



Item No. 5 Town of Atherton

FINANCE COMMITTEE STAFF REPORT

TO: FINANCE COMMITTEE

FROM: ROBERT BARRON III, FINANCE DIRECTOR

DATE: SEPTEMBER 9, 2014

SUBJECT: REVIEW AND DISCUSS PARS INVESTMENT STRATEGY AND PARS JUNE 30 STATEMENT; RECOMMEND CHANGES TO OVERALL STRATEGY IF APPROPRIATE.

RECOMMENDATION

Review and discuss PARS investment strategy and recommend changes to the overall strategy if appropriate.

BACKGROUND

In Fiscal Year 2011-2012 the Town of Atherton established an IRS approved section 115 irrevocable trust in order to comply with GASB 45. The implementation of GASB 45 requires governments to actuarially calculate their total OPEB obligation and the annual amount (ARC) necessary to fund the obligation. The irrevocable trust was created to prefund the Town's OPEB (Other Post-Employment Benefits) retiree health care costs for its employees identified in the Town's policies or applicable collective bargaining agreements. The Town adopted and entered into an agreement to participate in the PARS (Public Agency Retirement Services) Post-Retirement Health Care Plan Trust Program. The Town of Atherton OPEB Trust Program team consists of PARS, US Bank, and High Mark Capital Management. PARS is the trust administrator and consultant. They provide recordkeeping/sub-trust accounting, trustee and actuarial coordination. PARS also monitors contributions and plan compliance while also serving as ongoing client liaison. U.S. Bank serves as the OPEB plan trustee for the Town. They safeguard the plan assets; provide oversight protection, serves as the plans fiduciary and custodian of assets. High Mark Capital Management is the investment manager of the Trust. They are an investment sub-advisor to U.S. Bank. This OPEB trust team has a multitude of years of corporate experience and currently oversees 1,113 plans for 600 public agencies.

As part of setting up the trust, the Town was committed toward making contributions towards funding the OPEB long term liabilities. The Trust enables the Town to pre-fund the cost of benefits today and leverage interest earnings to lower the long-term future costs. An important aspect of funding the OPEB is the investment approach of our Trust and ensuring future growth

**REVIEW AND DISCUSS PARS INVESTMENT STRATEGY AND PARS JUNE 30 STATEMENT;
RECOMMEND CHANGES TO OVERALL STRATEGY IF APPROPRIATE**

September 9, 2014

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of the contributions. Unlike CalPERS where we don't control investments, with PARS it is akin to the CalPERS approach. PARS allows our agency to structure investment options to meet the program goals. The PARS OPEB Trust provides fiduciary protection and investment flexibility on strategy and risk tolerance. The Town is allowed to select its own investment approach and upon the creation of the Trust, selected the Discretionary Investment Approach. This approach allows the Town to direct the Trustee to invest the Assets of the Town's account to one of the available investment strategies. Through High Market Capital we have several PARS diversified investment strategy options to choose from:

Conservative
Moderate Conservative
Moderate
Balanced
Capital Appreciation

During the adoption of the Trust, the City Council selected the investment strategy of Moderate Index Plus. The investment objective of this strategy is to provide current income and moderate capital appreciation. The allocation of assets includes the following:

Moderate Index PLUS	Asset Allocation Percentage
Equity	40-60%
Fixed Income	40-60%
Cash	0-20%

The goal of the Town's investment plan is to produce sufficient long-term returns that will lead to adequate assets to pay the present and future obligations of OPEB benefits to retirees. The plan allocates its assets with a strategic long-term outlook with the understanding that varying levels of investment risk generally produce promising returns. The Town's current long-term average target rate of return is set at 6.0%

With the PARS OPEB Trust over the past two fiscal years, Council has taken significant steps to reduce the Town's OPEB Actuarial Accrued Liability of \$7,724,868. The Town made an initial contribution to the Trust of \$1,299,316 in FY 2012-2013, and an additional \$2,000,000 in Fiscal Year 2013-2014. The total contributions and earnings net of trust expenses of \$11,264 to PARS, the Town OPEB Trust Balance as of June 30, 2014 is as follows:

Moderate Index PLUS Investment Strategy

Initial Net OPEB Contribution	Additional Contributions	Trust Earnings	Ending Balance as of June 30, 2014
\$1,299,316	\$2,000,000	\$214,150	\$3,513,466

Attached is also the PARS annual account report for the Trust from the period 7/1/2013 to 6/30/2014

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RECOMMEND CHANGES TO OVERALL STRATEGY IF APPROPRIATE**

September 9, 2014

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The OPEB PARS Trust has earned \$214,150 since inception and it equates to about a 6.5% return. The Moderate Index PLUS investment strategy the Council elected has met the goal target rate of return of 6% for our program plan. The Town core strategy of financial stability is at the forefront in the consideration of paying down long-term liabilities. In July 2014, the Council authorized an additional contribution of \$1,020,000 toward the OPEB PARS Trust. The total contributions made toward the Trust are the following:

As of 7/1/2012	
Active Employees	\$1,832,176
Retirees Spouses	\$5,892,692
Accrued Actuarial Liability (AAL)	\$7,724,868
Prior Town Contribution to PARS Trust FY 12/13	(\$1,299,316)
Contribution Towards PARS Trust FY 13/14	(\$2,000,000)
ERAF Contribution FY 14/15	(\$1,020,000)
Estimated Unfunded Actuarial Liability Amount	\$3,405,552

FINDINGS | ANALYSIS

The Moderate Index PLUS investment strategy is yielding the required returns based on plan objectives and follows the Council adopted investment strategy. The Finance Committee can discuss whether or not the strategy is aggressive enough. If the Committee feels it is not then if appropriate can make a recommendation to the Council to change the investment strategy for the OPEB Trust. Attached for the Committee review are the different investment strategies that the Town can choose from to invest OPEB contributions.

FISCAL IMPACT

None

ATTACHMENT

PARS-Town of Atherton OPEB Statement

PARS Diversified Portfolio Investment Strategies

TOWN OF ATHERTON
PARS GASB 45 Program

Annual Account Report for the Period
7/1/2013 to 6/30/2014

Robert Barron III
Finance Director
Town of Atherton
91 Ashfield Road
Atherton, CA 94027

Account Summary

Source	Beginning Balance as of 7/1/2013	Contributions	Earnings	Expenses	Distributions	Transfers	Ending Balance as of 6/30/2014
Employer Contribution	\$1,298,993.11	\$2,131,844.15	\$224,609.29	\$11,264.35	\$130,716.10	\$0.00	\$3,513,466.10
Totals	\$1,298,993.11	\$2,131,844.15	\$224,609.29	\$11,264.35	\$130,716.10	\$0.00	\$3,513,466.10

Investment Selection

Moderate Index PLUS

Investment Objective

The dual goals of the Moderate Strategy are growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important. The portfolio will be allocated between equity and fixed income investments.

Investment Return

1-Month	3-Months	1-Year	Annualized Return			Inception Date
			3-Years	5-Years	10-Years	
1.02%	2.94%	10.23%	N/A	N/A	N/A	6/24/2013

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value

Past Performance does not guarantee future results. Performance returns may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

Investment Return: Annualized rate of return is the return on an investment over a period other than one year multiplied or divided to give a comparable one-year return.

Inception Date: Plans inception date

ASSET ALLOCATION

As of June 30, 2014

Current Asset Allocation		Investment Vehicle	
Equity		Range: 40%-60%	49.87%
Large Cap Core	IVV	iShares S&P 500 Index Fund	10.30%
Large Cap Value	IVE	iShares S&P 500 Value Fund	7.25%
Large Cap Growth	IVW	iShares S&P 500 Growth Fund	7.25%
Mid Cap Value	IWS	iShares Russell MidCap Value Fund	2.81%
Mid Cap Growth	IWP	iShares Russell MidCap Growth Fund	2.83%
Small Cap Value	IJS	iShares S&P Small Cap 600 Value Fund	2.33%
Small Cap Growth	IJT	iShares S&P Small Cap 600 Growth Fund	2.33%
International Core	EFA	iShares MSCI EAFE Index Fund	8.69%
Tactical - Europe	FEZ	SPDR EURO STOXX 50 ETF	2.58%
Emerging Markets	VWO	Vanguard MSCI Emerging Markets ETF	3.49%
Fixed Income		Range: 40%-60%	47.51%
Short-Term	VFSUX	Vanguard Short-Term Corp Adm Fund	11.90%
Intermediate-Term	AGG	iShares Barclays Aggregate Bond Fund	35.61%
Cash		Range: 0%-20%	2.62%
	FPZXX	First American Prime Obligations Fund	2.62%
TOTAL			100.00%

TOWN OF ATHERTON

For Period Ending May 31, 2014

LARGE CAP EQUITY FUNDS							
Fund Name	1-Month Return	3-Month Return	Year-to- Date	1-Year Return	3-Year Return	5-Year Return	10-Year Return
iShares S&P 500 Growth Index	3.34	2.86	5.03	22.13	15.46	18.67	7.94
iShares S&P 500 Index Fnd	2.34	3.95	4.94	20.38	15.07	18.31	7.71
iShares S&P 500 Value Index	1.25	5.08	4.72	18.18	14.43	17.72	7.20
MID CAP EQUITY FUNDS							
iShares Russell Midcap Growth	2.68	-0.72	3.19	20.46	12.55	20.28	9.44
iShares Russell Midcap Value	1.64	3.60	7.31	21.70	14.98	21.92	10.49
SMALL CAP EQUITY FUNDS							
iShares S&P Smallcap 600 Growth Fd	-0.20	-3.53	-3.55	18.44	12.75	21.27	10.22
iShares S&P Smallcap 600 Value Fd	0.66	-0.37	0.42	20.45	15.64	20.81	9.50
INTERNATIONAL EQUITY FUNDS							
iShares MSCI EAFE Index	1.63	2.47	3.75	17.83	7.19	11.27	6.94
Vanguard MSCI Emerging Markets ETF	3.70	8.31	3.90	3.88	-2.33	7.80	--
BOND FUNDS							
iShares Barclays Aggregate Bond	1.14	1.81	3.91	2.63	3.42	4.78	4.80
Vanguard Short-Term Investment-Grade Adm	0.45	0.73	1.63	2.31	2.47	4.25	3.87

Source: SEI Investments, Morningstar Investments

Returns less than one year are not annualized. Past performance is no indication of future results. The information presented has been obtained from sources believed to be accurate and reliable. Securities are not FDIC insured, have no bank guarantee and may lose value.

Vision. Discipline. Results.SM

PARS Diversified Portfolios - Conservative

As of March 31, 2014

WHY THE PARS DIVERSIFIED CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark[®] Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

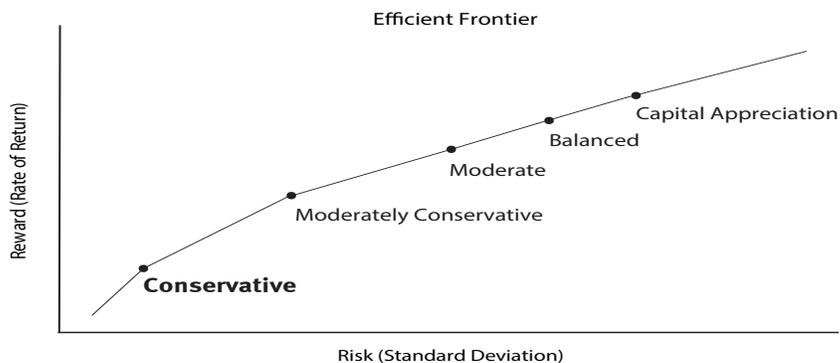
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide a consistent level of inflation-protected income over the long-term. The major portion of the assets will be fixed income related. Equity securities are utilized to provide inflation protection.



ASSET ALLOCATION – CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	5-20%	15%	14%
Fixed Income	60-95%	80%	81%
Cash	0-20%	5%	5%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

HighMark Plus (Active)

Current Quarter*	1.29%
Blended Benchmark* ¹	1.39%
Year To Date*	1.29%
Blended Benchmark*	1.39%
1 Year	3.25%
Blended Benchmark	3.12%
3 Year	4.65%
Blended Benchmark	4.08%
5 Year	8.00%
Blended Benchmark	5.83%
Inception To Date (117-Mos.)	5.20%
Blended Benchmark	4.42%

Index Plus (Passive)

Current Quarter*	1.37%
Blended Benchmark* ¹	1.39%
Year To Date*	1.37%
Blended Benchmark*	1.39%
1 Year	3.22%
Blended Benchmark	3.12%
3 Year	4.49%
Blended Benchmark	4.08%
5 Year	7.11%
Blended Benchmark	5.83%
Inception To Date (117-Mos.)	4.70%
Blended Benchmark	4.42%

*Returns less than 1-year are not annualized. ¹Breakdown for Blended Benchmark: 7.5% S&P500, 1.5% Russell Mid Cap, 2.5% Russell 2000, 1% MSCI EM FREE, 2% MSCI EAFE, 52.25% BC US Agg, 25.75% ML 1-3 Yr US Corp/Gov't, 2% US High Yield Master II, 0.5% Wilshire REIT, and 5% Citi 1Mth T-Bill. Prior to October 2012, the blended benchmarks were 12% S&P 500; 1% Russell 2000, 2% MSCI EAFE, 40% ML 1-3 Year Corp/Gov't, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 15% S&P 500, 40% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)

2008	-9.04%
2009	15.59%
2010	8.68%
2011	2.19%
2012	8.45%
2013	3.69%

Index Plus (Passive)

2008	-6.70%
2009	10.49%
2010	7.67%
2011	3.70%
2012	6.22%
2013	3.40%

PORTFOLIO FACTS

HighMark Plus (Active)

Inception Date	07/2004
No. of Funds Held in Portfolio	19

Index Plus (Passive)

Inception Date	07/2004
No. of Funds Held in Portfolio	13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



CAPITAL MANAGEMENT

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ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.9 billion in assets under management. HighMark has a longterm disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Christiane Boyd

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Ryan Fox

Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2009
Education: BA, Boston College

Ahmed Khatib, CFA[®], CFP[®]

Senior Portfolio Manager
Investment Experience: since 1999
HighMark Tenure: since 2006
Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1995
HighMark Tenure: since 2011
Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Committee

Number of Members: 9
 Average Years of Experience: 21
 Average Tenure (Years): 8

PARS Diversified Portfolios - Conservative

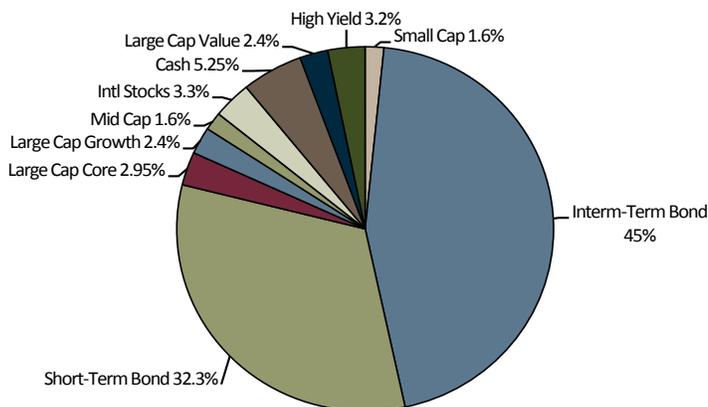
As of March 31, 2014

SAMPLE HOLDINGS

- **HighMark Plus (Active)**
 Columbia Contrarian Core Z
 T. Rowe Price Growth Stock
 Columbia Small Cap Value II Z
 T. Rowe Price New Horizons
 Nationwide Bailard International Equities
 Nationwide HighMark Bond
 Vanguard Short-Term Invest-Grade Adm
 Loomis Sayles Value Y
 PIMCO Total Return
 Dodge & Cox International Stock
 MFS International Growth I
 Sentinel Common Stock I
 First American Prime Obligation Z
 TIAA-CREF Mid Cap Value
 Nationwide Geneva Mid Cap Growth
 Harbor Capital Appreciation
 Schroder Emerging Market Equity
 T. Rowe Price Equity Income
 PIMCO High Yield
- **Index Plus (Passive)**
 iShares S&P 500
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares S&P Small Cap 600 Value
 iShares S&P Small Cap 600 Growth
 iShares MSCI EAFE
 iShares Russell Midcap Value
 iShares Russell Midcap Growth
 iShares Barclays Aggregate Bond
 Vanguard Short-Term Invest-Grade Adm
 First American Prime Obligation Z
 SPDR Barclays Capital High Yield Bond
 Vanguard MSCI Emerging Markets ETF

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank charges clients a 0.60% annual management fee, and pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of Union Bank, N.A. (Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. Union Bank, a subsidiary of UnionBankCal Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**



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PARS Diversified Portfolios - Moderately Conservative

As of March 31, 2014

WHY THE PARS DIVERSIFIED MODERATELY CONSERVATIVE PORTFOLIO?

Comprehensive Investment Solution

HighMark® Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

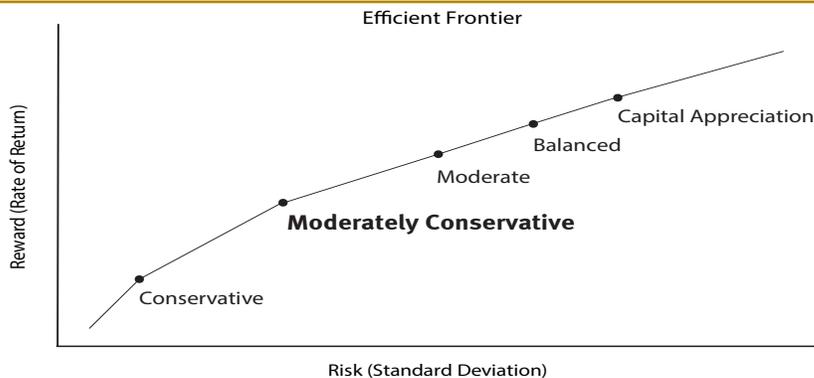
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide current income and moderate capital appreciation. The major portion of the assets is committed to income-producing securities. Market fluctuations should be expected.



ASSET ALLOCATION – MODERATELY CONSERVATIVE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	20-40%	30%	28%
Fixed Income	50-80%	65%	68%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
Current Quarter* 1.39%	Current Quarter* 1.56%
Blended Benchmark* ¹ 1.59%	Blended Benchmark* ¹ 1.59%
Year To Date* 1.39%	Year To Date* 1.56%
Blended Benchmark* 1.59%	Blended Benchmark* 1.59%
1 Year 5.70%	1 Year 5.57%
Blended Benchmark 5.88%	Blended Benchmark 5.88%
3 Year 6.16%	3 Year 5.90%
Blended Benchmark 5.96%	Blended Benchmark 5.96%
5 Year 10.50%	5 Year 9.35%
Blended Benchmark 8.61%	Blended Benchmark 8.61%
Inception To Date (116-Mos.) 6.07%	Inception To Date (107-Mos.) 5.35%
Blended Benchmark 5.22%	Blended Benchmark 5.22%

* Returns less than 1-year are not annualized. ¹Breakdown for Blended Benchmark: 15.5% S&P500, 3% Russell Mid Cap, 4.5% Russell 2000, 2% MSCI EM FREE, 4% MSCI EAFE, 49.25% BC US Agg, 14% ML 1-3 Yr US Corp/Gov't, 1.75% US High Yield Master II, 1% Wilshire REIT, and 5% Citi 1Mth T-Bill. Prior to October 2012, the blended benchmarks were 25% S&P 500; 1.5% Russell 2000, 3.5% MSCI EAFE, 25% ML 1-3 Year Corp/Gov't, 40% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 30% S&P 500, 25% ML 1-3Yr Corp/Gov, 40% BC Agg, and 5% Citi 1Mth T-Bill.

ANNUAL RETURNS

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
2008 -15.37%	2008 -12.40%
2009 18.71%	2009 11.92%
2010 10.46%	2010 9.72%
2011 1.75%	2011 3.24%
2012 10.88%	2012 8.24%
2013 7.30%	2013 6.78%

PORTFOLIO FACTS

<ul style="list-style-type: none"> HighMark Plus (Active) 	<ul style="list-style-type: none"> Index Plus (Passive)
Inception Date 8/2004	Inception Date 05/2005
No. of Funds Held in Portfolio 19	No. of Funds Held in Portfolio 13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



Vision. Discipline. Results.SM

ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.9 billion in assets under management. HighMark has a longterm disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA[®]
 Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Christiane Boyd
 Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Ryan Fox
 Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2009
Education: BA, Boston College

Ahmed Khatib, CFA[®], CFP[®]
 Senior Portfolio Manager
Investment Experience: since 1999
HighMark Tenure: since 2006
Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA[®]
 Senior Portfolio Manager
Investment Experience: since 1995
HighMark Tenure: since 2011
Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA[®]
 Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee
 Number of Members: 12
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Committee
 Number of Members: 9
 Average Years of Experience: 21
 Average Tenure (Years): 8

PARS Diversified Portfolios - Moderately Conservative

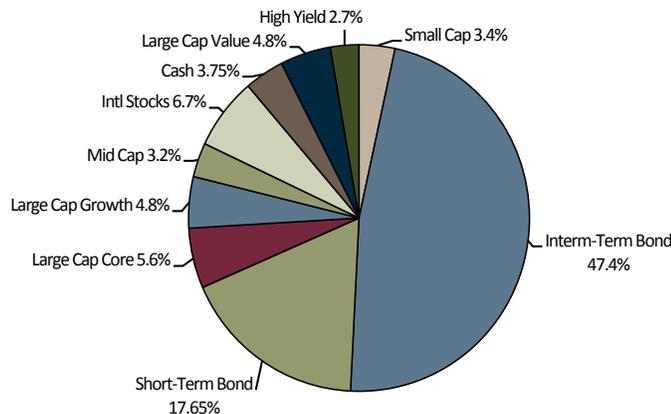
As of March 31, 2014

SAMPLE HOLDINGS

- **HighMark Plus (Active)**
 - Columbia Contrarian Core Z
 - T. Rowe Price Growth Stock
 - Columbia Small Cap Value II Z
 - T. Rowe Price New Horizons
 - Nationwide Bailard International Equities
 - Nationwide HighMark Bond
 - Vanguard Short-Term Invest-Grade Adm
 - Loomis Sayles Value Y
 - PIMCO Total Return
 - Dodge & Cox International Stock
 - MFS International Growth I
 - Sentinel Common Stock I
 - First American Prime Obligation Z
 - TIAA-CREF Mid Cap Value
 - Nationwide Geneva Mid Cap Growth
 - Harbor Capital Appreciation
 - Schroder Emerging Market Equity
 - T. Rowe Price Equity Income
 - PIMCO High Yield
- **Index Plus (Passive)**
 - iShares S&P 500
 - iShares S&P 500/Value
 - iShares S&P 500/Growth
 - iShares S&P Small Cap 600 Value
 - iShares S&P Small Cap 600 Growth
 - iShares MSCI EAFE
 - iShares Russell Midcap Value
 - iShares Russell Midcap Growth
 - iShares Barclays Aggregate Bond
 - Vanguard Short-Term Invest-Grade Adm
 - First American Prime Obligation Z
 - SPDR Barclays Capital High Yield Bond
 - Vanguard MSCI Emerging Markets ETF

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Moderately Conservative active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank charges clients a 0.60% annual management fee, and pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark) an SEC-registered investment adviser, is a wholly owned subsidiary of Union Bank, N.A. (Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. Union Bank, a subsidiary of UnionBanCal Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**



Vision. Discipline. Results.SM

PARS Diversified Portfolios - Moderate

As of March 31, 2014

WHY THE PARS DIVERSIFIED MODERATE PORTFOLIO?

Comprehensive Investment Solution

HighMark[®] Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

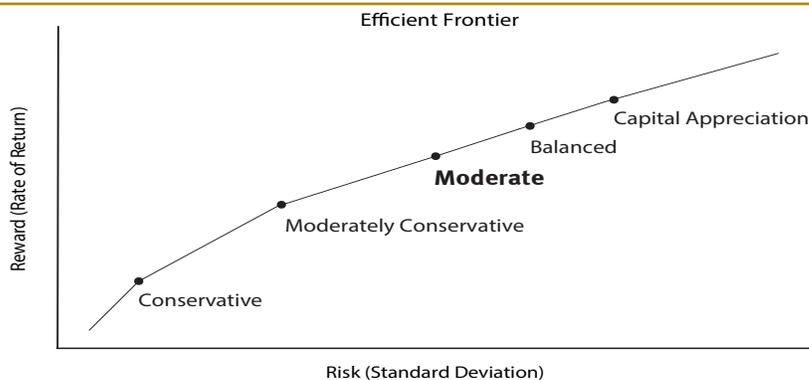
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.



ASSET ALLOCATION – MODERATE PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	40-60%	50%	47%
Fixed Income	40-60%	45%	49%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

HighMark Plus (Active)		Index Plus (Passive)	
Current Quarter*	1.33%	Current Quarter*	1.37%
Blended Benchmark* ¹	1.68%	Blended Benchmark* ¹	1.68%
Year To Date*	1.33%	Year To Date*	1.37%
Blended Benchmark*	1.68%	Blended Benchmark*	1.68%
1 Year	9.44%	1 Year	9.28%
Blended Benchmark	9.77%	Blended Benchmark	9.77%
3 Year	7.83%	3 Year	7.93%
Blended Benchmark	8.24%	Blended Benchmark	8.24%
5 Year	12.99%	5 Year	12.62%
Blended Benchmark	12.08%	Blended Benchmark	12.08%
Inception To Date (114-Mos.)	6.25%	Inception To Date (95-Mos.)	5.61%
Blended Benchmark	5.94%	Blended Benchmark	5.69%

*Returns less than 1-year are not annualized. ¹Breakdown for Blended Benchmark: 26.5% S&P500, 5% Russell Mid Cap, 7.5% Russell 2000, 3.25% MSCI EM FREE, 6% MSCI EAFE, 33.50% BC US Agg, 10% ML 1-3 Yr US Corp/Gov't, 1.50% US High Yield Master II, 1.75% Wilshire REIT, and 5% Citi 1Mth T-Bill. Prior to October 2012, the blended benchmarks were 43% S&P 500; 2% Russell 2000, 5% MSCI EAFE, 15% ML 1-3 Year Corp/Gov't, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 50% S&P 500, 15% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)		Index Plus (Passive)	
2008	-22.88%	2008	-18.14%
2009	21.47%	2009	16.05%
2010	12.42%	2010	11.77%
2011	0.55%	2011	2.29%
2012	12.25%	2012	10.91%
2013	13.06%	2013	12.79%

PORTFOLIO FACTS

HighMark Plus (Active)		Index Plus (Passive)	
Inception Date	10/2004	Inception Date	05/2006
No. of Funds Held in Portfolio	19	No. of Funds Held in Portfolio	13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.

PARS Diversified Portfolios - Moderate

As of March 31, 2014

ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.9 billion in assets under management. HighMark has a longterm disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA®

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Christiane Boyd

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Ryan Fox

Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2009
Education: BA, Boston College

Ahmed Khatib, CFA®, CFP®

Senior Portfolio Manager
Investment Experience: since 1999
HighMark Tenure: since 2006
Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA®

Senior Portfolio Manager
Investment Experience: since 1995
HighMark Tenure: since 2011
Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA®

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12
Average Years of Experience: 26
Average Tenure (Years): 14

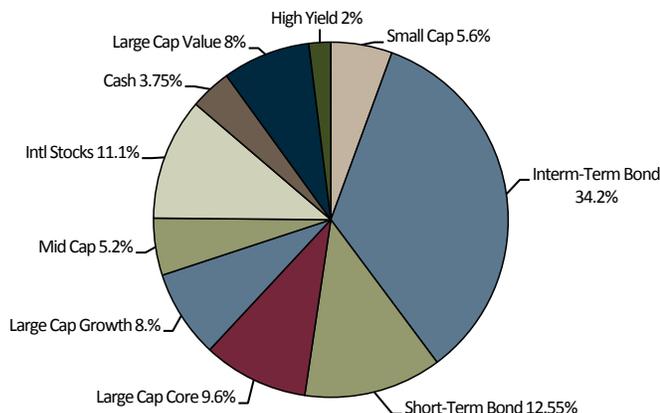
Manager Review Committee

Number of Members: 9
Average Years of Experience: 21
Average Tenure (Years): 8

SAMPLE HOLDINGS

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 - TIAA-CREF Mid Cap Value
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 - Harbor Capital Appreciation
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 - T. Rowe Price Equity Income
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STYLE



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Vision. Discipline. Results.SM

PARS Diversified Portfolios - Balanced

As of March 31, 2014

WHY THE PARS DIVERSIFIED BALANCED PORTFOLIO?

Comprehensive Investment Solution

HighMark[®] Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

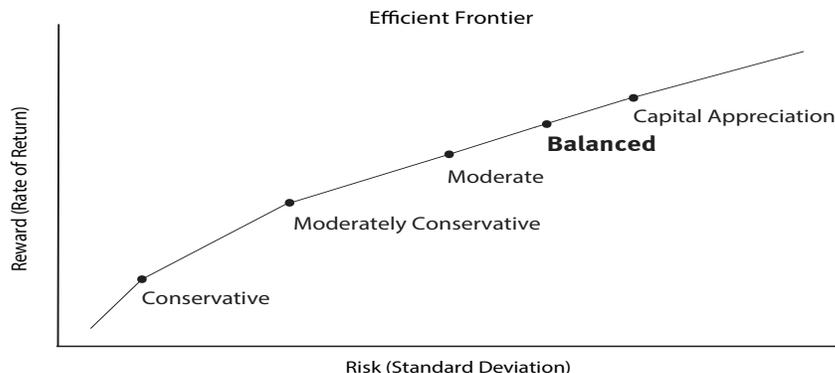
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

To provide growth of principal and income. While dividend and interest income are an important component of the objective's total return, it is expected that capital appreciation will comprise a larger portion of the total return.



ASSET ALLOCATION – BALANCED PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	50-70%	60%	57%
Fixed Income	30-50%	35%	39%
Cash	0-20%	5%	4%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

• HighMark Plus (Active)		• Index Plus (Passive)	
Current Quarter*	1.29%	Current Quarter*	1.51%
Blended Benchmark* ¹	1.72%	Blended Benchmark* ¹	1.72%
Year To Date*	1.29%	Year To Date*	1.51%
Blended Benchmark*	1.72%	Blended Benchmark*	1.72%
1 Year	11.79%	1 Year	11.25%
Blended Benchmark	11.73%	Blended Benchmark	11.73%
3 Year	8.73%	3 Year	8.77%
Blended Benchmark	9.47%	Blended Benchmark	9.47%
5 Year	14.14%	5 Year	13.88%
Blended Benchmark	13.97%	Blended Benchmark	13.97%
Inception To Date (90-Mos.)	5.43%	Inception To Date (78-Mos.)	4.58%
Blended Benchmark	5.91%	Blended Benchmark	5.05%

* Returns less than 1-year are not annualized. ¹Breakdown for Blended Benchmark: 32% S&P500, 6% Russell Mid Cap, 9% Russell 2000, 4% MSCI EM FREE, 7% MSCI EAFE, 27% BC US Agg, 6.75% ML 1-3 Yr US Corp/Gov't, 1.25% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1Mth T-Bill. Prior to October 2012, the blended benchmarks were 51% S&P 500, 3% Russell 2000, 6% MSCI EAFE, 5% ML 1-3 Year Corp./Gov't, 30% BC Agg, 5% Citi 1 Mth T-Bill. Prior to April 2007, the blended benchmarks were 60% S&P 500, 5% ML 1-3Yr Corp/Gov, 30% BC Agg, and 5% Citi 1Mth T-Bill.

ANNUAL RETURNS

• HighMark Plus (Active)		• Index Plus (Passive)	
2008	-25.72%	2008	-23.22%
2009	21.36%	2009	17.62%
2010	14.11%	2010	12.76%
2011	-0.46%	2011	1.60%
2012	13.25%	2012	11.93%
2013	16.61%	2013	15.63%

PORTFOLIO FACTS

• HighMark Plus (Active)		• Index Plus (Passive)	
Inception Date	10/2006	Inception Date	10/2007
No. of Funds Held in Portfolio	19	No. of Funds Held in Portfolio	13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



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PARS Diversified Portfolios - Balanced

As of March 31, 2014

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Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
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Asset Allocation Committee

Number of Members: 12
 Average Years of Experience: 26
 Average Tenure (Years): 14

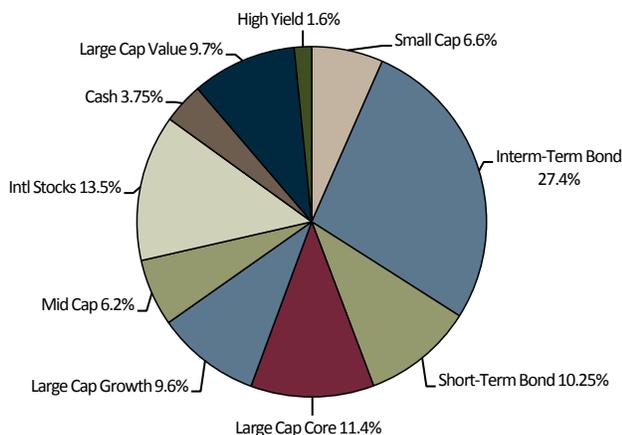
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STYLE



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The composite name has been changed from PARS Balanced/Moderately Aggressive to PARS Balanced on 5/1/2013. The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank charges clients a 0.60% annual management fee, and pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

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PARS Diversified Portfolios - Capital Appreciation

As of March 31, 2014

WHY THE PARS DIVERSIFIED CAPITAL APPRECIATION PORTFOLIO?

Comprehensive Investment Solution

HighMark[®] Capital Management, Inc.'s (HighMark) diversified investment portfolios are designed to balance return expectations with risk tolerance. Key features include: sophisticated asset allocation and optimization techniques, four layers of diversification (asset class, style, manager, and security), access to rigorously screened, top tier money managers, flexible investment options, and experienced investment management.

Rigorous Manager Due Diligence

Our manager review committee utilizes a rigorous screening process that searches for investment managers and styles that have not only produced above-average returns within acceptable risk parameters, but have the resources and commitment to continue to deliver these results. We have set high standards for our investment managers and funds. This is a highly specialized, time consuming approach dedicated to one goal: competitive and consistent performance.

Flexible Investment Options

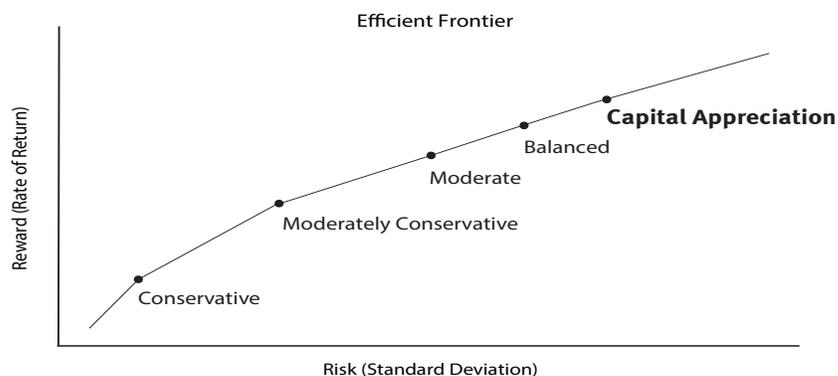
In order to meet the unique needs of our clients, we offer access to flexible implementation strategies: HighMark Plus utilizes actively managed mutual funds while Index Plus utilizes index-based securities, including exchange-traded funds. Both investment options leverage HighMark's active asset allocation approach.

Risk Management

The portfolio is constructed to control risk through four layers of diversification -- asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

INVESTMENT OBJECTIVE

The primary goal of the Capital Appreciation objective is growth of principal. The major portion of the assets are invested in equity securities and market fluctuations are expected.



ASSET ALLOCATION – CAPITAL APPRECIATION PORTFOLIO

	Strategic Range	Policy	Tactical
Equity	65-85%	75%	72%
Fixed Income	10-30%	20%	26%
Cash	0-20%	5%	2%

ANNUALIZED TOTAL RETURNS (Gross of Investment Management Fees)

HighMark Plus (Active)	Index Plus (Passive)
Current Quarter* 1.33%	Current Quarter* N/A%
Blended Benchmark* ¹ 1.71%	Blended Benchmark* ¹ N/A%
Year To Date* 1.33%	Year To Date* N/A%
Blended Benchmark* 1.71%	Blended Benchmark* N/A%
1 Year 15.30%	1 Year N/A%
Blended Benchmark 14.66%	Blended Benchmark N/A%
3 Year 9.53%	3 Year N/A%
Blended Benchmark 9.93%	Blended Benchmark N/A%
5 Year 15.68%	5 Year N/A%
Blended Benchmark 16.95%	Blended Benchmark N/A%
Inception To Date (63-Mos.) 13.17%	Inception To Date (0-Mos.) N/A%
Blended Benchmark 14.12%	Blended Benchmark N/A%

* Returns less than 1-year are not annualized. ¹ Breakdown for Blended Benchmark: 39.5% S&P500, 7.5% Russell Mid Cap, 10.5% Russell 2000, 5.25% MSCI EM FREE, 10.25% MSCI EAFE, 16% BC US Agg, 3% ML 1-3 Yr US Corp/Gov't, 1% US High Yield Master II, 2% Wilshire REIT, and 5% Citi 1 Mth T-Bill.

ANNUAL RETURNS

HighMark Plus (Active)	Index Plus (Passive)
2008 N/A%	2008 N/A%
2009 23.77%	2009 N/A%
2010 12.95%	2010 N/A%
2011 -1.35%	2011 N/A%
2012 13.87%	2012 N/A%
2013 20.33%	2013 N/A%

PORTFOLIO FACTS

HighMark Plus (Active)	Index Plus (Passive)
Inception Date 01/2009	Inception Date N/A
No. of Funds Held in Portfolio 19	No. of Funds Held in Portfolio 13

A newly funded account enters a composite after three full months of management and is removed from a composite at the end of the last full month that the account is consistent with the criteria of the composite. Terminated accounts are included in the historical results of a composite through the last full month prior to closing. Composites may include accounts invested in domestic (U.S.) or international (non-U.S.) individual securities, funds, or a combination thereof. Account exclusions based on equity security concentrations are applied quarterly. Employing a construction methodology different from the above could lead to different results.



Vision. Discipline. Results.SM

PARS Diversified Portfolios - Capital Appreciation

As of March 31, 2014

ABOUT THE ADVISER

HighMark Capital Management, Inc. has over 90 years (including predecessor organizations) of institutional money management experience with more than \$14.9 billion in assets under management. HighMark has a longterm disciplined approach to money management and currently manages assets for a wide array of clients.

ABOUT THE PORTFOLIO MANAGEMENT TEAM

Andrew Brown, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1994
HighMark Tenure: since 1997
Education: MBA, University of Southern California; BA, University of Southern California

Christiane Boyd

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2010
Education: BA, International Christian University, Tokyo

Ryan Fox

Portfolio Manager
Investment Experience: since 2004
HighMark Tenure: since 2009
Education: BA, Boston College

Ahmed Khatib, CFA[®], CFP[®]

Senior Portfolio Manager
Investment Experience: since 1999
HighMark Tenure: since 2006
Education: MBA, University of California, Irvine; BA, University of California, San Diego

Matthew Webber, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1995
HighMark Tenure: since 2011
Education: BA, University of California, Santa Barbara

Anne Wimmer, CFA[®]

Senior Portfolio Manager
Investment Experience: since 1987
HighMark Tenure: since 2007
Education: BA, University of California, Santa Barbara

Asset Allocation Committee

Number of Members: 12
 Average Years of Experience: 26
 Average Tenure (Years): 14

Manager Review Committee

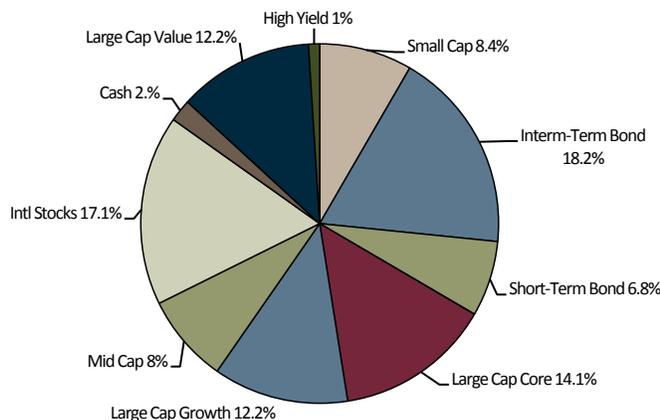
Number of Members: 9
 Average Years of Experience: 21
 Average Tenure (Years): 8

SAMPLE HOLDINGS

- HighMark Plus (Active)**
 Columbia Contrarian Core Z
 T. Rowe Price Growth Stock
 Columbia Small Cap Value II Z
 T. Rowe Price New Horizons
 Nationwide Bailard International Equities
 Nationwide HighMark Bond
 Vanguard Short-Term Invest-Grade Adm
 Loomis Sayles Value Y
 PIMCO Total Return
 Dodge & Cox International Stock
 MFS International Growth I
 Sentinel Common Stock I
 First American Prime Obligation Z
 TIAA-CREF Mid Cap Value
 Nationwide Geneva Mid Cap Growth
 Harbor Capital Appreciation
 Schroder Emerging Market Equity
 T. Rowe Price Equity Income
 PIMCO High Yield
- Index Plus (Passive)**
 iShares S&P 500
 iShares S&P 500/Value
 iShares S&P 500/Growth
 iShares S&P Small Cap 600 Value
 iShares S&P Small Cap 600 Growth
 iShares MSCI EAFE
 iShares Russell Midcap Value
 iShares Russell Midcap Growth
 iShares Barclays Aggregate Bond
 Vanguard Short-Term Invest-Grade Adm
 First American Prime Obligation Z
 SPDR Barclays Capital HighYield Bond
 Vanguard MSCI Emerging Markets ETF

Holdings are subject to change at the discretion of the investment manager.

STYLE



The performance records shown represent size-weighted composites of tax exempt accounts that meet the following criteria: Composites are managed by HighMark's HighMark Capital Advisors (HCA) with full investment authority according to the PARS Capital Appreciation active and passive objectives and do not have equity concentration of 25% or more in one common stock security.

The adviser to the PARS portfolios is US Bank, and HighMark serves as sub-adviser to US Bank to manage these portfolios. US Bank charges clients a 0.60% annual management fee, and pays HighMark 60% of the annual management fee for assets sub-advised by HighMark under its sub-advisory agreement with US Bank. The 36 basis points paid to HighMark, as well as other expenses that may be incurred in the management of the portfolio, will reduce the portfolio returns. Assuming an investment for five years, a 5% annual total return, and an annual sub-advisory fee rate of 0.36% deducted from the assets at market at the end of each year, a 10 million initial value would grow to \$12.54 million after fees (Net-of-Fees) and \$12.76 million before fees (Gross-of-Fees). Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. In Q1 2010, the PARS Composite definition was changed from \$750,000 minimum to no minimum. Performance results are calculated and presented in U.S. dollars and do not reflect the deduction of investment advisory fees, custody fees, or taxes but do reflect the deduction of trading expenses. Returns are calculated based on trade-date accounting.

Blended benchmarks represent HighMark's strategic allocations between equity, fixed income, and cash and are rebalanced monthly. Benchmark returns do not reflect the deduction of advisory fees or other expenses of investing but assumes the reinvestment of dividends and other earnings. An investor cannot invest directly in an index. The unmanaged S&P 500 Index is representative of the performance of large companies in the U.S. stock market. The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The US High Yield Master II Index tracks the performance of below investment grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. Wilshire REIT index measures U.S. publicly traded Real Estate Investment Trusts. The unmanaged Barclays Capital (BC) U.S. Aggregate Bond Index is generally representative of the U.S. taxable bond market as a whole. The Merrill Lynch (ML) 1-3 Year U.S. Corporate & Government Index tracks the bond performance of The ML U.S. Corporate & Government Index, with a remaining term to final maturity less than 3 years. The unmanaged Citigroup 1-Month Treasury Bill Index tracks the yield of the 1-month U.S. Treasury Bill.

HighMark Capital Management, Inc. (HighMark), an SEC-registered investment adviser, is a wholly owned subsidiary of Union Bank, N.A. (Union Bank). HighMark manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds, common trust funds and collective investment funds. Union Bank, a subsidiary of UnionBanCal Corporation, provides certain services to HighMark and is compensated for these services. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. **Investments employing HighMark strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by the Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.**