



# PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS

FIRST QUARTER 2019

**FCERA Compliance Evaluation Report**

[VERUSINVESTMENTS.COM](http://VERUSINVESTMENTS.COM)

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## **Executive Summary**

### **1<sup>st</sup> Quarter 2019**

The purpose of this report is to summarize Verus' evaluation of investment strategies managed on behalf of the Fresno County Employees Retirement Association ("The Association"). Specifically, the purpose of this report is to communicate the ongoing monitoring of compliance with stated investment guidelines.

The Association's portfolio is comprised of both commingled vehicles and separately managed accounts. All separate account investments have specific language within the guidelines for which each manager has committed to follow when managing the Association's investments. In order to obtain assurance that these separate accounts are managed in accordance with respective guidelines for each account, Verus obtains assurances from the compliance department at each investment manager. Enclosed are copies of such assurances.

Investments that are held in a commingled vehicle are typically governed by a partnership agreement or prospectus. The reason for this is that since commingled investment vehicles are designed to accommodate many different investors, only one common document may govern the strategy. For commingled investments Verus verifies compliance with investment guidelines through review of quarterly and/or annual reports, for which they are independently verified by third party accounting firms.

As of March 31, 2019, all managers reported compliance with their respective guidelines.



Jeffrey MacLean  
Chief Executive Officer & Senior Consultant

#### **Disclaimer**

Verus has exercised all reasonable professional care in the evaluation of each investment manager's compliance to the Investment Policy and Guidelines of the Association as of March 31, 2019. This report is provided to the Board of Trustees in conjunction with our responsibilities under the investment consulting agreement. Our professionals necessarily relied on data provided by third parties to perform our evaluation. Verus makes no claims as to the accuracy of the data used in this evaluation and shall not be held liable for damages caused by errors or omissions in content, except to the extent arising from our sole gross negligence.



**Exhibit A**

<b>Investment Manager</b>	<b>Investment Vehicle</b>	<b>General Asset Class</b>	<b>Enforcable Guidelines</b>
Aronson + Johnston + Ortiz	Separate Account	Public Market (Equity)	Yes
Artisan Partners	Separate Account	Public Market (Equity)	Yes
T Rowe Price	Separate Account	Public Market (Equity)	Yes
PIMCO StocksPLUS Small	Separate Account	Public Market (Equity)	Yes
State Street Global Advisors	Commingled Fund	Public Market (Equity)	No
Mondrian Investment Partners Limited (ISC & EM)	Commingled Fund	Public Market (Equity)	No
Baillie Gifford EM	Commingled Fund	Public Market (Equity)	No
Research Affiliates	Separate Account	Public Market (Equity)	Yes
Brandywine	Separate Account	Public Market (Fixed Income)	Yes
PIMCO Emerging Markets Debt	Separate Account	Public Market (Fixed Income)	Yes
Loomis Sayles	Separate Account	Public Market (Fixed Income)	Yes
Western Asset Management Company	Separate Account	Public Market (Fixed Income)	Yes
Eaton Vance Senior Loan	Commingled Fund	Public Market (Fixed Income)	No
Eaton Vance Senior Loan Plus	Commingled Fund	Public Market (Fixed Income)	No
State Street Global Advisors TIPs	Commingled Fund	Public Market (Fixed Income)	No
INVESCO Commodities	Commingled Fund	Commodities	No
INVESCO Core Real Estate	Commingled Fund	Real Estate	No
IFM	Commingled Fund	Infrastructure	No
Grosvenor Institutional Partners (Hedge Fund of Funds)	Commingled Fund	Private Market	No
GCM Better Futures Fund	Commingled Fund	Private Market	No





230 SOUTH BROAD STREET, 20TH FLOOR | PHILADELPHIA, PA 19102-4102 | 215.546.7500/7506 FAX | [AJOPARTNERS.COM](http://AJOPARTNERS.COM)

April 2, 2019

Mr. Michael Kamell, CFA  
Verus  
2321 Rosecrans Avenue  
Suite 2250  
El Segundo, California 90245

Re: **FRESNO COMPLIANCE**

Dear Michael:

We're pleased to certify:

The portfolio managed for the Fresno County Employees' Retirement Association remained in compliance with all investment guidelines from January 1, 2019 to March 31, 2019.

We welcome your questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Dietrick", is positioned above the printed name.

Joseph F. Dietrick  
[dietrick@ajopartners.com](mailto:dietrick@ajopartners.com)

srl (EMAIL)

cc: Conor Hinds



**COMPLIANCE WITH INVESTMENT GUIDELINES**

Investment Manager Name: Artisan Partners Limited Partnership

Account Name: Fresno County Employees' Retirement Association

Quarter Ending: March 31, 2019

This is to confirm that, to the best of our knowledge, all of Artisan Partners' investment activity during the quarter noted above, on behalf of the Fresno County Employees' Retirement Association (FCERA) non-U.S. growth account has been consistent with the investment policies and restrictions set forth in the Investment Advisory Agreement, Investment Guidelines and Investment Policy Statement effective as of March 13, 2013, as amended March 4, 2015, and that the portfolio is in compliance with those policies and restrictions.

The following is noted for your information:

A trade error involving the security Kweichow Moutai, which trades on Stock Connect, occurred in the FCERA account on January 24, 2019 resulting in a loss in the amount of \$2,678.55. The account has since been reimbursed for the full amount of the loss.

By:

Name: Jane E. Lisher

Title: Compliance Manager

Date: April 4, 2019





**Baillie Gifford Overseas Limited**  
**Registered Office:**  
**Calton Square, 1 Greenside Row, Edinburgh EH1 3AN**  
**Tel. +44 (0)131 275 2000 Fax +44 (0)131 275 3999**

**[www.bailliegifford.com](http://www.bailliegifford.com)**

Mike Kamell  
Senior Consultant  
Verus  
2321 Rosecrans Avenue  
Suite 2250  
El Segundo  
CA 90245

22 April 2019

Dear Mike,

**Quarterly Compliance Affirmation – Baillie Gifford Emerging Markets Fund (MUTEMG)**

In relation to Fresno County Employees Retirement Association, this letter serves to confirm that the Baillie Gifford Emerging Market Fund was in compliance with the relevant guidelines for the quarter ended 31<sup>st</sup> March 2019.

Signed: 

Date: 22/4/19.



**Date: April 11, 2019**

**To: Verus Advisory, Inc., Investment Consultant to FCERA**

**From: Brandywine Global Investment Management, LLC**

**RE: FCERA Quarterly Compliance Affirmation**

Dear Sir/Madam:

We hereby certify that, to the best of our knowledge, the Fresno County Employees Retirement Association's Global Investment-Grade Sovereign portfolio was managed in accordance with investment policies set forth in the Investment Management Agreement dated November 5, 2014 for the quarter ended March 31, 2019, with the exception of any items listed below:

- None.

Best Regards,



Jonathan Fella  
Portfolio Compliance





April 4, 2019

Mr. Donald C. Kendig  
Retirement Administrator  
Fresno County Employees' Retirement Association (FCERA)  
7772 N. Palm Ave  
Fresno, CA 93711

Re: Fresno County Employees' Retirement Association (FCERA)

Dear Donald,

As requested, this letter confirms that during the first quarter of 2019 the Eaton Vance Institutional Senior Loan Fund ("Fund") and the Eaton Vance Institutional Senior Loan Plus Fund complied with the investment guidelines and restrictions as outlined in the respective Fund's Private Placement Memorandum.

Should you have any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Meghann Clark". The signature is written in dark ink and is positioned above the printed name and title.

Meghann Clark  
Vice President, Compliance





## COMPLIANCE CERTIFICATION

**DATE:** 04/04/2019

**LOOMIS ACCOUNT(S):** Fresno County Employees' Ret Assn

HY05N1 Fresno County Employees Retirement Association

**PERIOD UNDER REVIEW:** 1/1/2019 - 3/31/2019

We, Loomis, Sayles & Company, L.P., in our capacity as Investment Manager for the account(s) listed above, hereby attest that during the period under review, to the best of our knowledge and beliefs, the account(s) listed above was (were) in compliance with its (their) investment guidelines and restrictions ("Guidelines") and any other requirements listed below, if applicable, except as noted below.

**Additional certification requirements:**

HY05N1: Compliance with the Fresno County Employees Retirement Association Investment Policy.

**Guideline Violations:**

HY05N1 Fresno County Employees Retirement Association - None

**The electronic signatures below demonstrate approval of the representations made in this Compliance Certification for the period under review.**

Compliance Approval

Mary Ellen Logee N/A

04/03/2019

Portfolio Manager(s) Approval

HY05N1 Matt Eagan Vice President, Portfolio Manager

04/04/2019



**Mondrian Emerging Markets Equity Fund, L.P. (the "Fund")**

**Certification of Compliance with Investment Strategy**

**for the period from January 1, 2019 to March 31, 2019**

The Fund has been in compliance with its Investment Strategy, as fully set forth in the Confidential Information Memorandum of the Fund, during the period described above. Each item of the Investment Strategy is described in the Appendix and initialed as being in compliance.

Mondrian Investment Partners Limited  
(as Investment Manager to the Fund)

By:   
Name: **GINNY CHONG**  
Title: **SENIOR PORTFOLIO MANAGER**  
Date: **APRIL 10, 2019**



Appendix

Mondrian Emerging Markets Equity Fund, L.P.

Investment Strategy Detail	Initial
<p><u>Securities, Approach and Markets</u></p> <p>The Fund pursues its investment objective primarily by investing in equity securities of emerging market companies, as described below, that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis employed by the Investment Manager. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities, 144A securities and warrants. The Fund may purchase securities of non-U.S. issuers directly or indirectly in the form of American, European or Global depository receipts or other securities representing underlying shares of non-U.S. issuers. The Fund may also purchase other investment funds, including, but not limited to registered funds, unregistered funds and REIT's. Under normal circumstances, the Fund invests at least 80% of its assets in investments of emerging market issuers.</p> <p>The Investment Manager's approach in selecting investments for the Fund is primarily oriented to individual stock selection and is value driven. In selecting stocks for the Fund, the Investment Manager identifies those stocks that it believes will provide capital appreciation over a market cycle, taking into consideration movements in the price of the individual security and the impact of currency fluctuation on a United States domiciled, dollar-based investor. The Investment Manager conducts fundamental research on a global basis in order to identify securities that, in the Investment Manager's opinion, have the potential for long-term capital appreciation. This research effort generally centers on a value-oriented dividend discount methodology with respect to individual securities and market analysis that isolates value across country boundaries. The approach focuses on future anticipated dividends and discounts the value of those dividends back to what they would be worth if they were being received today. In addition, the analysis typically includes a comparison of the values and current market prices of different possible investments. The Investment Manager's general management strategy emphasizes long-term holding of securities, although securities may be sold in the Investment Manager's discretion without regard to the length of time they have been held.</p>	<p>GYC</p>
<p><u>Emerging Markets Equity Securities</u></p> <p>The Fund considers an emerging country to be any country that is included in the MSCI EM Index. In addition, any country which is generally recognized to be an emerging or developing country by the international financial community, including the World Bank, as well as any country that is classified by the United Nations or otherwise regarded by its authorities as developing will be considered an emerging country. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, and those in the Morgan Stanley Capital International EAFE Index.</p> <p>In considering possible emerging countries in which the Fund may invest, the Investment Manager places particular emphasis on certain factors, such as economic conditions (including growth trends, inflation rates and trade balances), regulatory and currency controls, accounting standards and political and social conditions.</p>	<p>GYC</p>



<p>Although this is not an exclusive list, the Investment Manager considers an emerging country equity security to be one that is issued by a company that exhibits one or more of the following characteristics: (1) its principal securities trading market is in an emerging country, as defined above; (2) while traded in any market, alone or on a consolidated basis, the company derives 50% or more of its annual revenues or annual profits from either goods produced, sales made or services performed in emerging countries; (3) the company has 50% or more of its assets located in an emerging country; or (4) it is organized under the laws of, and has a principal office in, an emerging country. The Investment Manager determines eligibility based on publicly available information and inquiries made of the companies.</p> <p>Currently, investing in many emerging countries is not feasible, or may, in the Investment Manager's opinion, involve unacceptable political or governance risks. The Fund focuses its investments in those emerging countries where the Investment Manager considers the economies to be developing and where the markets are becoming more sophisticated.</p>	
<p><u>Currency, Debt Securities and Cash</u></p> <p>Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund.</p> <p>Under normal circumstances, no more than 10% of the Fund's assets will be invested in debt securities issued by governments or by their agencies, instrumentalities or political subdivisions, or by corporate entities, all of which may be high-yield, high-risk fixed income securities rated lower than BBB by S&amp;P and Baa by Moody's or, if unrated, considered to be of equivalent quality. In addition, for temporary defensive purposes, the Fund may invest in high-quality debt instruments.</p> <p>To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments.</p>	<p>64c</p>

*The Investment Manager manages the Fund's assets in accordance with the investment objective and guidelines described in the Confidential Information Memorandum and not in accordance with the individual guidelines of any one investor.*



**Mondrian International Small Cap Equity Fund, L.P. (the "Fund")**

**Certification of Compliance with Investment Strategy**

**for the period from January 1, 2019 to March 31, 2019**

The Fund has been in compliance with its Investment Strategy, as fully set forth in the Confidential Information Memorandum of the Fund, during the period described above. Each item of the Investment Strategy is described in the Appendix and initialed as being in compliance.

Mondrian Investment Partners Limited  
(as Investment Manager to the Fund)

By: 

Name: A Nicholson

Title: Senior Portfolio Manager

Date: 11 April 19.



## Mondrian International Small Cap Equity Fund, L.P.

Investment Strategy Detail	Initial
<p><u>Securities, Approach and Markets</u></p> <p>The Fund pursues its investment objective primarily by investing in equity securities of non-U.S. small capitalization companies that, in the Investment Manager's opinion, are undervalued at the time of purchase based on fundamental value analysis employed by the Investment Manager. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities, 144A securities and warrants. The Fund may purchase securities of non-U.S. issuers directly or indirectly in the form of American, European or Global depository receipts or other securities representing underlying shares of non-U.S. issuers. The Fund may also purchase other investment funds, including, but not limited to registered funds, unregistered funds and REIT's.</p> <p>For purposes of investments to be made by the Fund, small capitalization companies will be defined to mean issuers that have a market capitalization of less than approximately \$3.5 billion at the time of initial purchase. This level is subject to market movements and is regularly reviewed by the Investment Manager. Under normal circumstances, the Fund will invest at least 50% of its assets in equity securities of small capitalization companies.</p> <p>The Investment Manager's approach in selecting investments for the Fund is primarily oriented to individual stock selection and is value driven. In selecting stocks for the Fund, the Investment Manager identifies those stocks that it believes will provide capital appreciation over a market cycle, taking into consideration movements in the price of the individual security and the impact of currency fluctuation on a United States domiciled, dollar-based investor. The Investment Manager conducts fundamental research on a global basis in order to identify securities that, in the Investment Manager's opinion, have the potential for long-term capital appreciation. This research effort generally centers on a value-oriented dividend discount methodology with respect to individual securities and market analysis that isolates value across country boundaries. The approach focuses on future anticipated dividends and discounts the value of those dividends back to what they would be worth if they were being received today. In addition, the analysis typically includes a comparison of the values and current market prices of different possible investments. The Investment Manager's general management strategy emphasizes long-term holding of securities, although securities may be sold in the Investment Manager's discretion without regard to the length of time they have been held.</p> <p>Investments will be made mainly in marketable securities of companies located in developed countries which may include but are not limited to Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland and the United Kingdom.</p> <p>The Fund may hold up to 20% of its assets measured at the time of purchase in securities of emerging market companies.</p>	<p>AN</p>



Emerging Markets Equity Securities

The Fund considers an emerging country to be any country that is included in the MSCI EM Index. In addition, any country which is generally recognized to be an emerging or developing country by the international financial community, including the World Bank, as well as any country that is classified by the United Nations or otherwise regarded by its authorities as developing will be considered an emerging country. Almost every nation in the world is included within this group of developing or emerging countries except the United States, Canada, and those in the MSCI EAFE Index.

In considering possible emerging countries in which the Fund may invest, the Investment Manager places particular emphasis on certain factors, such as economic conditions (including growth trends, inflation rates and trade balances), regulatory and currency controls, accounting standards and political and social conditions.

AW

Currency, Debt Securities and Cash

Currency considerations carry a special risk for a portfolio of international securities. The Fund may invest in securities issued in any currency and may hold foreign currency. Securities of issuers within a given country may be denominated in the currency of another country or in multinational currency units, including the euro. The Investment Manager primarily uses a purchasing power parity approach to evaluate currency risk. In this regard, the Fund may carry out hedging activities, and may invest in forward foreign currency contracts to hedge currency risks associated with the purchase of individual securities denominated in a particular currency. Under normal circumstances, hedging is undertaken defensively back into the base currency of the Fund.

Under normal circumstances, no more than 10% of the Fund's assets will be invested in debt securities issued by governments or by their agencies, instrumentalities or political subdivisions, or by corporate entities, all of which may be high-yield, high-risk fixed income securities rated lower than BBB by S&P and Baa by Moody's or, if unrated, considered to be of equivalent quality. In addition, for temporary defensive purposes, the Fund may invest in high-quality debt instruments.

To facilitate investment activities, the Fund will generally hold a small portion of its assets in cash or cash equivalent instruments.

AW

*The Investment Manager manages the Fund's assets in accordance with the investment objective and guidelines described in the Confidential Information Memorandum and not in accordance with the individual guidelines of any one investor.*



## Fresno County Employees' Retirement (Account 7967) Quarterly Investment Guideline Compliance Statement As of 03/31/2019

The portfolio we manage was in compliance with the investment guidelines set forth in your Investment Management Agreement with PIMCO.

Guideline	Limit	Breach Details					Compliant		Period End Value if Non- compliant
		Item	Date	Value	Type	Cause	Date	Value	
-	-	-	-	-	-	-	-	-	-

For questions or concerns, please contact Thomas Gobin at (949) 720-6013.



Thomas Gobin  
VP, Senior Manager, Portfolio Compliance  
Pacific Investment Management Company LLC



**FCERA - RAE Fundamental International (Account #15916)**  
**Quarterly Investment Guideline Compliance Statement**  
**During the Quarter Ending 03/31/19**

The portfolio we manage was in compliance with the investment guidelines set forth in your Investment Management Agreement with PIMCO.

Guideline	Limit	Breach Details					Compliant		Period End Value if Non- compliant
		Item	Date	Value	Type	Cause	Date	Value	
-	-	-	-	-	-	-	-	-	-

For questions or concerns, please contact Thomas Gobin at (949) 720-6013.



Thomas Gobin  
 VP, Senior Manager, L&C-Compliance-Portfolio  
 Pacific Investment Management Company LLC



**Fresno County Employees' Retirement System StocksPLUS Small AR (Account 10960)**  
**Quarterly Investment Guideline Compliance Statement**  
**As of 03/31/2019**

The portfolio we manage was in compliance with the investment guidelines set forth in your Investment Management Agreement with PIMCO.

Guideline	Limit	Breach Details					Compliant		Period End Value if Non- compliant
		Item	Date	Value	Type	Cause	Date	Value	
-	-	-	-	-	-	-	-	-	-

For questions or concerns, please contact Thomas Gobin at (949) 720-6013.



Thomas Gobin  
 VP, Senior Manager, Portfolio Compliance  
 Pacific Investment Management Company LLC



# STATE STREET GLOBAL ADVISORS

29 April, 2019

State Street Global Advisors  
One Iron Street  
Boston, MA 02110  
USA

ssga.com

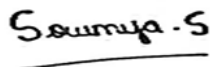
Mr. Michael Kamell  
Wurts & Associates  
2321 Rosecrans, Suite 2250  
El Segundo, CA 90245

Dear Mr. Kamell,

The U.S. TIPS Index Non Lending Fund (CMTP) and the S&P 500 Flagship Securities Lending Fund (CM11), in which the Fresno County Employees' Retirement Association is invested, have had no material breaches of the applicable fund investment management guidelines and restrictions outlined in their respective Fund Declarations, for the quarter ending **March 31, 2019**.

Should you have any questions or require additional information, please feel free to contact Relationship Manager Sonya Park at (415) 836-9854.

Sincerely,

A handwritten signature in black ink that reads "Sowmya S." with a horizontal line underneath.

Sowmya. S  
SSGA Global Investment Oversight

Cc: Sonya Park



P.O. BOX 89000  
Baltimore, Maryland  
21289-2003

100 East Pratt Street  
Baltimore, Maryland  
21202-1009

Toll Free: 800-638-7890  
Fax: 410-345-6575

May 23, 2019

Donald Kendig (Retirement Administrator)  
Fresno County Employees' Retirement Association  
7772 N Palm Ave  
Fresno, CA 93711

Re: Compliance with Investment Guidelines for Fresno County Employees Retirement Association

This statement is to confirm that T. Rowe Price Associates, Inc. managed the assets in the above account in accordance with the account's Investment Guidelines set forth in the Investment Objectives and Guidelines for the quarter ending March 31, 2019.

Please let me know if you have any questions.

Sincerely,



Chris Kier  
Assistant Vice President  
T. Rowe Price Associates, Inc.  
Investment Compliance  
Chris\_Kier@troweprice.com





April 12, 2019

Mr. Michael Kamell  
2321 Rosecrans Ave.  
Suite 2250  
El Segundo, CA 90245-4977

***Re: Fresno CERA***

Dear Mr. Kamell:

This letter is to certify that, to the best of our knowledge, the investment portfolio managed on behalf of the Fresno County Employees' Retirement Association was in compliance with the stated investment objectives, policies and guidelines during the first quarter of 2019.

Please contact Western Asset Client Service Team should you have any questions.

Sincerely,

Julie H. Lai  
Compliance Officer