Hedge Fund Analysis

Water and Power Employees' Retirement Plan

Period Ended: June 30, 2018

Capital Markets Review

Hedge funds produced marginally positive returns during the second quarter, building on the gains realized in Q1. The Funds of Hedge Fund ("FoHF") strategies RVK follows closely saw returns between 0.0% and 2.0%, and are generally up between 1.0% and 4.0% in 2018. Most FoHF managers have lowered net exposures and rotated away from traditional strategies such as long/short equity in favor of more diversifying exposures. Those that have generated strong returns year-to-date tend to have exposure to one or more top performing discretionary macro strategies, and have generated strong alpha within their remaining traditional long/short equity buckets. Managers that have significant systematic macro or managed futures exposure have suffered as those strategies remain largely negative year-to-date. Within long/short equity specifically, alpha generation during the second quarter deteriorated somewhat relative to the first quarter, though it was still modestly positive according to prime brokerage data. Short rallies in May and June in particular made for a tougher stock picking environment and several managers suffered as a result. Still, the HFRI Equity Hedge Index is up 1.2% YTD through June, and the managers RVK follows closely have generally produced returns above this benchmark.

The second quarter was also positive for the multi-strategy hedge fund managers tracked by RVK, with returns across several strategies buoyed by performance from merger-arbitrage, as several large strategic deals closed during June. At an industry level, hedge funds have been reducing gross leverage since it reached its highs in mid-February. Net leverage has come down as well, a phenomenon which is particularly acute within multi-strategy and macro funds, where net exposures across prime brokerage desks fell from an average of 51% in May to just 29% in June.

Hedge Funds Composite

As of March 31, 2018 the Hedge Funds Composite held ~$701 million in assets between the Retirement and Health Plans, or ~4.9% of Plan assets. This compares to the target allocation of 5.0%.

The Hedge Funds Composite posted positive absolute returns but underperformed the ICE BofAML 3 Month US T-Bill Index+3% (1 Month Lag) by 32 basis points during the second quarter. Blackstone Hope St. returned 0.83% and underperformed the ICE BofAML 3 Month US T-Bill Index+3% (1 Month Lag) by 34 basis points. MS Convergent posted positive performance of 2.07%, but is undergoing liquidation and as such no longer represents a meaningful portion of the Hedge Funds Composite.

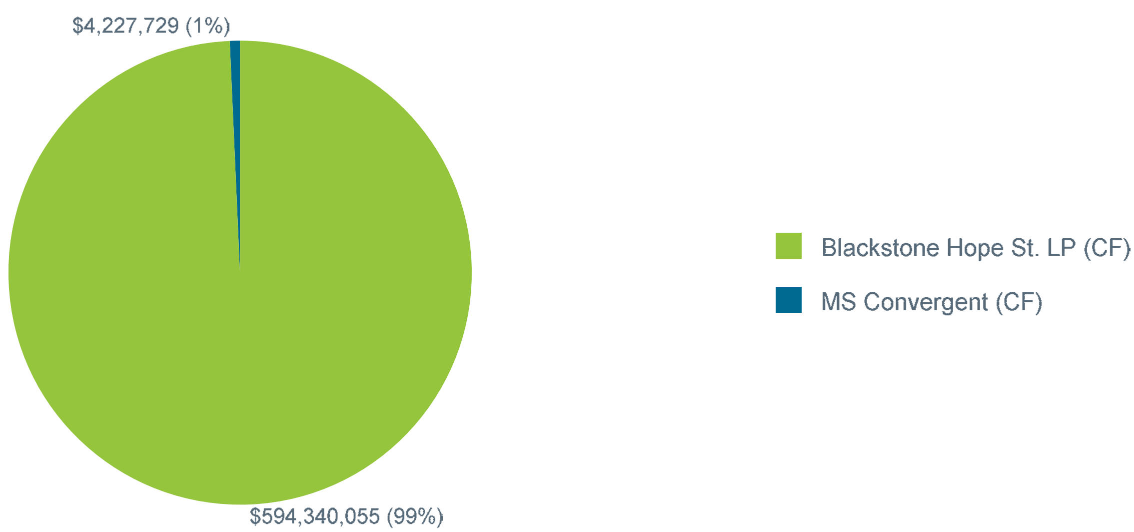
Performance shown is net of fees.

Comparative Performance

	QTD	CYTD	FYTD /1 Year	3 Years	5 Years	7 Years	2017	2016	2015	Since Incep	Inception Date
Hedge Funds Composite	**0.85**	**1.65**	**3.08**	**0.32**	**1.95**	**2.66**	**3.92**	**-2.30**	**1.24**	**2.80**	**03/01/2007**
ICE BofAML 3 Mo US T-Bill Index+3% (1 Mo Lag)	1.17	2.25	4.32	3.64	3.40	3.31	3.81	3.33	3.02	3.82	
Difference	-0.32	-0.60	-1.24	-3.32	-1.45	-0.65	0.11	-5.63	-1.78	-1.02	
Blackstone Hope St. LP (CF) (Lagged-1 Mo)	**0.83**	**1.50**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**2.49**	**09/01/2017**
ICE BofAML 3 Mo US T-Bill Index+3% (1 Mo Lag)	1.17	2.25	4.32	3.64	3.40	3.31	3.81	3.33	3.02	3.63	
Difference	-0.34	-0.75	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-1.14	
MS Convergent (CF) (Lagged-1 Mo)	**2.07**	**5.36**	**8.62**	**2.07**	**N/A**	**N/A**	**7.39**	**-1.27**	**-1.34**	**2.43**	**03/01/2014**
ICE BofAML 3 Mo US T-Bill Index+3% (1 Mo Lag)	1.17	2.25	4.32	3.64	3.40	3.31	3.81	3.33	3.02	3.45	
Difference	0.90	3.11	4.30	-1.57	N/A	N/A	3.58	-4.60	-4.36	-1.02	

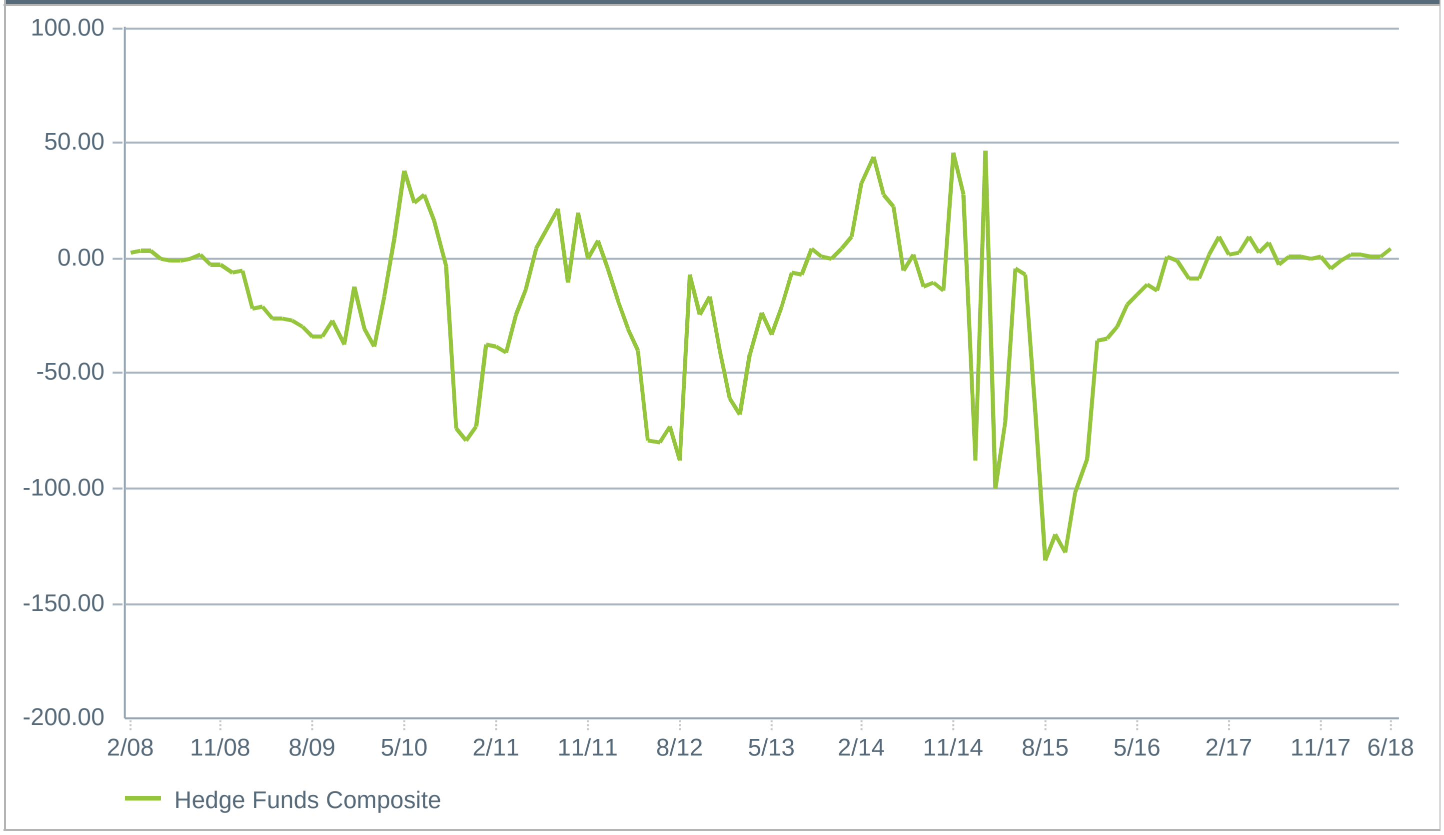
Portfolio Allocation by Manager

June 30, 2018 : $598,567,784

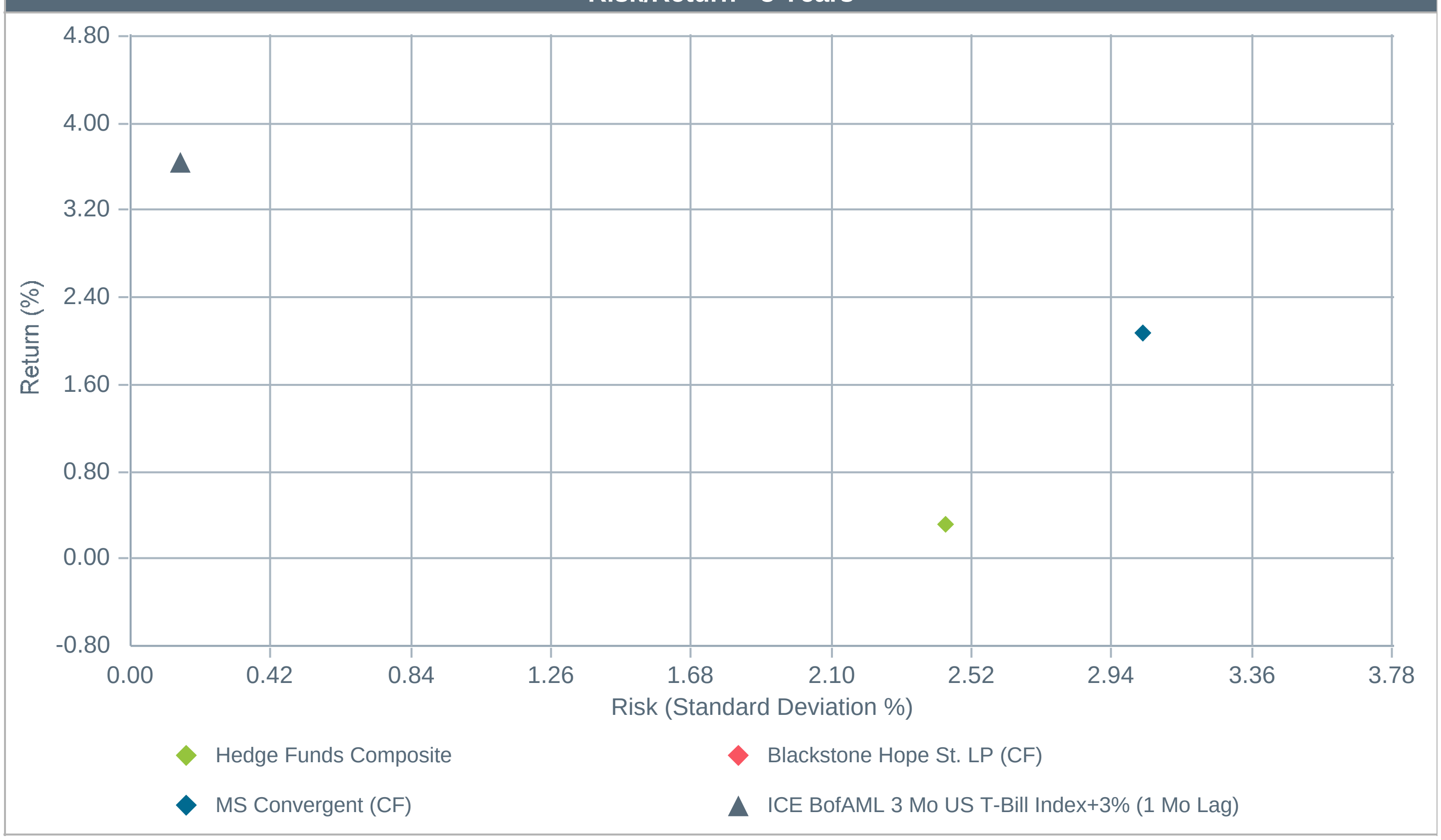


Performance shown is net of fees and representative of the Retirement Plan. Performance shown is annualized for periods greater than one year. Inception dates shown represent the first full month following initial funding. Fiscal year ends 06/30. Allocations shown may not sum up to 100% exactly due ot rounding. GAM Divergent (CF) was fully liquidated in 04/2018.

12-Month Rolling Beta vs. ICE BofAML 3 Mo US T-Bill Index+3% (1 Mo Lag)



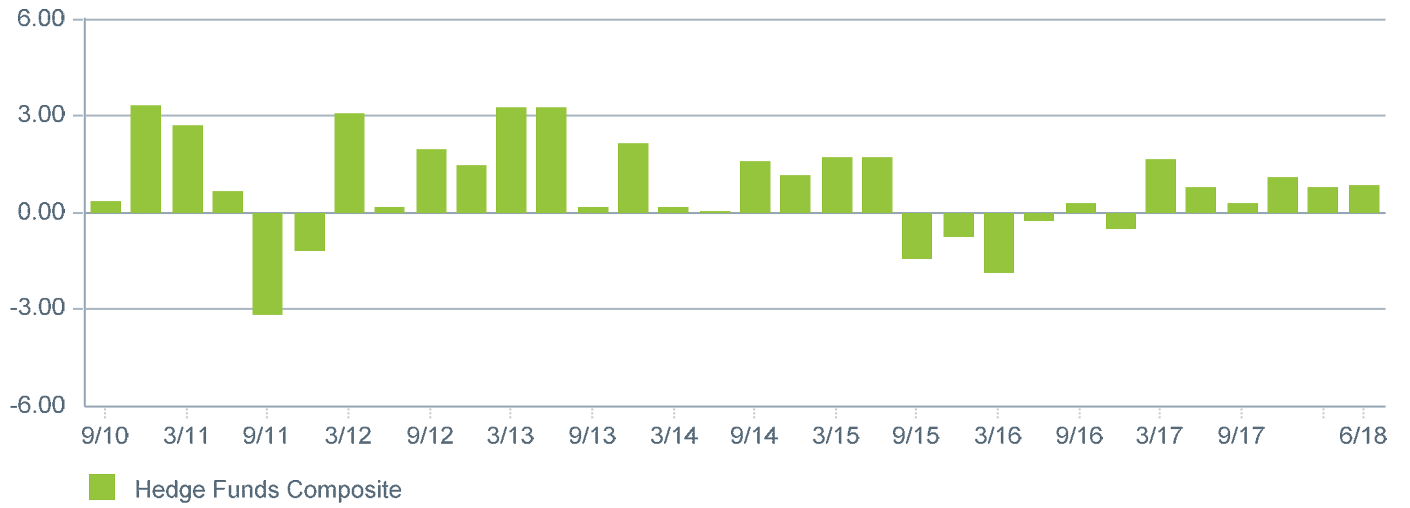
Risk/Return - 3 Years



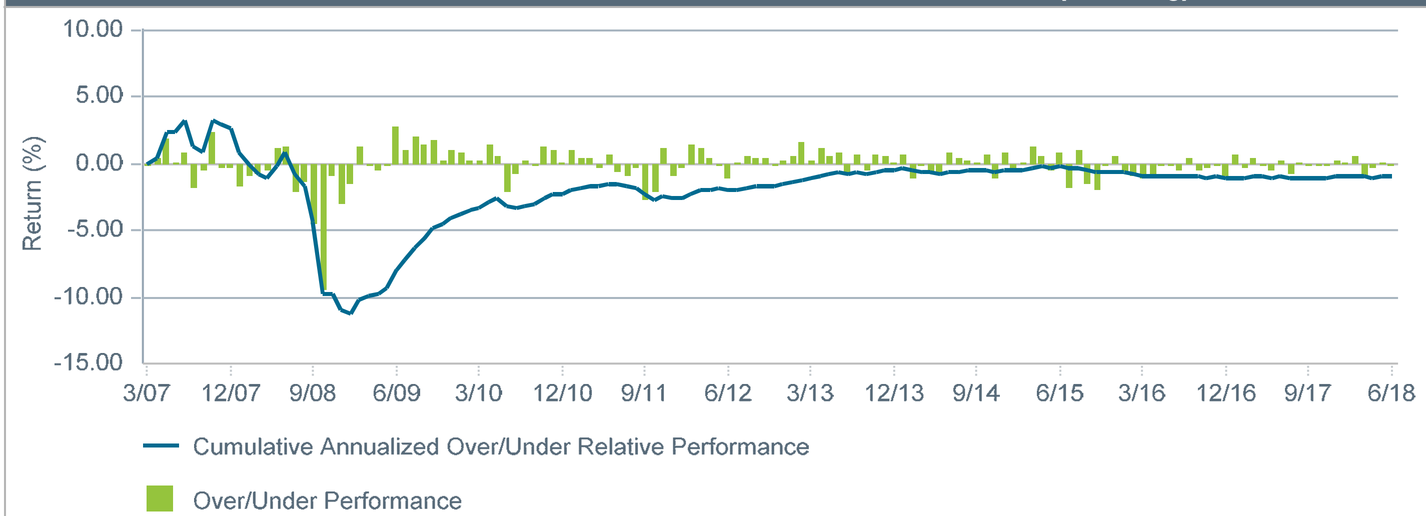
Performance shown is net of fees and representative of the Retirement Plan. Funds with less history than the specific time period will not appear in the chart.

RVK

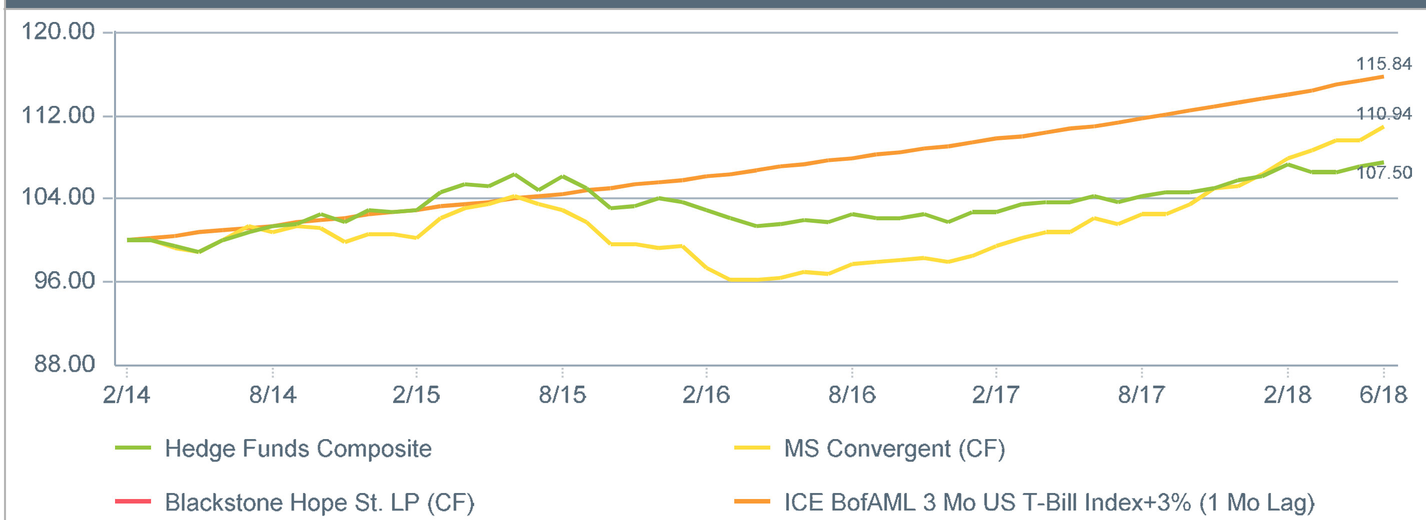
Quarterly Returns



Relative Performance vs. ICE BofAML 3 Mo US T-Bill Index+3% (1 Mo Lag)

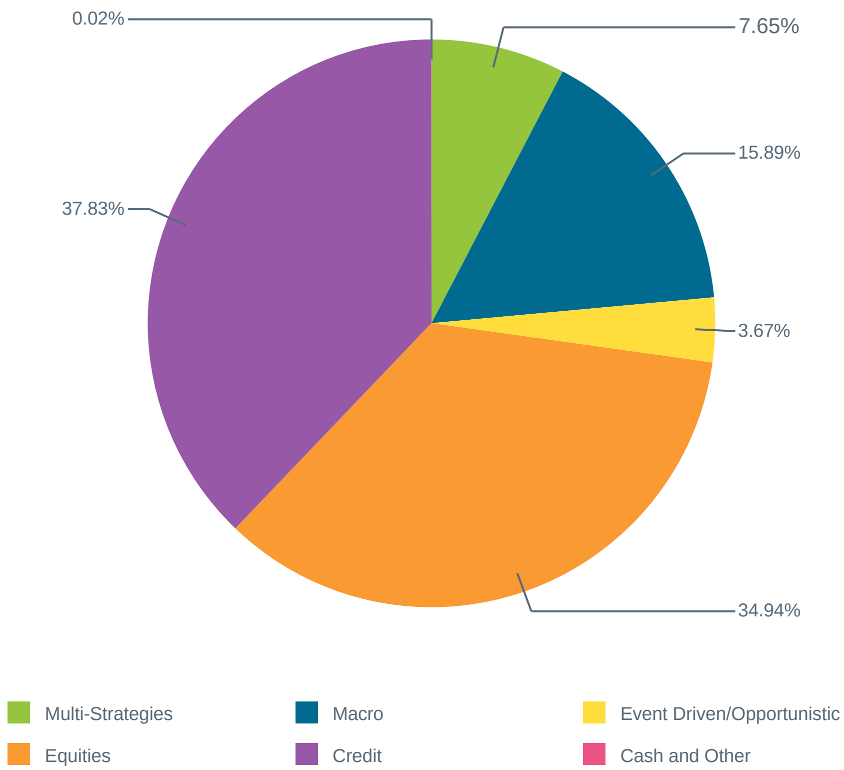


Growth of $100

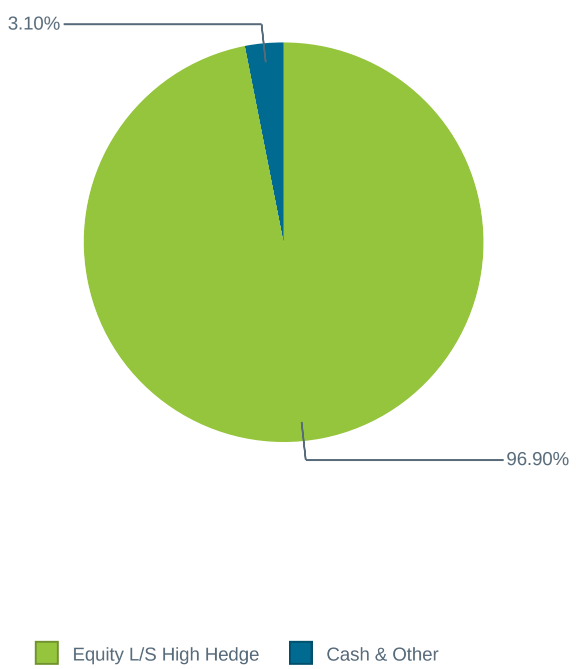


Performance shown is net of fees and representative of the Retirement Plan.

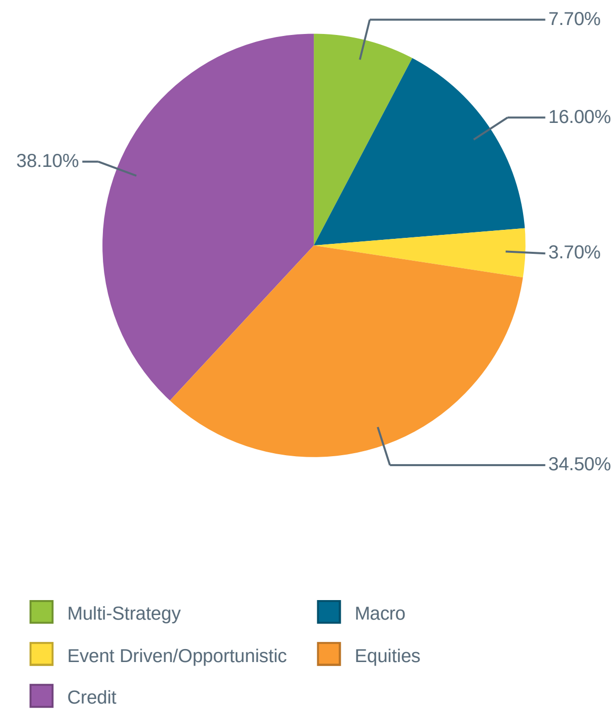
Hedge Funds Composite



MS Convergent (CF)



Blackstone Hope St. LP (CF)



Allocations shown may not sum up to 100% due to rounding.

Investment Strategy

BAAM manages a custom discretionary Hope Street fund on the behalf of LADWP. Hope Street is a broadly diversified portfolio designed to provide downside capital protection and achieve the portfolio objective over a full market cycle. The portfolio is designed to maintain low volatility vs. the global equity markets.

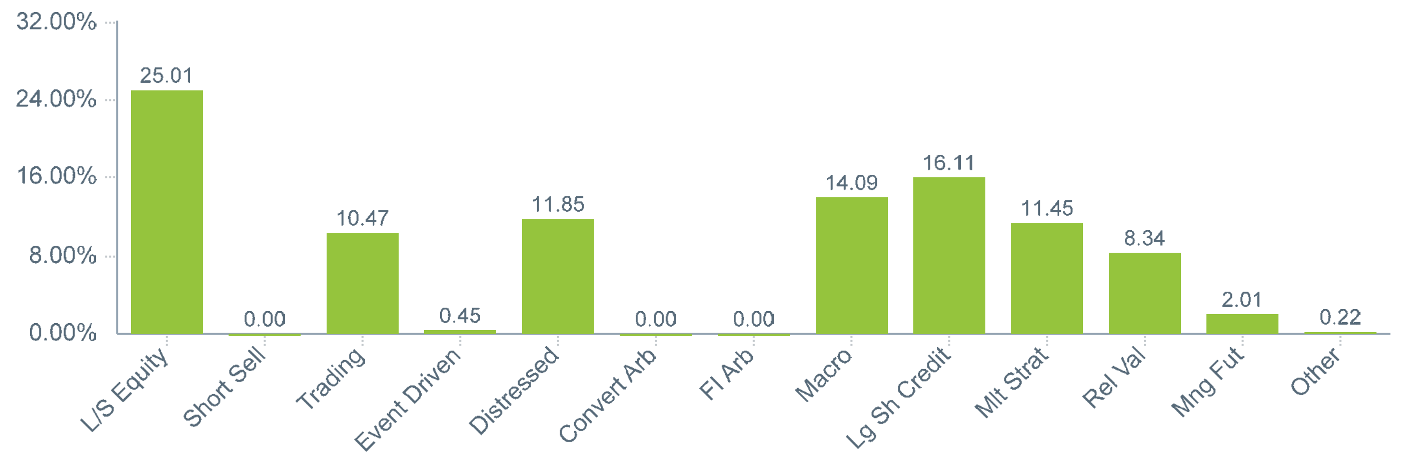
Firm Statistics

Year Firm Established	1990
Firm AUM ($M)	78,658
Percentage Employee Owned %	48.00

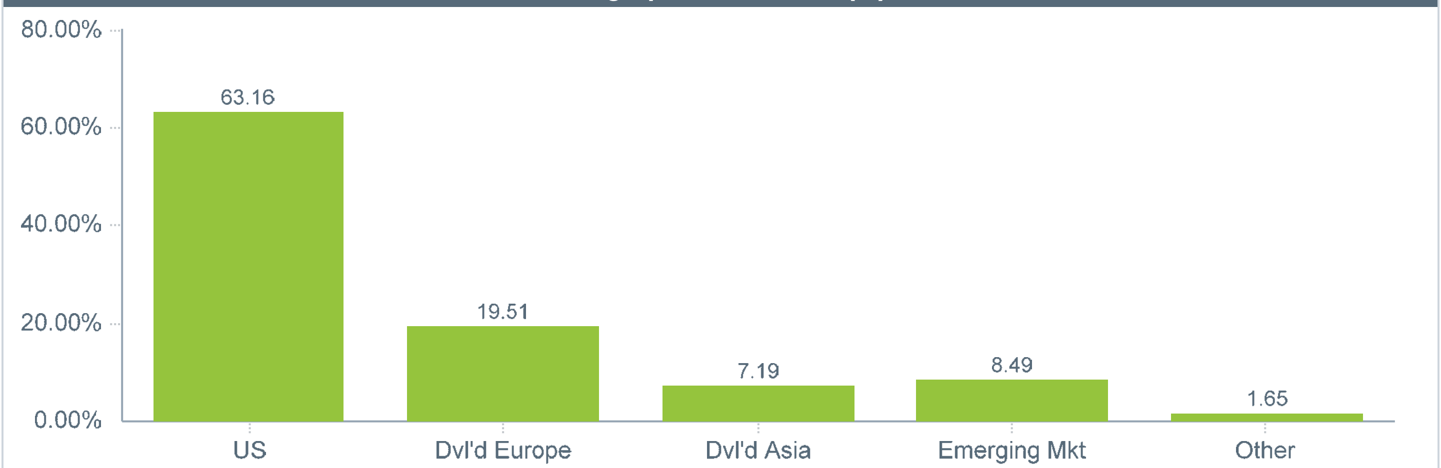
Fund Statistics

Fund Inception	2017
Fund Size($M)	674
Number of Underlying Managers	47
Maximum Weighting of an Underlying Manager %	5.50
Current Leverage (Assets/Equity)	3.90
Annual Manager Turnover %	N/A
Annual Management Fee %	0.60
Performance Fee %	12.00
Hurdle %	4.40
Initial Lock-Up Periods	No
Redemption Frequency	Daily
Notification Period	60 Days

Strategy Allocation (%)



Geographic Allocation (%)



Strategy Allocation to "Other" consists of cash, hedging, and other expenses. Geographic Allocation to "Other" consists of Canada. Investment profile data shown is provided by the investment manager and is as of the most recently available quarter end.

Allocation by Strategy

Strategy	Allocation (%)
Equities	**34.5**
Equity Manager 1	3.3
Equity Manager 2	3.0
Equity Manager 3	2.5
Equity Manager 4	2.1
Equity Manager 5	4.8
Equity Manager 6	3.4
Equity Manager 7	4.8
Equity Manager 8	3.3
Equity Manager 9	2.5
Equity Manager 10	2.2
Equity Manager 11	1.2
Equity Manager 12	0.8
Equity Manager 13	0.6
Credit	**38.1**
Credit Manager 1	3.0
Credit Manager 2	2.7
Credit Manager 3	2.7
Credit Manager 4	5.4
Credit Manager 5	3.5
Credit Manager 6	3.0
Credit Manager 7	5.6
Credit Manager 8	3.8
Credit Manager 9	3.8
Credit Manager 10	4.6
Multi-Strategies	**7.7**
Multi-Strategies Manager 1	5.4
Multi-Strategies Manager 2	2.3
Macro	**16.1**
Macro Manager 1	14.3
Macro Manager 2	1.8
Event Driven/Opportunistic	**3.7**
Event Driven/Opportunistic Manager 1	2.8
Event Driven/Opportunistic Manager 2	0.9
Cash and Other	**0.0**

Turnover

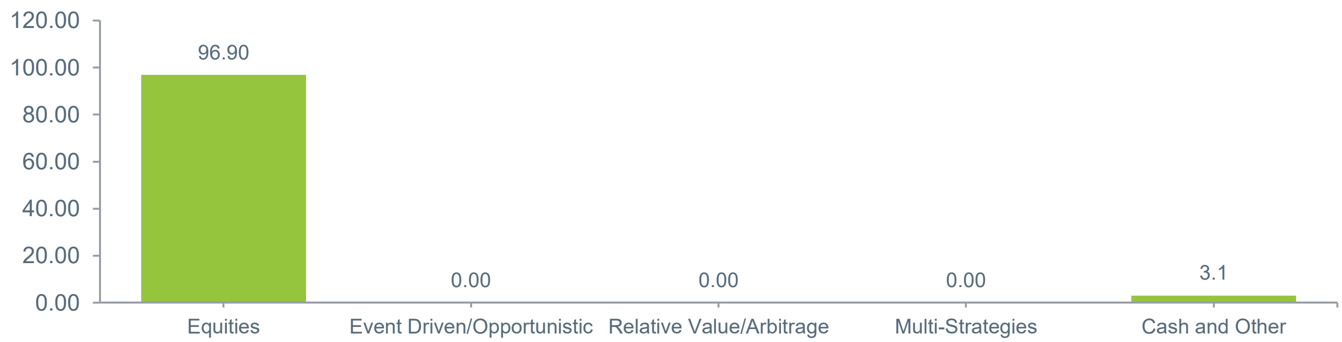
Strategy	New	Terms/Trans
Equities	6	0
Credit	3	0
Multi-Strategies	0	0
Macro	0	0
Event Driven/Opportunistic	1	0
Cash and Other	0	0
Total Turnover	**10**	**0**

Investment Strategy
Morgan Stanley AIP seeks to provide superior performance with minimal prinicipal loss over a complete investment cycle. The fund attempts to achieve its objective principally through investing in a diversified portfolio of investment funds managed by third party investment strategies who employ a variety of investment strategies.

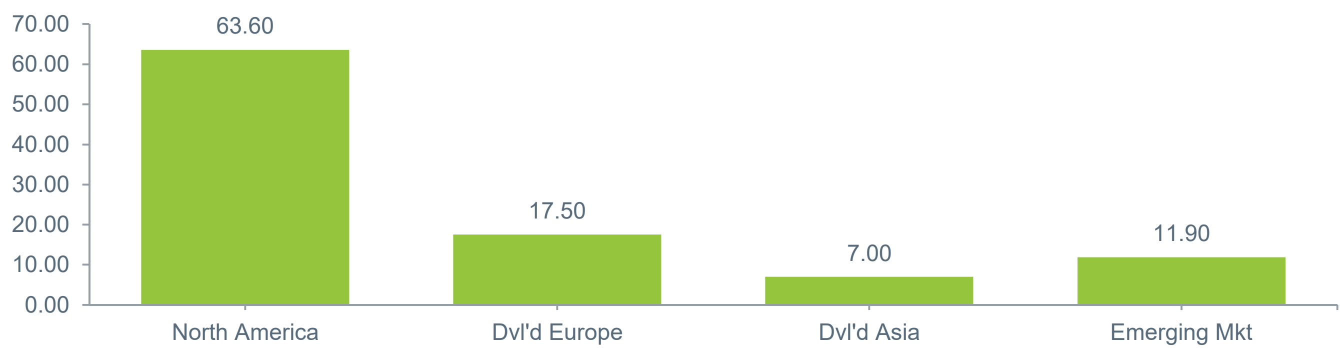
Firm Statistics	
Year Firm Established	2000
Firm AUM ($B)	$23
Percentage Employee Owned	0.00%

Fund Statistics	
Fund Inception	2014
Fund Size ($M)	$5
Number of Underlying Managers	1
Maximum Weighting of an Underlying Manager	100%
Current Leverage (Assets/Equity)	None
Annual Manager Turnover	11.00%
Annual Management Fee	None
Performance Fee	No
Hurdle	No
Initial Lock-Up Period	No
Redemption Frequency	Monthly
Notification Period	N/A

Strategy Allocation (%)



Geographic Allocation (%)



Fund statistics shown are provided by the investment manager and are as of the most recently available quarter end. Actual management and performance fees and other terms may vary based on the invested assets or other manager concessions.

Allocation by Strategy

Strategy	Allocation (%)
Equities L/S Opportunistic	**0.0**
Event Driven Equity	**0.0**
Equity L/S High Hedge	**96.9**
Equity L/S High Hedge Manager 1	96.9
Statistical Arbitrage	**0.0**
Mortgage Arbitrage	**0.0**
Multi-Strategy	**0.0**
Cash and Other	**3.1**
Cash and Other	3.1

Turnover

Strategy	New	Terms/Trans
Equities L/S Opportunistic	3	11
Event Driven Equity	0	2
Equity L/S High Hedge	0	4
Statistical Arbitrage	0	4
Mortgage Arbitrage	0	3
Multi-Strategy	0	3
Cash and Other	0	0
Total Turnover	**3**	**27**

Morgan Stanley is currently undergoing liquidation. Millennium International, Ltd. is being redeemed quarterly and should be completely redeemed by 01/2019.

Strategy	Definition
Relative Value	
Convertible Arbitrage	Seeks to profit from pricing anomalies between a company's convertible securities and its equity. A manager buys the convertible instrument (often a bond) and sells short the common stock.
Fixed Income/Credit Arbitrage	Exploits pricing inefficiencies between fixed income securities with similar characteristics, such as corporate vs. Treasury yield spreads. Offsetting long and short positions typically neutralize exposure to interest rate risk, isolating the pricing discrepancy.
Equity Market Neutral	Exploits relative pricing inefficiencies between equity securities while neutralizing market exposure. Typically the net (total long and short) portfolio exposure is balanced so that there is no directional bias to equity sectors or styles.
Event Driven	
Risk/Merger Arbitrage	Invests in the shares of companies involved in mergers, acquisitions, and LBOs. A common merger arbitrage strategy is to buy the equity of the "target" and sell short the equity of the "acquirer," making a profit if the deal outcome (and timing) is in line with the manager's positioning.
Distressed Securities	Managers pursuing this strategy invest in bank debt, corporate debt, trade claims, common stock, and warrants of companies either in bankruptcy or having financial or operational issues. The goal is to anticipate how corporate events (such as bankruptcies, reorganizations, distressed sales, and restructurings to reverse negative trends) will impact the underlying securities.
Opportunistic	
Global Macro	Employs a "top down" approach to invest across a wide range of global asset classes based on forecasted changes in global economies, political fortunes, or global supply and demand for resources.
Short Selling	Taking short positions in stocks in anticipation of a price decline, based on a view that the stock is overvalued, company earnings will disappoint, or there is a market selloff approaching.
Emerging Markets	Generally long-biased equity or debt positions that seek to capitalize on the undervaluation of companies in developing countries, which tend to have higher inflation and volatile growth.
Long/Short Equity	Core holding of long equities hedged to varying degrees with short positions in stocks or derivatives.

PORTLAND CHICAGO NEW YORK

RVK