

# City of Sunnyvale OPEB Trust

## 2014 4Q Summary

### Economic Overview

In the fourth quarter, the U.S. economy strengthened while other developed parts of the world such as Japan and Europe struggled with stagnation. Due to this divergence, PFM Asset Management LLC (PFMAM) remains overweight domestic equity, but underweight international equity. With the possibility of rising interest rates, we remain cautiously underweight fixed income.

**Domestic Equity:** The S&P 500 Index increased 4.9% in the fourth quarter and 13.7% for the year. In December, the S&P 500 hit an all-time high of 2,094.

**International Equity:** The MSCI EAFE returned -3.6% for the quarter, despite modestly positive returns in foreign markets. The negative return on the index was caused by currency fluctuations as the U.S. dollar strengthened and foreign currencies weakened.

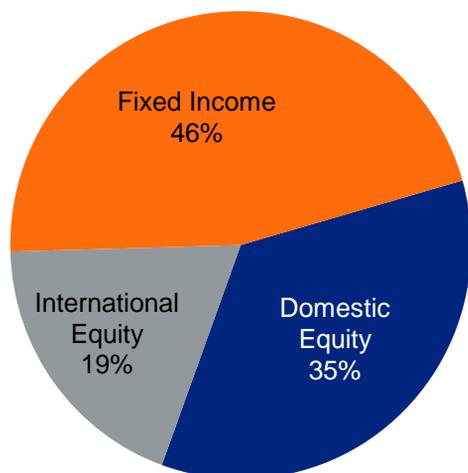
**Fixed Income:** Yields on securities under 10 years rose modestly for the quarter, but yields on securities 10 years and over continued to fall.

City of Sunnyvale Portfolio Growth 4th Quarter Account Reconciliation	
Beginning Market Value	\$59,185,505
Contributions	\$1,155,935
Fees	(\$44,350)
Earnings	\$1,199,853
<b>Total Value as of 12/31/2014</b>	<b>\$61,496,943</b>

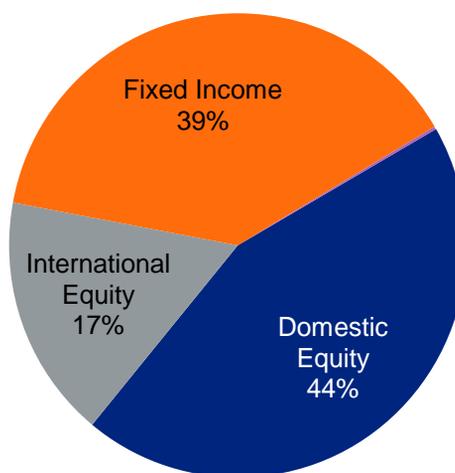
Portfolio Performance (Period Ending 12/31/2014)				
	Fourth Quarter	1 Year	3 Years	Since Inception
Portfolio	2.0%	6.1%	11.0%	8.2%
Benchmark <sup>1</sup>	1.9%	6.7%	9.3%	7.3%

### Asset Allocation

Target Allocation<sup>2</sup> (12/31/2014)



Actual Allocation



<sup>1</sup> Blended Benchmark –February 2011: 28% Russell 3000 Index + 17% MSCI AC World ex USA (Net) + 2.5% FTSE NAREIT Equity  
2.5% DJ UBS Commodity TR Index + 50% Barclays Aggregate; July 2012: 29% Russell 3000 Index + 18% MSCI AC World ex USA (Net) + 2.5% FTSE NAREIT  
Equity 2.5% DJ UBS Commodity TR Index + 48% Barclays Aggregate; July 2013: 30% Russell 3000 Index + 19% MSCI AC World ex USA (Net) + 2.5% FTSE  
NAREIT Equity 2.5% DJ UBS Commodity TR Index + 46% Barclays Aggregate

<sup>2</sup> The asset allocation range are: Domestic Equity: 25%-45%; International Equity: 9%-29%; Fixed Income 26%-66%.

