Verus

PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS

JUNE 2019

Asset/risk allocation

City of San Jose Police & Fire

Expected return (%)

Volatility by model

Volatility by Model

Legend: Verus, Meketa, 303XL, 303L

Models: Current-Cash, Current-ST Bonds, More Risk A, More Risk B, More Risk C, More Risk D, More Risk E, More Risk G, More Risk H, Optimized, 60/40
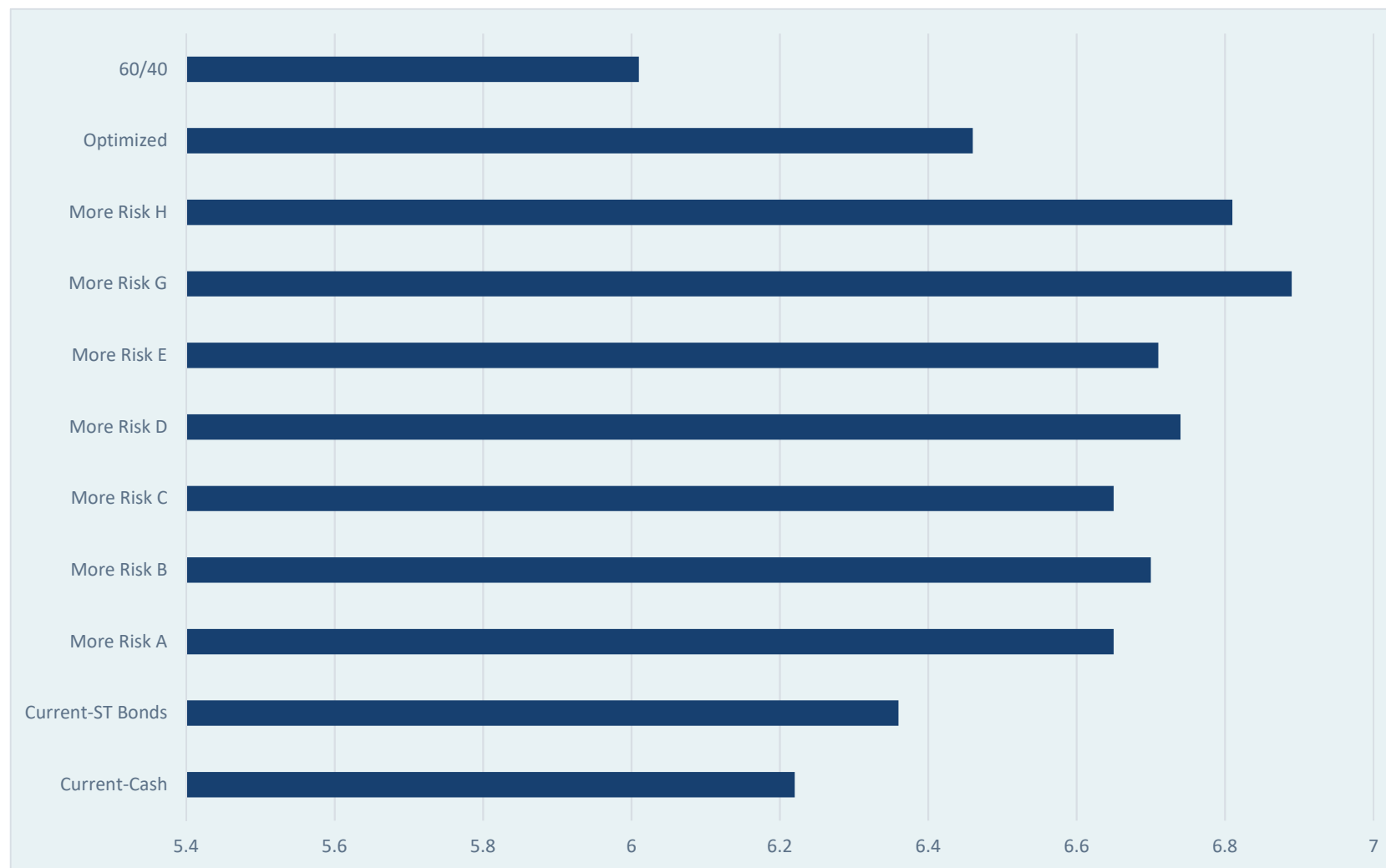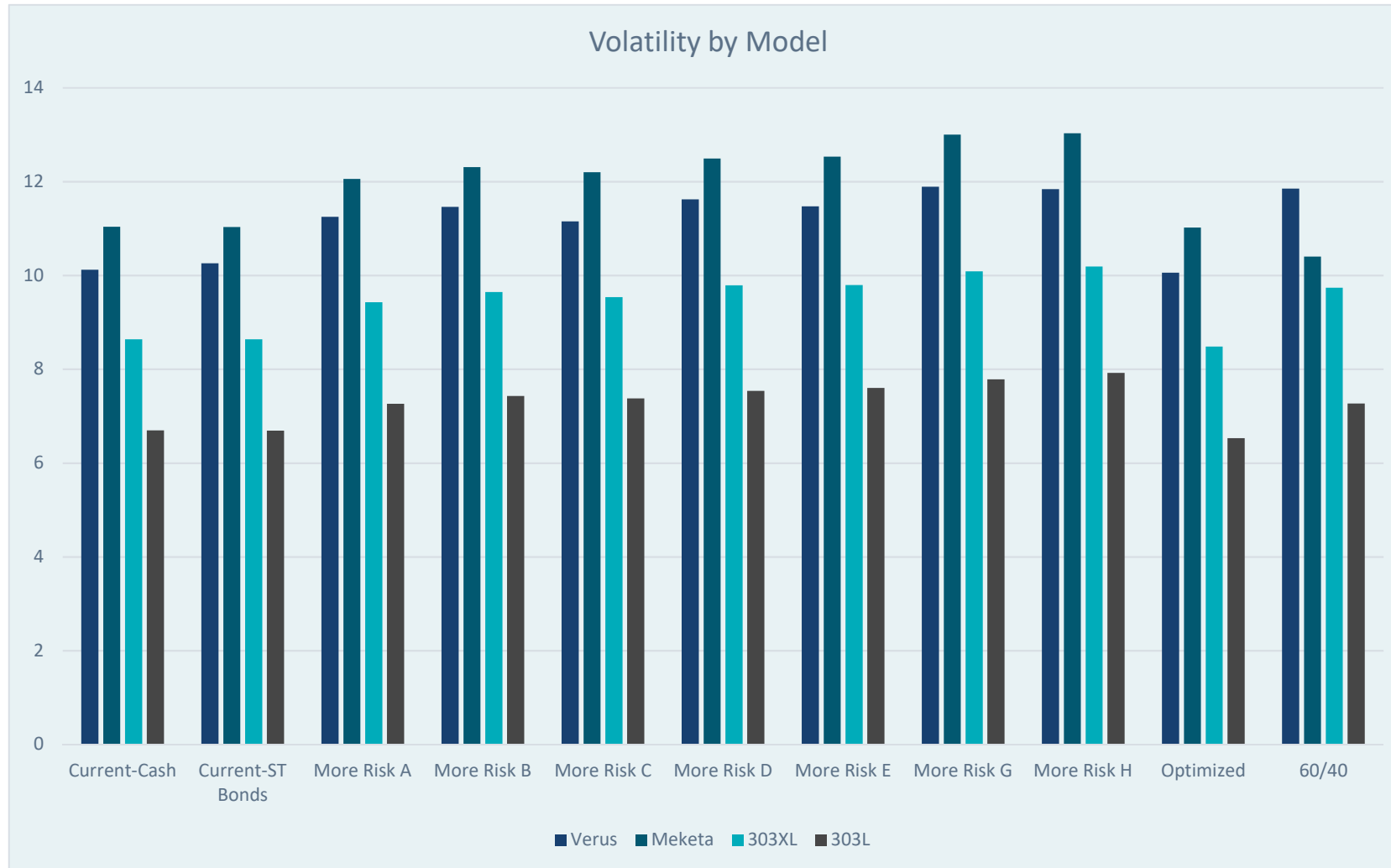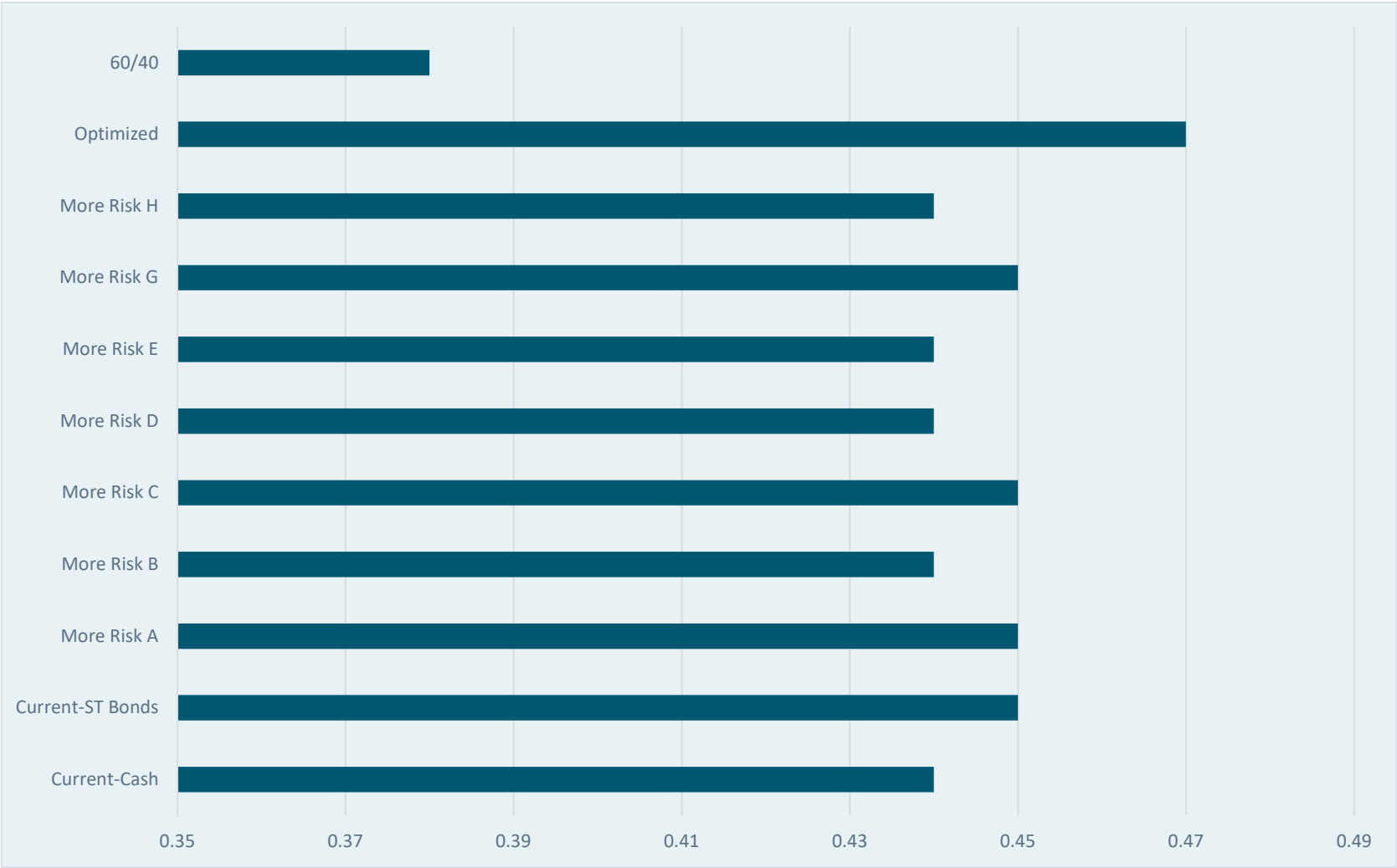
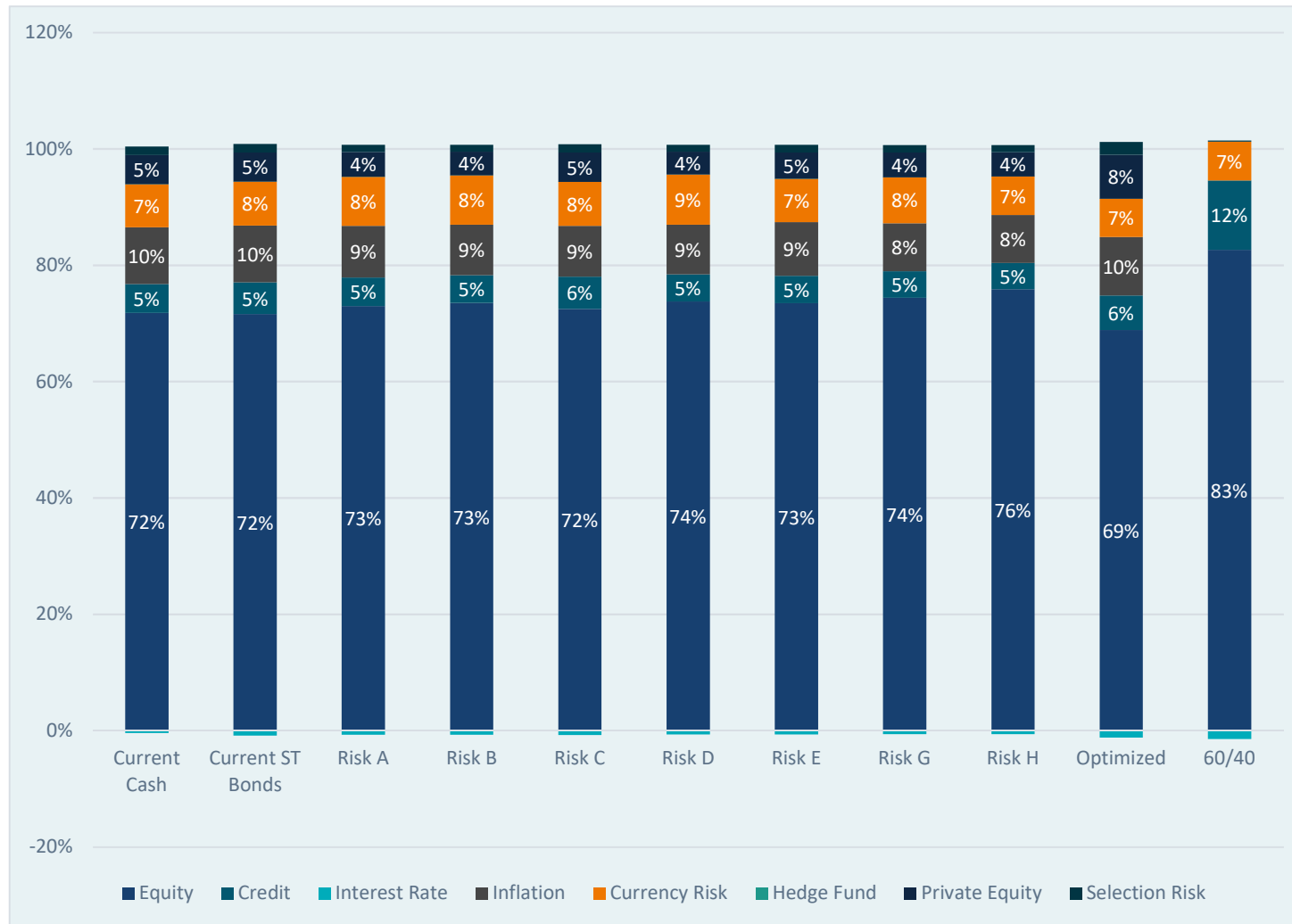Various models have different estimates of volatility for the mixes.

Directionally, the models show similar trends in terms of which mixes contain the most and the least volatility.
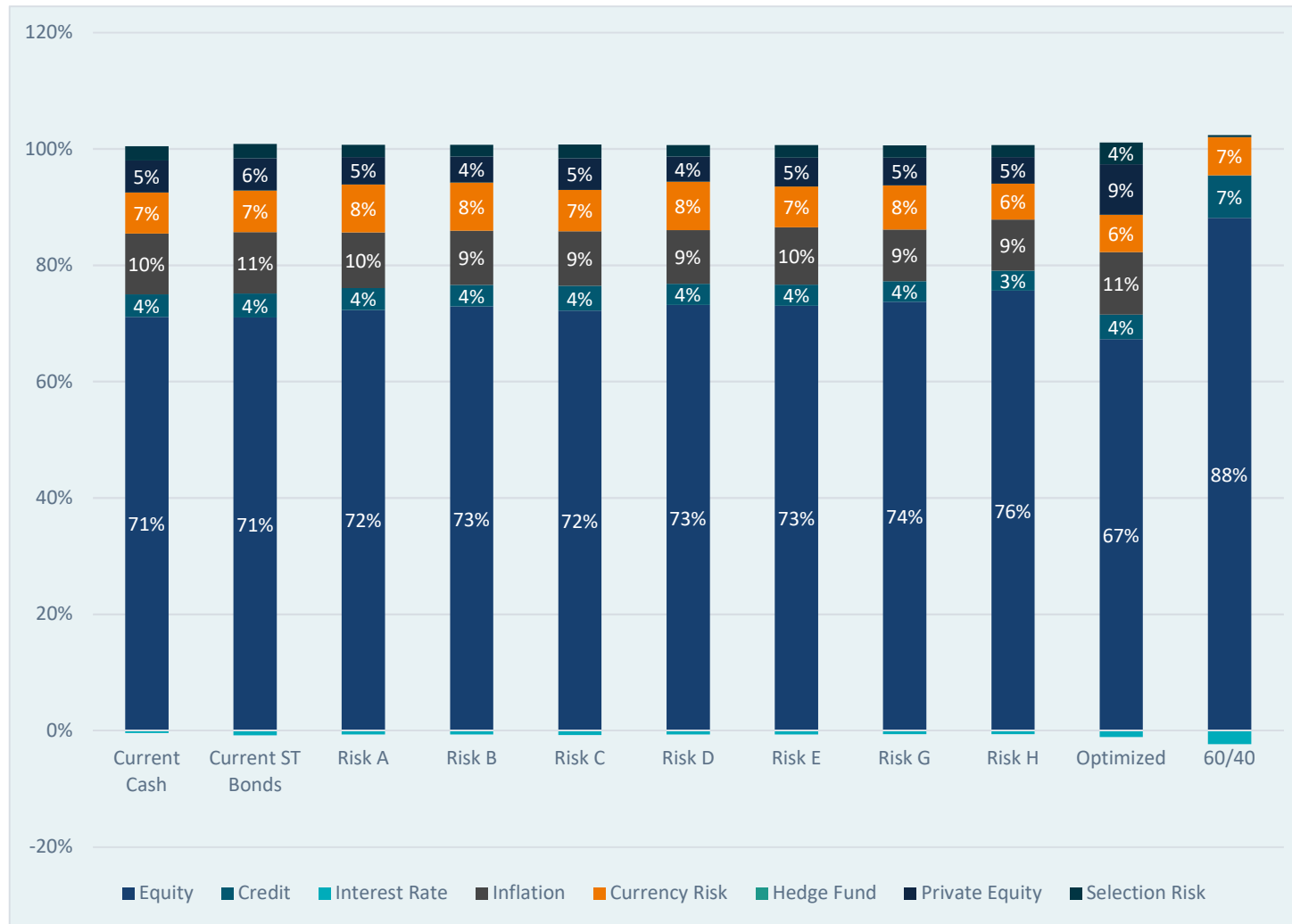
Sharpe Ratio

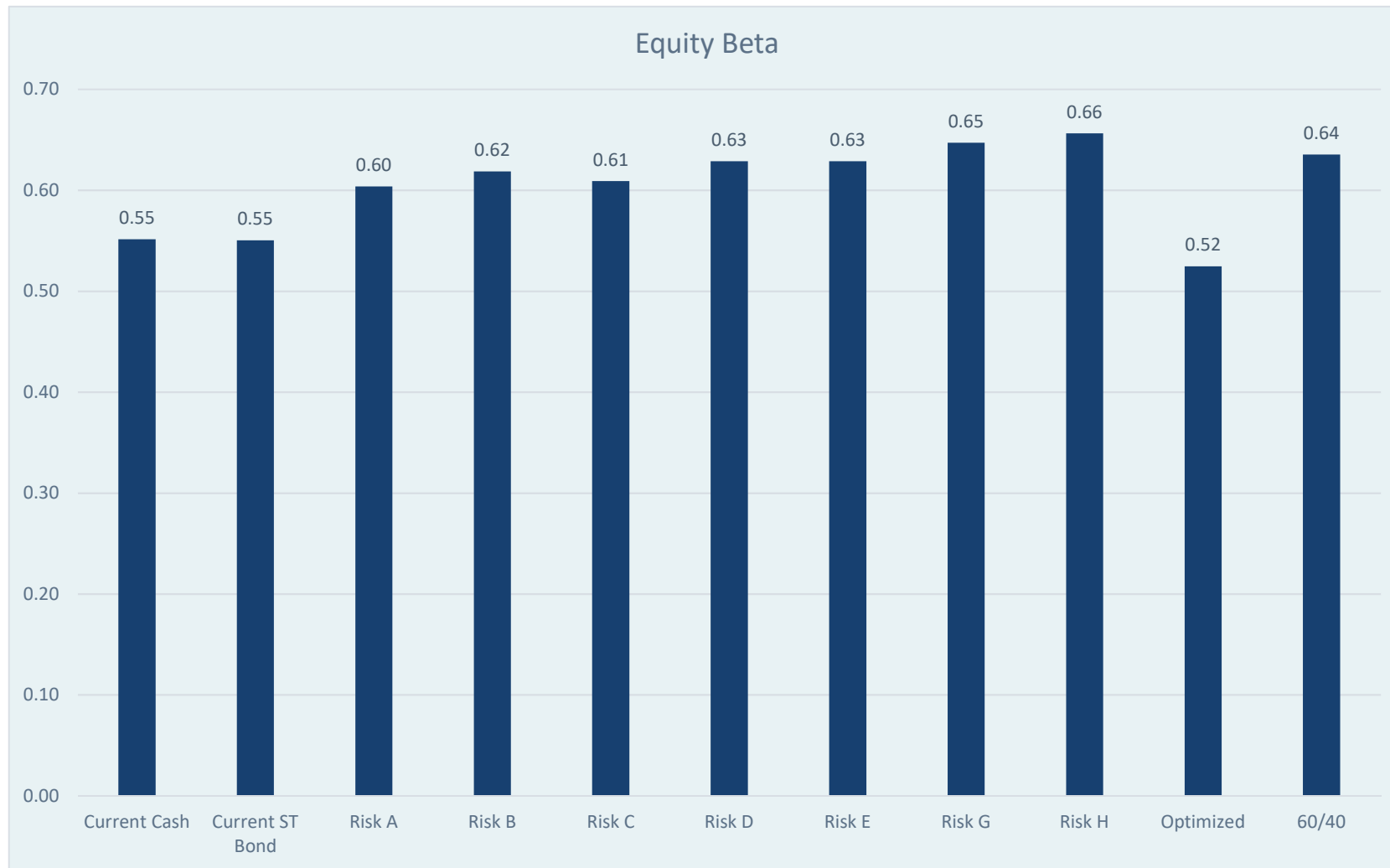Sharpe Ratios are based on Verus' Capital Market Assumptions of volatility.

Risk decomposition (303XL model)

Risk decomposition (303L model)

Equity beta

Equity Beta
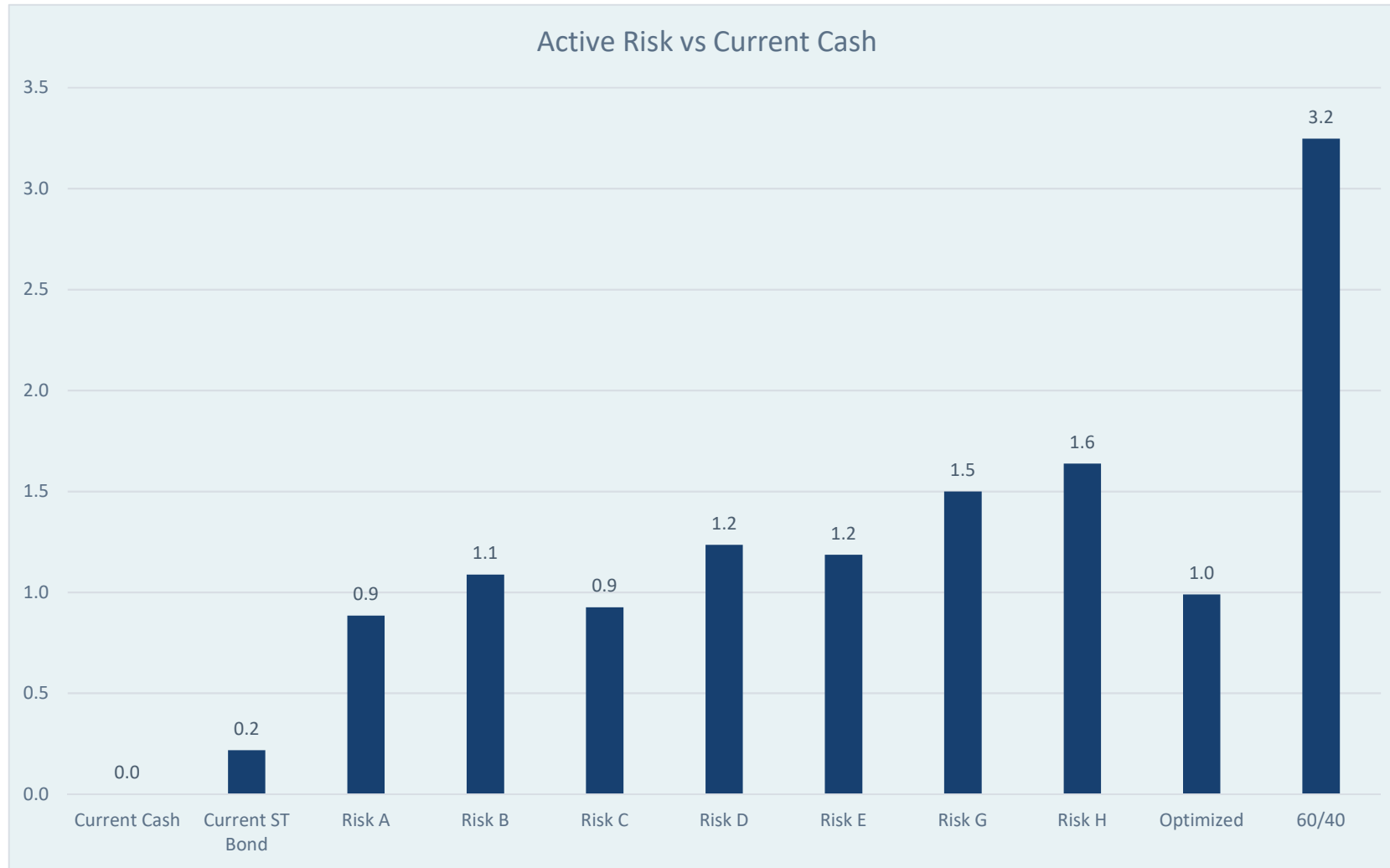
Category	Value
Current Cash	0.55
Current ST Bond	0.55
Risk A	0.60
Risk B	0.62
Risk C	0.61
Risk D	0.63
Risk E	0.63
Risk G	0.65
Risk H	0.66
Optimized	0.52
60/40	0.64

Effective duration

Effective duration

	Current Cash	Current ST Bond	Risk A	Risk B	Risk C	Risk D	Risk E	Risk G	Risk H	Optimized	60/40
Effective duration	0.62	0.97	0.88	0.88	0.88	0.86	0.84	0.75	0.73	1.44	2.93

Active risk vs Current Cash

Active Risk vs Current Cash
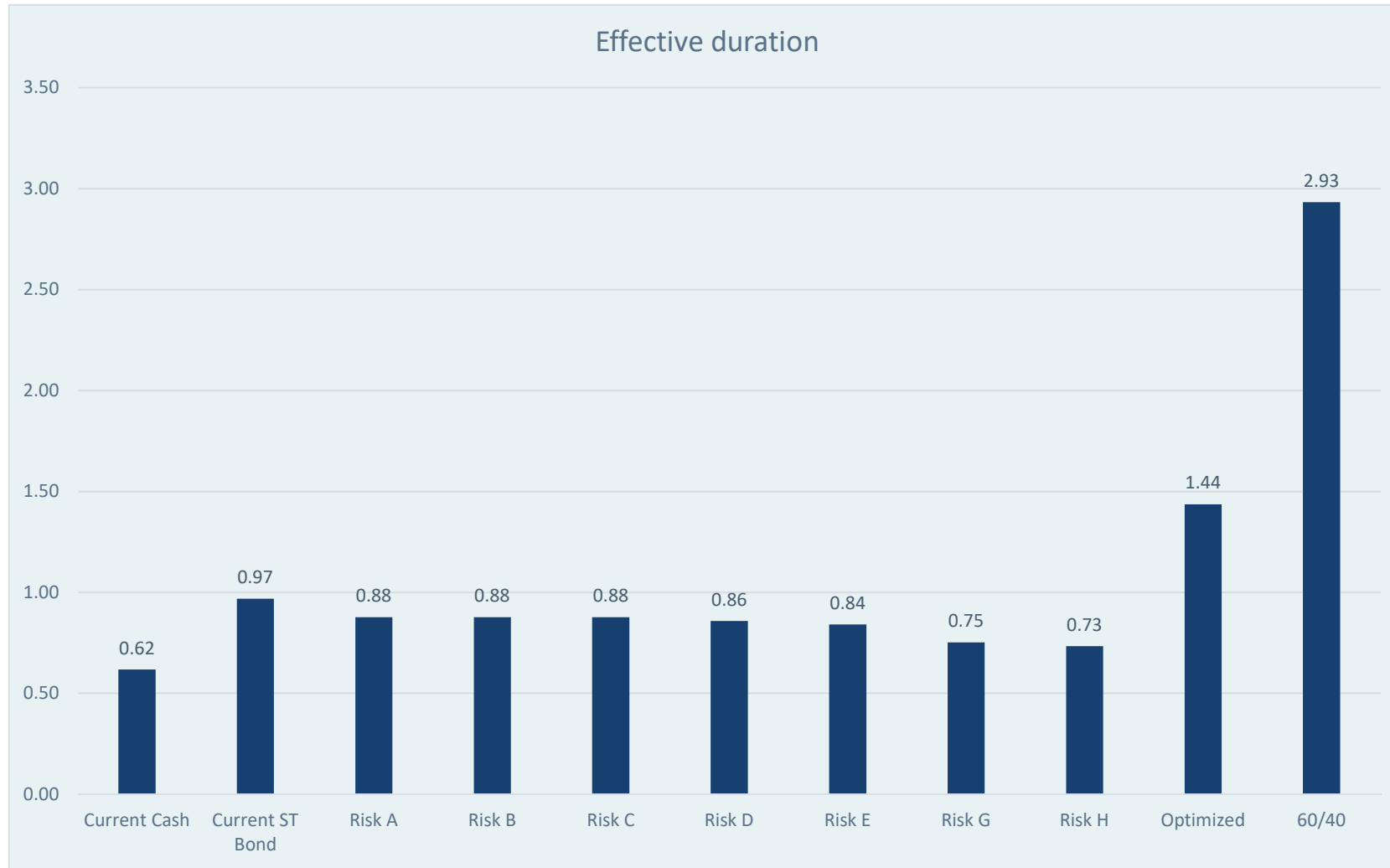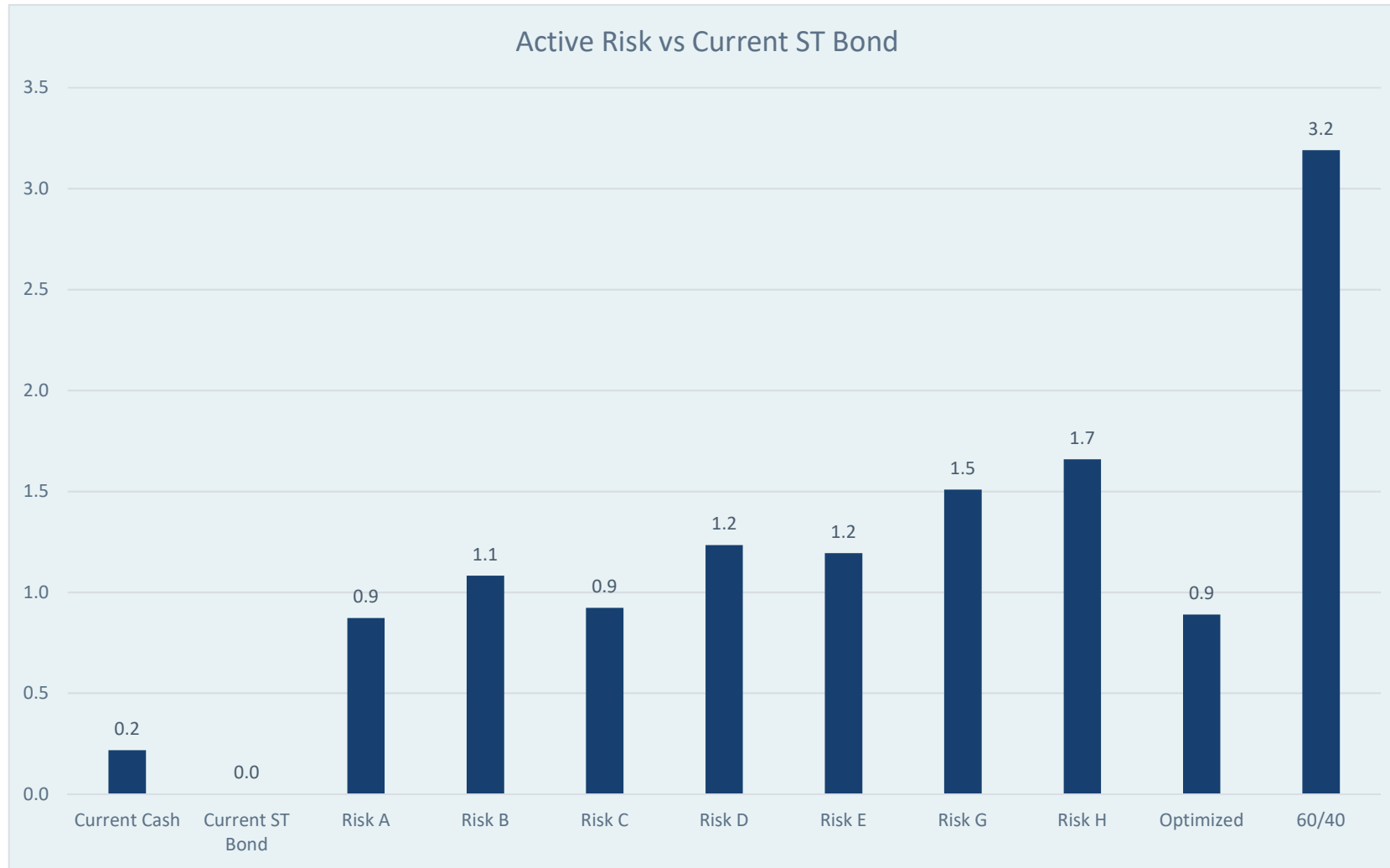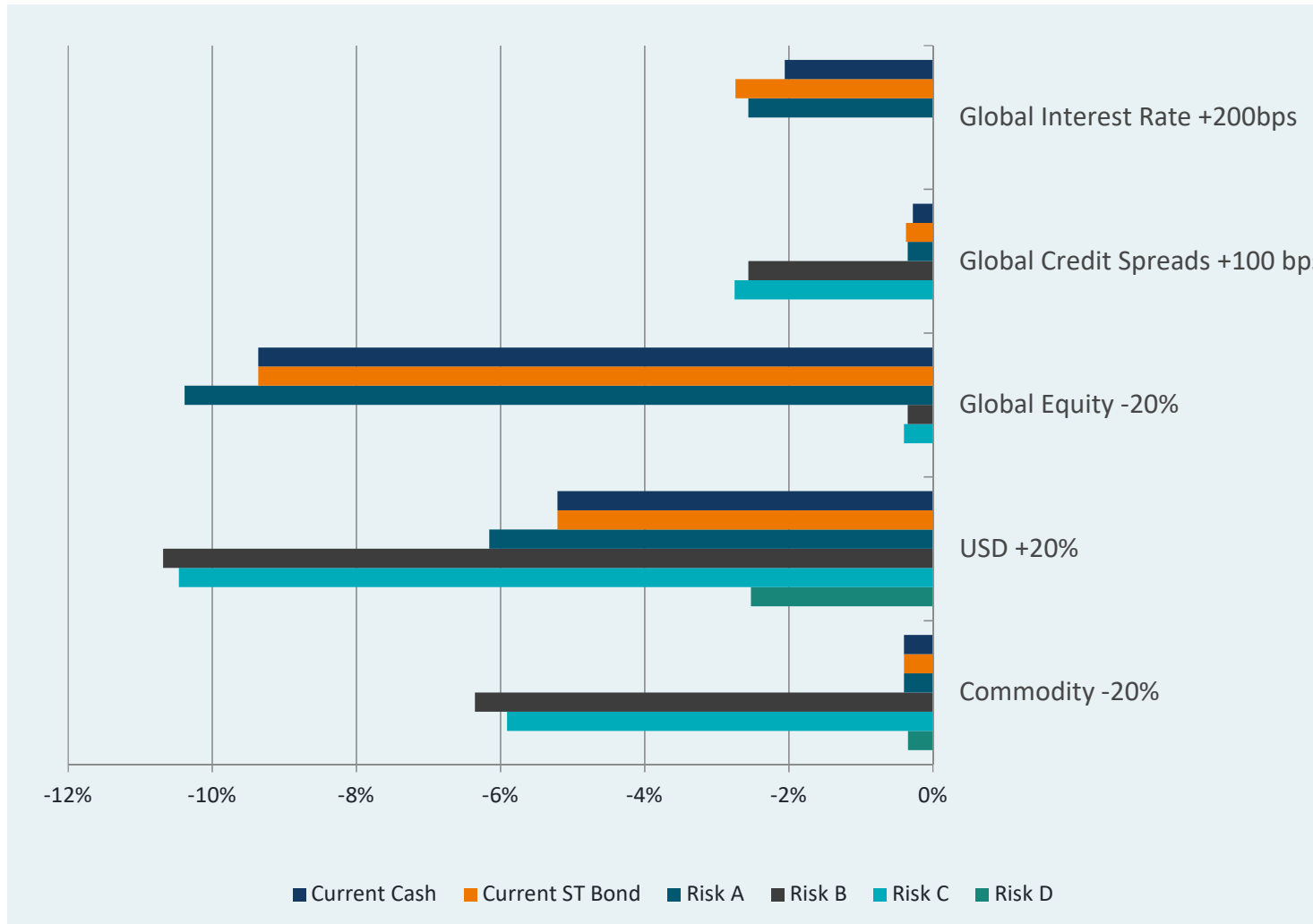
Active risk vs Current ST Bond

Active Risk vs Current ST Bond

Stress tests

B, C, Optimized, and 60/40 are noticeably more sensitive to Global Credit Spreads.

A, E, G, and H are noticeably more sensitive to Global Equities.

B, C, and 60/40 are noticeably more sensitive to the U.S. dollar.

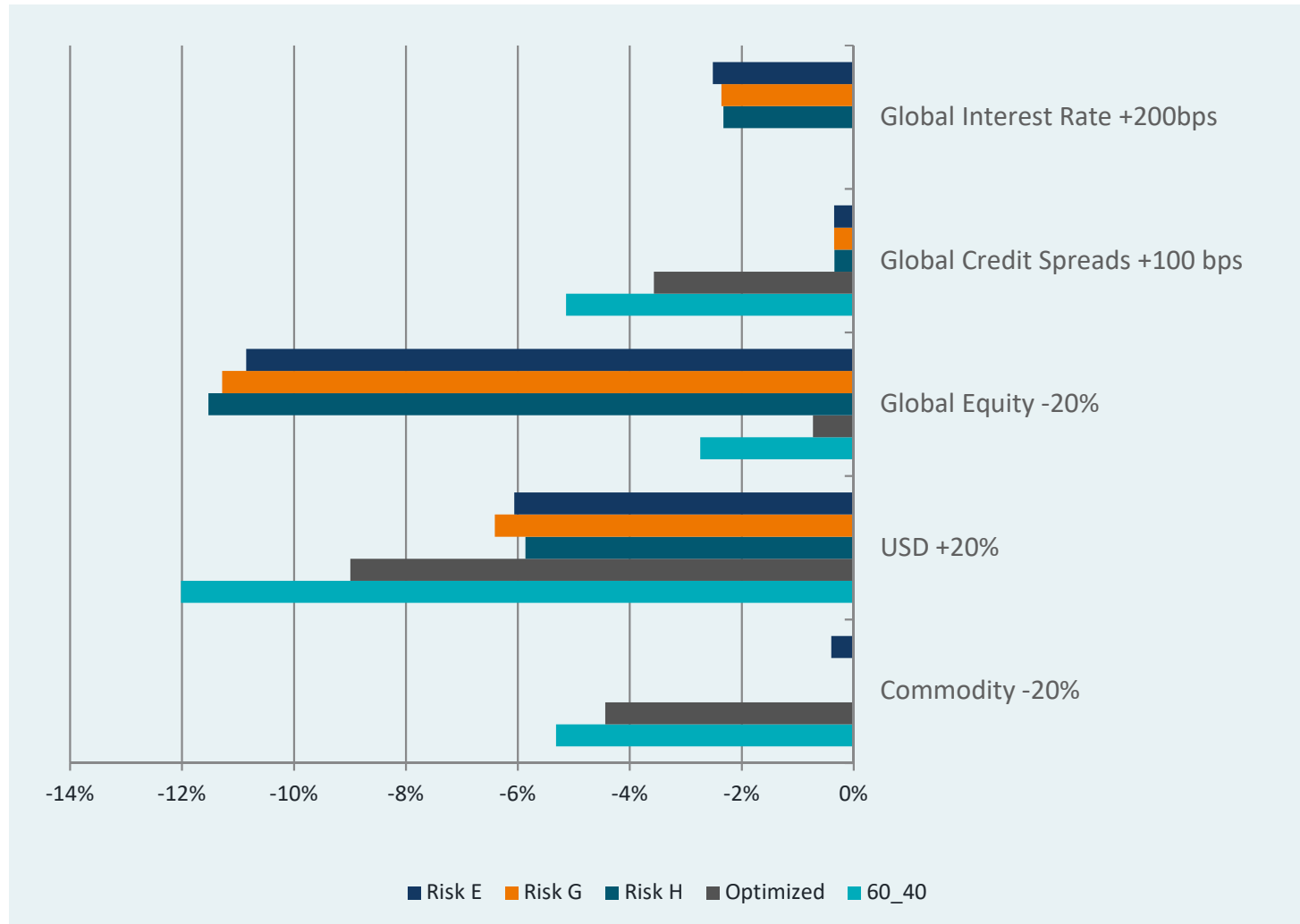B and C are the noticeably more sensitive to Commodities.
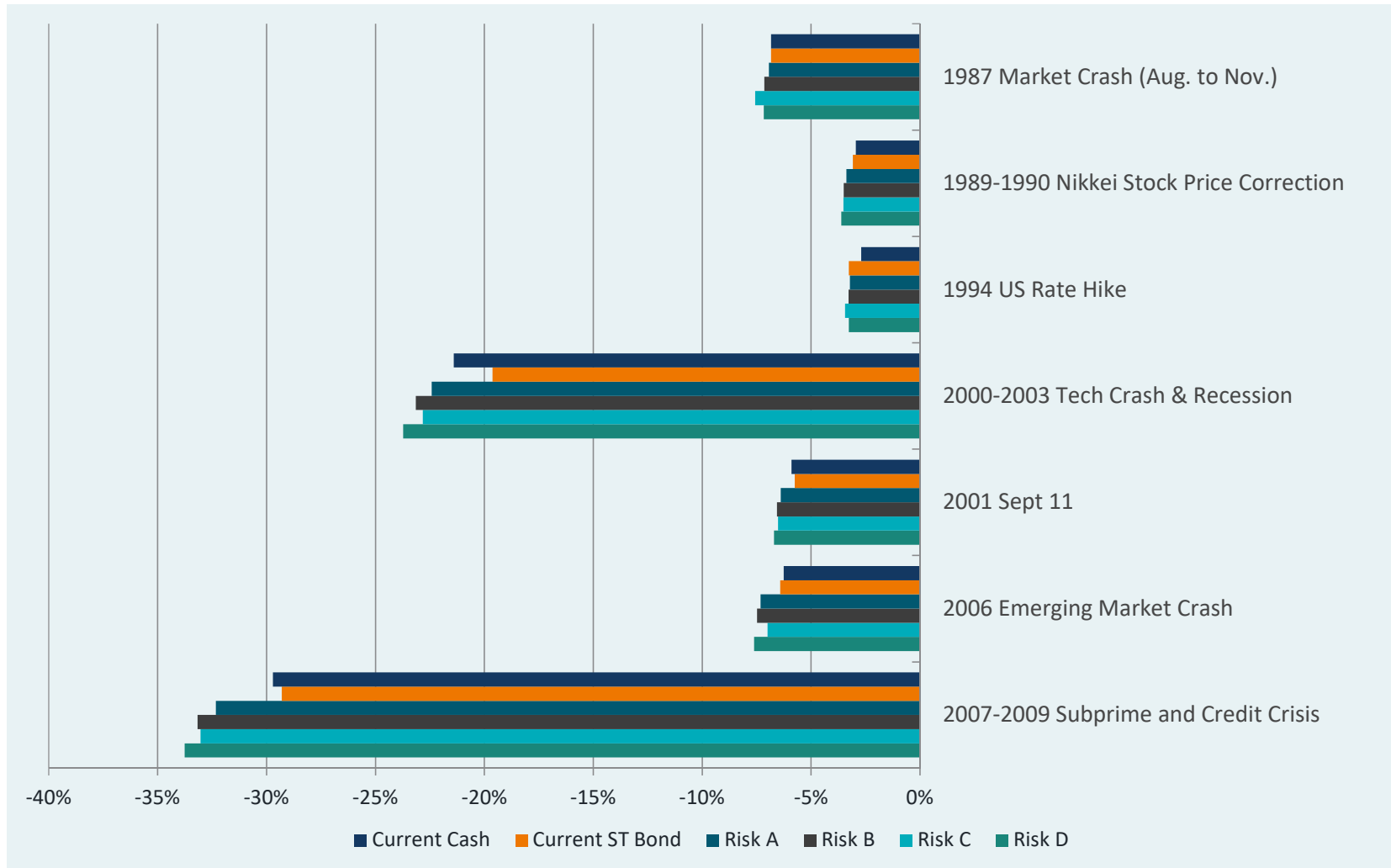
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Scenario analysis

Horizontal bar chart showing scenario analysis with categories: 1987 Market Crash (Aug. to Nov.), 1989-1990 Nikkei Stock Price Correction, 1994 US Rate Hike, 2000-2003 Tech Crash & Recession, 2001 Sept 11, 2006 Emerging Market Crash, 2007-2009 Subprime and Credit Crisis. X-axis from -40% to 0%. Legend: Current Cash, Current ST Bond, Risk A, Risk B, Risk C, Risk D.

Verus

Scenario analysis