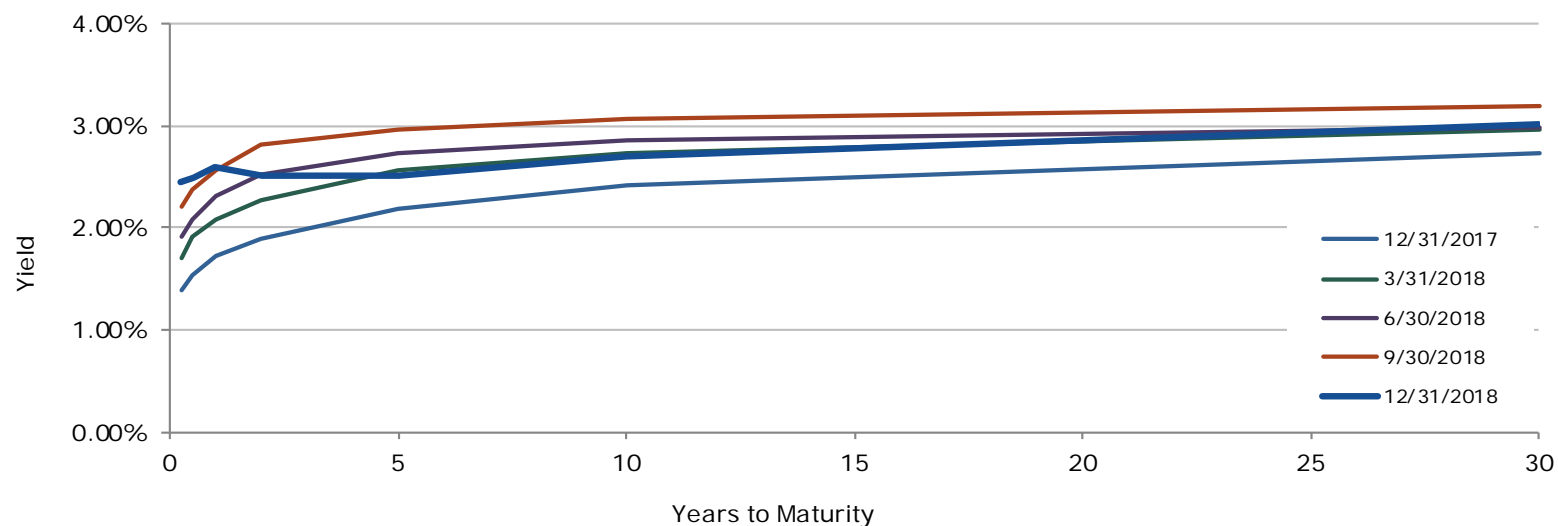
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Market overview

Short duration review

December 31, 2018

Treasury Yield Curve



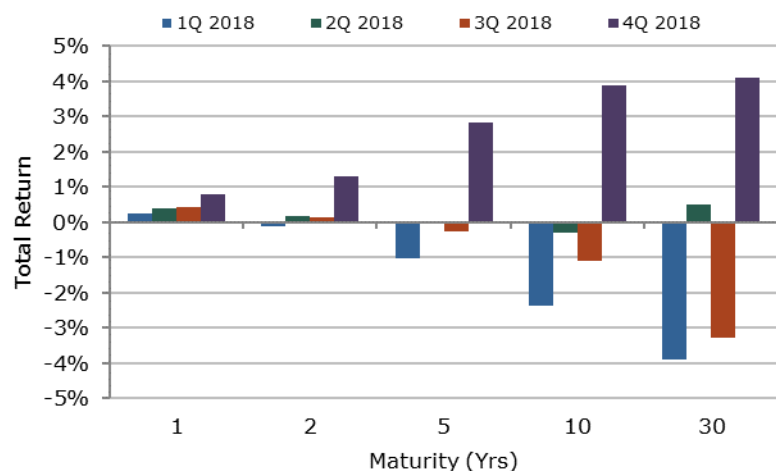
Treasury Yield Curve	12/31/2017	3/31/2018	6/30/2018	9/30/2018	12/31/2018
3 Month	1.39%	1.71%	1.92%	2.21%	2.45%
6 Month	1.53%	1.92%	2.08%	2.37%	2.48%
1 Year	1.73%	2.08%	2.32%	2.57%	2.60%
2 Year	1.89%	2.27%	2.53%	2.82%	2.50%
5 Year	2.19%	2.57%	2.73%	2.95%	2.51%
10 Year	2.41%	2.74%	2.85%	3.06%	2.69%
30 Year	2.74%	2.97%	2.98%	3.20%	3.02%

Source: Bloomberg Barclays

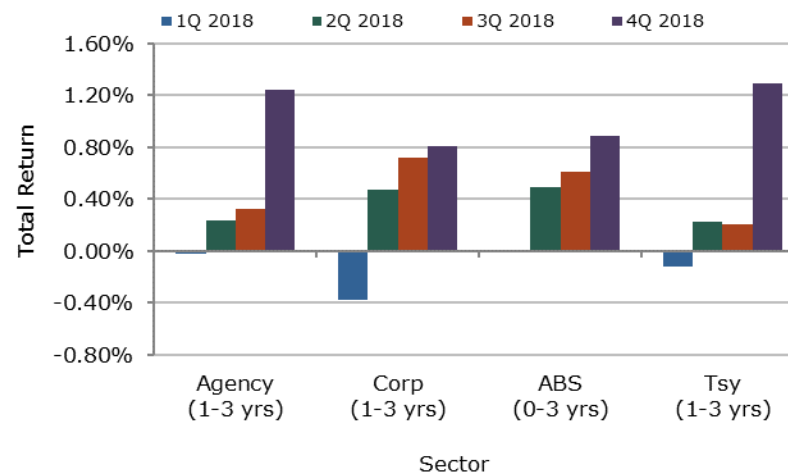
Short duration review

December 31, 2018

Total Return by Maturity



Total Return by Sector



Total Return by Maturity	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
1	0.01%	0.25%	0.40%	0.41%	0.78%
2	-0.34%	-0.14%	0.18%	0.15%	1.30%
5	-0.71%	-1.03%	-0.05%	-0.26%	2.83%
10	-0.28%	-2.39%	-0.30%	-1.10%	3.86%
30	3.00%	-3.89%	0.51%	-3.27%	4.11%

Total Return by Sector	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
Agency (1-3 yrs)	-0.19%	-0.02%	0.23%	0.33%	1.25%
Corporate (1-3 yrs)	-0.02%	-0.38%	0.47%	0.72%	0.81%
Asset Backed (0-3 yrs)	0.18%	0.01%	0.49%	0.61%	0.88%
Treasury (1-3 yrs)	-0.25%	-0.12%	0.22%	0.20%	1.29%

Source: Bloomberg Barclays, ICE BofAML

Economic summary

December 31, 2018

Growth:	consumption strong, but business investment has lagged
Employment:	labor market remains firm
Inflation:	core inflation is stable
Monetary:	still a divergence between the Fed's dot plot and the market
Fiscal:	gridlock means continuation of status quo
International:	trade war still the primary risk

Market summary & outlook – Enhanced cash

Market summary & outlook

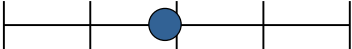




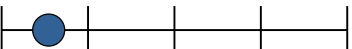
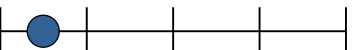
Sector	Target Allocation*	Comments:
Duration and Yield Curve		Enhanced cash strategies are positioned neutral relative to benchmarks given the attractiveness of the very front-end of the yield curve.
Government related		Sovereign, Supranational and Foreign Agencies (SSAs) continue to offer value for high quality, constrained accounts. Agencies are fair, but bid/ask spreads remain wide for smaller issues. Limit investments to large, benchmark issues.
Corporate		The consumer is strong and supportive of corporate earnings but we are cautious on companies stretching their borrowing capacity at this point in the economic cycle. Sectors which have been through challenging operating environments and have stronger fundamentals including banks and energy companies remain among our favorite sectors. FRNs underperformed their fixed counterpart significantly, but will continue to be part of portfolios as LIBOR will continue to increase alongside front-end rates.
Commercial Paper		Following the December rate hike and year-end technical issues, look to invest a large number of early January maturities in slightly longer tenors and at higher levels. With steepness in the very front of the yield curve, 1mo to 12mo, there are opportunities. A-2/P-2 rated issuers with stable short-term credit outlooks remain attractive despite spread compression versus A-1/P-1 issuers.
ABS		ABS remains an attractive, high-quality, low-risk asset class with better liquidity than other risk asset sectors. For portfolios with a lower risk tolerance, stay in the more liquid sectors such as bank credit cards and prime auto loans/leases and stay up in the credit structure. For those portfolios with a higher risk tolerance, consider subordinate tranches of prime auto deals, foreign credit card bank deals and select benchmark subprime issuers.
Municipals**		The SIFMA (floating-rate) index at 1.71% is 68% of 1 month LIBOR, matching the long-term average. Year-end balance sheet pressures is expected to force SIFMA higher, however the continued flight-to-quality may prompt investors to take shelter in the front-end of the yield curve, keeping rates fairly stable.

*Target allocations applicable to an account with 3.25 year maximum maturity, 1 year maximum duration and limited credit rating constraints.

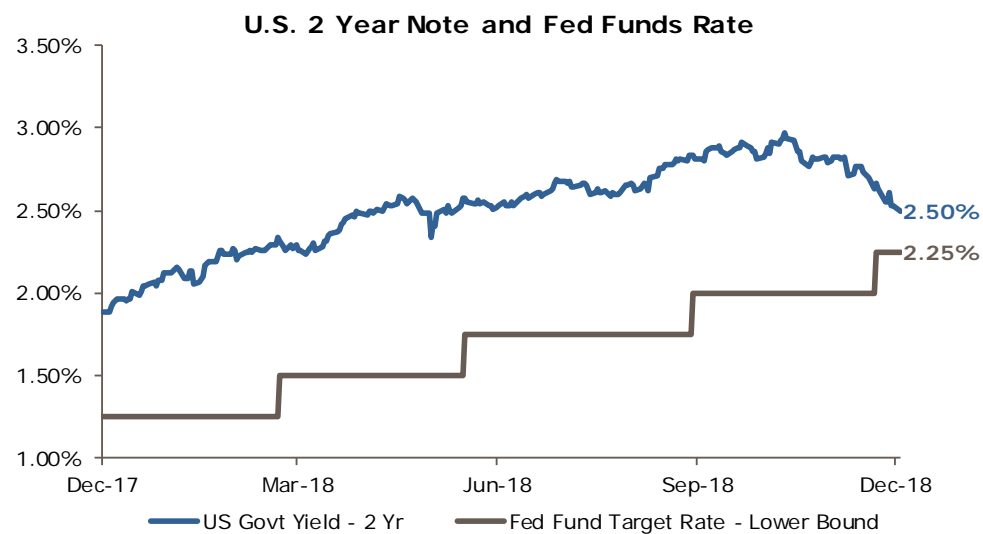
**Allocation applies to tax-advantaged crossover accounts in lieu of taxable alternatives.

Market summary & outlook – Limited duration

Market summary & outlook

Sector	Underweight	Neutral	Overweight	Comments:
Duration and Yield Curve				Portfolios in the 1-3 year and 1-5 year strategies are modestly short (-0.10) their benchmark durations. We do not expect the Fed is done raising rates despite Fed Funds Futures currently not fully pricing-in any hikes in 2019.
Government related				Sovereign, Supranational and Foreign Agencies (SSAs) continue to offer value for high quality or constrained accounts. Agencies are fair, but bid/ask spreads remain wide for smaller issues. Limit investments to large, benchmark issues.
Corporate				The consumer is strong and supportive of corporate earnings but we are cautious on companies stretching their borrowing capacity at this point in the economic cycle. Sectors which have been through challenging operating environments and have stronger fundamentals including banks and energy companies remain among our favorite sectors.
Agency CMO/MBS				The combination of the Federal Reserve reducing its mortgage reinvestment by \$20 billion per month and the increase in volatility have made mortgage levels attractive relative to agency and SSA alternatives.
ABS				ABS remains an attractive, high-quality, low-risk asset class with better liquidity than other risk asset sectors. For portfolios with a lower risk tolerance, stay in the more liquid sectors such as bank credit cards and prime auto loans/leases and stay up in the credit structure. For those portfolios with a higher risk tolerance, consider subordinate tranches of prime auto deals, foreign credit card bank deals and select benchmark subprime issuers.
CMBS				We recommend staying higher up in the capital structure particularly when purchasing CMBS 2.0 and 3.0 deals to mitigate any credit and liquidity concerns. New issue supply in the front end will continue to be very limited.
Municipals				Based on higher demand, 1-, 3-, and 5-year muni/Treasury ratios have receded from their annual averages. Despite their low nominal yields, municipals remain attractive for high tax-bracket investors. Taxable securities are more attractive for crossover buyers at current yield ratios.

Treasury and duration



Source: Factset, Wells Fargo Asset Management

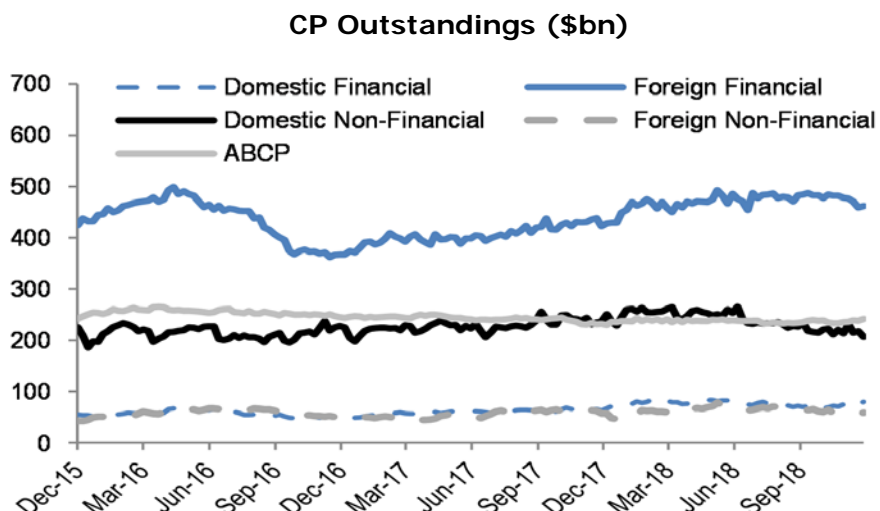
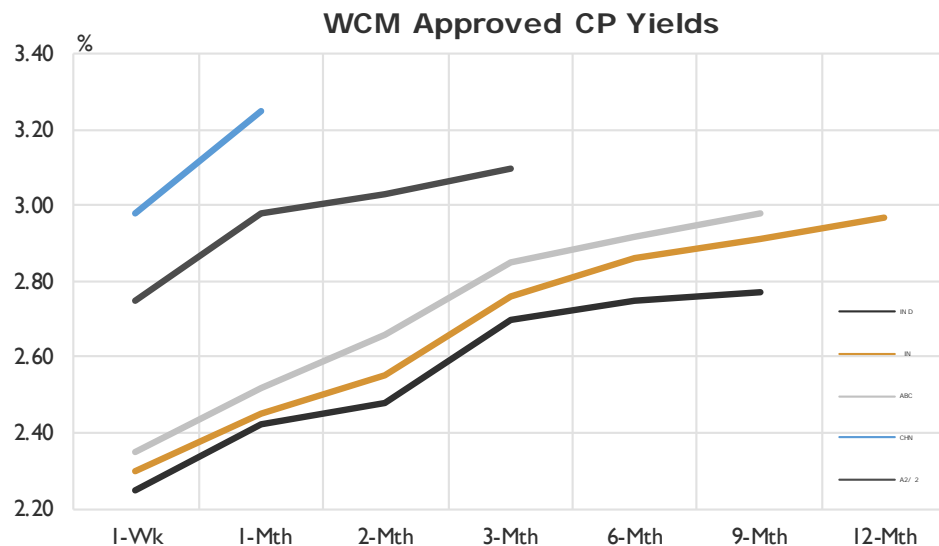
Review & Commentary

- The 2 year Treasury Note yield ended the month 30 bps lower and is currently yielding 2.50%. The 2 year/ 5 year curve inverted for a period during the month; it is currently 1 bp.
- The FOMC met on December 19 and raised the Fed Funds rate by 25 bps to a range of 2.25% - 2.50%. The accompanying statement was considered dovish with the addition of a new phrase, "but will continue to monitor global economic and financial developments and assess their implications for the economic outlook." The dot plot dropped median expected hikes in 2019 from three to two, in 2020 from two to one and in 2021 from one to zero.
- The Fed's balance sheet normalization program continues and holdings of both U.S Treasury and Agency Mortgage securities are gradually being reduced. The impact of this program is now full phased-in. The Fed's securities portfolio has decreased by nearly \$300bn to \$4.1tn.

Strategy

- Portfolios in the 1-3 year and 1-5 year strategies are modestly short relative to benchmark durations. We do not expect the Fed is done raising rates despite Fed Funds Futures currently not fully pricing-in any hikes in 2019.
- Enhanced cash strategies are positioned neutral relative to benchmarks given the attractiveness of the front-end of the yield curve.
- In the short-term, we believe the curve can re-steepen from these levels if rates move higher. Ultimately, however, the curve will remain relatively flat as the Fed tightens monetary policy.

Money market instruments



Source: JPMorgan, Bloomberg, Wells Capital Management

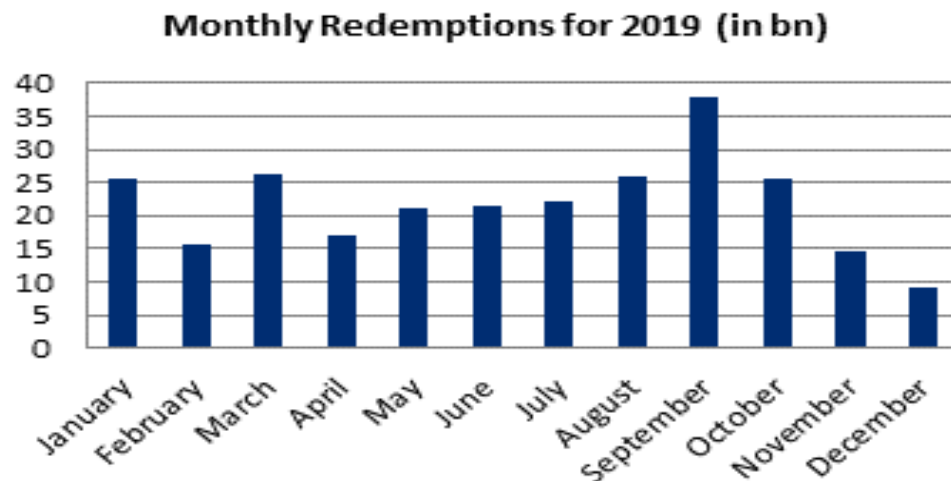
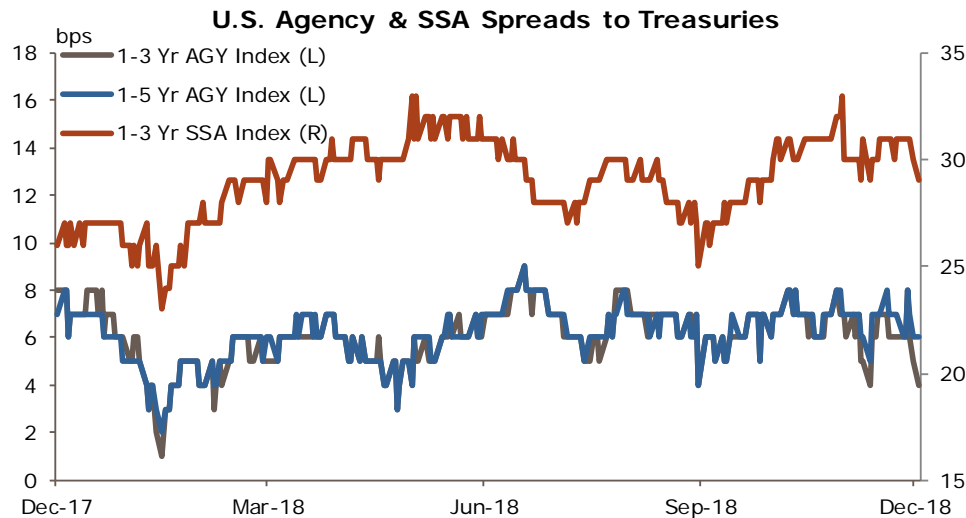
Review & Commentary

- Banks issuing CP/CDs were focused on securing funding over year-end during the beginning of the month with an estimated 86% of their CP/CD outstanding (fixed and floating) already set to mature in 2019 by mid-December. That compares to 80% at the same time last year.
- U.S. money markets were thrown into a little bit of a whirlwind mid-month with the unanticipated remembrance day for President Bush. Investors withdrew ~\$50bn from government MMFs the day before, marking the single largest day of outflows since money market reform. This created some disruption to front-end repo and CP/CD rates.
- Interest rate benchmark reform appears ahead of schedule as there continues to be notable SOFR-based FRN issuance, especially in money market tenors. Expect to see increased SOFR-based securities and swaps in 2019.

Strategy

- Following the December rate hike and year-end technical issues, we will look to invest a large number of early January maturities in slightly longer tenors and at higher levels.
- With the steepness in the very front-end of the yield curve, 1mo to 12mos, there are select opportunities to be found in short corporates, offering relative value over commercial paper in certain tenors and issuers.
- Select A-2/P-2 rated issuers with stable short-term credit outlooks remain attractive despite spread compression versus A-1/P-1 rated issuers. A-2/P-2 rated issuers are skewed toward industrial issuers.

U.S. agencies and sovereign, supranational, and foreign agencies (SSAs)



Source: Factset, ICE BofA Merrill Lynch, Wells Capital Management

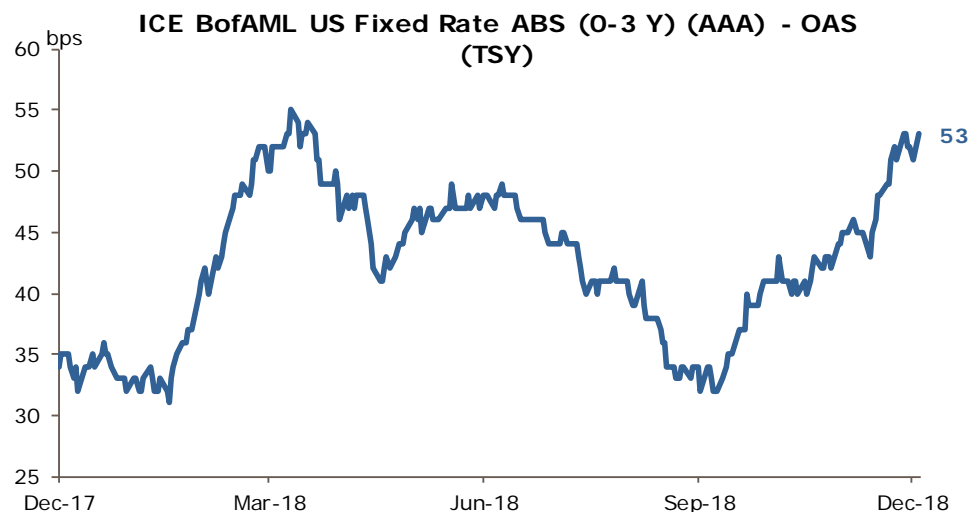
Review & Commentary

- SSAs are fairly valued and continue to represent value for high quality and constrained accounts. SSA yield spreads over Treasuries and Agencies of 20-27 offer value for high quality, constrained accounts.
- SSA yield spreads have widened out marginally from the tights seen this summer, in line with the overall credit markets. Risks around Italian politics, Brexit, and global trade tensions remain and could lead to spread widening, but ultimately spreads should stay in a relatively narrow range with supportive net supply and higher nominal yields.
- U.S. Agency excess returns in December were +5 bps for both the ICE BAML 1-3 year index and 1-5 year index and +21 and +17 for 2018, respectively.
- Agencies are fairly valued. Bid/ask spreads remain wide for smaller issues.

Strategy

- U.S. Agency valuations range from fair to rich. Bid/ask spreads for off-the-run issues can be as wide as 6 bps. Limit investments to large, benchmark issues.
- Implicitly guaranteed issuers are favored over explicitly guaranteed issuers for the additional yield advantage over Treasuries.
- SSAs shorter than 3 years do not benefit from roll-down in yield spreads to Treasuries. Index managers typically sell 1-year bonds, which makes 1-year and shorter secondary offerings the most attractive.

Asset-backed securities



Review & commentary

- 2018 issuance was \$242bn vs \$231bn YTD in 2017. Auto and esoteric subsectors have the largest issuance increases while Credit Card issuance is down \$12bn.
- Manheim Used Vehicle Index for December 2018 came in at 139.0, just lower than the record high of 140.9 from last month. The latest reading is well above the 20 year average of 117.5 and recession low of 98.0 in December 2008.
- Yield spreads are +17 wider (OAS) from recent tights.
- Consumer credit risk is stable with household leverage declining.

2017-2018 U.S. Issuance by sector

Sector	2018	2017
Auto	114,053	104,499
Credit Cards	35,845	48,235
Equipment	14,269	12,219
Student Loans	18,418	15,561
Esoteric	59,405	50,594
Total	241,990	231,109

Strategy

- Overweight ABS relative to short non-financial corporates. ABS provides a better risk-adjusted return profile in a large investable universe of bonds with good liquidity.
- Prime auto lease collateral provides incremental yield with manageable risk. Residual values remain high.
- Benchmark subprime issuers (SDART/AMCAR) provide spread, stable credit trends, and a proven track record. Avoid other subprime issuers.
- Subordinated tranches of auto deals provide additional spread with potential for ratings upgrades over time as deals de-lever.
- Canadian and UK bank credit cards are cheaper than offerings from US money center banks without additional risk. Avoid issuance from retail receivables.

Source: MUFG, Factset, ICE BofA Merrill Lynch, Wells Fargo Asset Management

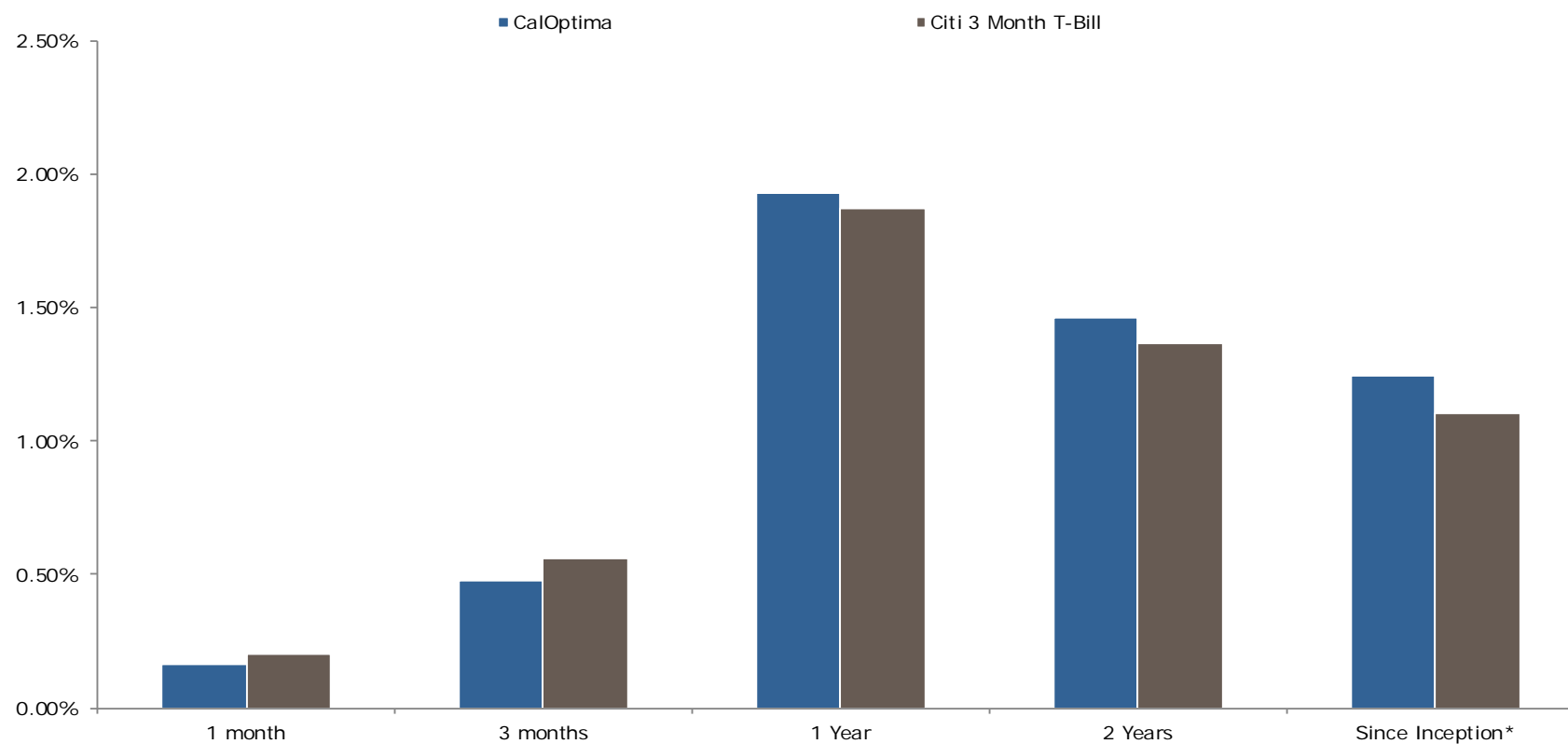
CalOptima

Performance summary

As of December 31, 2018

	1 month	3 months	1 Year	2 Years	Since Inception*
CalOptima	0.16%	0.48%	1.93%	1.46%	1.25%
Citi 3 Month T-Bill	0.20%	0.56%	1.87%	1.36%	1.11%

Returns are presented gross of management fees. Returns for periods greater than one year are annualized.

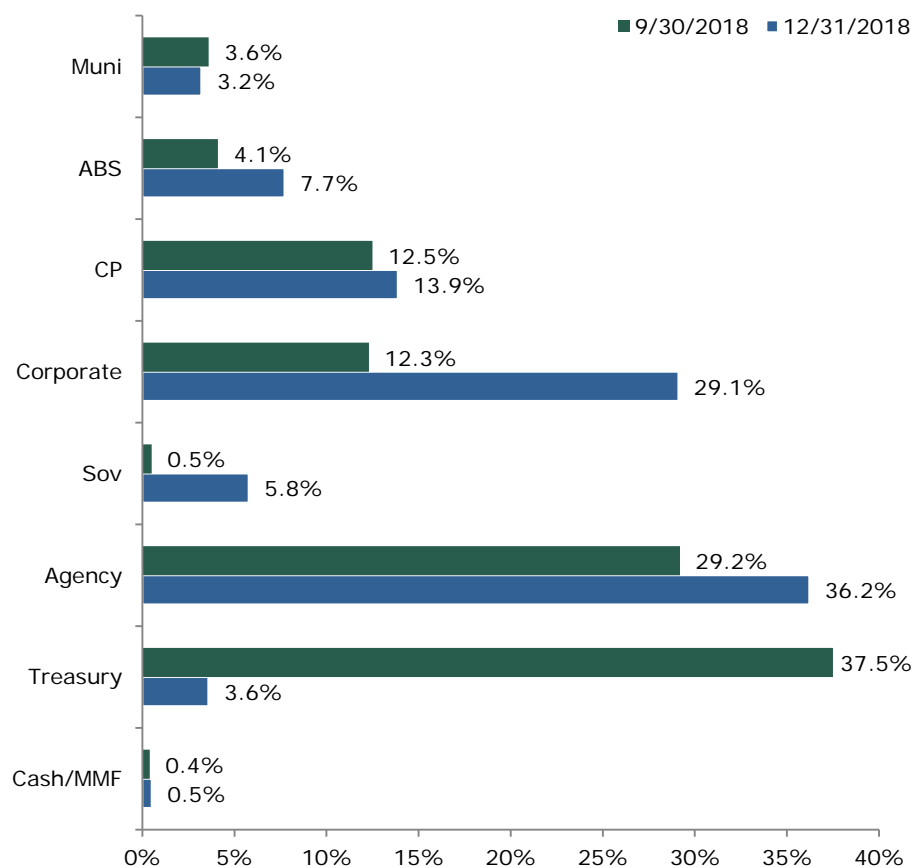


*Inception Date is May 3, 2016
Source: Clearwater

Portfolio changes

As of December 31, 2018

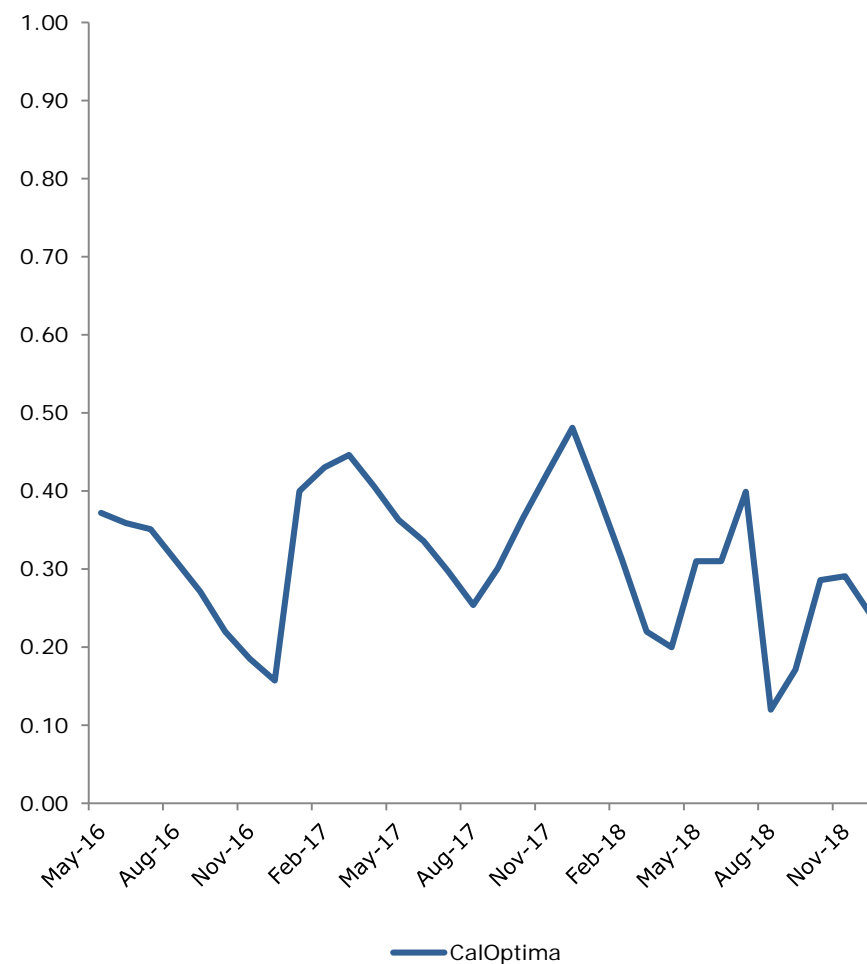
Allocation over time



	12/31/2018	9/30/2018	Change
Market Value	\$249,068,766	\$256,428,154	-\$7,359,389

Source: Clearwater

Duration



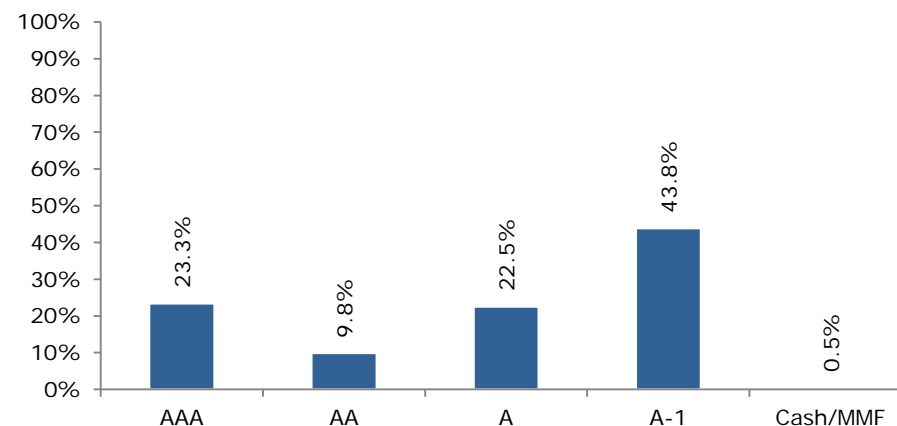
Portfolio summary

As of December 31, 2018

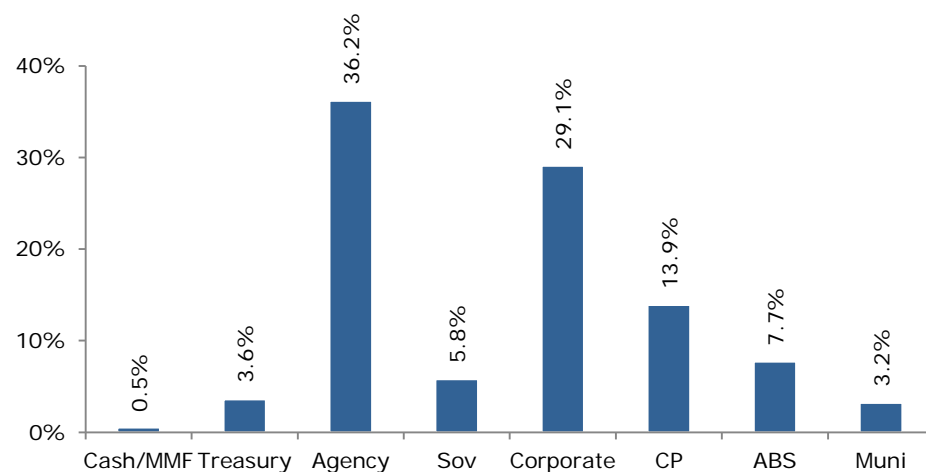
Characteristics

Name	CalOptima
Market Value (\$)	\$249,068,765.61
Average Effective Maturity (yrs)	0.66
Duration	0.24
Purchase Yield (%)	2.55
Current Market Yield (%)	2.68
Average Quality	AA

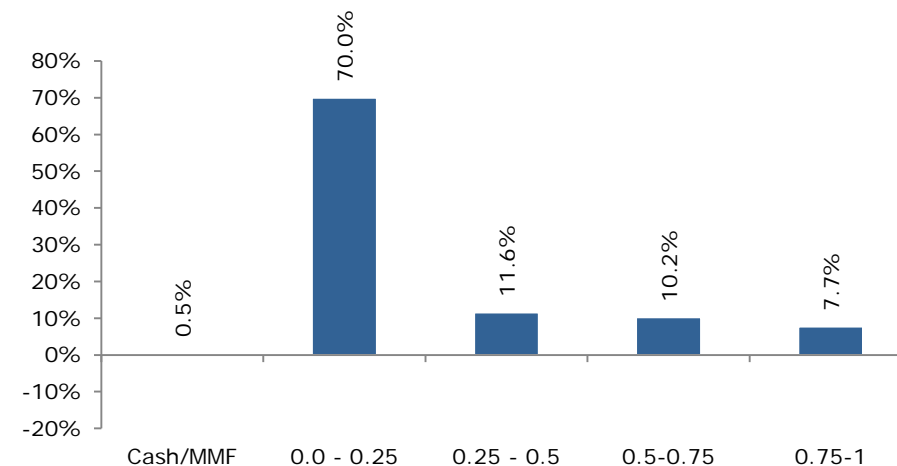
Credit quality



Security type



Duration



Source: Clearwater

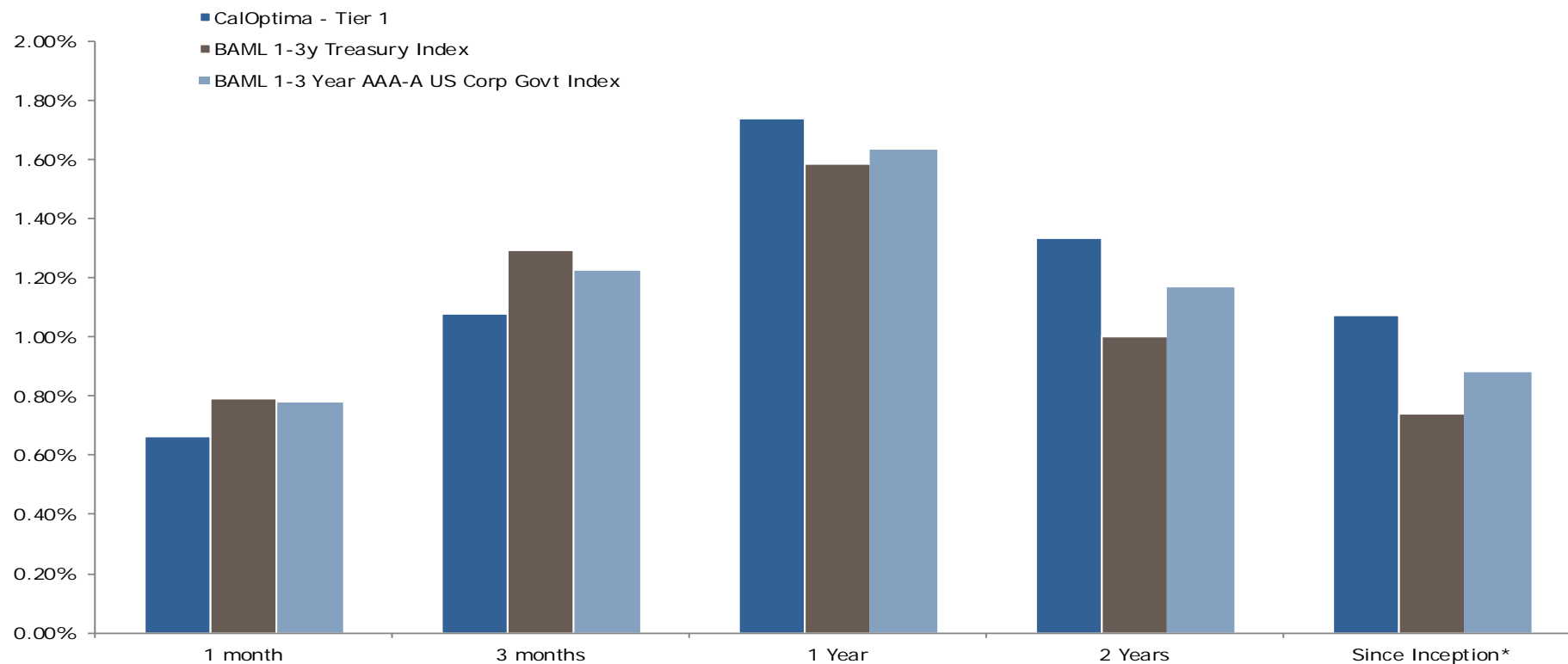
CalOptima – Tier 1

Performance summary

As of December 31, 2018

	1 month	3 months	1 Year	2 Years	Since Inception*
CalOptima - Tier 1	0.66%	1.08%	1.74%	1.33%	1.07%
BAML 1-3y Treasury Index	0.79%	1.29%	1.58%	1.00%	0.74%
BAML 1-3 Year AAA-A US Corp Govt Index	0.78%	1.23%	1.64%	1.17%	0.88%

Returns are presented gross of management fees. Returns for periods greater than one year are annualized.



* Inception Date is May 3, 2016
Source: Clearwater

Performance attribution

Performance Attribution - BAML 1-3 yr Treasury Index			
(In basis points)	4Q 2018	1 Year	Since Inception*
Duration	-11	2	6
Curve			
Sector Selection			
Agency	0	3	7
Corporate			
Financial	-4	4	26
Industrial	-2	2	17
Utilities	0	0	2
MBS			
CMBS			
ABS	-3	-3	10
Municipal	-1	3	10
Error Factor	0	5	9
Total Contribution	-21	16	87
((Strategy)) Return	108	174	294
((Benchmark)) Return	129	158	207
*Since inception date of 6/1/16, unannualized			

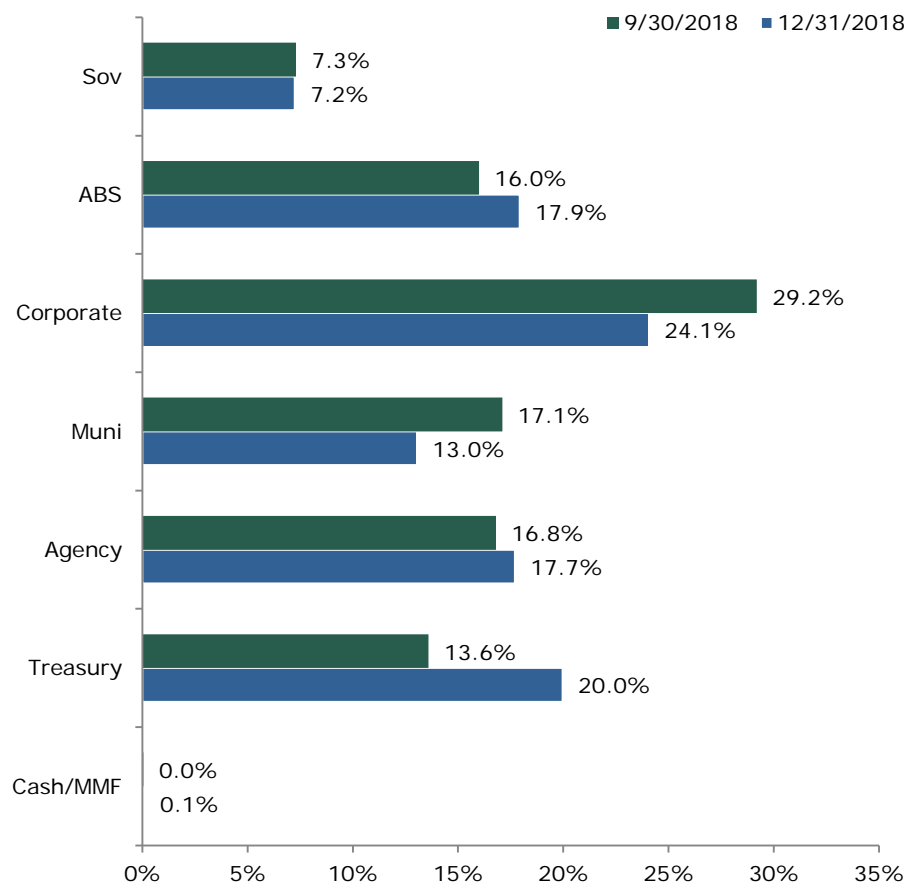
Performance attribution

Performance Attribution - BAML 1-3 yr AAA - A US Corp & Govt Index			
(In basis points)	4Q 2018	1 Year	Since Inception*
Duration	-10	6	13
Curve			
Sector Selection			
Agency	0	0	2
Corporate			
Financial	-1	1	17
Industrial	0	1	3
Utilities	0	0	0
MBS			
CMBS			
ABS	-3	-4	5
Municipal	0	2	4
Error Factor	-1	4	2
Total Contribution	-15	10	46
((Strategy)) Return	108	174	294
((Benchmark)) Return	123	164	248
*Since inception date of 6/1/16, unannualized			

Portfolio changes

As of December 31, 2018

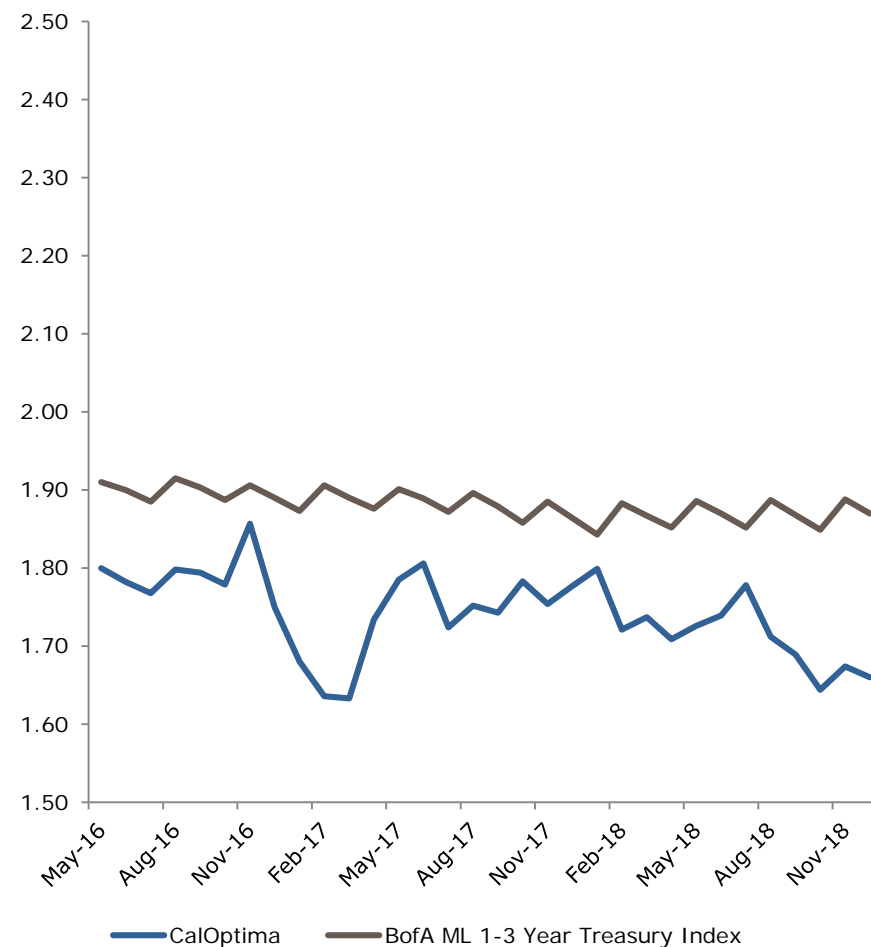
Allocation over time



	12/31/2018	9/30/2018	Change
Market Value	\$148,838,193	\$147,252,243	\$1,585,950

Source: Clearwater

Duration



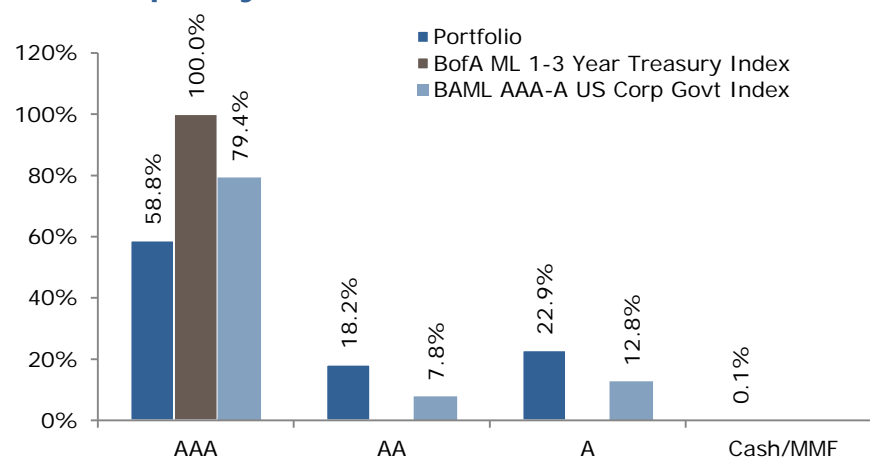
Index comparison

As of December 31, 2018

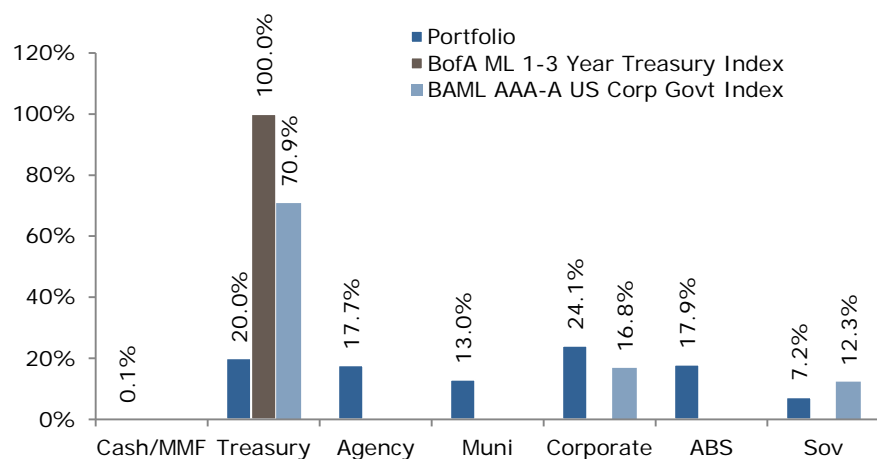
Characteristics

Name	CalOptima – Tier 1	BofA ML 1-3 Year Treasury Index	BAML AAA- A US Corp Govt Index
Market Value (\$)	148,838,193	---	---
Average Effective Maturity (yrs)	1.71	1.95	1.88
Duration	1.66	1.87	1.80
Purchase Yield (%)	2.25	---	---
Current Market Yield (%)	2.81	2.53	2.67
Average Quality	AA+	AAA	AAA

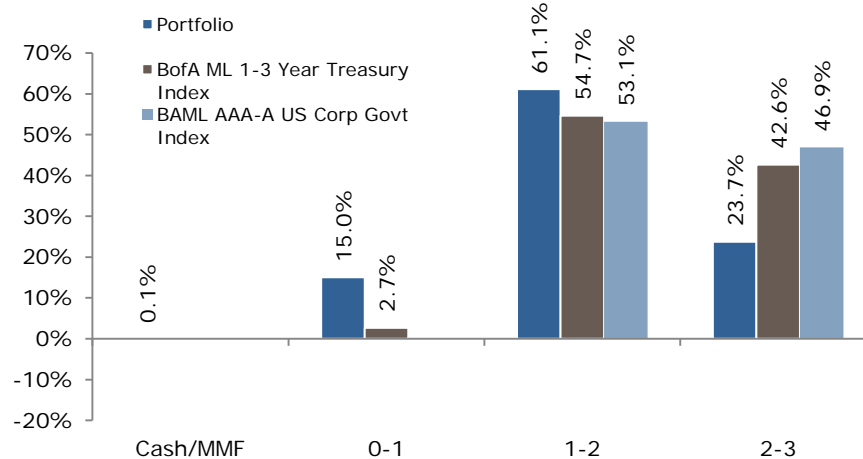
Credit quality



Security type



Duration



Source: Clearwater



CalOptima
Better. Together.

Financial Summary

October 2018

Greg Hamblin
Chief Financial Officer

FY 2018-19: Consolidated Enrollment

- October 2018 MTD:

- Overall enrollment was 772,846 member months

- Actual lower than budget 11,502 or 1.5%

- Medi-Cal: unfavorable variance of 11,367 members

- Temporary Assistance for Needy Families (TANF) unfavorable variance of 6,087 members

- Medi-Cal Expansion (MCE) unfavorable variance of 4,579 members

- Seniors and Persons with Disabilities (SPD) unfavorable variance of 648 members

- Long-Term Care (LTC) unfavorable variance of 53 members

- OneCare Connect: unfavorable variance of 214 members

- 1,594 decrease from prior month

- Medi-Cal: decrease of 1,610 from September

- OneCare Connect: decrease of 16 from September

- OneCare: increase of 29 from September

- PACE: increase of 3 from September

FY 2018-19: Consolidated Enrollment (cont.)

- October 2018 YTD:

- Overall enrollment was 3,101,661 member months
 - Actual lower than budget 37,362 members or 1.2%
 - Medi-Cal: unfavorable variance of 36,915 members or 1.2%
 - TANF unfavorable variance of 19,369 members
 - MCE unfavorable variance of 15,682 members
 - SPD unfavorable variance of 1,573 members
 - LTC unfavorable variance of 291 members
 - OneCare Connect: unfavorable variance of 717 members or 1.2%
 - OneCare: favorable variance of 257 members or 4.9%
 - PACE: favorable variance of 13 members or 1.2%

FY 2018-19: Consolidated Revenues

- October 2018 MTD:
 - Actual lower than budget \$6.0 million or 2.2%
 - Medi-Cal: unfavorable to budget \$2.5 million or 1.0%
 - Unfavorable volume variance of \$3.7 million
 - Favorable price variance of \$1.2 million
 - OneCare Connect: unfavorable to budget \$3.4 million or 13.5%
 - Unfavorable volume variance of \$0.4 million
 - Unfavorable price variance of \$3.0 million due to Centers for Medicare & Medicaid Services (CMS) calendar year (CY) 2017 Part D true-up
 - OneCare: unfavorable to budget \$188.3 thousand or 11.7%
 - Favorable volume variance of \$97.2 thousand
 - Unfavorable price variance of \$285.5 thousand
 - PACE: favorable to budget \$37.1 thousand or 1.8%
 - Unfavorable volume variance of \$7.2 thousand
 - Favorable price variance of \$44.3 thousand

FY 2018-19: Consolidated Revenues (cont.)

- October 2018 YTD:
 - Actual lower than budget \$6.9 million or 0.6%
 - Medi-Cal: unfavorable to budget \$6.3 million or 0.6%
 - Unfavorable volume variance of \$11.9 million
 - Favorable price variance of \$5.6 million due to:
 - \$4.7 million of FY18 LTC revenue from non-LTC aid codes
 - \$4.0 million of FY18 Coordinated Care Initiative (CCI) revenue
 - \$1.7 million of FY18 Hepatitis C revenue
 - (\$5.6) million of FY19 non-LTC revenue from non-LTC aid codes

FY 2018-19: Consolidated Revenues (cont.)

- October 2018 YTD:
 - OneCare Connect: favorable to budget \$0.4 million or 0.4%
 - Unfavorable volume variance of \$1.2 million due to enrollment adjustment
 - Favorable price variance of \$1.6 million related to 2016 Quality Withhold payback
 - OneCare: Unfavorable to budget \$1.2 million or 19.4%
 - Favorable volume variance of \$0.3 million
 - Unfavorable price variance of \$1.5 million due to CY 2015 risk adjustment
 - PACE: favorable to budget \$0.3 million or 3.2%
 - Favorable volume variance of \$0.1 million
 - Favorable price variance of \$0.2 million

FY 2018-19: Consolidated Medical Expenses

- October 2018 MTD:

- Actual lower than budget \$5.6 million or 2.1%
 - Medi-Cal: favorable variance of \$5.8 million
 - Favorable volume variance of \$3.5 million
 - Favorable price variance of \$2.3 million
 - Professional Claim expenses favorable variance of \$5.9 million due to Child Health and Disability Prevention Program (CHDP) and Proposition 56 expenses recorded in Provider Capitation, offset by Incurred But Not Reported (IBNR)
 - Managed Long Term Services and Supports (MLTSS) expenses favorable variance of \$2.1 million due to IBNR
 - Facilities expenses unfavorable variance of \$3.5 million due to higher crossover and outpatient claims
 - Provider Capitation expenses unfavorable variance of \$3.7 million due to Proposition 56 and CHDP expenses that were budgeted in Professional Claims
 - Prescription Drug expenses favorable variance of \$1.0 million

FY 2018-19: Consolidated Medical Expenses (cont.)

- October 2018 MTD:
 - OneCare Connect: favorable variance of \$42.7 thousand or 0.2%
 - Favorable volume variance of \$0.3 million
 - Unfavorable price variance of \$0.3 million
 - OneCare: unfavorable variance of \$196.2 thousand
 - PACE: unfavorable variance of \$20.5 thousand

FY 2018-19: Consolidated Medical Expenses (cont.)

- October 2018 YTD:

- Actual lower than budget \$12.7 million or 1.2%
 - Medi-Cal: favorable variance of \$11.6 million
 - Favorable volume variance of \$11.3 million
 - Favorable price variance of \$0.3 million
 - Professional Claim expenses favorable variance of \$20.2 million
 - Facilities expenses unfavorable variance of \$15.0 million
 - Provider Capitation expenses unfavorable variance of \$14.5 million
 - Prescription Drug expenses favorable variance of \$5.7 million
 - OneCare Connect: favorable variance of \$0.6 million
 - Favorable volume variance of \$1.2 million
 - Unfavorable price variance of \$0.6 million

- Medical Loss Ratio (MLR):

- October 2018 MTD: Actual: 96.2% Budget: 96.1%
- October 2018 YTD: Actual: 94.8% Budget: 95.3%

FY 2018-19: Consolidated Administrative Expenses

- October 2018 MTD:
 - Actual lower than budget \$2.8 million or 21.1%
 - Salaries, wages and benefits: favorable variance of \$1.5 million
 - Other categories: favorable variance of \$1.3 million
- October 2018 YTD:
 - Actual lower than budget \$10.7 million or 20.9%
 - Salaries, wages & benefits: favorable variance of \$5.6 million
 - Purchased Services: favorable variance of \$1.6 million
 - Other categories: favorable variance of \$3.5 million
- Administrative Loss Ratio (ALR):
 - October 2018 MTD: Actual: 3.8% Budget: 4.8%
 - October 2018 YTD: Actual: 3.7% Budget: 4.6%

FY 2018-19: Change in Net Assets

- October 2018 MTD:

- \$2.0 million surplus
- \$4.0 million favorable to budget
 - Lower than budgeted revenue of \$6.0 million
 - Lower than budgeted medical expenses of \$5.6 million
 - Lower than budgeted administrative expenses of \$2.8 million
 - Higher than budgeted investment and other income of \$1.6 million

- October 2018 YTD:

- \$25.6 million surplus
- \$23.4 million favorable to budget
 - Lower than budgeted revenue of \$6.9 million
 - Lower than budgeted medical expenses of \$12.7 million
 - Lower than budgeted administrative expenses of \$10.7 million
 - Higher than budgeted investment and other income of \$7.0 million

Enrollment Summary:

October 2018

Month-to-Date				Enrollment (By Aid Category)	Year-to-Date			
Actual	Budget	Variance	%		Actual	Budget	Variance	%
64,015	64,443	(428)	(0.7%)	Aged	255,311	256,428	(1,117)	(0.4%)
596	620	(24)	(3.9%)	BCCTP	2,458	2,480	(22)	(0.9%)
46,935	47,131	(196)	(0.4%)	Disabled	188,036	188,470	(434)	(0.2%)
310,181	315,152	(4,971)	(1.6%)	TANF Child	1,248,996	1,263,723	(14,727)	(1.2%)
93,667	94,783	(1,116)	(1.2%)	TANF Adult	376,566	381,208	(4,642)	(1.2%)
3,429	3,482	(53)	(1.5%)	LTC	13,571	13,862	(291)	(2.1%)
237,665	242,244	(4,579)	(1.9%)	MCE	951,154	966,836	(15,682)	(1.6%)
756,488	767,855	(11,367)	(1.5%)	Medi-Cal	3,036,092	3,073,007	(36,915)	(1.2%)
14,665	14,879	(214)	(1.4%)	OneCare Connect	58,882	59,599	(717)	(1.2%)
289	290	(1)	(0.3%)	PACE	1,134	1,121	13	1.2%
1,404	1,324	80	6.0%	OneCare	5,553	5,296	257	4.9%
772,846	784,348	(11,502)	(1.5%)	CalOptima Total	3,101,661	3,139,023	(37,362)	(1.2%)

Financial Highlights: October 2018

Month-to-Date			
Actual	Budget	\$ Budget	% Budget
772,846	784,348	(11,502)	(1.5%)
271,559,256	277,563,668	(6,004,413)	(2.2%)
261,188,770	266,806,639	5,617,869	2.1%
10,414,766	13,198,471	2,783,705	21.1%
(44,280)	(2,441,442)	2,397,161	98.2%
2,060,395	416,667	1,643,729	394.5%
2,016,115	(2,024,775)	4,040,890	199.6%
96.2%	96.1%	(0.1%)	
3.8%	4.8%	0.9%	
<u>(0.0%)</u>	<u>(0.9%)</u>	0.9%	
100.0%	100.0%		

	Year-to-Date			
	Actual	Budget	\$ Budget	% Budget
Member Months	3,101,661	3,139,023	(37,362)	(1.2%)
Revenues	1,098,337,086	1,105,278,324	(6,941,237)	(0.6%)
Medical Expenses	1,041,082,075	1,053,775,200	12,693,126	1.2%
Administrative Expenses	40,325,512	50,981,219	10,655,707	20.9%
Operating Margin	16,929,500	521,905	16,407,595	3143.8%
Non Operating Income (Loss)	8,681,339	1,666,667	7,014,672	420.9%
Change in Net Assets	25,610,839	2,188,572	23,422,267	1070.2%
Medical Loss Ratio	94.8%	95.3%	0.6%	
Administrative Loss Ratio	3.7%	4.6%	0.9%	
Operating Margin Ratio	1.5%	0.0%	1.5%	
Total Operating	100.0%	100.0%		

Consolidated Performance Actual vs. Budget: October 2018 (in millions)

MONTH-TO-DATE				YEAR-TO-DATE		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
5.1	(0.9)	6.0	Medi-Cal	19.8	5.0	14.8
(4.8)	(1.4)	(3.4)	OCC	(2.4)	(4.2)	1.8
(0.4)	(0.1)	(0.3)	OneCare	(1.3)	(0.3)	(1.0)
<u>0.0</u>	<u>(0.0)</u>	<u>0.1</u>	<u>PACE</u>	<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
(0.0)	(2.4)	2.4	Operating	16.9	0.5	16.4
<u>2.1</u>	<u>0.4</u>	<u>1.6</u>	<u>Inv./Rental Inc, MCO tax</u>	<u>8.7</u>	<u>1.7</u>	<u>7.0</u>
2.1	0.4	1.6	Non-Operating	8.7	1.7	7.0
2.0	(2.0)	4.0	TOTAL	25.6	2.2	23.4

Consolidated Revenue & Expense:

October 2018 MTD

	Medi-Cal Classic	Medi-Cal Expansion	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	518,823	237,665	756,488	14,665	1,404	289	772,846
REVENUES							
Capitation Revenue	\$ 136,091,545	\$ 110,454,091	\$ 246,545,636	\$ 21,457,919	\$ 1,419,685	\$ 2,136,015	\$ 271,559,256
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	<u>136,091,545</u>	<u>110,454,091</u>	<u>246,545,636</u>	<u>21,457,919</u>	<u>1,419,685</u>	<u>2,136,015</u>	<u>271,559,256</u>
MEDICAL EXPENSES							
Provider Capitation	35,418,123	50,629,882	86,048,005	11,226,570	401,588	-	97,676,163
Facilities	23,187,964	23,670,684	46,858,648	3,494,523	695,246	604,273	51,652,690
Ancillary	-	-	-	767,461	69,776	-	837,237
Professional Claims	16,925,328	6,136,746	23,062,074	-	-	367,045	23,429,118
Prescription Drugs	17,615,095	20,268,875	37,883,970	5,465,037	454,076	181,487	43,984,569
MLTSS	31,579,548	2,703,703	34,283,252	1,620,102	67,956	(1,808)	35,969,501
Medical Management	1,762,028	1,126,399	2,888,426	1,148,988	54,498	667,870	4,759,782
Quality Incentives	774,166	412,842	1,187,008	281,000	-	2,890	1,470,898
Reinsurance & Other	471,125	561,480	1,032,604	231,511	2,416	142,280	1,408,811
Total Medical Expenses	<u>127,733,376</u>	<u>105,510,610</u>	<u>233,243,986</u>	<u>24,235,190</u>	<u>1,745,557</u>	<u>1,964,037</u>	<u>261,188,770</u>
Medical Loss Ratio	93.9%	95.5%	94.6%	112.9%	123.0%	91.9%	96.2%
GROSS MARGIN	8,358,169	4,943,481	13,301,650	(2,777,271)	(325,872)	171,979	10,370,485
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			6,225,554	771,277	32,764	99,548	7,129,143
Professional fees			174,593	36,113	14,666	(259)	225,114
Purchased services			589,201	170,707	1,706	19,489	781,102
Printing & Postage			277,796	155,415	26,083	4	459,298
Depreciation & Amortization			366,624	-	-	2,072	368,695
Other expenses			1,106,600	46,538	-	5,187	1,158,325
Indirect cost allocation & Occupancy			(521,663)	798,228	11,794	4,731	293,089
Total Administrative Expenses			<u>8,218,705</u>	<u>1,978,277</u>	<u>87,013</u>	<u>130,771</u>	<u>10,414,766</u>
Admin Loss Ratio			3.3%	9.2%	6.1%	6.1%	3.8%
INCOME (LOSS) FROM OPERATIONS			5,082,945	(4,755,548)	(412,884)	41,207	(44,280)
INVESTMENT INCOME							2,063,843
TOTAL GRANT INCOME			(3,460)				(3,460)
OTHER INCOME			12				12
CHANGE IN NET ASSETS			<u>\$ 5,079,496</u>	<u>\$ (4,755,548)</u>	<u>\$ (412,884)</u>	<u>\$ 41,207</u>	<u>\$ 2,016,115</u>
BUDGETED CHANGE IN NET ASSETS			(936,963)	(1,394,773)	(75,250)	(34,456)	(2,024,775)
VARIANCE TO BUDGET - FAV (UNFAV)			<u>\$ 6,016,460</u>	<u>\$ (3,360,775)</u>	<u>\$ (337,635)</u>	<u>\$ 75,663</u>	<u>\$ 4,040,890</u>

Consolidated Revenue & Expense:

October 2018 YTD

	Medi-Cal Classic	Medi-Cal Expansion	Total Medi-Cal	OneCare Connect	OneCare	PACE	Consolidated
MEMBER MONTHS	2,084,938	951,154	3,036,092	58,882	5,553	1,134	3,101,661
REVENUES							
Capitation Revenue	\$ 541,401,572	\$ 443,446,402	\$ 984,847,974	\$ 99,980,885	\$ 5,128,686	\$ 8,379,541	\$ 1,098,337,086
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	<u>541,401,572</u>	<u>443,446,402</u>	<u>984,847,974</u>	<u>99,980,885</u>	<u>5,128,686</u>	<u>8,379,541</u>	<u>1,098,337,086</u>
MEDICAL EXPENSES							
Provider Capitation	143,031,220	200,904,160	343,935,379	46,689,127	1,235,988	-	391,860,494
Facilities	94,219,636	93,418,826	187,638,461	12,715,639	2,249,413	1,742,422	204,345,935
Ancillary	-	-	-	2,358,108	134,180	-	2,492,289
Professional Claims	65,406,859	25,797,795	91,204,654	-	-	1,640,000	92,844,654
Prescription Drugs	69,386,432	78,965,277	148,351,710	21,709,616	1,759,718	616,270	172,437,313
MLTSS	129,853,861	11,415,297	141,269,158	5,746,459	382,863	(843)	147,397,637
Medical Management	7,863,982	3,957,989	11,821,970	4,382,288	220,949	2,390,406	18,815,614
Quality Incentives	3,090,272	1,630,697	4,720,968	1,122,480	-	11,340	5,854,788
Reinsurance & Other	2,096,792	1,328,466	3,425,258	917,926	20,278	669,889	5,033,352
Total Medical Expenses	<u>514,949,052</u>	<u>417,418,506</u>	<u>932,367,558</u>	<u>95,641,643</u>	<u>6,003,390</u>	<u>7,069,483</u>	<u>1,041,082,075</u>
Medical Loss Ratio	95.1%	94.1%	94.7%	95.7%	117.1%	84.4%	94.8%
GROSS MARGIN	26,452,520	26,027,896	52,480,416	4,339,242	(874,704)	1,310,059	57,255,012
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			23,472,993	3,036,889	120,676	374,449	27,005,008
Professional fees			680,879	103,003	58,667	77	842,625
Purchased services			2,504,511	722,515	52,033	43,704	3,322,763
Printing & Postage			1,177,872	279,916	31,701	21,082	1,510,570
Depreciation & Amortization			1,564,414	-	-	8,294	1,572,708
Other expenses			4,475,742	172,658	60	4,460	4,652,920
Indirect cost allocation & Occupancy			(1,182,313)	2,470,410	116,689	14,133	1,418,918
Total Administrative Expenses			<u>32,694,097</u>	<u>6,785,391</u>	<u>379,825</u>	<u>466,199</u>	<u>40,325,512</u>
Admin Loss Ratio			3.3%	6.8%	7.4%	5.6%	3.7%
INCOME (LOSS) FROM OPERATIONS			19,786,318	(2,446,149)	(1,254,529)	843,860	16,929,500
INVESTMENT INCOME							8,684,208
TOTAL GRANT INCOME			(3,460)				(3,460)
OTHER INCOME			592				592
CHANGE IN NET ASSETS			<u>\$ 19,783,450</u>	<u>\$ (2,446,149)</u>	<u>\$ (1,254,529)</u>	<u>\$ 843,860</u>	<u>\$ 25,610,839</u>
BUDGETED CHANGE IN NET ASSETS			4,994,353	(4,229,547)	(273,721)	30,820	2,188,572
VARIANCE TO BUDGET - FAV (UNFAV)			<u>\$ 14,789,096</u>	<u>\$ 1,783,398</u>	<u>\$ (980,808)</u>	<u>\$ 813,040</u>	<u>\$ 23,422,267</u>

Balance Sheet:

As of October 2018

ASSETS

Current Assets	
Operating Cash	\$486,792,772
Investments	459,590,795
Capitation receivable	284,939,880
Receivables - Other	23,150,656
Prepaid expenses	5,101,655
Total Current Assets	1,259,575,759
Capital Assets	
Furniture & Equipment	34,328,849
Building/Leasehold Improvements	8,506,283
505 City Parkway West	49,743,943
	92,579,074
Less: accumulated depreciation	(43,305,932)
Capital assets, net	49,273,142
Other Assets	
Restricted Deposit & Other	300,000
Board-designated assets	
Cash and Cash Equivalents	9,188,384
Long-term Investments	531,840,438
Total Board-designated Assets	541,028,822
Total Other Assets	541,328,822
TOTAL ASSETS	1,850,177,723
Deferred Outflows	
Pension Contributions	953,907
Difference in Experience	1,365,903
Excess Earnings	1,017,387
Changes in Assumptions	7,795,853
TOTAL ASSETS & DEFERRED OUTFLOWS	1,861,310,773

LIABILITIES & FUND BALANCES

Current Liabilities	
Accounts Payable	\$13,692,368
Medical Claims liability	785,374,925
Accrued Payroll Liabilities	12,986,908
Deferred Revenue	86,238,097
Deferred Lease Obligations	95,382
Capitation and Withholds	122,420,262
Total Current Liabilities	1,020,807,942
Other (than pensions) post employment benefits liability	25,058,410
Net Pension Liabilities	24,772,635
Bldg 505 Development Rights	100,000
TOTAL LIABILITIES	1,070,738,987
Deferred Inflows	
Change in Assumptions	3,329,380
TNE	83,204,015
Funds in Excess of TNE	704,038,391
Net Assets	787,242,406
TOTAL LIABILITIES & FUND BALANCES	1,861,310,773

Board Designated Reserve and TNE Analysis

As of October 2018

Type	Reserve Name	Market Value	Benchmark		Variance	
			Low	High	Mkt - Low	Mkt - High
	Tier 1 - Payden & Rygel	148,122,642				
	Tier 1 - Logan Circle	147,939,189				
	Tier 1 - Wells Capital	147,420,805				
Board-designated Reserve						
		443,482,636	312,678,371	482,342,251	130,804,265	(38,859,615)
TNE Requirement	Tier 2 - Logan Circle	97,546,186	83,204,015	83,204,015	14,342,171	14,342,171
	Consolidated:	541,028,823	395,882,386	565,546,266	145,146,436	(24,517,443)
	<i>Current reserve level</i>	<i>1.91</i>	<i>1.40</i>	<i>2.00</i>		





UNAUDITED FINANCIAL STATEMENTS

October 2018

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**CalOptima - Consolidated
Financial Highlights
For the Four Months Ended October 31, 2018**

Month-to-Date			
Actual	Budget	\$ Budget	% Budget
772,846	784,348	(11,502)	(1.5%)
271,559,256	277,563,668	(6,004,413)	(2.2%)
261,188,770	266,806,639	5,617,869	2.1%
10,414,766	13,198,471	2,783,705	21.1%
(44,280)	(2,441,442)	2,397,161	98.2%
2,060,395	416,667	1,643,729	394.5%
2,016,115	(2,024,775)	4,040,890	199.6%
96.2%	96.1%	(0.1%)	
3.8%	4.8%	0.9%	
<u>(0.0%)</u>	<u>(0.9%)</u>	0.9%	
100.0%	100.0%		

Member Months
Revenues
Medical Expenses
Administrative Expenses

Operating Margin

Non Operating Income (Loss)

Change in Net Assets

Medical Loss Ratio
Administrative Loss Ratio
Operating Margin Ratio
Total Operating

Year-to-Date			
Actual	Budget	\$ Budget	% Budget
3,101,661	3,139,023	(37,362)	(1.2%)
1,098,337,086	1,105,278,324	(6,941,237)	(0.6%)
1,041,082,075	1,053,775,200	12,693,126	1.2%
40,325,512	50,981,219	10,655,707	20.9%
16,929,500	521,905	16,407,595	3143.8%
8,681,339	1,666,667	7,014,672	420.9%
25,610,839	2,188,572	23,422,267	1070.2%
94.8%	95.3%	0.6%	
3.7%	4.6%	0.9%	
<u>1.5%</u>	<u>0.0%</u>	1.5%	
100.0%	100.0%		

**CalOptima - Consolidated
Financial Dashboard
For the Four Months Ended October 31, 2018**

MONTH - TO - DATE

Enrollment					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	756,488	767,855	↓	(11,367)	(1 5%)
OneCare Connect	14,665	14,879	↓	(214)	(1 4%)
OneCare	1,404	1,324	↑	80	6 0%
PACE	289	290	↓	(1)	(0 3%)
Total	772,846	784,348	↓	(11,502)	(1 5%)

Change in Net Assets (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 5,079	\$ (937)	↑	\$ 6,016	642 0%
OneCare Connect	(4,756)	(1,395)	↓	(3,361)	(240 9%)
OneCare	(413)	(75)	↓	(338)	(450 7%)
PACE	41	(34)	↑	75	220 6%
505 Bldg	-	-	↑	-	0 0%
Investment Income & Other	2,064	417	↑	1,647	395 0%
Total	\$ 2,015	\$ (2,024)	↑	\$ 4,039	199 6%

MLR			
	Actual	Budget	% Point Var
Medi-Cal	94 6%	96 0%	↑ 1 4
OneCare Connect	112 9%	97 8%	↓ (15 1)
OneCare	123 0%	96 4%	↓ (26 6)

Administrative Cost (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 8,219	\$ 10,940	↑	\$ 2,721	24 9%
OneCare Connect	1,978	1,935	↓	(44)	(2 3%)
OneCare	87	134	↑	47	35 0%
PACE	131	190	↑	59	31 1%
Total	\$ 10,415	\$ 13,198	↑	\$ 2,784	21 1%

Total FTE's Month			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	943	1,064	121
OneCare Connect	218	234	16
OneCare	5	6	1
PACE	61	79	18
Total	1,227	1,383	156

MM per FTE			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	802	721	81
OneCare Connect	67	64	4
OneCare	284	221	63
PACE	5	4	1
Total	1,158	1,009	148

YEAR - TO - DATE

Year To Date Enrollment					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	3,036,092	3,073,007	↓	(36,915)	(1 2%)
OneCare Connect	58,882	59,599	↓	(717)	(1 2%)
OneCare	5,553	5,296	↑	257	4 9%
PACE	1,134	1,121	↑	13	1 2%
Total	3,101,661	3,139,023	↓	(37,362)	(1 2%)

Change in Net Assets (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 19,783	\$ 4,994	↑	\$ 14,789	296 1%
OneCare Connect	(2,446)	(4,230)	↓	1,784	42 2%
OneCare	(1,255)	(274)	↓	(981)	(358 0%)
PACE	844	31	↑	813	2622 6%
505 Bldg	-	-	↑	-	0 0%
Investment Income & Other	8,685	1,667	↑	7,018	421 0%
Total	\$ 25,611	\$ 2,188	↑	\$ 23,423	1070 5%

MLR			
	Actual	Budget	% Point Var
Medi-Cal	94 7%	95 2%	↑ 0 6
OneCare Connect	95 7%	96 6%	↑ 1 0
OneCare	117 1%	96 0%	↓ (21 1)

Administrative Cost (000)					
	Actual	Budget		Fav / (Unfav)	
Medi-Cal	\$ 32,694	\$ 42,186	↑	\$ 9,492	22 5%
OneCare Connect	6,785	7,599	↑	814	10 7%
OneCare	380	529	↑	150	28 3%
PACE	466	666	↑	200	30 0%
Total	\$ 40,326	\$ 50,981	↑	\$ 10,656	20 9%

Total FTE's YTD			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	3,726	4,183	457
OneCare Connect	878	936	58
OneCare	18	24	6
PACE	238	301	63
Total	4,861	5,444	583

MM per FTE			
	Actual	Budget	Fav / (Unfav)
Medi-Cal	815	735	80
OneCare Connect	67	64	3
OneCare	300	221	80
PACE	5	4	1
Total	1,187	1,023	164

CalOptima - Consolidated
Statement of Revenues and Expenses
For the One Month Ended October 31, 2018

	Actual		Budget		Variance	
	\$	PMPM	\$	PMPM	\$	PMPM
MEMBER MONTHS	772,846		784,348		(11,502)	
REVENUE						
Medi-Cal	\$ 246,545,636	\$ 325.91	\$ 249,039,040	\$ 324.33	\$ (2,493,405)	\$ 1.58
OneCare Connect	21,457,919	1,463.21	24,817,709	1,667.97	(3,359,790)	(204.76)
OneCare	1,419,685	1,011.17	1,607,996	1,214.50	(188,311)	(203.33)
PACE	2,136,015	7,391.06	2,098,923	7,237.67	37,092	153.39
Total Operating Revenue	271,559,256	351.38	277,563,668	353.88	(6,004,413)	(2.50)
MEDICAL EXPENSES						
Medi-Cal	233,243,986	308.32	239,035,817	311.30	5,791,831	2.98
OneCare Connect	24,235,190	1,652.59	24,277,933	1,631.69	42,743	(20.90)
OneCare	1,745,557	1,243.27	1,549,359	1,170.21	(196,198)	(73.06)
PACE	1,964,037	6,795.97	1,943,530	6,701.83	(20,507)	(94.14)
Total Medical Expenses	261,188,770	337.96	266,806,639	340.16	5,617,869	2.20
GROSS MARGIN	10,370,485	13.42	10,757,029	13.72	(386,544)	(0.30)
ADMINISTRATIVE EXPENSES						
Salaries and benefits	7,129,143	9.22	8,599,587	10.96	1,470,444	1.74
Professional fees	225,114	0.29	412,333	0.53	187,219	0.24
Purchased services	781,102	1.01	1,235,014	1.57	453,911	0.56
Printing & Postage	459,298	0.59	533,146	0.68	73,848	0.09
Depreciation & Amortization	368,695	0.48	464,166	0.59	95,470	0.11
Other expenses	1,158,325	1.50	1,581,992	2.02	423,668	0.52
Indirect cost allocation & Occupancy expense	293,089	0.38	372,234	0.47	79,144	0.09
Total Administrative Expenses	10,414,766	13.48	13,198,471	16.83	2,783,705	3.35
INCOME (LOSS) FROM OPERATIONS	(44,280)	(0.06)	(2,441,442)	(3.11)	2,397,161	3.05
INVESTMENT INCOME						
Interest income	2,790,508	3.61	416,667	0.53	2,373,841	3.08
Realized gain/(loss) on investments	(168,595)	(0.22)	-	-	(168,595)	(0.22)
Unrealized gain/(loss) on investments	(558,069)	(0.72)	-	-	(558,069)	(0.72)
Total Investment Income	2,063,843	2.67	416,667	0.53	1,647,177	2.14
TOTAL GRANT INCOME	(3,460)	-	-	-	(3,460)	-
OTHER INCOME	12	-	-	-	12	-
CHANGE IN NET ASSETS	2,016,115	2.61	(2,024,775)	(2.58)	4,040,890	5.19
MEDICAL LOSS RATIO	96.2%		96.1%		(0.1%)	
ADMINISTRATIVE LOSS RATIO	3.8%		4.8%		0.9%	

CalOptima - Consolidated
Statement of Revenues and Expenses
For the Four Months Ended October 31, 2018

	Actual		Budget		Variance	
	\$	PMPM	\$	PMPM	\$	PMPM
MEMBER MONTHS	3,101,661		3,139,023		(37,362)	
REVENUE						
Medi-Cal	\$ 984,847,974	\$ 324.38	\$ 991,194,200	\$ 322.55	\$ (6,346,226)	\$ 1.83
OneCare Connect	99,980,885	1,697.99	99,599,304	1,671.16	381,581	26.83
OneCare	5,128,686	923.59	6,365,647	1,201.97	(1,236,962)	(278.38)
PACE	8,379,541	7,389.37	8,119,173	7,242.79	260,368	146.58
Total Operating Revenue	1,098,337,086	354.11	1,105,278,324	352.11	(6,941,237)	2.00
MEDICAL EXPENSES						
Medi-Cal	932,367,558	307.09	944,013,565	307.20	11,646,006	0.11
OneCare Connect	95,641,643	1,624.29	96,229,749	1,614.62	588,106	(9.67)
OneCare	6,003,390	1,081.11	6,109,900	1,153.68	106,510	72.57
PACE	7,069,483	6,234.11	7,421,987	6,620.86	352,504	386.75
Total Medical Expenses	1,041,082,075	335.65	1,053,775,200	335.70	12,693,126	0.05
GROSS MARGIN	57,255,012	18.46	51,503,124	16.41	5,751,888	2.05
ADMINISTRATIVE EXPENSES						
Salaries and benefits	27,005,008	8.71	32,585,680	10.38	5,580,672	1.67
Professional fees	842,625	0.27	1,649,333	0.53	806,708	0.26
Purchased services	3,322,763	1.07	4,942,552	1.57	1,619,789	0.50
Printing & Postage	1,510,570	0.49	2,132,581	0.68	622,011	0.19
Depreciation & Amortization	1,572,708	0.51	1,856,665	0.59	283,957	0.08
Other expenses	4,652,920	1.50	6,325,474	2.02	1,672,554	0.52
Indirect cost allocation & Occupancy expense	1,418,918	0.46	1,488,934	0.47	70,016	0.01
Total Administrative Expenses	40,325,512	13.00	50,981,219	16.24	10,655,707	3.24
INCOME (LOSS) FROM OPERATIONS	16,929,500	5.46	521,905	0.17	16,407,595	5.29
INVESTMENT INCOME						
Interest income	10,147,418	3.27	1,666,667	0.53	8,480,752	2.74
Realized gain/(loss) on investments	(823,669)	(0.27)	-	-	(823,669)	(0.27)
Unrealized gain/(loss) on investments	(639,542)	(0.21)	-	-	(639,542)	(0.21)
Total Investment Income	8,684,208	2.80	1,666,667	0.53	7,017,541	2.27
TOTAL GRANT INCOME	(3,460)	-	-	-	(3,460)	-
OTHER INCOME	592	-	-	-	592	-
CHANGE IN NET ASSETS	25,610,839	8.26	2,188,572	0.70	23,422,267	7.56
MEDICAL LOSS RATIO	94.8%		95.3%		0.6%	
ADMINISTRATIVE LOSS RATIO	3.7%		4.6%		0.9%	

CalOptima - Consolidated - Month to Date
Statement of Revenues and Expenses by LOB
For the One Month Ended October 31, 2018

	<u>Medi-Cal Classic</u>	<u>Medi-Cal Expansion</u>	<u>Total Medi-Cal</u>	<u>OneCare Connect</u>	<u>OneCare</u>	<u>PACE</u>	<u>Consolidated</u>
MEMBER MONTHS	518,823	237,665	756,488	14,665	1,404	289	772,846
REVENUES							
Capitation Revenue	\$ 136,091,545	\$ 110,454,091	\$ 246,545,636	\$ 21,457,919	\$ 1,419,685	\$ 2,136,015	\$ 271,559,256
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	<u>136,091,545</u>	<u>110,454,091</u>	<u>246,545,636</u>	<u>21,457,919</u>	<u>1,419,685</u>	<u>2,136,015</u>	<u>271,559,256</u>
MEDICAL EXPENSES							
Provider Capitation	35,418,123	50,629,882	86,048,005	11,226,570	401,588		97,676,163
Facilities	23,187,964	23,670,684	46,858,648	3,494,523	695,246	604,273	51,652,690
Ancillary	-	-	-	767,461	69,776	-	837,237
Professional Claims	16,925,328	6,136,746	23,062,074	-	-	367,045	23,429,118
Prescription Drugs	17,615,095	20,268,875	37,883,970	5,465,037	454,076	181,487	43,984,569
MLTSS	31,579,548	2,703,703	34,283,252	1,620,102	67,956	(1,808)	35,969,501
Medical Management	1,762,028	1,126,399	2,888,426	1,148,988	54,498	667,870	4,759,782
Quality Incentives	774,166	412,842	1,187,008	281,000		2,890	1,470,898
Reinsurance & Other	471,125	561,480	1,032,604	231,511	2,416	142,280	1,408,811
Total Medical Expenses	<u>127,733,376</u>	<u>105,510,610</u>	<u>233,243,986</u>	<u>24,235,190</u>	<u>1,745,557</u>	<u>1,964,037</u>	<u>261,188,770</u>
Medical Loss Ratio	93.9%	95.5%	94.6%	112.9%	123.0%	91.9%	96.2%
GROSS MARGIN	8,358,169	4,943,481	13,301,650	(2,777,271)	(325,872)	171,979	10,370,485
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			6,225,554	771,277	32,764	99,548	7,129,143
Professional fees			174,593	36,113	14,666	(259)	225,114
Purchased services			589,201	170,707	1,706	19,489	781,102
Printing & Postage			277,796	155,415	26,083	4	459,298
Depreciation & Amortization			366,624			2,072	368,695
Other expenses			1,106,600	46,538		5,187	1,158,325
Indirect cost allocation & Occupancy			(521,663)	798,228	11,794	4,731	293,089
Total Administrative Expenses			<u>8,218,705</u>	<u>1,978,277</u>	<u>87,013</u>	<u>130,771</u>	<u>10,414,766</u>
Admin Loss Ratio			3.3%	9.2%	6.1%	6.1%	3.8%
INCOME (LOSS) FROM OPERATIONS			5,082,945	(4,755,548)	(412,884)	41,207	(44,280)
INVESTMENT INCOME							2,063,843
TOTAL GRANT INCOME			(3,460)				(3,460)
OTHER INCOME			12				12
CHANGE IN NET ASSETS			<u>\$ 5,079,496</u>	<u>\$ (4,755,548)</u>	<u>\$ (412,884)</u>	<u>\$ 41,207</u>	<u>\$ 2,016,115</u>
BUDGETED CHANGE IN NET ASSETS			(936,963)	(1,394,773)	(75,250)	(34,456)	(2,024,775)
VARIANCE TO BUDGET - FAV (UNFAV)			<u>\$ 6,016,460</u>	<u>\$ (3,360,775)</u>	<u>\$ (337,635)</u>	<u>\$ 75,663</u>	<u>\$ 4,040,890</u>

CalOptima - Consolidated - Year to Date
Statement of Revenues and Expenses by LOB
For the Four Months Ended October 31, 2018

	<u>Medi-Cal Classic</u>	<u>Medi-Cal Expansion</u>	<u>Total Medi-Cal</u>	<u>OneCare Connect</u>	<u>OneCare</u>	<u>PACE</u>	<u>Consolidated</u>
MEMBER MONTHS	2,084,938	951,154	3,036,092	58,882	5,553	1,134	3,101,661
REVENUES							
Capitation Revenue	\$ 541,401,572	\$ 443,446,402	\$ 984,847,974	\$ 99,980,885	\$ 5,128,686	\$ 8,379,541	1,098,337,086
Other Income	-	-	-	-	-	-	-
Total Operating Revenue	<u>541,401,572</u>	<u>443,446,402</u>	<u>984,847,974</u>	<u>99,980,885</u>	<u>5,128,686</u>	<u>8,379,541</u>	<u>1,098,337,086</u>
MEDICAL EXPENSES							
Provider Capitation	143,031,220	200,904,160	343,935,379	46,689,127	1,235,988		391,860,494
Facilities	94,219,636	93,418,826	187,638,461	12,715,639	2,249,413	1,742,422	204,345,935
Ancillary	-	-	-	2,358,108	134,180	-	2,492,289
Professional Claims	65,406,859	25,797,795	91,204,654	-	-	1,640,000	92,844,654
Prescription Drugs	69,386,432	78,965,277	148,351,710	21,709,616	1,759,718	616,270	172,437,313
MLTSS	129,853,861	11,415,297	141,269,158	5,746,459	382,863	(843)	147,397,637
Medical Management	7,863,982	3,957,989	11,821,970	4,382,288	220,949	2,390,406	18,815,614
Quality Incentives	3,090,272	1,630,697	4,720,968	1,122,480		11,340	5,854,788
Reinsurance & Other	2,096,792	1,328,466	3,425,258	917,926	20,278	669,889	5,033,352
Total Medical Expenses	<u>514,949,052</u>	<u>417,418,506</u>	<u>932,367,558</u>	<u>95,641,643</u>	<u>6,003,390</u>	<u>7,069,483</u>	<u>1,041,082,075</u>
Medical Loss Ratio	95.1%	94.1%	94.7%	95.7%	117.1%	84.4%	94.8%
GROSS MARGIN	26,452,520	26,027,896	52,480,416	4,339,242	(874,704)	1,310,059	57,255,012
ADMINISTRATIVE EXPENSES							
Salaries & Benefits			23,472,993	3,036,889	120,676	374,449	27,005,008
Professional fees			680,879	103,003	58,667	77	842,625
Purchased services			2,504,511	722,515	52,033	43,704	3,322,763
Printing & Postage			1,177,872	279,916	31,701	21,082	1,510,570
Depreciation & Amortization			1,564,414			8,294	1,572,708
Other expenses			4,475,742	172,658	60	4,460	4,652,920
Indirect cost allocation & Occupancy			(1,182,313)	2,470,410	116,689	14,133	1,418,918
Total Administrative Expenses			<u>32,694,097</u>	<u>6,785,391</u>	<u>379,825</u>	<u>466,199</u>	<u>40,325,512</u>
Admin Loss Ratio			3.3%	6.8%	7.4%	5.6%	3.7%
INCOME (LOSS) FROM OPERATIONS			19,786,318	(2,446,149)	(1,254,529)	843,860	16,929,500
INVESTMENT INCOME							8,684,208
TOTAL GRANT INCOME			(3,460)				(3,460)
OTHER INCOME			592				592
CHANGE IN NET ASSETS			<u>\$ 19,783,450</u>	<u>\$ (2,446,149)</u>	<u>\$ (1,254,529)</u>	<u>\$ 843,860</u>	<u>\$ 25,610,839</u>
BUDGETED CHANGE IN NET ASSETS			4,994,353	(4,229,547)	(273,721)	30,820	2,188,572
VARIANCE TO BUDGET - FAV (UNFAV)			<u>\$ 14,789,096</u>	<u>\$ 1,783,398</u>	<u>\$ (980,808)</u>	<u>\$ 813,040</u>	<u>\$ 23,422,267</u>

October 31, 2018 Unaudited Financial Statements

SUMMARY

MONTHLY RESULTS:

- Change in Net Assets is \$2.0 million, \$4.0 million favorable to budget
- Operating income is \$2.4 million favorable to budget, with a surplus in non-operating income of \$2.1 million

YEAR TO DATE RESULTS:

- Change in Net Assets is \$25.6 million, \$23.4 million favorable to budget
- Operating surplus is \$16.9 million, with a surplus in non-operating of \$8.7 million

Change in Net Assets by Line of Business (LOB) (\$millions)

MONTH-TO-DATE				YEAR-TO-DATE		
<u>Actual</u>	<u>Budget</u>	<u>Variance</u>		<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
5.1	(0.9)	6.0	Medi-Cal	19.8	5.0	14.8
(4.8)	(1.4)	(3.4)	OCC	(2.4)	(4.2)	1.8
(0.4)	(0.1)	(0.3)	OneCare	(1.3)	(0.3)	(1.0)
<u>0.0</u>	<u>(0.0)</u>	<u>0.1</u>	<u>PACE</u>	<u>0.8</u>	<u>0.0</u>	<u>0.8</u>
(0.0)	(2.4)	2.4	Operating	16.9	0.5	16.4
<u>2.1</u>	<u>0.4</u>	<u>1.6</u>	<u>Inv./Rental Inc, MCO</u>	<u>8.7</u>	<u>1.7</u>	<u>7.0</u>
			<u>tax</u>			
2.1	0.4	1.6	Non-Operating	8.7	1.7	7.0
2.0	(2.0)	4.0	TOTAL	25.6	2.2	23.4

**CalOptima - Consolidated
Enrollment Summary
For the Four Months Ended October 31, 2018**

Month-to-Date				Enrollment (By Aid Category)	Year-to-Date			
Actual	Budget	Variance	%		Actual	Budget	Variance	%
64,015	64,443	(428)	(0.7%)	Aged	255,311	256,428	(1,117)	(0.4%)
596	620	(24)	(3.9%)	BCCTP	2,458	2,480	(22)	(0.9%)
46,935	47,131	(196)	(0.4%)	Disabled	188,036	188,470	(434)	(0.2%)
310,181	315,152	(4,971)	(1.6%)	TANF Child	1,248,996	1,263,723	(14,727)	(1.2%)
93,667	94,783	(1,116)	(1.2%)	TANF Adult	376,566	381,208	(4,642)	(1.2%)
3,429	3,482	(53)	(1.5%)	LTC	13,571	13,862	(291)	(2.1%)
237,665	242,244	(4,579)	(1.9%)	MCE	951,154	966,836	(15,682)	(1.6%)
756,488	767,855	(11,367)	(1.5%)	Medi-Cal	3,036,092	3,073,007	(36,915)	(1.2%)
14,665	14,879	(214)	(1.4%)	OneCare Connect	58,882	59,599	(717)	(1.2%)
289	290	(1)	(0.3%)	PACE	1,134	1,121	13	1.2%
1,404	1,324	80	6.0%	OneCare	5,553	5,296	257	4.9%
772,846	784,348	(11,502)	(1.5%)	CalOptima Total	3,101,661	3,139,023	(37,362)	(1.2%)
Enrollment (By Network)								
167,942	167,977	(35)	(0.0%)	HMO	669,057	672,993	(3,936)	(0.6%)
219,407	222,172	(2,765)	(1.2%)	PHC	872,805	889,077	(16,272)	(1.8%)
194,290	191,730	2,560	1.3%	Shared Risk Group	772,764	771,760	1,004	0.1%
174,849	185,976	(11,127)	(6.0%)	Fee for Service	721,466	739,177	(17,711)	(2.4%)
756,488	767,855	(11,367)	(1.5%)	Medi-Cal	3,036,092	3,073,007	(36,915)	(1.2%)
14,665	14,879	(214)	(1.4%)	OneCare Connect	58,882	59,599	(717)	(1.2%)
289	290	(1)	(0.3%)	PACE	1,134	1,121	13	1.2%
1,404	1,324	80	6.0%	OneCare	5,553	5,296	257	4.9%
772,846	784,348	(11,502)	(1.5%)	CalOptima Total	3,101,661	3,139,023	(37,362)	(1.2%)

CalOptima - Consolidated
Enrollment Trend by Network Type
Fiscal Year 2019

Network Type	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	MMs
HMO													
Aged	3,844	3,866	3,841	3,841									15,392
BCCTP	1	1	1	1									4
Disabled	6,744	6,789	6,789	6,811									27,133
TANF Child	58,435	58,267	58,162	58,110									232,974
TANF Adult	29,473	29,373	29,404	29,529									117,779
LTC	2	2	3	4									11
MCE	68,597	68,602	68,919	69,646									275,764
	167,096	166,900	167,119	167,942									669,057
PHC													
Aged	1,600	1,621	1,620	1,673									6,514
BCCTP	-	-	-	-									-
Disabled	7,243	7,239	7,230	7,212									28,924
TANF Child	157,157	156,755	157,444	158,169									629,525
TANF Adult	12,731	12,684	12,787	12,785									50,987
LTC	-	1	-	-									1
MCE	39,060	38,992	39,234	39,568									156,854
	217,791	217,292	218,315	219,407									872,805
Shared Risk Group													
Aged	3,593	3,605	3,621	3,642									14,461
BCCTP	-	-	-	-									-
Disabled	7,626	7,554	7,486	7,473									30,139
TANF Child	67,471	67,226	67,159	67,251									269,107
TANF Adult	30,936	30,567	30,622	30,670									122,795
LTC	2	-	1	1									4
MCE	83,554	83,443	84,008	85,253									336,258
	193,182	192,395	192,897	194,290									772,764
Fee for Service (Dual)													
Aged	49,903	50,943	50,657	50,741									202,244
BCCTP	16	15	18	14									63
Disabled	20,706	20,863	20,741	20,761									83,071
TANF Child	2	3	2	2									9
TANF Adult	1,081	1,083	1,064	1,055									4,283
LTC	3,025	3,019	3,007	3,077									12,128
MCE	2,327	2,367	2,416	2,388									9,498
	77,060	78,293	77,905	78,038									311,296
Fee for Service (Non-Dual)													
Aged	4,702	3,727	4,153	4,118									16,700
BCCTP	613	596	601	581									2,391
Disabled	4,802	4,672	4,617	4,678									18,769
TANF Child	30,166	31,801	28,765	26,649									117,381
TANF Adult	20,308	20,588	20,198	19,628									80,722
LTC	353	360	367	347									1,427
MCE	44,399	44,410	43,161	40,810									172,780
	105,343	106,154	101,862	96,811									410,170
MEDI-CAL TOTAL													
Aged	63,642	63,762	63,892	64,015									255,311
BCCTP	630	612	620	596									2,458
Disabled	47,121	47,117	46,863	46,935									188,036
TANF Child	313,231	314,052	311,532	310,181									1,248,996
TANF Adult	94,529	94,295	94,075	93,667									376,566
LTC	3,382	3,382	3,378	3,429									13,571
MCE	237,937	237,814	237,738	237,665									951,154
	760,472	761,034	758,098	756,488									3,036,092
PACE	273	286	286	289									1,134
OneCare	1,390	1,384	1,375	1,404									5,553
OneCare Connect	16,399	13,137	14,681	14,665									58,882
TOTAL	778,534	775,841	774,440	772,846									3,101,661

ENROLLMENT:

Overall October enrollment was 772,846

- Unfavorable to budget 11,502 or 1.5%
- Decreased 1,594 or 0.2% from prior month (September 2018)
- Decreased 7,799 or 1.0% from prior year (October 2017)

Medi-Cal enrollment was 756,488

- Unfavorable to budget 11,367
 - Temporary Assistance for Needy Families (TANF) unfavorable 6,087
 - Medi-Cal Expansion (MCE) unfavorable 4,579
 - Seniors and Persons with Disabilities (SPD) unfavorable 648
 - Long-Term Care (LTC) unfavorable 53
- Decreased 1,610 from prior month

OneCare Connect enrollment was 14,665

- Unfavorable to budget 214
- Decreased 16 from prior month

OneCare enrollment was 1,404

- Favorable to budget 80
- Increased 29 from prior month

PACE enrollment was 289

- Unfavorable to budget 1
- Increased 3 from prior month

**CalOptima
Medi-Cal Total
Statement of Revenues and Expenses
For the Four Months Ending October 31, 2018**

Month					Year to Date			
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
756,488	767,855	(11,367)	(1.5%)	Member Months	3,036,092	3,073,007	(36,915)	(1.2%)
				Revenues				
246,545,636	249,039,040	(2,493,405)	(1.0%)	Capitation revenue	984,847,974	991,194,200	(6,346,226)	(0.6%)
-	-	-	0.0%	Other income	-	-	-	0.0%
246,545,636	249,039,040	(2,493,405)	(1.0%)	Total Operating Revenue	984,847,974	991,194,200	(6,346,226)	(0.6%)
				Medical Expenses				
87,235,013	84,817,632	(2,417,380)	(2.9%)	Provider capitation	348,656,347	338,225,063	(10,431,285)	(3.1%)
46,858,648	44,054,393	(2,804,255)	(6.4%)	Facilities	187,638,461	174,733,229	(12,905,232)	(7.4%)
23,062,074	29,384,670	6,322,597	21.5%	Professional Claims	91,204,654	112,761,274	21,556,620	19.1%
37,883,970	39,477,201	1,593,231	4.0%	Prescription drugs	148,351,710	155,877,905	7,526,195	4.8%
34,283,252	36,941,146	2,657,895	7.2%	MLTSS	141,269,158	145,726,020	4,456,862	3.1%
2,888,426	3,830,141	941,715	24.6%	Medical management	11,821,970	14,567,538	2,745,567	18.8%
1,032,604	530,634	(501,970)	(94.6%)	Reinsurance & other	3,425,258	2,122,536	(1,302,722)	(61.4%)
233,243,986	239,035,817	5,791,831	2.4%	Total Medical Expenses	932,367,558	944,013,565	11,646,006	1.2%
				Gross Margin	52,480,416	47,180,635	5,299,781	11.2%
				Administrative Expenses				
6,225,554	7,489,382	1,263,828	16.9%	Salaries, wages & employee benefits	23,472,993	28,383,062	4,910,069	17.3%
174,593	349,650	175,056	50.1%	Professional fees	680,879	1,398,600	717,721	51.3%
589,201	945,147	355,945	37.7%	Purchased services	2,504,511	3,783,085	1,278,574	33.8%
277,796	423,310	145,514	34.4%	Printing and postage	1,177,872	1,693,238	515,366	30.4%
366,624	462,075	95,451	20.7%	Depreciation and amortization	1,564,414	1,848,302	283,888	15.4%
1,106,600	1,494,214	387,614	25.9%	Other operating expenses	4,475,742	5,974,360	1,498,618	25.1%
(521,663)	(223,591)	298,072	133.3%	Indirect cost allocation, Occupancy Expense	(1,182,313)	(894,365)	287,948	32.2%
8,218,705	10,940,186	2,721,481	24.9%	Total Administrative Expenses	32,694,097	42,186,282	9,492,184	22.5%
				Operating Tax				
10,613,717	10,773,006	(159,289)	(1.5%)	Tax Revenue	42,596,614	43,114,288	(517,674)	(1.2%)
10,613,717	10,773,006	159,289	1.5%	Premium tax expense	42,596,614	32,330,150	(10,266,464)	(31.8%)
-	-	-	0.0%	Sales tax expense	-	10,784,138	10,784,138	100.0%
-	-	-	0.0%	Total Net Operating Tax	-	-	-	0.0%
				Grant Income				
42,634	249,874	(207,240)	(82.9%)	Grant Revenue	240,666	999,496	(758,830)	(75.9%)
28,050	223,107	195,057	87.4%	Grant expense - Service Partner	170,850	892,428	721,578	80.9%
18,045	26,767	8,722	32.6%	Grant expense - Administrative	73,277	107,068	33,791	31.6%
(3,460)	-	(3,460)	0.0%	Total Grant Income	(3,460)	-	(3,460)	0.0%
				QAF and IGT - Net	(0)	-	(0)	0.0%
-	-	-	0.0%	Other income	592	-	592	0.0%
12	-	12	0.0%	MC Other income	592	-	592	0.0%
12	-	12	0.0%	Change in Net Assets	19,783,450	4,994,353	14,789,096	296.1%
5,079,496	(936,963)	6,016,460	642.1%					
				Medical Loss Ratio	94.7%	95.2%	0.6%	0.6%
94.6%	96.0%	1.4%	1.4%	Admin Loss Ratio	3.3%	4.3%	0.9%	22.0%
3.3%	4.4%	1.1%	24.1%					

MEDI-CAL INCOME STATEMENT – OCTOBER MONTH:

REVENUES of \$246.5 million are unfavorable to budget \$2.5 million, driven by:

- Unfavorable volume related variance of \$3.7 million
- Favorable price related variance of \$1.2 million

MEDICAL EXPENSES are \$233.2 million, favorable to budget \$5.8 million due to:

- **Professional Claims** expense is favorable to budget \$6.3 million due to Child Health and Disability Prevention Program (CHDP) expenses of \$2.3 million, Behavioral Health Treatment (BHT) expenses of \$2.1 million, Proposition 56 expenses of \$2.6 million, offset by Incurred But Not Reported (IBNR) expenses of (\$0.8) million. Actual CHDP and Proposition 56 expenses reported in Provider Capitation
- **Facilities** expense is unfavorable to budget \$2.8 million due to crossover claims of \$1.0 million, outpatient claims totaling \$0.7 million and shared risk pool of \$0.8 million
- **Managed Long Term Services and Supports (MLTSS)** expenses favorable to budget \$2.7 million due to IBNR
- **Provider Capitation** expense is unfavorable to budget \$2.4 million due to Proposition 56 and CHDP expenses that were budgeted in Professional Claims
- **Prescription Drug** expense is favorable to budget \$1.2 million

ADMINISTRATIVE EXPENSES are \$8.2 million, favorable to budget \$2.7 million, driven by:

- **Salary & Benefits:** \$1.3 million favorable to budget from open positions
- **Purchased Services:** \$0.4 million favorable to budget
- **Other Non-Salary:** \$1.1 million favorable to budget

CHANGE IN NET ASSETS is \$5.1 million for the month, \$6.0 million favorable to budget

CalOptima
OneCare Connect Total
Statement of Revenue and Expenses
For the Four Months Ending October 31, 2018

Month				Year to Date				
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
14,665	14,879	(214)	(1.4%)	Member Months	58,882	59,599	(717)	(1.2%)
				Revenues				
2,508,207	3,299,053	(790,846)	(24 0%)	Medi-Cal Capitation revenue	10,423,995	13,357,445	(2,933,450)	(22 0%)
16,699,618	16,828,008	(128,390)	(0 8%)	Medicare Capitation revenue part C	69,091,461	67,452,466	1,638,995	2 4%
2,250,094	4,690,648	(2,440,554)	(52 0%)	Medicare Capitation revenue part D	20,465,429	18,789,393	1,676,036	8 9%
-	-	-	0 0%	Other Income	-	-	-	0 0%
21,457,919	24,817,709	(3,359,790)	(13.5%)	Total Operating Revenue	99,980,885	99,599,304	381,581	0.4%
				Medical Expenses				
11,507,570	11,429,861	(77,709)	(0 7%)	Provider capitation	47,811,607	45,369,962	(2,441,645)	(5 4%)
3,494,523	3,616,204	121,681	3 4%	Facilities	12,715,639	14,353,965	1,638,326	11 4%
767,461	658,637	(108,824)	(16 5%)	Ancillary	2,358,108	2,598,530	240,422	9 3%
1,620,102	1,683,130	63,028	3 7%	Long Term Care	5,746,459	6,785,552	1,039,093	15 3%
5,465,037	5,369,142	(95,895)	(1 8%)	Prescription drugs	21,709,616	21,243,389	(466,227)	(2 2%)
1,148,988	1,371,979	222,991	16 3%	Medical management	4,382,288	5,277,685	895,397	17 0%
231,511	148,980	(82,531)	(55 4%)	Other medical expenses	917,926	600,666	(317,260)	(52 8%)
24,235,190	24,277,933	42,743	0.2%	Total Medical Expenses	95,641,643	96,229,749	588,106	0.6%
(2,777,271)	539,776	(3,317,047)	(614.5%)	Gross Margin	4,339,242	3,369,555	969,687	28.8%
				Administrative Expenses				
771,277	919,585	148,308	16 1%	Salaries, wages & employee benefits	3,036,889	3,539,247	502,357	14 2%
36,113	42,917	6,804	15 9%	Professional fees	103,003	171,667	68,664	40 0%
170,707	251,415	80,709	32 1%	Purchased services	722,515	1,005,660	283,145	28 2%
155,415	86,202	(69,213)	(80 3%)	Printing and postage	279,916	344,807	64,891	18 8%
-	-	-	0 0%	Depreciation & amortization	-	-	-	0 0%
46,538	77,036	30,498	39 6%	Other operating expenses	172,658	308,146	135,488	44 0%
798,228	557,394	(240,834)	(43 2%)	Indirect cost allocation	2,470,410	2,229,576	(240,834)	(10 8%)
1,978,277	1,934,549	(43,728)	(2.3%)	Total Administrative Expenses	6,785,391	7,599,102	813,711	10.7%
				Operating Tax				
-	-	-	0 0%	Tax Revenue	-	-	-	0 0%
-	-	-	0 0%	Premium tax expense	-	-	-	0 0%
-	-	-	0 0%	Sales tax expense	-	-	-	0 0%
-	-	-	0.0%	Total Net Operating Tax	-	-	-	0.0%
(4,755,548)	(1,394,773)	(3,360,775)	(241.0%)	Change in Net Assets	(2,446,149)	(4,229,547)	1,783,398	42.2%
112.9%	97.8%	(15.1%)	(15.5%)	Medical Loss Ratio	95.7%	96.6%	1.0%	1.0%
9.2%	7.8%	(1.4%)	(18.3%)	Admin Loss Ratio	6.8%	7.6%	0.8%	11.0%

ONECARE CONNECT INCOME STATEMENT – OCTOBER MONTH:

REVENUES of \$21.5 million are unfavorable to budget \$3.4 million due to unfavorable volume variance of \$0.4 million and unfavorable price variance of \$3.0 million due to calendar year 2017 Part D reconciliation

MEDICAL EXPENSES of \$24.2 million are in line with budgeted amount of \$24.3 million

ADMINISTRATIVE EXPENSES of \$2.0 million are unfavorable to budgeted amount of \$1.9 million

CHANGE IN NET ASSETS is (\$4.8) million, \$3.4 million unfavorable to budget

**CalOptima
OneCare**
Statement of Revenues and Expenses
For the Four Months Ending October, 31, 2018

Month					Year to Date			
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
1,404	1,324	80	6.0%	Member Months	5,553	5,296	257	4.9%
				Revenues				
1,028,633	1,103,743	(75,110)	(6.8%)	Medicare Part C revenue	3,167,422	4,369,019	(1,201,596)	(27.5%)
391,052	504,253	(113,201)	(22.4%)	Medicare Part D revenue	1,961,264	1,996,629	(35,365)	(1.8%)
1,419,685	1,607,996	(188,311)	(11.7%)	Total Operating Revenue	5,128,686	6,365,647	(1,236,962)	(19.4%)
				Medical Expenses				
401,588	452,799	51,210	11.3%	Provider capitation	1,235,988	1,793,420	557,432	31.1%
695,246	524,911	(170,335)	(32.5%)	Inpatient	2,249,413	2,059,236	(190,177)	(9.2%)
69,776	56,227	(13,550)	(24.1%)	Ancillary	134,180	219,787	85,607	38.9%
67,956	26,857	(41,099)	(153.0%)	Skilled nursing facilities	382,863	106,563	(276,300)	(259.3%)
454,076	447,240	(6,835)	(1.5%)	Prescription drugs	1,759,718	1,767,493	7,775	0.4%
54,498	34,759	(19,739)	(56.8%)	Medical management	220,949	137,154	(83,795)	(61.1%)
2,416	6,565	4,149	63.2%	Other medical expenses	20,278	26,246	5,968	22.7%
1,745,557	1,549,359	(196,198)	(12.7%)	Total Medical Expenses	6,003,390	6,109,900	106,510	1.7%
(325,872)	58,637	(384,509)	(655.7%)	Gross Margin	(874,704)	255,748	(1,130,452)	(442.0%)
				Administrative Expenses				
32,764	41,808	9,044	21.6%	Salaries, wages & employee benefits	120,676	161,151	40,476	25.1%
14,666	19,600	4,934	25.2%	Professional fees	58,667	78,400	19,733	25.2%
1,706	17,425	15,719	90.2%	Purchased services	52,033	69,700	17,667	25.3%
26,083	13,206	(12,877)	(97.5%)	Printing and postage	31,701	52,824	21,123	40.0%
-	6,883	6,883	100.0%	Other operating expenses	60	27,533	27,473	99.8%
11,794	34,965	23,171	66.3%	Indirect cost allocation, occupancy expens	116,689	139,860	23,171	16.6%
87,013	133,887	46,874	35.0%	Total Administrative Expenses	379,825	529,468	149,644	28.3%
(412,884)	(75,250)	(337,635)	(448.7%)	Change in Net Assets	(1,254,529)	(273,721)	(980,808)	(358.3%)
123.0%	96.4%	(26.6%)	(27.6%)	Medical Loss Ratio	117.1%	96.0%	(21.1%)	(22.0%)
6.1%	8.3%	2.2%	26.4%	Admin Loss Ratio	7.4%	8.3%	0.9%	11.0%

**CalOptima
PACE
Statement of Revenues and Expenses
For the Four Months Ending October, 31, 2018**

Month					Year to Date			
Actual	Budget	\$ Variance	% Variance		Actual	Budget	\$ Variance	% Variance
289	290	(1)	(0.3%)	Member Months	1,134	1,121	13	1.2%
				Revenues				
1,593,718	1,624,063	(30,345)	(1.9%)	Medi-Cal capitation revenue	6,299,467	6,275,733	23,734	0.4%
420,609	381,843	38,766	10.2%	Medicare Part C revenue	1,610,526	1,483,450	127,076	8.6%
121,689	93,017	28,672	30.8%	Medicare Part D revenue	469,548	359,990	109,558	30.4%
2,136,015	2,098,923	37,092	1.8%	Total Operating Revenue	8,379,541	8,119,173	260,368	3.2%
				Medical Expenses				
667,870	729,357	61,487	8.4%	Medical Management	2,390,406	2,762,605	372,199	13.5%
604,273	436,515	(167,758)	(38.4%)	Claims payments to hospitals	1,742,422	1,671,709	(70,713)	(4.2%)
367,045	465,058	98,013	21.1%	Professional claims	1,640,000	1,792,287	152,287	8.5%
142,280	129,279	(13,001)	(10.1%)	Patient transportation	669,889	499,730	(170,159)	(34.1%)
181,487	167,885	(13,602)	(8.1%)	Prescription drugs	616,270	645,813	29,543	4.6%
(1,808)	12,586	14,394	114.4%	MLTSS	(843)	38,743	39,586	102.2%
2,890	2,850	(40)	(1.4%)	Other Expenses	11,340	11,100	(240)	(2.2%)
1,964,037	1,943,530	(20,507)	(1.1%)	Total Medical Expenses	7,069,483	7,421,987	352,504	4.7%
171,979	155,393	16,586	10.7%	Gross Margin	1,310,059	697,186	612,873	87.9%
				Administrative Expenses				
99,548	148,812	49,265	33.1%	Salaries, wages & employee benefits	374,449	502,220	127,770	25.4%
(259)	167	425	255.2%	Professional fees	77	667	589	88.4%
19,489	21,027	1,538	7.3%	Purchased services	43,704	84,107	40,403	48.0%
4	10,428	10,424	100.0%	Printing and postage	21,082	41,713	20,632	49.5%
2,072	2,091	19	0.9%	Depreciation & amortization	8,294	8,363	69	0.8%
5,187	3,859	(1,328)	(34.4%)	Other operating expenses	4,460	15,435	10,975	71.1%
4,731	3,466	(1,265)	(36.5%)	Indirect cost allocation, Occupancy Expense	14,133	13,863	(270)	(1.9%)
130,771	189,849	59,077	31.1%	Total Administrative Expenses	466,199	666,366	200,167	30.0%
				Operating Tax				
4,034	-	4,034	0.0%	Tax Revenue	15,831	-	15,831	0.0%
4,034	-	(4,034)	0.0%	Premium tax expense	15,831	-	(15,831)	0.0%
-	-	-	0.0%	Total Net Operating Tax	-	-	-	0.0%
41,207	(34,456)	75,663	219.6%	Change in Net Assets	843,860	30,820	813,040	2638.1%
91.9%	92.6%	0.6%	0.7%	Medical Loss Ratio	84.4%	91.4%	7.0%	7.7%
6.1%	9.0%	2.9%	32.3%	Admin Loss Ratio	5.6%	8.2%	2.6%	32.2%

CalOptima
BUILDING 505 - CITY PARKWAY
Statement of Revenues and Expenses
For the Four Months Ending October 31, 2018

Month				Year to Date			
Actual	Budget	\$ Variance	% Variance	Actual	Budget	\$ Variance	% Variance
Revenues							
-	-	-	0.0%	-	-	-	0.0%
-	-	-	0.0%	-	-	-	0.0%
Administrative Expenses							
31,507	22,982	(8,525)	(37.1%)	135,405	91,927	(43,478)	(47.3%)
160,982	162,934	1,952	1.2%	644,442	651,738	7,296	1.1%
15,816	15,917	101	0.6%	63,263	63,667	404	0.6%
122,580	173,136	50,556	29.2%	414,047	692,544	278,497	40.2%
14,869	1,635	(13,234)	(809.4%)	236,346	6,540	(229,806)	(3513.8%)
(345,755)	(376,604)	(30,849)	(8.2%)	(1,493,503)	(1,506,416)	(12,913)	(0.9%)
-	-	-	0.0%	-	-	-	0.0%
-	-	-	0.0%	-	-	-	0.0%
Change in Net Assets							

OTHER STATEMENTS – OCTOBER MONTH:

ONECARE INCOME STATEMENT

CHANGE IN NET ASSETS is (\$412.9) thousand, \$337.6 thousand unfavorable to budget

PACE INCOME STATEMENT

CHANGE IN NET ASSETS is \$41.2 thousand, \$75.7 thousand favorable to budget

CalOptima
Balance Sheet
October 31, 2018

ASSETS

Current Assets	
Operating Cash	\$486,792,772
Investments	459,590,795
Capitation receivable	284,939,880
Receivables - Other	23,150,656
Prepaid expenses	5,101,655

Total Current Assets	<u>1,259,575,759</u>
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Capital Assets	
Furniture & Equipment	34,328,849
Building/Leasehold Improvements	8,506,283
505 City Parkway West	49,743,943
	<u>92,579,074</u>
Less: accumulated depreciation	(43,305,932)
Capital assets, net	<u>49,273,142</u>

Other Assets	
Restricted Deposit & Other	300,000

Board-designated assets	
Cash and Cash Equivalents	9,188,384
Long-term Investments	531,840,438
Total Board-designated Assets	<u>541,028,822</u>

Total Other Assets	<u>541,328,822</u>
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TOTAL ASSETS	<u><u>1,850,177,723</u></u>
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Deferred Outflows	
Pension Contributions	953,907
Difference in Experience	1,365,903
Excess Earnings	1,017,387
Changes in Assumptions	7,795,853

TOTAL ASSETS & DEFERRED OUTFLOWS	<u><u>1,861,310,773</u></u>
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LIABILITIES & FUND BALANCES

Current Liabilities	
Accounts Payable	\$13,692,368
Medical Claims liability	785,374,925
Accrued Payroll Liabilities	12,986,908
Deferred Revenue	86,238,097
Deferred Lease Obligations	95,382
Capitation and Withholds	122,420,262

Total Current Liabilities	<u>1,020,807,942</u>
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Other (than pensions) post employment benefits liability	25,058,410
Net Pension Liabilities	24,772,635
Bldg 505 Development Rights	100,000

TOTAL LIABILITIES	<u>1,070,738,987</u>
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Deferred Inflows	
Change in Assumptions	3,329,380

TNE	83,204,015
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Funds in Excess of TNE	<u>704,038,391</u>
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Net Assets	<u><u>787,242,406</u></u>
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TOTAL LIABILITIES & FUND BALANCES	<u><u>1,861,310,773</u></u>
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CalOptima
Board Designated Reserve and TNE Analysis
as of October 31, 2018

Type	Reserve Name	Market Value	Benchmark		Variance	
			Low	High	Mkt - Low	Mkt - High
	Tier 1 - Payden & Rygel	148,122,642				
	Tier 1 - Logan Circle	147,939,189				
	Tier 1 - Wells Capital	147,420,805				
Board-designated Reserve						
		443,482,636	312,678,371	482,342,251	130,804,265	(38,859,615)
TNE Requirement	Tier 2 - Logan Circle	97,546,186	83,204,015	83,204,015	14,342,171	14,342,171
	Consolidated:	541,028,823	395,882,386	565,546,266	145,146,436	(24,517,443)
	<i>Current reserve level</i>	<i>1.91</i>	<i>1.40</i>	<i>2.00</i>		

CalOptima
Statement of Cash Flows
October 31, 2018

	<u>Month Ended</u>	<u>Year-To-Date</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	2,016,115	25,610,839
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	529,677	2,217,150
Changes in assets and liabilities:		
Prepaid expenses and other	323,857	1,195,691
Catastrophic reserves		
Capitation receivable	(7,029,304)	13,060,480
Medical claims liability	(7,909,017)	(47,244,688)
Deferred revenue	(470,083)	(27,464,852)
Payable to providers	8,003,973	25,971,371
Accounts payable	(22,563,370)	8,022,184
Other accrued liabilities	(91,091)	139,790
Net cash provided by/(used in) operating activities	<u>(27,189,242)</u>	<u>1,507,964</u>
 GASB 68 CalPERS Adjustments	 -	 -
 CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Investments	(11,513,634)	120,708,153
Change in Property and Equipment	(5,946)	(732,042)
Change in Board designated reserves	(547,592)	(2,781,150)
Net cash provided by/(used in) investing activities	<u>(12,067,173)</u>	<u>117,194,961</u>
 NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENT	 (39,256,415)	 118,702,925
 CASH AND CASH EQUIVALENTS, beginning of period	 526,049,187	 368,089,847
 CASH AND CASH EQUIVALENTS, end of period	 <u>486,792,772</u>	 <u>486,792,772</u>

BALANCE SHEET:

ASSETS decreased \$21.0 million from September or 1.1%

- **Operating Cash** decreased by \$39.3 million or 7.5% driven by the quarterly tax payment of \$34.1 million and capitation payment timing
- **Investments** increased \$11.5 million or 2.6% due to timing of receipts and transfers for daily payments
- **Capitation Receivables** increased \$8.5 million timing of capitation payments and revenue accruals

LIABILITIES decreased \$23.0 million from September or 2.1%

- **Accounts Payable** decreased \$23.7 due to the quarterly sales tax payment
- **Claims Liability** by line of business decreased \$7.9 million due to timing of claim payments
- **Capitation Payable** increased \$8.0 million due to increase in Risk Sharing reserve and Quality withhold

NET ASSETS are \$787.2 million, an increase of \$2.0 million from September

CalOptima Foundation
Statement of Revenues and Expenses
For the Four Months Ended October 31, 2018

Month				Year - To - Date			
		\$	%			\$	%
Actual	Budget	Variance	Variance		Actual	Budget	Variance
				Revenues			
0	0	0	0.0%	Total Operating Revenue	0	0	0.0%
				Operating Expenditures			
0	6,184	6,184	100.0%	Personnel	0	24,737	24,737
0	2,985	2,985	100.0%	Taxes and Benefits	0	11,939	11,939
0	0	0	0.0%	Travel	0	0	0.0%
0	0	0	0.0%	Supplies	0	0	0.0%
0	0	0	0.0%	Contractual	0	0	0.0%
917	229,840	228,923	99.6%	Other	3,667	919,359	915,692
917	239,009	238,092	99.6%	Total Operating Expenditures	3,667	956,035	952,368
0	0	0	0.0%	Investment Income	305	0	(305)
(917)	(239,009)	(238,092)	(99.6%)	Program Income	(3,362)	(956,035)	(952,673)

CalOptima Foundation
Balance Sheet
October 31, 2018

<u>ASSETS</u>		<u>LIABILITIES & NET ASSETS</u>	
Operating cash	2,846,477	Accounts payable-Current	3,667
Grants receivable	0	Deferred Revenue	0
Prepaid expenses	0	Payable to CalOptima	3,032
Total Current Assets	<u>2,846,477</u>	Grants-Foundation	0
		Total Current Liabilities	<u>6,699</u>
		Total Liabilities	<u>6,699</u>
		Net Assets	<u>2,839,778</u>
TOTAL ASSETS	<u><u>2,846,477</u></u>	TOTAL LIABILITIES & NET ASSETS	<u><u>2,846,477</u></u>

CALOPTIMA FOUNDATION - OCTOBER MONTH

INCOME STATEMENT:

OPERATING REVENUE

- No activity

OPERATING EXPENSES

- Audit Fees \$0.9 thousand, \$3.7 thousand year to date (YTD)

BALANCE SHEET:

ASSETS

- Cash of \$2.8 million remains from the fiscal year (FY) 2014 \$3.0 million transferred by CalOptima for grants and programs in support of providers and community

LIABILITIES

- \$3.7 thousand for audit fees

NET INCOME is (\$3.4) thousand YTD

Budget Allocation Changes
Reporting Changes for October 2018

Transfer Month	Line of Business	From	To	Amount	Expense Description	Fiscal Year
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No Activity for October

This report summarizes budget transfers between general ledger classes that are greater than \$10,000 and less than \$100,000.

This is the result of Board Resolution No. 12-0301-01 which permits the CEO to make budget allocation changes within certain parameter