

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, February 26, 2013 at 1:00 p.m.**

PUBLIC SESSION – The Board will meet in Public Session at 1:00 PM

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications**
 - 2.1 Oral Communications From the Board
 - 2.2 Oral Communications From the Public
- 3. Approval of the Minutes**
- 4. Approval of the Consent Agenda**

(Items removed from the Consent Agenda will be taken up during the Regular Agenda under Item 5.1 and in the order determined by the Board Chair.)

 - Disability Retirements
 - Janet Colombet
 - Davida Talcove
 - Service Retirements
 - Continuances Deferred Retirements
 - Member Account Refunds
 - Member Account Rollovers
 - Semi-Annual Compliance Certification Statements
 - Approval of SCORPA Request to Deduct Annual Dues
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
 - 5.2 Approval to Issue Request for Proposal for Actuarial Auditing Firm
- 6. Investment Services** (The Investment Committee will meet at 10 a.m., February 26, 2013 in the SamCERA Boardroom.)
 - 6.1 Preliminary Monthly Portfolio Performance Report
 - 6.2 Discussion and Approval of Alternative Asset Opportunities (to be heard in Closed Session)
 - a) D.E. Shaw 130/30 Manager Request for Information Responses
 - b) Private Equity Opportunity
 - 6.3 Discussion and Review of Overlay Management – Further Discussion
 - 6.4 Approval of Annual Review Questionnaires for International Managers
 - 6.5 Approval of Large-Cap Growth Manager Finalist Candidates
 - 6.6 Approval of Changes to Fixed Income Policy Benchmark
 - 6.7 Discussion on Proposed Changes to the Investment Policy
- 7. Board & Management Support Services**
 - 7.1 Monthly Financial Report
 - 7.2 Update on Board/Staff Retreat Agenda
 - 7.3 Annual Review and Approval of SamCERA's Mission and Goals Resolution
 - 7.4 Procedures for Auditing of Employer Data and Information to Determine Correctness of Member's Retirement Benefits, Compensation and Enrollment
- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report
 - 8.4 Chief Legal Counsel's Report

Notice of Public Meeting

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CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Discussion and Approval of Alternative Asset Opportunities (two items), pursuant to Government Code §54956.81 .

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Ledgerwood, Shirley	January 3, 2013	Library
Taylor, Rose	January 3, 2012	Social Services
Manning, Cleo	January 3, 2013	Parks and Recreation
Aldridge, Aracely	January 3, 2013	Social Services
Brothers, Ronald	January 10, 2013	Probation
Bergeson, Mary Lou	January 11, 2013	Health and Welfare
Mills, Leighton	January 12, 2013	Public Works
Price, Barbara	January 14, 2013	Housing
McDonough, Leah	January 16, 2013	Health Department
Struffenegger, Hans	January 18, 2013	Dept. of Agriculture
Bomberger, Carol Ann	January 18, 2013	Mental Health
Piotti, John	January 22, 2013	Courts
Burgett, Claudia	January 22, 2013	Mental Health
Whitehead, Robert	January 25, 2013	Ben. Of Mary Whitehead
Somers, Dorothy	January 29, 2013	Assessor's Office


David Bailey, Chief Executive Officer

Printed: 2/20/13

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,

WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.

Detailed directions are available on the "Contact Us" page of the website www.samcera.org

Free Parking is available in all lots in the vicinity of the building.

A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

Investment Committee

of the San Mateo County Employees' Retirement Association will meet in
100 Marine Parkway, Suite 160, Redwood Shores

Tuesday, February 26, 2013 at 10:00 a.m.

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
 - 6.1 Preliminary Monthly Portfolio Performance Report
 - 6.2 Discussion and Approval of Alternative Asset Opportunity - D.E. Shaw 130/30 Manager Request for Information Responses (to be heard in Closed Session)
 - 6.3 Discussion and Review of Overlay Management – Further Discussion
 - 6.4 Approval of Annual Review Questionnaires for International Managers
 - 6.5 Approval of Large-Cap Growth Manager Finalist Candidates
 - 6.6 Approval of Changes to Fixed Income Policy Benchmark
 - 6.7 Discussion on Proposed Changes to the Investment Policy
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
CLOSED SESSION - The Investment Committee may meet in closed session prior to adjournment
- C1 Discussion and Approval of Alternative Asset Opportunity (one item), pursuant to Government Code §54956.81
- 9.0 Adjournment



Michael Coultrip, Chief Investment Officer

Printed: 2/20/13

Be advised that the committees of the Board of Retirement are forums in which consensus may emerge. If you have an interest in a matter before a committee, you are advised to attend the committee meeting. Committee meeting times are noted on the board agenda.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT:

SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact David Bailey at (650) 363-4930 at least three business days prior to the meeting, if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

THE COMMITTEE MEETS IN 100 MARINE PARKWAY, SUITE 160,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the "Contact Us" page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.

Notice of a Public Meetings



SamCERA
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

How to Find Us:

From Northbound 101 take the Ralston/ Marine World Parkway exit. Drive East on Marine Parkway toward the Bay.

From Southbound 101 take the Ralston/ Marine World Parkway exit. Drive East over the freeway on Marine Parkway toward the Bay.

From El Camino Real, turn East toward the Bay on Ralston and drive over the freeway on Marine Parkway. (Ralston becomes Marine Parkway at 101.)

Twin Dolphin Drive is two stoplights beyond the freeway. The "Shores Center" sign on the lawn is located in front of our new home.

Continue on Marine Parkway one block beyond Twin Dolphin to Lagoon Drive. Note the 100 Marine granite monument with SamCERA logo near curb as you approach Lagoon Drive.

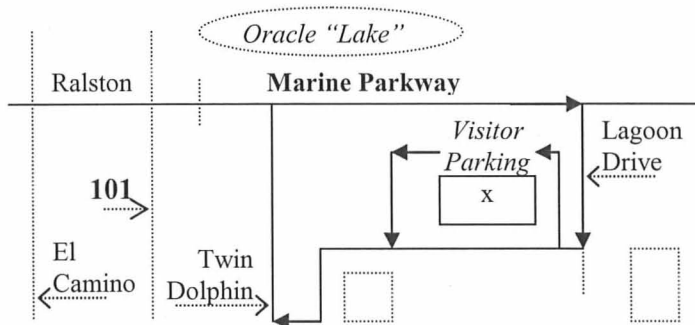
From Marine Parkway turn Right on Lagoon Drive and then immediately take the next two Right turns into our parking lot.

Park in the **Visitor spaces** on the Marine Parkway side of our building near the North Entrance.

SamCERA is in Suite 125 on the first floor, on your left just inside the North Entrance on the Marine Parkway side of the building.

SamCERA's Telephone Number: (650) 599-1234
From a County Extension: Dial 1234
From Outside the 650 Area Code: (800) 339-0761
Web Site: www.samcera.org

Our Office is Open Monday thru Thursday from 7:00 a.m. until 6:00 p.m.



San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

February 26, 2013

Agenda Item 3.0

January 22, 2013 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 10:00 A.M.

1. Call to Order, Roll Call and Miscellaneous Business

2. Oral Communications

- 2.1 Oral Communications From the Board
- 2.2 Oral Communications From the Public

3. Approval of the Minutes

4. Approval of the Consent Agenda

- Disability Retirements
 - None
- Service Retirements
- Continuances
- Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Report recommending the rejection of portion of claim- Montisano (Non-culpable)
- Notice of SACRS Board of Directors Election Schedule and Rules
- California Fair Political Practices Commission (FPPC) Form 806, "Agency Report of Official Appointments."

5. Benefit & Actuarial Services

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda
- 5.2 Approval of Cost of Living Adjustments

6. Investment Services

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Discussion of 130/30 Manager Universe Comparison
- 6.3 Discussion of Fixed Income Manager Structure
- 6.4 Presentation Regarding Overlay Management
- 6.5 Discussion on Proposed Changes to the Investment Policy

7. Board & Management Support Services

- 7.1 Monthly Financial Report
- 7.2 Quarterly Budget Report
- 7.3 Approval of Topics for the Board – Staff Retreat
- 7.4 Approval of Resolution Amending the Interest Crediting Policy
- 7.5 Approval of Resolution Adopting Procedures for Assessment of Compensation
- 7.6 Report on Technology Modernization and Amendment of Agreement with LRWL
- 7.7 Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with BCS Systems, Inc.

8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

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CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session.
- C2 Conference with Legal Counsel - Anticipated Litigation: Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9, One case.
- C3 Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR.

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Conlan, Gerlinde	November 1, 2012	Environmental Health
Sack, Ruth	November 4, 2012	Youth & Family Services
Robinson, Kathleen	November 10, 2012	Library
Duncan, Marilyn	November 12, 2012	Human Resources
Giannini, Louis	November 12, 2012	Def'd. from DAO
Grant, Anna	November 16, 2012	District Attorney's Office
Nunes, Edwin	November 19, 2012	Road Maintenance
Thomas, Benjamin	November 20, 2012	Data Processing
Sanz, George	November 25, 2012	Ben. of Josephine Sanz
McCavitt, Loretta	November 25, 2012	Ben. of Bernard McCavitt
Allen, Laura	November 28, 2012	Human Services
Nevin, Michael	December 1, 2012	Board of Supervisors
Blasser, William	December 3, 2012	Sherriff's Dept.
Hamilton, Carolyn	December 3, 2012	Public Services
Quesada, Charles	December 8, 2012	Def'd. from General Services
Tyler, Mildred	December 13, 2012	Social Services
Sales, Maria	December 14, 2012	QDRO
De Benedetti, Elizabeth	December 23, 2012	Controller's Office

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Minutes of the Regular Meeting of the Board of Retirement

January 22, 2013– Board Minutes

1301.1 **Call to Order, Roll Call and Miscellaneous Business**

Call to Order: Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m.

Roll Call:

Present: Sandie Arnott, Lauryn Agnew, Ben Bowler, Albert David, Paul Hackleman, Natalie Kwan Lloyd, Michal Settles, David Spinello and Eric Tashman.

Alternates Present: Christopher Miller, John Murphy

Staff: David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Tariq Ali, Lilibeth Dames and Kristina Perez.

1301.2.1 **Oral Communications From the Board:** Ms. Settles gave a report regarding her attendance at the Opal Public Funds Summit in Scottsdale, Arizona on January 8-10, 2013. Mr. Spinello was also in attendance at the Opal conference.

1301.2.2 **Oral Communications From the Public:** Mr. Miller reported on his attendance at the Opal Public Funds Summit.

1301.3.1 **Approval of the Board Meeting Minutes:**

Action: Mr. David moved to approve the minutes from the regular Board meeting held on December 11, 2012. The motion was seconded by Mr. Hackleman and carried unanimously.

1301.4.0 **Approval of the Consent Agenda:** The Chair asked if there were any items to be removed from the Consent Agenda, and none were taken off.

Action: Mr. Hackleman moved to approve the Consent Agenda, and the motion was seconded by Mr. David and carried unanimously.

Consent Agenda

1301.4.0 **Service Retirements**

The Board ratified the actions as listed below for the following members regarding service retirements:

Barrientos, Narda	November 20, 2012	Elections
Bohm, Julia	December 1, 2012	Mental Health
Brooks, Ronald	November 3, 2012	Sheriff's Department
Brown, Kathleen	November 30, 2012	Health Services
Brown, Phyllis	December 1, 2012	Hospital
Cook, Rhonda	November 11, 2012	QDRO
Gross, Patrick	November 10, 2012	Public Works
Hansen, Linda	December 1, 2012	Hospital
Jones, Barbara	December 1, 2012	Health Services
Lamore, Kristy	November 21, 2012	Def'd. from Health Services
Loux, John	November 9, 2012	Def'd. from AGC
Lynch, Katharine	August 18, 2012	Def'd. from Health Services
Marion, William	September 21, 2012	Def'd. from ISD
Reiter, Miriam Selinger	November 17, 2012	Public Works
Madigan, Robert	March 31, 2012	Sheriff's Department

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1301.4.0 **Continuances**

The Board ratified the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of
Conlan, James	Conlan, Gerlinde
Nunes, Peggy	Nunes, Edwin
Young, Gerald	Young, Sandra
Hukill, Merry	Hukill, Edwin

1301.4.0 **Deferred Retirements**

The Board ratified the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Hirsch, Emily	G4 Vested
Henrick, Erin	G4 Vested
Tuna, Sheila	3 Non Vested - Reciprocity
Jimenez, Reuben	3 Non Vested - Reciprocity
Shaw, Jennifer	G4 Non Vested - Reciprocity
Wright, Tatyana	G4 Non Vested – Reciprocity

1301.4.0 **Member Account Refunds**

The Board ratified the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Perrone, Paul	G2 Vested
Torres, Dora	G4 Vested
Biear, Catrina	G4 Vested
Guevara, Jacqueline	G4 Non-vested
Holtz, David	G4 Vested
Pautin, Zenaida	G4 Vested
Pefley, Pushpa	G4 Vested
Washington, Rosalyn	G4 Vested
Holcomb, Vaisioa	G4 Vested
Custodio, Pia-Rosario	G4 Non-vested
Caragdag, Ramil	G4 Non-vested
Gonzales, Emily	G4 Vested
Carranza, Imelda	G4 Vested
Villanueva, Virginia	G4 Vested
Vargas, Grethel	G4 Non-vested
Page, Melissa	G4 Non-vested

Member Account Rollovers

The Board ratified the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
Hickerson, Elizabeth	G5
Gamble, Kristine	G4 Vested
Chae, Jun	G4 Non-vested
Ararcon, Evelyn	G4 Non-vested

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Member Account Rollovers (con't)

Member Name	Retirement Plan Type
Judd, Teri	G4 Vested
Alcantar, Araceli	G4 Non-vested
Robinson, Sarah	G5
Laughlin, Leslie	G4 Vested

1301.4.0 **Other consent agenda items:**

- The Board approved the report recommending the rejection of a portion of a claim-Montisano (Non-culpable).
- The Board received and accepted the Notice of SACRS Board of Directors Election Schedule and Rules.
- The Board accepted the California Fair Political Practices Commission (FPPC) Form 806, "Agency Report of Official Appointments" for posting on the SamCERA website.

1301.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:** None

1301.5.2 **Approval of Cost of Living Adjustments:** Mr. Bailey presented the staff report and discussed the cost of living increases for 2013. As calculated by SamCERA's actuarial firm, Milliman, Inc., a 2.5% increase is proposed for most Plan 1 and 2 members and a 2% increase for Plan 4 retirees.
Action: Mr. David moved to approve the cost of living adjustments. The motion was seconded by Ms. Settles and carried unanimously.

1301.6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the monthly report, and discussed the portfolio's performance with the Board. The report now includes both net and gross returns information. With no objections noted, the report was accepted.

1301.6.2 **Discussion of 130/30 Manager Universe Comparison:** Mr. Coultrip went over the staff report with the Board and compared D.E. Shaw with competitors offering 130/30 investing. Mr. Thomas stated that SIS is very comfortable recommending D.E. Shaw. This item was informational and no action was taken.

1301.6.3 **Discussion of Fixed Income Manager Structure:** Mr. Coultrip discussed the fixed income manager structure with the Board, following up the discussion and presentation in October with Angelo Gordon. This item was informational only and no action was taken.

1301.6.4 **Presentation Regarding Overlay Management:** John Nicollini from SIS discussed overlay management with the Board members. He explained the purposes and benefits of an overlay strategy. Mr. Thomas and Mr. Nicollini discussed currency management, frictional cash, potential providers of overlay management, and services available from overlay managers. This item will go to the Investment Committee for further discussion. No action was taken.

1301.6.5 **Discussion on Proposed Changes to the Investment Policy:** Mr. Coultrip discussed the proposed changes in the Investment Policy, in particular the Investment Objectives section. Changes would include reordering and editing. Mr. Coultrip and Board members discussed many topics and their inclusion in the Investment Policy document including 60/40; funded status; risk; actuarial rate of return; due diligence trips and trustee responsibilities; inclusion of a real estate in alternatives or as a separate asset category; and the size of the investment policy document and the frequency desired to review the policy going forward. This item was for discussion only and no action was

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taken.

1301.7.0 **Board & Management Support Services**

1301.7.1 **Monthly Financial Report:** Mr. Bailey reported that Ms. Wong's father had passed away. He and Ms. Smith were available to answer any questions regarding the preliminary monthly report. This item was informational and no action was taken.

1301.7.2 **Quarterly Budget Report:** Ms. Smith was available to answer any questions regarding the quarterly budget report. This item was informational and no action was taken.

1301.7.3 **Approval of Topics for the Board – Staff Retreat :** Mr. Bailey discussed the proposed dates of April 23 and 24, 2013 for the Board Retreat, and asked Board members to select their topics of interest on a short survey and return the survey to staff.

1301.7.4 **Approval of Resolution Amending the Interest Crediting Policy:** Mr. Bailey reviewed the proposed change to the policy to set cut off days for interest crediting using the best information available on those dates.

Action: Mr. Hackleman moved to adopt the resolution approving the amendments to the interest crediting policy. The motion was seconded by Mr. David and carried unanimously.

1307.7.5 **Approval of Resolution Adopting Procedures for Assessment of Compensation:** Mr. Bailey reviewed this item with the Board members. This is a PEPR requirement that each plan assess compensation to determine where there is spiking. Staff has prepared a new procedure to allow for employer and employee participation in any review where there is suspected spiking.

Action: Mr. David moved to approve the resolution adopting procedures for assessment of compensation; the motion was seconded by Ms. Settles and carried unanimously.

1301.7.6 **Report on Technology Modernization and Amendment of Agreement with LRWL:** SamCERA Chief Technology Officer Tariq Ali introduced Will Morrow of LRWL who gave an update on the status of the modernization project and change management. This item was informational only and no action was taken.

1301.7.7 **Approval of a Resolution Authorizing the Chief Executive Officer to Execute an Agreement with BCS Systems, Inc.:** Mr. Ali stated that SamCERA will use the same enterprise content management software as the County, Autonomy, and seek to employ the same vendor, BCS, which is already used by the County. Mr. Morrow further explained the negotiation process with BCS had resulted in an agreement, which was ready for approval.

Action: Ms. Settles moved to approve the resolution authorizing the Chief Executive Officer to execute an agreement with BCS Systems; the motion was seconded by Mr. David and carried unanimously.

1301.8 **Management Reports**

1301.8.1 **Chief Executive Officer's Report:** Mr. Bailey announced that SamCERA has been nominated as the "Small Fund of the Year" by Money Management Intelligence and directed Board members to their handouts for an article regarding the nomination. He noted the County's recent employee engagement survey shows SamCERA as the highest scoring agency. Mr. Bailey let the Board members know of the resignation of Christopher Hawkins and the resulting job vacancy, which would be posted next week. Board members' travel and new requirements for trustee education was discussed.

1301.8.2 **Assistant Executive Officer's Report:** Ms. Smith reported that the deadline for ARC purchase

San Mateo County Employees' Retirement Association
Minutes of the Regular Meeting of the Board of Retirement

applications had passed and staff had processed 447 application requests. She also stated that three seats on the Board of Retirement are up for election in June; these seats are currently held by Trustees Natalie Kwan Lloyd, Paul Hackleman and John Murphy.

1301.8.3 **Chief Investment Officer's Report:** Lilibeth Dames reported on various private equity opportunities being researched by SIS.

1301.8.4 **Chief Legal Counsel's Report:** Ms. Carlson reported in the BP matter, the complaint has been filed and SamCERA is included in the list of plaintiffs. She let the Board know she would be hosting the attorneys roundtable in San Jose for CALAPRS and the topic was PEPRA. She continues to follow PEPRA and check consistency with other agencies. Ms. Carlson reported there are three litigations concerning PEPRA, and items such as terminal pay and vacation payouts at retirement are being litigated.

CLOSED SESSION: Ms. Arnott adjourned the meeting into closed session at 4:55 p.m.

C1 **Consideration of Disability Items, if any, Removed from the Consent Agenda and Appropriate for Closed Session – None.**

C2 **Conference with Legal Counsel - Anticipated Litigation:** Significant exposure to litigation pursuant to subdivision (b) of Government Code Section 54956.9, One case.

C3 **Conference with Legal Counsel - Existing Litigation:** Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR.

1301.9 **Report on Actions Taken in Closed Session:** Ms. Arnott reconvened the meeting at 5:03 p.m. into open session. Ms. Carlson stated there was no reportable action taken on item C2, regarding anticipated litigation; and no reportable action taken on item C3, regarding existing litigation.

1301.10 **Adjournment:** With no further business Ms. Arnott adjourned the meeting at 5:04 p.m. in memory of Poon Ching Kwong, father of Mabel Wong, and Vincent Peterson, the father-in-law of Michael Coultrip, and in memory of the following deceased members:

Conlan, Gerlinde	November 1, 2012	Environmental Health
Sack, Ruth	November 4, 2012	Youth & Family Services
Robinson, Kathleen	November 10, 2012	Library
Duncan, Marilyn	November 12, 2012	Human Resources
Giannini, Louis	November 12, 2012	Def'd. from DAO
Grant, Anna	November 16, 2012	District Attorney's Office
Nunes, Edwin	November 19, 2012	Road Maintenance
Thomas, Benjamin	November 20, 2012	Data Processing
Sanz, George	November 25, 2012	Ben. of Josephine Sanz
McCavitt, Loretta	November 25, 2012	Ben. of Bernard McCavitt
Allen, Laura	November 28, 2012	Human Services
Nevin, Michael	December 1, 2012	Board of Supervisors
Blasser, William	December 3, 2012	Sherriff's Dept.
Hamilton, Carolyn	December 3, 2012	Public Services
Quesada, Charles	December 8, 2012	Def'd. from General Services
Tyler, Mildred	December 13, 2012	Social Services
Sales, Maria	December 14, 2012	QDRO
De Benedetti, Elizabeth	December 23, 2012	Controller's Office

San Mateo County Employees' Retirement Association
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David Bailey
Chief Executive Officer

Kristina Perez
Retirement Executive Secretary

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

February 26, 2013

Agenda Item 5.0

October 23, 2012 – Investment Committee Agenda

PUBLIC SESSION

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Oral Communications From the Committee
- 4.0 Oral Communications From the Public
- 5.0 Approval of the Minutes
- 6.0 Investment Management Services - the Investment Committee Shall Review & Discuss
 - 6.1 Monthly Portfolio Performance Report
 - 6.2 Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco)
 - 6.3 Approval of Angelo Gordon Securitized Asset Recovery Fund L.P.
 - 6.4 Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search
 - 6.5 Discussion Regarding Real Rate Hedging Within TIPS Portfolio
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

MINUTES OF SAMCERA's Investment Committee Meeting – October 23, 2012

- 1.0 **Call to Order:** Mr. David called the Public Session of the Investment Committee of the Board of Retirement to order at 10:04 a.m. October 23, 2012, in SamCERA's Board Room, Suite 160, 100 Marine Parkway, Redwood City, California.
- 2.0 **Roll Call:**
Present: Ms. Lauryn Agnew, Mr. Ben Bowler, Mr. Al David, and Ms. Michal Settles.
Alternates present: Mr. John Murphy and Mr. Christopher Miller.
Staff: Mr. David Bailey, Mr. Michael Coultrip, Ms. Brenda Carlson, Ms. Lilibeth Dames, Ms. Gladys Smith and Ms. Kristina Perez.
Consultants: Mr. Jonathan Brody and Mr. Patrick Thomas, of Strategic Investment Solutions.
- 3.0 **Oral Communications From the Committee.** Ms. Agnew reported her attendance at the SOCAP12 conference in San Francisco.
- 4.0 **Oral Communications From the Public:** None.

The Chair then called for agenda item # 6.3 to be heard out of order; the remaining agenda items were heard in the order reported below.

- 6.3 **Approval of Angelo Gordon Securitized Asset Recovery Fund L.P.** Mr. Coultrip introduced Coleen Casey and Jonathan Lieberman from Angelo Gordon who gave a presentation to the Committee. Ms. Casey and Mr. Lieberman gave an overview of Angelo Gordon and discussed the PPIP and STAR funds. Committee members discussed the make-up of the team, deployment dates and levels of commitment, and timing.
Action: Ms. Settles moved to recommend Board approval to invest \$35 million in the Angelo Gordon Securitized Asset Recovery Fund, matching the original PPIP investment amount. The motion was seconded by Mr. Bowler and carried unanimously.

San Mateo County Employees' Retirement Association
Minutes of the Meeting of the Investment Committee

- 6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the Preliminary Monthly Portfolio Performance report, and discussed the portfolio's performance with the Committee. He also handed out a sample report compiled by State Street.
Action: This agenda item was informational. It did not require committee action.
- 6.2 **Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco):** Mr. Thomas from SIS and Mr. Coultrip detailed the annual meetings with the four managers, and stated they were all meeting expectations and there were no large concerns.
Action: This agenda item was informational. It did not require committee action.
- 6.4 **Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search:** Mr. Coultrip and Mr. Jonathan Brody presented the proposed screening criteria and timeline for the selection of a replacement large-capitalization growth manager for BlackRock, with an expectation that by March 2013 responses to the RFIs would be received from selected managers. Committee members discussed fees, active and passive strategies, and allocations. Committee members discussed recommending Board approval of the screening criteria submitted with a request for flexibility within the conditions.
Action: Ms. Agnew moved to recommend Board approval of the screening criteria and selection schedule, granting flexibility within the conditions. The motion was seconded by Ms. Settles and approved unanimously.
- 6.5 **Discussion Regarding Real Rate Hedging Within TIPS Portfolio:** Mr. Coultrip presented information about TIPS bonds and discussed the risks and benefits of hedging with the Committee members. This item was for discussion only.
- 5.0 **Approval of the Minutes:** The Chair asked if there were any changes to the minutes, and a spelling error was corrected.
Action: Mr. Bowler moved to approve the minutes from the August 28, 2012 investment committee meeting, with the revision as noted. The motion was seconded by Ms. Agnew and carried unanimously.
- 7.0 **Other Business:** None.
- 8.0 **Chief Investment Officer's Report:** Mr. Coultrip notified the committee the annual review survey for SIS would be sent via email to the full Board and to look for it.
- 9.0 **Adjournment:** There being no further business, Mr. David adjourned the committee meeting at 12:12 p.m.

ALBERT DAVID
INVESTMENT COMMITTEE CHAIR

KRISTINA PEREZ
RETIREMENT EXECUTIVE SECRETARY

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Acting Assistant Executive Officer



Subject: Approval of Consent Agenda

ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA.

Disability Retirements

1. The Board find that **Janet Colombet** is (1) disabled from performing her usual and customary duties as a Sheriff's Sergeant, (2) find that her disability was a result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.
2. The Board find that **David Talcove** is (1) disabled from performing her usual and customary duties as a Staff Physician, (2) find that her disability was a result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.

Service Retirements

1. The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Forrest, Stuart	December 31, 2012	Probation
Thompson, Dayna	January 1, 2013	Courts
Bulatao, Emmanuel	December 9, 2012	District Attorney's Office
Nelson, Grace	December 29, 2012	Def'd. from Corrections
Lockman, Patricia	December 29, 2012	Human Services Agency
Lewetzon, Robert	December 29, 2012	Sheriff's Dept.
Mogel, Ray	December 13, 2012	Public Works
Yaco, Jack	December 15, 2012	County Manager's Office
Keliiaa, Robert	December 22, 2012	Health Department
Miles, Gloria	December 22, 2012	Hospital

Padula, Ronaldo	December 19, 2012	Hospital
Warburton, Alfred	December 31, 2012	Def'd. from Parks
Frattaroli, Lynda	January 1, 2013	Health Department
Newton, Pamela	October 15, 2012	Def'd. from Hospital

Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of:
Blasser, Jean	Blasser, William
Nevin, Kathleen	Nevin, Michael

Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Burrell, Barbara	G4 Vested
Fresquez, Leonard	G4 Vested
Kozak, Andrea	G4 Vested
Rohatgi, Shalini	G4 Vested
Boesch, David	G4 Reciprocity
Moore, Britt	G5 Not Vested - Reciprocity
Jacquemet, Jean	G2 Vested - Reciprocity

Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Blick, Suzanne	G4 Vested
Devera, Mila	G4 Vested
Perez Castro, Leonor	G4 Vested
Serrano-Batol, Janice	G4 Non-vested

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Consent Agenda Item 4.0

TO: Board of Retirement

FROM: 
Lilibeth Dames, Investment Analyst

SUBJECT: Acceptance of Semi-Annual Compliance Certification Statements

Staff Recommendation:

Staff recommends that the Board review and accept the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers, as of December 31, 2012.

Background:

The Compliance Certification Statement sets forth the status of all pertinent guideline issues and provisions in SamCERA's Investment Policy. In accordance with the Policy and as part of SamCERA's ongoing due diligence, the Compliance Certification Statement is completed by each of the association's investment managers on a semi-annual basis to attest its compliance with the Fund's provisions.

Discussion:

The attached Compliance Certification Statements report that SamCERA's investment managers are in compliance with SamCERA's Investment Policy as of December 31, 2012. No firm reported significant changes to or developments in portfolio construction, investment approach, firm ownership or organizational structure. Nor were there any notable issues regarding industry or regulatory actions that impact SamCERA. Any items that raise concern will be brought to the manager's attention and will be thoroughly vetted by staff.

Attachments:

Compliance Certification Statements (17)

- A. Domestic Equity: Barrow Hanley, BlackRock, Chartwell, DE Shaw, T. Rowe Price, The Boston Company
- B. International Equity - Developed: Baillie Gifford, Mondrian, Pyramis
- C. Emerging Market Equity: Eaton Vance Parametric

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

- D. Domestic Fixed Income: Angelo Gordon, Brigade, Brown Brothers Harriman, Pyramis, Western
- E. Global Fixed Income: Franklin Templeton
- F. Real Estate: INVESCO

Compliance Certification Statement
San Mateo County
Employees' Retirement Association
For 6-month period ended December 31, 2012

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: ___ If no, please explain.
Yes.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: ___ If no, please explain.
Yes.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: ___ If no, please explain.
Yes.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: ___ If yes, please explain.
No.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: ___ If yes, please explain.
No.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: ___ If yes, please explain.
No.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: ___ If yes, please explain.
No.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: ___ If yes, please explain.
No.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: ___ If no, please explain.
Yes.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
N/A. We do not utilize derivatives.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
N/A.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
N/A.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?
N/A.
5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
N/A.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
N/A.
7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
N/A.
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
N/A.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
N/A.

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

N/A.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

N/A.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

N/A.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: ___ If no, please explain.

Yes.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain.

No.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

No. We do not manage cash for our clients.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (Section 19.4 j)

At December 31, 2012, the portfolio held the following:

Cash	1.4%
Common Stock	98.6%
Preferred Stock	0%
Convertible Stock	0%

2. What is the firm's market value allocation to large, mid and small stocks? (Section 19.4 j) Please specify percentages.

At December 31, 2012, the firm's allocation within equities is below:

Large Caps	79%
Mid Caps	9%
Small Caps	4%
International*	9%

*Includes Global & Emerging Markets

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.
At December 31, 2012, the portfolio held 4.32% ADR's and none were 144A securities. (Cash positions are not used in the calculation).
4. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why.
At December 31, 2012, the largest security holding was Capital One Financial Corp. with a weighting of 3.2%. (Cash positions are not used in the calculation).
5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Please specify all industries above 15%.
BHMS uses the GICS classification system for our portfolio analysis. At December 31, 2012, the largest industry weighting was Oil & Gas, which held an 8.9% weighting. (Cash positions are not used in the calculation).

Signed by: Patricia B. Andrews
Title: Chief Compliance Officer
Dated: January 30, 2013
Name of Firm: Barrow, Hanley, Mewhinney & Strauss LLC

*****BLACKROCK – RUSSELL 1000 INDEX*****

***Compliance Certification Statement
San Mateo County
Employees' Retirement Association***

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of SamCERA's investment managers on a semi-annual basis. These statements must be e-mailed to SamCERA's office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

- 1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (Section 19.4(a)) Yes/No: Yes No If no, please explain.**
- 2. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes No If no, please explain.**
- 3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes No If no, please explain.**
- 4. Does the firm consider any of SamCERA's investment objectives unreasonable? (Section 6.0) Yes/No: No Yes If yes, please explain.**
- 5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: Yes No If yes, please explain.**

In September 2012 BlackRock acquired Swiss Re Private Equity Partners AG ("SRPEP"), the European private equity and infrastructure fund of funds franchise of Swiss Re. BlackRock and Swiss Re have also entered into a strategic alternative investment relationship agreement, centered on BlackRock Alternative Investors ("BAI"), which reinforces Swiss Re's current investments in SRPEP products and establishes other future Swiss Re commitments to the BAI platform.

BlackRock announced on 10 January 2013 that it has entered into a definitive agreement to acquire Credit Suisse's Exchange-Traded Fund ("ETF") franchise, a European ETF platform with funds domiciled in Switzerland, Ireland and Luxembourg that will complement the existing iShares offering. The combined iShares platform will comprise 264 ETFs and \$157.6 billion in assets under management as of December 2012. Following the appropriate regulatory approvals and satisfaction of customary closing conditions, the deal is expected to close in the second quarter of 2013.

- 6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: Yes No If yes, please explain.**
- 7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: Yes No If yes, please explain.**
- 8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: Yes No If yes, please explain.**

From time to time, BlackRock and its affiliates (collectively, "BlackRock") are subject to examinations and inspections by the SEC, DOL, FINRA and the CFTC, among others. Our regulators routinely provide us with comment letters as a result of these examinations in which they request that BlackRock correct or modify certain of our practices. In all such instances, BlackRock has addressed these requests promptly to ensure that it continues to operate in compliance with applicable laws, statutes and regulations.

*****BLACKROCK – RUSSELL 1000 INDEX*****

Additionally, from time to time, BlackRock receives subpoenas or requests for information in connection with regulatory inquiries and/or investigations by its various regulators, some of which are ongoing. Other than as noted below or as disclosed in the applicable Form ADVs of our various U.S.-registered advisers, none of these regulatory matters have resulted in any formal proceedings or any other sort of discipline against BlackRock that has had any adverse impact on our ability to manage our clients' assets.

On 8 March 2012, BlackRock Institutional Trust Company, N.A. ("BTC") entered into an Offer of Settlement (the "Agreement") with the CFTC and consented to the entry of an Order, which makes findings and imposes remedial sanctions against BTC. Without admitting or denying wrongdoing, BTC agreed to the imposition of a \$250,000 penalty and the entry of the Order to resolve allegations by the CFTC that two trades by BTC violated Section 4c(a)(1) of the Commodity Exchange Act and CFTC Regulation 1.38(a). BTC also agreed to refrain from any further violations of the above-mentioned statutory provisions. The CFTC did not allege that any clients of BTC, BlackRock or any related affiliate were harmed in any way in the execution of these two trades.

- 9. Have proxy ballots been voted in accordance with the best economic interest of SamCERA and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes ___ If no, please explain.**

Derivative Investments

This section is not applicable as derivatives are not used in the portfolios BlackRock managers for SamCERA.

- 1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.**
- 2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.**
- 3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.**
- 4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Yes ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?**
- 5. Are the investment purposes for a derivative investment consistent with the four purposes stated in SamCERA's policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.**
- 6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.**

*****BLACKROCK – RUSSELL 1000 INDEX*****

Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: ___Yes_ If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No___ If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: _No__ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (Section 19.4 j)

Please note that BlackRock manages a Russell 1000 Index Fund for SamCERA. The breakdown by security type is provided below.

Equity and convertible: 96%
Unit investment trust: 4%

2. What is the firm's market value allocation to large, mid and small stocks? (Section 19.4 j) Please specify percentages.

*****BLACKROCK – RUSSELL 1000 INDEX*****

The Russell 1000 Index Fund is comprised of US large cap stocks.

3. **Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.**

None

4. **What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why.**

Apple - 3.43%. Please note that the Russell 1000 Index Fund is passively managed and seeks to replicate the return of the Russell 1000 Index. Apple is the largest holding in the Russell 1000 Index.

5. **Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Please specify all industries above 15%.**

Information technology – 18.33%/ Please note that the Russell 1000 Index Fund is passively managed and seeks to replicate the return of the Russell 1000 Index. Information technology is the largest sector weight in the Russell 1000 Index.

Signed by: Vickie Chan
Dated: 1/31/2013
Name of Firm BlackRock

*****CHARTWELL – U.S. SMALL CAP GROWTH*****

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Yes If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: No If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes If no, please explain.

*****CHARTWELL – U.S. SMALL CAP GROWTH*****

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.

Not applicable.

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.

Not applicable.

3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.

Not applicable.

4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?

Not applicable.

5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.

Not applicable.

6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

Not applicable.

*****CHARTWELL – U.S. SMALL CAP GROWTH*****

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.

Not applicable.

9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.

Not applicable.

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Not applicable.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Not applicable.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Not applicable.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

The portfolio's custodian, State Street Bank invests the cash in their money market fund as instructed by San Mateo County.

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (Section 19.4 j)

Common stock=96.99%; preferred stock=0; convertible securities=0; cash & equivalents=3.01%

*****CHARTWELL – U.S. SMALL CAP GROWTH*****

2. What is the firm's market value allocation to large, mid and small stocks? (Section 19.4 j) Please specify percentages.

Exposure of the Chartwell managed portfolio is 97% small cap growth.

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.

The percentage of the portfolio invested in ADR's is 2.5%. There are no 144A securities in the portfolio.

4. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why.

The largest percentage of the portfolio represented by a single security is 2.62%.

5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Please specify all industries above 15%.

The largest percentage of the portfolio represented by a single industry is 7.01%.

Signed by:



LuAnn Molino, Principal, Compliance & Client Administration

Dated: 1/30/2013

Name of Firm: Chartwell Investment Partners

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be faxed to *SamCERA's* office and investment consultant no later than 10 days after the end of each reporting period. (15.3(i))

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (15.4(a))
Yes/No: ___ If no, please explain.

D. E. Shaw Investment Management, L.L.C. ("DESIM") has acted as a fiduciary and invested for the sole benefit of San Mateo County Employees' Retirement Association ("SamCERA") with respect to the separate account owned by SamCERA and managed by DESIM (the "SamCERA Account").

2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (6.3)
Yes/No: ___ If no, please explain.

The benchmark employed by the SamCERA Account is acceptable to DESIM.

3. Has the firm's insurance coverage been sustained? (15.4(c)) Yes/No: Yes If no, please explain.

4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (6.0) Yes/No: ___ If yes, please explain.

None of investment objectives relating to the SamCERA Account is unreasonable to DESIM. DESIM does not have a view on the investment objectives identified by SamCERA that extend beyond the scope of DESIM's mandate.

5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (15.4(j)) Yes/No: ___ If yes, please explain.

The structured equity ("Structured Equity") investment process managed by DESIM generally remains as previously outlined to you. Since DESIM last completed this Compliance Certification, DESIM has made adjustments to its mix of alpha models and to its optimization process. DESIM believes these changes are consistent with the historical evolution of quantitative investment strategies managed by the D. E. Shaw group over the past 24 years. There were no significant changes in DESIM's organization and no changes in DESIM's direct ownership since DESIM last completed this Compliance Certification.

6. Have there been any changes in the firm's investment approach? (15.4(e)) Yes/No: ___ If yes, please explain.

There have been no material changes to DESIM's investment process since DESIM last completed this Compliance Certification. However, it's important to note that the D. E. Shaw group's centralized equity research effort has, over time, produced certain incremental changes to the strategies' implementation. As an example of this evolutionary process, once a quantitative model is added to production trading, it is continually re-evaluated in view of changing market conditions and that model's relationship to other models, whether existing or newly introduced. This evaluation may result in the changing of one or more of that model's parameters over time or, less often, in the removal altogether of the model from the strategy. The D. E. Shaw group expends significant resources in an effort to modify or enhance existing models and to develop models to exploit newly discovered inefficiencies. DESIM believes that this dynamic process of integration, adaptation, and pruning increases portfolio utility over time.

No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (9.1) Yes/No: ___ If yes, please explain.

DESIM currently does not manage another portfolio against the same benchmark and targeting the same level of annualized tracking error as the SamCERA Account. However, the SamCERA Account is generally managed by DESIM using the same quantitative techniques and investment style deployed on behalf of all long-only benchmark-relative portfolios managed by the firm.

8. Have there been industry or regulatory disciplinary actions taken against the firm? (15.3(j)) Yes/No: No If yes, please explain.

There have been no disciplinary actions taken against DESIM by any industry organization or regulator since DESIM's formation in 2005.

9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (18.0) Yes/No: ___ If no, please explain.

Consistent with the terms of the investment management agreement between SamCERA and DESIM (the "IMA"), DESIM votes proxies according to DESIM's policies. DESIM does not vote proxies where it does not have the authority to do so or where the cost of doing so, in the opinion of DESIM, would exceed the expected benefits to the client. When required, DESIM has determined that the most efficient way to vote certain proxies is through and in accordance with the recommendations of an independent third-party proxy voting service (the "Voting Service Recommendations"). Designated employees of DESIM or its related persons review selected

material proxy matters and determine whether the Voting Service Recommendations are in the best interest of such clients with respect to the economic value of the assets under management. When the designated employee determines that the Voting Service Recommendation is contrary to the best interest of such clients, the designated employee recommends an alternative vote and obtains the approval of the chief compliance officer and the chief investment officer of DESIM or their designees before instructing the proxy voting service to vote the applicable proxy.

Derivative Investments

DESIM has not responded to the questions in this section because they are not applicable to the SamCERA Account.

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions? (bank(Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?
5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. (Appendix C(10 b))
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified and made in liquid securities? (5.0) Yes/No: ___ If no, please explain.

DESIM believes that the SamCERA Account is appropriately diversified in light of the investment guidelines set forth in the IMA. As of December 31, 2012, the SamCERA Account held 565 positions. The concentration by percentage of that portfolio's value as of the same date is provided in the table below.

10 Largest Positions	24.29%
25 Largest Positions	41.78%
50 Largest Positions	59.04%
100 Largest Positions	79.19%

The following two tables break out, respectively, the portfolio's ten largest overweight and underweight positions by each position's active exposure relative to the benchmark as of December 31, 2012.

Holding	Portfolio Weight	Benchmark Weight	Active Exposure
Apple Inc	4.95%	3.43%	1.52%
Visa Inc	2.04%	0.54%	1.49%
Pfizer Inc	2.78%	1.29%	1.49%
Philip Morris International Inc	2.41%	0.98%	1.42%
American International Group Inc	1.57%	0.16%	1.41%
Occidental Petroleum Corp	1.50%	0.43%	1.07%
Verisk Analytics Inc	1.11%	0.05%	1.06%
Marathon Petroleum Corp	1.20%	0.15%	1.05%
Anadarko Petroleum Corp	1.28%	0.26%	1.03%
Wells Fargo & Co	2.08%	1.15%	0.93%

Holding	Portfolio Weight	Benchmark Weight	Active Exposure
Berkshire Hathaway Inc	0.03%	1.10%	-1.07%
Verizon Communications Inc	0.00%	0.85%	-0.85%
Bank of America Corp	0.02%	0.86%	-0.84%
Citigroup Inc	0.06%	0.80%	-0.74%
PepsiCo Inc	0.01%	0.74%	-0.73%
Intel Corp	0.01%	0.71%	-0.70%
McDonalds Corp	0.00%	0.62%	-0.62%
Walt Disney Co	0.00%	0.61%	-0.61%
Comcast Corp	0.13%	0.69%	-0.56%
United Tech Corp	0.00%	0.51%	-0.51%

As indicated in our response to the section "Domestic Equity Portfolios (Large, Mid & Small)" below, the vast majority of the assets held by the SamCERA Account are invested in stocks and exchange-traded funds listed on U.S. exchanges, and the small remainder is held in cash and cash equivalents. Although DESIM currently does not generally expect to hold or transact in what DESIM considers especially illiquid securities under normal market conditions, individual U.S. equity positions may become highly or completely illiquid in market crises.

The portfolio statistics presented in this document are not necessarily indicative of any portfolio's statistics on any future date.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain.

With respect to the SamCERA Account, DESIM has not engaged in short selling, employed leverage or purchased securities on margin, or invested in any instruments other than stocks and exchange-traded funds listed on U.S. exchanges and cash and cash equivalents.

Compliance Certification Statement

San Mateo County

Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be faxed to *SamCERA's* office and investment consultant no later than 10 days after the end of each reporting period. (15.3(i))

General Compliance Issues

1. **Has the firm acted as a fiduciary and invested *SamCERA* assets for the sole benefit of *SamCERA*? (15.4(a)) Yes/No: Yes If no, please explain.**
2. **Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (6.3) Yes/No: Yes If no, please explain.**
3. **Has the firm's insurance coverage been sustained? (15.4(c)) Yes/No: Yes If no, please explain.**

Fidelity Bond: T. Rowe Price Group, Inc. and its subsidiaries (including T. Rowe Price Associates, Inc. and T. Rowe Price International Ltd), as well as the T. Rowe Price Funds (collectively "T. Rowe Price"), currently carries a **\$125,000,000** Fidelity Bond through ICI Mutual Insurance Company to protect against certain employee and third-party dishonest or fraudulent acts. The \$125,000,000 coverage limit is applied "per occurrence". This is an "event occurrence" policy that provides coverage based on the policy in effect when the event occurs. There is a \$250,000 deductible for most claims. There is no deductible for employee fraud in the Price Funds. The policy period is August 31, 2012 – August 31, 2013.

E&O/D&O Insurance: T. Rowe Price Group, Inc. and its subsidiaries (including T. Rowe Price Associates, Inc. and T. Rowe Price International Ltd), as well as the T. Rowe Price Funds (collectively "T. Rowe Price"), also maintains an Errors & Omissions/Directors & Officers insurance coverage in the aggregate amount of **\$150,000,000** through ICI Mutual Insurance Company and various commercial carriers. These policies are designed to cover losses due to certain errors and omissions, misstatements and other actions of the insureds. Also, these are "claims made" policies that provide coverage based on the policies in effect when the claim is made, regardless of when the event occurred. All claims submitted by corporate insureds are subject to a \$1,000,000 deductible. The policies cover the period August 31, 2012 – August 31, 2013.

ERISA Bond

In accordance with Section 412 of ERISA, T. Rowe Price Associates, Inc., its subsidiaries and affiliates, also maintains **Fiduciary Fidelity Bond** coverage through Federal Insurance Company (Chubb) and various commercial carriers in the amount of 10% of plan/trust assets under management up to a maximum of \$500,000 for each retirement plan or trust listed as a named insured or \$1,000,000 for each retirement plan that holds employer securities. The policy period is August 31, 2012 – August 31, 2013.

Please find attached copies of the Certificates of Insurance for Fidelity Bond, E&O/D&O Insurance, and ERISA Bond which were previously provided to *SamCERA* in accordance with Sections 6.1.3

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and 6.1.4 of the Investment Management Agreement dated May 31, 2012 between *SamCERA* and T. Rowe Price Associates, Inc. (the “**Agreement**”).

In addition, pursuant to Sections 6.1.1 and 6.1.2 of the Agreement, please find attached a copy of the Certificate of Liability Insurance dated May 30, 2012 which was previously provided to *SamCERA*.

4. Does the firm consider any of *SamCERA*'s investment objectives unreasonable? (6.0) Yes/No: No If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (15.4(j)) Yes/No: Yes If yes, please explain.

Robert Higginbotham, Head of T. Rowe Price Global Investment Services

Effective October 1, 2012, Robert Higginbotham succeeded Todd Ruppert as head of Global Investment Services (GIS). GIS is the firm's global institutional business development and relationship management activities.

Mr. Higginbotham brings more than 22 years of financial services industry experience to his new role including a wealth of experience serving both institutional and intermediary clients globally. Most recently, Mr. Higginbotham was with Fidelity International, where he served as CEO for their Europe, Middle East & Africa (EMEA) and Latin America regions with broad oversight responsibility for their asset management, including client relations activities, as well as their global operations and technology platforms.

Prior to joining Fidelity, Mr. Higginbotham also served in leadership roles at Schroder Investment Management as both their global head of product and their global marketing director. He is also a board member of the Investment Management Association (IMA) and Vice-chairman of the Forum of European Asset Managers (FEAM). We are confident that Robert is the right person to both lead this team and help our institutional clients reach their investment goals.

As announced April 18, 2012, Todd Ruppert retired June 2012 as head of Global Investment Services.

Scott David, Head of T. Rowe Price U.S. Investment Services

On December 31, 2012, Scott David became the director of U.S. Investment Services, with oversight of the firm's distribution units: Retirement Plan Services, Third Party Distribution, and Retail Direct.

Mr. David has more than 20 years of broad financial services experience. Before joining the firm, Scott was president of Fidelity Institutional Retirement Services, where he was responsible for the unit's strategic direction, financial performance, client satisfaction, quality improvement, and employee engagement across multiple sites in the U.S. and India. Prior to that, Scott was president of the U.S. Retirement Services business at Scudder Investments/Deutsche Bank. He began his career in 1988 as an employee benefit representative with Aetna Life Insurance Company.

Scott is a former Board member of the Employee Benefit Research Institute and a former member of the Business Advisory Council for Farmer School of Business at Miami University.

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He is an active participant of the Investment Company Institute (ICI), member of the Society of Pension Actuaries and Recordkeepers (SPARK), and member of the Profit Sharing Council of America (PSCA).

Cynthia Egan, Head of T. Rowe Price Retirement Plan Services – Retirement

As announced earlier in the year, Cynthia Egan retired on December 31, 2012. She led a successful 30-year career in financial services and the defined contribution industry, and led the firm's Retirement Plan Services (RPS) division for the last five years.

As the head of RPS, Ms. Egan has made valuable contributions to our clients, the firm, and the industry. She has remained a vocal advocate for strengthening the defined contribution plan as a pillar of the U.S. retirement system, and for emphasizing retirement income as a key measure of participant success. Ms. Egan left behind a very strong and experienced RPS organization, well suited to helping our clients meet the opportunities and challenges ahead.

Until her retirement, Ms. Egan worked closely with key senior RPS executives, RPS management team and Mr. David to ensure a smooth transition of responsibilities.

Small-Cap Growth Investing Portfolio Manager Retirement

After a 43-year career in the financial services industry, over 35 of which were with T. Rowe Price, John H. (Jack) Laporte retired on December 31, 2012. As part of our transition plan, in March 2010, Mr. Laporte transitioned his portfolio management responsibilities of Small-Cap Growth portfolios to Henry Ellenbogen, and remained at the firm in a variety of areas until his retirement. Mr. Laporte served on T. Rowe Price's U.S. Equity Steering Committee, Asset Allocation Committee, and Equity Brokerage and Trading Control Committee and was a director of a number of T. Rowe Price's mutual funds. From 1987 to 2010, he served as the lead portfolio manager for the firm's small-cap growth portfolios and as chairman of the Investment Advisory Committee of the New Horizons Fund.

Second Director of Credit Research, Justin Gerbereux

Justin Gerbereux joined Mike McGonigle as the second Director of Credit Research. Justin's experience and perspective, combined with his leadership skills, will be an asset in the firm's effort to advance research efforts.

Mr. Gerbereux has 13 years of investment experience, nine of which have been at T. Rowe Price. He joined the firm in 2003 and worked as a credit research analyst and portfolio manager in the Fixed Income Division's High Yield Group before becoming a director of Fixed Income Credit Research in 2013. Prior to joining the firm, Mr. Gerbereux worked as an equity research intern with Mellon Growth Advisors, LLC, in Boston and was a senior investment associate and investment performance analyst at Cambridge Associates LLC in Arlington, Virginia.

Mr. Gerbereux earned a B.S. in business administration from the University of Mary Washington and an M.B.A. in business administration from the University of Virginia, Darden Graduate School of Business Administration. He also has earned the Chartered Financial Analyst designation.

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6. Have there been any changes in the firm's investment approach? (15.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (9.1) Yes/No: No If yes, please explain.
8. Have there been industry or regulatory disciplinary actions taken against the firm? (15.3(j)) Yes/No: Yes If yes, please explain.

From time to time in the normal course of business, T. Rowe Price Associates, Inc., its subsidiaries, affiliates, officers, and employees (collectively the "Company") are named as parties to minor litigation matters involving the accounts of Price mutual fund shareholders, retirement plan participants, or of retail customers in the Company's brokerage unit. Often, the Company is named as a stakeholder and, therefore, these minor litigation matters are not disclosed herein. Further, the Company is not involved in any notable litigation matter or regulatory proceeding relating to any business practice or relating to services rendered to the firm's clients, with the following exception:

Pending Case:

Tribune Company Bankruptcy Proceeding

Several of the T. Rowe Price Funds, sub advised clients, and institutional clients are included in a class of defendants in connection with a fraudulent transfer lawsuit that the Unsecured Creditors Committee (the "Committee") of the Tribune Company filed in Delaware bankruptcy court. In addition, various T. Rowe Price entities and certain of the T. Rowe Price Funds, institutional clients, and sub advised clients have been sued in a number of federal and state courts in various states in connection with receipt of proceeds from a leveraged buyout ("LBO") through which Tribune converted to a privately owned company in 2007. These lawsuits allege constructive fraudulent transfer claims in an attempt to recover payments made to shareholders at the time of the LBO. The lawsuits do not allege that any of the T. Rowe Price defendants engaged in wrongful conduct. The lawsuits have been consolidated by the Multidistrict Litigation Panel for purposes of all pretrial proceedings.

On December 19, 2011, Sam Zell, through various entities, filed two lawsuits in Cook County, Illinois naming the other shareholder defendants as a means of preserving any rights of recovery the Zell entities may have against former shareholders related to the LBO in the event that the LBO is found to have been a fraudulent conveyance.

Eastman Kodak ERISA Litigation

The T. Rowe Price Trust Company has been named as a defendant, but not yet served, in a class action lawsuit filed on September 14, 2012 in federal court (Western District of New York) alleging fiduciary violations in connection with the holding of Eastman Kodak stock in the Eastman Kodak Employee Stock Ownership Plan (ESOP). The T. Rowe Price Trust Company serves as directed trustee of the ESOP. The ESOP's named fiduciary has also been named as a defendant in the lawsuit. The T. Rowe Price Trust Company denies that it violated its duties with regard to the ESOP, and if served, intends to vigorously defend the lawsuit.

Closed Cases:

John Bilski v. T. Rowe Price International Funds, Inc., et al.

On November 19, 2003, a purported class action (Bilski v. T. Rowe Price International Funds, Inc.) was filed in the United States District Court, Southern District of Illinois, against T. Rowe Price International, Inc. and the T. Rowe Price International Funds, Inc. Two entirely unrelated fund groups were also named as defendants. This litigation was transferred to the Federal Court in Baltimore to the Judicial Panel on Multidistrict Litigation ("MDL"). On October 6, 2004, the Plaintiff filed a voluntary notice of dismissal.

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John Biliski v. T. Rowe Price International, Inc. and T. Rowe Price Associates, Inc. (Biliski II)

On April 7, 2004, a purported Class Action Complaint was filed in the Circuit Court of the State of Illinois (St. Clair County) by John Biliski [sic], a shareholder of several of the Price Funds. T. Rowe Price International, Inc. and T. Rowe Price Associates, Inc. were named as defendants. The Complaint alleged that excessive advisory fees were paid to the T. Rowe Price entities to manage the Price Funds. We filed a Notice of Removal to Federal Court (Southern District of Illinois). On May 14, 2004, the Plaintiff filed a Notice of Dismissal without Prejudice, effectively ending this litigation.

T.K. Parthasarathy, et al. (incl. Woodbury) v. T. Rowe Price International Funds, Inc., et al.

On September 16, 2003, a purported class action (Woodbury v. T. Rowe Price International Funds, Inc.) was filed in the Circuit Court, Third Judicial Circuit, Madison County, Illinois, against T. Rowe Price International, Inc. and the T. Rowe Price International Funds, Inc. Two unrelated fund groups were also named as defendants. The basic allegations in the complaint were that the T. Rowe Price defendants did not make appropriate value adjustments to the foreign securities of the T. Rowe Price International Stock Fund prior to calculating the fund's daily share prices, thereby allegedly enabling market timing traders to trade the fund at the expense of long-term shareholders.

The case against the T. Rowe Price defendants was dismissed with prejudice on February 15, 2008.

9. **Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (18.0) Yes/No: Yes If no, please explain.**

Derivative Investments – N/A

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?
5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

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7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. (Appendix C(10 b))
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain.

Investment Manager Guidelines

1. **Are portfolio holdings well-diversified and made in liquid securities? (5.0) Yes/No: Yes If no, please explain.**
2. **Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.**

Cash & Equivalents

1. **Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (11.0) Yes/No: ___ If no, please explain.**

Domestic Equity Portfolios (Large, Mid & Small)

1. **Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (15.4 j)**
As of 12/31/2012:
Equities – 98.67%
Reserves –1.33%
2. **What is the firm's market value allocation to large, mid and small stocks? (15.4 j) Please specify percentages.**

Total US Equity Assets:

Market Capitalization Breakdown:

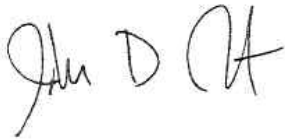
US Large-Cap	73.6%
US Mid-Cap	16.1%
US Small-Cap	10.3%

(using total equities for the firm)

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3. **Specify the percentage of the portfolio that is invested in American Depository Receipts (ADRs). (15.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.**
None
4. **What is the largest percentage of the portfolio represented by a single security? (15.4 j) If any securities were above 5% at the time of purchase, please list and explain why.**
Apple is the largest security with 4.3% of the portfolio as of 12/31/2012.
5. **Based on GICS codes, what is the largest percentage of the portfolio represented by a single industry? (10.3 a). Please specify all industries above 15%.**
There are currently no industries at or above 15%. Oil, Gas, and Consumable Fuels is the largest industry representing 9.4% of the portfolio as of 12/31/2012.

Signed by:



John D. Plowright, CFA

Dated: 1/31/2013

Name of Firm : **T Rowe Price**

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: ___ If no, please explain. **YES**
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: ___ If no, please explain. **YES, the Russell 2000 Value remains the appropriate benchmark for the strategy of this portfolio.**
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: ___ If no, please explain. **YES Please see the attached insurance matrix.**
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: ___ If yes, please explain. **NO**
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: ___ If yes, please explain. **NO there have not been any significant changes.**
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: ___ If yes, please explain. **NO**
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: ___ If yes, please explain. **NO**
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: ___ If yes, please explain. **NO**
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: ___ If no, please explain. **YES**

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio.**

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio**
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: ___ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio**
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: ___ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month? **NA there were no derivatives in this portfolio**
5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: ___ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain. **NA there were no derivatives in this portfolio**
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain. **NA there were no derivatives in this portfolio**
7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) **NA there were no derivatives in this portfolio**
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio**
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ If no, please explain. **NA there were no derivatives in this portfolio**

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) NA there were no derivatives in this portfolio
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives. NA there were no derivatives in this portfolio
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ If yes, please explain. NA there were no derivatives in this portfolio

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: ___ If no, please explain. YES
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: ___ If yes, please explain. NO

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: ___ NO
If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain. NA

Domestic Equity Portfolios (Large, Mid & Small)

1. Please state the percentage of the portfolio held in each of the following types of securities: common stock; preferred stock; convertible securities; and, cash & equivalents. (Section 19.4 j) At Dec 31, 2012: Equity (common stock) 98.9% and Cash 1.1%
2. What is the firm's market value allocation to large, mid and small stocks? (Section 19.4 j) Please specify percentages. The portfolio is invested in a Small Cap strategy. At Dec 31, 2012 the holdings were as follows:

Mkt Cap \$1.5 B to \$5.0 B	70.18%
Mkt Cap < \$ 1.5 B	28.75%
Cash	1.07%

3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (Section 19.4 j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why. NONE

4. What is the largest percentage of the portfolio represented by a single security? (Section 19.4 j) If any securities were above 5% at the time of purchase, please list and explain why. **The largest holding at Dec 31, 2012 is 1.46% of the portfolio. No securities were above 5% at the time of purchase.**

5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (Section 10.3 a). Please specify all industries above 15%.
We do not use NAICS codes. We use GICS for sector and industry. The largest GICS industry at Dec 31, 2012 was 12.62% in Commercial Banks.

Signed by: Sandra B Ross, Compliance Analyst
Dated: January 22, 2013
Name of Firm The Boston Company Asset Management, LLC

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Yes. If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Yes. If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes. If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: No. If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No. If yes, please explain.

There have been no changes to firm ownership in the 6 months to December 31st 2012. However on May 1st 2013 there will be three promotions to the Baillie Gifford Partnership. Following these promotions, and the retirement of Angus McLeod (Director in the Clients Department responsible for clients in Asia and the Middle East), the total number of Partners will increase to 39 as of May 1st, 2013. The firm is wholly owned and managed by its Partners, all of whom work full time in the business.

The three new Partners will be Kathrin Hamilton, Spencer Adair and Graham Laybourn. Kathrin is a Director in our Clients Department responsible for North American clients, Spencer is an Investment Manager for one of our Global equity strategies, and Graham Laybourn is our Director of Legal & Regulatory Risk.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No. If yes, please explain.

9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes. If no, please explain.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: N/A If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: N/A. If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: N/A If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: N/A If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?
5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: N/A If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: N/A. If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

The *SamCERA* international equity portfolio managed by Baillie Gifford does not contain any derivative instruments.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: No. If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: N/A If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: N/A If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

N/A. The *SamCERA* international equity portfolio managed by Baillie Gifford does not contain any derivative instruments

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

N/A. The *SamCERA* international equity portfolio managed by Baillie Gifford does not contain any derivative instruments

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: N/A If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes. If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No. If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: No. If yes, do the investments comply with the policies? (Section 11.0) Yes/No: If no, please explain.

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (Section 19.4 j)

Foreign ordinary shares	90.0%
Domestic ordinary shares	1.3%
ADR's	2.9%
GDR's	3.3%
Cash & equivalents	2.5%

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

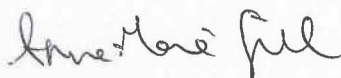
Large capitalization	51.7%
Mid capitalization	42.5%
Small capitalization	3.3%
Cash & equivalents	2.5%

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Yes. If no, please explain.
4. Does the portfolio currently employ a currency hedging strategy? Yes/No: No. Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: Yes. If no, please explain.

Signed by: Anne-Marie Gillon

Dated: January 20th 2013

Name of Firm Baillie Gifford



Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Y If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Y If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Y If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: N If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: N If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: N If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: N If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: N If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Y If no, please explain.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Y If no, please explain.

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: _N_ If yes: Do the counter-parties have investment grade debt? Yes/No: ___ Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: ___ If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: _Y_ If yes: Do the counter-parties have investment grade debt? Yes/No: _Y_ Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: _Y_ If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: _N_ If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?

Derivatives exposure is only by way of Forward FX positions, which are currently traded exclusively with your custodian.

5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: _Y_ If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: ___ If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: _N/A_ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.
7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: _N_ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: _N/A_ If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: _Y_ If no, please explain.

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

N/A

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Mondrian only uses defensive forward currency contracts in an unleveraged and fully covered manner for the Fund. There should be no issues with liquidity with these instruments.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: N If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Y If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: N If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: N If yes, do the investments comply with the policies? (Section 11.0) Yes/No: If no, please explain.

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (Section 19.4 j)

100%

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

All Large Cap

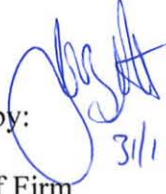
3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Y If no, please explain.

4. Does the portfolio currently employ a currency hedging strategy? Yes/No: Y Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: Y If no, please explain.

Signed by:

Dated:

Name of Firm


3/1/13

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. **Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a))** Yes
2. **Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3)** Yes
3. **Has the firm's insurance coverage been sustained? (Section 19.4(c))** Yes
4. **Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0)** No
5. **Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j))** No

No, however, with respect to personnel, the following organizational changes took place within Pyramis during the last quarter:

- Effective December 31, 2012, after more than 30 years in the financial services industry including the past five at Pyramis, Kevin Uebelein has decided to retire from his role as executive vice president, global head of Solutions Delivery. With Kevin's retirement, Chuck McKenzie has moved from the Global Asset Allocation division to Pyramis, where he will lead all Asset Management's institutional solutions efforts as global head of Institutional Solutions.
- Chuck McKenzie, moved from Fidelity Global Asset Allocation to Pyramis to lead the Global Institutional Solutions team following the retirement of Kevin Uebelein from his role as EVP, global head of Solutions Delivery. Chuck will report to Mike Jones and will continue to work closely with Derek Young, president of GAA, to create the best solutions for clients.
- Vito Arno, senior vice president, Fidelity Risk, became head of Pyramis Risk Management, replacing Patrick Sheppard, who took on a new role within Fidelity.
- Maureen Fitzgerald joined Pyramis as head of North American Institutional Distribution in November 2012. In this role, Maureen will be responsible for U.S. and Canadian sales and global consultant relations. Maureen joined Pyramis from State

Street Global Advisors (SSgA), where she served as head of the Institutional Client Group for North America directing the service and expansion of client, prospect and consultant relationships. As head of North American Distribution for Pyramis, Maureen ensures that our sales and consultant strategy leverages all of Fidelity's vast investment capabilities to position us for further growth in corporate, endowment and foundation, public and Taft-Hartley plan markets.

- Colin Fitzgerald joined Pyramis as head of International Institutional Distribution in October 2012. Colin joins us from Robeco Group, where he served as Global Head of Key Accounts and Consultants. As Pyramis' head of International Institutional Distribution, Colin is based in London and focuses on expanding our distribution capabilities in Europe and Asia.
- Michael Barnett assumed the role of head of Canadian Institutional Sales and Service. He is responsible for building Pyramis' presence and share in the Canadian institutional market. Michael has more than 25 years experience in financial services, most of it in Canada. From 1999 to 2010, when he assumed his most recent role as head of Institutional Sales for Pyramis, Michael held a number of senior leadership roles with Fidelity Investments Canada, supporting the retail and institutional markets.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) No

7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.

SamCERA is a participant in the Pyramis Select International Small Cap Plus Commingled Pool, which is governed by the Declaration of Separate Fund. As such, SamCERA does not have any client-specific guidelines as they are subject to the guidelines of the Pool.

8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No If yes, please explain.

From time to time, in the normal course of its business, PGATC may receive inquiries (including subpoenas and voluntary requests for information) from regulatory authorities or law enforcement, a regulator may conduct an onsite examination, or a regulator may commence an investigation. The Firm does not make public comment about such inquiries, examinations or investigations unless and until enforcement proceedings are initiated. To the extent the Firm's securities affiliates have been sanctioned, fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine or citation has been disclosed in its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

We also note that the FDIC issued a civil money penalty of \$1,564.08 against the Firm in connection with an allegation that the Firm failed to ensure that authorized withdrawal limits on the Firm's designated account as of June 30, 2009 were appropriately set to take into

account the Firm's increased deposit insurance assessment for the quarter ending March 31, 2009.

9. **Have proxy ballots been voted in accordance with the best economic interest of SamCERA and in a manner consistent with the Board's proxy policies?** (Section 22.0) Yes/No: Yes. All proxies have been answered in a manner consistent with the Pyramis proxy voting guidelines.

Derivative Investments

The portfolio did not hold any derivatives for the six month period ending 12/31/2012; this section is not applicable.

1. **If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?** (Appendix C(5)) Yes/No: If no, please explain. N/A
2. **For non-exchange traded derivative transactions, were the counter-parties broker/dealers?** (Appendix C(5)) Yes/No: N/A If yes: **Do the counter-parties have investment grade debt?** Yes/No: N/A **Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?** Yes/No: N/A If no, please explain.
3. **For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?** (Appendix C(5)) Yes/No: N/A If yes: **Do the counter-parties have investment grade debt?** Yes/No: N/A **Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?** Yes/No: N/A If no, please explain.
4. **Is individual counter-party exposure well diversified?** (Appendix C(5)) Yes/No: N/A If no, please explain. **What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?** N/A
5. **Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies?** (Appendix C(6)) Yes/No: N/A If no, please explain. **Has the firm developed any new purposes for derivative investments?** Yes/No: N/A If yes, please explain.
6. **List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment.** (Appendix C(7)) **State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.** Yes/No: N/A If no, please explain. **State if these derivative investments in**

total represent more than 5% of the portfolio's market value. If more than 5%, please explain. N/A

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: N/A If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7)) N/A
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: N/A If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: N/A If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) N/A
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives. N/A
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: N/A If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No N/A If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: No If yes, do the investments comply with the policies? (Section 11.0) Yes/No: N/A If no, please explain.

The portfolio did not hold any short term instruments for the six month period ending 12/31/2012

International Equity Portfolios - Developed

1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (Section 19.4 j)

The Select International Small Cap Plus portfolio's asset allocation as of December 31, 2012 is provided in the table below.

	Weight (%)
Equity	98.97
ADRs	0.00
Cash	1.03

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

The Select International Small Cap Plus portfolio's market capitalization allocation as of December 31, 2012 is provided in the table below. Please note the data provided excludes cash.

	Weight (%)
5b to 10b	4.82
2b to 5b	39.39
1b to 2b	33.35
0.5b to 1b	16.28
0.2b to 0.5b	4.67
Below 0.2b	0.06
N/A	0.39

3. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: If no, please explain.
4. Does the portfolio currently employ a currency hedging strategy? Yes/No: No Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: If no, please explain. Not applicable; the portfolio did not hold any derivatives during the six month period ending 12/31/2012.

Signed by: 
Mark Botelho, Sr. Account Executive

Dated: 1/31/13

Name of Firm: Pyramis Global Advisors Trust Company

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Wednesday, February 6th.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: No If no, please explain.

Eaton Vance Trust Company ("EVTC") confirms that it is a bank, as defined in the Investment Advisers Act of 1940, and acknowledges that it is an "Investment Manager" and fiduciary with respect to the assets in the Account, which EVTC has been given authority to manage.

2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: No If no, please explain.

An appropriate benchmark for the Emerging Markets portfolio is the MSCI Emerging Markets (net of dividend withholding taxes) Total Return Index.

3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: No If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: Yes If yes, please explain.

Please see attached **Exhibit A**.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: No If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: N/A If yes, please explain.

This information is not provided without a non-disclosure agreement.

9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Yes
If no, please explain.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Yes If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Yes If no, please explain. What is the largest exposure to a single counter-party within the portfolio?

The largest exposure to a single counter-party in the portfolio is 0.91% of the total assets.

Have there been any changes to the investment manager's list of approved counter-parties over the past month? No

5. Are the investment purposes for a derivative investment consistent with the four purposes stated in *SamCERA's* policies? (Appendix C(6)) Yes/No: Yes If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: No If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: N/A (none) If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: No If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: N/A If no, please explain.
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: Yes If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b)) N/A
11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The portfolio's use of derivatives is limited to equity-substitution securities (also known as participation notes, or "p-notes") for the purpose of gaining underlying equity exposures only where the portfolio is unable to invest directly in the local market. The liquidity of these instruments is directly correlated to the liquidity of the underlying security, as the derivative's pricing and return characteristics are driven by the transactions on the underlying stock.

As the equity-substitution securities (p-notes) are used as a replacement for the purchasing of local shares, and not to hedge or gain leveraged positions in the accounts, no additional material legal or regulatory risks are incurred beyond the normal course of portfolio management for this asset class.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: No If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Yes* If yes, do the investments comply with the policies? (Section 11.0) Yes/No: If no, please explain.

*The firm invests directly in short term fixed income investments, however the Fund does not.

International Equity Portfolios - Emerging

1. Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (Section 19.4 j)

As of 12/31/12 the Fund was comprised of the following:

CASH & CASH EQUIVALENTS	0.61%
FIXED INCOME SECURITIES	0.24%
PREFERRED SECURITIES	3.70%
EQUITY	88.91%
ADR	6.54%

2. Specify the large, mid and small capitalization exposure of the portfolios. (Section 19.4 j)

Market capitalization of the Fund as of 12/31/12 was as follows:

Market Cap	Weight
> 50000.0	10.72
15000.0 - 50000.0	22.91
10000.0 - 15000.0	12.99
7500.0 - 10000.0	7.84
7000.0 - 7500.0	2.72
5000.0 - 7000.0	7.68
2000.0 - 5000.0	18.53
1500.0 - 2000.0	3.70
1000.0 - 1500.0	4.98
750.0 - 1000.0	2.29
500.0 - 750.0	2.07
400.0 - 500.0	0.96
0.0 - 400.0	2.62

3. Specify the allocation to frontier markets and to non-benchmark holdings in the portfolio (list both by country).

As of 12/31/12, the Fund's allocation to frontier markets was approximately 15%. Approximately 37% of portfolio holdings were not held by the benchmark. Full details are included in the attached **Exhibits B and C**.

4. Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (Section 19.4 j) Yes/No: Yes If no, please explain.

Does the portfolio currently employ a currency hedging strategy? Yes/No: No.

5. Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C) Yes/No: If no, please explain.

Not applicable.

Signed by:



Dated: 2/13/13

Name of Firm : Eaton Vance



February 5, 2013

Ms. Lilibeth Dames
Investment Analyst
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

Re: Eaton Vance Trust Company Collective Investment Trust for Employee Benefits Plans - Eaton Vance Trust Company/Parametric Structure Emerging Markets Equity Fund

Dear Ms. Dames,

This letter confirms that as of December 31, 2012, the Eaton Vance Trust Company Collective Investment Trust for Employee Benefits Plans - Eaton Vance Trust Company/Parametric Structured Emerging Markets Equity Fund ("Fund") is in compliance with the Investment Objective, Policies and Restrictions set forth in the Fund's offering memorandum. Should you have any questions, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Grant Howes".

W. Grant Howes
Assistant Vice President, Compliance

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: N/A If no, please explain.

SamCERA is a limited partner in AG GECC Public-Private Investment Fund, L.P. and AG Securitized Asset Recovery Fund, L.P. The assets in the limited partnership are invested for many limited partners. Angelo, Gordon is not GIPS compliant.

2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: N/A If no, please explain.

AG GECC Public Private Investment Fund and AG Securitized Asset Recovery Fund, L.P. are absolute return funds. They are not managed to a benchmark.

3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Yes If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: N/A If yes, please explain.

The limited partnerships each have their own investment objective.

5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: No If yes, please explain.

The investment period of AG GECC Public Private Investment Fund has ended and the fund is now in liquidation mode.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: No If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: N/A If yes, please explain.

SamCERA is invested in limited partnerships.

8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: No If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: N/A If no, please explain.

Proxy ballots are voted in accordance with Angelo Gordon's proxy voting policy.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Yes If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.

We may not be trading directly with the broker/dealer.

3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Yes If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Yes If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?
5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: Yes If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: If yes, please explain.

Yes, to the best of our understanding of the policy.

6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.

Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

To the best of our understanding of the policy, no limited allocation derivative positions are held in the portfolios.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: ___ No. ___ If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

To the best of our understanding of the policy, no limited allocation derivative positions are held in the portfolios.

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ N/A ___ If no, please explain.

To the best of our understanding of the policy, no limited allocation derivative positions are held in the portfolios.

9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: ___ Yes ___ If no, please explain.

Yes, to the best of our understanding of the policy.

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

To the best of our understanding of the policy, no limited allocation derivative positions are held in the portfolios.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The funds invest in interest rate swaps which are generally very liquid.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: ___ No ___ If yes, please explain.

There have been new regulations that impact the use of derivatives but we do not believe there has been a material change to legal and regulatory risk.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Yes If no, please explain.

We believe it is well diversified within the mandate of the fund.

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: Yes If yes, please explain.

AG GECC Public Private Investment Fund: US Treasury provided 1:1 long-term, non-recourse leverage. The funds invest in interest rate swaps.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Yes If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Yes If no, please explain.

To the best of our our understanding of the policy, the short term investments comply.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

53.71% Non-Agency RMBS Holdings / 33.16% CMBS Holdings

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: No If no, please explain.

AG GECC Public Private Investment Fund and AG Securitized Asset Recovery Fund, L.P are absolute return funds and are not managed to a benchmark.

3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: N/A If no, please explain.
4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Yes If no, please explain.

Yes, the best of our our understanding of the policy.

5. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

The mandate of the AG GECC Public Private Investment Fund is to invest in non-Agency residential mortgage-backed securities and commercial mortgage backed securities originated before January 1, 2009 and that were originally rated AAA. The strategy targets investments that are fundamentally undervalued at current market prices and offer compelling value relative to intrinsic value. Valuation is driven by stressed cash flows, structure and fundamentals of the underlying assets.

6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: No. (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify. N/A

7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

None.

Signed by:



D. Forest Wolfe
General Counsel

Dated: February 13, 2013

Firm: Angelo, Gordon & Co.

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

Investment Manager: Brigade Capital Management, LLC

Portfolio/Fund: Brigade Credit Fund II LP, a commingled private investment fund

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: Y* If no, please explain.
** The firm, as a fiduciary, acts in the best interests of its advisory clients and fund investors.*
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: Y* If no, please explain.
** There is no guarantee that the portfolio's investment objective will be achieved or that the portfolio will not suffer losses.*
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: Y If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: N* If yes, please explain.
** There is no guarantee that the portfolio's investment objective will be achieved or that the portfolio will not suffer losses.*
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: N If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: N If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: N If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: N If yes, please explain.

9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: Y* If no, please explain.

** The firm votes any proxies in accordance with its proxy voting policies and procedures.*

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: Y If no, please explain.
2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: Y If yes: Do the counter-parties have investment grade debt? Yes/No: Y Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Y If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: Y If yes: Do the counter-parties have investment grade debt? Yes/No: Y Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: Y If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: Y If no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?

As of December 31, 2012, the portfolio had 78% exposure to Goldman Sachs, which acts as the portfolio's primary custodian. During the past month, the firm did not enter into any new prime brokerage or ISDA relationship on behalf of the portfolio. However, please note that executing brokers are added and/or removed on an on-going basis.

5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: Y If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: N If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable as the portfolio did not hold any limited allocation derivative investments as of December 31, 2012.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: N
If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: Y* If no, please explain.
** The firm assesses risk across all investment products and portfolios on an on-going basis with the assistance of its Risk Committee.*
9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: Y If no, please explain.
10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Not applicable as the portfolio did not hold any limited allocation derivative investments as of December 31, 2012. However, if the portfolio were to hold such positions, listed options are generally priced using market quotations from the following third party sources:

- Listed equity options: Bloomberg bid price (primary method); Bloomberg last trade (secondary method); broker quotes (tertiary method)
- Listed commodity options: Bloomberg last trade (primary method); broker quotes (secondary method); fair value model (tertiary method)

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. Credit derivatives are contracts that transfer price, spread and/or default risks of debt and other instruments from one party to another. The market for credit derivatives is somewhat illiquid and there are considerable risks that it may be difficult to either buy or sell the contracts as needed or at reasonable prices. Sellers of credit derivatives carry the inherent price, spread and default risks of the debt instruments covered by the derivative instruments. Buyers of credit derivatives carry the risk of non-performance by the seller due to inability to pay.

Payments under many credit derivatives are triggered by credit events such as bankruptcy, default, restructuring, failure to pay, cross default or acceleration, etc. There are risks with respect to credit derivatives in determining whether an event will trigger payment under the derivative and whether such payment will offset the loss or payment due under another instrument. In the past, buyers and sellers of credit derivatives have found that a trigger

event in one contract may not match the trigger event in another contract, exposing the buyer or the seller to further risk.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) includes provisions that require increased regulation of derivatives markets. The Dodd-Frank Act has introduced mandatory execution and clearing of certain swaps, as well as new recordkeeping and reporting requirements. This increased regulation may increase the costs of entering into certain transactions. As key provisions of the Dodd-Frank Act require rulemaking by the SEC and the U.S. Commodity Futures Trading Commission, not all of which has been finalized as yet, portfolio shareholders should expect future changes in the regulatory environment for derivatives.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: N If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: Y* If no, please explain.

** The portfolio's construction is consistent with the investment guidelines as set forth in the portfolio's offering documents.*

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: Y* If yes, please explain.

** While the portfolio generally operates un-levered in the traditional sense, the portfolio's guidelines permit a limited amount of leverage depending on market conditions. The portfolio's assets are invested, and are allowed to be invested by its guidelines, in commodities. In addition, although not part of its primary investment strategy, the portfolio may from time to time engage in short selling consistent with its guidelines.*

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Y If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Y If no, please explain.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

US Government securities: ~9%

Corporate bonds: ~65%

Asset-backed securities: ~1%

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: Y* If no, please explain.
** The firm evaluates and monitors its investment decisions for the portfolio on an on-going basis and in accordance with the portfolio's offering documents.*

3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: Y* If no, please explain.
** The firm's analysts may conduct horizon analysis testing as part of the firm's investment process, which includes idea generation, research, screening, relative value analysis, strategy selection, execution and monitoring.*

4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Y If no, please explain.

5. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

Yes. Positions are held in the portfolio consistent with the portfolio's investment objectives and guidelines as set forth in its offering documents.

6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: N (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.

No, there was no such industry.

7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

Approximately 40% of the portfolio is invested in Rule 144A securities.


Signed by: Aileen Yang, Assistant General Counsel/Deputy Compliance Officer

Dated: January 31, 2013

Name of Firm: Brigade Capital Management, LLC

Name of Portfolio: Brigade Credit Fund II LP

*****BROWN BROTHERS HARRIMAN – TIPS*****

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: **YES**_ If no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **YES** If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **YES** If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **NO**_ If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **NO**_ If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **NO**_ If yes, please explain.
7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: **NO**_ If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **NO**_ If yes, please explain.
9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: **NO**_ If no, please explain. **Not applicable.**

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: **YES** If no, please explain.

*****BROWN BROTHERS HARRIMAN – TIPS*****

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: **YES** If yes: Do the counter-parties have investment grade debt? Yes/No: **YES** Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: **YES** If no, please explain.
3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: **YES** If yes: Do the counter-parties have investment grade debt? Yes/No: **YES** Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: **YES** If no, please explain.
4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: **YES** If no, please explain. What is the largest exposure to a single counter-party within the portfolio? **5.8% as of 12/31/12**. Have there been any changes to the investment manager's list of approved counter-parties over the past month? **NO**.
5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: **YES** If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: **NO** If yes, please explain.
6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: ___ If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: **NO** If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))
8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: ___ If no, please explain.

We have not invested in "limited allocation derivative investments" in the SamCERA portfolio.

9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: **YES** If no, please explain.

*****BROWN BROTHERS HARRIMAN – TIPS*****

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

We have not invested in “limited allocation derivative investments” in the SamCERA portfolio.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

The foreign exchange market is highly liquid with several trillion dollars of currency traded daily and a wide variety of active market participants worldwide. Within the foreign exchange market, the currencies of the forwards used in the SamCERA portfolio (EUR and GBP versus USD) are among the most actively traded.

Hedging activity or use of forward currency contracts may reduce the risk of loss from currency revaluations, but also may reduce or limit the opportunity for gain and involves counter party risk, which is the risk that the contracting party will not fulfill its contractual obligation to deliver the currency contracted for at the agreed upon price. Because typically no money changes hands at the outset of a forward currency contract, the counter party risk is limited to the profit or loss on the contract, it is not the notional value of the contract.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: **NO**_ If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: **YES** If no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **NO**_ If yes, please explain.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: **NO**_ If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

*****BROWN BROTHERS HARRIMAN – TIPS*****

As of 12/31/12:

Cash/Receivable	1.70%
Certificates of deposit	0.00%
Commercial paper	0.00%
High grade short-term securities	0.00%
US Government & Agency Sec.	92.50%
Corporate Bonds	0.00%
MBS & ABS	0.00%
Yankee Bonds	0.00%
Non-US Sovereign Debt	5.80%

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: **YES** If no, please explain.
3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: **NO** If no, please explain.
4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: **YES** If no, please explain.
5. Are any holdings below investment grade? **NO**. (Section 11.3(b)) If yes, why are they held in the portfolio?
6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: **NO** (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. **NO**. Please specify.
7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c)). **0.00% as of 12/31/12.**

Signed by: John P. Nelson

Dated: 1/31/13

Name of Firm: Brown Brothers Harriman & Co.

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) and investment consultant (PThomas@SIS-SF.COM) by Thursday, January 31, 2013.

General Compliance Issues

1. **Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*?** (Section 15.4(a)) Yes
2. **Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm?** (Section 6.3) Yes
3. **Has the firm's insurance coverage been sustained?** (Section 19.4(c)) Yes
4. **Does the firm consider any of *SamCERA's* investment objectives unreasonable?** (Section 6.0) No
5. **Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel?** (Section 19.4(j)) Yes

With respect to personnel, the following organizational changes took place within Pyramis during the last quarter:

- Effective December 31, 2012, after more than 30 years in the financial services industry including the past five at Pyramis, Kevin Uebelein has decided to retire from his role as executive vice president, global head of Solutions Delivery. With Kevin's retirement, Chuck McKenzie has moved from the Global Asset Allocation division to Pyramis, where he will lead all Asset Management's institutional solutions efforts as global head of Institutional Solutions.
- Chuck McKenzie, moved from Fidelity Global Asset Allocation to Pyramis to lead the Global Institutional Solutions team following the retirement of Kevin Uebelein from his role as EVP, global head of Solutions Delivery. Chuck will report to Mike Jones and will continue to work closely with Derek Young, president of GAA, to create the best solutions for clients.
- Vito Arno, senior vice president, Fidelity Risk, became head of Pyramis Risk Management, replacing Patrick Sheppard, who took on a new role within Fidelity.
- Maureen Fitzgerald joined Pyramis as head of North American Institutional Distribution in November 2012. In this role, Maureen will be responsible for U.S. and Canadian sales and global consultant relations. Maureen joined Pyramis from State

- Street Global Advisors (SSgA), where she served as head of the Institutional Client Group for North America directing the service and expansion of client, prospect and consultant relationships. - Colin Fitzgerald joined Pyramis as head of International Institutional Distribution in October 2012. Colin joins us from Robeco Group, where he served as Global Head of Key Accounts and Consultants. As Pyramis' head of International Institutional Distribution, Colin is based in London and focuses on expanding our distribution capabilities in Europe and Asia.
- Michael Barnett assumed the role of head of Canadian Institutional Sales and Service. He is responsible for building Pyramis' presence and share in the Canadian institutional market. Michael has more than 25 years experience in financial services, most of it in Canada. From 1999 to 2010, when he assumed his most recent role as head of Institutional Sales for Pyramis, Michael held a number of senior leadership roles with Fidelity Investments Canada, supporting the retail and institutional markets.

6. **Have there been any changes in the firm's investment approach?** (Section 19.4(e)) No
7. **Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios?** (Section 9.1) Yes/No: If yes, please explain.
8. **Have there have been any industry or regulatory disciplinary actions taken against the firm?** (Section 19.4(a)) Yes/No: If yes, please explain.

From time to time, in the normal course of its business, PGATC may receive inquiries (including subpoenas and voluntary requests for information) from regulatory authorities or law enforcement, a regulator may conduct an onsite examination, or a regulator may commence an investigation. The Firm does not make public comment about such inquiries, examinations or investigations unless and until enforcement proceedings are initiated. To the extent the Firm's securities affiliates have been sanctioned, fined, or cited by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), or any other regulatory body, any such sanction, fine or citation has been disclosed in its affiliates' Forms BD and/or Forms ADV in accordance with the requirements of such forms.

We also note that the FDIC issued a civil money penalty of \$1,564.08 against the Firm in connection with an allegation that the Firm failed to ensure that authorized withdrawal limits on the Firm's designated account as of June 30, 2009 were appropriately set to take into account the Firm's increased deposit insurance assessment for the quarter ending March 31, 2009.

9. **Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies?** (Section 22.0) Not Applicable

Derivative Investments

1. **If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated?** (Appendix C(5)) Yes/No: Yes
2. **For non-exchange traded derivative transactions, were the counter-parties broker/dealers?** (Appendix C(5)) Yes/No: Yes If yes: Do the counter-parties have investment grade debt? Yes/No: Yes Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: Yes
3. **For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)?** (Appendix C(5)) Yes/No: Yes If yes: **Do the counter-parties have investment grade debt?** Yes/No: Yes **Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?** Yes/No: Yes If no, please explain.
4. **Is individual counter-party exposure well diversified?** (Appendix C(5)) Yes/No: Yes **If no, please explain. What is the largest exposure to a single counter-party within the portfolio?** 5% (please note this refers to the exposure for each participant of the pool).

Have there been any changes to the investment manager's list of approved counter-parties over the past month? No

5. **Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies?** (Appendix C(6)) Yes/No: Yes **Has the firm developed any new purposes for derivative investments?** Yes/No: No
6. **List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.** Yes/No: Yes **State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.**

As a participant in the Broad Market Duration pool, SamCERA will have a small amount of exposure to derivatives from time to time. As of 12/31/12 this exposure was comprised entirely of interest rate swaps. The portfolio held 14 interest rate swaps with an average notional of 0.5% of the portfolio and a total net exposure of -0.02%.

7. **State if any restricted derivative investments are held in *SamCERA's* portfolios.** Yes/No: No **If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies.** (Appendix C(7))

8. **For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors?** (Appendix C(8)) Yes/No: Yes
9. **Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement?** (Appendix C(9)) Yes/No: Yes
10. **Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives.** ((Appendix C(10 b))

Fidelity Pricing & Cash Management Services (FPCMS) utilizes a combination of sources for derivatives pricing. Wall Street brokers are our primary sources for swaps. Bloomberg is our primary pricing source for futures.

11. **Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.**

All derivative instruments used in the portfolio are liquid. Given the minimal role they play in the portfolio and the extensive research conducted by the Pyramis Counterparty Risk team and the large team of in-house and external lawyers that support these efforts we feel the legal and regulatory risks are minimal.

12. **State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months.** (Appendix C(10 g)) Yes/No: Yes **If yes, please explain.**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was adopted in 2010 to create a more effective regulatory structure, address a number of regulatory gaps, and increase market transparency and accountability in the financial system. Dodd-Frank was intended, among other things, to create a comprehensive regulatory framework for derivative instruments, and to increase market accountability and transparency in the financial system. While the pace of regulatory implementation has been slow, a number of important regulations will become effective during 2013. In particular, a number of derivatives that customarily trade over-the-counter will now trade through a clearinghouse. The migration to clearing will have a meaningful impact on market access, pricing, reporting, and counterparty risk. We will continue to monitor and prepare for these regulatory changes and provide information to our clients as necessary.

Investment Manager Guidelines

1. **Are portfolio holdings well-diversified, and made in liquid securities?** (Section 5.0)
Yes/No: Yes

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: No

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: Yes If yes, do the investments comply with the policies? (Section 11.0) Yes/No: Yes

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

Pyramis Broad Market Duration - Sector Allocation as of 12/31/12

	<i>Percent Market Value</i>		
	Portfolio	Index	Difference
Treasury	29.1	36.5	-7.4
TIPS	1.2	0.0	1.2
Agencies	1.4	5.7	-4.3
Sovereigns	1.0	4.5	-3.5
Agency MBS	30.0	29.6	0.4
Pass-throughs	27.1	29.6	-2.5
CMO	2.9	0.0	2.9
Non-Agency MBS	0.6	0.0	0.6
Subprime	0.2	0.0	0.2
CMO	0.4	0.0	0.4
CMBS	4.6	1.8	2.8
Credit	22.0	21.5	0.4
Financials	11.9	7.0	4.9
Industrials	6.5	12.2	-5.6
Utilities	3.5	2.4	1.2
Consumer ABS	0.5	0.4	0.2
Cards	0.0	0.2	-0.2
Car Loan	0.3	0.2	0.1
ABS Other	0.2	0.1	0.2
Cash/Other	<u>9.7</u>	<u>0.0</u>	9.7
	100	100	

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: Yes
3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: Yes

4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: Yes


5. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

As of 12/31/12, 1.02% of the portfolio was allocated to below investment grade securities. These positions were purchased as investment-grade, but were subsequently downgraded to below investment-grade. The portfolio will continue to hold them until the risk/return profile of the securities no longer meets our fundamental research or relative value standards.

6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: No (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. No Please specify.

7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

As of 12/31/12, 2.6% of the portfolio was allocated to 144A securities.

Signed by:  _____

Mark Botelho, Sr. Account Executive

Dated: 1/31/13

Name of Firm: Pyramis Global Advisors Trust Company

*Compliance Certification Statement
San Mateo County
Employees' Retirement Association*

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: **Yes** if no, please explain.
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: **Yes** if no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: **Yes** if no, please explain.

Yes. Western Asset carries many forms of insurance to safeguard clients against theft, fraud, and negligence

4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: **No** If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: **No** if yes, please explain.

There have been no significant portfolio developments, major changes in Firm ownership or organizational structure.

During the past year, Western Asset hired seven investment professionals, while losing seven.

A detailed breakdown by office worldwide is as follows:

Pasadena

Additions

Year	Name	Function/Job Title
2012	John Bellows	Investment Management Strategy Analyst

Departures

Year	Name	Function/Job Title	Tenure	Reason
2012	Ronald D. Mass	Portfolio Manager/ Research Analyst	21 years	Resigned
	Thomas R. Galloway	Research Analyst	12 years	Resigned

Charles Shia Trader 8 years Resigned

New York

Additions

There were no additions to the Firm's New York office in the past year.

Departures

There were no departures from Western Asset's New York office in the past year.

Sao Paulo

Additions

There were no additions to Western Asset's Sao Paulo office in the past year.

Departures

There were no departures from Western Asset's Sao Paulo office during the past year.

London

Additions

Year	Name	Function/Job Title
2012	Amelia Sugiarto	Research Analyst
	Gerry Rawcliffe	Research Analyst
	Paul Shuttleworth	Portfolio Manager

Departures

There were no departures from the London office in 2012.

Singapore

Additions

Year	Name	Function/Job Title
2012	Oon Jin Chng	Research Analyst
	Desmond Soon	Portfolio Manager
	Swee-Ching Lim	Research Analyst

Departures

Year	Name	Function/Job Title	Tenure	Reason
2012	Adrian Chee	Research Analyst	5 years	Resigned
	Henrietta Gourlay	Research Analyst	9 years	Resigned
	Julia Ho, CFA	Portfolio Manager/ Research Analyst	8 years	Resigned

Tokyo

Additions

There were no additions to Western Asset's Tokyo office in the past year.

Departures

There were no departures from Western Asset's Tokyo office during the past year.

Melbourne

Additions

There were no additions to Western Asset's Melbourne office in the past year.

Departures

Year	Name	Function/Job Title	Tenure	Reason
2012	Taylor Dowling	Trader	4 years	Resigned

Due to Western Asset's traditional team orientation to investment management, none of the changes have adversely impacted the team.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: **No** If yes, please explain.

Western Asset has not deviated from its basic investment process since the product's inception, and does not envision any circumstances under which it would. There have, however, been many refinements to the process and additions to the analytical tools employed. As the professional staff has grown, the investment team has expanded its formal meeting structures to facilitate review and debate of ideas. Similarly, the investment team has developed and integrated the use of analytic systems to capture and model the impact of various strategies and the risks associated with them. Going forward, Western Asset is committed to continuing to refine its process, and has devoted the financial and staff resources necessary to do so.

7. Do *SamCERA's* guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1) Yes/No: **No** If yes, please explain.
8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: **No** If yes, please explain.

Western Asset has no current or pending regulatory actions.

9. Have proxy ballots been voted in accordance with the best economic interest of *SamCERA* and in a manner consistent with the Board's proxy policies? (Section 22.0) Yes/No: **Yes** If no, please explain.

Derivative Investments

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5)) Yes/No: **Yes** If no, please explain.

A formal credit check is a default to ensure that Western Asset is looking at counterparties at least annually. Western Asset's financial services credit analysts are continually evaluating its counterparties on a daily basis. The Firm reviews them as potential issuers for Western Asset's fixed-income investments. As a fixed-income shop, Western Asset is constantly evaluating their creditworthiness, and the notion of a credit check fails to fully encompass the ongoing credit work that is done. In addition, the Risk/Analytics group is continually looking at credit spreads and exposures to various counterparties and meeting monthly in the context of the Market and Credit Risk Committee to discuss such issues. Western Asset actively adds and removes names from the approved counterparty least each month.

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5)) Yes/No: **Yes** If yes: Do the counter-parties have investment grade debt? Yes/No: **Yes** Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances? Yes/No: **Yes** if no, please explain.

3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5)) Yes/No: **Yes** If yes: Do the counter-parties have investment grade debt? Yes/No: **Yes** Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances? Yes/No: **Yes** If no, please explain.

Western Asset's Broker Review Committee ("the Committee") maintains an Approved List of counterparties for client transactions. Each counterparty is reviewed by members of Western Asset's credit group prior to approval. Credit review includes analysis of the counterparty's capital adequacy, profitability, liquidity and other factors as may be appropriate. In addition to the credit review, counterparties are evaluated on execution capability, pricing, responsiveness, specialist credentials, research and back-office capabilities. The Committee reviews additions to the Approved Lists quarterly with a thorough re-evaluation of all counterparties annually.

The majority of Western Asset's trades involve limited counterparty credit risk. Once a trade is done and settled the Firm's exposure to the broker is over. Counterparty credit risk is only created when Western Asset relies on the broker to make future payments or forward settle a trade beyond the normal period. While this is obvious for multi-year swaps transactions, there are other transactions that also create counterparty credit risk. When aggregating Western Asset's total credit exposure to each counterparty, it is important to also take into account all of these transactions.

Western Asset seeks to reduce risk and promote diversification in its use of counterparties when using credit default swaps as in all areas of investment. The use of multiple counterparties lends itself to a more competitive bidding process, and therefore promotes best execution. Counterparty creditworthiness is a key factor that Western Asset's front office reviews before entering into a derivative agreement.

Subsequent to a trade, Western Asset's Swaps Team monitors swap exposure on a periodic basis (e.g., daily, weekly) based on the terms of the credit support annex (CSA) and instructs cash and/or security movements via the custodian bank to satisfy the collateral requirements in order to mitigate counterparty risk.

Western Asset has a CSA with each counterparty with whom the Firm trades. The CSA protects the client's marked-to-market exposure against each counterparty for amounts exceeding the minimum collateral transfer threshold. The minimum transfer amount established in each CSA varies by counterparty but generally ranges from \$250,000 to \$750,000.

4. Is individual counter-party exposure well diversified? (Appendix C(5)) Yes/No: **No** if no, please explain. What is the largest exposure to a single counter-party within the portfolio? Have there been any changes to the investment manager's list of approved counter-parties over the past month?

Counterparty selection is a balance of diversification versus best execution. The lack of counterparty diversification in the SamCERA portfolio can be attributed to the relatively small amount of exposure on the whole, five basis points of the portfolio's market value. This can lead to one position making up the majority of the counter party risk. With that said, we are concerned about concentration risks that breach 3% of the portfolio's MV, and currently the largest exposure is only four basis points of the MV.

The portfolio has the largest exposure to the Royal Bank of Scotland Group, PLC.

In the past month, we have approved one additional counter-party, VTB Capital, Inc.

5. Are the investment purposes for a derivative investment consistent with the four purposes stated *SamCERA's* policies? (Appendix C(6)) Yes/No: **Yes** If no, please explain. Has the firm developed any new purposes for derivative investments? Yes/No: **No** If yes, please explain.

Western Asset uses derivatives only when allowed by client guidelines.

The Firm's derivatives strategy is overseen by the US Broad Market Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department.

Western Asset uses exchange-traded futures and options contracts. These markets are generally very liquid, with quotations readily available and published daily. Western Asset uses these both as a substitute for cash transactions, and as a tool to adjust a portfolio's sector, issue, duration, and yield curve exposure. Options also offer a way to gain exposure to volatility.

Swaps, or contractual agreements between two parties to exchange cash flows at periodic intervals based upon a notional asset, can also be used to manage portfolio risk, to fine tune investment strategy, and to capture relative value opportunities. Swaps can include interest rate, total return, and credit default swaps. Interest rate swaps facilitate duration and yield curve management, and represent a contract to pay (receive) floating rates in exchange for receiving (paying) fixed rates. Total return swaps allow inexpensive exposure to a particular market or market segment, and generally have a payment (receipt) of LIBOR or T-Bills while the investor then receives (pays) a broad market return, i.e., Barclays Capital Aggregate. Credit default swaps are bilateral contracts where Party A agrees to pay Party B an on-going premium in exchange for the right to put a security of a reference entity to Party B in exchange for par should pre-specified credit events occur. Credit default swaps (single-name and index) can allow for rapid and inexpensive adjustments to optimize credit spread exposure. These adjustments can often times be made using credit default swaps irrespective of the liquidity in the cash markets.

Western Asset considers that the use and understanding of derivatives, and the derivative characteristics embedded in many fixed-income securities, is an essential part of fixed-income management. The Firm uses over-the-counter and exchange-traded derivatives to hedge or reduce risk and to provide incremental value when appropriate. For example, derivatives are useful for adjusting portfolio duration and yield curve strategies without disturbing the underlying securities in the portfolio, while simultaneously reducing transaction costs related to these duration position changes. No more than 5% of the portfolio will be invested in original futures margin and option premiums, exclusive of any in-the-money portion of the premiums, and under no circumstances does Western Asset use leverage in its derivatives strategy. Western Asset has used derivatives in portfolios since 1988, and most of the Firm's clients allow for derivatives authority.

Western Asset's standard Derivatives Philosophy and Guidelines are attached.

6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives. Yes/No: **Yes** If no, please explain. State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Please see the limited allocation derivatives file attached to find all limited derivatives as of 12/31/2012.

Western Asset uses derivatives only when allowed by client guidelines. The Firm's derivatives strategy is overseen by the Broad Market Committee under the oversight of the Chief Investment Officer, utilizing reporting provided by the Risk Management Department. Derivative risk is addressed through avoiding leverage and limiting exposure. Under no circumstances does Western Asset use leverage in its derivatives strategy. The Legal & Compliance Department monitors derivative usage and their adherence to guidelines continuously. Notional exposure limits are monitored daily. Western Asset uses industry-leading Charles River Development's ComplianceMaster (CRD) as well as PCR, an in house derivative position monitoring system, to monitor derivative quantitative limits. Where an issue is identified, it is escalated to the portfolio manager and the client service executive assigned to the account. In addition, the Risk Management Department frequently monitors the extent of derivatives used by the Firm. Exposure limitations are addressed in the standard Derivatives Philosophy and Guidelines attached.

As of 12/31/2012 derivatives totaled 8.9% of the portfolio's MV. This is in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004.

7. State if any restricted derivative investments are held in *SamCERA's* portfolios. Yes/No: **No** If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

This is also in accordance to the Investment Management Agreement, Exhibit C dated October 25, 2004.

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8)) Yes/No: **Yes** if no, please explain.

Stress testing, as part of Western Asset's ongoing risk management process, is performed continuously to its portfolios in order to assess their behavior under a variety of interest rate and spread scenarios. The correlation assumptions used in these simulations are continually revised on the basis of historical experience and the judgment of senior investment professionals. Correlations can also be equal to one in certain scenarios. The objective of scenario analysis is to help ensure that portfolio risk is well-diversified and that tracking error will not exceed expectations. Scenario analyzes include a full revaluation of all securities. This is to help Investments professionals to understand the behavior of the portfolios under different tail metrics. Portfolio managers receive a report which estimates the likely performance behavior of all portfolios under their supervision under a variety of what-if scenarios (e.g., if interest rates rise 50 or 100 bps, if the yield curve steepens or flattens, if spreads widen by 50 bps).

9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9)) Yes/No: **Yes** If no, please explain.

This is in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004. However, this also meets the standards illustrated on Appendix C (9).

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. ((Appendix C(10 b))

Pricing sources for derivatives vary depending upon the specific derivative instrument. Exchange traded futures and options are priced using closing prices from the primary exchange where they are traded, using closing levels pulled from Bloomberg. Over-the-counter (OTC) options are priced by obtaining current prices from broker/dealers or a Bloomberg model. Interest rate swaps and credit default swaps where possible are priced by a pricing vendor, Markit, otherwise Bloomberg swaps models or dealer quotations are used.

Most OTC derivative instruments are priced using external vendor Markit, otherwise Bloomberg swaps models or dealer quotations are used.

Interest Rate Swaps	Markit
IR Swaptions	Markit
Credit Default Swaps	Markit
• except ARMS, ABX, ABS	Counterparty Statement
Credit Swaptions	Counterparty Statement
Total Return Swaps	Bloomberg Model
Currency Options	Bloomberg Model

At the time of trade input, Western Asset captures the information for both the derivative and its underlying instrument. The Firm updates the price and analytics (duration, yield, etc) for the underlying instrument on a daily basis, even if it is not held, to ensure the quality of data for the derivative position. The risks of the derivative and its underlying physical are monitored concurrently using various reports.

Once Western Asset is satisfied it has highly accurate data at security level, the Firm commences the process of producing the various holdings, exposure, concentration, benchmark comparison and other risk management reports used by the Firm's portfolio and risk management professionals on a daily basis. These reports show the net effects of derivatives on a portfolio. Such reports would show term structure, convexity, interest rate and spread sensitivity breakdown by sectors or maturity buckets. Western Asset's portfolio management and risk management teams also coordinate with the compliance department to make sure that net exposure to derivatives are in line with a client's investment guidelines.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Western Asset's management style focuses on adding incremental value without taking on excessive risk. Consequently, the Firm's guidelines adhere to a value at risk of no more than 25 basis points or less at risk in any derivatives investment. To ensure that its use of derivative investments is consistent with this investment philosophy, Western Asset has developed internal guidelines – listed below along with a brief description of their rationale – which form the basis of every decision to employ derivatives in investment portfolios, and which are used as a starting point for developing standard guidelines (i.e., they do not include client specific or tighter regulatory guidelines such as those of UCITS accounts):

- Generally, the net duration contribution to the portfolio for long futures and interest rate swaps will not exceed 20% of the underlying portfolio duration. Net short positions, typically a hedge against other security holdings, will also be limited to a duration contribution of not more than 20% of the portfolio. In no case will the use of futures or swaps bring the portfolio's duration outside of the 80%-120% band.
- Index and credit default swaps will count their full notional value as exposure to the underlying asset. Concentration limits for a particular name or asset class will apply based on the sum of its cash and derivative security holdings.
- Short (written) options positions will always be hedged, either with current security holdings, other options or futures positions. Mortgage derivatives with significant short option characteristics will not exceed 5% of the portfolio, and will generally be a) offset by positions in other mortgage derivatives, or b) offset by other portfolio positions.
- Options positions will be limited so that under a reasonable range of market scenarios the portfolio's duration will not change by more than +/- 20%
- Structured notes with significant short option positions or increasing leverage will not be purchased, and in no case will structured notes exceed 5% of portfolio value.

- Futures and options contracts will be limited to liquid instruments actively traded on major exchanges, or, if over the counter, executed with major dealers.
 - No more than 5% of the portfolio will be invested in original futures margin and options premiums, exclusive of any in the money portion of the premiums.
 - Under no circumstances will the combination of derivative positions change the characteristics of the portfolio so that it violates any guideline set forth in the Investment Management Agreement.
12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10 g)) Yes/No: **No** if yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0) Yes/No: **Yes** if no, please explain.
2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities? Yes/No: **No** If yes, please explain.

As of 12/31 there were no short positions held in the portfolio nor were there any investments in commodities. Short (sold) options are allowed in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004.

Western Asset's standard approach to leverage is to cover forward securities and the mark-to-market value of interest rate swaps with cash and cash equivalent securities. Next the Firm's investment professionals look to cover short and long futures, short puts, short calls and the notional value short credit default swaps with any excess cash not covering forwards, offsetting derivatives or investment grade liquid assets in the account. This methodology of determining leverage/coverage is consistent with the standards used for monitoring coverage requirements as prescribed under Section 18 of the Investment Company Act of 1940. Western Asset has used derivatives in portfolios since 1988, and most of the Firm's clients allow for derivatives authority.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: **Yes** if yes, do the investments comply with the policies? (Section 11.0) Yes/No: **Yes** if no, please explain.

This is in accordance to the Investment Management Agreement; Exhibit C dated October 25, 2004.

Domestic Fixed Income Portfolios

1. State the percentage of the portfolio held in each of the following types of securities: certificates of deposit; commercial paper; other high grade short-term securities; U. S. Government and Agency securities; corporate bonds; mortgage- and asset-backed securities; and, Yankee bond securities. (Section 11.3)

Category	% of Portfolio
Cash & Cash Equivalents	0.76%
US Government and Agencies	15.66%
Corporate Bonds	31.64%
Mortgage & Asset Backed	45.54%
Yankee Bonds	8.45%

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3) Yes/No: **Yes** if no, please explain.
3. Does the firm conduct horizon analysis testing? (Section 19.4 j) Yes/No: **Yes** if no, please explain.

Western Asset's investment management team estimates horizon excess returns under various market scenarios, including best, worst and likely cases. Particular attention is paid to diversifying strategies under each scenario. The horizon for risk management is the same as that for investment management, as the risk effort is closely integrated into the investment process. The firm's tracking error model calculates predicted tracking errors based on 18 months of historical data. Western Asset also generates scenario analysis results daily for representative accounts. These results estimate horizon durations given various interest rate shocks. The horizon is generally instantaneous as Western Asset evaluates one day extreme movements in rates for duration hedging purposes. The Firm's systems allow for any time horizon and can output a wide array of horizon performance or analytics related statistics.

Western Asset does not place a time frame on any of the Firm's strategies or underlying security holdings. As value investors, Western Asset monitors positions regularly to insure that they are consistent with views of value within the context of a particular portfolio's risk profile.

4. Are derivative investments in compliance with *SamCERA's* investment policies? (Appendix C) Yes/No: **Yes** If no, please explain.

This is in accordance to the Investment Management Agreement, Exhibit C dated October 25, 2004.

5. Are any holdings below investment grade? (Section 11.3(b)) If yes, why are they held in the portfolio?

As of 12/31/2012, 11.74% of the portfolio is invested in securities rated below BBB- by S&P, Moody's or Fitch (highest) of an allowed 30% maximum which is in accordance to the Investment Management Agreement, Exhibit C dated October 25, 2004.

6. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? Yes/No: **No** (Section 11.3(b)) Please specify. At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.

This is in accordance to the Investment Management Agreement, Exhibit C dated October 25, 2004.

7. What percentage of the portfolio is held in Rule 144A securities? (Section 11.3(c))

As of 12/31/2012 7.13% of the portfolio's MV was held in Rule 144A securities.

Signed by:



Dated: 1/25/13

Name of Firm: Western Asset Management Co.

RESPONSE TO COMPLIANCE CERTIFICATION STATEMENT FROM

San Mateo County Employees' Retirement Association

Franklin Templeton Global Multi-Sector Plus
Review Period: June 30, 2012 – December 31, 2012

February 8, 2012

<p>Tom Dickson Senior Vice President – Institutional Relationship Manager Franklin Templeton Institutional Tel: (650) 312-3203 Email: TDickson@Templeton.com</p>
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FRANKLIN TEMPLETON
INSTITUTIONAL

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APPENDIX 1

Regulatory Proceedings

APPENDIX 2

Below Investment Grade List

GENERAL COMPLIANCE ISSUES

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (Section 19.4(a))

Yes No

If no, please explain.

2. Are SamCERA's market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3)

Yes No

If no, please explain.

3. Has the firm's insurance coverage been sustained? (Section 19.4(c))

Yes No

If no, please explain.

4. Does the firm consider any of SamCERA's investment objectives unreasonable? (Section 6.0)

Yes No

If yes, please explain.

5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j))

Yes No

If yes, please explain.

6. Have there been any changes in the firm's investment approach? (Section 19.4(e))

Yes No

7. Do SamCERA's guidelines require your firm to manage the portfolio significantly differently than other similar portfolios? (Section 9.1)

Yes No

If yes, please explain.

8. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a))

Yes No

If yes, please explain.

No. During the past six months ended December 31, 2012, Franklin Advisers Inc. (FAV), has not been the subject of any *investment-related proceedings, findings or orders* brought or made by any U.S. federal or state regulatory agency, *foreign financial regulatory authority or self-regulatory organization*. For a summary of *investment-related proceedings, findings or orders* brought or made by any U.S. federal or state regulatory agency, *foreign financial regulatory authority or self-regulatory organization* against FAV and/or certain of its *advisory affiliates* in the past 10 years ended December 31, 2012, please see Appendix 1. From time to time, FAV and its *advisory affiliates* receive subpoenas and inquiries from regulators, including requests for documents or information, and also may become the subject of governmental or regulatory examinations or investigations. *Findings or orders* resulting from such subpoenas, inquiries, examinations or investigations if any, will be reported, to the extent required by law, on FAV's Form ADV filed with the U.S. Securities and Exchange Commission. (Italicized terms are as defined on Form ADV.)

9. Have proxy ballots been voted in accordance with the best economic interest of SamCERA and in a manner consistent with the Board's proxy policies? (Section 22.0)

Yes No

If no, please explain.

Not applicable as there were no meetings to report for June 30, 2012 through December 31, 2012.

DERIVATIVE INVESTMENTS

1. If the firm entered into a non-exchange traded derivative, was the general nature and associated risks of the counter-party fully evaluated? (Appendix C(5))

Yes No

If no, please explain.

2. For non-exchange traded derivative transactions, were the counter-parties broker/dealers? (Appendix C(5))

Yes No

If yes, do the counter-parties have investment grade debt?

Yes No

Are the counter-parties registered with the SEC and do they have net capital to protect against potential adverse market circumstances?

Yes No

If no, please explain.

3. For non-exchange traded derivative transactions, were the counter-parties financial institutions (banks)? (Appendix C(5))

Yes No

If yes, do the counter-parties have investment grade debt?

Yes No

Do the counter-parties have total assets in excess of \$1 billion, and significant net capital to protect against potential adverse market circumstances?

Yes No

If no, please explain.

4. Is individual counter-party exposure well diversified? (Appendix C(5))

Yes No

If no, please explain.

What is the largest exposure to a single counter-party within the portfolio?

The largest exposure to a single counter-party is Deutsche Bank AG

Have there been any changes to the investment manager's list of approved counter-parties over the past month?

Yes No

There have been changes to the approved list of counterparties over the six month period ending 12/31/12, however we cannot disclose as we consider the list, along with status and limits, to be proprietary information.

5. Are the investment purposes for a derivative investment consistent with the four purposes stated SamCERA's policies? (Appendix C(6))

Yes No

If no, please explain.

Has the firm developed any new purposes for derivative investments?

Yes No

If yes, please explain.

6. List all limited allocation derivative investments individually and the percentage of the portfolio's assets represented by each investment. (Appendix C(7)) State if the firm has evaluated the exposure to market value losses that can occur from each of these derivatives.

Yes No

If no, please explain.

Not applicable. No limited allocation derivative investments are held in the SamCERA Portfolio.

State if these derivative investments in total represent more than 5% of the portfolio's market value. If more than 5%, please explain.

Not applicable.

7. State if any restricted derivative investments are held in SamCERA's portfolios.

Yes No

If any are held, state the percentage of the portfolio's assets held in such derivatives and why the firm is not in compliance with the investment policies. (Appendix C(7))

8. For derivative investments with allocation limits, has the firm tested and measured these investments' sensitivities to changes in key risk factors? (Appendix C(8))

Yes No

If no, please explain.

Not applicable. No limited allocation derivative investments are held in the SamCERA portfolio.

9. Have all derivative investments been made in a manner consistent with the derivative investment process specified in the policy statement? (Appendix C(9))

Yes No

If no, please explain.

10. Specify the security pricing sources used when developing portfolio market value exposures for limited allocation derivatives. (Appendix C(10b))

Not applicable. No limited allocation derivative investments are held in the SamCERA portfolio.

11. Provide a statement regarding the liquidity of the derivative investments. Provide a general statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

It is the policy of the Franklin Templeton Fixed Income Group, the investment platform of the SamCERA portfolio, to use derivatives only when client guidelines permit. Derivatives may be an efficient way to implement fixed income investment views on a particular sector in one transaction and also as a tool to help isolate risk exposures. Compared with cash bonds, derivatives can be more flexible and more liquid, and may have lower transaction costs. In those strategies that employ derivative instruments, or when clients request the use of derivatives to achieve certain investment objectives, we may also seek to gain exposure through the use of exchange-traded and/or over-the-counter derivatives.

As an opportunistic strategy, the Franklin Templeton Global Multi Sector Plus strategy (the investment strategy of the SamCERA portfolio) utilizes a wide variety of instruments to gain exposure to various fixed income sectors and achieve strategy objectives. For example, foreign exchange forward contracts are frequently used for hedging purposes and to express currency views. We may also engage in cross hedging as an efficient method of implementing the portfolio's optimal currency structure. Interest rate futures and swaps may be used to implement views on interest rates, quickly adjust portfolio duration, or efficiently handle cash flows. Total return swaps can quickly add or reduce bond market exposure.

Franklin Templeton's proprietary risk management systems enable us to properly model derivative instruments and fully understand portfolio risk. Derivatives are used only when portfolio guidelines permit and are not used to generate alpha.

12. State if the legal and regulatory risk associated with portfolio derivative investments have changed over the past six months. (Appendix C(10g))

Yes No

If yes, please explain.

INVESTMENT MANAGER GUIDELINES

1. Are portfolio holdings well-diversified, and made in liquid securities? (Section 5.0)

Yes No

2. Has the firm engaged in short selling, use of leverage or margin and/or investments in commodities?

Yes No

The Global Multi Sector Plus strategy does not engage in short selling, employ leverage or margins.

CASH & EQUIVALENTS

1. Does the firm directly invest in short term fixed income investments?

Yes No

If yes, do the investments comply with the policies? (Section 11.0)

Yes No

If no, please explain.

GLOBAL FIXED INCOME PORTFOLIOS

1. **State the percentage of the portfolio held in each of the following types of securities (please sub-total each by region): certificates of deposit; commercial paper; other high grade short-term securities; government and agency securities; investment grade corporate bonds; high yield corporate bonds; mortgage- and asset-backed securities; (Section 11.3)**

The following table shows the sector weightings for the SamCERA portfolio as of December 31, 2012. Please note the specific sector weightings for the categories listed above are not available.

Types of Securities	Investment Objective	Percentage of Portfolio (%)
Cash & Cash Equivalents		9.84
Corporate Bonds		15.16
	Investment Grade	0.36
	Non-Investment Grade	14.80
International Government/Agency Bonds		64.25
	Investment Grade	50.87
	Non-Investment Grade	13.38
Others		0.73
Sovereign Bonds		10.02
	Investment Grade	3.45
	Non-Investment Grade	6.57
Total		100.00

The following table represents the regional breakdown of the SamCERA portfolio as of December 31, 2012.

Americas	19.74
Asia	29.38
Europe/Africa	41.05
Cash and Cash Equivalents	8.39
Other	1.44

2. Is the firm monitoring its active investment management decisions relative to the Retirement Association's investment benchmark? (Section 6.3)

Yes No

If no, please explain.

There is no benchmark that perfectly captures Franklin Templeton Global Multi Sector Plus' benchmark unconstrained approach to global fixed income investing. The Barclays Capital Multiverse Index benchmark is used for performance comparison, the calculation of risk statistics, but not for portfolio construction. While it is recognized that the strategy will be compared to a benchmark for performance and risk measurement, from a portfolio construction standpoint, the strategy is benchmark unconstrained. The indifference to the benchmark implies an absolute return approach whereby the strategy will invest only in countries or securities that are deemed attractive.

3. Are derivative investments in compliance with SamCERA's investment policies? (Appendix C)

Yes No

If no, please explain.

4. Please list any holdings that are below investment grade or not-rated (Section 11.3(b))

Please refer to Appendix 2: *Below Investment Grade List*.

5. Excluding U. S. Government and Agency bond holdings, did any individual bond issue represent more than 5% of the market value of the portfolio? (Section 11.3(b))

Yes No

Please specify.

Please refer to the table below for the bond issue that represents more than 5% of the market value of the portfolio.

Korea Treasury Bond, senior bond, 3.75%, 6/10/13
--

At the time of purchase, was there any single industry, based on NAICS codes, which represented more than 15% of the market value of the account. Please specify.

Yes No

6. What percentage of the portfolio is held in Rule 144A securities? (11.3(c))

The portfolio holds 16.81% in Rule 144A securities.



Signed By:

Name: Breda Beckerle

Title: Chief Compliance Officer

Dated: February 7, 2013

Name of Firm: Franklin Advisers, Inc. (FAV)

IMPORTANT NOTES

This response (the Response) is based on the information provided in the Due Diligence Questionnaire (the Questionnaire). To the extent any such information in the Questionnaire is incomplete or inaccurate, Franklin Templeton reserves the right to alter, amend or delete any information it has provided in the Response. Franklin Templeton has prepared the Response in good faith and, to the best of its knowledge, all information provided in the Response is accurate as of the date submitted. Information, including all data, provided in the Response is unaudited, unless otherwise indicated. Any information from third-party sources is believed to be reliable, but Franklin Templeton cannot guarantee its accuracy or completeness. Information set forth in the Response is subject to change and Franklin Templeton does not undertake any duty to update the Response after its issuance. Responses may include a general description of the types of services Franklin Templeton may provide to its clients and may not be applicable or tailored to the Questionnaire.

The information contained in the Response is solely for the purpose of responding to the Questionnaire, shall be treated as confidential, and shall be distributed internally on an as-needed basis only. It shall not be distributed or otherwise communicated to third parties (other than any consultant engaged by the issuer of the Questionnaire to assist in connection therewith) without the prior written consent of Franklin Templeton. Any such consultant shall likewise be obligated to treat the Response as confidential.

Investing may involve a high degree of risk. The issuer of the Questionnaire is deemed to be an experienced institutional investor or consultant and is expected to make its own independent assessment of the appropriateness and the associated risks of investing. Franklin Templeton shall not be held liable for any losses or damages arising out of any person's reliance upon the information contained in the Response. Except as expressly provided in the Response, no person, firm, or corporation has been authorized to give any information or to make any representation other than those contained in the Response.

All investors should inform themselves as to the legal requirements applicable to them with respect to any investments, holdings, and/or disposition of any investments. Franklin Templeton takes no responsibility for informing or advising investors of any applicable laws or regulations.

Views or opinions expressed in the Response do not constitute investment, legal, tax, financial or other advice. The Response is neither an offer for a particular security nor a recommendation to purchase any investments. The way Franklin Templeton implements its investment strategies and the resulting portfolio holdings may change depending on a variety of factors such as market and economic conditions, as well as client account guidelines and restrictions, if applicable. The information provided in the Response is not a complete analysis of every aspect of any market, country, industry, security, or portfolio. Past performance does not guarantee future results and results may differ over future time periods.

By accepting these materials, you confirm your acceptance of the above terms.

Compliance Certification Statement
San Mateo County
Employees' Retirement Association

In accordance with the Investment Objectives and Policy Statement, the following compliance worksheet will be completed by each of *SamCERA's* investment managers on a semi-annual basis. These statements must be e-mailed to *SamCERA's* office (Investments@samcera.org) by Thursday, January 31, 2013.

General Compliance Issues

1. Has the firm acted as a fiduciary and invested its assets for the sole benefit of *SamCERA*? (Section 19.4(a)) Yes/No: NO If no, please explain.
Please see attached statement
2. Are *SamCERA's* market benchmarks in the respective asset class areas acceptable to the firm? (Section 6.3) Yes/No: YES If no, please explain.
3. Has the firm's insurance coverage been sustained? (Section 19.4(c)) Yes/No: YES If no, please explain.
4. Does the firm consider any of *SamCERA's* investment objectives unreasonable? (Section 6.0) Yes/No: NO If yes, please explain.
5. Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (Section 19.4(j)) Yes/No: NO If yes, please explain.
6. Have there been any changes in the firm's investment approach? (Section 19.4(e)) Yes/No: NO If yes, please explain.
7. Have there have been any industry or regulatory disciplinary actions taken against the firm? (Section 19.4(a)) Yes/No: NO If yes, please explain.

Investment Manager Guidelines

1. Are portfolio holdings well-diversified? (Section 5.0) Yes/No: NO If no, please explain.
The investment is in direct real estate.
2. Has the firm used leverage? Yes/No: YES If yes, please explain.
Please see response under real estate portfolio section.

Cash & Equivalents

1. Does the firm directly invest in short term fixed income investments? Yes/No: NO If yes, do the investments comply with the policies? (Section 11.0) Yes/No: ___ If no, please explain.

Real Estate Portfolios

1. Is the portfolio diversified as to region, property type, industry, and economic base? (12.3(a)2) Yes/No YES If no, do the investments comply with the policies?
2. Is the portfolio achieving a total time-weighted rate of return, net of fees, which equals or exceeds, the NFI ODCE index? (12.2) Yes/No YES If no, please explain.

The Fund's performance on a long term basis exceeds the NFI ODCE index. On a short term basis the Fund's performance is below the NFI ODCE index due to the sale of a portion of the Holland assets in 2Q 2012 and the subsequent write-downs of the remaining assets in that portfolio.

3. Does the core fund concentration exceed 40% (by value) in any single property type or 35% in any single metropolitan statistical area, determined as of the date of the acquisition of the property? (12.3(a)2) Yes/No NO If yes, please explain.
4. Is the portfolio leverage within the 30% of overall loan to value guideline (12.3(d)) Yes/No YES If no, please explain.

Please note, the LTV guideline for the Invesco Core Real Estate USA, L.P. is 35%. The Fund's leverage at December 31, 2012 was 20.8%. Shortly after quarter end, the Fund's line of credit was paid off bringing the loan to value ratio down to 19.1%.

The use of leverage allows a Fund to enhance both portfolio returns as well as increase the overall diversification (potentially reducing risk) of a Fund's property portfolio. Generally speaking, increasing levels of leverage can also add volatility to a real estate portfolio. The objective of minimizing volatility is the key reason that the overall range of leverage for core funds falls into a conservative range of between 20% and 40%. The Fund's long term objective is to maintain a debt level between 20% and 25%.

Signed by: Mary C. Carroll, Compliance Director
Dated: February 1, 2013
Name of Firm: Invesco Real Estate



Invesco Real Estate
Three Galleria Tower, Suite 500
13155 Noel Road
Dallas, TX 75240

Invesco Core Real Estate – U.S.A., L.P.

As a commingled investment fund, the sole governing document is the Amended and Restated Limited Partnership Agreement for Invesco Core Real Estate – U.S.A., L.P., dated November 3, 2011 and effective July 1, 2011. Given the commingled structure, and unlike typical separate account investments, there is no separate, client-specific Investment Policy Agreement necessary or allowed.


However at this time, we are able to offer the following confirmations in lieu:

1. The Fund is in full compliance with the Limited Partnership Agreement, and more specifically, Article 2.6 "Purposes" which outlines the investment guidelines and restrictions for the Fund. In summary, the Fund will invest in core properties with a focus on investments with stable income and quality locations. Core style investments include existing, substantially leased (typically 70% or greater occupancy at the time of investment) income-producing industrial, multifamily, retail and office properties located principally in metropolitan areas that exhibit reasonable economic diversification. Core properties typically demonstrate predictable and stable income flows with a high proportion of anticipated total return arising from current income and cash flow (appreciation is expected to contribute 33% or less to the total return). Core properties also generally require quality construction and design features. Furthermore, core properties generally are those properties whose type and location provide assurance of a pool of qualified potential purchasers upon the sale of the property. The Fund may invest up to 15% of its assets in "value-added" type real estate investment opportunities.
2. The Fund continues to operate as a VCOC (venture capital operating company). As such, Fund Assets are not considered to be plan assets under ERISA. Furthermore, per Article 9.6, in the event the Fund were to lose VCOC status, the Investment Manager would agree to become a fiduciary under ERISA and to qualify as an "investment manager" and "QPAM" for ERISA purposes.
3. The Representations by Invesco, as Manager of the Fund, and outlined in the Subscription Agreement, remain true and correct.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 4.0

TO: Board of Retirement
FROM: David Bailey, Chief Executive Officer 
SUBJECT: Request to Deduct San Mateo County Retired Personnel Association ("SCORPA")
Annual Membership Dues from Consenting Members' Benefits

Staff Recommendation:

Approve SCORPA's request to deduct its annual membership dues from consenting members' benefits and waive the administrative costs for implementing and maintaining the deduction.

Background:

SCORPA was established in 1975 to provide a representative voice for all San Mateo County Retirees before the Board of Supervisors, the Retirement Board (SamCERA), and the California Retired County Employees Association (CRCEA). SCORPA would like to increase its membership.

Discussion:

On August 17, 2012, the Governor approved SB 1382 which added and amended several Government Code sections relating to "recognized retiree organizations" effective 2013. The new law defines a "recognized retiree organization" as an organization in which a majority of the members of the organization are retired members of the system and which the board, upon request, has approved recognition. (GC 31471.5.) The Board already "recognized" SCORPA in 2006 when the Board appointed John Murphy as the first retiree alternate from a nomination submitted by SCORPA. At the time of Mr. Murphy's appointment, the Board determined that SCORPA was deemed to be a "qualified retiree organization" for purposes of [GC 31520.5] because a majority of the members of SCORPA are retired members of SamCERA. The new law allows, conditioned upon the Board's approval, and upon the member's written authorization, the deduction for payments to a recognized retiree organization. (GC31452.5 (a)(7).) The new law also provides that: "The board may charge a reasonable fee for the making of the deductions and payments." (GC 31452.5 (c).)

SCORPA's President, Linda Bruzzon, approached Staff with a request from SCORPA to the Board to implement a new system allowing retirees to have annual membership dues for SCORPA automatically deducted from their benefit. Staff has estimated that SamCERA would incur a onetime Pension Gold programming cost of \$330 and that the ongoing administrative costs would be de minimus. As SCORPA assists SamCERA in communicating important benefit information to retirees, and due to the low cost for this deduction, Staff recommends that the Board not charge a fee for SCORPA at this time. If the costs increase for administrating this deduction, Staff would advise the Board.

Attachments: None

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Approval to Issue Request for Proposal for Actuarial Auditing Firm


Staff is discussing with Milliman, Inc. whether an actuarial audit would be most appropriate as of June 30, 2013 or a year later on June 30, 2014. We will provide more information and a recommendation at the Board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.1

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ending **January 31, 2013**

Staff Recommendation:

Staff recommends the Board accept the preliminary performance report dated January 31, 2013.

Background:

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for Angelo Gordon's PPIP, AQR's risk parity, and AQR's hedge fund portfolios. The quarterly performance metrics are not yet available for our private equity and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by SIS.

The attached performance report now shows both net and gross of fee returns for the total plan. Page one shows the net of investment manager fee performance results for the total fund (in the top left quadrant), while page two shows gross of fee returns.

Discussion:

The fund's net preliminary return for January was +3.1%, while the trailing twelve month return was +12.5% net (+12.9% gross). The twelve-month return is above (on a net and gross basis) both the Actuarial Discount Rate of 7.50% and SamCERA's Total Plan Policy Benchmark rate of 12.3%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

January was a strong month for equity markets, with the broad U.S. equity market up 5.5%. In addition, the Russell 2000 Index reached an all-time high and the S&P 500 touched 1500 for the first time in over 5 years. Value stocks significantly outperformed growth stocks in the large and mid-capitalization spectrum while growth outperformed in small-capitalization space. Developed international equity indices were also up sharply during the month, with the MSCI World ex-US higher by 4.1% and emerging markets up 1.4%.

The general fixed income market was negative (-0.70%) as long-term interest rates rose to just under 2.0% from just under 1.8% at year-end. Most 'spread' sectors outperformed duration-matched Treasuries, with the exception of mortgages. High yield (+1.4%) had another very strong month.

Attachments:

- SIS Market Update
- State Street Performance Report

U.S. EQUITY

January certainly was a strong month for global equity markets as all equity indices were up 4-7%.

For the month of January in the U.S., Value outperformed Growth (in large caps) and Small caps outperformed Large caps. The Russell 1000 Growth Index was up +4.3% for the month and the Russell 1000 Value Index was up +6.5%. The Russell 2000 Growth Index was up +6.6% and the Russell 2000 Value was up +6.0%. The S&P 500 Index ended the month up +5.2%

The S&P 500 Index has a trailing P/E ratio of 17.5 and a forward 12-month estimate P/E ratio of 13.3 and dividend yield of 2.2%.

Corporate merger highlights for the month included: Knight Capital will sell itself to Getco Holding in a deal valued at \$1.4 billion; Dish Network made a \$2.3 billion bid for Clearwire, trumping Sprint Nextel's \$2.2 billion offer; Switzerland's biggest watch maker, Swatch Group, will pay about \$1 billion to acquire Canada's Harry Winston watch and jewelry brand; Bill Gates is leading a group of U.S. investors committing \$1 billion for a stake in Egypt's Orascom Construction Industries; AT&T will acquire Alltel U.S. wireless operations for about \$780 million to boost its spectrum in rural areas; Microsoft is in discussions to invest \$1 to \$3 billion of mezzanine financing in a possible buyout of Dell; and, US Airways and American Airlines are reportedly in the final stages of negotiating a merger.

FIXED INCOME

The Commerce Dept. reported that gross domestic product contracted by a -0.1% annual rate in the 4th quarter, down from +3.1% in the 3rd quarter. The headline number was distorted by one-off factors and it is estimated that underlying growth was more like +2.7%. Large declines in defense spending, inventories, and trade detracted from fourth quarter growth.

The pace of U.S. job growth slowed slightly in December, keeping the unemployment rate steady at 7.8%.

The U.S. federal deficit narrowed to its best December monthly result in five years, but is on track to top \$1 trillion for the fifth straight fiscal year.

The Labor Dept. reported that its Consumer Price Index rose 1.7% in 2012 following a 3.0% increase in 2011.

Long-term interest rates rose in the month of January. The bellwether 10-year Treasury note ended the month yielding 1.99% up from 1.78% at the close of December. At month-end, the 30-year bond yield was 3.17% with the 3-month T-bill at 0.1%. The Barclays Capital US Aggregate Index was down -0.70% in January. High Yield was the strongest sector up +1.4% as measured by the BofA Merrill Lynch US High Yield Master II index.

The House of Representatives passed an extension of borrowing authority under the federal debt limit to May 19th.

On the economic front, the following key data was released in January:

THE GOOD

*The Institute of Supply Management reported that its index of national factory activity rose to 50.7 in December up from 49.5 in November.

*The Institute of Supply Management reported that its services index rose to 56.1 in December from 54.7 in November.

*U.S. wholesale prices fell for the third month in a row in December as the Producer Price Index dropped -0.2%, the latest evidence that inflation is tame.

*U.S. home prices in November extended their steady recovery from the housing bust, rising 7.4% compared to a year ago.

*Retail sales rose 0.5% in December from November, slightly better than November's 0.4% increase.

*The Commerce Dept. reported that housing starts surged 12.1% in December to a 954,000 unit annual rate, the fastest pace in over four years.

*The Commerce Dept. reported that orders for durable goods increased 4.6% in December, driven by a 10% gain in aircraft orders.

*The Commerce Dept. reported that consumer spending rose +0.2% in December, slightly slower than the +0.4% increase in November. Income jumped +2.6% in December, the largest gain since December 2004.

*The Conference Board's index of leading economic indicators rose +0.5% in December. Five of the ten component indicators flashed positive signals.

THE NOT SO GOOD

*The Commerce Dept. reported that construction spending dipped -0.3% in November following a downwardly revised gain of 0.7% in October.

*The Commerce Dept. reported that orders for factory goods were unchanged in November after gaining 0.8% in October.

*Consumer credit expanded at an annual rate of 7.0% in November, up from 6.2% in October.

*The Philadelphia Fed's manufacturing index went negative in January, slipping to a -5.8 in January from a +4.6 in December.

*The Richmond's Fed index of manufacturing activity fell in January to a -12 from +5 in December.

*Retail sales are forecast to rise 3.4% in the U.S. in 2013, down from 4.2% growth in 2012, as higher payroll taxes cut into discretionary spending for consumers.

The University of Michigan consumer sentiment declined to 71.3 in a preliminary January number from 72.9 in December 2012, the lowest level since December 2011. The Conference Board reported that consumer attitudes dropped more than expected to 58.6 in January, the lowest level since November 2011.

NON-U.S. MARKETS

Gross domestic product for the U.K. fell by -0.3% in the 4th quarter as production fell -1.8% and services were unchanged. Industrial production rose by +0.3% in November, its first gain since July. However, this left overall output down -2.4% from a year earlier.

The International Monetary Fund forecast the eurozone economy will contract by -0.2% in 2013, after shrinking by -0.4% in 2012. Production for the overall eurozone unexpectedly fell -0.3% in November, the third consecutive decline. German activity data remains downbeat. Real factor orders fell 1.8% in November, the third decline in the last four months. Spain's unemployment rate hit a record 26.0% in the 4th quarter, leaving almost six million people out of work.

As widely expected, the Bank of Japan enhanced its monetary policy accommodation. The Bank adopted a formal inflation target of 2.0%, moving up from its previous goal of 1.0%. The Bank of Japan also shifted to an open-ended asset purchasing method. Industrial production continued to fall in Japan in November.

Output dropped -1.4%, its fourth decline in the past five months, leaving it down -5.5% from a year earlier. Consumer confidence also continues to erode in December. The cabinet office index fell another -0.2 point on the month to 39.2, the fourth consecutive decline to the lowest reading in a year.

China's economy grew at a modest 7.9% in the 4th quarter, its weakest pace since 1999. China's auto sales rose 7.1% in 2012 to 15.5 million units, topping the 14.5 million vehicles sold in the U.S.

Non-U.S. equities were up for the month of January. The MSCI ACWI Ex-U.S. was up +4.1% (US dollars) in December. Developed stocks (EAFE) were up +5.3% while Emerging Markets rose by +1.4% for the month.

CONCLUSION

The American Taxpayer Relief Act has lifted the immediate uncertainty of the fiscal cliff. Nevertheless, tax increases will impose an obstacle to growth in the first half of 2013. The initial direct impact of the federal tax changes total approximately \$250 billion for 2013. The return of the FICA tax rate to 6.2% is estimated to be the largest component at \$127 billion. The other federal tax changes that become effective include:

- *A 4.6% increase in the top marginal tax rate to 39.6%
- *A phase out of itemized deductions for high-earners
- *An increase in the tax rate to 20% for capital gains and dividends for high-earners

These taxes amount to a reduction in real household income of 2.6%.

Almost all major forecasters of U.S. growth are expecting about the same thing in 2013. The consensus is 2.0% with essentially no range. The IMF released its world economic outlook update forecasting that overall world GDP is expected to rise 3.5% in 2013 up from the 3.2% growth estimated for 2012.

January was a strong up market for global equity markets. As we stated in last month's letter, The January Barometer and The First Five Days in January Indicator are predicting a good calendar year 2013 for equity markets.

Monthly Market Update

US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Jan-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	5.49	7.61	5.49	16.90	10.19	14.60	4.44	4.65	8.53
Russell TOP 200 Index	4.82	5.85	4.82	16.53	10.45	13.46	3.46	4.29	7.16
Russell TOP 200 Growth Index	3.54	4.29	3.54	12.98	10.14	13.90	5.56	5.66	7.43
Russell TOP 200 Value Index	6.08	7.39	6.08	20.15	10.78	13.00	1.31	2.89	6.89
S&P 500 Index	5.18	6.75	5.18	16.78	10.32	14.14	3.97	4.48	7.93
Russell 1000 Index	5.42	7.36	5.42	17.03	10.30	14.48	4.28	4.68	8.36
Russell 1000 Growth Index	4.29	6.00	4.29	13.43	9.69	14.61	5.70	5.53	8.24
Russell 1000 Value Index	6.50	8.65	6.50	20.58	10.84	14.30	2.70	3.69	8.32
Russell Mid-Cap Index	6.84	11.04	6.84	18.14	9.91	16.99	6.37	5.70	11.61
Russell Mid-Cap Growth Index	6.17	10.48	6.17	14.63	8.88	16.76	6.22	5.43	11.09
Russell Mid-Cap Value Index	7.42	11.52	7.42	21.34	10.81	17.21	6.27	5.65	11.74
Russell 2000 Index	6.26	10.63	6.26	15.47	8.98	15.98	6.31	4.41	10.70
Russell 2000 Growth Index	6.58	10.49	6.58	13.63	9.20	17.02	6.85	4.92	10.81
Russell 2000 Value Index	5.96	10.76	5.96	17.29	8.69	14.88	5.63	3.79	10.45
DJ US REIT Index	3.39	6.76	3.39	13.78	13.09	21.62	5.89	4.68	12.18
DJ-UBS US Commodity Index TR	2.40	-0.22	2.40	-1.13	-6.75	3.43	-5.51	-1.27	3.57
DJ-UBS US Gold Index TR	-0.95	-3.55	-0.95	-5.24	10.84	14.51	11.43	15.32	15.28

Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Jan-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	4.09	9.78	4.09	14.40	2.40	7.51	0.37	3.60	11.06
MSCI AC World Index	4.64	8.48	4.64	15.47	5.85	10.43	2.02	4.03	9.48
MSCI EAFE Index	5.29	11.31	5.29	17.83	3.46	7.44	-0.30	2.55	9.73
MSCI Emerging Markets index	1.39	7.72	1.39	8.01	0.57	7.50	2.35	7.31	17.10
ML Global Government Bond Ex. U.S. Index	-3.12	-6.39	-3.12	-6.53	1.37	3.75	4.85	6.15	5.86
Euro	2.96	4.75	2.96	3.69	-0.50	-0.79	-1.72	1.60	2.37
Japanese Yen	-5.25	-12.42	-5.25	-16.45	-5.25	-0.22	3.10	3.62	2.77
UK Pound Sterling	-2.46	-1.59	-2.46	0.47	-0.51	-0.35	-4.42	-1.62	-0.36

US Fixed Income Indices Trailing Performance

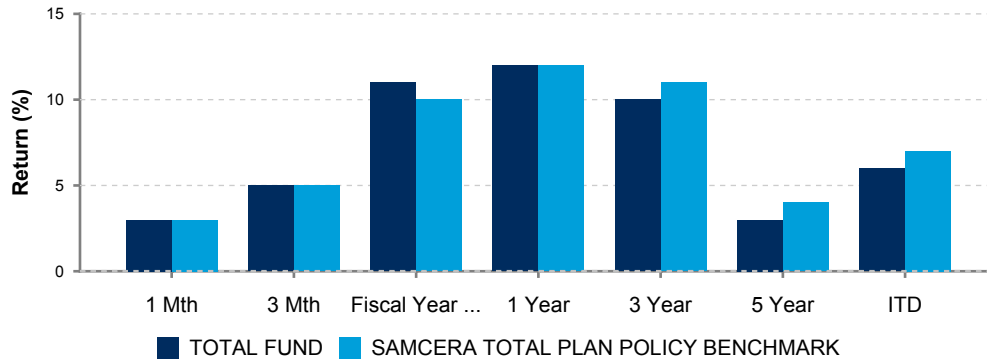
Annualized Performance to Date: Ending Jan-13	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.00	0.03	0.00	0.11	0.10	0.11	0.42	1.71	1.77
BarCap Aggregate Bond Index	-0.70	-0.68	-0.70	2.59	5.58	5.41	5.45	5.75	5.10
ML U.S. Corp/Govt Master Index	-0.83	-0.75	-0.83	3.15	6.34	5.97	5.47	5.81	5.17
ML U.S. Corporate Master Index	-0.72	-0.82	-0.72	7.24	8.41	8.14	7.31	6.71	6.20
BarCap Mortgage Backed Securities Index	-0.50	-0.54	-0.50	1.66	4.11	4.09	5.18	5.66	5.00
ML U.S. High Yield Master Index	1.35	3.68	1.35	13.77	9.44	11.54	10.49	8.97	10.07
JPM EMBI Global	-1.42	1.04	-1.42	14.83	12.96	12.26	9.96	9.36	11.22

San Mateo County Total Fund Characteristics

January 31, 2013



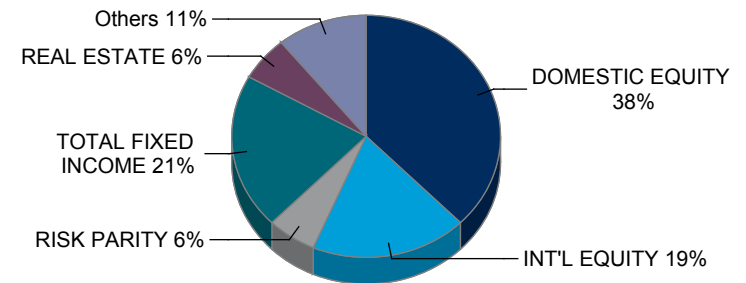
Net Performance



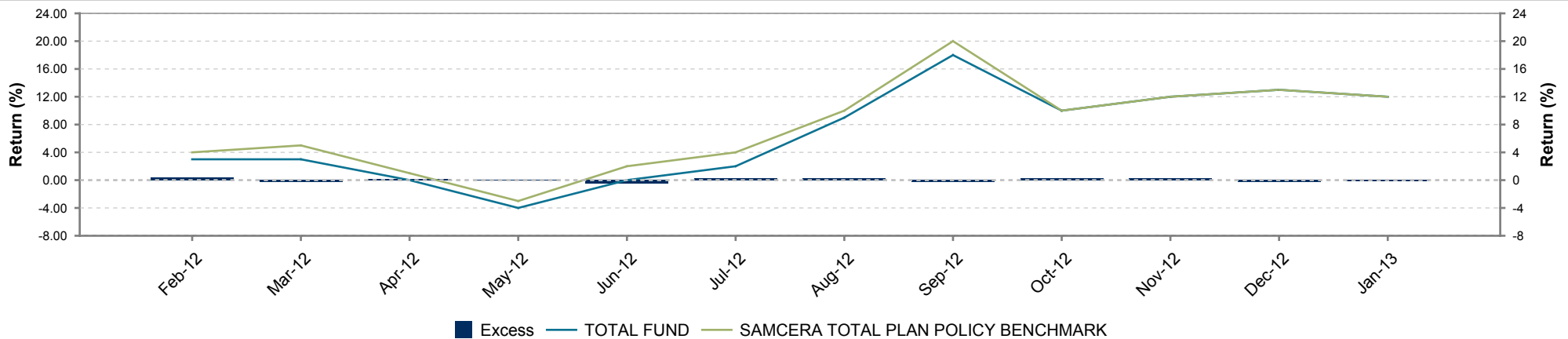
	1-Mth	3-Mth	Fiscal YTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD
TOTAL FUND	3.06	5.26	10.71	12.46	10.44	3.22	7.38	6.43
SAMCERA TOTAL PLAN POLICY BENCHMARK	3.24	5.43	10.20	12.27	11.29	4.41	8.32	6.78
Excess	-0.19	-0.16	0.50	0.19	-0.85	-1.19	-0.94	-0.35

Asset Allocation

	Ending Market Value (\$)	Allocation (%)
DOMESTIC EQUITY	1,034,808,590	38.3
INTERNATIONAL EQUITY	515,231,618	19.1
PRIVATE EQUITY	44,530,452	1.6
RISK PARITY	167,743,644	6.2
HEDGE FUND	71,327,085	2.6
COMMODITIES	77,101,576	2.9
FIXED INCOME	569,619,836	21.1
REAL ESTATE	153,983,862	5.7
CASH	69,015,260	2.6
TOTAL FUND	2,703,361,923	100.0

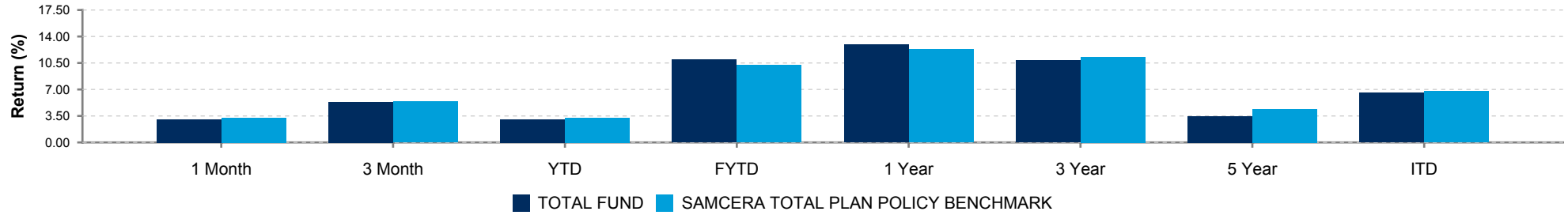


Cumulative Returns



January 31, 2013

Return Comparison



Composite Total Returns (Gross)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	ITD
Total Fund	2,703,361,923	3.06	5.35	3.06	10.92	12.90	10.84	3.47	6.52
SAMCERA TOTAL PLAN POLICY BENCHMARK		3.24	5.43	3.24	10.20	12.27	11.29	4.41	6.78
Excess		-0.18	-0.08	-0.18	0.72	0.63	-0.45	-0.94	-0.26
Total Equity	1,550,040,208	4.44	7.62	4.44	13.55	15.17	11.56	2.15	7.22
SAMCERA TOTAL EQUITY BENCHMARK		5.09	8.68	5.09	14.59	16.00	12.36	3.34	7.56
Excess		-0.66	-1.06	-0.66	-1.04	-0.83	-0.81	-1.19	-0.34
Total Fixed Income	569,619,836	0.44	1.73	0.44	6.96	10.75	9.12	7.10	6.37
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.77	-0.83	-0.77	2.08	3.52	6.20	5.92	5.88
Excess		1.21	2.55	1.21	4.88	7.23	2.92	1.19	0.49
Total Risk Parity	167,743,644	0.79	3.73	0.79	10.99	11.84			10.74
RISK PARITY BENCHMARK		3.01	4.26	3.01	7.77	11.16			7.72
Excess		-2.22	-0.53	-2.22	3.22	0.68			3.02
Hedge Funds	71,327,085	1.39	3.28	1.39	5.34	5.36			2.94
LIBOR + 4%		0.34	1.04	0.34	2.44	4.24			4.23
Excess		1.05	2.24	1.05	2.90	1.12			-1.29
Private Equity	44,530,452	0.28	0.44	0.28	-0.13	11.23			-65.28
PRIVATE EQUITY BENCHMARK		5.73	8.39	5.73	14.26	20.37			16.96
Excess		-5.46	-7.94	-5.46	-14.39	-9.13			-82.24

January 31, 2013

Composite Total Returns (Gross)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	ITD
Commodities	77,101,576	3.04	1.17	3.04	10.30	12.06			1.86
DJ-UBS COMMODITY		2.39	-0.24	2.39	5.15	-1.22			-8.53
Excess		0.65	1.42	0.65	5.15	13.28			10.39
Total Real Estate	153,983,862	0.00	3.11	0.00	6.00	9.70	14.39	-0.63	7.72
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	2.54	0.00	5.40	11.26	14.13	-0.73	7.71
Excess		0.00	0.57	0.00	0.59	-1.56	0.26	0.10	0.01
Total Cash	69,015,260	0.05	0.10	0.05	0.29	0.61	0.80	0.29	2.49
91 DAY TREASURY BILL		0.00	0.03	0.00	0.07	0.11	0.11	0.42	2.42
Excess		0.05	0.07	0.05	0.22	0.50	0.69	-0.13	0.07

San Mateo County Manager Return Summary

January 31, 2013



Manager Returns (Gross)									
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
TOTAL EQUITY	1,550,040,208	4.44	7.62	13.55	4.44	15.17	11.56	2.15	7.22
SAMCERA TOTAL EQUITY BENCHMARK		5.09	8.68	14.59	5.09	16.00	12.36	3.34	7.56
Excess		-0.66	-1.06	-1.04	-0.66	-0.83	-0.81	-1.19	-0.34
TOTAL DOMESTIC EQUITY	1,034,808,590	4.60	7.20	12.07	4.60	15.53	14.15	3.88	7.51
SAMCERA DOMESTIC EQUITY BENCHMARK		5.59	8.01	12.56	5.59	16.74	14.82	4.74	7.73
Excess		-0.99	-0.81	-0.49	-0.99	-1.21	-0.67	-0.86	-0.22
LARGE CAP COMPOSITE	847,953,551	4.61	6.55	11.63	4.61	15.92	13.20	3.42	8.22
RUSSELL 1000 INDEX		5.42	7.36	12.21	5.42	17.03	14.48	4.28	8.56
Excess		-0.82	-0.81	-0.58	-0.82	-1.11	-1.28	-0.86	-0.34
DE SHAW INVESTMENT MGT, LLC	134,924,700	5.43	7.65	12.51	5.43	19.08	15.14		16.17
RUSSELL 1000 INDEX		5.42	7.36	12.21	5.42	17.03	14.48		15.45
Excess		0.00	0.29	0.30	0.00	2.05	0.66		0.71
T. ROWE PRICE ASSOCIATES	315,865								
S&P 500		5.18							
Excess									
BARROW HANLEY	138,216,442	5.16	7.34	13.64	5.16	17.90	13.60		14.97
Russell 1000 Value Index		6.50	8.65	15.15	6.50	20.58	14.30		15.42
Excess		-1.34	-1.32	-1.51	-1.34	-2.68	-0.70		-0.46
BLACKROCK LARGE GROWTH	140,630,403	4.29	6.03		4.29				6.03
Russell 1000 Growth Index		4.29	6.00		4.29				6.00
Excess		0.00	0.03		0.00				0.03
BLACKROCK S&P 500	433,866,132								
S&P 500		5.18		5.18					
Excess									

**San Mateo County
Manager Return Summary**

January 31, 2013



Manager Returns (Gross)									
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
SMALL CAP COMPOSITE	131,838,289	6.21	11.31	15.51	6.21	16.14	18.51	5.85	5.89
RUSSELL 2000 INDEX		6.26	10.63	13.91	6.26	15.47	15.98	6.31	6.51
Excess		-0.05	0.68	1.59	-0.05	0.66	2.52	-0.46	-0.62
BOSTON COMPANY ASSET MGT, LLC	60,976,492	6.35	12.25	17.04	6.35	18.99	15.84		17.17
RUSSELL 2000 VALUE INDEX		5.96	10.76	15.57	5.96	17.29	14.88		15.91
Excess		0.39	1.49	1.47	0.39	1.70	0.96		1.26
CHARTWELL INVESTMENT MGMT	70,576,878	6.65	11.27	15.58	6.65	17.90	21.24	6.87	7.77
RUSSELL 2000 GROWTH		6.58	10.49	12.23	6.58	13.63	17.02	6.85	6.37
Excess		0.07	0.77	3.34	0.07	4.27	4.23	0.02	1.40
JENNISON ASSOCIATES	284,919								
RUSSELL 2000 INDEX		6.26							
Excess									
TOTAL INTERNATIONAL EQUITY	515,231,618	4.12	8.47	16.63	4.12	13.89	5.83	-1.87	5.79
MSCI AC WORLD ex US (GROSS)		4.09	9.78	18.48	4.09	14.40	7.51	0.37	5.76
Excess		0.04	-1.31	-1.85	0.04	-0.51	-1.68	-2.24	0.03
BAILLIE GIFFORD OVERSEAS LIMITED	172,077,090	5.09	8.94	19.28	5.09				11.69
MSCI ACWI ex US GROWTH (GROSS)		3.57	8.92	16.93	3.57				9.00
Excess		1.52	0.02	2.35	1.52				2.69
EATON VANCE MANAGEMENT	64,280,138	2.34	8.20	14.84	2.34				6.15
MSCI Em Markets (USD) GDR		1.39	7.72	15.52	1.39				5.39
Excess		0.95	0.48	-0.68	0.95				0.76
MONDRIAN INVESTMENT PARTNERS	221,355,419	4.24	8.29	14.75	4.24	12.68	7.07	0.14	6.32
MSCI ACWI EX US VALUE (GROSS)		4.60	10.67	20.07	4.60	14.87	6.96	0.44	6.49
Excess		-0.36	-2.37	-5.32	-0.36	-2.19	0.12	-0.30	-0.17

San Mateo County Manager Return Summary

January 31, 2013



Manager Returns (Gross)									
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
PYRAMIS	54,803,584	3.07	8.58	19.29	3.07				9.02
MSCI ACWI ex US Small Cap Gross		4.34	9.44	18.96	4.34				8.52
Excess		-1.27	-0.87	0.33	-1.27				0.50
TOTAL FIXED INCOME	569,619,836	0.44	1.73	6.96	0.44	10.75	9.12	7.10	6.37
SAMCERA TOTAL FIXED INCOME BENCHMARK		-0.77	-0.83	2.08	-0.77	3.52	6.20	5.92	5.88
Excess		1.21	2.55	4.88	1.21	7.23	2.92	1.19	0.49
ABERDEEN ASSET MANAGEMENT	1,727								
Barclays Aggregate Bond		-0.70							
Excess									
ANGELO GORDON GECC PPI FUND	19,627,735	4.55	8.15	24.55	4.55	36.70	20.74		22.54
Barclays BA Intermediate High Yield Index		0.84	2.58	7.86	0.84	12.07	11.13		11.63
Excess		3.71	5.57	16.69	3.71	24.64	9.61		10.91
ANGELO GORDON MANAGEMENT	18,375,000	0.00			0.00				0.00
Barclays BA Intermediate High Yield Index		0.84			0.84				1.90
Excess		-0.84			-0.84				-1.90
PYRAMIS GLOBAL ADVISORS	148,221,759	-0.52	-0.17	2.22	-0.52	4.65	6.93	6.82	6.32
Barclays Aggregate Bond		-0.70	-0.68	1.09	-0.70	2.59	5.41	5.45	5.75
Excess		0.18	0.52	1.13	0.18	2.07	1.53	1.38	0.56
WESTERN ASSET MGMT	119,128,896	-0.38	0.06	3.77	-0.38	10.72	8.36	6.89	6.11
Barclays Aggregate Bond		-0.70	-0.68	1.09	-0.70	2.59	5.41	5.45	5.18
Excess		0.32	0.75	2.69	0.32	8.13	2.95	1.44	0.93
BRIGADE CAPITAL MANAGEMENT	59,297,805	1.70	4.25	10.29	1.70	15.31			11.65
Barclays BA Intermediate High Yield Index		0.84	2.58	7.86	0.84	12.07			10.46
Excess		0.86	1.67	2.43	0.86	3.24			1.19

San Mateo County Manager Return Summary

January 31, 2013



Manager Returns (Gross)									
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
BROWN BROTHERS HARRIMAN & CO	83,160,657	-0.76	-0.74	2.57	-0.76	4.74			8.97
Barclays US TIPS Index		-0.76	-0.99	2.13	-0.76	4.01			8.76
Excess		0.00	0.25	0.44	0.00	0.74			0.21
FRANKLIN TEMPLETON INVESTMENTS	121,806,257	1.97	5.35	14.83	1.97	16.47			9.89
Barclays Multiverse		-0.81	-1.01	2.24	-0.81	2.20			4.57
Excess		2.78	6.36	12.59	2.78	14.26			5.32
TOTAL PRIVATE EQUITY	44,530,452	0.28	0.44	-0.13	0.28	11.23			-65.28
PRIVATE EQUITY BENCHMARK		5.73	8.39	14.26	5.73	20.37			16.96
Excess		-5.46	-7.94	-14.39	-5.46	-9.13			-82.24
TOTAL RISK PARITY	167,743,644	0.79	3.73	10.99	0.79	11.84			10.74
RISK PARITY BENCHMARK		3.01	4.26	7.77	3.01	11.16			7.72
Excess		-2.22	-0.53	3.22	-2.22	0.68			3.02
AQR GLOBAL RISK PREM III LP	167,743,644	0.79	3.73	10.99	0.79	11.84			10.74
RISK PARITY BENCHMARK		3.01	4.26	7.77	3.01	11.16			7.72
Excess		-2.22	-0.53	3.22	-2.22	0.68			3.02
HEDGE FUND COMPOSITE	71,327,085	1.39	3.28	5.34	1.39	5.36			2.94
LIBOR + 4%		0.34	1.04	2.44	0.34	4.24			4.23
Excess		1.05	2.24	2.90	1.05	1.12			-1.29
AQR DELTA FUND II, L.P.	71,327,085	1.39	3.28	5.34	1.39	5.36			2.94
LIBOR + 4%		0.34	1.04	2.44	0.34	4.24			4.23
Excess		1.05	2.24	2.90	1.05	1.13			-1.29
TOTAL COMMODITIES	77,101,576	3.04	1.17	10.30	3.04	12.06			1.86
DJ-UBS COMMODITY		2.39	-0.24	5.15	2.39	-1.22			-8.53
Excess		0.65	1.42	5.15	0.65	13.28			10.39

**San Mateo County
Manager Return Summary**

January 31, 2013



Manager Returns (Gross)									
	\$ EMV	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
SSGA MULTISOURCE ACT COMM NL	77,101,576	3.04	1.17	10.30	3.04	12.06			1.86
DJ-UBS COMMODITY		2.39	-0.24	5.15	2.39	-1.22			-8.53
Excess		0.65	1.42	5.15	0.65	13.28			10.39
TOTAL REAL ESTATE	153,983,862	0.00	3.11	6.00	0.00	9.70	14.39	-0.63	7.72
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	2.54	5.40	0.00	11.26	14.13	-0.73	7.71
Excess		0.00	0.57	0.59	0.00	-1.56	0.26	0.10	0.01
INVESCO REAL ESTATE	153,983,862	0.00	3.11	6.00	0.00	9.70	14.39	-0.63	6.34
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	2.54	5.40	0.00	11.26	14.13	-0.73	6.09
Excess		0.00	0.57	0.59	0.00	-1.56	0.26	0.10	0.25
TOTAL CASH	69,015,260	0.05	0.10	0.29	0.05	0.61	0.80	0.29	2.49
91 DAY TREASURY BILL		0.00	0.03	0.07	0.00	0.11	0.11	0.42	2.42
Excess		0.05	0.07	0.22	0.05	0.50	0.69	-0.13	0.07
SAMCERA GENERAL ACCOUNT	54,312,424	0.03	0.05	0.13	0.03	0.21	0.27	0.68	2.55
SAMCERA TREASURY & LAIF	14,702,836	0.05	0.18	0.42	0.05	0.77	0.98	0.25	3.25
TOTAL FUND	2,703,361,923	3.06	5.35	10.92	3.06	12.90	10.84	3.47	6.52
SAMCERA TOTAL PLAN POLICY BENCHMARK		3.24	5.43	10.20	3.24	12.27	11.29	4.41	6.78
Excess		-0.18	-0.08	0.72	-0.18	0.63	-0.45	-0.94	-0.26

**San Mateo County
Accounting Change in Market Value Details**

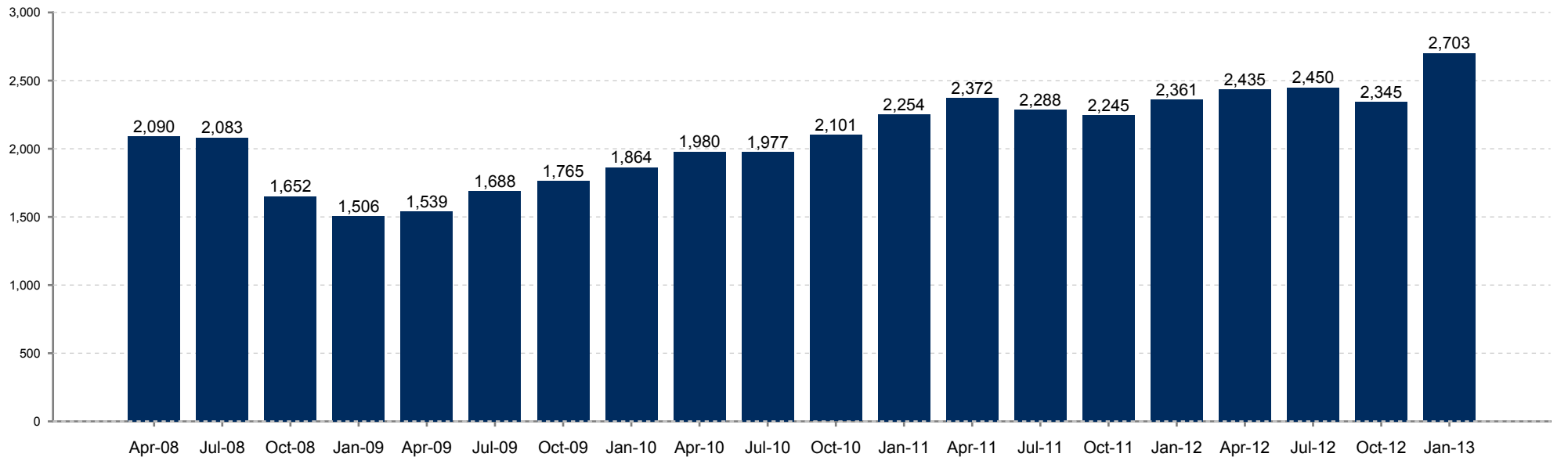
January 31, 2013



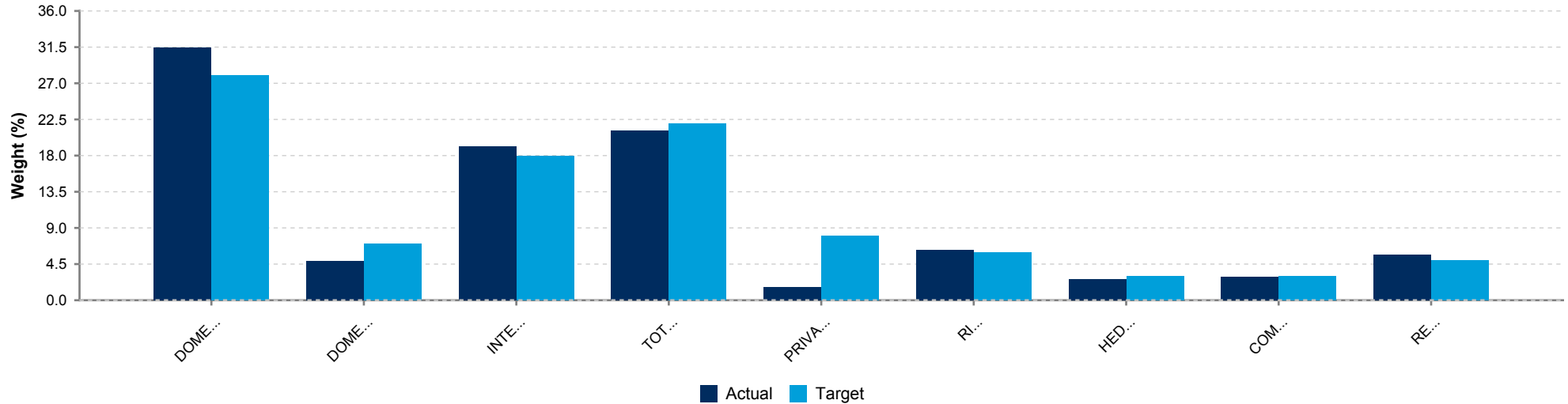
Record of Asset Growth

	One Quarter	One Year
TOTAL FUND		
Beginning Market Value	2,520,338,825	2,361,572,558
Contributions	1,385,566,883	2,427,857,694
Withdrawals	1,353,757,600	2,691,001,728
Income Received	11,837,419	47,593,923
Gain/Loss	123,626,395	257,995,321
Ending Market Value	2,703,361,923	2,703,361,923

Net Asset Values over Time (\$000)



Actual vs Target Weights



% Portfolio Weight

	Min	Actual	Target	Deviation	Max
DOMESTIC LARGE CAP	25.0	31.4	28.0	3.4	31.0
BLACKROCK S&P 500	3.5	16.0	6.5	9.5	9.5
DE SHAW INVESTMENT MGT, LLC	1.3	5.0	4.3	0.7	7.3
T. ROWE PRICE ASSOCIATES	1.3	0.0	4.3	-4.2	7.3
BARROW HANLEY	3.5	5.1	6.5	-1.4	9.5
BLACKROCK LARGE GROWTH	3.5	5.2	6.5	-1.3	9.5
DOMESTIC SMALL CAP	4.0	4.9	7.0	-2.1	10.0
BOSTON COMPANY ASSET MGT, LLC	0.0	2.3	1.8	0.5	4.8
CHARTWELL INVESTMENT MGMT	0.0	2.6	1.8	0.9	4.8
JENNISON ASSOCIATES	0.5	0.0	3.5	-3.5	6.5
INTERNATIONAL EQUITY	15.0	19.1	18.0	1.1	21.0
BAILLIE GIFFORD OVERSEAS LIMITED	3.0	6.4	6.0	0.4	9.0
EATON VANCE MANAGEMENT	0.0	2.4	2.3	0.1	5.3
MONDRIAN INVESTMENT PARTNERS	5.0	8.2	8.0	0.2	11.0

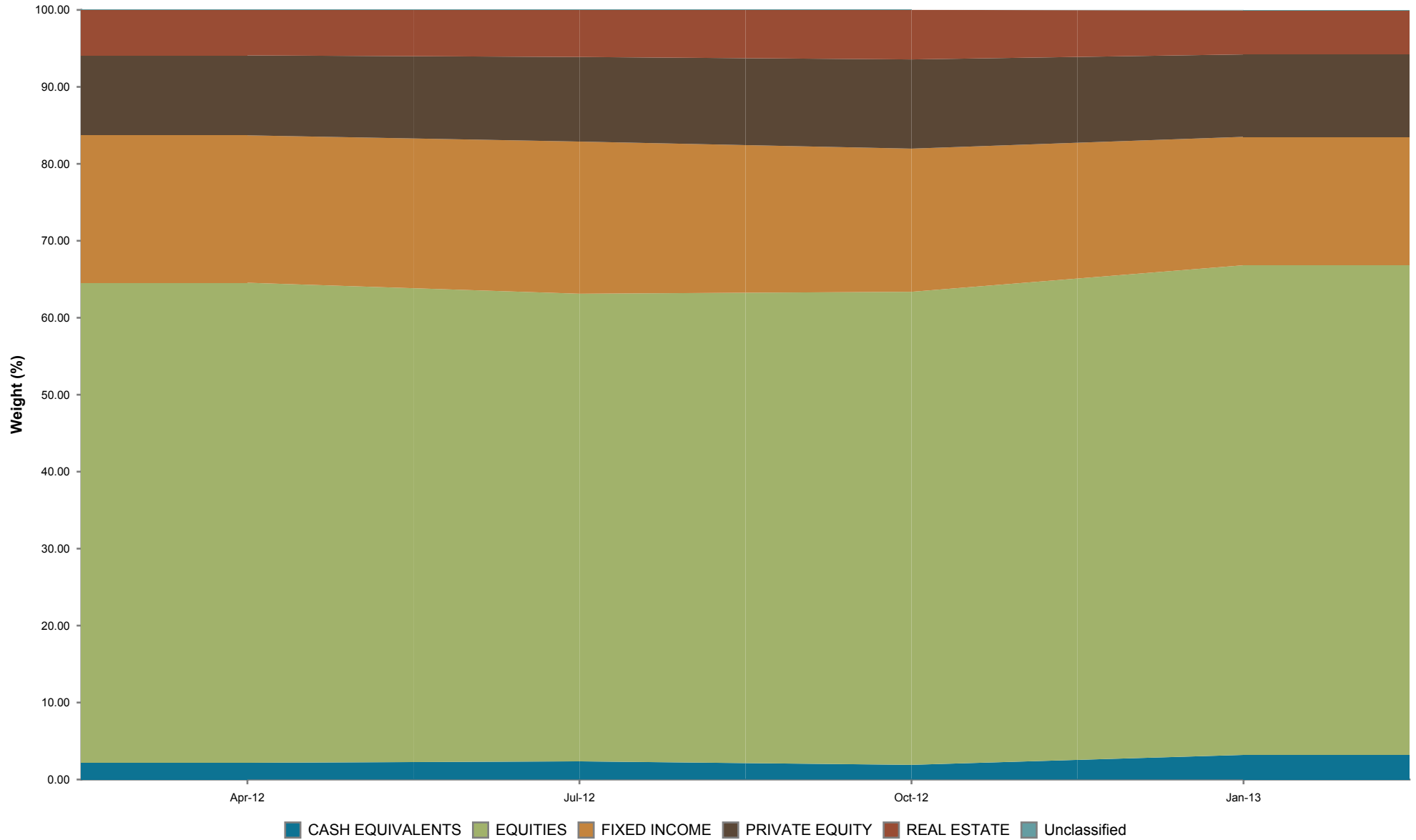
% Portfolio Weight					
	Min	Actual	Target	Deviation	Max
PYRAMIS	0.0	2.0	1.8	0.3	4.8
TOTAL FIXED INCOME	19.0	21.1	22.0	-0.9	25.0
ABERDEEN ASSET MANAGEMENT	1.8	0.0	3.8	-3.7	5.8
ANGELO GORDON GECC PPI FUND	0.0	0.7	1.6	-0.9	3.6
BRIGADE CAPITAL MANAGEMENT	0.0	2.2	1.6	0.6	3.6
BROWN BROTHERS HARRIMAN & CO	1.0	3.1	3.0	0.1	5.0
FRANKLIN TEMPLETON INVESTMENTS	2.5	4.5	4.5	0.0	6.5
WESTERN ASSET MGMT	1.8	4.4	3.8	0.7	5.8
PYRAMIS GLOBAL ADVISORS	1.8	5.5	3.8	1.7	6.8
PRIVATE EQUITY	8.0	1.6	8.0	-6.4	8.0
RISK PARITY	6.0	6.2	6.0	0.2	6.0
AQR GLOBAL RISK PREM III LP	6.0	6.2	6.0	0.2	6.0
HEDGE FUNDS	3.0	2.6	3.0	-0.4	3.0
AQR DELTA FUND II, L.P.	3.0	2.6	3.0	-0.4	3.0
COMMODITIES	3.0	2.9	3.0	-0.1	3.0
SSGA MULTISOURCE ACT COMM NL	3.0	2.9	3.0	-0.1	3.0
REAL ESTATE	3.0	5.7	5.0	0.7	7.0
INVESCO REAL ESTATE	3.0	5.7	5.0	0.7	3.0

San Mateo County Asset Allocation Over Time

January 31, 2013



Asset Allocation Over Time

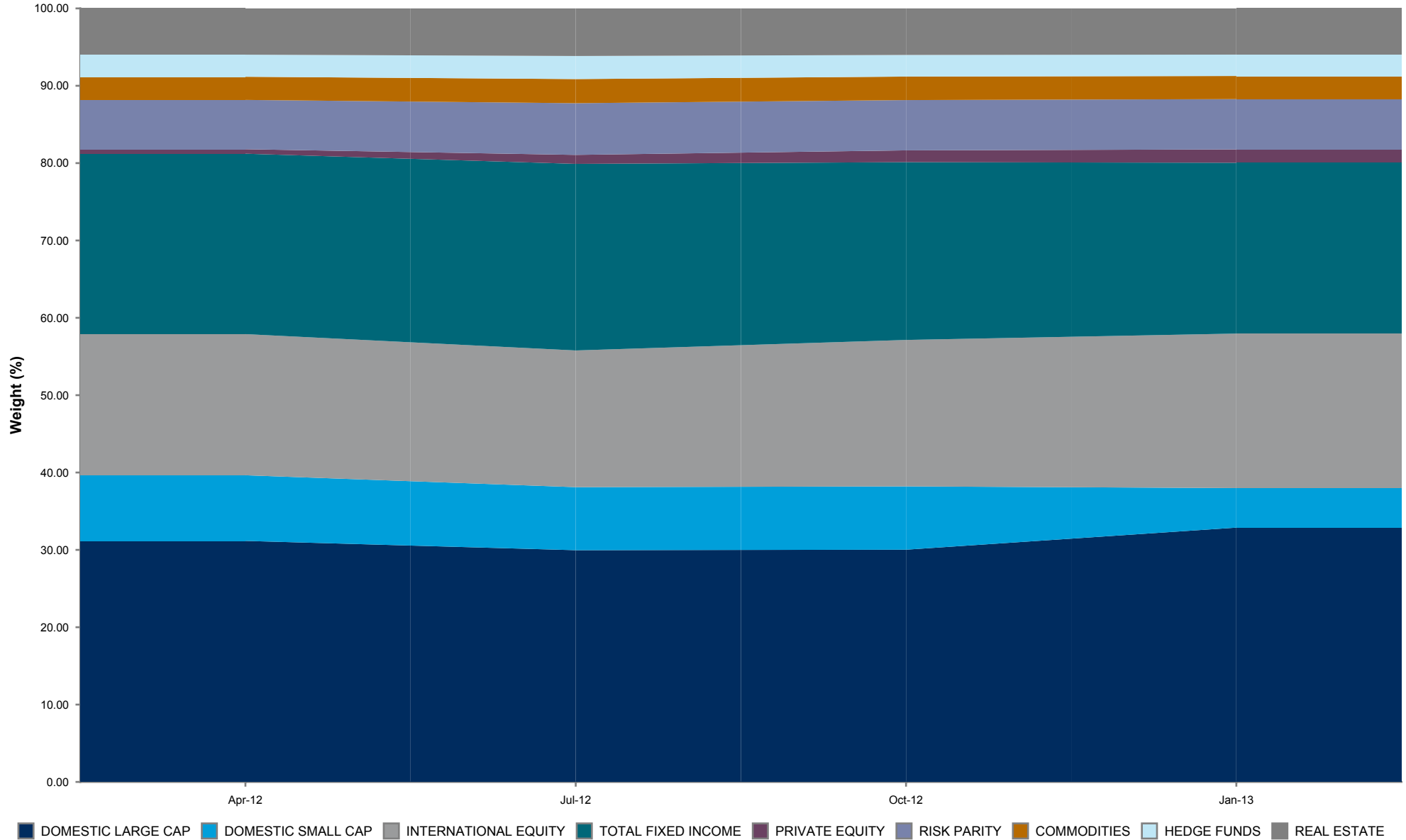


San Mateo County Sub-Asset Class Allocation Over Time

January 31, 2013



Sub-Asset Class Allocation Over Time



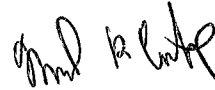
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.2a

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Discussion and Review of D.E. Shaw 130/30 Manager Request for Information Responses (In Closed Session – Refer to Agenda Item C2)

Staff Recommendation:

Staff recommends that the Board review the attached information regarding D.E. Shaw's 130/30 strategy to determine whether to transition our current long-only strategy with D.E. Shaw to a 130/30 strategy.

Background:

At the January 2012 Board meeting, the Board reviewed performance data on the universe of 130/30 managers in order to see how D.E. Shaw compared to their competitors. D.E. Shaw's 130/30 strategy compared favorably to the universe. The Board asked for the Investment Committee to further analyze D.E. Shaw's 130/30 strategy and to recommend their decision to the Board at a future meeting.

Discussion:

The attachments contain additional information provided by D.E. Shaw regarding the firm, team, investment process, risk controls, and performance data for the D.E. Shaw 130/30 strategy.

Attachments:

- A. *BMCAE Composite Performance Summary*
- B. *Composite Attribution and Characteristics BMCAE*
- C. *DE Shaw Questionnaire*
- D. *DE Shaw Investment Overview*
- E. *DE Shaw Investment Process Overview*

Agenda Item 6.2a

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(Closed Session – Refer to Agenda Item C2)

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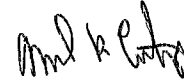
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.2b

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Presentation and Approval of Private Equity Opportunity
(Closed Session – Refer to Agenda Item C2)

Staff Recommendation:

Staff recommends the Board consider the private equity investment opportunity and if approved, adopt a resolution authorizing the Chief Executive Officer to execute all necessary paperwork to perfect the investment and to take all actions necessary to initiate, implement, and monitor the investment.

Background:

The Board has received a confidential due diligence report concerning a private equity investment opportunity. The information contained in this report is confidential pursuant to Government Code section 6254.26.

Discussion:

The investment would offer the opportunity to participate in a portfolio of new, transformative healthcare companies with attractive risk-adjusted return potential with a venture capital general partner focused on the life sciences sector.

Faraz Shooshani (SIS), and potentially a representative from the general partner, will present this agenda item including an oral review of the firm and investment process.

Attachments:

A. Recommendation of Private Equity Opportunity

Agenda Item 6.2b

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(Closed Session – Refer to Agenda Item C2)

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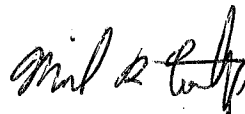
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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.3

TO: Board of Retirement



FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Discussion and Review of Overlay Management – Further Discussion

Staff Recommendation:

Staff recommends that the Board review the attached information from State Street regarding overlay cash equitization management.

Background:

During the January 2013 Board meeting, SIS presented a summary of the different services that an overlay manager can perform for SamCERA, including cash equitization (both manager-held cash and portfolio-level cash), portfolio rebalancing, expressing tactical allocation shifts, and hedging interest rate and currency risks.

Discussion:

The Board asked the Investment Committee to review overlay management in more detail, and to report to the Board at a later date. One of the suggested follow-ups was to estimate the impact of SamCERA's residual cash and the potential benefit of a cash equitization program. State Street analyzed the manager-held cash during 2012 and applied appropriate market benchmark returns to estimate the potential value-add of incorporating a cash equitization program. The attached file shows that the potential value-add due to removing the cash drag ranged from 6 to 49 basis points, depending on the time period analyzed. It is important to note that the impact of minimizing cash drag will be directly linked to the performance of the equity markets.

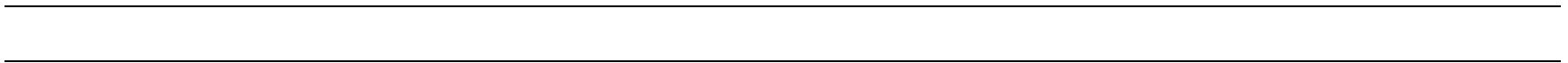
Attachments:

A. *Cash Equitization Analysis*



San Mateo County

Cash Equitization Analysis Feb 2013



Summary

San Mateo County (the “County”) requested that the State Street Global Markets division of State Street Bank and Trust Company (“SSGM”) conduct a review to estimate the impact of the County holding cash across various managers’ accounts and the potential performance implication of not being fully invested in the market with this cash. In the document below, SSGM will detail the result of the cash drag analysis and review the estimated impact of a potential cash equitization program.

Program Description

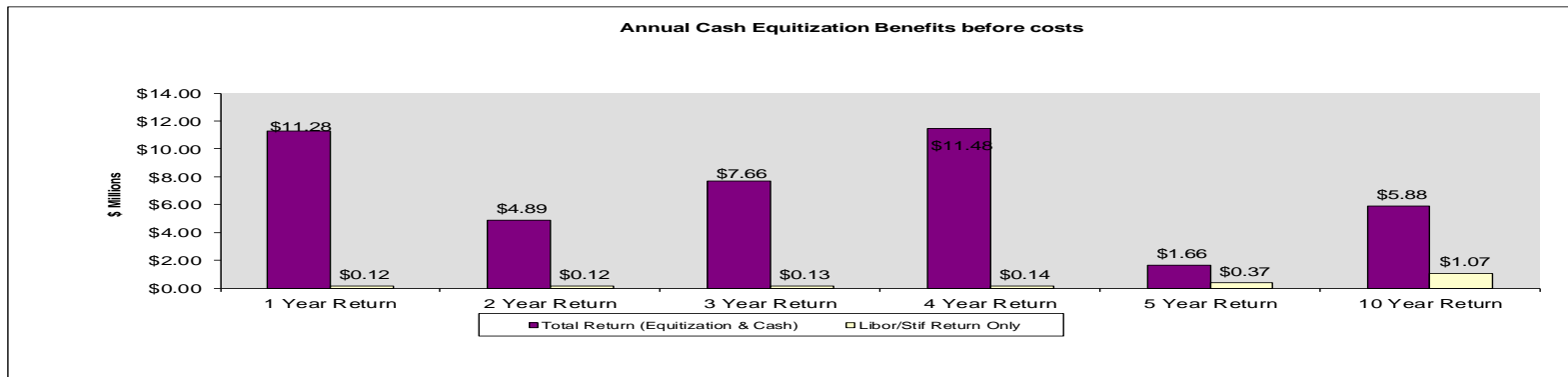
A cash equitization program using futures can help a plan avoid market underperformance over a long term investment horizon by mitigating excess cash drag. Active equity managers often charge fees significantly in excess of index and/or cash return products, and therefore are expected to add alpha by way of their stock selection skills. While these managers may be maintaining a cash balance either to provide themselves with the flexibility to react quickly to an attractive investment or to tactically bet against the market, this may serve to skew the plan’s intended asset allocation and result in cash drag on the plan’s overall performance.

A well-run cash equitization program still provides flexibility to the individual active equity managers as it will remain effectively behind-the-scenes to them. At inception, a dedicated account is established at the custodian level and funded with a nominal cash amount necessary to satisfy the initial margin requirements of the futures clearing broker. The SSGM Portfolio Solutions team will either receive online access or daily emails from the plan’s custodian detailing the cash balances for each manager within the plan. These cash balances within the individual funds will then be exposed to the market via futures contracts and all gains/losses will flow directly to the dedicated equitization account. As a result, the performance of the active managers will not be disturbed and they will still retain their flexibility as the cash balances will remain in their individual accounts. The futures positions associated with the equitization program will be adjusted daily as needed based on available cash. The impact of the program will be easy to gauge as performance reporting will be available on a daily basis and can be measured against the total return of cash as well as the plan’s policy benchmark (or any other benchmarks of the County’s choosing). Finally, no management fee will be charged by SSGM for this program (although SSGM does charge commissions on futures trades).

San Mateo County Cash Equitization Analysis

Results

Manager	Average Cash Balance (\$)	Average Cash Balance (%)	1 Year Return	2 Year Return	3 Year Return	4 Year Return	5 Year Return	10 Year Return
F01R	11,308,321	0.49%	1,953,443	847,523	1,326,920	1,988,834	287,697	1,018,624
F01S	13,554,966	0.59%	2,341,537	1,015,902	1,590,542	2,383,959	344,855	1,220,996
F01U	4,083,978	0.18%	705,482	306,081	479,215	718,264	103,901	367,874
F02E	2,015,879	0.09%	348,231	151,084	236,544	354,540	51,286	181,585
F02F	4,001,899	0.17%	691,304	299,930	469,583	703,828	101,813	360,481
F02G	2,371,565	0.10%	409,673	177,741	278,280	417,095	60,335	213,624
F02H	11,054,086	0.48%	1,909,525	828,469	1,297,088	1,944,121	281,229	995,723
F02N	3,502,199	0.15%	604,983	262,479	410,948	615,944	89,100	315,469
F02P	1,756,183	0.08%	303,370	131,620	206,071	308,866	44,679	158,192
F02Q	2,808,277	0.12%	485,113	210,471	329,524	493,901	71,446	252,962
F02R	90,080	0.00%	15,561	6,751	10,570	15,843	2,292	8,114
F02S	742,282	0.03%	128,225	55,632	87,100	130,548	18,885	66,863
F02U	758,933	0.03%	131,101	56,880	89,053	133,476	19,308	68,363
F02X	757,466	0.03%	130,848	56,770	88,881	133,218	19,271	68,231
F02Z	6,466,584	0.28%	1,117,063	484,650	758,790	1,137,301	164,518	582,493
Net	65,272,700	2.84%	11,275,458	4,891,982	7,659,107	11,479,737	1,660,616	5,879,594
Total Return (Equitization & Cash) Net	65,272,700	2.84%	11,275,458	4,891,982	7,659,107	11,479,737	1,660,616	5,879,594
Libor/Stif Return Only			122,118	123,136	130,530	140,306	374,996	1,068,812
Annual Value Added w/ Equitization			11,153,340	4,768,846	7,528,578	11,339,431	1,285,620	4,810,782
Annual Value Added to the Plan (%)			0.48%	0.21%	0.33%	0.49%	0.06%	0.21%



*As of January 31, 2013

**Past performance is not a guarantee of future results

SSGM has analyzed the average 2012 cash balances of the managers within the County's plan and the associated benchmarks of each manager. Using the table above SSGM illustrates the potential benefits of equitizing these cash balances using futures contracts, where possible, based on an assumed policy benchmark for the total plan equity allocation (60% Russell 3000, 40% MSCI EAFE). For this calculation, the average cash balances of the accounts were assumed to have generated the equity returns of the benchmark over the previous 1, 2, 3, 4, 5, and 10 year annualized returns. The results of the analysis show that an equitization plan using the above asset allocations would have added value over each time period ranging in value from 6 to 49 basis points at the plan level on an annualized basis. These calculated returns do not include transaction costs. Costs for an SSGM-administered cash equitization program historically range between 1 to 3 basis points of the total plan assets and will depend on the cash balances in the accounts and the turnover within the equitization program.

It is important to note that this program is closely tied to the market return or beta of the market and is therefore subject to market risk. It is for that reason that most cash equitization program customers do not use this as a tactical product, but rather as part of a long term strategic play designed to capitalize on the expected market premium over the cash rate in the long run.

Please contact the SSGM Portfolio Solutions team should you wish to discuss further.

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Craig Fitzgerald (617)664-6621

Jay Doherty (949)932-1985

Kevin Deren (617)664-2402

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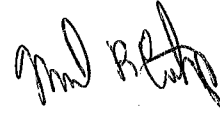
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement**

February 26, 2013

Agenda Item 6.4

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval of Annual Review Questionnaires for International Managers

Staff Recommendation:

Approve the proposed annual review questionnaires, after reviewing the questions and offering changes or additional questions as appropriate, for our International managers (Eaton Vance/Parametric Emerging Equity, Franklin Templeton Global Bonds, and Pyramis International Small-Cap Equity). SamCERA's International Value and Growth managers, Mondrian Investment Partners and Baillie Gifford Overseas, will be reviewed later in the year along with domestic managers in their respective investment style.

Background:

As part of the manager annual review process, questionnaires are sent to each manager and the responses are returned before their review dates. Staff will review the International managers in April.

Attachments:

- A. *Parametric EM Annual Questionnaire 2012*
- B. *Pyramis Intl SC Annual Questionnaire 2012*
- C. *Templeton Global Bond Annual Questionnaire 2012*

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Parametric Emerging Markets---- December 2012

ORGANIZATIONAL UPDATE

1. Provide an update on your firm's organization, with particular emphasis on (a) changes to your structure over the past eighteen months, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year, and (d) recent corporate acquisitions, including negative and positive effects. All significant changes should be accompanied by an explanation.
2. Outline the firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
3. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in \$US millions.
4. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund that was focused on equity investments? If so, please provide details.
5. Specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
6. Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?
7. Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to investments@samcera.org.
8. When did the Securities & Exchange Commission, Attorney General, or the Financial Industry Regulatory Authority (FINRA) last audit your firm? Please note any material findings or recommendations.
9. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers) and e-mail the certificates of insurance to investments@samcera.org.
10. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
11. Do you have a written policy on ethics? If so, please e-mail the policy to investments@samcera.org.
12. Provide the location of your firm's investment and accounting back-office staff. Are any of your investment activities or operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted. Are any of these firms considered affiliates of your firm?
13. What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
14. Provide an overview of your firm's business continuity plan as it relates to the investment process.
15. E-mail your firm's most recent SAS 70 Report or equivalent to investments@samcera.org.

INVESTMENT TEAM

16. Specify separately the individuals (up to five) who you feel are key to the success of SamCERA's product and describe their respective role(s) and experience. Also indicate the location(s) of these individuals. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing the strategy. If this list has changed in the last eighteen months, identify and explain the change(s).

INVESTMENT STRATEGY & PROCESS

17. What are the current assets in this product? What proportion of total AUM do the assets in this product make-up of the firm? Please provide the year-end AUM in this product for the past 5 years. What are the capacity constraints for this product and who determines the constraints? How does your firm determine the capacity threshold?
18. What percentage of assets in product is controlled by your 5 largest accounts? What size does SamCERA's account comprise of total product assets?
19. Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to your firm's investment strategy and process? Are there market cycles that are historically difficult for your firm's investment strategy and process?
20. Provide the product's annual turnover for each of the last 5 years. Please explain any outlier volumes.
21. Please provide a % of total market value market-capitalization stratification (also include benchmark weightings) by the following ranges:
 - a. >\$10 billion
 - b. \$5-\$10 billion
 - c. \$2-\$5 billion
 - d. \$1 billion -\$2 billion
 - e. \$500 million – \$2 billion
 - f. \$200 million - \$500 million
 - g. <\$200 million
22. What percentage of investments would you deem to be illiquid? How long would it take to liquidate our portfolio without undue impact costs? What security-level liquidity parameter is used when constructing the portfolio?
23. How much of the portfolio can be invested in frontier markets? How much of the portfolio has been invested in frontier markets over each of the last five calendar years ending 12/31/2012? How do your buy/sell criteria differ for frontier market names, if at all, and what are portfolio construction rules for frontier markets?
24. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.
25. Describe any portfolio- or security-level hedging activities utilized in the strategy, including what risks/exposures are typically hedged, the types of instruments used and how your hedging activities are expected to add value. If applicable, please provide specific examples of how your hedging activities have reduced risk at an opportune time and positively impacted returns.

26. Describe your approach to managing and hedging non-USD currency exposures. Is currency evaluated and managed on a stand-alone basis, or is it integrated into the broader research process? If not covered above, describe the use of derivatives in the strategy including the rationale, types, typical amounts, and any associated limits or constraints.
27. Regarding risk management:
 - a. List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.
 - b. Identify the person(s) or group primarily responsible for the risk management function.
 - c. Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.
28. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?
29. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?
30. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?
31. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.
32. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting? Please forward your proxy voting policy to investments@samcera.org.

PERFORMANCE

33. Is the performance composite constructed for SamCERA's portfolio in compliance with the Global Investment Performance Standards (GIPS)? When was the performance composite last audited?
34. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy. Has the strategy achieved these targets on a net basis? Regarding the expected sources of relative positive return, how has expectations differed with actual results?
35. Detail your firm's perspective of SamCERA's performance expectations, as spelled out in the Investment Management Agreement and SamCERA's Investment Policy. How is your firm doing relative to those expectations?
36. What is a reasonable expected tracking error to the benchmark? What are the expected sources of the tracking error?
37. Please discuss the strategy's net performance relative to the benchmark for the one, three and five year periods ending December 31, 2012.
38. What is your firm's source(s) for pricing equities? Does this source differ from that of SamCERA's custodian, State Street Bank & Trust? How are pricing variances with the custodian resolved?
39. Are there pricing issues relative to methodology or pricing sources utilized by your firm versus those utilized by the benchmark?

40. Is SamCERA's benchmark appropriate?
41. Attach an Excel file containing a list of portfolio holdings as of the review date. Please include security name, CUSIP or other relevant identifier, amount, cost basis, market value, and % of total portfolio.
42. Provide a full review of performance attribution (on a net of fee basis) for the trailing 12 month period versus the benchmark.

OPERATIONS, TRADING & CONTROLS

43. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.
44. Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2012?
45. Does your firm monitor trade effectiveness? If so, how is that documented? To whom does trading report?
46. How many brokers were used during calendar year 2012? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?
47. Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were not used to acquire products and services in 2012, what would be the dollar increase in your firms total operating expenses?
48. Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.
49. Please disclose the firms you employ for introductions to industry experts.
50. What is your firm's position regarding participation in directed brokerage and/or commission recapture programs? Is there a maximum amount of trades that you allow to be directed? How many of your clients utilize direct brokerage?
51. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
52. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
53. Regarding counterparties:
 1. List all counterparties you have engaged to execute trades/establish positions within the strategy over the most recent 12 month period and provide an estimate of the percentage of trades allocated to each.
 2. How are your trading counterparties selected, monitored and evaluated?
 3. Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.
54. Do you have a policy regarding the selection and review of brokers and counterparties. If you do, please e-mail a copy to investments@samcera.org

CONCLUSION

55. What is your firm's outlook for the international equity markets?

56. What issues are other clients concerned with in regards to products, markets, education and governance?
57. Describe your assessment of the relationship between your firm and SamCERA. How can we better utilize your firm's capabilities?
58. Is there any information that would be timely pursuant to SamCERA's Investment Policy, the Investment Management Agreement with SamCERA, and this annual review?
59. Are your clients making significant changes in their asset mixes? Please describe these changes.
60. What market opportunities should SamCERA consider?

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Pyramis International Small-Cap---- 12/31/12

ORGANIZATIONAL UPDATE

1. Provide an update on your firm's organization, with particular emphasis on (a) changes to your structure over the past eighteen months, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year, and (d) recent corporate acquisitions, including negative and positive effects. All significant changes should be accompanied by an explanation.
2. Outline the firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
3. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in \$US millions.
4. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund that was focused on equity investments? If so, please provide details.
5. Specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
6. Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?
7. Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to investments@samcera.org.
8. When did the Securities & Exchange Commission, Attorney General, or the Financial Industry Regulatory Authority (FINRA) last audit your firm? Please note any material findings or recommendations.
9. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers) and e-mail the certificates of insurance to investments@samcera.org.
10. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
11. Do you have a written policy on ethics? If so, please e-mail the policy to investments@samcera.org.
12. Provide the location of your firm's investment and accounting back-office staff. Are any of your investment activities or operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted. Are any of these firms considered affiliates of your firm?
13. What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
14. Provide an overview of your firm's business continuity plan as it relates to the investment process.
15. E-mail your firm's most recent SAS 70 Report or equivalent to investments@samcera.org.

INVESTMENT TEAM

16. Specify separately the individuals (up to five) who you feel are key to the success of SamCERA's product and describe their respective role(s) and experience. Also indicate the location(s) of these individuals. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing the strategy. If this list has changed in the last eighteen months, identify and explain the change(s).

INVESTMENT STRATEGY & PROCESS

17. What are the current assets in this product? What proportion of total AUM do the assets in this product make-up of the firm? Please provide the year-end AUM in this product for the past 5 years. What are the capacity constraints for this product and who determines the constraints? How does your firm determine the capacity threshold?
18. What percentage of assets in product is controlled by your 5 largest accounts? What size does SamCERA's account comprise of total product assets?
19. Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to your firm's investment strategy and process? Are there market cycles that are historically difficult for your firm's investment strategy and process?
20. Provide the product's annual turnover for each of the last 5 years. Please explain any outlier volumes.
21. What percentage of investments would you deem to be illiquid? How long would it take to liquidate our portfolio without undue impact costs? What security-level liquidity parameter is used when constructing the portfolio?
22. How much of the portfolio can be invested in emerging markets? How much of the portfolio has been invested in emerging markets over each of the last five calendar years ending 12/31/2012? How do your buy/sell criteria differ for emerging market names, if at all, and what are portfolio construction rules for emerging markets?
23. How much of the portfolio can be invested in frontier markets? How much of the portfolio has been invested in frontier markets over each of the last five calendar years ending 12/31/2012? How do your buy/sell criteria differ for frontier market names, if at all, and what are portfolio construction rules for frontier markets?
24. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.
25. Describe any portfolio- or security-level hedging activities utilized in the strategy, including what risks/exposures are typically hedged, the types of instruments used and how your hedging activities are expected to add value. If applicable, please provide specific examples of how your hedging activities have reduced risk at an opportune time and positively impacted returns.
26. Describe your approach to managing and hedging non-USD currency exposures. Is currency evaluated and managed on a stand-alone basis, or is it integrated into the broader research process? If not covered above, describe the use of derivatives in the strategy including the rationale, types, typical amounts, and any associated limits or constraints.
27. Regarding risk management:

- a. List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.
 - b. Identify the person(s) or group primarily responsible for the risk management function.
 - c. Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.
28. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?
29. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?
30. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?
31. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.
32. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting? Please forward your proxy voting policy to investments@samcera.org.

PERFORMANCE

33. Is the performance composite constructed for SamCERA's portfolio in compliance with the Global Investment Performance Standards (GIPS)? When was the performance composite last audited?
34. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy. Has the strategy achieved these targets on a net basis? Regarding the expected sources of relative positive return, how has expectations differed with actual results?
35. Detail your firm's perspective of SamCERA's performance expectations, as spelled out in the Investment Management Agreement and SamCERA's Investment Policy. How is your firm doing relative to those expectations?
36. Are SamCERA's investment guidelines adequate? Do the guidelines impose constraints on the portfolio that would result in a significant dispersion from other portfolios? If so, please provide details.
37. What is a reasonable expected tracking error to the benchmark? What are the expected sources of the tracking error?
38. Please discuss the strategy's net performance relative to the benchmark for the one, three and five year periods ending December 31, 2012.
39. What is your firm's source(s) for pricing equities? Does this source differ from that of SamCERA's custodian, State Street Bank & Trust? How are pricing variances with the custodian resolved?
40. Are there pricing issues relative to methodology or pricing sources utilized by your firm versus those utilized by the benchmark?
41. Is SamCERA's benchmark appropriate?

42. Attach an Excel file containing a list of portfolio holdings as of the review date. Please include security name, CUSIP or other relevant identifier, amount, cost basis, market value, and % of total portfolio.
43. Provide a full review of performance attribution (on a net of fee basis) for the trailing 12 month period versus the benchmark.

OPERATIONS, TRADING & CONTROLS

44. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.
45. Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2012?
46. Does your firm monitor trade effectiveness? If so, how is that documented? To whom does trading report?
47. How many brokers were used during calendar year 2012? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?
48. Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were not used to acquire products and services in 2012, what would be the dollar increase in your firms total operating expenses?
49. Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.
50. Please disclose the firms you employ for introductions to industry experts.
51. What is your firm's position regarding participation in directed brokerage and/or commission recapture programs? Is there a maximum amount of trades that you allow to be directed? How many of your clients utilize direct brokerage?
52. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
53. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
54. Regarding counterparties:
 1. List all counterparties you have engaged to execute trades/establish positions within the strategy over the most recent 12 month period and provide an estimate of the percentage of trades allocated to each.
 2. How are your trading counterparties selected, monitored and evaluated?
 3. Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.
55. Do you have a policy regarding the selection and review of brokers and counterparties. If you do, please e-mail a copy to investments@samcera.org

CONCLUSION

56. What is your firm's outlook for the international equity markets?
57. What issues are other clients concerned with in regards to products, markets, education and governance?

58. Describe your assessment of the relationship between your firm and SamCERA. How can we better utilize your firm's capabilities?
59. Is there any information that would be timely pursuant to SamCERA's Investment Policy, the Investment Management Agreement with SamCERA, and this annual review?
60. Are your clients making significant changes in their asset mixes? Please describe these changes.
61. What market opportunities should SamCERA consider?

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Templeton Global Bond – 12/31/2012

ORGANIZATIONAL UPDATE

1. Provide an update on your firm's organization, with particular emphasis on (a) changes to your structure over the past eighteen months, (b) growth and acquisition of assets under management, (c) clients gained or lost in the past year, and (d) recent corporate acquisitions, including negative and positive effects. All significant changes should be accompanied by an explanation.
2. Outline the firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
3. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in \$US millions.
4. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund that was focused on global fixed income? If so, please provide details.
5. Specify separately the individuals (up to ten) who you feel are key to the success of your firm. If the list has changed in the last eighteen months, identify and explain the change(s).
6. Describe your firm's management succession plan. Have dates been established regarding the succession of any key personnel, specifically those reported in the preceding questions?
7. Has your firm or any of its employees been involved in regulatory or litigation actions related to your business in the past eighteen months? E-mail your firm's most recent ADV Parts I & II to investments@samcera.org.
8. When did the Securities & Exchange Commission, Attorney General, or the Financial Industry Regulatory Authority (FINRA) last audit your firm? Please note any material findings or recommendations.
9. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers) and e-mail the certificates of insurance to investments@samcera.org.
10. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
11. Do you have a written policy on ethics? If so, please e-mail the policy to investments@samcera.org.
12. Provide the location of your firm's investment and accounting back-office staff. Are any of your investment activities or operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted. Are any of these firms considered affiliates of your firm?
13. What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?
14. Provide an overview of your firm's business continuity plan as it relates to the investment process.
15. E-mail your firm's most recent SAS 70 Report or equivalent to investments@samcera.org.

INVESTMENT TEAM

16. Specify separately the individuals (up to five) who you feel are key to the success of SamCERA's product and describe their respective role(s) and experience. Also indicate the location(s) of these individuals. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing the strategy. If this list has changed in the last eighteen months, identify and explain the change(s).

INVESTMENT STRATEGY & PROCESS

17. What are the current assets in this product? What are the capacity constraints for this product and who determines the constraints? How does your firm determine the capacity threshold?
18. Discuss your firm's investment strategy relative to market environments. Are there market cycles that are particularly favorable to the investment strategy and process? Are there market cycles that are historically difficult for the investment strategy and process?
19. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other global fixed income managers?
20. Describe the investment universe for the strategy, including both region/country exposures and the types of securities utilized. Within this universe, are there any subsets that could be characterized as a primary focus?
21. Provide an estimate of the approximate long-term breakdown of "alpha" for the strategy into the following main components:
 - a. Duration/yield curve positioning
 - b. Country rotation
 - c. Sector rotation
 - d. Security selection
 - e. Currency management
 - f. Other (Credit)
22. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions.
23. Outline and briefly describe the main steps of your investment process.
24. To the extent that top-down decisions are made, e.g. with regard to country allocations or duration/yield curve positioning, how are these views researched and implemented? How do they interact with and inform the more bottom-up aspects of your approach, and vice-versa?
25. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process. If appropriate, include separate sections covering the analysis of sovereigns, corporate bonds, structured securities, etc.
26. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.
27. Does the strategy invest in countries classified as either Emerging or Frontier markets? Please discuss the rationale for including these types of securities and highlight any areas where the analysis differs from your general research process. Are investments in Emerging or Frontier markets limited to sovereign or quasi-sovereign securities? What limits are placed on investments in Emerging or Frontier markets and/or currencies?

28. Does the strategy employ short positions, in either cash bonds or synthetically using CDS, for “alpha” generation purposes? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.
29. Describe any portfolio- or security-level hedging activities utilized in the strategy, including what risks/exposures are typically hedged, the types of instruments used and how your hedging activities are expected to add value. If applicable, please provide specific examples of how your hedging activities have reduced risk at an opportune time and positively impacted returns.
30. Describe your approach to managing and hedging non-USD currency exposures. Is currency evaluated and managed on a stand-alone basis, or is it integrated into the broader research process? Can the portfolio hold long or short currency positions that are not related to an underlying cash bond? (E.g., the portfolio holds no Brazilian Real denominated bonds but has a long position in the currency).
31. If not covered above, describe the use of derivatives in the strategy including the rationale, types, typical amounts, and any associated limits or constraints.
32. Regarding risk management:
 - a. List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.
 - b. Identify the person(s) or group primarily responsible for the risk management function.
 - c. Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.
33. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?
34. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?
35. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?
36. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

PERFORMANCE

37. Is the performance composite constructed for SamCERA’s portfolio in compliance with the Global Investment Performance Standards (GIPS)? When was the performance composite last audited?
38. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy. Has the strategy achieved these targets on a net basis? Regarding the expected sources of relative positive return, how has expectations differed with actual results?
39. Detail your firm’s perspective of SamCERA’s performance expectations, as spelled out in the Investment Management Agreement and SamCERA’s Investment Policy. How is your firm doing relative to those expectations?

40. Are SamCERA's investment guidelines adequate? Do the guidelines impose constraints on the portfolio that would result in a significant dispersion from other portfolios? If so, please provide details.
41. Please discuss the strategy (gross and net) performance relative to the benchmark for the one, three and five year periods ending December 31, 2012.
42. Attach an Excel file containing a list of portfolio holdings as of the review date. Please include security name, CUSIP or other relevant identifier, amount, cost basis, market value, and % of total portfolio.
43. Provide a full review of performance attribution for the trailing 12 month period versus the benchmark.

OPERATIONS, TRADING & CONTROLS

44. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.
45. Describe your trading procedures in detail. What trading platforms does your firm use? How many brokers were used during calendar year 2012?
46. Does your firm monitor trade effectiveness? If so, how is that documented? To whom does trading report?
47. How many brokers were used during calendar year 2012? List the top ten brokers used during that period. Have you discontinued the use of any broker in the last eighteen months?
48. Describe your firm's policies regarding the use of soft dollars. If soft dollar arrangements were not used to acquire products and services in 2012, what would be the dollar increase in your firms total operating expenses?
49. Describe how your firm obtains and pays for outside research reports. Please list the primary sources of research upon which your firm relies.
50. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
51. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
52. Regarding counterparties:
 1. List all counterparties you have engaged to execute trades/establish positions within the strategy over the most recent 12 month period and provide an estimate of the percentage of trades allocated to each.
 2. How are your trading counterparties selected, monitored and evaluated?
 3. Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.
53. Do you have a policy regarding the selection and review of brokers and counterparties. If you do, please e-mail a copy to investments@samcera.org

CONCLUSION

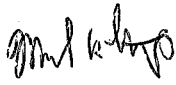
54. What is your firm's outlook for the global fixed income markets?

55. What issues are other clients concerned with in regards to products, markets, education and governance?
56. Describe your assessment of the relationship between your firm and SamCERA. How can we better utilize your firm's capabilities?
57. Is there any information that would be timely pursuant to SamCERA's Investment Policy, the Investment Management Agreement with SamCERA, and this annual review?
58. Are your clients making significant changes in their asset mixes? Please describe these changes.
59. What market opportunities should SamCERA consider?

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.5

TO: Board of Retirement 
FROM: Michael Coultrip, Chief Investment Officer
SUBJECT: Approval of Large-Cap Growth Manager Finalist Candidates

Staff Recommendation:

Staff recommends that the Board review the qualifications of the six semi-finalist candidates for SamCERA's large-cap growth equity mandate and select three finalist firms to invite for interviews before the Board at the March meeting.

Background:

At the October 2012 Board meeting, the Board approved the timeline and selection criteria for identifying a new large-cap growth equity manager. During the December 2012 Board meeting, the Board selected six semi-finalists to receive the Request for Information (RFI). The six semi-finalist firms are: 1) Brown Advisory, 2) Delaware Investments, 3) HS Management, 4) TCW, 5) Wedgewood Partners, and 6) Wellington Management. The timeline calls for SIS to present a statistics sheet and bullet point summaries for the semi-finalist candidates based on Request for Information responses at the February 2013 Board meeting. The last step in the search process will be to interview the finalist candidates during the March 2013 Board meeting.

Discussion:

The first attachment is a Semi-Finalist Search Book that SIS put together. There are three sections in this document. Section One contains bullet highlights of each strategy based upon an evaluation of a variety of factors, including organization, investment team, investment process, performance and fees/terms. Section Two contains a table that summarizes key statistics on each strategy, while Section Three shows performance pages that compare each of the six strategies across a variety of risk and return metrics.

The next attachments contain the RFI responses from each of the six semi-finalist candidates.

Attachments:

- A. *Large Cap Growth (LCG) Semi-Finalist Search Book*
- B. *Brown Advisory LCG RFI*
- C. *Delaware LCG RFI*
- D. *HS LCG RFI*
- E. *TCW LCG RFI*
- F. *Wedgewood LCG RFI*
- G. *Wellington LCG RFI*

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

To: SamCERA
From: SIS
Date: February 5, 2013
Subject: Large Cap Growth Search

Overview

Following discussion of the criteria and initial screening process for the large cap growth search at the December 11th, 2012 Board meeting, the following firms/strategies were approved to receive a Request for Information (RFI):

• Brown Advisory
• Delaware Investments
• HS Management
• TCW
• Wedgewood Partners
• Wellington Management

All six of the managers participated in the RFI process. Based on the information gathered in the RFI responses, SIS evaluated each of the candidates on a variety of factors including, organization, investment team, investment process, performance and fees/terms. We have included key considerations for each manager below ([Section 1](#)). In addition, we have provided a table that compiles a series of key statistics on each strategy to assist in the search process ([Section 2](#)). Lastly, there are performance pages that compare each of the six managers across a variety of risk and return series ([Section 3](#)).

Section 1: Key Considerations

Brown Advisory – Large Cap Growth

Organization:
<ul style="list-style-type: none">• Brown Advisory is 70% employee-owned with all full-time employees holding shares in the parent company. The remaining 30% is held by a mix of outside investors, clients and members of the board of directors. The current mix of employee to outside investor's ownership has remained roughly the same since an employee-led buyout in 1998. We think the ownership structure is unique in the industry and attractive as a retention tool for investment professionals.• The Firm and this strategy, in particular, have not been the subject of regulatory issues in the past. Further, no litigation issues of material concern were reported in the RFI.• Asset growth in institutional accounts has been strong at Brown, especially for the large growth strategy. Current asset levels in large cap growth are around \$10B with most of that growth occurring in the last 2-3 years. We will want to see Brown proactively manage asset levels going forward given the more concentrated nature of the product.
Investment Team:
<ul style="list-style-type: none">• Ken Stuzin leads the large cap growth strategy as sole portfolio manager. Ken started the strategy in 1996 upon joining Brown Advisory. Ken is supported by a large central research team within Brown. Sector analysts provide Ken and other equity strategies within the organization with ideas and research. Ken tends to utilize specific analysts more than others which we believe helps with the consistency of ideas.• Stability at the investment team level has generally been good over time but growth in assets and personnel has brought an increase in turnover that we will want to monitor.• Compensation for both portfolio managers and analyst consists of a base salary, performance bonus and equity incentives. Performance bonus is measured over different time periods relative to an appropriate benchmark and peer rankings.
Investment Process:
<ul style="list-style-type: none">• Brown Advisory utilizes a bottom-up process with a focus on companies that can achieve at least 14% growth in earnings and that have high barriers to entry among other criteria. Analysts are broken down by sector coverage and work as a team with portfolio managers on investment ideas. The edge for Brown comes in their valuation discipline, concentrated ideas portfolio and their policy of one idea out for every idea that comes into the portfolio. Ken is ultimately responsible for all buy/sell decisions.• Brown's research does not appear to be as robust as some other managers we follow but Ken has maneuvered the portfolio well, taking risk when it's rewarded and moving more defensive as markets deteriorate. Saying that, we are acknowledging that without Ken we would not have as favorable of an opinion of Brown in this strategy.
Performance:
<ul style="list-style-type: none">• Brown has one of the best track records in the large growth sector over short and longer periods. Excess returns are present in different market environments which is quite rare as most strategies come in and out of favor at different times.• Brown's valuation discipline will more often lead them to appear conservative vs. the index or aggressive growth managers but it would be an unfair characterization to pigeon them as defensive. They plot pretty consistently in the growth camp but are content to opportunistically find ideas wherever they appear in the universe.
Fees/Terms:
<ul style="list-style-type: none">• Assuming a \$100M allocation the reported fee would be approximately 50 bps. This ranks below the median manager in eVestment alliance for a similar sized mandate.

- Investment professionals can invest in this strategy through a mutual fund and Ken Stuzin has a sizable amount of his net worth invested in the strategy. Capacity is not explicitly provided but the team indicates that at \$14B they will assess capacity. We'd prefer they offer investors a figure up front and make efforts to stick to that number.

Delaware Investments – Large Cap Growth

Organization:
<ul style="list-style-type: none">Delaware is a wholly-owned subsidiary of Macquarie Group, an Australian based financial services company. Delaware has been through a series of ownership changes in its history though in each case they tend to remain fairly autonomous. Macquarie has implemented more cross-marketing with Delaware and expanded product offerings internationally. All else equal, we'd prefer ownership to be in the hands of employees. In addition, the constant shuffle of owners presents greater risk of a flight of talent.Delaware has been party to a few investigations and suits related to investment activities of other affiliates. Nothing that would directly involve this strategy or similar equity products.Delaware has historically had a much larger mutual fund client base than institutional client presence. The team that runs Large Cap Growth would be the exception to this condition as they have had a strong following from institutional investors going back to the team's days with Transamerica before joining Delaware.
Investment Team:
<ul style="list-style-type: none">Jeff Van Harte is the lead PM on the Large Cap Growth strategy. Jeff serves as CIO of the growth team for Delaware and has been the key investment professional for the San Francisco-based growth group. There are three co-PMs on the strategy, Chris Bonavico, Daniel Prislin and Chris Ericksen. In addition, there are five analyst/portfolio managers that work with the growth team. This is a deeply resourced team with a lot of experience managing concentrated growth equity strategies. Jeff is a key figure on the team but he has done a good job of building out support beneath him.Stable group despite being a part of a company that has been party to a number of ownership changes. Our concern has always been that Jeff and team would be picked off by a more stable investment group. So far, they have remained loyal to Delaware.Jeff and team have a revenue sharing arrangement with Delaware that is quite lucrative for the investment professionals. This agreement mostly likely explains the reason the team has remained with Delaware over time. Bonuses will have a performance component to them but most of their compensation will be driven by revenue. Not a great arrangement from an alignment of interest but it has kept the team stable.
Investment Process:
<ul style="list-style-type: none">Delaware's team focuses on a business's intrinsic value. They are looking to find company's trading below what they believe is the worth of a company determined by its cash flows. In some ways this is the mindset of a value manager but we think this is how investors should look at a company. Paying less than the value of a business seems intuitive. They are not GARP or value; however, Delaware looks for companies growing their intrinsic value and look to hold on to a name for extended periods of time. They typically hold 25-35 names in the portfolio and have turnover well below peer averages (25-35%). Delaware's focus on unique sources of idea generation, intrinsic value model and concentrated portfolio give them a big edge over the growth universe.Delaware has a history of buying mid cap companies and holding them as they grow to larger cap names. Thus, median market cap will typically be much smaller than the index or peers. Not a concern for us but something to be aware of with this strategy.
Performance:
<ul style="list-style-type: none">Despite an attractive team and process, performance has not been as consistent. The nature of a concentrated portfolio means that a strategy will deviate from the benchmark at times. Trailing period returns do not look all that exciting at the moment but that is more reason to consider this group now. They have shown an ability to outperform quite successfully in the past and we think they will turn around what has been a lackluster period in the last several years.
Fees/Terms:

- Assuming a \$100M allocation the reported fee would be approximately 63 bps. This ranks above the median manager in eVestment alliance for a similar sized mandate.
- Investment professionals can and do invest substantially in this strategy. Capacity is hypothesized to be around \$15-20B though we think that will be troublesome given the concentrated nature of the product and the large exposure to smaller companies in the portfolio. We'd prefer they offer investors a firm figure up front and make efforts to stick to that number.

Organization:
<ul style="list-style-type: none">• HS is 100% employee owned by its four founding partners. Harry Segalas is the largest shareholder but does not have a majority stake. Three of the four founders worked together at WP Stewart before forming HS in 2007. The organization remains stable and we'd expect ownership to spread to senior professionals over time.• HS has been growing steadily since their inception. Most of the firm's \$1.6B in AUM is with institutional investors and they plan to target that market for most of their growth going forward. Given the attractive performance this strategy has shown, we'd expect growth to accelerate as more investors discover HS.
Investment Team:
<ul style="list-style-type: none">• Harry Segalas serves as CIO and lead portfolio manager for this strategy. Harry's role is decision maker for the portfolio but he tends to stay more high level on company and economic research. David Altman, Director of Research, performs a lot of the day-to-day research alongside other team members. David is integral to the team and would be a significant loss to HS. In addition to Harry and David on the investment team are Gregory Nejme, Robert Gebhart, Cameron Livingstone and Katelyn Nejme.• There have been no departures since the 2007 founding of HS.• Compensation will mostly be driven by the success of the firm. Given the single product focus, its success will drive bonus and partner profits.
Investment Process:
<ul style="list-style-type: none">• HS utilizes a bottom-up research process that focuses on finding dominate companies growing their earnings in a consistent manner. Most companies in the portfolio will be very large in market cap though they will find companies smaller down the cap spectrum that they think can grow into dominant businesses. There is no screen that filters ideas for the investment team. Using experience and a variety of sources, the team generates ideas organically and creates a focus list that drives buy and sell decisions. The teams experience, focus and discipline we think set them apart from many managers in the growth space. Their current size also allows them the ability to enter and exit positions with minimal impact on performance.
Performance:
<ul style="list-style-type: none">• HS has a shorter history than other managers in the search but has achieved an exceptional start since inception. The only year that HS trailed the benchmark was in 2009 when the market rebounded strongly off the lows of the bear market. HS tends to hold very high quality businesses with stable cash flows so they did not fall as much in '08 and naturally did not rally as high as more beaten down names.• Given our view that good managers with recent underperformance appear attractive, we would be inconsistent if we did not address the opposite case. HS has had a remarkable last few years and we would caution clients buying managers recent good performance. While we think HS will be great manager over the long term and hiring them while they are still nimble is a no-brainer, we would nonetheless caution that they may find themselves out of favor in the near term if empirical evidence is of any use.
Fees/Terms:
<ul style="list-style-type: none">• Assuming a \$100M allocation the reported fee would be approximately 65 bps. This ranks above the median manager in eVestment alliance for a similar sized mandate.• Investment professionals can and do invest substantially in this strategy. While the firm has plenty of capacity at this point they declined to offer a number at which they would consider this product to be no longer open to new money. We'd prefer they offer investors a firm figure up front and make efforts to stick to that number.

<p>Organization:</p> <ul style="list-style-type: none"> TCW is currently owned by Societe Generale (SG), Credit Agricole (CA) and employees. Employees own around 19% with the remainder held by SG (69%) and CA (12%). In August, TCW announced that Carlyle Group and TCW employees will be buying out SG and CA’s ownership resulting in Carlyle owning 60% and employees having the remainder. It should be noted that two Carlyle private equity funds are the owners of this business which means that TCW will be sold again in the future so that Carlyle LPs get their capital back. Knowing there will be some kind of unknown transaction with TCW in the future gives us pause on the organization. The team at Concentrated Core should be stable up until then given the employment contracts and higher ownership stake. TCW has a lengthy litigation record which results from their various business units and displeased customers or counterparties. None impacted this strategy or even an equity team but worth noting nonetheless. TCW has a diversified client base and though they have struggled with growth since the departure of their fixed income team, they have stabilized the client losses and appear to be growing in some areas.
<p>Investment Team:</p> <ul style="list-style-type: none"> Craig Blum is portfolio manager with Brandon Bond serving as a senior research analyst. That comprises the team on Concentrated Core though they will be assisted by a 10 person analyst pool within TCW. The notable departure of former PM, Steve Burlingame, occurred in 2007 and the team has not changed since the addition of Brandon Bond in 2009. They will utilize the internal analysts for idea generation and research as well as 3rd party resources. The Core Equity team has always been a small group and they have managed to perform well but we would rather see more resources devoted to the strategy. As a result of the recent transaction with Carlyle, Craig has signed a 5 year contract with TCW in which he will also be receiving a significant ownership stake should he stay for the full 5 year period. With the creation of Doubleline’s equity groups, we will want to ensure they are not picking off TCW analysts. We don’t see Craig leaving but their internal research group may become a target for other organizations.
<p>Investment Process:</p> <ul style="list-style-type: none"> TCW utilizes a fundamental process that focuses on growth companies that have competitive advantages and are trading at attractive valuations. There is also a macro component that looks to balance the portfolio between standard growth companies and businesses that have less GDP sensitivity. The macro overlay is more of a portfolio construction tool and attempts to limit losses in years where the market sells off rapidly. As the name implies, the portfolio is concentrated in 25-35 names with low turnover and very little sensitivity to the benchmark.
<p>Performance:</p> <ul style="list-style-type: none"> Since Craig took over the strategy, performance has smoothed out relative to the index. His macro overlay is really just a way to balance out the portfolio’s risk profile. That said tracking error will still run pretty high at times though we think that should not be a deterrent for patient investors. Performance prior to the departure of Burlingame in 2007 should be discounted as it was a different PM and had no macro component. The product has an impressive track record since Blum took over and much of that can be attributed to the defensive names he has in the company.
<p>Fees/Terms:</p> <ul style="list-style-type: none"> Assuming a \$100M allocation the reported fee would be approximately 70 bps. This ranks well above the median manager in eVestment alliance for a similar sized mandate. There is a small investment in the strategy through a mutual fund by employees. Capacity is not specified though they should have plenty with assets around \$5.3B. Still, we’d like to see TCW offer a

firmer number especially as the strategy was once managing near \$20B before the departure of Burlingame.

Wedgewood Partners – Large Cap Focused Growth

Organization:
<ul style="list-style-type: none">• Wedgewood is a privately held firm owned by Tony Guerrero (55%) and David Rolfe (45%). Tony serves as president of the firm and David as the CIO. Two other investment team members have been offered deferred equity of 5%. Tony has sold Wedgewood once before to a bank and as the majority owner he would have the ability to do so again. His ownership is the larger concern as he is not integral to the investment process; he is older and has the largest stake in the firm. While we like to see employee owners, this structure is too reliant on a single individual and one that will be looking for a liquidity event of considerable size.• Wedgewood does not have any litigation or regulatory issues. They also do not participate in Soft Dollar arrangements which we find refreshing.• Wedgewood does not have a large institutional business. They have relied on the WRAP, mutual fund and high net worth market for most of their history. There are some areas of the organization that lack an institutional quality support structure.
Investment Team:
<ul style="list-style-type: none">• David Rolfe is the key investment employee at the firm and has made his presence on TV and in print well known. Supporting David is Dana Webb, Michael Quigley and Tony Guerrero. Tony is the president and has no background in research so it's not clear if he is a vital member of the team. Dana has more experience and is listed as portfolio manager though she also acts as the marketer for Wedgewood. Michael was the trader and is now listed as a portfolio manager but they don't have another trader to replace him so it is safe to assume he acts as the trader for this portfolio. That leaves David as the only full-time member of the investment team. We have concerns about the ability of this group to do the necessary work on each investment idea.• David's sizable ownership stake would be a significant hurdle for any other employee to match in recruiting so we don't view his departure as likely. Dana and Michael are less constrained to Wedgewood though they have a lengthy history with the firm and their departure would not be a huge detriment.
Investment Process:
<ul style="list-style-type: none">• Wedgewood has a fundamental process that emphasizes competitive advantages, valuation, growth, balance sheet health and a differentiated business from the other portfolio's holdings. More so than the other managers, Wedgewood will dip into more traditional value sectors and companies. Berkshire Hathaway has been one of the portfolio's largest holdings and David likes to cite Warren Buffett as a model for his investment philosophy. They tend to have low turnover and a very concentrated portfolio (~20 names). There are aspects to the process that are attractive but a couple issues stand out with Wedgewood, the concentration of names is a concern and the lack of depth on the team.
Performance:
<ul style="list-style-type: none">• Wedgewood track record is impressive and they have performed well in a number of market environments. It's the recent performance that is most striking and for that reason gives us pause. We are always cautious about hiring a manager coming off a recent run of exceptional performance and Wedgewood would be a prime candidate. David's stock picking has been good and he appears to have stuck to his discipline so he deserves credit but we nonetheless think that kind of performance will mean revert.
Fees/Terms:
<ul style="list-style-type: none">• Wedgewood did not provide a fee schedule but indicated a range of fees from 40 – 100bps. Given their small institutional assets relative to the total firm AUM, we'd assume they would be willing to negotiate fees.• Wedgewood employees have a meaningful stake in the product through a retirement plan. Capacity is a non-issue at this point but the RFI indicated closing around \$8-9B, a figure that seems reasonable

given the concentration of the strategy.

<p>Organization:</p> <ul style="list-style-type: none"> Wellington is a 100% employee-owned asset management firm. The organization has been stable over time and has operated as a partnership since 1979. There are currently 135 partners, mostly coming from the various investment teams. There are no plans to alter the ownership structure in the future. Paul Marrkand, the portfolio manager for Diversified Growth is a partner in the firm. Wellington has a pending case with the SEC related to a trade conducted a number of years ago that is being investigated for insider trading. Wellington claims innocence of the charge and there has been no action by the SEC. Some other litigation but nothing material. The Strategy has had little to no growth since 2010 when assets peaked over \$11B. Up till then, the strategy had strong growth for a number of years following attractive performance.
<p>Investment Team:</p> <ul style="list-style-type: none"> Paul Marrkand took over the strategy in 2005 from the previous PM whom retired. There has been one analyst departure in 2012 and a couple additions to the research team in the last 5 years. Overall, we view this as an experienced and fairly stable group since 2005. The team consists of Paul Marrkand, PM, and two research analysts, Kevin Stowell and Joel Thomson. They are supported by a very extensive global industry analyst team within Wellington. Investment team members are compensated with a base salary, variable compensation and profit distribution based on ownership. The variable compensation for PM's will be primarily based on the performance of the manager's product using one and three year rolling time periods.
<p>Investment Process:</p> <ul style="list-style-type: none"> Wellington utilizes a traditional fundamental research process that focuses on finding growth companies with attractive valuation, growth and quality metrics. The portfolio will balance its exposure to these three areas in order to provide a diversified set of exposures. Wellington believes one of these three will be in or out of favor at any given time and clients would benefit most from having exposure to all so as to avoid unintended style bets. Idea generation will come mostly from the Diversified team or from within Wellington's global analyst group. Growth companies will have higher revenue and earnings growth trajectories, Quality companies will have strong cash flow and a deep competitive advantage and valuation companies will offer attractive risk/reward opportunities. Balancing the portfolios exposure to these three areas is meant to offer investors more consistent results over time. Wellington has a number of layers of risk management from portfolio risk management tools to counterparty risk management and a risk management committee that oversees the firm's various products. The portfolio manager will be responsible for much of the risk management duties on a day-to-day basis.
<p>Performance:</p> <ul style="list-style-type: none"> The strategy has struggled with excess returns in recent years which diminished an otherwise impressive track record. While we would like managers to perform well in all environments, we recognize that all strategies will underperform at some point and often it is during those moments that good managers become the most attractive. We think this product has the attributes to turn performance around. The product does not experience large swings in performance relative to the benchmark. It is fairly consistent in terms of its tracking error. The recent underperformance is a little out of character so we'd want to ensure that it is not a fundamental issue in the process.
<p>Fees/Terms:</p> <ul style="list-style-type: none"> Assuming a \$100M allocation the reported fee would be approximately 48 bps. This ranks below the median manager in eVestment alliance for a similar sized mandate. Wellington does not disclose how much the investment team invests in their products. We would

prefer Wellington be more transparent with this information as we seek an alignment of interests with our client. Capacity is also not explicitly stated though the product at \$11B is still open for new investments. Wellington has a mixed history of closing products at reasonable levels.

Section 2: Key Statistics

Manager	Brown Advisory	Delaware Investments	HS Management	TCW	Wedgewood Partners	Wellington Management
Strategy AUM	\$8.5B	\$12.7B	\$1.6B	\$5.8B	\$1.7B	\$11.9B
Number of Holdings	34	31	25	31	22	88
Median Market Cap	15.7B	24.3B	38.0B	27.5B	30.8B	25.5B
Weighted Ave. Mkt. Cap	58.9B	75.4B	61.0B	81.2B	109.9B	111.0B
Portfolio Turnover	30-40%	20-30%	80-100%	20-30%	20-30%	60-80%
Beta*	1.06	.98	.89	.96	1.04	1.08
Tracking Error *	4.69	4.27	5.68	4.42	6.35	3.63
Up Market Capture*	118.56	97.45	97.58	104.6	115.65	108.5
Down Market Capture*	94.05	94.48	78.69	92.08	87.57	110.96

* 5 Year Average

SamCERA
Large Cap Growth

Manager Comparison Report

December 31, 2012

Summary Tables

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Brown Advisory: Large Cap Growth		Delaware Investments: Large-Cap Growth		HS Mgt. Partners: Conc. Quality Gr.		TCW: Concentrated Core		Wedgewood: Lrg Cap Fcsd Grwth		Wellington Mgmt: Diversified Growth		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

Total Return

3 Mos.	-0.6	43	-0.5	39	2.3	5	0.9	16	0.2	25	-2.8	94	-1.3	64	-0.9	314
1 Yr.	16.7	37	17.0	33	28.9	1	16.7	38	22.6	3	13.8	70	15.3	55	15.7	314
3 Yrs.	13.8	4	13.5	6	16.8	2	13.0	10	14.6	3	10.0	59	11.4	34	10.4	313
5 Yrs.	7.7	1	3.9	21	7.2	2	5.7	5	8.7	1	2.1	57	3.1	35	2.4	303
7 Yrs.	9.5	1	5.1	48	n/a	n/a	5.5	35	8.1	2	5.8	25	5.2	45	5.0	277
10 Yrs.	10.5	6	7.8	55	n/a	n/a	10.1	9	11.3	3	9.1	23	7.5	61	7.9	238

Excess Return

3 Mos.	0.7		0.8		3.7		2.2		1.5		-1.4				0.4	314
1 Yr.	1.5		1.8		13.6		1.4		7.3		-1.4				0.4	314
3 Yrs.	2.5		2.2		5.4		1.6		3.2		-1.4				-0.9	313
5 Yrs.	4.6		0.7		4.1		2.6		5.5		-1.0				-0.7	303
7 Yrs.	4.3		-0.1		n/a	n/a	0.3		2.9		0.6				-0.2	277
10 Yrs.	3.0		0.3		n/a	n/a	2.6		3.8		1.6				0.4	238

Excess Return vs. Universe Median

3 Mos.	0.3		0.4		3.2		1.8		1.1		-1.9		-0.4			314
1 Yr.	1.1		1.4		13.2		1.0		6.9		-1.8		-0.4			314
3 Yrs.	3.4		3.1		6.4		2.6		4.2		-0.4		0.9			313
5 Yrs.	5.3		1.5		4.9		3.3		6.3		-0.3		0.7			303
7 Yrs.	4.5		0.1		n/a	n/a	0.5		3.1		0.8		0.2			277
10 Yrs.	2.6		-0.2		n/a	n/a	2.2		3.4		1.2		-0.4			238

Standard Deviation

3 Yrs.	19.0	89	15.3	17	14.0	8	15.9	29	15.6	20	19.2	91	15.9	28	16.9	313
5 Yrs.	21.1	75	19.5	43	17.7	12	19.0	29	19.5	44	21.6	85	19.3	37	19.8	303
7 Yrs.	18.4	69	17.3	45	n/a	n/a	17.1	40	17.2	43	18.8	79	16.9	34	17.4	277
10 Yrs.	16.3	65	15.6	48	n/a	n/a	16.7	75	15.9	56	16.9	78	15.1	35	15.7	238

Tracking Error

3 Yrs.	5.5	83	4.1	59	6.3	90	3.1	30	4.3	65	4.1	57			3.8	313
5 Yrs.	5.7	71	4.6	50	6.3	79	4.4	48	6.9	87	4.0	37			4.6	303
7 Yrs.	5.0	65	5.0	63	n/a	n/a	4.9	60	6.6	85	3.9	31			4.4	277
10 Yrs.	4.6	55	4.7	60	n/a	n/a	5.9	78	6.4	84	3.9	31			4.5	238

Information Ratio

3 Yrs.	0.5	10	0.5	8	0.9	3	0.5	9	0.8	4	-0.3	57			-0.3	313
5 Yrs.	0.8	1	0.2	20	0.7	2	0.6	4	0.8	1	-0.3	59			-0.2	303
7 Yrs.	0.9	1	0.0	48	n/a	n/a	0.1	35	0.4	4	0.2	24			-0.1	277
10 Yrs.	0.7	2	0.1	56	n/a	n/a	0.4	13	0.6	4	0.4	15			0.1	238

Universe Rank: Green = Top Quartile Red = Bottom Quartile

Manager Comparison Report

December 31, 2012

Summary Tables

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Brown Advisory: Large Cap Growth		Delaware Investments: Large-Cap Growth		HS Mgt. Partners: Conc. Quality Gr.		TCW: Concentrated Core		Wedgewood: Lrg Cap Fcsed Grwth		Wellington Mgmt: Diversified Growth		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

Beta

3 Yrs.	1.2	13	0.9	86	0.8	96	1.0	73	0.9	84	1.2	6			1.1	313
5 Yrs.	1.1	30	1.0	61	0.9	91	1.0	71	1.0	75	1.1	15			1.0	303
7 Yrs.	1.1	33	1.0	62	n/a	n/a	1.0	66	1.0	76	1.1	18			1.0	277
10 Yrs.	1.0	36	1.0	57	n/a	n/a	1.0	37	1.0	67	1.1	15			1.0	238

Alpha (CAPM)

3 Yrs.	0.7	19	3.0	6	7.6	1	1.8	10	3.9	4	-3.6	83			-1.4	313
5 Yrs.	4.5	1	0.8	21	4.5	2	2.7	6	5.7	1	-1.3	63			-0.7	303
7 Yrs.	4.2	1	0.0	46	n/a	n/a	0.4	35	3.1	2	0.3	36			-0.2	277
10 Yrs.	2.8	9	0.3	59	n/a	n/a	2.4	12	4.0	3	1.1	33			0.5	238

Sharpe Ratio

3 Yrs.	0.7	21	0.9	7	1.2	1	0.8	10	0.9	4	0.5	76	0.7	24	0.6	313
5 Yrs.	0.3	2	0.2	21	0.4	1	0.3	7	0.4	1	0.1	59	0.1	33	0.1	303
7 Yrs.	0.4	2	0.2	47	n/a	n/a	0.2	35	0.4	3	0.2	36	0.2	41	0.2	277
10 Yrs.	0.5	7	0.4	58	n/a	n/a	0.5	15	0.6	3	0.4	34	0.4	61	0.4	238

Upside Capture Ratio

3 Yrs.	117.0	9	95.3	73	93.6	78	102.3	50	96.4	70	117.9	8			101.9	313
5 Yrs.	114.9	8	97.7	60	92.6	75	101.8	39	101.1	42	114.3	9			99.4	303
7 Yrs.	114.0	9	97.4	66	n/a	n/a	99.7	54	96.8	71	114.1	9			100.3	277
10 Yrs.	109.0	25	98.7	68	n/a	n/a	113.4	16	101.3	55	114.5	14			102.5	238

Downside Capture Ratio

3 Yrs.	110.0	55	82.7	9	63.7	1	94.9	19	78.9	7	129.4	95			108.1	313
5 Yrs.	97.1	29	95.4	24	79.0	5	92.8	19	81.8	8	115.3	89			102.8	303
7 Yrs.	95.5	26	97.8	34	n/a	n/a	98.4	36	84.1	11	111.1	82			102.2	277
10 Yrs.	95.1	29	97.1	37	n/a	n/a	102.3	55	81.5	11	108.6	80			101.5	238

Universe Rank: Green = Top Quartile Red = Bottom Quartile

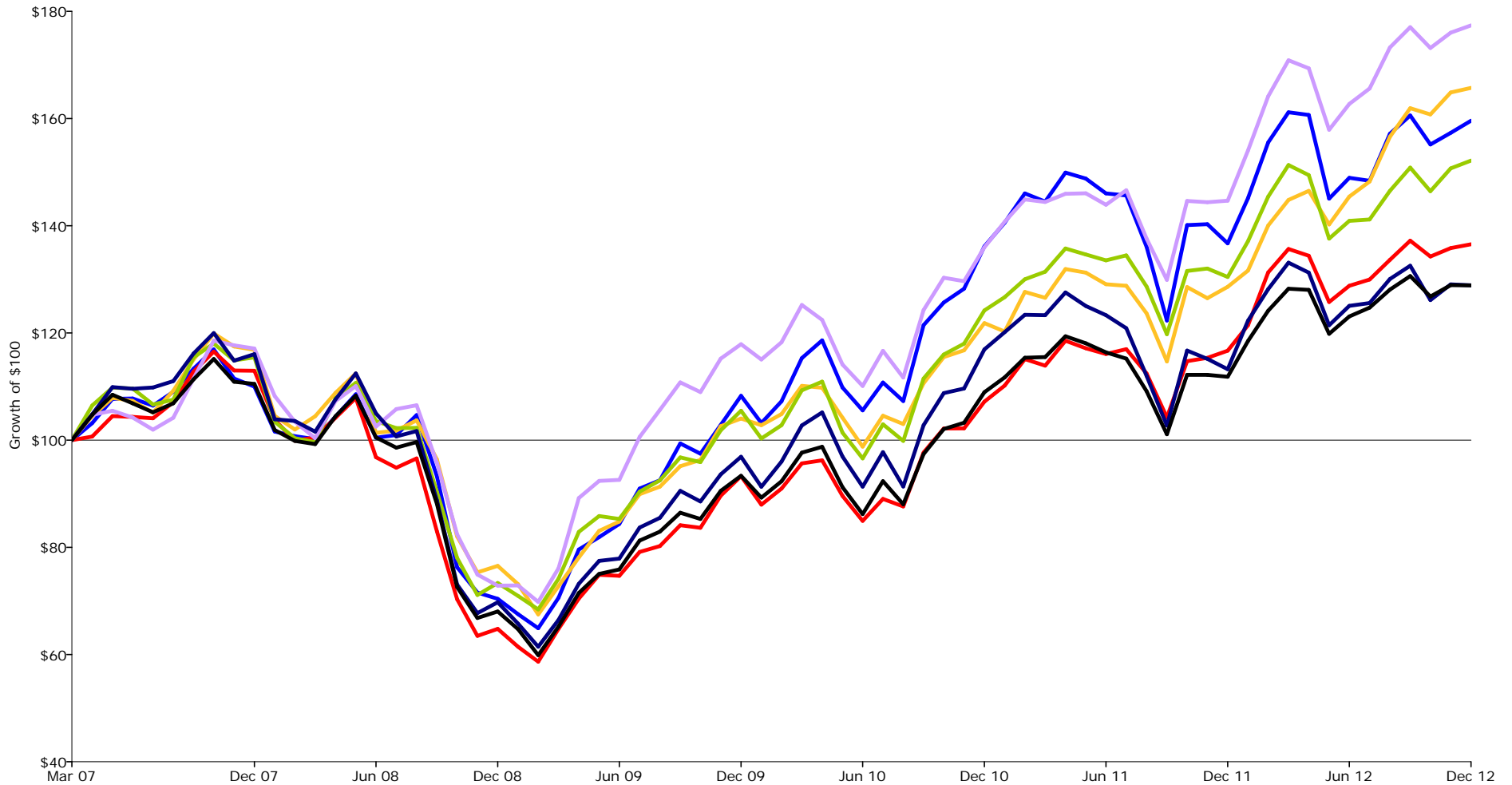
Manager Comparison

December 31, 2012

Cumulative Performance - Growth of \$10,000

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity



- Brown Advisory: Large Cap Growth
- HS Mgt. Partners: Conc. Quality Gr.
- Wedgewood: Lrg Cap Fcsed Grwth
- Russell 1000 Growth Index

- Delaware Investments: Large-Cap Growth
- TCW: Concentrated Core
- Wellington Mgmt: Diversified Growth

Manager Comparison

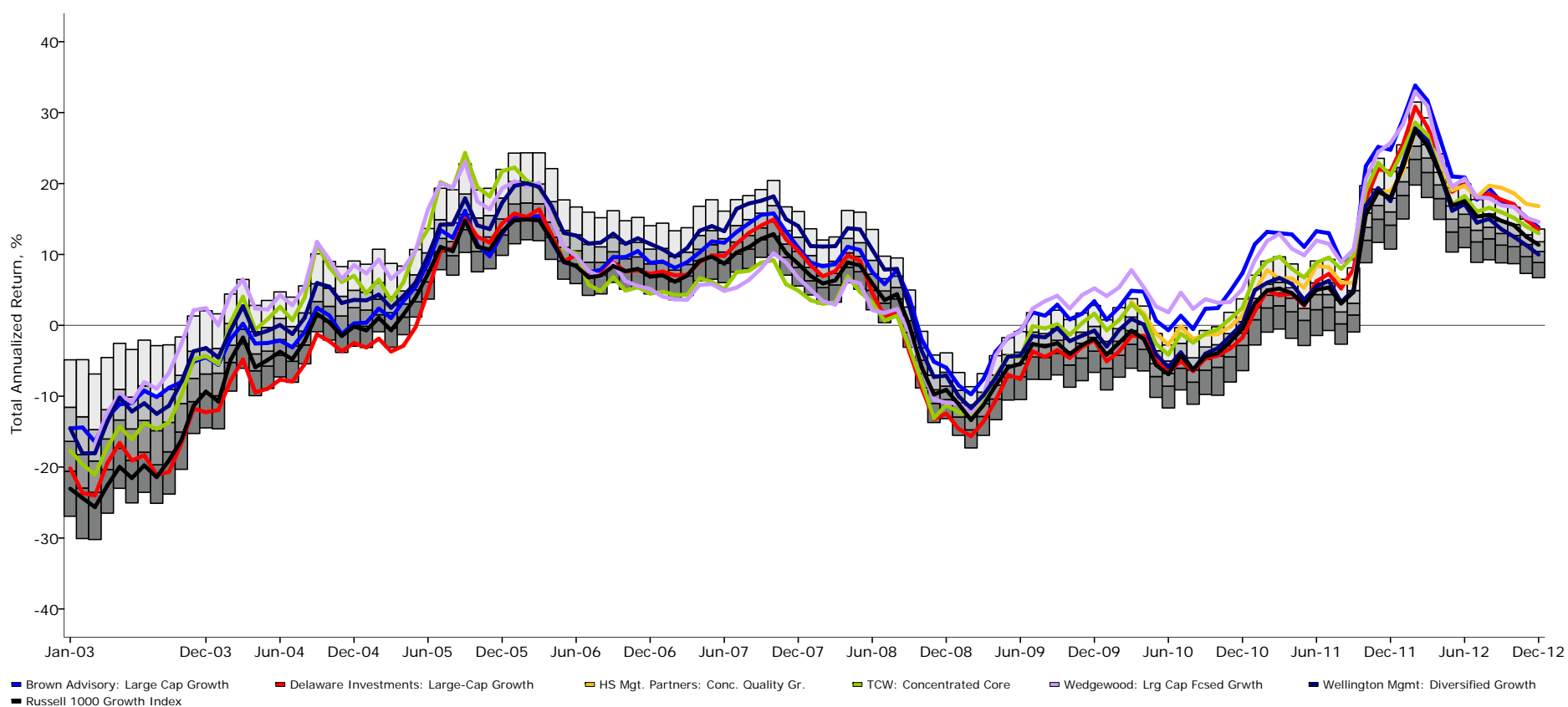
December 31, 2012

Performance Evaluation

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

3 Year Rolling Performance: From Jan-03 to Dec-12



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Brown Advisory: Large Cap Growth	-0.6	43	7.2	23	16.7	37	13.8	4	7.7	1	9.5	1	10.5	6
Delaware Investments: Large-Cap Growth	-0.5	39	6.0	37	17.0	33	13.5	6	3.9	21	5.1	48	7.8	55
HS Mgt. Partners: Conc. Quality Gr.	2.3	5	14.0	1	28.9	1	16.8	2	7.2	2	n/a	n/a	n/a	n/a
TCW: Concentrated Core	0.9	16	8.0	14	16.7	38	13.0	10	5.7	5	5.5	35	10.1	9
Wedgewood: Lrg Cap Fcsed Grwth	0.2	25	9.0	6	22.6	3	14.6	3	8.7	1	8.1	2	11.3	3
Wellington Mgmt: Diversified Growth	-2.8	94	3.1	89	13.8	70	10.0	59	2.1	57	5.8	25	9.1	23
Russell 1000 Growth Index	-1.3	64	4.7	62	15.3	55	11.4	34	3.1	35	5.2	45	7.5	61
eA Large Cap Growth Equity Median	-0.9		5.3		15.7		10.4		2.4		5.0		7.9	
eA Large Cap Growth Equity Size	314		314		314		313		303		277		238	

Manager Comparison

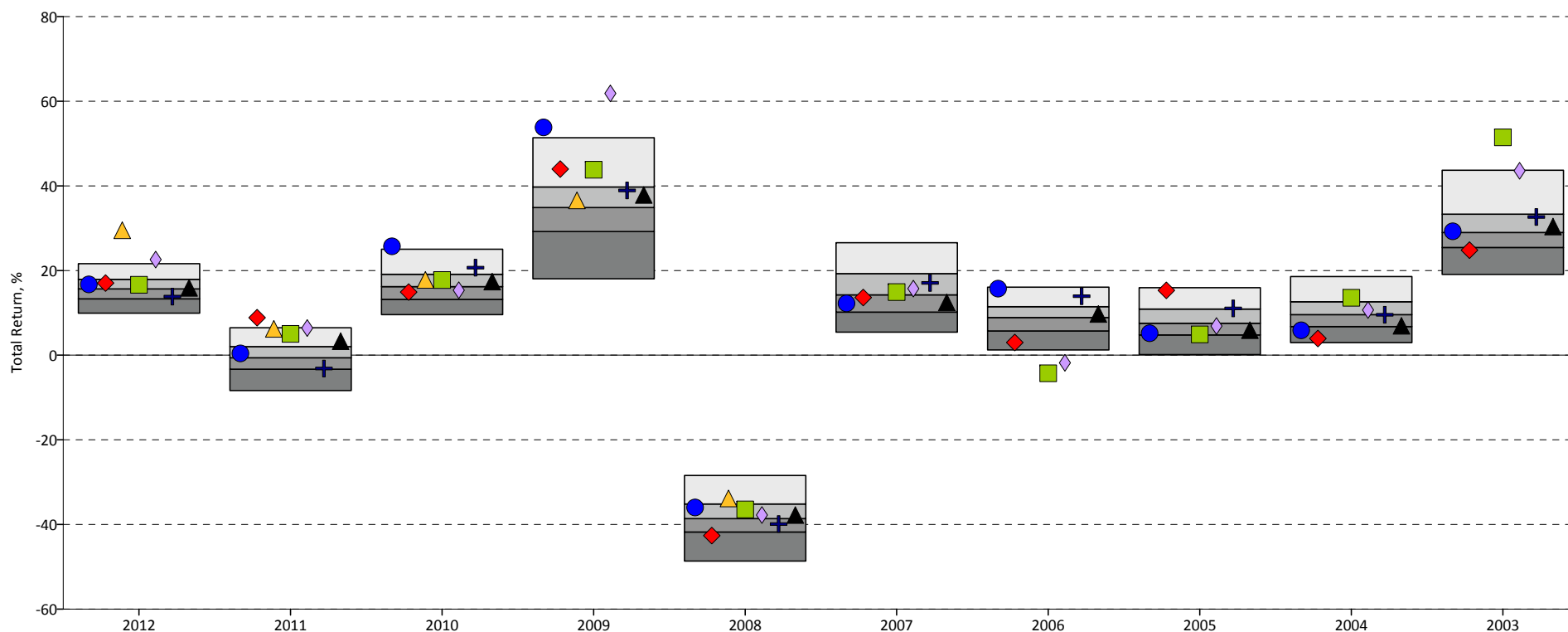
December 31, 2012

Performance Evaluation

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Trailing Performance vs. Peers



	Total Return																			
	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	16.7	37	0.4	38	25.7	4	53.8	4	-36.0	30	12.3	63	15.7	6	5.2	72	5.9	82	29.3	48
◆ Delaware Investments: Large-Cap Growth	17.0	33	8.9	3	14.9	62	44.0	16	-42.6	80	13.6	54	3.0	90	15.3	8	3.9	93	24.8	79
▲ HS Mgt. Partners: Conc. Quality Gr.	28.9	1	5.6	7	17.1	43	35.9	43	-34.5	22	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
■ TCW: Concentrated Core	16.7	38	5.0	8	17.8	35	43.8	17	-36.5	34	14.9	47	-4.3	100	4.9	74	13.5	21	51.5	3
◇ Wedgewood: Lrg Cap Fcseed Grwth	22.6	3	6.4	6	15.3	59	61.8	3	-37.8	43	15.7	43	-1.8	98	6.9	56	10.7	42	43.6	6
+ Wellington Mgmt: Diversified Growth	13.8	70	-3.2	74	20.7	15	38.9	27	-39.9	62	17.1	36	13.9	11	11.0	24	9.5	51	32.7	27
▲ Russell 1000 Growth Index	15.3	55	2.6	20	16.7	47	37.2	36	-38.4	48	11.8	65	9.1	49	5.3	71	6.3	79	29.8	47
eA Large Cap Growth Equity Median	15.7		-0.6		16.2		34.9		-38.6		14.3		8.9		7.6		9.6		29.0	
eA Large Cap Growth Equity Size	314		367		404		439		466		479		490		491		483		476	

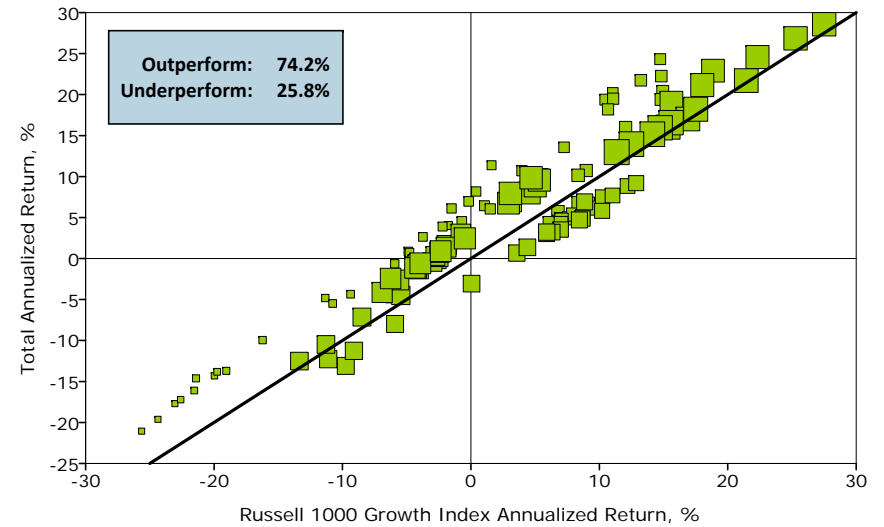
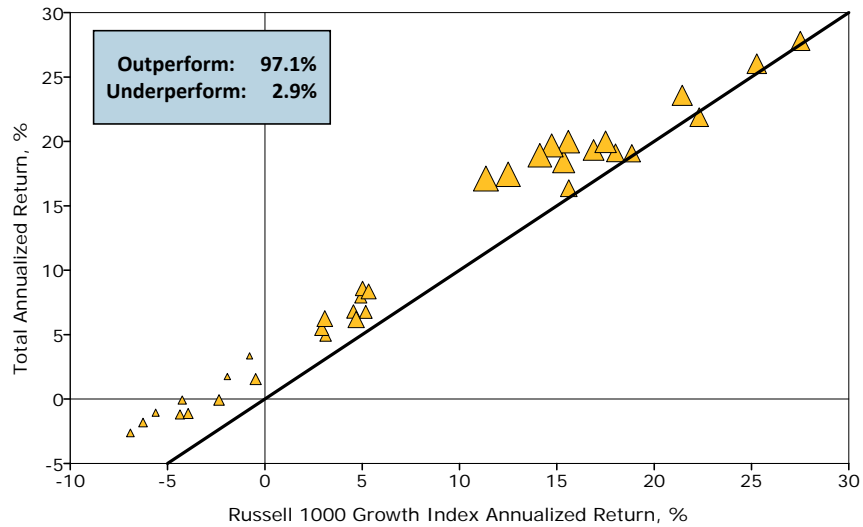
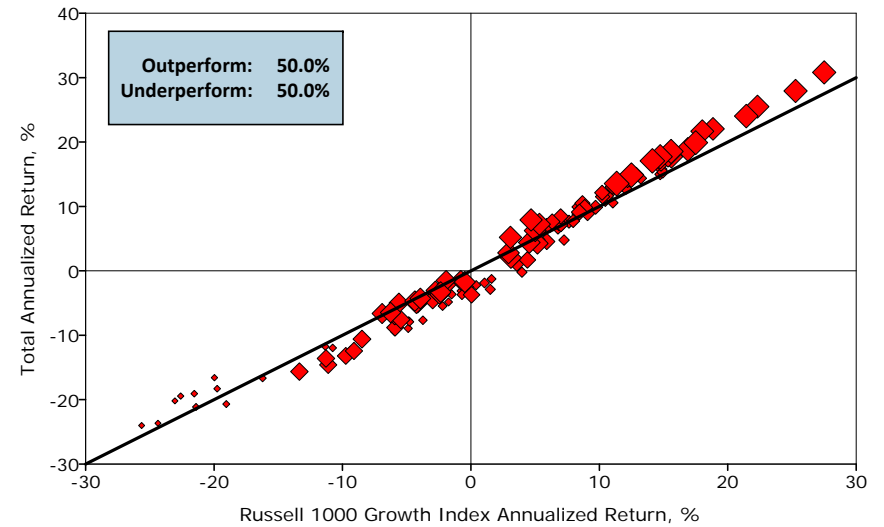
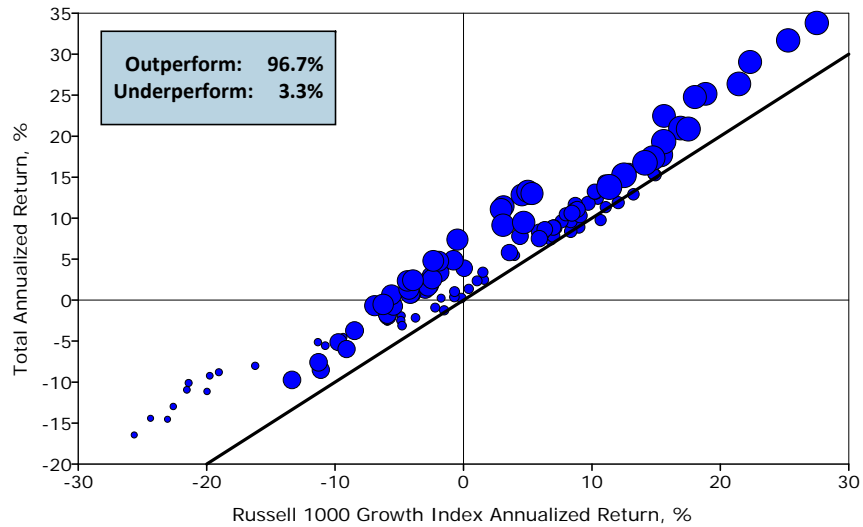
Manager Comparison

December 31, 2012

Total Return vs. Benchmark - Last 10 Years (if available)

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity



■ Brown Advisory: Large Cap Growth
■ Wedgewood: Lrg Cap Fcsed Grwth

■ Delaware Investments: Large-Cap Growth
■ Wellington Mgmt: Diversified Growth

■ HS Mgt. Partners: Conc. Quality Gr.

■ TCW: Concentrated Core

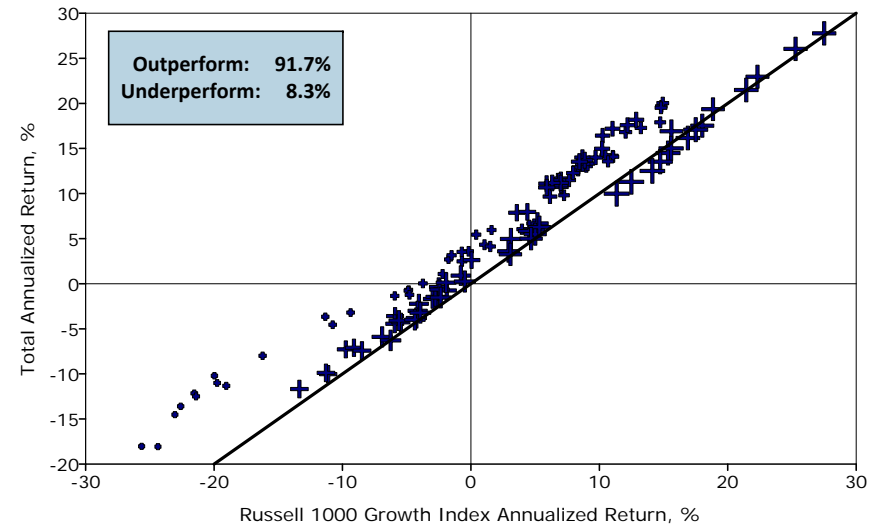
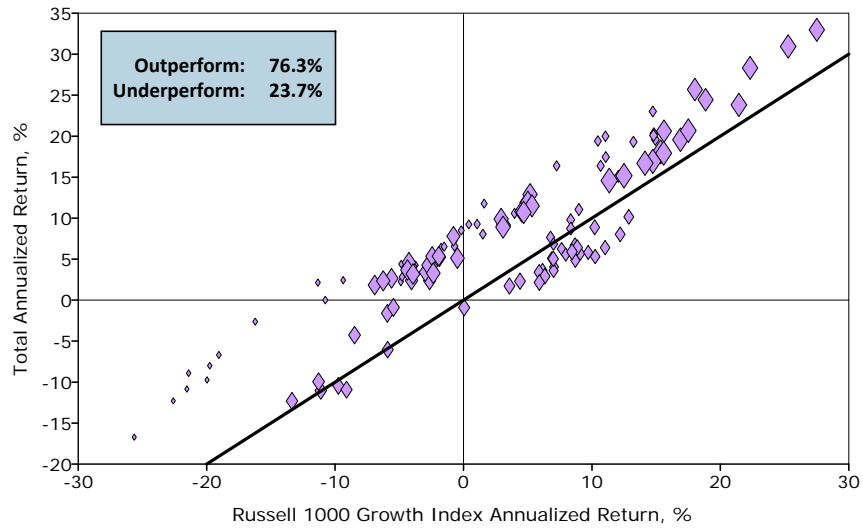
Manager Comparison

December 31, 2012

Total Return vs. Benchmark - Last 10 Years (if available)

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity



■ Brown Advisory: Large Cap Growth
■ Wedgewood: Lrg Cap Fcsed Grwth

■ Delaware Investments: Large-Cap Growth
■ Wellington Mgmt: Diversified Growth

■ HS Mgt. Partners: Conc. Quality Gr.

■ TCW: Concentrated Core

Manager Comparison

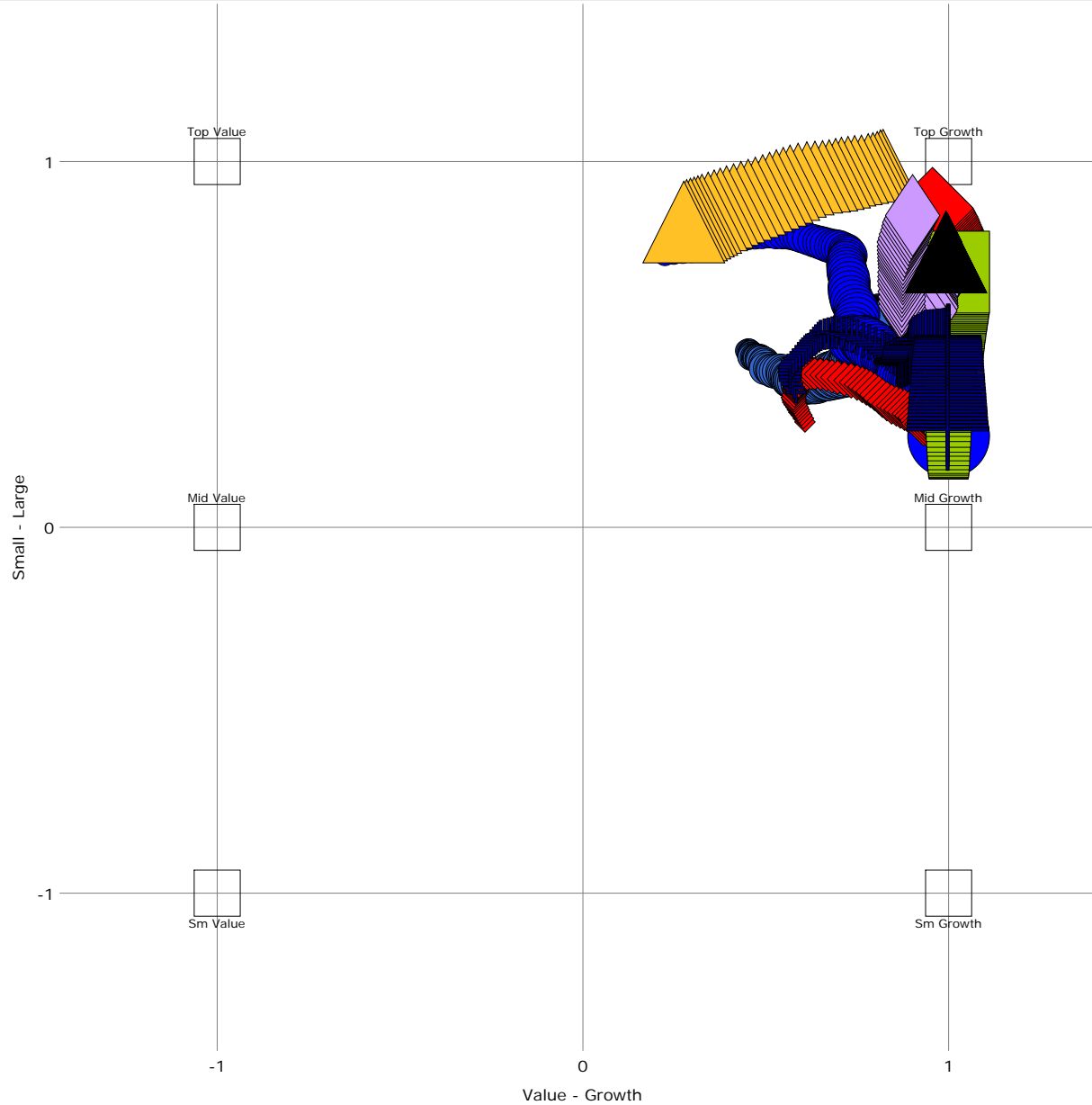
December 31, 2012

Returns Based Style Analysis

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

3 Year Rolling Style: From Jan-03 to Dec-12



- eA Large Cap Growth Equity Average
- Brown Advisory: Large Cap Growth
- ◆ Delaware Investments: Large-Cap Growth
- ▲ HS Mgt. Partners: Conc. Quality Gr.
- TCW: Concentrated Core
- ◇ Wedgewood: Lrg Cap Fcscd Grwth
- ◆ Wellington Mgmt: Diversified Growth
- ▲ Russell 1000 Growth Index

Manager Comparison

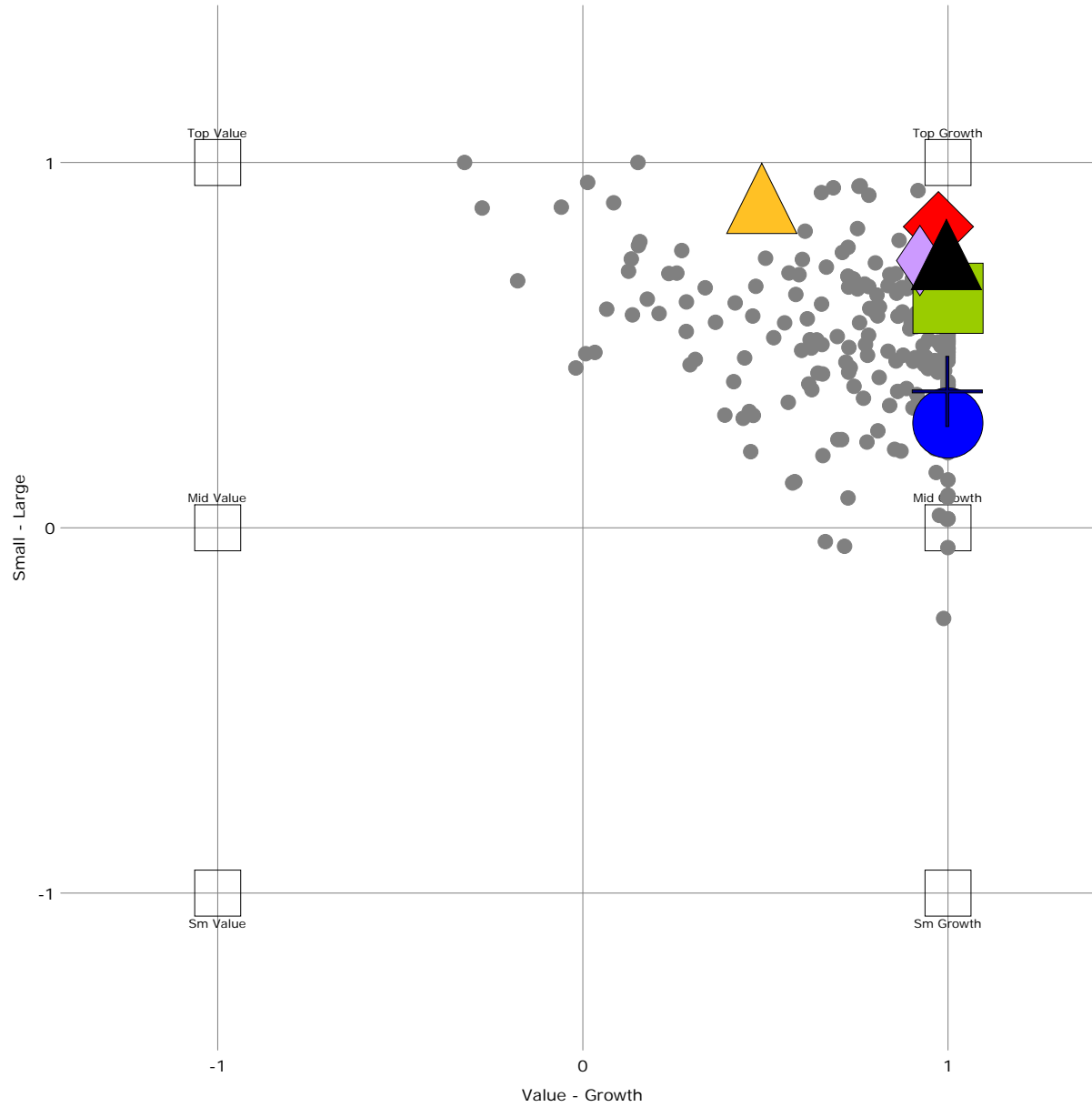
December 31, 2012

Returns Based Style Analysis

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Style Exposures: Last 5 Years



- Brown Advisory: Large Cap Growth
- ◆ Delaware Investments: Large-Cap Growth
- ▲ HS Mgt. Partners: Conc. Quality Gr.
- TCW: Concentrated Core
- ◆ Wedgewood: Lrg Cap Fcsted Grwth
- ◆ Wellington Mgmt: Diversified Growth
- ▲ Russell 1000 Growth Index

Manager Comparison

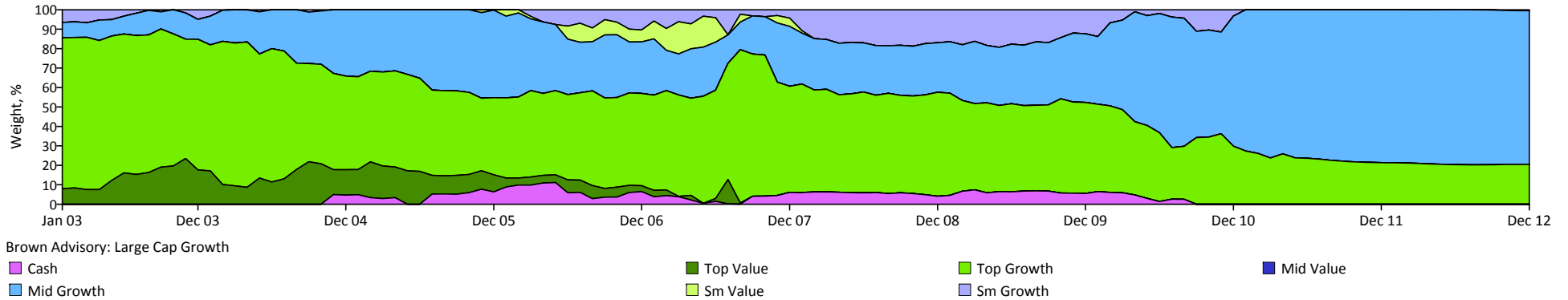
December 31, 2012

Returns Based Style Analysis

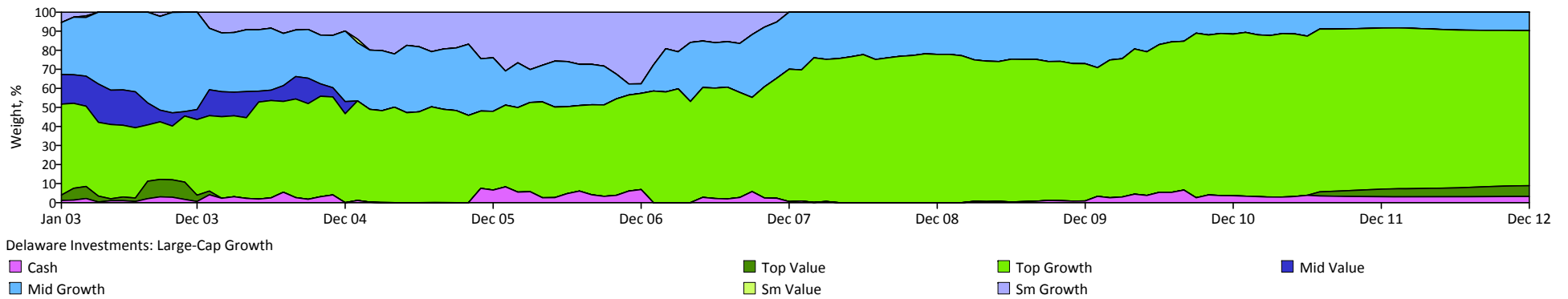
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

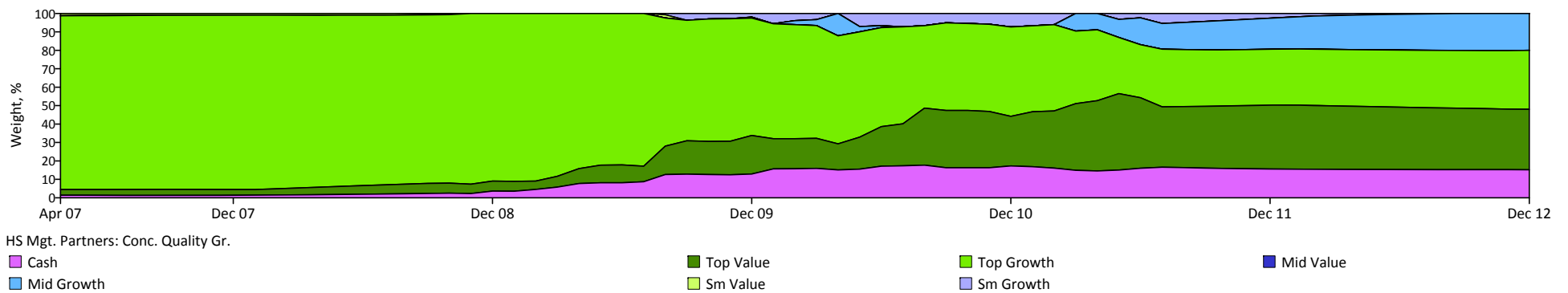
Style Weight: Rolling



Style Weight: Rolling



Style Weight: Rolling



Manager Comparison

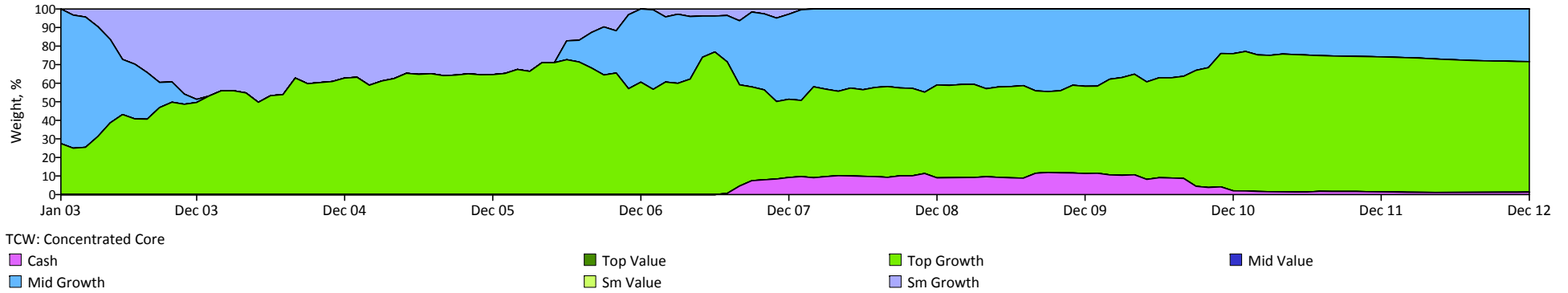
December 31, 2012

Returns Based Style Analysis

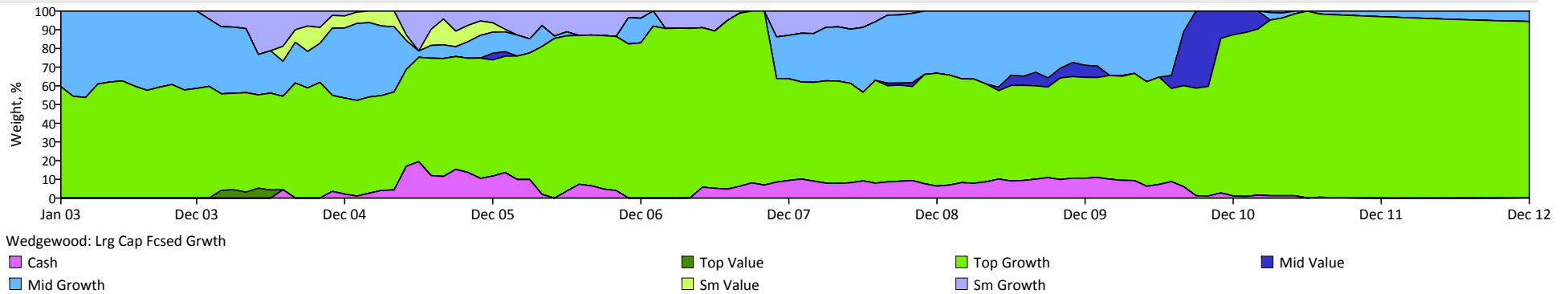
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

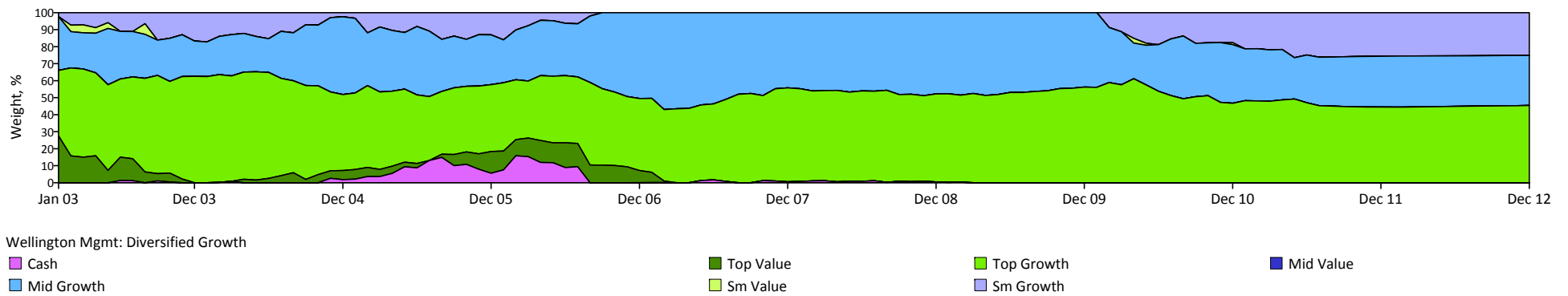
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Style Weight: Rolling



Style Weight: Rolling



Manager Comparison

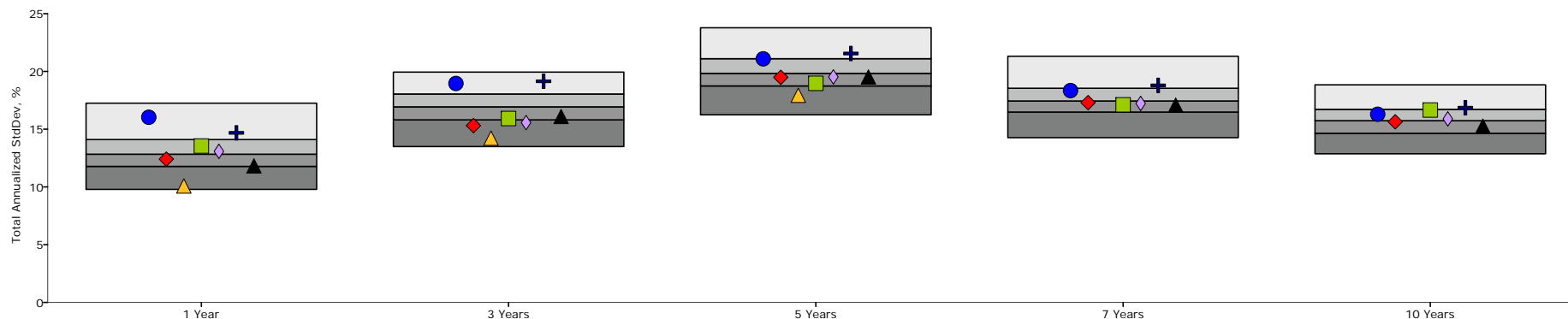
December 31, 2012

Risk Analysis

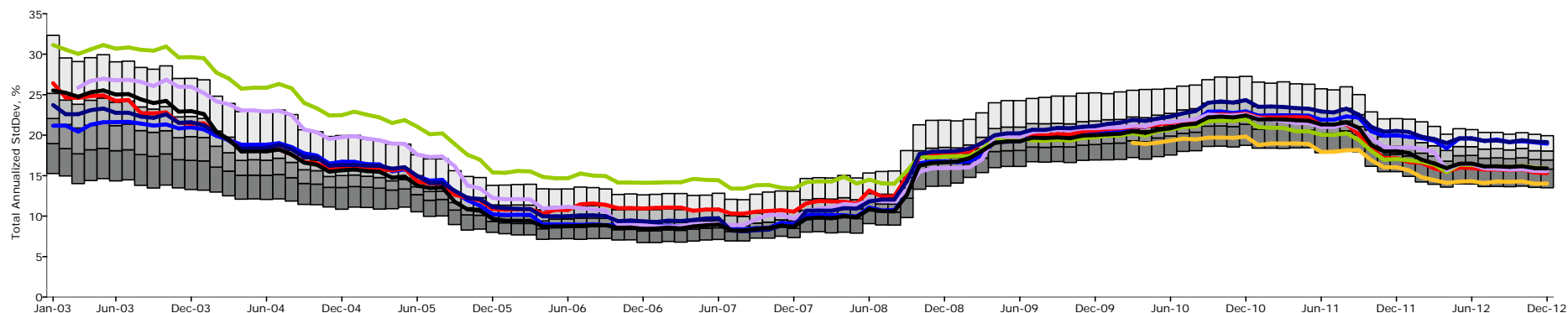
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Trailing Risk vs. Peers



3 Year Rolling Risk: From Jan-03 to Dec-12



	Trailing Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	16.0	93	19.0	89	21.1	75	18.4	69	16.3	65
◆ Delaware Investments: Large-Cap Growth	12.4	38	15.3	17	19.5	43	17.3	45	15.6	48
▲ HS Mgt. Partners: Conc. Quality Gr.	9.9	6	14.0	8	17.7	12	n/a	n/a	n/a	n/a
■ TCW: Concentrated Core	13.5	66	15.9	29	19.0	29	17.1	40	16.7	75
◇ Wedgewood: Lrg Cap Fcseed Grwth	13.1	56	15.6	20	19.5	44	17.2	43	15.9	56
⊕ Wellington Mgmt: Diversified Growth	14.7	83	19.2	91	21.6	85	18.8	79	16.9	78
▲ Russell 1000 Growth Index	11.6	22	15.9	28	19.3	37	16.9	34	15.1	35
eA Large Cap Growth Equity Median	12.8		16.9		19.8		17.4		15.7	
eA Large Cap Growth Equity Size	314		313		303		277		238	

Manager Comparison

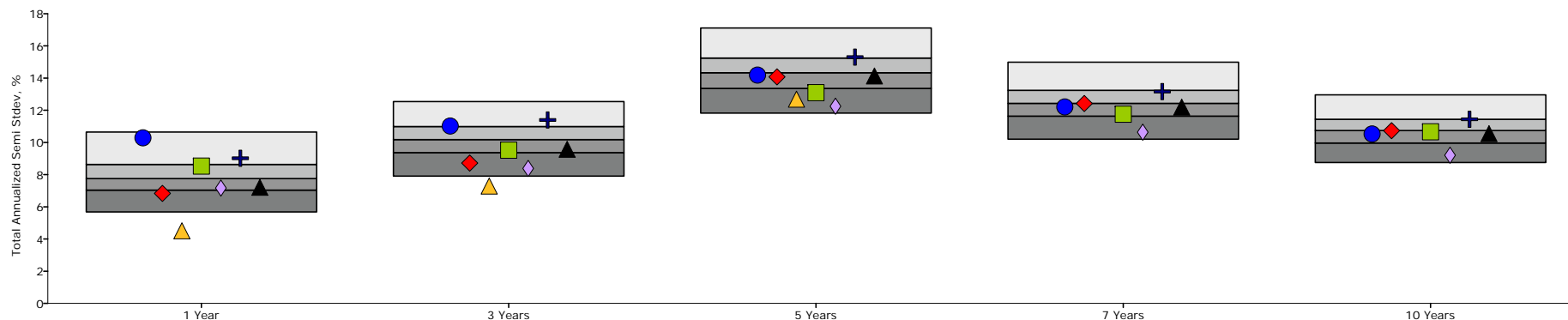
December 31, 2012

Downside Risk Analysis

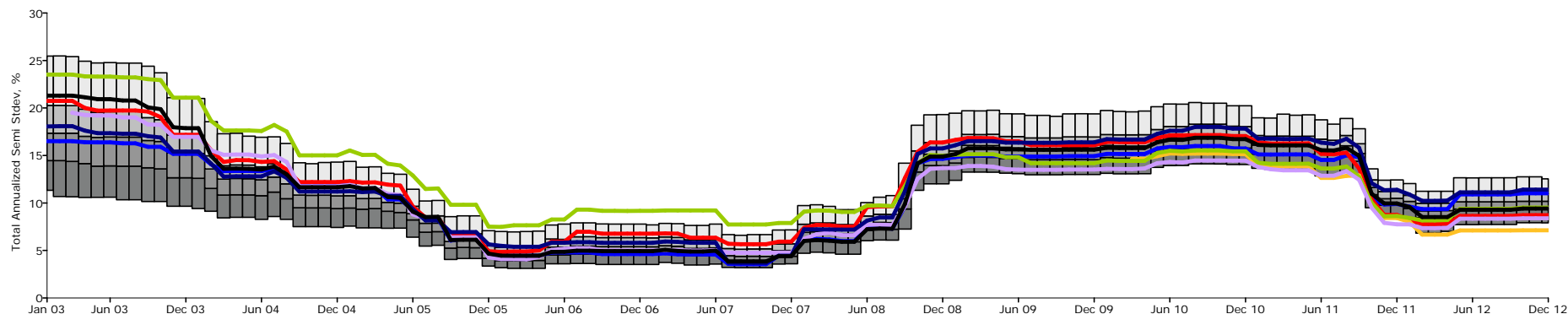
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Trailing Downside Risk vs. Peers



3 Year Rolling Downside Risk: From Jan-03 to Dec-12



	Trailing Downside Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	10.3	88	11.0	49	14.2	16	12.2	13	10.5	28
◆ Delaware Investments: Large-Cap Growth	6.8	29	8.7	7	14.1	28	12.4	43	10.7	48
▲ HS Mgt. Partners: Conc. Quality Gr.	4.3	1	7.1	1	12.5	3	n/a	n/a	n/a	n/a
■ TCW: Concentrated Core	8.5	55	9.5	16	13.1	12	11.8	34	10.7	40
◇ Wedgewood: Lrg Cap Fcsed Grwth	7.2	9	8.4	6	12.3	5	10.6	11	9.2	11
+ Wellington Mgmt: Diversified Growth	9.0	87	11.4	86	15.3	75	13.2	61	11.4	60
▲ Russell 1000 Growth Index	7.1	30	9.4	24	14.0	35	12.0	36	10.4	43
eA Large Cap Growth Equity Median	7.8		10.2		14.3		12.4		10.7	
eA Large Cap Growth Equity Size	314		313		303		277		238	

Manager Comparison

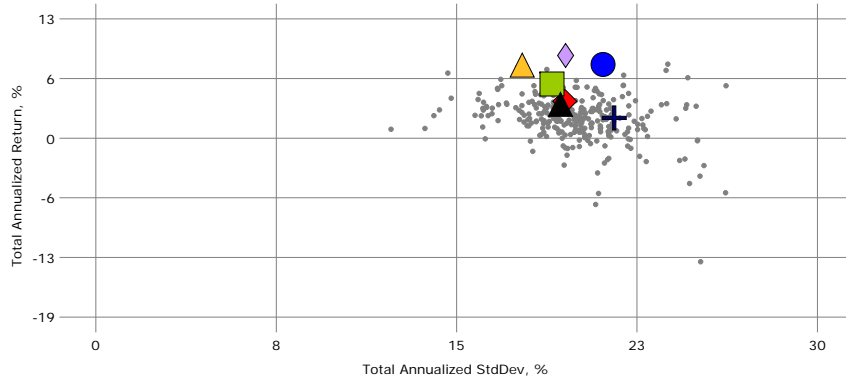
December 31, 2012

Risk/Return Analysis

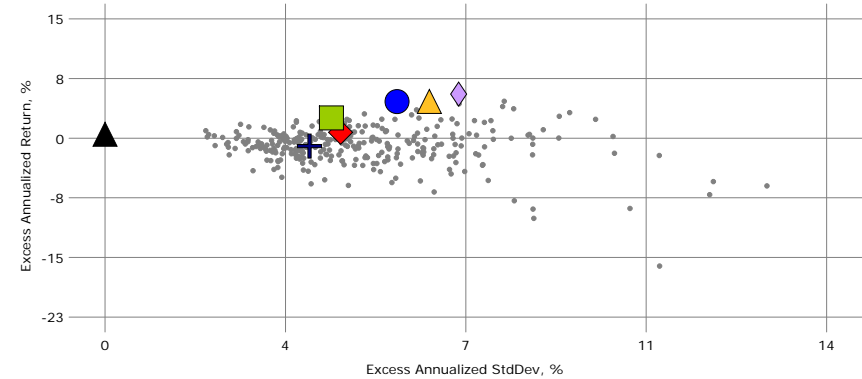
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

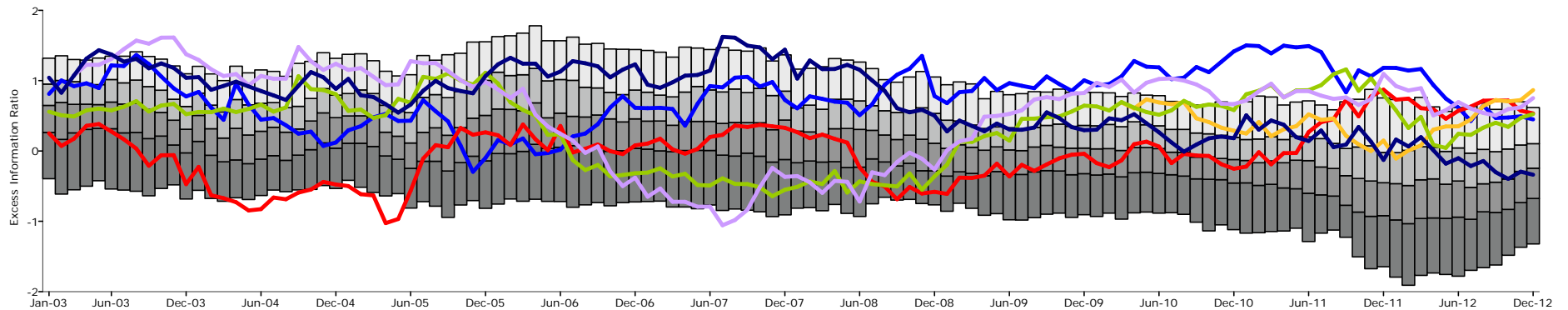
Risk/Return: Last 5 Years



Excess Risk/Return: Last 5 Years



3 Year Rolling Information Ratio: From Jan-03 to Dec-12



Descriptive Statistics: Jan 08 - Dec 12	Annualized Return	Annualized Std Dev	Sharpe Ratio	Information Ratio
● Brown Advisory: Large Cap Growth	7.73	21.09	0.43	0.81
◆ Delaware Investments: Large-Cap Growth	3.87	19.50	0.26	0.16
▲ HS Mgt. Partners: Conc. Quality Gr.	7.24	17.73	0.45	0.65
■ TCW: Concentrated Core	5.68	18.97	0.36	0.58
◇ Wedgewood: Lrg Cap Fcseed Grwth	8.66	19.53	0.49	0.81
+ Wellington Mgmt: Diversified Growth	2.12	21.55	0.18	-0.25
▲ Russell 1000 Growth Index	3.12	19.32	0.23	NA
eA Large Cap Growth Equity Median	2.39	19.84	0.19	-0.16

Manager Comparison

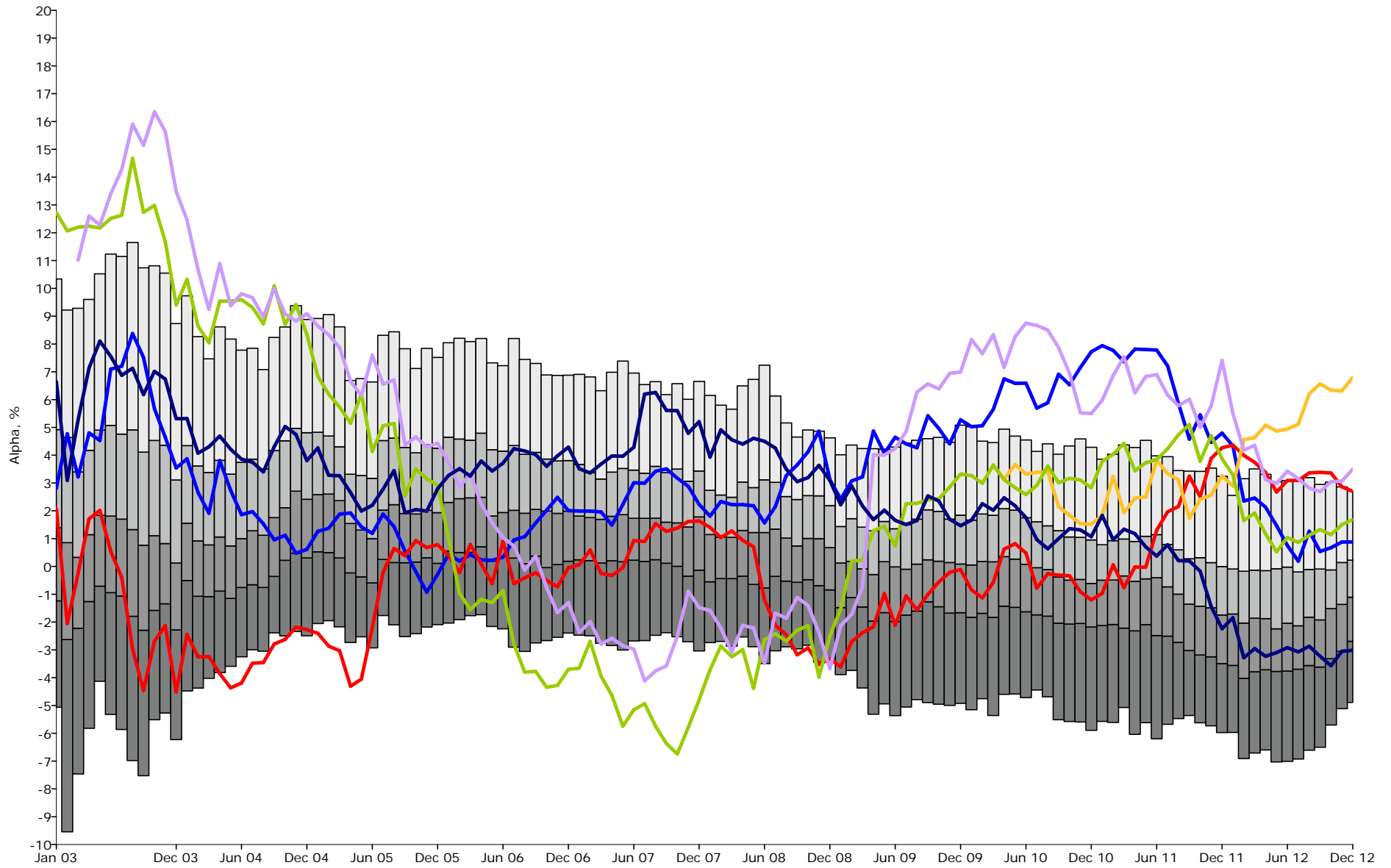
December 31, 2012

Alpha

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

3 Year Rolling Alpha: From Jan-03 to Dec-12



■ Brown Advisory: Large Cap Growth ■ Delaware Investments: Large-Cap Growth ■ HS Mgt. Partners: Conc. Quality Gr. ■ TCW: Concentrated Core ■ Wedgewood: Lrg Cap Fcsed Grwth ■ Wellington Mgmt: Diversified Growth

Manager Comparison

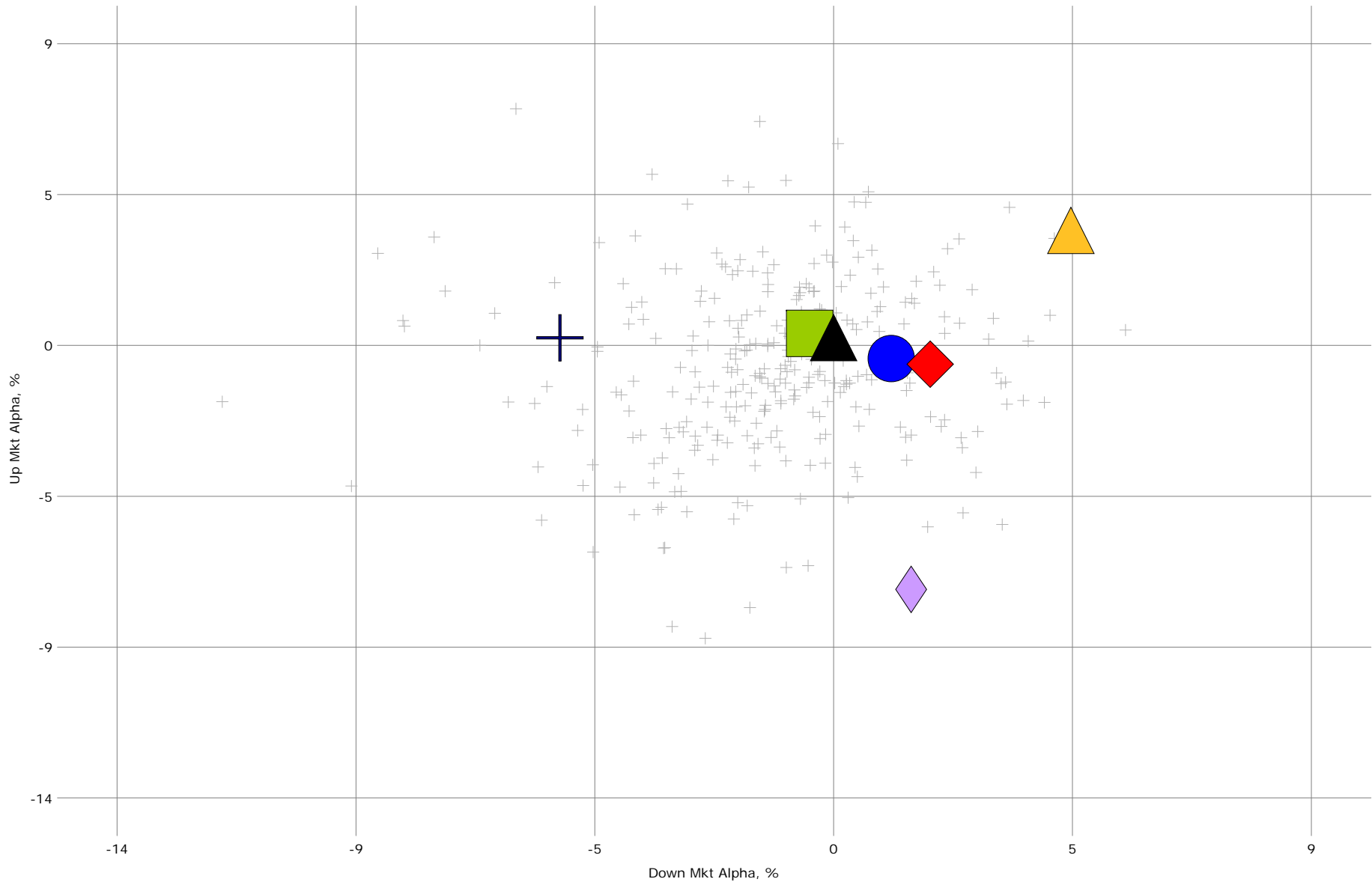
December 31, 2012

Up & Down Markets

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Up/Down Market Alpha: Last 5 Years



● Brown Advisory: Large Cap Growth ◆ Delaware Investments: Large-Cap Growth ▲ HS Mgt. Partners: Conc. Quality Gr. ■ TCW: Concentrated Core ◆ Wedgewood: Lrg Cap Fcseed Grwth + Wellington Mgmt: Diversified Growth ▲ Russell 1000 Growth Index

Manager Comparison

December 31, 2012

Gain/Loss Analysis

Benchmark: Russell 1000 Growth Index
Universe: eA Large Cap Growth Equity

Up Market Statistics: Jan 08 - Dec 12	Alpha	Beta	Up Capture	Annual Return	Batting Average	Num Periods
Brown Advisory: Large Cap Growth	-0.39	1.15	114.88	36.87	0.65	34
Delaware Investments: Large-Cap Growth	-0.56	1.00	97.71	31.36	0.44	34
HS Mgt. Partners: Conc. Quality Gr.	3.20	0.82	92.55	29.70	0.41	34
TCW: Concentrated Core	0.36	1.00	101.79	32.67	0.50	34
Wedgewood: Lrg Cap Fcsed Grwth	-7.28	1.27	101.05	32.43	0.53	34
Wellington Mgmt: Diversified Growth	0.23	1.12	114.27	36.67	0.71	34
Russell 1000 Growth Index	0.00	1.00	100.00	32.09	0.00	34
eA Large Cap Growth Equity Median	-0.70	1.02	99.38	31.89	0.50	34

Down Market Statistics: Jan 08 - Dec 12	Alpha	Beta	Down Capture	Annual Return	Batting Average	Num Periods
Brown Advisory: Large Cap Growth	1.09	1.01	97.08	-21.29	0.58	26
Delaware Investments: Large-Cap Growth	1.82	1.02	95.43	-20.93	0.58	26
HS Mgt. Partners: Conc. Quality Gr.	4.47	0.96	78.96	-17.32	0.73	26
TCW: Concentrated Core	-0.45	0.90	92.76	-20.34	0.58	26
Wedgewood: Lrg Cap Fcsed Grwth	1.46	0.86	81.84	-17.95	0.65	26
Wellington Mgmt: Diversified Growth	-5.16	0.96	115.27	-25.28	0.19	26
Russell 1000 Growth Index	0.00	1.00	100.00	-21.93	0.00	26
eA Large Cap Growth Equity Median	-1.01	0.97	102.78	-22.54	0.46	26

Performance Extremes: Jan 08 - Dec 12	Best Month	Best Monthly Return	Worst Month	Worst Monthly Return	Best 12 Months	Best 12 Month Return	Worst 12 Months	Worst 12 Month Return
Brown Advisory: Large Cap Growth	Oct-11	14.56	Oct-08	-18.20	Mar-09 - Feb-10	65.19	Jan-08 - Dec-08	-36.00
Delaware Investments: Large-Cap Growth	Sep-10	11.48	Oct-08	-15.25	Mar-09 - Feb-10	55.08	Jan-08 - Dec-08	-42.63
HS Mgt. Partners: Conc. Quality Gr.	Oct-11	12.09	Oct-08	-14.90	Mar-09 - Feb-10	55.40	Jan-08 - Dec-08	-34.50
TCW: Concentrated Core	Apr-09	11.80	Oct-08	-13.63	Mar-09 - Feb-10	50.25	Jan-08 - Dec-08	-36.46
Wedgewood: Lrg Cap Fcsed Grwth	Apr-09	17.23	Oct-08	-13.93	Mar-09 - Feb-10	69.39	Jan-08 - Dec-08	-37.78
Wellington Mgmt: Diversified Growth	Oct-11	13.62	Oct-08	-17.66	Mar-09 - Feb-10	56.19	Mar-08 - Feb-09	-40.66
Russell 1000 Growth Index	Oct-11	10.97	Oct-08	-17.61	Mar-09 - Feb-10	54.19	Mar-08 - Feb-09	-40.03

Excess Returns for Specific Periods:	3/10/2009 - Present		10/9/2007 - 3/9/2009		10/10/2002 - 10/8/2007		3/24/2000 - 10/9/2002		8/13/1987 - 3/23/2000	
	Excess Return	Universe Rank	Excess Return	Universe Rank	Excess Return	Universe Rank	Excess Return	Universe Rank	Excess Return	Universe Rank
Brown Advisory: Large Cap Growth	30.61	4	3.51	26	22.38	31	16.14	40	NA	NA
Delaware Investments: Large-Cap Growth	17.59	7	-1.77	70	-6.78	75	1.11	83	NA	NA
HS Mgt. Partners: Conc. Quality Gr.	30.38	5	4.87	17	NA	NA	NA	NA	NA	NA
TCW: Concentrated Core	7.19	15	5.48	13	32.40	22	4.24	72	NA	NA
Wedgewood: Lrg Cap Fcsed Grwth	38.83	2	8.83	4	19.71	35	NA	NA	NA	NA
Wellington Mgmt: Diversified Growth	-5.49	38	-0.87	63	40.59	15	11.88	50	164.55	45
Russell 1000 Growth Index	0.00	28	0.00	56	0.00	67	0.00	85	0.00	79
eA Large Cap Growth Equity Median	-9.61	50	0.33	50	8.69	50	11.56	50	149.59	50

Manager Comparison

December 31, 2012

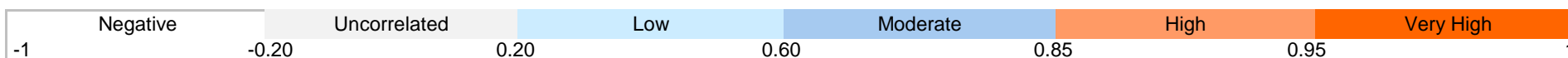
Excess Correlation Matrix

Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Correlation Matrix: Last 5 Years

		1													
Brown Advisory: Large Cap Growth	1		2												
Delaware Investments: Large-Cap Growth	2	0.10		3											
HS Mgt. Partners: Conc. Quality Gr.	3	-0.08	0.31		4										
TCW: Concentrated Core	4	0.19	0.35	0.05		5									
Wedgewood: Lrg Cap Fcsed Grwth	5	0.32	0.09	0.06	0.44		6								
Wellington Mgmt: Diversified Growth	6	0.31	-0.22	-0.45	0.08	-0.17		7							
Cash	7	-0.18	0.08	0.40	0.19	0.15	-0.50		8						
Top Value	8	-0.21	-0.04	0.33	-0.26	-0.02	-0.34	0.20		9					
Top Growth	9	-0.30	0.18	0.44	0.02	0.10	-0.48	0.60	0.31		10				
Mid Value	10	0.09	-0.28	-0.14	-0.26	-0.02	0.03	-0.35	0.46	-0.53		11			
Mid Growth	11	0.31	-0.17	-0.44	-0.01	-0.08	0.46	-0.60	-0.31	-1.00	0.55		12		
Sm Value	12	0.16	-0.26	-0.04	-0.23	-0.06	0.06	-0.26	0.49	-0.33	0.84	0.36		13	
Sm Growth	13	0.35	-0.26	-0.21	-0.09	-0.08	0.37	-0.48	-0.02	-0.68	0.62	0.70	0.74		14
Russell 1000 Growth Index	14	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	



The Correlation Matrix reveals the strength of return relationships between investments. A perfect linear relationship is represented by a correlation of 1, while a perfect negative relationship has a correlation of -1. A correlation of 0 indicates no relationship between the investments. Correlation is a critical component to asset allocation and can be a useful way to measure the diversity of a combined plan portfolio.

Manager Comparison

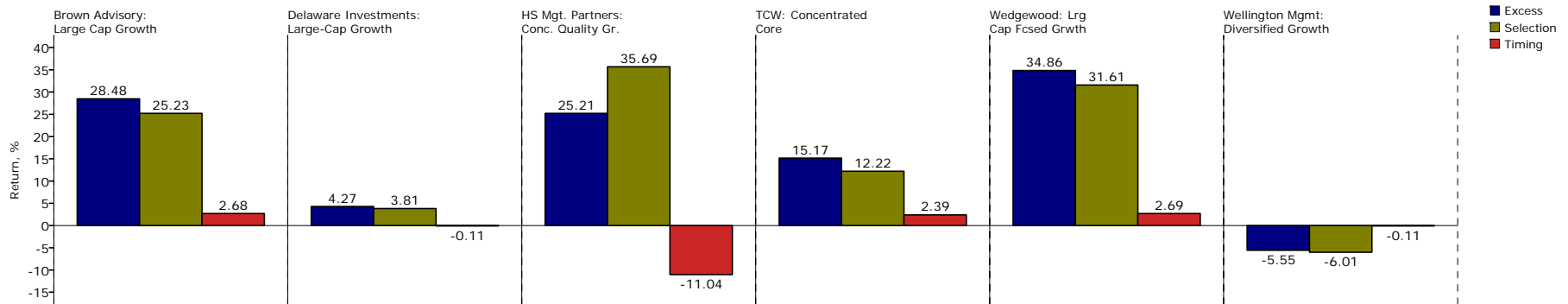
December 31, 2012

Returns Based Attribution

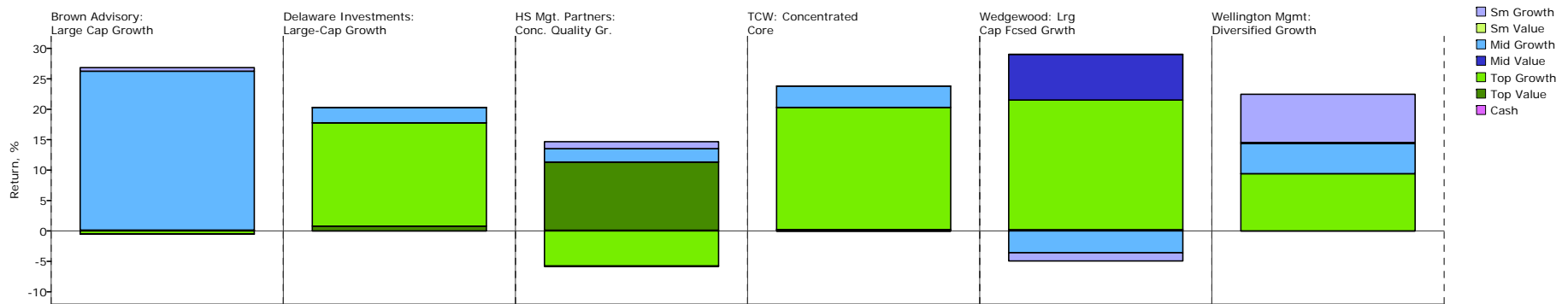
Benchmark
Russell 1000 Growth Index

Universe
eA Large Cap Growth Equity

Performance Attributed to Selection & Timing: Last 5 Years



Performance Attributed to Style Exposures: Last 5 Years



Performance Attribution: Jan-08 - Dec-12	Excess Return	Selection Return	Timing Return	Cash	Top Value	Top Growth	Mid Value	Mid Growth	Sm Value	Sm Growth
Brown Advisory: Large Cap Growth	4.61	4.04	0.47	0.03	0.00	-0.10	0.00	4.75	-0.01	0.12
Delaware Investments: Large-Cap Growth	0.74	0.66	-0.02	0.00	0.16	3.19	0.00	0.50	0.00	0.00
HS Mgt. Partners: Conc. Quality Gr.	4.12	6.04	-2.02	0.02	2.15	-1.18	0.00	0.44	-0.02	0.23
TCW: Concentrated Core	2.55	2.04	0.42	0.05	0.00	3.72	0.00	0.69	0.00	-0.01
Wedgewood: Lrg Cap Fcsed Grwth	5.54	4.97	0.47	0.04	0.00	3.94	1.46	-0.73	0.00	-0.27
Wellington Mgmt: Diversified Growth	-1.00	-1.08	-0.02	0.00	0.00	1.81	0.00	0.97	0.04	1.54

Manager Comparison

December 31, 2012

Appendix: Glossary of Terms

Benchmark

Russell 1000 Growth Index

Universe

eA Large Cap Growth Equity

Appendix: Glossary of Terms

Alpha - Alpha measures the difference between an investment's actual performance, and its expected performance as indicated by the returns of a selected market index. A positive Alpha indicates the risk-adjusted performance is above that index. In calculating Alpha, Standard Deviation (total risk) is used as risk measure. Alpha is often used to judge the value added or subtracted by a manager.

Batting Average - Batting Average is sometimes known as the probability of success. This measures the frequency with which a manager performs better than a selected Market Index. It is computed by dividing the number of positive excess returns by the total number of excess returns during the period.

Beta - Beta is defined as a Manager's sensitivity to market movements and is used to evaluate market related, or systematic risk. Beta is a measure of the linear relationship, over time, of the Manager's returns and those of the Benchmark. Beta is computed by regressing the Manager's excess returns over the risk free rate (cash proxy) against the excess returns of the Benchmark over the risk free rate. An investment that is as equally volatile as the market will have a Beta of 1.0; an investment half as volatile as the market will have a Beta of 0.5; and so on. Thus, Betas higher than 1.0 indicate that the fund is more volatile than the market.

Calmar Ratio - The Calmar Ratio is a risk/return ratio that calculates return on a downside risk adjusted basis. Similar to other efficiency ratios it balances return in the numerator per unit risk in the denominator. In this case risk is characterized by the Maximum Drawdown.

Correlation (R) - The Correlation represents the degree to which investments move in tandem with one another and is a critical component of diversified portfolio construction. The Correlation varies between a minimum of -1 (move in opposite direction) and a maximum of 1 (completely correlated). Lower Correlations enhance diversification and lead to better risk-adjusted returns within diversified portfolios. An R of less than 0.3 is often considered low Correlation.

Distribution of Excess Returns - Distribution of Excess Returns displays an arrangement of statistical data that exhibits the frequency of occurrence of the investment's returns in excess of the selected Market Index.

Down Market (Mkt) Capture Ratio - Down Market Capture Ratio is a measure of an investment's performance in down markets relative to the market itself. A down market is one in which the market's return is less than zero. The lower the investment's Down Market Capture Ratio, the better the investment protected capital during a market decline. A negative Down Market Capture Ratio indicates that an investment's returns rose while the market declined.

Downside Risk (Semi Standard Deviation, Semi StdDev, or Downside Deviation) - Downside Risk only identifies volatility on the down side. Downside Risk measures the variability of returns below zero, whereas Standard Deviation attributes volatility in either direction to risk. The Downside Risk method calculates the deviations below zero for each observed return. Each time a return falls below zero, the sum is divided by the number of observations and the square root is taken. This result is then shown on an annualized basis.

Excess - Denotes that a statistic is being measured relative to the Market Index selected. The data set analyzed consists of the periodic differences between the investment's measure and the selected Market Index's definition.

Information Ratio - The Information Ratio is a measure of value added by an investment manager. It is the ratio of (annualized) excess return above the selected Market Index to (annualized) Tracking Error. Excess return is calculated by linking the difference of the manager's return for each period minus the selected Market Index return for each period, then annualizing the result.

Kurtosis - Kurtosis describes whether the series distribution is peaked or flat and how thick the tails are as compared to a normal distribution. Positive kurtosis indicates a relatively peaked distribution near the mean and tends to decline rapidly and have fat tails. Negative kurtosis indicates a relatively flat distribution near the mean. If there are fewer than four data points, or if the standard deviation of the series equals zero, Kurtosis will appear as N/A.

Loss Ratio - The Loss Ratio is a downside risk-adjusted performance statistic. Similar to the Information Ratio, the Loss Ratio calculates return per unit of risk, except that in this case, risk is represented by downside risk.



STRATEGIC INVESTMENT SOLUTIONS, INC.

Request for Information: US Domestic Equity

Brown Advisory Large-Cap Growth Strategy

January 17, 2012

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Section 1

Proposal Response

Strategic Investment Solutions, Inc.

Brown Advisory Large-Cap Growth Strategy

REQUEST FOR INFORMATION: US DOMESTIC EQUITY

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	Brown Advisory, LLC (Brown Advisory)
Address:	901 South Bond Street, Suite 400 Baltimore, MD 21231
Telephone Number:	410-537-5400
Fax Number:	410-537-6405
Website:	www.brownadvisory.com
Primary Contact	
Name:	Charles Constable
Title:	Head of Institutional Business Development
Telephone Number:	410-537-5405
Email:	cconstable@brownadvisory.com

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

Brown Advisory is an independent, registered investment advisory firm. The firm was founded in 1993 as an investment management affiliate of Alex. Brown & Sons, a Baltimore-based investment bank that traced its roots to 1800. Brown Advisory became a registered investment advisor in 1995. In 1997, Alex. Brown & Sons was acquired by Bankers Trust to form BT Alex. Brown, and was ultimately integrated into Deutsche Bank. During these mergers, believing we could better serve our clients as an employee-owned, independent firm, Brown Advisory accomplished an employee-led buyout in 1998 and has remained private ever since.

As of December 31, 2012, approximately 95% of the firm's revenue was generated from the investment management business (less than 5% of overall revenue was from brokerage services).

C. Attach an organizational chart depicting the firm's distinct business units as *Appendix A – Firm Organizational Chart* and provide the total number of employees within each business unit.

As of 12/31/2012, Brown Advisory employed 308 individuals. Please see attached, "Brown Advisory Organizational Structure."

D. List the firm’s office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

Brown Advisory has seven office locations (including the offices of CDK Investment Management). The investment professionals key to the proposed strategy are based in Brown Advisory’s Baltimore office.

Baltimore, MD – *Principal Office*

Functions: Firm Management, Investment Management, Investment Research, Sales & Client Service.

Washington, D.C. - *Principal Office*

Functions: Investment Management, Sales & Client Service

Boston, MA Office

Functions: Investment Management, Sales & Client Service

Wilmington, DE Office

Functions: Investment Management, Sales & Client Service

Chapel Hill, NC Office

Functions: Investment Management, Sales & Client Service

London, England Office

Functions: Sales & Client Service

New York, NY Office

Function: Offices of CDK Investment Management (acquired by Brown Advisory in 2012), a firm specializing in alternative investments that offers both discretionary and non-discretionary investment advice to private funds of funds.

E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

Brown Advisory is the marketing name for Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory, Ltd., and Brown Advisory Trust Company of Delaware, LLC. Brown Advisory’s controlling entity is Brown Advisory Incorporated (“BAI”), which is organized as a Maryland C corporation and serves as the firm’s parent company. The firm has two SEC-registered investment advisers:

- Brown Advisory, LLC (“BALLC”)
- Brown Advisory Securities, LLC (“BAS”)

BALLC is a wholly-owned subsidiary of Brown Advisory Management, LLC (“BAM”). BAI is the managing member of BAM. In addition to its traditional investment management activities, BALLC also serves as the general partner of various private and limited partnerships. These partnerships invest in public securities, private equity securities, and hedge funds managed by third parties.

BAS (a wholly-owned subsidiary of BAM) is an SEC-registered investment adviser. It is also registered as a broker-dealer with the SEC and is a member firm of the Financial Industry Regulatory Authority ("FINRA"). Brown Advisory conducts no institutional trading activity through Brown Advisory Securities.

Brown Investment Advisory & Trust Company ("BIATC") is a Maryland State Non-Depository Trust Company that is subject to regulatory oversight by the Office of the Commissioner of Financial Regulation of the State of Maryland. BIATC is a wholly-owned subsidiary of BAI.

Brown Advisory Trust Company of Delaware, LLC ("BATCODE") is a Delaware limited purpose trust company that is subject to regulatory oversight by the Office of the State Bank Commissioner of the State of Delaware. BATCODE is a wholly-owned subsidiary of BAM.

Brown Advisory Ltd. is a UK-based investment adviser that is regulated by the UK Financial Services Authority ("FSA"). It is a wholly-owned subsidiary of BAI.

Brown Advisory is also affiliated with Brown Advisory Insurance Agency ("BAIA"), a state licensed insurance agency and a wholly-owned subsidiary of BAM.

In early 2010, Brown Advisory began a relationship with Savano Direct Capital Partners, LLC, through a 50% ownership interest in Brown Savano JV, LLC ("BrownSavano"). BrownSavano was founded for the sole purpose of providing partial liquidity and asset diversification to individual shareholders in market-leading, laterstage private companies.

In 2012, Brown Advisory acquired CDK Investment Management, LLC ("CDK"). CDK is a New York-based investment adviser specializing in alternative investments and offers both discretionary and non-discretionary investment advice primarily to private investment funds, individuals and institutional separate accounts. CDK is a wholly-owned subsidiary of BAM.

F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

Approximately 70% of the parent firm is owned by 100% of its full time employees, while the remaining 30% is owned by members of the Board of Directors and a small group of clients and investors.

Investment professionals typically have personal wealth invested in their strategy, and many Partners invest in the company's investment products. However, all investments in the strategy are voluntary, and as such we cannot determine the frequency and amount of the contributions. Additionally, all investment professionals are owners of the firm. We believe that equity in an investment management firm is ultimately an investment in the performance of the underlying securities in clients' portfolios.

G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

On January 1, 2012, several corporate entities within Brown Advisory reorganized to combine four SEC-registered investment advisers, and two entities which serve as general

partners to private equity partnerships, into a single SEC-registered investment adviser, Brown Advisory, LLC. This reorganization is intended to simplify the firm's corporate structure, reduce administrative risk, regulatory complexity and cost, and to make the structure easier for regulators, potential clients and counterparties to understand.

In addition, Brown Advisory has completed several firm investments over the past several years. During the third quarter of 2008, our firm acquired Alex. Brown Investment Management (ABIM), a Baltimore-based investment management company that managed assets for various institutions in a Flexible Value strategy, benchmarked against the S&P 500.

During the first quarter of 2009, the firm acquired Winslow Management Company, LLC, a Boston-based investment firm focused on environmentally-friendly or "green investing." This was an immaterial financial transaction, but provided additional analytical resources related to sustainable investing and clean technologies.

In early 2010, we began a relationship with Savano Direct Capital Partners, LLC, through a 50% ownership interest in Brown Savano JV, LLC ("BrownSavano"). BrownSavano was founded for the sole purpose of providing partial liquidity and asset diversification to individual shareholders in market-leading, later-stage private companies.

In mid-2010, Cavanaugh Capital Management (CCM) joined Brown Advisory to add depth to the fixed income effort. CCM was established in 1991, borne out of the public finance team at Alex. Brown & Sons. CCM brought over both taxable and tax exempt fixed income assets – sharing a very similar investment philosophy and commitment to delivering superior client service.

Most recently, in 2012, Brown Advisory acquired CDK Investment Management, LLC ("CDK"). CDK is a New York-based investment adviser specializing in alternative investments and offers both discretionary and non-discretionary investment advice primarily to private investment funds, individuals and institutional separate accounts.

H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

Brown Advisory's strategic plan for growth has three components: 1) retention of our investment professionals, 2) significant investment in systems technology, and 3) the growth of the companies in our portfolios. The firm's plans for growth have and will continue to be appropriately measured against the performance and service we deliver our clients. We believe that the firm is well positioned to deliver attractive performance over time and superior service, as assets under management continue to increase.

We believe that we have the resources to meet our projected growth in assets with gradual additions to firm-wide staff over time. We will add to our research team as opportunities arise to attract talented individuals, as we believe the quality of our investment team is vital to the long-term success of our clients' investments as well as our own.

If need be, we will limit our growth to ensure we are taking on the right clients, continuing to bolster our infrastructure, and strengthening our processes.

I. Describe your succession and continuity plans for management of the firm.

Our firm succession plan is based on low management turnover and growing the next generation of leadership organically. As an independent investment firm we have structured our ownership to foster future generational success. We have intentionally created broad ownership across the firm, which has created a stable environment with minimal employee turnover. With a strategic plan for growth, we believe the firm is well positioned to deliver sound performance and service as we undertake a significant increase in assets under management.

The firm has a Steering Committee, comprising all of our department heads that meets weekly to discuss and prioritize firm-wide initiatives. In the event there is a need for change, any one of those members can step in to lead the firm, as they are informed to take such a role and have the support of the rest of the group.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

There has been one senior personnel change at the corporate level within the past three years. In April, 2010, Nancy Denney, Chief Compliance Officer, decided to leave the firm to start her own consulting firm. Brett Rogers, whom Ms. Denney recruited to the firm in 2009, assumed the role of Chief Compliance Officer. Mr. Rogers reports to the CEO and the firm's Audit Committee.

K. Exhibit-A (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

Please refer to the attached Excel spreadsheets.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

In May, 2009, we discontinued the Brown Advisory Corporate Bond Opportunity Strategy, which was started in the 4th quarter of 2008 solely for existing clients. The offering was created to take advantage of a dislocation in the investment grade corporate bond market, which was reflected in corporate yield spreads being at historical wide levels (versus Treasuries). As the credit crisis subsided, we closed the strategy, having realized its potential.

The Brown Advisory Core International Fund was launched in January, 2003, and terminated in June, 2010, when Brown Advisory terminated business with the fund's sub-advisor.

In December 2011, the subadvised Brown Advisory Cardinal Small Companies Fund was merged into the Brown Advisory Small-Cap Fundamental Value Fund. The merger occurred because the two strategies were managed similarly and therefore the merger resulted in a larger fund that was able to decrease the net expense ratio paid by shareholders.

In October 2012, the Winslow Green Growth Fund merged into the Brown Advisory Winslow Sustainability Fund, as the strategy transitioned to more of a large-cap focus.

II. INVESTMENT TEAM

- A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as *Appendix B – Investment Team Organizational Chart*.**

Please see attached, “Brown Advisory Large-Cap Growth Investment Team Organizational Chart.”

- B. *Exhibit B (in the attached Excel document)*: Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.**

Please refer to the attached Excel spreadsheets.

- C. Attach biographies for each of the individuals named above as *Appendix C – Biographies of Key Investment Professionals*.**

Please refer to the attached “Brown Advisory Research and Investment Team.”

- D. Identify the named portfolio manager(s) who would be responsible for our client’s specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.**

Ken Stuzin, CFA is a Partner at Brown Advisory and is responsible for managing our U.S. large-cap growth portfolios. He is also the portfolio manager for the Brown Advisory Growth Equity Fund (BIAGX). Prior to joining Brown Advisory in 1996, he was a Vice President and Portfolio Manager at J.P. Morgan Investment Management in Los Angeles, where he was a U.S. Large-Cap Portfolio Manager. Prior to this position, Mr. Stuzin was a quantitative portfolio strategist in New York, where he advised clients on capital markets issues and strategic asset allocation decisions. Mr. Stuzin is a graduate of Columbia University, receiving a B.A. in 1986, followed by an M.B.A. from the University in 1993. He was hired to manage the firm’s U.S. Large-Cap Growth Equity strategy and to build upon and grow the investment process into what it is today.

- E. *Exhibit B (in the attached Excel document)*: Provide a summary of the firm’s employees.**

Please refer to the attached Excel spreadsheets.

- F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.**

In awarding compensation to our investment professionals, we take investment performance, teamwork, and the overall profitability of the firm into consideration. Our compensation structure is designed to create a highly collaborative investment process.

Brown Advisory compensates investment professionals using three components; 1) base salary, 2) cash bonus and 3) firm equity.

Portfolio Managers: The performance bonus portion of the portfolio managers' compensation takes into consideration a number of factors including but not limited to performance, teamwork, the ability to grow and retain assets, and the firm's profitability. When evaluating a portfolio manager's performance, the firm compares the performance of a portfolio manager's accounts to the relevant market index over trailing one, three, and five year time periods. Additionally, the firm takes into account the portfolio manager's peer rankings over trailing one, three, and five year time periods.

Analysts: The cash bonus piece of the analysts' compensation has three inputs – approximately one-third is based on performance of our investment products, one-third is based on the analyst's stock selection on an absolute and relative basis, and one-third is based on teamwork and contribution to the overall investment process and team (we emphasize idea quality versus quantity and therefore do not stress analyst 'representation' in portfolios). These three inputs go into a formal review process whereby compensation is determined by meritocracy.

Additionally, we believe equity is a vital part of the overall compensation mix. We award equity to our investment professionals in order to align our interests with those of our clients, as we believe that equity in an investment management firm is ultimately an investment in the performance of the underlying securities in clients' portfolios.

G. *Exhibit B (in the attached Excel document): Complete the table listing turnover for the individuals responsible for the proposed strategy.*

Please refer to the attached Excel spreadsheets.

H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

In the event Ken Stuzin, CFA left the firm or was unable to manage the portfolio, Paul J. Chew, CFA, the firm's Head of Investments, would take over management of the Brown Advisory Large-Cap Growth Strategy.

I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

None of the primary investment activities or administrative services for our U.S. client associated with the proposed strategy are outsourced to third-party service providers.

III. INVESTMENT STRATEGY & PROCESS

- A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.**

Brown Advisory's Large-Cap Growth philosophy is based on the belief that a concentrated portfolio comprised of sound, sustainable business models has the potential to deliver attractive risk-adjusted returns over time. We have a disciplined, repeatable process in place and look to invest where we believe outcomes are skewed heavily in our favor.

Our investment philosophy is based on the belief that above-average risk-adjusted returns are available to the investor that has the ability to exploit the market inefficiencies. Our investment team and process are solely focused on attempting to uncover a select collection of what we believe are highly positively skewed risk/reward opportunities amongst several hundred companies.

We have high business model barriers and high growth rate minimums to create portfolios that are optimized for high return with a minimum of risk.

We believe in maintaining concentrated portfolios comprised of what we believe are our very best ideas. This helps to ensure that each position has the ability to benefit shareholders should our long-term forecasts and assessment of value prove accurate. It also helps to ensure that each holding is highly scrutinized by the investment team, earning its right to be in the portfolio versus other eligible investment ideas. It is only by being different from the broader market that long-term returns in excess of the benchmark can be achieved.

- B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?**

The Brown Advisory Large-Cap Growth utilizes a bottom-up fundamental approach.

- C. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?**

We believe that the Brown Advisory Large-Cap Growth Strategy is truly unique relative to our peers. We believe that our edge comes from a rigorous discipline of investing for the long-term in companies that we believe can consistently grow their earnings per share 14% or more over a full market cycle. We know our companies' business models first and foremost. We also implement a "one in, one out" portfolio management discipline in which companies constantly need to prove their worth compared to other names in the portfolio and ideas we are researching.

- D. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?**

The Brown Advisory Large-Cap Growth Strategy's investment universe is derived from the broad universe of U.S. equities with market capitalizations generally greater than \$2 billion at the time of purchase and business models that we believe are capable of an absolute EPS growth rate of at least 14% over a full market cycle.

In reducing the FactSet universe of more than 3,000 stocks to a target group of closely watched companies, the investment team is seeking to identify companies with highly attractive, sustainable future earnings growth. Initial quantitative screening excludes companies with market capitalizations of less than \$2 billion and low growth companies that may be experiencing a brief period of high growth (deep cyclical, commodity-led, momentum-driven, etc.).

The remaining list of approximately 250 names is considered for further analysis. Common attributes of the companies selected for further research include: the existence of large and enduring market opportunities, experienced management, proprietary products or services, strong financial condition, and a culture that rewards innovation and is adaptable to change.

E. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

The investment team is structured in such a way that is built on a belief in the power of collaboration. We believe there are three important aspects to collaboration that define the foundation of our team; 1) working together as a team, with a common goal of delivering strong performance to our clients, 2) challenging one another to elucidate investment ideas and to delve deeper into analytical nuances that strengthen investment theses, and 3) actively listening to each other in order to learn and grow together as a team.

The firm's research capability is organized based upon broad economic sector definitions. Each broad sector is covered by a team of analysts responsible for in depth knowledge of their sector and conducting fundamental analysis at the company level. Importantly, portfolio managers are actively involved in the due diligence process, focused on individual companies along with industry areas of expertise. The equity research team is centralized and supports all of the firm's equity strategies.

The research process has not changed in recent years.

F. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

The investment team is structured in such a way that is built on a belief in the power of collaboration. We believe there are three important aspects to collaboration that define the foundation of our team; 1) working together as a team, with a common goal of delivering strong performance to our clients, 2) challenging one another to elucidate investment ideas and to delve deeper into analytical nuances that strengthen investment theses, and 3) actively listening to each other in order to learn and grow together as a team.

Every portfolio manager and research analyst takes an active role in conducting fundamental research. This enables us to take full advantage of the expertise and experience of every investment professional. The research analysts are organized across economic sectors and are responsible for generating new ideas as well as ongoing monitoring.

The portfolio manager, Ken Stuzin, CFA, is ultimately responsible for all investment decisions regarding the Brown Advisory Large-Cap Growth Strategy.

G. Outline and briefly describe the main steps of your investment process.

The Brown Advisory Large-Cap Growth strategy follows a disciplined six step investment process. The process was developed based upon our investment objective to build a portfolio of fast growing companies where the total risk adjusted return of the portfolio is optimized to account for both expected EPS growth as well as valuation. The six steps of our process are 1) properly identifying a universe of securities, 2) generating ideas and paring down the universe into viable investment options, 3) conducting due diligence on the remaining securities through a more involved research effort, 4) making buy decisions, 5) constructing and optimizing the portfolio with our upside/downside price discipline and eventually 6) making sell decisions.

H. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

The first step of our research process is for the analyst to review all of the recent public SEC filings of a target company. The analyst then builds a preliminary financial model. The process of building a model is important in determining what fundamental questions about the company must be answered before its business can be fully understood. Once this preliminary work is completed and it is determined that the company is still a fit for the portfolio, the analyst will present his or her initial thoughts to the rest of the research team and the portfolio manager for whom the stock is being recommended. This collaborative process helps focus the analyst on areas that may still need further investigation.

The next step in the process is for the analyst and a second member of the team, most often the portfolio manager, to visit the company and interview the management team. We believe it is important to have a second member of the team attend each management meeting to facilitate and optimize the due diligence process.

After completing the management interview and concluding that the investment thesis appears sound, the analyst will complete the fundamental research by speaking with members of the firm's network of contacts, other industry sources, and the company's customers and competitors. The final component of the analyst's financial model is the completion of an upside and downside framework for the company's stock price. The analyst is then required to write a research report that conforms to prescribed standards. We consider this to be a very important part of our process, as it helps ensure that all areas of the thesis for purchasing a company have been fully developed and are ultimately recorded.

I. To the extent that tactical sector allocation shifts, duration management and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

Not applicable. The Brown Advisory Large-Cap Growth Strategy does not utilize any top-down "macro" bets.

J. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Brown Advisory regularly receives research and other products and services other than execution from broker-dealers and third parties in connection with client securities transactions. This practice is commonly known as soft dollar compensation and is an indirect benefit to the firm.

In the selection of broker-dealers for trade execution, we take into consideration not only the available prices of securities and rates of brokerage commissions, but also other relevant factors such as execution capabilities, research and other services provided by such broker-dealers that are expected to enhance our general portfolio management capabilities. In accordance with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, we are allowed to receive research services. However, if research services are a factor in selecting a broker-dealer, we must determine that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. From a payment perspective, all soft dollar payments are made through the equity trading desk in a competitive execution process.

The firm receives soft dollars on approximately 15-25% of trades.

In addition, we believe that our extensive network of clients, directors and outside shareholders provides us with an “informational advantage” over our competitors. This network includes executives and directors of Fortune 500 companies, asset managers, investment bankers, and a large group of venture capital and private equity contacts. These contacts continually challenge the research and investment team, helping foster a culture of rigorous analysis and “out of the box” thinking. We also utilize our network to further vet existing investment ideas to see if there is anything that our team may overlook.

K. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

Within the due diligence phase of our process we take an “inside-out investing” approach to identifying real drivers of growth. This entails relying on our internal research team to conduct bottom-up, fundamental research of companies to gain an unbiased view of how specific business models work. The investment team continues the research effort by conducting a competitive analysis and identifying the company’s position in the market place. All of these steps are used as necessary inputs to building a financial model to evaluate both upside and downside price targets for each business in consideration.

This valuation framework is the core of our investment process and is continuously reviewed and challenged to ensure that only our best ideas with the greatest upside potential and least downside risk get into the portfolio.

The decision to purchase securities, and the corresponding weights in the portfolio, depends in part on following attributes:

1. Growth and Return Prospects
 - Absolute high growth rates
 - Proprietary products or processes
 - Ability to sustain above-industry growth over the long-term
 - History of outstanding growth
2. Price
 - Emphasis on companies with an attractive return profile
 - Patient on companies where valuation overstates the growth opportunity
3. Balance Sheet Quality
 - High degree of financial flexibility
4. Strong Management
 - Experience
 - History of adding shareholder value

The decision to purchase a security, the timing of that purchase, the price paid, and the size of the position are at the discretion of the portfolio manager

L. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

As fundamentally driven stock pickers, constructing a portfolio not only with our best investment ideas, but also weighting positions accordingly is essential to our alpha generation. To determine individual security weightings we use an upside/downside target methodology. Stocks with the greatest upside potential and least downside risk tend to be the largest positions in the portfolio. Other determinants of position size include growth rate and appreciation for the liquidity of the underlying stock. We generally do not own position sizes larger than 5% of the portfolio or smaller than 1.5%.

We do not have pre-defined industry or sector limitations. We believe in structuring portfolios to deliver the outcomes that we find desirable, rather than attempting to manage the portfolio to deliver those outcomes. This is a subtle difference, but it means that rather than just "filling" our sector and/or industry allocations with any company, we allow our diversified portfolio to come out of our fundamentally driven process, where allocations are invested in high growth businesses.

With that said, we do monitor diversions versus the benchmark. If our bottom-up investment approach leads to significant underweighting in a particular sector, we re-evaluate that sector to determine if there are any appropriate growth companies that fit our investment philosophy yet have eluded our screening process and should be reconsidered. As investors, we are benchmark aware rather than benchmark driven.

Typical portfolio attributes include the following:

Number of positions:	30 – 35
Position size:	1.5 – 5%
Top ten weighting:	40 – 50%
Cash position:	1 – 3%

M. How do you define “risk”?

We think of risk in our portfolio as the ratio of the position-weighted upside potential of our stock holdings relative to their downside risk – with the goal of maximizing upside appreciation and limiting downside risk. Risk management is a core component of our active portfolio management process.

N. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

As noted, we do not have pre-defined industry or sector limitations. With that said, we do monitor diversions versus the benchmark. If our bottom-up investment approach leads to significant underweighting in a particular sector, we re-evaluate that sector to determine if there are any appropriate growth companies that fit our investment philosophy yet have eluded our screening process and should be reconsidered. As investors, we are benchmark aware rather than benchmark driven.

O. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

The decision to sell securities, whether completely liquidating the position or trimming the position depends in part on following attributes:

- The fundamentals of the underlying investment thesis are violated:
 - The growth rate is impeded by competition or poor execution from management
 - The strategy of the firm changes
 - Management’s ability to sustain growth at the company is compromised
- Market expectations create a valuation that considerably overstates the fundamentals of the company and is a “headwind” to total return.
- Alternative opportunities – in our concentrated portfolio of between 30-35 securities, we create competition for capital and fund new ideas from pre-existing names. We often refer to this as “Darwinian Capitalism.”

The decision to sell a security, the timing, the price, and the size of the position are at the discretion of the portfolio manager.

P. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

The Brown Advisory Large-Cap Growth Strategy does not employ leverage.

Q. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

The Brown Advisory Large-Cap Growth Strategy does not utilize short positions.

R. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

The Brown Advisory Large-Cap Growth Strategy does not utilize hedging activities to add value.

S. Regarding risk management:

- 1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.**
- 2) Identify the person(s) or group primarily responsible for the risk management function.**
- 3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.**

We believe the greatest risk to our portfolio does not exist within the portfolio itself, but rather outside of the portfolio. There are real and serious issues that will challenge our companies going forward. There is reason to be concerned about the global economy. Despite these external risk factors, we believe that through actively managing a concentrated portfolio, along with focusing on diversification, and sensitivity to upside/downside prices, we will continue to strive to achieve our goal of maximizing returns while mitigating risks appropriately.

Strategy risk management is primarily the responsibility of the portfolio manager while analysts are responsible for the risk of individual holdings. Both parties work collaboratively ensuring coherence and diligence to the investment process.

We explicitly manage the downside risk of each holding through our fundamental analysis. Analysts, with the assistance of the portfolio manager, develop detailed financial models quantifying what the downside price target is for each investment. We model this risk both 1 and 3 years out. Additionally, we are diligent with weighting the portfolio such that our largest holdings have the least downside, further minimizing what we believe is the inherent risk of the portfolio. We believe that portfolio risk management is not independent of the investment process, rather, deeply ingrained in the process and how we approach our fundamental analysis.

T. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

Portfolio managers typically have personal wealth invested in their strategies, and many Partners and employees invest in the company's investment products. However, all such investments are voluntary, and as such, we do not track the frequency and amount of the contributions.

Additionally, all investment professionals are owners of the firm. We believe that equity in an investment management firm is ultimately an investment in the performance of the underlying securities in clients' portfolios.

Investment professionals are allowed to invest in strategies not managed by the firm. Guidelines for personal investments are outlined in the firm's Code of Ethics.

U. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

There have been no material changes made to the Brown Advisory Large-Cap Growth investment process or risk management techniques since the strategy's inception.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

Brown Advisory's Large-Cap Growth Strategy is benchmarked against the Russell 1000 Growth Index. We believe the Russell 1000 Growth Index is the most appropriate benchmark because the index represents companies with sustainable earnings growth and larger market capitalizations.

B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

We do not have established performance targets or expectations for the Brown Advisory Large-Cap Growth Strategy. The strategy's return expectation is to exceed the Russell 1000 Growth Index over a typical market cycle on a risk-adjusted basis.

C. What has been the annual turnover (in position terms) for this product over the past five years?

The average turnover of the Brown Advisory Large-Cap Growth Strategy for the five-year period ended 12/31/12 is 40% (Source: FactSet; based on a representative account).

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

We believe this strategy has characteristics for potential out-performance in both up and down markets – and historically this has been the case. We believe that this trend will continue, as our focus on owning companies that grow their earnings at high and sustainable levels has historically been rewarded in up markets. Our valuation discipline of trying to optimize our portfolio around upside price potential versus downside risk has also served us well in down markets.

We feel the environment in which the strategy tends to underperform is during a “hyper-momentum” bull market (such as during the technology bubble of 1999) or an extremely volatile down market. The reason for this is that we are a fundamentally-focused product that utilizes an upside/downside price target discipline to help us maximize potential capital appreciation while minimizing downside price risk. In a volatile down market, higher-quality companies can get dragged down by the declines of lower-quality companies. In a hyper-momentum market, if stocks possess valuations that are stretched versus company fundamentals – and thus, in our view, pose a headwind to total returns – we tend to trim or sell positions. If the market is in a euphoric state and the only driver to price appreciation is price momentum, then we will likely underperform the benchmark until “gravity” sets in and stretched valuations are eased.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

Due to our investment philosophy and process, most of any out-performance is the result of stock selection. This was the case in 2009. Names which performed particularly well in 2009 included Apple, Cognizant, Intuitive Surgical, and NetApp. Importantly, it is the valuation discipline aspect of the investment process that causes the team to “upgrade” the portfolio when a better name is available. This process was applicable in 2009; as the March market lows were realized, the team took the opportunity to swap into stronger companies with better upside potential than the existing holdings. This process laid the foundation to a year of significant outperformance.

The worst absolute performance year was 2008, as the portfolio was down 36%. Although the portfolio was able to out-perform on a relative basis, it was still a difficult year. Names which hurt the most that year were Schlumberger, Electronic Arts, and Stryker. Additionally, the portfolio was slightly underweighted to Consumer Staples, which was the best performing sector during the decline, and overweighted to Financials, the worst performing sector.

F. Provide metrics associated with the following areas:

Current information as of 12/31/2012

1) Number of securities held

- **Current** 33
- **Historical range** 30-35 names (past five years)

2) Position size

- **Current average** 3.0%
- **Current largest** 4.8%
- **Maximum allowable (specify if measured at cost or market)** 7% (market value)
- **Percent in top ten holdings** 38.2%

3) Cash & equivalents allocation

- **Current** 2.5%
- **Historical range** 0-5%
- **Maximum allowable** 5%

Source: FactSet, based on a representative account

G. Exhibit-C (in the attached Excel document): Provide current and historical holding Cap Size.

Please refer to the attached Excel spreadsheets.

H. Exhibit-D (in the attached Excel document): Please enter monthly gross and net of fee returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.

Please refer to the attached Excel spreadsheets.

I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

100% of historical “value added” is attributable to stock selection. We do not use industry selection, trading, cash, or currency hedging to add value.

J. Regarding composite quality:

1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?

Brown Advisory claims GIPS Compliance, and has been compliant since prior to the proposed strategy’s inception.

In a letter dated May 29, 2012, Vincent Performance Services LLC (“VPS”) verified that Brown Advisory (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from January 1, 2006 through December 31, 2009, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2009.

VPS conducted this verification in accordance with the verification procedures set forth in the GIPS standards and the Guidance Statement on Verification. It also conducted other procedures as considered necessary in the circumstances.

A verification covering the period from January 1, 1993 through December 31, 2004 was performed by a prior verification firm, whose report dated May 9, 2005 expressed an unqualified opinion thereon.

VPS also provided the opinion that the compliant presentation of the Brown Advisory’s Large-Cap Growth Institutional Composite for the period from January 1, 2006 through December 31, 2009 has been prepared and presented, in all material respects, in compliance with the GIPS standards.

Please refer to the attached “Brown Advisory GIPS Verification Report” and “Brown Advisory Large-Cap Growth Institutional Composite GIPS Report.”

2) Has it been your firm’s policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.

Yes. However, discretionary accounts may not be included in the composite because of their failure to meet the composite’s minimum market value requirements, or because the assets are a portion of a balanced portfolio.

3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

There are currently a number of discretionary accounts not included in the composite because of their failure to meet the composite's minimum market value requirements, or because the assets are a portion of a balanced portfolio.

The Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. The composite does not include assets managed in balanced portfolios or assets managed in the strategy, but excluded from the composite due to client guidelines or restrictions or a failure to meet the composite's minimum market value requirements. The minimum account market value required for composite inclusion is \$1.5 million.

4) Are terminated portfolios included in the composite? If not, please explain.

Yes.

5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?

A new account is included in the composite after the first full month of being fully invested. This policy has been applied since the strategy's inception.

6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

Portfolios in the composite are dollar weighted. This policy has been applied since the strategy's inception.

7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

We report total portfolio returns (including cash). However, cash is entirely frictional, and we are generally fully invested.

This policy been consistently applied since inception of the composite.

8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

No, accounts are not switched from one composite to another.

9) **Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.**

As of 09/30/2012, the strategy had the following assets and accounts:

	Accounts	Assets (\$millions)
Large-Cap Growth Strategy	885	\$10,753
Large-Cap Growth Strategy Composite	139	\$8,341

The Large-Cap Growth Strategy includes all accounts (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. The Large-Cap Growth composite does not include assets managed in balanced portfolios or assets managed in the strategy, but excluded from the composite due to client guidelines or restrictions or a failure to meet the composite's minimum market value requirements. The minimum account market value required for composite inclusion is \$1.5 million.

10) **Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.**

	High Return	Low Return	Median Return
2008*	-37.54%	-39.70%	-38.35%
2009*	56.85%	53.20%	55.18%
2010	26.49%	24.71%	25.57%
2011	1.43%	-0.62%	0.46%
2012 (through 9/30)	18.08%	14.90%	17.27%
2012 (through 12/31)	17.82%	14.24%	16.56%

* Uses common stock returns--not total portfolio – due to carve-outs

The Large-Cap Growth composite does not include assets managed in balanced portfolios or assets managed in the strategy, but excluded from the composite due to client guidelines or restrictions or a failure to meet the composite's minimum market value requirements. The minimum account market value required for composite inclusion is \$1.5 million.

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-E (in the attached Excel document):** Please include monthly gross and net of fee returns, since inception through 9/30/12.

V. INVESTMENT VEHICLES, FEES & TERMS

A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

Although we have ambitious goals for growth in the coming years, we have expected target capacity limits on the majority of our investment strategies. In the case of our Large-Cap Growth Strategy, we consciously monitor the portfolio structure at various assets levels and evaluate the impact on the percentage-ownership of outstanding shares and liquidity constraints of each holding. If we find that our capacity is hindering our ability to meet our investment objectives, we will close the portfolio to new clients.

With that said, we feel that \$14 billion under management in the strategy would not compromise our ability to execute the strategy accordingly. This capacity range includes assets from our mutual fund and broader mandates that allocate assets to our large-cap growth model.

B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:

1) Separate Account

Annual Investment Management Fee (basis points)	Investment Amount
80	Initial \$10 million
65	Next \$15 million
50	Next \$25 million
40	On Assets over \$50 million

Minimum account size is typically \$5 million.

Fees are negotiable depending on account size, client service requirements, and other circumstances.

Advisory fees do not cover fees for services provided or charged by the client's custodian.

The firm's Form ADV, Part 2A, provides additional information.

2) Commingled Fund

Not applicable.

3) Institutional Mutual Fund

Institutional Share Class Ticker:	BAFGX
Expense Ratio:	0.78% (as disclosed in the Fund's current prospectus, dated October 19, 2012)

C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

From time to time, we will accept institutional clients that wish to pay performance-based fee schedules. We do not currently have a formal incentive fee schedule in place for the strategy; but would be willing to discuss such an arrangement if a client would be interested.

Brown Advisory maintains and enforces written policies and procedures designed to ensure that all accounts are treated equitably regardless of the fee arrangement. In addition, we have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation. Please refer to our Form ADV, Part 2A for the practices we employ to mitigate and manage these risks.

D. Specifically regarding commingled vehicles (excluding mutual funds):

- 1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.
- 2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?
- 3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.
- 4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?
- 5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.

Not applicable for investors in the United States.

E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.

We have a Most-Favored Nation arrangement with certain clients. Specifics of any arrangement depend on negotiations with the client at the time of hire.

We maintain a database of all clients with Most Favored Nation fee arrangements (and the specifics of each arrangement), and check against these records during any fee negotiation. Fees utilized for all new client relationships require sign-off by the firm's Head of Business Development, Chief Compliance Officer, and Chief Financial Officer.

F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?

The average commission per share was 2.8 cents for the most recent calendar year for all equity trading. We do not track and are unable to calculate the total annual trading costs from commissions and market impact for a specific strategy.

G. Are fees and/or terms negotiable for this mandate? If so, at what size?

Fees may be negotiable depending on account size, client service requirements, and other circumstances. We anticipate that fees would be negotiated for your client's mandate.

H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?

Investment professionals typically have personal wealth invested in their strategy, and many Partners invest in the company's investment products. However, all investments in the strategy are voluntary, and as such we cannot determine the frequency and amount of the contributions.

I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as *Appendix E – Legal Documents*.

Please refer to the attached Appendix E.

VI. OPERATIONS, TRADING & CONTROLS

A. Briefly describe your administrative/back office operations and organizational structure.

We have dedicated back office staff who report to Brent Myers, our Director of Operations. Operations groups include Trade Support, Firm Operations (Pricing/Asset Setup, Fee Billing, Middle Office - including transfers, distributions, etc., Reconciliation, and New Accounts), Client Performance Reporting, and Business Solutions. We employ a dedicated team of institutional client reporting specialists to provide customized client reporting and performance measurement for those clients.

For additional information regarding our organizational structure, please see the attached “Brown Advisory Organizational Structure.”

B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

We believe that clients deserve the peace of mind that comes from having an independent third party provide custody and other record-keeping services that complement our role as investment advisor. Brown Advisory has negotiated a favorable custody relationship with U.S. Bank, N.A. (“U.S. Bank”). The use of an outside custodian enables Brown Advisory to focus on its strengths of investment management, strategic advice, and administration. As a custodian, U.S. Bank provides the following services: safekeeping of assets; receiving and disbursing funds; transaction settlement; client statements, accounting and reporting; tax reporting on purchases and sales (1099s) and online account access. Other than reviewing statements from U.S. Bank and accessing accounts online (through Brown Advisory’s web site to U.S. Bank), clients do not need to form a relationship or communicate with the bank.

We give our clients the option of working with U.S. Bank to benefit from favorable rates, or to use their custodian of choice.

C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

Systems	Description
Moxy	Trade order management
Advent’s APX	Portfolio accounting
Advent’s Rules Manager	Pre and post-trade compliance
FactSet	Data aggregation/database, analysis, screening, research
Zephyr’s StylesADVISOR	Data analytics
Bloomberg	Data analytics, research, market information
Reuters	Live quote system

In addition, the firm’s trading desk uses a variety of Investment Technology Group’s (ITG’s) best execution reports and tools to measure and track execution effectiveness and costs.

D. Regarding valuation practices:

- 1) **Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.**
- 2) **Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.**
- 3) **Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?**

General exchange traded common stock securities will be valued at prices supplied by an approved pricing agent for such securities, if available. The accepted price supplied by the pricing agent should be the closing price reported by the relevant exchange on the value date.

Brown Advisory has three primary sources for pricing. The majority of our assets are priced via the custodians, which send the firm a pricing file every morning. Bloomberg is then used as a secondary pricing source, and our final pricing source is International Data Corporation (IDC), using Advent.

The firm's Pricing Committee governs the firm's overall pricing policy. In addition, for any assets not available through a third party vendor, pricing is updated manually on a monthly or quarterly basis depending on the investment. The firm's Pricing Committee oversees this activity.

E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

The firm's Risk Management Committee is a committee that meets at least monthly to identify and assess the management of key risks to the enterprise, including operational, regulatory, IT and physical security, and financial risks. The Risk Management Committee discusses current risks to the firm and provides guidance on timely resolutions. The Risk Management Committee is made up of representatives from throughout the firm, including but not limited to the CEO, CFO, CCO, Head of Investments, Head Trader, etc.

Business risks, such as key man risk, reputational risk, fraud etc. are topics discussed and monitored by the members of the firm's Risk Management Committee. These topics are communicated, as needed, to the firm's Board of Directors. The firm works to mitigate key man risk through thoughtful succession planning within groups along with cross training where applicable.

Regulatory, legal and compliance risks are a top priority of the entire firm. These issues are handled through a variety of channels and are the specific focus of the Compliance Department.

The firm does not have a SAS-70/ SSAE audit.

F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

Our trading process is built around achieving best execution for our clients. Our portfolio managers communicate with the trading desk on a regular basis; even more frequently during trade execution. In communicating orders, the portfolio managers have the trade specifications entered into our trade order management system, and then speak directly with the traders to address price sensitivities and timing of the trades. The portfolio managers do not define specific prices, they determine levels to execute within – enabling the trading desk to ensure best execution.

The desk will trade with the broker or system that it believes will provide best execution. Additionally, the primary method our trading group uses to minimize trading costs is by using Alternative Trading Systems (ATS). These systems streamline the trading process, minimize trade errors and execute trades efficiently and effectively.

Lastly, in many instances, groups of accounts will need to effect a transaction in the same security or securities. In these instances, Brown Advisory typically will aggregate orders for the same security by multiple accounts into a “block trade”. Brown Advisory believes that this process provides equal treatment of all clients, provides ease of administration, and facilitates the avoidance of information leakage that may be detrimental client trades.

The list of personnel authorized to *originate* a trade for client accounts includes portfolio managers, associate portfolio managers, members of the equity and fixed income trading desks and designated Operations employees. No additions or deletions can be made to this list without the approval of the CEO.

The equity and fixed income trading personnel are authorized to *execute* a trade with a broker-dealer. No additions or deletions can be made to this list without the approval of the CEO.

G. Discuss procedures used to monitor and control personal trading activities.

All employees’ trades are monitored in accordance with firm’s the Code of Ethics, which includes policies in the areas of Initial Public Offerings, Private Placements, Blackout Periods, Short-Term Trading, Insider Trading and Confidentiality. Approved transactions may be subject to minimum holding periods as well as black-out dates. Duplicate statements and confirmations are sent to the firm’s Compliance department either via hard copy or an automated feed.

All Brown Advisory employees are treated with the same level of significance in terms of compliance. For the purpose of the Personal Trading Policy, all employees are deemed Access Persons as defined in Rule 204A-1 of the Investment Advisers Act of 1940.

H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

Yes, as noted, the firm maintains a written Code of Ethics.

Upon hire, and on an annual basis, all employees must read and review the Code of Ethics as well as attest to all personal holdings and outside accounts.

I. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

We do not foresee any conflicts of interest in the management of this mandate.

We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our legal obligations to our clients, to protect our business reputation and to avoid even the appearance of impropriety in our investment activities on behalf of clients.

As a registered investment adviser, we are obligated to render to our clients on a professional basis unbiased and continuous advice regarding their investments. Our fiduciary relationship with our clients requires that we act with undivided loyalty, fairness and good faith, and without any regard to personal interest or profit. Since our inception, it has been our policy to avoid any practice that is adverse in any respect to our clients' interests or is the result of a conflict of interest. This policy is evident in our strict Code of Ethics that applies to investments by our employees for their own accounts. While we strive to avoid conflicts, we are cognizant that conflicts will nevertheless arise, and it is our policy to fully and fairly disclose known material conflicts to our clients.

A personal conflict of interest occurs when an employee's private interest or outside business activities improperly interferes with the interests of clients and/or the firm. It is incumbent upon all personnel to take every precaution possible to prevent their personal interests from conflicting or appearing to conflict with the interest of the firm. In particular, an employee must never use or attempt to use his or her position at the firm to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person. Employees are obligated to disclose to the Compliance Department potential conflicts of interest, including those in which they may have been placed inadvertently, due to business or personal relationships with clients, prospects, vendors, other employees or other third parties. Under no circumstance may an employee take a business opportunity belonging to the firm for themselves, engage in a business transaction that competes with the firm or accept a business opportunity for the firm because of an expected personal gain.

Our Code of Ethics details certain minimum expectations that we have for our employees. All personnel, regardless of role, are expected to conduct the firm's business in full compliance with both the letter and the spirit of the law and any other policies and procedures that may be applicable. On an annual basis, we require that each employee certify in writing that he or she has read, understands and complies with the policies and procedures of the Code of Ethics. Any violations regarding the Code of Ethics must be brought to the attention of the Chief Compliance Officer. If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension or termination of employment.

Potential Conflicts of Interest

Brown Advisory maintains a review process designed to identify potential sources of conflicts of interest and to assess how those conflicts are addressed by the firm's compliance program. This process has been developed and improved, since the firm's inception, with the input from and oversight by the firm's independent Board of Directors and Audit Committee. The three primary categories of potential conflicts of interest evaluated are 1) conflicts between the firm and its clients, 2) between employees and clients and 3) between different clients.

Primary potential conflicts between the firm and its clients include:

- Misuse of brokerage commissions
- Transactions benefiting affiliates, including 10f-3 and 17e-1 transactions
- Misleading or deceptive marketing
- Misleading or deceptive trading practices
- Improper valuation
- Errors and corrections

Ameliorative practices:

Soft dollar policies and procedures, Policy Banning Reciprocal Arrangements (directed brokerage), Policy on Best Execution and oversight by Best Execution Committee, avoidance of participation by affiliated broker-dealer in participating in underwriting or selling syndicates, adoption of policies on 10f-3 and 17e-1 transactions, Policy on Marketing, GIPS procedures, Policies on Window Dressing and Portfolio Pumping, operation of Pricing Committee and adoption of pricing guidelines, adherence to Trading Policy, including bunching, fair allocation and rotation procedures, Policy on Errors and Corrections, disclosures to clients

Primary potential conflicts between employees and clients include:

- Misuse of non-public information including front-running
- Misdirection of investment opportunities
- Participation in investment opportunities by employees

Ameliorative practices:

Code of Ethics, including personal trading restrictions, Policy on Gifts, Entertainment and Political Contributions, Supervisory Policy and business-line procedures, Conflicts Committee of the Board of Directors

Primary potential conflicts between clients include:

- Allocation of investment opportunities
- Trading between client accounts
- Errors and corrections

Ameliorative practices:

Cross trading policy, adherence to Trading Policy, including bunching, fair allocation and rotation procedures, oversight by Best Execution Committee, supervisory review of client accounts, Error and Correction Policy

It is also important to note that Brown Advisory Securities, LLC, a subsidiary of the parent firm, Brown Advisory Incorporated, is a member firm of FINRA, and is also registered as an investment adviser and broker-dealer with the SEC. Brown Advisory conducts no institutional trading activity through Brown Advisory Securities.

J. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

From time to time, we will accept institutional clients that wish to pay performance-based fee schedules. In addition, private funds advised by us, including FINCAP LLC, Winslow Hedge Fund, L.P., and BrownSavano Direct Capital Partners, L.P., may charge a carry or performance fee.

Since most of our clients maintain tiered asset-based fee schedules, this means some portfolio managers are managing accounts for clients that compensate the firm according to an asset-based fee schedule at the same time they are managing accounts for clients that compensate the firm according to a portfolio's investment performance relative to its benchmark. By managing these two types of fee-paying accounts at the same time, a portfolio manager is faced with certain potential conflicts. These include:

- An incentive for the portfolio manager to favor accounts for which we receive a performance based fee, and
- An increased chance that the portfolio manager's strategy will experience style drift or take on excessive risk if his or her compensation is tied to performance.

Brown Advisory maintains and enforces written policies and procedures designed to ensure that all accounts are treated equitably regardless of the fee arrangement. In addition, we have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation.

To mitigate and manage these risks, we employ the following practices:

- All accounts managed according to a particular strategy are incorporated into the same trade group for trade execution and allocation purposes. This ensures that trading in an investment strategy is aggregated across all related accounts to facilitate best execution. We typically will aggregate orders for the same security by multiple accounts into a "block trade." We believe this process provides equal treatment of all clients, provides ease of administration and facilitates the avoidance of information leakage that may be detrimental to client trades. The average price per share of a block trade will be allocated to each account that participates in the block trade. If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are allocated pro rata among participating accounts. The trading desk may allocate a partial fill using a random fill function of the trading system in such cases where it is deemed fair and equitable. When limited offering amounts are available for particular securities, our portfolio managers determine which accounts could best utilize the security based on duration/maturity and sector targets. Once this is determined, the security is allocated on a pro-rata basis among these particular accounts.

- The portfolio managers review each account on a continuous basis. Reviews are undertaken to confirm that the portfolio conforms to client suitability standards as well as to determine if any security changes need to occur. Fund portfolio managers continually review investments to confirm that they are consistent with the Fund's objectives.
- The Head of Investments reviews the performance of all accounts within a style-specific composite on a quarterly basis to ensure that all accounts with similar investment mandates are being managed in a consistent manner. If there are any accounts that fall outside of an acceptable deviation range, the Head of Investments will confer with the portfolio manager(s) to determine the reason for the deviation. The Head of Investments meets regularly with each investment team to review performance and portfolio activity to ensure that the team is managing the portfolios to stated investment philosophies. Sector and security selection analysis, current portfolio composition, trading activity and style-based portfolio analysis are all examined during the review.
- With respect to fixed income, the fixed income team has a formal investment committee that meets twice a week to discuss market- and sector-specific events and strategies. All team members are active participants in the review and strategy formulation process. Meetings usually include a macro-level market review as well as sector-specific valuation comments with performance detail and anticipated market reactions. Strategies are reviewed weekly during these investment committee meetings. All accounts are informally reviewed weekly.

K. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

Trade Allocation among Broker-Dealers

Brown Advisory strongly believes that opportunity cost and fair treatment of all clients are paramount in the implementation of the portfolio manager's objectives. Thus, Brown Advisory's primary focus in broker-dealer selection is achieving the best price in the marketplace based on the information available at the time of the trade, without systematically disadvantaging one client over another. All client trades will be allocated to a broker-dealer on the Approved Broker List. In selecting broker-dealers from the Approved Broker List to execute client transactions, Brown Advisory's traders do not adhere to any rigid formulas but, rather, make a subjective determination after weighing a combination of the factors. Brokerage commission may be a factor but is not ultimately determinative in broker selection. The ultimate determination as to the broker-dealer to select from the Approved Broker List on any given trade is made by the Brown Advisory trader(s) responsible for executing the transaction.

Effecting Client Account Transactions

In many instances, groups of accounts will need to effect a transaction in the same security or securities. In these instances, Brown Advisory typically will aggregate orders for the same security by multiple accounts into a "block trade." Brown Advisory believes that this process provides equal treatment of all clients, provides ease of administration, and facilitates the avoidance of information leakage that may be detrimental client trades.

The average price per share of a block trade will be allocated to each account that participates in the block trade. Discretionary advisory accounts of Brown Advisory's employees, affiliates and associated persons may participate in block trades. Such persons will receive the same average price as any other participant in the block trade. If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each

business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are allocated pro rata among participating accounts. The trading desk may allocate a partial fill using a random fill function of the trading system in such cases where it is deemed to be fair and equitable.

For directed brokerage, we keep all accounts in the trading block and step out trades when needed.

L. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

Brown Advisory utilizes Advent's Rules Manager for pre- and post-trade portfolio compliance. Rules Manager provides automated, comprehensive guideline monitoring, which allows efficient, effective implementation of client and regulatory requirements while reducing risk and increasing transparency.

The review of client investment limitations is coordinated through the firm's client take-on process, which is coordinated by our Institutional Client Service Team. Internal groups, including Compliance, Systems Administration, and the portfolio management team review guidelines for consistency with automation capabilities, determine which restrictions will be monitored manually, and establish necessary processes and controls. Any interpretive issues requiring clarification between the firm and the client are raised and clarified. Pre-trade restrictions are coded on the MOXY trade entry system to the extent possible.

Post-trade compliance testing for many of our institutional accounts is conducted daily through the Advent Rules Manager system, which generates and distributes daily reports on compliance status to our client service, portfolio management and compliance teams. Advent Rules Manager provides automated, comprehensive guideline monitoring, which allows efficient, effective implementation of client and regulatory requirements while reducing risk.

M. Regarding counterparties:

- 1) **List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).**
- 2) **Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.**
- 3) **How are your trading counterparties selected, monitored and evaluated?**
- 4) **Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.**

Brown Advisory used 66 different brokers for equity trades during the past year. We do not track the percentage of trades within specific strategies allocated to different brokers, but would be happy to discuss the counterparties used and level of usage with you at a later stage of your evaluation.

Brown Advisory maintains an "Approved Broker List" to facilitate the orderly and consistent use of suitable broker-dealers for client transactions. The Approved Broker List is a list of broker-dealers that the firm has approved for use as executing brokers for

client securities transactions. The Approved Broker List is an integral part of Brown Advisory's process for seeking best execution for its client transactions.

Brown Advisory's Head of Trading or his designee maintains the Approved Broker List and makes the Approved Broker List accessible to Brown Advisory's traders and the investment professionals. The Best Execution Committee determines whether a broker-dealer should be added to or removed from the Approved Broker List. The Committee will review requests for the addition or deletion of a broker-dealer. Typically, requests will be considered by the Committee at its next regularly scheduled meeting; provided, however, if a request is urgent, the Head of Trading may approve a broker-dealer temporarily and convene a special meeting or may otherwise seek approval of the Committee or its designees when practicable.

The firm strongly believes that opportunity cost and fair treatment of all clients are paramount in the implementation of the portfolio manager's objectives. Thus, Brown Advisory's primary focus in broker-dealer selection is achieving the best price in the marketplace based on the information available at the time of the trade, without systematically disadvantaging one client over another. All client trades will be allocated to a broker-dealer on the Approved Broker List. In selecting broker-dealers from the Approved Broker List to execute client transactions, Brown Advisory's traders do not adhere to any rigid formulas but, rather, make a subjective determination after weighing a combination of the factors. Brokerage commission may be a factor but is not ultimately determinative in broker selection. The ultimate determination as to the broker-dealer to select from the Approved Broker List on any given trade is made by the Brown Advisory trader(s) responsible for executing the transaction.

The firm only trades with counterparties on the firm's Approved Broker List. The firm's Best Execution Committee conducts the following reviews at least annually with respect to broker-dealers on the firm's Approved Broker List:

- The Committee will discuss broker-dealers on the Approved Broker List representing more than 5% of annual equity commissions and/or more than 10% of total notional value of fixed income trades to (i) confirm the broker-dealer's financial stability; (ii) to identify any red flags; and (iii) any material disclosures of financial and operational condition made by the independent auditors (if applicable).
- The Committee will periodically review the Moody's and S&P credit ratings, if available, for each broker-dealer on the Approved Broker List for compliance with minimum standards of credit worthiness as set by the Committee. For any broker-dealer currently on the Approved Broker List that no longer meets the minimum requirements, the Committee will determine if variance is within permissible temporary levels and will document circumstances in allowing the broker-dealer to remain on the Approved Broker List.
- The Committee will periodically review the Office of Foreign Assets Control ("OFAC") Specially Designated Nationals list to ensure that no broker-dealer on the Approved Broker List is on the OFAC list.

The firm does not engage in securities lending. ISDAs are negotiated on a case-by-case basis.

N. Provide an overview of your business continuity and disaster recovery systems and plans.

Brown Advisory has established a formal Business Continuity Plan to ensure effective business continuation and executive management transition in the case of an emergency. In addition, both our short-term and long-term strategic plans, which are reviewed at least annually, address a wide variety of events which could interrupt our business activities. Detailed plans are in place to promote organizational sustainability under such circumstances. Each of our key officers and portfolio managers has a designated “shadow,” who is fully capable of performing all critical functions in the event of a departure or emergency.

Brown Advisory executed its annual Disaster Recovery test in December 2012. The disaster recovery strategy has been reengineered to accommodate for rapid recovery of critical systems by installing physical hardware and software in the SunGard data center, located in Philadelphia, PA, and performing nightly data transfers between Baltimore and Philadelphia.

All designed tests for the critical systems infrastructure were executed successfully. Critical systems are those that are deemed necessary to be back in service within twenty-four hours of a disaster. Included in this list is the Network/Windows infrastructure, Citrix, Exchange (email), APX, Moxy, file storage, single virtual server and Smart Station.

Currently Brown Advisory has contracted with SunGard for space to house staff in SunGard’s data center; however, with the strategy reengineering, minimal staff will be required to be physically on-site. Displaced staff will be able to connect to the disaster recovery site using the Citrix disaster recovery web-site, setup the in the same manner as the current production Citrix web-site. The staff will be able to connect to the disaster recovery network from any location which offers internet access.

As part of the reengineering and testing process, additional information will need to be gathered and setup for future testing. This list includes:

- Expected recovery time for each system and acceptable amount of data loss
- Replicating data based on responses from business units
- Understanding/replicating key vendor and system integration points
- Expanding test to non-critical systems

As a result of the reengineering and testing, we are better prepared for a disaster and will continue to take the steps necessary to ensure downtime and data loss are kept to a minimum.

VII. LEGAL & REGULATORY ISSUES

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as *Appendix F – ADV Part II*. If exempt, please describe the exemption.**

Yes, the firm registered as an investment advisor under the Investment Advisors Act of 1940. We have attached our most recent Form ADV Part IIA as *Appendix F – ADV Part II*.

- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.**

Neither the firm nor any officer, director, partner, principal or employee has been involved in any material business-related civil or critical litigation or legal proceeding concerning the management of institutional assets.

We have one instance of what we consider immaterial litigation: In June 2011, a group of Tribune Co. creditors filed a lawsuit against over thirty former shareholders and representatives of shareholders of Tribune Co. in the Maryland District Court over the publisher's leveraged buyout that closed in December 2007. Dozens of similar lawsuits have been filed in jurisdictions across the country. The list of defendants included shareholders who held Tribune Co. equity and participated in a tender offer related to Tribune Co. going private. Brown Investment Advisory & Trust Company was one of the more than thirty defendants identified in the lawsuit filed in Maryland (Brown Advisory, LLC is an affiliate of Brown Investment Advisory & Trust Company). We believe the claims are without merit and immaterial to the firm.

- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.**

To the best of our knowledge, neither the firm nor any officer, director, partner, principal or employee has ever been the subject of any non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters.

- D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.**

To the best of our knowledge, no officer, director, partner, principal or employee of the firm has ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony.

E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).

Brown Advisory and its affiliates maintain the following insurance coverage:

Coverage Type	Carrier(s)	Amount of Coverage
Errors & Omissions	Chubb, Houston Casualty, Liberty Mutual, Axis Insurance, Arch	\$50 million
Fiduciary Liability	Chubb	\$3 million
Directors & Officers/ Employment Practices	Chubb, Liberty Mutual	\$15 million
Fidelity Bonding	Travelers, Great American	\$20 million

F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

No insurance claims have ever been submitted.

G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

No, the firm has never filed for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors.

H. What is your firm’s soft dollar policy?

Brown Advisory regularly receives research and other products and services other than execution from broker-dealers and third parties in connection with client securities transactions. This practice is commonly known as soft dollar compensation and is an indirect benefit to the firm.

In the selection of broker-dealers for trade execution, we take into consideration not only the available prices of securities and rates of brokerage commissions, but also other relevant factors such as execution capabilities, research and other services provided by such broker-dealers that are expected to enhance our general portfolio management capabilities. In accordance with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, we are allowed to receive research services. However, if research services are a factor in selecting a broker-dealer, we must determine that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. From a payment perspective, all soft dollar payments are made through the equity trading desk in a competitive execution process.

Our use of soft dollars is carried out in accordance with the standards established by the CFA Institute and federal securities law.

The firm receives soft dollars on approximately 15-25% of trades.

VIII. MISCELLANEOUS

A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as *Appendix G – Sample Client Report*.

Standard reports are provided on a monthly and quarterly basis, and are delivered by e-mail. Custom reports are also available upon request.

Our reports include information such as:

- Portfolio returns and relevant benchmark(s)
- Portfolio holdings by sector
- Transactions
- Contributions & withdrawals
- Portfolio manager commentary
- Performance attribution & contribution to return
- Broker commission report
- Proxy summary report
- Quarterly firm update

Please refer to the attached *Appendix G – Sample Client Report*.

B. Attach a list of institutional clients invested in the proposed strategy as *Appendix H – Representative Institutional Clients*.

Please refer to the attached *Appendix H – Representative Institutional Clients*.

C. Provide references for five current institutional clients invested in the proposed strategy.

Out of respect for our clients' time and confidentiality, Brown Advisory does not typically provide references during the RFP process. If, at a later point in the search process, you require this information, please contact Charlie Constable (410-537-5549), and he will be happy to furnish a list of references, as well as make introductory calls.

D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

Out of respect for our clients' time and confidentiality, Brown Advisory does not typically provide references during the RFP process. If, at a later point in the search process, you require this information, please contact Charlie Constable (410-537-5549), and he will be happy to furnish a list of references, as well as make introductory calls.

It is also important to note that during the past two years, only two clients have terminated their mandates in the strategy.

E. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision-making process?

No the firm does not have a policy that incorporates ESG issues into the decision making process. However, we do offer a strategy with an investment process that is focused on ESG and sustainability issues.

F. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

Not applicable to the Brown Advisory Large-Cap Growth Strategy.

G. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

Not applicable to the Brown Advisory Large-Cap Growth Strategy.

H. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?

Brown Advisory's policy governing the voting of proxies is designed to ensure that the firm votes client securities in the best interest of our clients, if clients have delegated voting authority to Brown Advisory. Brown Advisory seeks to vote proxies so as to promote the long-term economic value of the underlying securities.

The firm maintains a proxy voting policy that details our standard approach to voting on common proxy questions. When votes are considered contrary to our standard policy, they will be considered on their own merits, and an independent determination will be made whether to support or oppose management's position. Although we believe that the recommendation of management should be given substantial weight, Brown Advisory will not support management proposals that we believe may be detrimental to the underlying value of client positions.

The firm outsources proxy advisory services to Glass Lewis & Co. Glass Lewis provides a suite of electronic voting services that help simplify the management of institutional proxies. The system manages the process of meeting notifications, voting, tracking, mailing, reporting, record maintenance, and even vote disclosure rules enacted by the SEC.

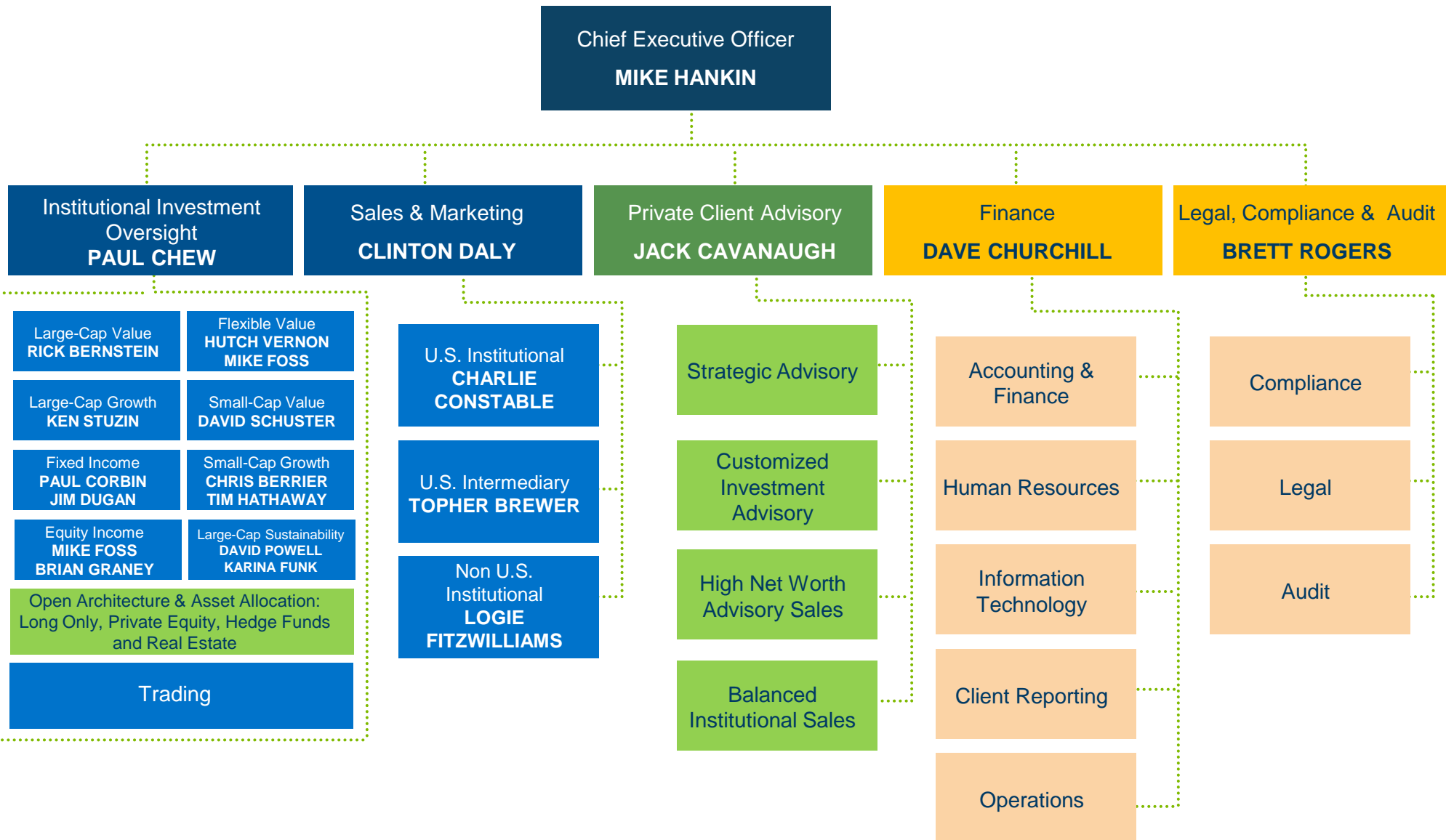
Section 2

Appendices

Appendix A

Firm Organizational Chart

Organizational Structure



Appendix B

Investment Team Organization

Collaborative Investment Team

- Experienced portfolio management
 - Kenneth Stuzin, CFA, 26 years experience, 16 years with firm
- “Right-sized” team of research analysts
- Compensation structure that supports teamwork and aligns interests
- Broad perspective, given Brown Advisory’s other investment strategies and network of external thought leaders

Brown Advisory Equity Investment Team

Portfolio Managers

RICHARD BERNSTEIN, CFA

Portfolio Manager:
Large-Cap Value
29 yrs industry experience /
19 yrs with firm

CHRISTOPHER BERRIER

Co-Portfolio Manager:
Small-Cap Growth
12 yrs / 7 yrs

MICHAEL FOSS, CFA

Co-Portfolio Manager:
Flexible Value & Equity Income
25 yrs / 8 yrs

BRIAN GRANEY, CFA

Co-Portfolio Manager:
Equity Income
16 yrs / 11 yrs

TIMOTHY HATHAWAY, CFA

Co-Portfolio Manager:
Small-Cap Growth
19 yrs / 17 yrs

J. DAVID SCHUSTER

Portfolio Manager:
Small-Cap Value & Fundamental
Long/Short
19 yrs / 4 yrs

KENNETH STUZIN, CFA

Portfolio Manager:
Large-Cap Growth
26 yrs / 16 yrs

R. HUTCHINGS VERNON, CFA

Co-Portfolio Manager:
Flexible Value
30 yrs / 19 yrs

Equity Analysts

CONSUMER

ERIC CHA, CFA

Analyst: Consumer Discretionary
12 yrs industry experience /
5 yrs with firm

DAN MOONEY, CFA

Analyst: Consumer
9 yrs / 1 yr

FINANCIALS

KEVIN O'KEEFE

Analyst: Financials
10 yrs / <1 yr

RYLAND SUMNER

Analyst: Financials
3 yrs / 3 yrs

GENERALIST

MICHAEL POGGI, CFA

Analyst: Generalist
9 yrs / 9 yrs

HEALTH CARE

PAUL LI, PH.D., CFA

Analyst: Health Care
12 yrs industry experience /
6 yrs with firm

SUNG PARK, CFA

Analyst: Health Care
9 yrs / 6 yrs

NON-CONSUMER CYCLICALS

NIGEL FRANKSON, CFA

Analyst: Industrials
9 yrs / 2 yr

ERIC GORDON, CFA

Analyst: Energy
14 yrs / 5 yrs

SIMON PATERSON, CFA

Analyst: Industrials & Basic Materials
10 yrs / 1 yr

TECHNOLOGY

MANEESH BAJAJ, CFA

Analyst: Technology
10 yrs industry experience /
7 yrs with firm

JOHN BOND, CFA

Analyst: Technology
11 yrs / < 1 yr

DORON EISENBERG, CFA

Analyst: Technology
11 yrs / 10 yrs

GREEN/SUSTAINABLE

DAVID POWELL, CFA*

Analyst: Sustainability
15 yrs / 13 yrs

KARINA FUNK, CFA*

Analyst: Sustainability
10 yrs / 6 yrs

* Also has portfolio management responsibilities.

Product Specialist

KEVIN OSTEN, CFA

Product Specialist
15 yrs industry experience /
<1 yr with firm

Appendix C

Biographies of Key Investment Professionals

Research & Investment Team

MANEESH BAJAJ, CFA Equity Research

- University of Pennsylvania, The Wharton School, M.B.A. ('02); University of Kentucky, M.S. ('95)
- Senior Associate, McKinsey & Company; Senior Associate, Standard & Poor's
- 10 years industry experience / 7 years with firm

RICHARD BERNSTEIN, CFA Large-Cap Value Portfolio Manager, Equity Research

- Johns Hopkins University, B.A. ('79), M.A. ('83)
- Director of Research, Mercantile-Safe Deposit & Trust
- 29 years industry experience / 19 years with firm

CHRISTOPHER BERRIER Small-Cap Growth Portfolio Manager, Equity Research

- Princeton University, A.B. ('00)
- Vice President, T. Rowe Price Group
- 12 years industry experience / 7 years with firm

JOHN BISSON, CFA Quantitative Research

- Loyola University, B.S.E.S ('86); Loyola University, Joseph A. Sellinger, S.J. School of Business and Management, M.S.F. ('95)
- Account Executive, Morgan Stanley
- 17 years industry experience / 15 years with firm

JOHN BOND, CFA Equity Research

- Harvard University, B.A. ('98); Columbia Business School ('05)
- Senior Analyst and Assistant Portfolio Manager, Nicusa Capital
- 11 years industry experience / < 1 year with firm

ERIC CHA, CFA Equity Research

- University of Virginia ('90); New York University, M.B.A. ('00)
- Equity Analyst, Bethlehem Steel Pension Fund; Equity Analyst, Oppenheimer Funds
- 12 years industry experience / 5 years with firm

PAUL CHEW, CFA Head of Investments

- Mount St. Mary's, B.A. ('89); Duke University, Fuqua School of Business, M.B.A. ('95)
- International Asset Management Department, J.P. Morgan & Co.
- 23 years industry experience / 17 years with firm

PAUL CORBIN Fixed Income Co-Chief Investment Officer Intermediate Income Portfolio Manager

- University of Virginia, B.A. ('74); George Washington University, M.B.A. ('81)
- Senior Portfolio Manager, First Maryland Asset Management
- 38 years industry experience / 19 years with firm

JAMES DUGAN, CFA Fixed Income Co-Chief Investment Officer

- Loyola University, B.A. ('79), M.B.A. ('85)
- President and Chief Investment Officer, Cavanaugh Capital Management; Portfolio Manager, USF&G
- 27 years industry experience / 20 years with firm

DORON EISENBERG, CFA Equity Research

- Tufts University, B.S. ('95); Columbia Business School, M.B.A. ('02)
- Analyst, Slattery Skanska, Inc. and Carret & Company
- 11 years industry experience / 10 years with firm

MICHAEL FOSS, CFA Flexible Value & Equity Income Portfolio Manager, Equity Research

- Virginia Tech, B.A. ('83); University of Pennsylvania, The Wharton School, M.B.A. ('93)
- Equity Research, Alex. Brown Investment Management; Managing Director & Portfolio Manager, JP Morgan Fleming; Equity Analyst, Gabelli & Co.; Retail Broker, Tucker Anthony
- 25 years industry experience / 8 years with firm

NIGEL FRANKSON, CFA Equity Research

- University of Rochester, B.A. ('98); Columbia Business School, M.B.A. ('03)
- Equity Research, Citi Investment Research; Equity Research, Artisan Partners
- 9 years industry experience / 2 years with firm

KARINA FUNK, CFA Large-Cap Sustainability Portfolio Manager, Equity Research

- Purdue University, B.S. ('94); MIT, Masters in Civil & Environmental Engineering ('97); MIT, Masters in Technology & Policy ('97); École Polytechnique - France, Post-Graduate Diploma in Management of Technology ('98)
- Manager, Massachusetts Renewable Energy Trust; Principal, Charles River Ventures
- 10 years industry experience / 6 years with firm

ERIC GORDON, CFA Equity Research

- University of North Carolina, Chapel Hill, B.A. ('98)
- Equity Research, Alex. Brown Investment Management; Investment Banking Analyst, Deutsche Bank Alex. Brown, Merrill Lynch & Co.; Equity Research, Citigroup
- 14 years industry experience / 4 years with firm

Research & Investment Team

THOMAS GRAFF, CFA

Tactical Bond Fund Portfolio Manager

- Loyola University, B.A. ('99)
- Managing Director, Cavanaugh Capital Management
- 13 years industry experience / 13 years with firm

BRIAN GRANEY, CFA

Equity Income Portfolio Manager, Equity Research

- George Washington University, B.A. ('96)
- Portfolio Manager, Equity Research, Alex. Brown Investment Management; Writer/Analyst, The Motley Fool
- 16 years industry experience / 11 years with firm

TIMOTHY HATHAWAY, CFA

Small-Cap Growth Equity Portfolio Manager, Equity Research

- Randolph-Macon College, B.A. ('93); Loyola University, M.B.A. ('01)
- Investor Relations, T. Rowe Price
- 19 years industry experience / 17 years with firm

MONICA HAUSNER

Maryland Bond Fund Portfolio Manager, Tax-Exempt Fixed Income Research

- Towson University, B.S. ('83)
- Portfolio Manager, First Maryland Asset Management
- 29 years industry experience / 20 years with firm

PAUL LI, Ph.D., CFA

Equity Research

- Wuhan University, China, B.S. ('88); Chinese Academy of Science, M.S. ('91); Cornell University, Ph.D. ('95), M.B.A. ('00)
- Research Scientist, Cornell University Dept. of Molecular Medicine
- Equity Analyst, Bethlehem Steel Pension Trust and Howard Hughes Medical Institute
- 12 years industry experience / 6 years with firm

DAN MOONEY, CFA

Equity Research

- Georgetown University, B.S. ('01); University of Virginia, M.B.A. ('08)
- Senior REIT Analyst, CB Richard Ellis Investors; Investment Banker, Barclays Capital; Equity Research Senior Associate, Green Street Advisors; Fixed Income Research Associate, Bear Sterns
- 9 years industry experience / 1 year with firm

KEVIN O'KEEFE

Equity Research

- Georgetown University, B.A. ('02)
- Sr. Vice President, Jefferies Investment Advisers, LLC; Analyst/Head Trader, Stieven Capital Advisors
- 10 years industry experience / <1 year with firm

KEVIN OSTEN, CFA

Product Specialist

- Parks College of St. Louis University, B.S. ('94); University of Missouri St. Louis, M.B.A. ('99)
- Senior Research Analyst, Summit Strategies; Institutional Consulting, Merrill Lynch Pierce, Fenner & Smith
- 15 years industry experience / <1 year with firm

SUNG PARK, CFA

Equity Research

- Johns Hopkins University, B.A. ('00); University of Maryland, Smith School of Business, M.B.A. ('06)
- Associate Portfolio Manager and Research Analyst, Croft Leominster
- 9 years industry experience / 6 years with firm

SIMON PATERSON, CFA

Equity Research

- Queen's University, Ontario, Canada B.Sc. and B.A. ('99); Princeton University, M.A. ('02)
- Senior Equity Analyst, MTB Investment Advisors
- 10 years industry experience / 1 year with firm

JOSHUA PERRY

Credit Analyst

- Princeton University, B.S.E. ('06); University of Chicago, M.B.A. ('12)
- Analyst, Driehaus Capital Management
- 1 year industry experience / <1 year with firm

MICHAEL POGGI, CFA

Small-Cap Fundamental Value Associate Portfolio Manager, Equity Research

- University of Richmond, B.S.B.A. ('03)
- 9 years industry experience / 9 years with firm

DAVID POWELL, CFA

Large-Cap Sustainability Portfolio Manager, Equity Research

- Bowdoin College, B.A. ('97)
- Investor Relations, T. Rowe Price
- 15 years industry experience / 13 years with firm

J. DAVID SCHUSTER

Small-Cap Fundamental Value Portfolio Manager, Fundamental Long/Short Fund Portfolio Manager

- Georgetown University, B.S.B.A. ('92)
- Managing Director, Citigroup; Managing Director, Lazard Freres & Co.; Officer, U.S. Army
- 19 years industry experience / 4 years with firm

Research & Investment Team

STEPHEN SHUTZ, CFA

Tax-Exempt Bond Fund Portfolio Manager,
Tax-Exempt Fixed Income Research

- Frostburg State University, B.S. ('95)
- Vice President and Assistant Portfolio Manager, Cavanaugh Capital Management
- 16 years industry experience / 9 years with firm

KENNETH STUZIN, CFA

Large-Cap Growth Portfolio Manager,
Equity Research

- Columbia University, B.A. ('86); Columbia Business School, M.B.A. ('93)
- Senior Portfolio Manager and Quantitative Strategist, J.P. Morgan
- 26 years industry experience / 16 years with firm

RYLAND SUMNER

Equity Research

- Brown University, B.A. ('99); The University of Virginia School of Law, J.D. ('07)
- Associate, Venable LLP; Business Analyst, McKinsey & Company
- 3 years industry experience / 3 years with firm

R. HUTCHINGS VERNON, CFA

Flexible Value Portfolio Manager

- University of Virginia. B.A. ('82)
- Portfolio Manager & Equity Research, Alex. Brown Investment Management; Portfolio Manager & Research Analyst, T. Rowe Price, Legg Mason and Wachovia Bank
- 30 years industry experience / 19 years with firm

NINA YUDELL

Portfolio Manager, Equity Research

- University of Baltimore, B.S. ('81), M.B.A. ('82); Johns Hopkins University, M.S.B. ('03)
- Portfolio Manager and Investment Analyst, Alex. Brown Investment Management; Investment Assistant, Oppenheimer & Co., Inc.; Investment Assistant, T. Rowe Price
- 27 years industry experience / 20 years with firm

JASON VLOSICH

Taxable Fixed Income Research & Trader

- University of Baltimore, B.S. ('98); Loyola University, M.B.A. ('07)
- Taxable Fixed Income Trader, Ferris, Baker Watts, Inc. and Deutsche Bank Alex. Brown
- 14 years industry experience / 4 years with firm

NICHOLAS WILLIAMS, CFA

Fixed Income Research

- Towson University B.S. ('07), Johns Hopkins University, M.S.F. ('10)
- Technology Specialist, T. Rowe Price
- 5 years industry experience / 1 year with firm

Appendix D
GIPS Verification

**Brown Advisory
Verification Report**

December 31, 2009



**Vincent Performance
Services LLC**



Brown Advisory
901 South Bond Street
Suite 400
Baltimore, MD 21231

We have verified whether Brown Advisory (the Company) (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from January 1, 2006 through December 31, 2009, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2009. The Company's management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our verification. We conducted this verification in accordance with the verification procedures set forth in the GIPS standards and the Guidance Statement on Verification. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Company has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the period from January 1, 2006 through December 31, 2009, and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2009.

A verification covering the period from January 1, 1993 through December 31, 2004 was performed by a prior verification firm, whose report dated May 9, 2005 expressed an unqualified opinion thereon.

This report does not relate to any composite compliant presentation of the Company and does not ensure the accuracy of any specific composite compliant presentation.

Vincent Performance Services LLC

Vincent Performance Services LLC
May 29, 2012

**Brown Advisory
Large-Cap Growth Institutional Composite**

For the period from January 1, 2000 through December 31, 2009



**Vincent Performance
Services LLC**



Brown Advisory
901 South Bond Street, Suite 400
Baltimore, MD 21231

We have verified whether Brown Advisory (the Company) (1) complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the period from January 1, 2006 through December 31, 2009, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2009. We have also examined the Company's Large-Cap Growth Institutional Composite for the period from January 1, 2006 through December 31, 2009. The Company's management is responsible for compliance with the GIPS standards and the design of its policies and procedures and for the Large-Cap Growth Institutional Composite's compliant presentation. Our responsibility is to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the verification and performance examination procedures set forth in the GIPS standards and the Guidance Statements on Verification and Performance Examinations. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Company has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the period from January 1, 2006 through December 31, 2009, and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2009.

Also, in our opinion, the accompanying compliant presentation of the Company's Large-Cap Growth Institutional Composite for the period from January 1, 2006 through December 31, 2009 has been prepared and presented, in all material respects, in compliance with the GIPS standards.

We have not been engaged to examine, and did not examine, the Company's Large-Cap Growth Institutional Composite for any period prior to January 1, 2006 and, accordingly, we express no opinion on the compliant presentation of the Company's Large-Cap Growth Institutional Composite for any period prior to January 1, 2006.

This report does not relate to or provide assurance on any composite compliant presentation of the Company other than the Company's Large-Cap Growth Institutional Composite.

Vincent Performance Services LLC

Vincent Performance Services LLC
May 29, 2012

Large-Cap Growth Institutional Composite

Year	Composite Total Gross Returns (%)	Composite Total Net Returns (%)	Benchmark Returns (%)	Portfolios in Composite at End of Year	Composite Dispersion (%)	Composite Assets (\$USD Millions)	Firm Assets (\$USD Millions)
2009	53.3	53.0	37.2	41	0.64	1,191	11,058
2008	-35.7	-36.3	-38.4	32	0.33	120	8,547
2007	12.1	11.8	11.8	30	0.33	160	7,385
2006	15.7	15.2	9.1	26	0.21	68	6,770
2005	5.2	4.6	5.3	17	0.11	52	5,862
2004	5.9	5.4	6.3	15	0.35	39	5,597
2003	29.3	28.5	29.7	13	3.2	27	4,449
2002	-26.4	-26.8	-27.9	14	1.6	22	3,626
2001	-8.6	-9.3	-20.4	21	6.9	68	4,437
2000	-7.7	-8.6	-22.4	20	6.0	59	4,550

Brown Advisory claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Brown Advisory has been independently verified for the period from January 1993 through December 2004 and January 2006 through December 2009. The Verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

1. Brown Advisory, an independent management firm is defined as: 1) Brown Investment Advisory and Trust Company ("BIATC"), 2) its subsidiary Brown Investment Advisory Incorporated ("BIAI") and selected affiliated investment advisors, including from July 2008, 3) Alex. Brown Investment Management, LLC ("ABIM") and from July 2010, 4) Winslow Management Company, LLC ("Winslow") and 5) Brown Advisory Cavanaugh, LLC ("BAC"). Effective January 2012, all of the above entities except BIATC combined into Brown Advisory LLC. Registration does not imply a certain level of skill or training.
2. The Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. This composite has been examined for the periods January 1, 2006 through December 31, 2009. The examination report is available upon request. The minimum account market value required for composite inclusion is \$1.5 million.
3. Through 2009, cash was allocated to carve-outs based on a strategic asset allocation percentage.
4. This composite was created in 1997.
5. The benchmark is the Russell 1000® Growth Index. The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000® Growth Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. An investor cannot invest directly into an index. Benchmark returns are not covered by the report of the independent verifiers.
6. The dispersion of annual returns is measured by the equal weighted standard deviation of portfolio returns. Prior to 2004 the dispersion of annual returns is measured by the range between the high and low portfolio returns.
7. Gross-of-fees performance returns are presented before management fees but after all trading commissions. Net-of-fee performance returns reflect the deduction of actual management fees and all trading commissions. Other expenses can reduce returns to investors. The standard management fee schedule is as follows: 0.80% on the first \$10 million; 0.65% on the next \$15 million; 0.50% on the next \$25 million; and 0.40% on the balance over \$50 million. Actual fees paid by accounts in the composite may differ from the current fee schedule.
8. For calendar year end 2006-2009 the percent of the composite composed of carve-outs was 85%, 38%, 33% and 5% respectively.
9. Valuations and performance returns are computed and stated in U.S. Dollars. All returns reflect the reinvestment of income and other earnings.
10. A complete list of composite descriptions, policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
11. Past performance does not indicate future results.
12. This piece is provided for informational purposes only and should not be construed as a research report, a recommendation, or an offer to buy or sell a security, including any mutual fund managed by Brown Advisory.



Appendix E

Sample Investment Agreement

INVESTMENT MANAGEMENT AGREEMENT

This Investment Advisory Agreement (the "Agreement"), dated as of the date below, is by and between BROWN ADVISORY, LLC, 901 South Bond Street, Suite 400, Baltimore, MD 21231 ("Manager"), a registered investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"), and the undersigned (the "Client"), and relates to the account as detailed below (the "Account").

WHEREAS, the Client is the named fiduciary of _____ (the "Plan"), a plan to provide retirement benefits for certain of the employees of _____ (the "Plan Sponsor");

WHEREAS, benefits provided by the Plan are funded under a trust agreement dated _____ (the "Trust");

WHEREAS, the Trust empowers the Client to appoint an investment manager pursuant to Section 402(c)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The investment manager shall exercise certain control over the management of assets of the Plan; and

WHEREAS, the Client desires to appoint the Manager to manage certain assets of the Plan in accordance with the terms of this Agreement and Section 402(c)(3) of ERISA.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, Client and Manager do hereby agree as follows:

1. Appointment, Acceptance, Services and Authority.

(a) Effective upon the execution of this Agreement and until this Agreement is terminated pursuant to Section 13 hereof, the Client appoints the Manager and the Manager hereby accepts such appointment as an investment manager (as that term is defined in Section 3(38) of ERISA) with power to act as its agent to manage the investment and reinvestment of those assets and income therefrom, as enumerated on Schedule B and specifically excluding those enumerated on Schedule C, which the Client shall place under the supervision of the Manager from time to time in accordance with this Agreement (the "Portfolio"). The Manager shall have complete and sole investment discretion and authority to manage the Account to the fullest extent permitted by law, including the purchase and sale of any securities or other financial instruments and any other transactions therein and, unless specifically directed otherwise in writing by the Client, the exercise of any voting or consent rights pertaining to any assets held in the Account, as more fully described below; provided, however, that transactions in the Account shall be made in accordance with the Client's written Investment Policy Statement attached hereto as Schedule A, as may be provided from time to time by the Client by notice to the Manager. Furthermore, the Manager shall have complete and sole investment discretion and authority to appoint and direct brokers, dealers and other investment concerns (including any investment concern affiliated with the Manager) to perform services that assist in the management of the Account.

(b) The Manager is specifically authorized to invest the Portfolio, without limitation on the amount which may be invested therein, in any commingled investment fund maintained by a custodian and/or trustee for the collective investment of trust funds established in connection with pension and profit sharing plans which are qualified under Section 401(a) of the Internal Revenue Code (the "Code"). The provisions of the Trust for any such investment fund shall be deemed a part of the plan and of this Agreement with respect to any such investment.

(c) The Client will be responsible for the establishment and maintenance of proper arrangements for the custody of the Portfolio consistent with the requirements of Section 404(b) of ERISA (the entity so appointed being referred to as the "Custodian"). All transactions will be consummated by payment to, or delivery by, the trustee(s) or, if so designated, the Custodian of all cash and/or securities due to or from the Portfolio. The Manager has no responsibility for custody of assets of the Portfolio and it will not act as Custodian of the Portfolio, but may issue such instructions to the trustee(s) or custodian as may be appropriate in connection with the settlement of transactions initiated by the Manager.

Instructions by the Manager to the trustee(s) or Custodian shall be made in writing or orally, confirmed in writing as soon as practical thereafter. The Manager shall instruct all brokers and dealers executing orders on behalf of the account established with respect to the Portfolio to forward to the trustee(s) and/or Custodian copies of all confirmations promptly after execution of transactions. The Manager will not be responsible for any acts or omissions by any broker, dealer or Custodian; provided, however, that the Manager will make reasonable efforts to require that brokers or dealers selected by the Manager perform their obligations with respect to the Portfolio. Client agrees to give notice to the Manager in writing at least ten (10) days in advance of any change in the Client's Custodian.

2. Representations and Warranties of Manager and Client

(a) The Client represents and confirms that it is the named fiduciary of the Trust with the general responsibility for the appointment, performance and removal of investment managers and that the Manager's engagement, pursuant to this Agreement, is authorized by the governing documents relating to the Client and Trust and that the terms of this Agreement do not violate any obligations by which the Client or Trust is bound. Upon request of the Manager, the Client agrees to deliver to the Manager all account forms and corporate resolutions or similar documentation evidencing the undersigned's authority to execute and deliver this Agreement. The Client further agrees to promptly deliver all amendments or supplements to the foregoing documents, and agrees that the Manager will not be liable for any losses, costs or claims suffered or arising out of the Client's failure to provide the Manager with any documents required to be furnished hereunder.

(b) Client represents and warrants that the Plan is an employee benefit plan within the meaning of Section 3(3) of ERISA that is qualified under Section 401(a) of the Code and that the terms of this Agreement comply with the terms of the Plan and Trust.

(c) The Client agrees and acknowledges that it shall provide the Manager with copies of all Plan documents and copies of any subsequent amendments to such documents. The Client further agrees that the Manager will not be liable for any losses, costs or claims suffered or arising out of the Client's failure to provide the Manager with any documents required to be furnished hereunder.

_____ Please initial that Plan documents (including investment guidelines and liquidity requirements) are delivered to the Manager upon execution hereof.

(d) The Client represents and warrants that, subject to ERISA, (i) the Client's plans and related trusts comply and will continue to comply in all material respects with the applicable provisions of ERISA, and (ii) that the Portfolio constitutes only a portion of the Client's assets and the Client is responsible for the overall diversification of its assets.

(e) [The Client represents and warrants that it has read and understands the Manager's "Disclosures Regarding Proprietary/Related Funds," attached hereto as Schedule D.] *replace (e) with [Reserved] if no Brown Advisory Funds or DWS money market funds under our direction in the account.*

(f) Manager acknowledges that it will be a "fiduciary" within the meaning of Section 3(21) of ERISA with respect to the Plan but only with respect to the Portfolio and that it is subject to and will at all times exercise the standards of fiduciary responsibility set forth in Title I, Subtitle B, Part 4 of ERISA. Manager is a Qualified Professional Asset Manager within the meaning of Department of Labor Prohibited Transaction Class Exemption 84-14.

(g) Manager represents and warrants that it is an "investment adviser" (as that term is defined in Section 202(11) of the Investment Advisers Act of 1940 (the "Advisers Act")) duly registered with the Securities and Exchange Commission pursuant to Section 203 of the Advisers Act.

(h) The Manager has obtained a bond, in accordance with Section 412 of ERISA, which provides protection against fraud or dishonesty (either directly or through connivance with others) on the part of the Manager, and its officers, directors, and/or employees.

3. Expenses. The Trust shall be responsible for: (i) charges and expenses for accounting, pricing and appraisal services relating to the Portfolio; (ii) the charges and expenses of any Custodian appointed by Client with respect to the Portfolio; (iii) all brokerage commissions, dealer and underwriting spreads, transfer taxes, Securities and Exchange Commission and exchange fees and other transaction charges incurred in connection with the Portfolio; and (iv) all other expenses properly chargeable to the Trust. To the extent such expenses are not paid by the Plan Sponsor, they shall be deducted from the Trust.

4. Fees. In consideration of the Manager's services hereunder, the Client will pay the Manager a fee quarterly in arrears (the "Management Fee"). If the management of the Account commences at any time other than the beginning of a calendar quarter, the first Management Fee shall be prorated based on the initial net asset value of the Account and the portion of such calendar quarter during which this Agreement was in force. The Management Fee will be as set forth in Schedule E on the balance of the Account's average monthly net asset value with additions treated as being made on the first day of the month and withdrawals treated as being made on the first day of the next month. The net asset value of the Account shall be determined by the Manager in good faith as of 4:00 p.m. Eastern Time on the last business day of each month. For purposes of determining the net asset value of the Account securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date), other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers, and all other assets shall be valued at fair value by the Manager whose determination shall be conclusive. Client agrees to authorize and instruct its custodian to deduct Management Fees under this agreement from Client's account and to forward such Management Fees to Manager. The Manager may modify the terms in this Section 4 prospectively on at least thirty (30) days prior written notice.

5. Broker and Dealer Selection. The Manager will use its discretion in selecting the broker, dealer or other counterparty to be used to execute each transaction for the Account. In selecting a broker or dealer the Manager will comply with its fiduciary duty to obtain best execution and with the provisions of Section 28(e) of the Securities Exchange Act of 1934 and will take into account such relevant factors as (A) price, (B) the broker's or dealer's facilities, reliability and financial responsibility, (C) the ability of the broker or dealer to effect transactions, particularly with regard to such aspects as timing, order size, and execution of orders, (D) the research and related brokerage services provided by such broker or dealer to the Manager, notwithstanding that the Account may not be the direct or exclusive beneficiary of such services and (E) any other factors the Manager considers to be relevant. The Client agrees and acknowledges that the Manager will use its best efforts to obtain prompt execution of orders at the most favorable prices reasonably obtainable and will not be obligated to seek the lowest available transaction cost. The Client may direct the Manager to use a particular broker-dealer to execute portfolio transactions for the Account. If Client selects the executing broker-dealer for the Account, (1) the Client shall have sole responsibility for the terms and conditions pursuant to which the particular broker-dealer will execute transactions for the Account, (2) the Client agrees and acknowledges that, to the fullest extent permitted by applicable law, the Manager shall have no responsibility for seeking best execution or prices, (3) that the Manager will not be able to aggregate Account transactions for execution and (4) the Client agrees and acknowledges that, as a result, the Account may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the Account than would otherwise be the case.

6. Proxy Voting. The Manager shall be responsible for voting proxies solicited with respect to the assets of the Client in accordance with and to the extent required by the Manager's proxy voting guidelines and policies as in effect from time to time and shall keep such records as may from time to

time be required. The Manager shall also be responsible for making all elections in connection with any mergers, acquisitions, tender offers, bankruptcy proceeding or similar matters which may affect the Client. All proxies will be voted and elections made in accordance with the Manager's policy in effect from time to time. The Client shall instruct the Client's custodian to promptly forward to the Manager all communications received by the custodian with respect to the Client, shall take all reasonable steps to ensure the Manager's receipt of such communications, and shall instruct the custodian to follow the Manager's instructions concerning the same. The Manager shall not be responsible for voting proxies or making elections based on information not timely received by the Manager or otherwise consistent with exceptions available under the Manager's proxy voting policies as in effect from time to time, and will make available to the Client information concerning the voting of proxies as requested.

7. Aggregation. The Manager is authorized in its discretion to aggregate purchases and sales and other transactions made for the Account with purchases and sales and other transactions in the same or similar securities or instruments of the same issuer or counterparty for other clients of the Manager or with affiliates of the Manager. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the Account will be deemed to have purchased or sold its proportionate share of the instruments involved at the average price so obtained.

8. Confirmation of Trades. The Client and the Manager will direct that confirmations of any transactions effected for the Account will be sent in conformity with applicable law to the Client with a copy to the Manager.

9. Liability.

(a) Client understands that the investment activities they are engaging the Manager to pursue as to the Investment Account involve risks, including market, economic, political and general business risks and that the Manager does not guarantee any particular level of performance of the Account or the success of any investment decision or strategy that the Manager may use.

(b) The Manager shall discharge its duties in accordance with the fiduciary responsibilities imposed by ERISA, and, in accordance with the directions given by the Client under Paragraph 1 of this Agreement, by diversifying the investment of the Portfolio so as to minimize the risk of loss. Unless the Manager has not acted prudently or has otherwise violated the provisions of ERISA or other applicable law, the Manager shall not be subject to any liability to the Plan, the Client or to any other person, firm or organization, for any act or omission of itself or any other person, firm or organization in the course of, or connected with, its obligations under this Agreement.

(c) Neither the Manager, nor any of its past or present affiliates, or the past or present officers, directors, members, managers, partners, agents or employees or the Manager or its affiliates (as applicable) (each, an "Indemnified Party") shall have any liability to the Client, the Plan Sponsor, the Trust or to their respective investors or shareholders or beneficiaries for any loss, whether arising in contract, tort, equity or otherwise, suffered by them which arises out of any conduct, action or inaction of such Indemnified Party unless such conduct, action or inaction arises from a breach by the Manager of its duty of care or is precluded by ERISA. Each Indemnified Party may consult with counsel and accountants in respect of the Client's affairs and shall be fully protected and justified in any conduct, action or inaction which is taken or not taken in good faith reliance in accordance with the advice or opinion of such counsel or accountants, so long as such counsel or accountants were selected with reasonable care. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 9(c) shall not be construed so as to relieve (or attempt to relieve) any Indemnified Party of any liability, to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 9(c) to the fullest extent permitted by law.

(d) Except to the extent prohibited by law, each Indemnified Party shall be indemnified by the Plan Sponsor against any losses, judgments, liabilities, expenses (including reasonable attorneys' fees) and amounts paid in settlement of any claims sustained by them which arise

out of any conduct, action or inaction of such Indemnified Party except to the extent that such conduct, action or inaction resulted from a breach by the Manager of its duty of care or was precluded by ERISA. Notwithstanding any of the foregoing to the contrary, the provisions of this Section 9(d) shall not be construed so as to provide for the indemnification of any Indemnified Party for any liability to the extent (but only to the extent) that such indemnification would be in violation of applicable law or such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section 9(d) to the fullest extent permitted by law.

(e) The federal securities laws impose liabilities under certain circumstances on persons who act in good faith, and therefore nothing herein shall in any way constitute a waiver or limitation of any rights, which the undersigned may have under any federal securities laws.

(f) The reimbursement and indemnity obligations of the Plan Sponsor under this Section 9 shall:

i) be paid from, and only to the extent of, assets of the Plan Sponsor and no shareholder or partner shall have any personal liability on account thereof; and

ii) be in addition to any liability which the Plan Sponsor may otherwise have.

(g) The provisions of this Section 9 shall survive the termination of this Agreement.

(h) The Manager shall promptly disclose to the Client in writing all complaints, investigations or other proceedings materially impacting the management of the Account. Furthermore, the Manager shall promptly notify the Client of any extraordinary examination, complaint, investigation, disciplinary action and/or other proceeding reasonably related to or materially affecting the Manager's ability to perform its duties under the agreement.

10. Conflict of Interest. The Client agrees that the Manager may refrain from rendering any advice or services concerning securities of companies of which any of the Manager's, or affiliates of the Manager's officers, directors, or employees are directors or officers, or companies in which the Manager or any of the Manager's affiliates or the officers, directors and employees of any of them has any substantial economic interest, unless the Manager either determines in good faith that it may appropriately do so without disclosing such conflict to the Client or discloses such conflict to the Client prior to rendering such advice or services with respect to the Account.

11. Services to other Clients. It is understood that the Manager performs investment advisory services for various clients, including mutual funds and private investment funds. The Client agrees that the Manager may give advice and take action with respect to any of its other clients which may differ from advice given, or the timing or nature of action taken, with respect to the Account, so long as it is the Manager's policy, to the extent practical, to allocate investment opportunities to the Account over a period of time on a fair and equitable basis relative to other clients. Nothing in this Agreement shall limit or restrict the Manager or any of its directors, partners, officers, affiliates or employees from buying, selling or trading in any securities or other assets for its or their own account or accounts, and the Client acknowledges that the Manager, its directors, partners, officers, affiliates and employees, and other clients of the Manager, may at any time acquire, increase, decrease or dispose of positions in investments which are at the same time being acquired, held or disposed of for the Account. The Manager will not have any obligation to initiate the purchase or sale, or to recommend for purchase or sale, for the Account any security or other asset which the Manager, its directors, partners, officers, affiliates or employees may purchase, hold or sell for its or their own accounts or for the accounts of any other clients of the Manager.

12. Reliance on Information. The Client understands that the Manager, in the performance of its obligations and duties under this agreement, is entitled to rely upon the accuracy of information furnished by the Client or on its behalf, without further investigation.

13. Termination and Cancellation. This Agreement may be terminated, with or without cause, at any time upon thirty (30) days' written notice by the Client or upon sixty (60) days' written notice by the Manager. Such notice shall be delivered in accordance with Section 16. Fees paid in advance will be prorated to the date of termination, and any unearned portion thereof will be refunded to the Client.

14. Governing Law; Venue; Disputes. To the extent that state law is not pre-empted by the provisions of any laws of the United States, this Agreement shall be administered, construed and enforced according to the laws of the State of Maryland without giving effect to the choice of law principles thereof. Venue for all actions shall be in the appropriate state or federal court in Baltimore, Maryland, and the parties hereto irrevocably waive the right to object to the venue of any such court on the ground of forum non conveniens, or any other ground.

15. Receipt of ADV. The Client acknowledges receipt at least 48 hours prior to its execution of this Agreement of Part II of the Manager's current Form ADV as filed by the Manager with the Securities and Exchange Commission. The Manager will offer in writing at least annually to provide the Client with a copy of Part II of its then current Form ADV.

16. Notices. All notices, required or permitted to be sent under this Agreement shall be sent, if to the Manager:

Brown Advisory, LLC
901 S. Bond Street, Suite 400
Baltimore, Maryland 21231
Attention:
[Insert client service team member's information]

or if to the Client:

Notices to be sent to the following Addresses:

[Insert client contact information]

or such other name or address as may be given in writing to the other party. All notices hereunder shall be sufficient if delivered by facsimile, overnight mail or by hand. Any notice shall be deemed to be given only upon actual receipt.

17. Assignment of Agreement. No assignment (as that term is used in the Advisers Act) of this Agreement may be made by the Manager without the consent of the Client. The Manager may, however, transfer this agreement to an affiliate of the Manager without the consent of the Client, to the extent such transfer is not an assignment as defined under the Advisers Act. For the avoidance of doubt, the consent of the Client will not be required in connection with any assignment except to the extent required by law. Consent shall be deemed to have been given if the Client does not object to such assignment within sixty (60) days after the Manager notifies the Client of the Manager's intent to assign this Agreement and the Client continues to receive advisory services hereunder from and after the date of such assignment.

18. Client Representation. The Client hereby represents that it is a "qualified client" as defined by Rule 205-3 under the Advisers Act.

19. Final Integration. This Agreement (including the Client's Investment Policy Statement, attached as Schedule A) contains the entire agreement between the parties with respect to the subject matter hereof and may not be amended or modified unless pursuant to a provision of this Agreement.

20. Amendment. Except as otherwise provided herein, this Agreement may be amended by mutual consent of the parties, pursuant to a written agreement signed by both parties hereto, provided that the terms of any material amendment shall be approved by such authority as required to render such an amendment legally binding.

21. Captions. The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

22. No Third-Party Beneficiaries. This Agreement and its provisions are for the sole and exclusive benefit of the Client. Nothing in this Agreement shall be construed to give anyone other than the Client any legal or equitable right, remedy or claim under, or with respect to, this Agreement.

23. Counterparts. This Agreement may be executed in one or more counterparts, all of which together shall constitute one instrument.

24. No Waiver. The failure to insist on strict compliance with this Agreement will not constitute a waiver of rights under this Agreement.

25. Insurance. The Manager shall for the term of this Agreement maintain an errors and omissions insurance policy in the amount of five million dollars (\$5,000,000).

26. Accounting and Reports. Unless otherwise instructed, Manager will not maintain tax lot information. Information for any report required by law shall be furnished at such other times as the Client may reasonably request.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned, being duly authorized, has hereunto signed this Agreement as of the date written below.

MANAGER: BROWN ADVISORY, LLC

By: _____

Name:

Title:

CLIENT: []

By: _____

Name:

Title:

Dated: _____, 201_

Client Tax Identification Number: _____

SCHEDULE A

Client's Investment Policy Statement and Guidelines

SCHEDULE B

Assets

[List initially contributed securities and assets or amount of cash contributed]

SCHEDULE C

Excluded Assets

[List excluded assets or indicate none]

SCHEDULE D DELETE IF NO BROWN ADVISORY FUNDS OR DWS MONEY MARKET FUNDS UNDER OUR DIRECTION IN ACCOUNT

Disclosures Regarding Proprietary/Related Funds

The Account may from time to time be invested in shares of one or more of the following registered open-end mutual funds which are advised by affiliates of the Manager:

- the [name of Fund] (the "Fund")

The Manager or its affiliates provide advisory services to the Funds. The Manager or its affiliates receives advisory fees based on the assets of a Fund, as is more fully described in the Prospectus of the Fund. In addition, the Manager or affiliates of the Manager may provide any other services to the Fund that are permitted by law and be compensated for them, including without limitation brokerage, custody, fund accounting, transfer agency, distribution, securities lending and interfund lending services. Any compensation received for such services will at all times be consistent with reasonable commercial rates. In addition, the Manager or its affiliates may serve as counterparties in transactions with the Fund where permitted by law or regulation, and may receive compensation in that capacity.

The Manager has provided the Client with a current Prospectus for the Fund. The Prospectus describes the investment characteristics of the Fund, the schedule of fees paid to the Manager or its affiliates by the Fund, and the schedule of fees paid to the Manager or its affiliates for any additional services provided by them to the Fund. The Prospectus also describes certain revenues received by the Manager in connection with the Fund.

1. The Client, as a fiduciary of the Plan, acknowledges receipt of each such current Prospectus.

2. Among the reasons why the Manager may from time to time conclude that investment of the Account assets in the Fund shares would be appropriate for the Client is that [in so doing otherwise uninvested cash in the Account may earn an investment return in connection with short-term or temporary investment, achieve greater diversification, etc.].

3. If the Account assets are invested in shares of the Fund, then in order to prevent the Manager from receiving an advisory fee revenue with respect to the Account assets so invested from both the Client and the Fund, [the amount of the Account assets invested in shares of the Fund as of the Client's billing date will be excluded from the amount of assets upon which the Manager's Advisory Fee is computed or describe offset].

4. The Management Fee is as set forth in Schedule E and the advisory fee payable by the Fund is as described in the Prospectus. [The Management Fee covers not only advisory services but other services as described in the Schedule.]

5. The schedule of fees charged the Plan for non-Fund investments is attached to the Agreement to which this exhibit is a part as Schedule E. The schedule of fees paid the Manager or affiliates of the Manager by each Fund is described in the Prospectus of each Fund. In certain instances the effective marginal advisory fee rate paid by the Plan may be lower than the effective marginal advisory fee rate paid by the Fund and, if so, the investment of assets of the Plan in shares of the Fund will result in the Manager or an affiliate receiving a higher marginal rate of fees in respect of assets of the Plan so invested in shares of the Fund.

6. The Manager agrees to inform the Client of any change in the schedule of fees charged the Client or the Fund, prior to the effective date of such change.

On the basis of the Prospectus(es) and information above, Client, as a fiduciary of the Plan, has by signing below authorized and approved the investment and reinvestment of the assets of the

retirement plan in the Fund and the payment of fees incidental to such investment as described in the Prospectus(es).

Name of Plan Fiduciary: _____

Signed: _____

Date: _____

SCHEDULE E

Fees

Account Level Fees

Brown Advisory's investment management fee is as follows:

(Insert Fee Schedule Here)

Sweep/Money Market Account Fees

Client understands and agrees that if necessary Brown Advisory may use the money market account of Custodian for investment of cash pending reinvestment. Client understands and agrees that the money market account of the Custodian will have separate fees, but that Account assets held in such money market account will be subject to Account level fees.

Appendix F

Form ADV, Part 2A

**FORM ADV PART 2A
FIRM BROCHURE**

**Brown Advisory, LLC
801-38826**

901 South Bond Street, Suite 400
Baltimore, MD 21231

Phone: (410) 537-5400
E-mail: compliancegroup@brownadvisory.com
Web: www.brownadvisory.com

3/16/2012

This brochure provides information about the qualifications and business practices of Brown Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 410-537-5400 and/or compliancegroup@brownadvisory.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Brown Advisory, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

We are a registered investment adviser with the U.S. Securities and Exchange Commission. The use of the terms "registered investment adviser" or "registered" by us does not imply by itself any level of skill or training. The oral and written communications we provide to you, including this brochure, is information you use to evaluate us (and other advisers), which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

ITEM 2 MATERIAL CHANGES

On January 1, 2012, several corporate entities within Brown Advisory were reorganized to combine four separate SEC-registered investment advisers and two entities that serve as general partners to private equity partnerships into a single SEC-registered investment adviser, Brown Advisory, LLC (“BALLC”). The three registered investment advisers with the SEC that merged into BALLC include:

1. Brown Investment Advisory Incorporated (“BIAI”)
2. Brown Advisory Cavanaugh, LLC (“BAC”)
3. Alex. Brown Investment Management, LLC (“ABIM”)

The two entities that served as general partners to private equity partnerships which merged into BALLC include:

1. BAT Commingled Fund Manager, Inc.
2. Brown Advisory Investors GP, LLC

This reorganization was intended to simplify our corporate structure; reduce administrative risk, regulatory complexity and cost; and make our structure easier for regulators, potential clients and counterparties to understand. To further simplify the firm’s presentation to potential clients and regulators, Brown Advisory Holdings Incorporated (“BAHI”), the firm’s controlling entity, changed its name to Brown Advisory Incorporated (“BAI”).

This brochure has been adjusted to reflect more detailed explanations of some of the investment strategies offered by the registered investment advisers that merged into BALLC and their corresponding fee schedules.

The financial industry activities and affiliations section has been updated to reflect:

1. The change in organizational structure,
2. The establishment of a new legal entity, Brown Advisory Trust Company of Delaware, LLC, a Delaware limited purpose trust company that is subject to regulatory oversight by the Office of the State Bank Commissioner of the State of Delaware,
3. An investment made in February 2012 in another investment adviser registered with the SEC: CDK Investment Management, LLC,
4. An updated list of commingled vehicles and funds for which Brown Advisory, LLC provides investment management services.

While the material changes to this brochure have been highlighted above, it is our intention to provide this brochure in its entirety to all of our clients to ensure they have the most current Form ADV Part 2A.

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ITEM 4 ADVISORY BUSINESS

OVERVIEW OF THE FIRM

Brown Advisory, LLC ("Brown", "the firm", or "we") provides investment management services to individuals and institutions. These include high net worth individuals and families, endowments, foundations, other charitable organizations, public/government-related clients, pension and profit-sharing plans, insurance companies, corporations, individual retirement plans, trusts, estates, and other taxable individual plans. We provide active equity, active fixed income and balanced portfolio investment strategies. We also provide strategic advisory services to our high net worth clients. We are registered with the Securities and Exchange Commission ("SEC") as an investment adviser. As of January 1, 2012, Brown Advisory, LLC had \$18,600.7 million in regulatory assets under management. Of that total, approximately \$16,661.7 million represents assets managed on a discretionary basis and \$1,939.0 million represents assets managed on a non-discretionary basis. These values do not include client assets under management or advisement by any of our affiliated firms, including Brown Investment Advisory & Trust Company and Brown Advisory Securities, LLC.

Brown Advisory was launched in 1993 as an investment management division of Alex. Brown & Sons. Alex. Brown & Sons was a Baltimore-based investment bank founded in 1800. In 1998, Brown Advisory became independently owned through an employee-led buyout.

We are a wholly owned subsidiary of Brown Advisory Management, LLC ("BAM"). Brown Advisory's controlling entity is Brown Advisory Incorporated ("BAI"), which is organized as a Maryland C corporation and serves as the firm's parent company. BAI is the managing member of BAM.

Typically, our investment management services are provided on a discretionary basis; however, from time to time clients may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts. Any limitations on our discretionary authority to manage securities accounts on behalf of clients would be initiated and imposed by the client. Generally, we will work with a client to accommodate investment guidelines and restrictions so long as they do not interfere materially with a portfolio manager's ability to implement the investment and portfolio construction process.

Our equity investment strategies seek to provide clients with long-term capital appreciation by actively selecting securities for investment in concentrated portfolios. For each of our equity strategies, we employ the same investment process and methods of analysis. What differentiates our equity strategies from each other are (1) the market capitalization and (2) the underlying style (growth, value, opportunistic, income or, in the case of our Green Growth and Green Large-Cap strategies, the opportunity to benefit financially from environmentally-driven strategies). Our fixed income investment philosophy is based on the idea that fixed income investments play a specific role in client portfolios—to generate income, preserve principal and complement allocations to more volatile investments. For each of our fixed income strategies, we employ the same investment process and methods of analysis. What differentiates our fixed income strategies from each other are (1) the maturity or duration of the portfolio, (2) credit quality, (3) use of high yield and (4) its investment focus in either taxable or tax-exempt securities. Both equity and fixed income investment strategies employ a bottom-up, fundamental research approach in our security selection process. Our strategies strive to outperform their respective benchmarks over the long term.

We offer the following equity investment strategies:

- U.S. Large-Cap Growth Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that have prospects for above-average, sustainable earnings growth.

- U.S. Large-Cap Value Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that we believe are undervalued but maintain sound long-term fundamentals.
- Flexible Value—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) with what we believe offer good long-term economics and a capable management team on a bargain basis. This strategy expands the bargain-hunting concept of traditional value investing to embrace a broader range of investment opportunities. This strategy may invest up to 20% in fixed income.
- Equity Income—invests primarily in high-quality companies with medium and large market capitalizations (generally greater than \$2 billion at the time of purchase) with above-average dividend yields and the potential for dividend growth. This strategy may invest up to 20% in fixed income.
- U.S. Small-Cap Growth Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time or purchase) that have prospects for above-average sustainable earnings potential.
- U.S. Small-Cap Value Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) focusing on companies that we believe are mispriced in the market relative to a fundamental assessment of their underlying value.
- U.S. Mid-Cap Growth Equity—invests primarily in the common stock of mid-cap companies that have the potential to grow their earnings at a rate faster than the average company. The strategy defines mid-cap companies as those whose market capitalization falls within the range of either the S&P MidCap 400 Index or the Russell Midcap Growth Index.
- Green Growth—invests primarily in the common stock of domestic companies that demonstrate long term competitive advantages, strong environmental performance and opportunities to benefit financially from environmentally-driven strategies.
- Green Large-Cap—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that demonstrate sustainable business models, long-term competitive advantages, strong environmental performance and opportunities to benefit financially from environmentally-driven strategies.
- U.S. Opportunity—invests primarily in a diversified portfolio of equity securities that incorporate either a growth or value investment approach to security selection and invest in companies regardless of market capitalization.

We offer the following fixed income strategies:

- Intermediate Income—emphasizes high credit quality taxable fixed income securities in portfolios of an intermediate maturity, between one and 10 years or an average duration between two and five years.
- Tax-Exempt Municipal—emphasizes high credit quality tax-exempt fixed income securities in portfolios with target durations between two and five years, with a concentration on Maryland municipal securities.
- Core Fixed Income—emphasizes high credit quality taxable fixed income securities in portfolios with target durations between four and seven years. The strategy can adhere to socially responsible guidelines and may include high yield.
- Limited Duration—emphasizes high credit quality taxable fixed income securities in portfolios with target durations between one and four years.
- Intermediate Municipal—emphasizes high credit quality tax-exempt securities in portfolios with target durations between two and five years.

- Enhanced Cash—emphasizes high credit quality taxable fixed income securities in portfolios with target durations between zero and two years.
- Tactical Bond—makes long and short tactical investments in fixed income instruments based on quantitative inputs, seeking to produce positive total return in various market environments, including rising interest rates. This strategy utilizes quantitative modeling in making tactical purchase and sale decisions. This strategy may include high yield.

For those clients who want to be invested in both equities and fixed income, we provide balanced portfolio management. We also offer asset allocation advice for clients who want to pursue other investment strategies, such as alternatives and private equity.

We also provide our clients with access to outside managers through an Open Architecture Program. This service provides clients greater access to a wider range of investing opportunities and asset classes, including international equities, emerging-markets equities, global fixed income, high-yield fixed income, private equity, commodities, hedge funds and real estate. By combining our selective Open Architecture initiative with our extensive in-house resources, we optimize our customized portfolio management capabilities for clients.

In addition to our investment management services, we offer strategic advisory services for clients with complex financial, investment, and fiduciary circumstances. These services include but are not limited to tax planning, intergenerational wealth transfer (including trust and estate planning), philanthropic planning, family business advisory and wealth structuring.

In addition to our traditional investment management activities, we also serve as the general partner of various private and limited partnerships. These partnerships invest in public securities, private equity securities and hedge funds managed by third parties.

We also offer three private investment funds: FINCAP LLC, Winslow Hedge Fund, L.P., and BrownSavano Direct Capital Partners, L.P.

FINCAP LLC is a private investment fund exempt from registration as an investment company under the Investment Company Act of 1940. This fund provides long and short investments in companies with market capitalizations generally less than \$4 billion at the time of purchase.

Winslow Hedge Fund, L.P., is a private investment fund exempt from registration as an investment company under the Investment Company Act of 1940. This fund provides long and short investments in companies that focus on green solutions and have the potential to benefit financially from environmentally-driven strategies.. Its assets are invested in securities, other financial instruments and rights and options relating to such securities.

BrownSavano Direct Capital Partners, L.P., is a private investment fund exempt from registration as an investment company under the Investment Company Act of 1940. The fund provides investments in private venture-backed growth companies that are preparing to go public or are developing strategic relationships with potential buyers. The fund also focuses on offering partial liquidity to individual shareholders, including founders, executives, angel investors and former employees of private venture-backed growth companies.

Brown Advisory may also provide investment advisory services for select model-based separately managed account programs of unaffiliated managers and financial advisors. In these programs, we typically provide a model portfolio to the program manager, who is then responsible for executing

transactions and coordinating account guidelines and restrictions with the underlying separate account client. In exchange for these services, we receive a fee from the unaffiliated manager or financial advisor.

CUSTOMIZATION OF ADVISORY SERVICES

We work closely with our clients to ensure that their goals and objectives are met. For clients with specific investment guidelines, we provide customized portfolios. Any client-imposed limitations or guideline restrictions are defined and outlined in the client's initial documentation with the firm.

We may also maintain investment policy statements or written investment guidelines for institutional clients. These documents address a client's guidelines and objectives in greater detail. Many of our institutional clients have their own investment policy statements. When clients provide us with their own investment policy statements, we make sure that the language is reflective of our investment management responsibility. When necessary, the language is adjusted and approved by both the client and Brown Advisory before management of the account begins.

MANAGED ACCOUNT PROGRAM PARTICIPATION

We serve as an investment manager for the Brown Advisory Pathway Program. This program offers clients access to a wide range of investing opportunities, including domestic and international equities, fixed income, commodities and real estate. Under the program, our affiliate, Brown Advisory Securities, LLC, offers their clients the opportunity to have us manage a separately managed account in the Large-Cap Value, Large-Cap Growth, Small-Cap Growth, Equity Income, Winslow Green Large-Cap or Flexible Value investment style.

Under this program, we provide discretionary investment management services to clients in different asset classes and strategies. These services are based on an asset allocation model determined by the client with the advice of the client's Brown Advisory Securities' representative and incorporate the client's investment objectives. The Program offers the flexibility to invest client accounts across several different asset classes and strategies within a single account. If clients select a multi-asset class account, they may be invested in affiliated and unaffiliated mutual funds, instead of separately managed accounts, for certain asset classes. These funds include proprietary Brown Advisory mutual funds as well as externally managed funds offered through our Open Architecture Program. The funds selected for investment by the client generally depend on the asset class and the total amount invested.

Affiliated mutual funds include any Brown Advisory Fund or the Winslow Green Growth Fund. We serve as the investment adviser to affiliated mutual funds and are paid an investment advisory and shareholder servicing fee by the funds.

The program is designed to enable Brown Advisory Securities, LLC clients to pursue their investment objectives and strategies by utilizing the various investment styles listed above. Investors with at least one separately managed account may also choose to invest in a menu of Brown Advisory Funds for a minimum investment of \$25,000 per Brown Advisory Fund. We receive a portion of the fee as compensation for the investment management services we provide in the Brown Advisory Pathway Program.

ITEM 5 FEES AND COMPENSATION

STANDARD FEE SCHEDULES

We manage assets for clients seeking discretionary portfolio management services. Each client receives personalized investment management services based on an analysis of the client's financial circumstances, income requirements, risk tolerance, investment objectives and other pertinent factors.

Clients generally pay advisory fees based on a percentage of assets in their account(s). Generally speaking, fees are not typically negotiated. However, fees may be negotiated depending on the particular circumstances of the client, scope of services provided, size of account(s), service levels, reporting and other arrangements as agreed with specific clients. In those instances, a client may pay more or less than the fees on our standard fee schedules, and more or less than similar clients. Each client receives personalized investment management services based on an analysis of the client's financial circumstances, income requirements, risk tolerance, investment objectives and other pertinent factors.

We receive management fees from our clients on a quarterly basis. Although most of our clients pay in arrears, several of our clients pay in advance. We will accept both. Fees do not include fees for services performed by the clients' custodian.

We have an experienced team of portfolio managers and research analysts dedicated to the various investment disciplines offered by the firm. These investment teams also work cooperatively with our strategic advisors and balanced portfolio managers to provide balanced account management services. Although we generally target balanced institutional or high net worth clients with a minimum of \$5 million of investable assets, from time to time we will waive the account minimum depending on the client relationship, client service requirements and certain circumstances.

Provided below are the standard annual fee schedules for the investment management services we currently offer:

BALANCED PORTFOLIOS GREATER THAN \$5 MILLION

1.00% on the first \$5 million under management
0.75% on the next \$5 million under management
0.50% on the next \$15 million under management
0.35% on the next \$75 million under management
0.30% on amounts over \$100 million under management

Although we generally target balanced institutional or high net worth clients with a minimum of \$5 million of investable assets, from time to time we will waive the account minimum depending on the client relationship, client service requirements and certain circumstances.

In circumstances where a minimum is waived the following schedule applies:

BALANCED PORTFOLIOS LESS THAN \$5 MILLION

1.25% on the first \$3 million under management
1.00% on the next \$2 million under management

LARGE-CAP GROWTH EQUITY, LARGE-CAP VALUE EQUITY, MID-CAP GROWTH EQUITY, FLEXIBLE VALUE, EQUITY INCOME AND GREEN LARGE-CAP SEPARATE ACCOUNTS

0.80% on the first \$10 million under management
0.65% on the next \$15 million under management
0.50% on the next \$25 million under management
0.40% on amounts over \$50 million under management

SMALL-CAP GROWTH EQUITY, SMALL-CAP VALUE EQUITY AND GREEN GROWTH SEPARATE ACCOUNTS

1.00% on the first \$25 million under management
0.90% on the next \$25 million under management
0.80% on the next \$50 million under management
0.70% on amounts over \$100 million under management

FIXED INCOME INVESTMENT SEPARATE ACCOUNT STRATEGIES

0.65% on the first \$5 million under management
0.375% on the next \$5 million under management
0.25% on the next \$15 million under management
0.20% on amounts over \$25 million under management

PRIVATE EQUITY /ALTERNATIVES PORTFOLIOS

0.30% administrative fee on capital committed to Brown Advisory-sponsored private equity/alternatives strategies. All private equity/alternatives strategies, including Brown Advisory-sponsored and non-Brown Advisory-sponsored, are subject to the firm's standard account-level fees, which typically are based on net invested capital.

There is no minimum level of investment imposed on accounts participating in private equity/alternatives strategies. However, all investors in this area must meet specific suitability requirements in order to invest.

PARTICIPATION IN MANAGED ACCOUNT PROGRAM

For the investment management services we provide in the Brown Advisory Pathway Program, we receive a portion of the fee as compensation. The Program fee schedule is as follows:

<u>ACCOUNT ASSET VALUE</u>	<u>ANNUAL FEE</u>
Less Than \$5,000,000	1.25%

The asset value of the account is calculated on the last business day of the previous calendar quarter. If the advisory agreement is terminated during a quarter, a pro-rata fee will be assessed based on the number of days in the quarter that the client was in the Program. We receive 50 basis points (or 0.50%) out of the applicable fee. The remainder of the fee is remitted to Brown Advisory Securities for its services to the client and any solicitor receiving a referral fee. All fees are subject to negotiation and could vary depending on the client's specific circumstances. Fees typically are billed quarterly in arrears based on one-fourth of the annual rate. The advisory fee does not cover fees for services performed by the client's custodian.

ADVISORY SERVICES TO UNAFFILIATED FINANCIAL SERVICES FIRMS

We have several proprietary equity and fixed income investment strategies that are managed by our team of portfolio managers and analysts. In addition to offering these strategies directly to our clients through the mutual fund and separate account products that we manage, we distribute separate account and mutual fund investment products domestically and internationally to a variety of unaffiliated financial services firms. These include but are not limited to:

- Insurance companies
- Banks
- Unaffiliated broker-dealers
- Unaffiliated registered investment advisers

Since our clients could simultaneously be clients of the unaffiliated financial services firms with which we have relationships, they could have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

We currently maintain contractual agreements with a number of unaffiliated financial services firms. For these firms, we do one or more of the following:

- Serve as a sub-adviser and provide investment management services in connection with the management of a mutual fund by another registered investment adviser;
- Provide investment management and advisory services in connection with an unaffiliated registered investment adviser's use of our investment strategies for their separately managed account program;
- Provide investment advisory services in the form of model portfolios for investment strategies to other unaffiliated managers and financial advisers; and
- Allow investors from fee-based mutual fund programs of other registered investment advisers to access and invest in our proprietary mutual funds through specially designated share classes.

When we provide investment management and/or advisory services to unaffiliated financial firms, we are generally compensated through a contractually agreed-upon fee schedule. The fee schedules and arrangements with these firms may vary depending on several factors. These factors include but are not limited to the amount of assets under management, client servicing requirements, the client type and the investment strategy for which investment management or advisory services are provided.

When we allow investors from unaffiliated firm mutual fund programs to access our proprietary mutual funds through specially designated share classes, we will generally compensate the unaffiliated financial firm based on a contractually agreed-upon fee schedule. The fee schedules and arrangements with these firms may vary depending on several factors. These factors include but are not limited to the amount of assets under management, client servicing requirements and the investment strategy for which investment management or advisory services are provided.

FEE PAYMENT OPTIONS

There are two options clients may select to pay for our services:

- **Direct debiting (preferred):** At the inception of the relationship and each quarter thereafter, we will notify the client's custodian of the amount of the management fee due and payable to us through our fee schedule and contract. If clients choose this method, they must provide written authorization to the custodian permitting our management fee to be paid directly from the account(s) held by an independent custodian. The custodian does not validate or check our fee or its calculation on the assets on which the fee is based. The custodian will deduct the fee from the account(s) or, if the client has more than one account, from the account designated to pay our advisory fees. Each month, clients will receive a statement directly from their custodian showing all transactions, positions and credits/debits into or from their account(s); the statements after the quarter-end will reflect these transactions, including the advisory fee paid by the client to us.
- **Pay-by-check or wire:** At the inception of the relationship and each quarter thereafter, we will issue clients an invoice for our services. Clients will pay us by check or wire transfer upon receipt of the invoice date.

ADDITIONAL FEES AND EXPENSES

Advisory fees payable to us do not include all the fees the client will pay when we purchase or sell securities for the client's account(s). The fee schedule pertains to separate account management and does not include custody fees, brokerage charges, fund expenses or related transaction costs. Custody fees will vary depending on the custodian. All brokerage charges and related transaction costs are charged to the account(s) as they occur.

All fees paid to us for portfolio management services are separate from the fees and expenses borne by any mutual funds or limited partnerships in which client assets may be invested, including funds or partnerships advised by an affiliate of ours. Clients paying a Brown Advisory account-level management fee are rebated an amount equal to management fees charged by Brown Advisory Funds. Although clients would not bear any sales load for any affiliated funds, they may be charged a sales load for any unaffiliated funds.

There are many fees and/or expenses that clients may pay directly to third parties for any securities purchased, sold or held in their account(s) under our management. We do not receive, directly or indirectly, any of these fees charged to the client. They are paid to the client's broker, custodian or the mutual fund(s) or other investment(s) the client holds. These fees may include brokerage commissions, transaction fees, exchange fees, regulatory fees, advisory fees and administrative fees charged by mutual funds, exchange traded funds, private funds or private equity vehicles, custodial fees, deferred sales charges on mutual funds or annuities, odd-lot differentials, transfer taxes, wire transfer and electronic fund processing fees, legal fees and commissions or mark-ups/mark-downs on security transactions.

U.S. BANK CUSTODY FEES

In 2010, Brown Advisory negotiated a favorable custody relationship with U.S. Bank. We believe this relationship is tailored for the needs of Brown Advisory's clients. As a custodian, U.S. Bank provides the following services: safekeeping of assets; receiving and disbursing funds; transaction settlement; client statements, accounting and reporting; tax reporting on purchases and sales (1099s) and online account access.

There is no minimum custody fee.

U.S. Bank and Brown Advisory have entered into an agreement through which U.S. Bank will pay Brown Advisory up to 0.21 basis points based on total assets under custody with U.S. Bank to reimburse certain costs incurred by Brown Advisory discontinuing custody services. Such reimbursement has no effect on the fees paid by clients.

Clients may select their own custodian and are not required to utilize the services of U.S. Bank. We are indifferent to a client's choice of custodian, assuming such custodian is able to work with us operationally.

TERMINATED ACCOUNTS

In the event a client's investment advisory agreement is terminated, any fees paid in advance will be refunded on a pro rata basis as of the termination date. Similarly, any accounts that contractually pay management fees in arrears will be billed the pro-rata portion for the time the assets were under management.

COMPENSATION FOR SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

We do not have or employ any "employee" who receives, either directly or indirectly, any compensation from the sale of securities or other investment products that are purchased or sold for a client's account. This includes asset-based sales charges or service fees from the sale of mutual funds. As a result, we are

a “fee-only” investment adviser. We do not have any potential conflicts of interest that relate to any additional compensation from clients or the assets that we manage other than those listed in this document.

FEES FROM MUTUAL FUNDS

Brown Advisory’s mutual funds are used in large part with clients who have existing relationships with Brown Advisory and its affiliates. When clients hold these funds in an account that is charged an investment advisory fee by Brown Advisory or any of its component investment groups, Brown Advisory credits the client’s pro-rata share of the investment advisory fee paid to Brown Advisory by the fund or funds as an offset against the client’s advisory fee. Separately, the Funds may pay a fee of up to 0.05% of the average daily assets of each Fund’s Institutional Shares for shareholder services provided to the Funds by financial institutions, including Brown Advisory. The Funds also may pay a fee of up to 0.25% of average daily net assets of the Advisory Shares, as applicable, under a Rule 12b-1 plan as compensation for distribution-related and shareholder services provided by intermediaries including Brown Advisory. Please refer to the Funds’ prospectus for additional details.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

From time to time we will accept institutional clients that wish to pay performance-based fee schedules. In addition, private funds advised by us, including FINCAP LLC, Winslow Hedge Fund, L.P., and BrownSavano Direct Capital Partners, L.P., may charge a carry or performance fee. The Private Placement Memorandums for each private fund should be consulted for additional information.

Since most of our clients maintain tiered asset-based fee schedules, this means some portfolio managers are managing accounts for clients that compensate the firm according to an asset-based fee schedule at the same time they are managing accounts for clients that compensate the firm according to a portfolio's investment performance relative to its benchmark. By managing these two types of fee-paying accounts at the same time, a portfolio manager is faced with certain potential conflicts. These include:

- An incentive for the portfolio manager to favor accounts for which we receive a performance-based fee, and
- An increased chance that the portfolio manager's strategy will experience style drift or take on excessive risk if his or her compensation is tied to performance.

Brown Advisory maintains and enforces written policies and procedures designed to ensure that all accounts are treated equitably regardless of the fee arrangement. In addition, we have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation.

To mitigate and manage these risks, we employ the following practices:

- All accounts managed according to a particular strategy are incorporated into the same trade group for trade execution and allocation purposes. This ensures that trading in an investment strategy is aggregated across all related accounts to facilitate best execution. We typically will aggregate orders for the same security by multiple accounts into a "block trade." We believe this process provides equal treatment of all clients, provides ease of administration and facilitates the avoidance of information leakage that may be detrimental to client trades. The average price per share of a block trade will be allocated to each account that participates in the block trade. If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are allocated pro rata among participating accounts. The trading desk may allocate a partial fill using a random fill function of the trading system in such cases where it is deemed to be fair and equitable. When limited offering amounts are available for particular securities, our portfolio managers determine which accounts could best utilize the security based on duration/maturity and sector targets. Once this is determined, the security is allocated on a pro-rata basis among these particular accounts.
- The portfolio managers review each account on a continuous basis. Reviews are undertaken to confirm that the portfolio conforms to client suitability standards as well as to determine if any security changes need to occur. Fund portfolio managers continually review investments to confirm that they are consistent with the Fund's objectives.
- The Head of Investments reviews the performance of all accounts within a style-specific composite on a quarterly basis to ensure that all accounts with similar investment mandates are being managed in a consistent manner. If there are any accounts that fall outside of an acceptable deviation range, the Head of Investments will confer with the portfolio manager(s) to determine the reason for the deviation. The Head of Investments meets regularly with each investment team to review performance and portfolio activity to ensure that the team is managing the portfolios to

stated investment philosophies. Sector and security selection analysis, current portfolio composition, trading activity and style-based portfolio analysis are all examined during the review.

- With respect to fixed income, the fixed income team has a formal investment committee that meets twice a week to discuss market- and sector-specific events and strategies. All team members are active participants in the review and strategy formulation process. Meetings usually include a macro-level market review as well as sector-specific valuation comments with performance detail and anticipated market reactions. Strategies are reviewed weekly during these investment committee meetings. All accounts are informally reviewed weekly.

ITEM 7 TYPES OF CLIENTS

We generally provide investment management services to individuals and institutions. These include:

1. High net worth individuals and families
2. Pooled vehicles, including registered investment companies and UCITS
3. Endowments
4. Foundations
5. Charitable organizations
6. Public/government-related clients
7. Pension and profit-sharing plans
8. Insurance companies
9. Corporations
10. Individual retirement plans
11. Trusts
12. Estates
13. Eleemosynary
14. Religious
15. Other taxable individual accounts

Although we generally target institutional or high net worth clients with a minimum of \$5 million of investable assets, from time to time we will waive the account minimum depending on the client relationship, client service requirements and certain circumstances.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

As an investment adviser, we provide investment management services to individuals and institutions through a variety of investment vehicles. These include mutual funds, separate accounts and private funds. Different factors, including account type and size, may be used to determine which vehicle is most appropriate for the client.

EQUITIES

Our equity investment strategies seek to provide clients with long-term capital appreciation by actively selecting securities for investment in a concentrated portfolio. For each of our equity strategies, we employ the same investment process and methods of analysis. What differentiates our equity strategies from each other are (1) the market capitalization and (2) the underlying style (growth, value, opportunistic, income or in the case of our Green Growth and Green Large-Cap strategies, the opportunity to benefit financially from environmentally-driven strategies). Our equity investment strategies employ a bottom-up, fundamental research approach to our security selection process. With respect to portfolio construction, we manage position sizes according to our assessment of a security's long-term potential value. In determining individual security weightings, securities with the greatest upside price potential, relative to their respective downside risk, tend to be the largest positions in the portfolio. We trim holdings we deem are overvalued to deploy that capital into more attractive opportunities. This active position size management is designed to ensure that the overall portfolio is constantly being optimized from a risk/reward perspective. Our equity strategies strive to outperform their respective benchmarks over the long term.

We offer the following equity investment strategies:

U.S. Large-Cap Growth Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) and is designed for investors seeking capital appreciation through a concentrated portfolio of fundamentally sound companies that have prospects for above-average, sustainable earnings growth. Stock selection is driven by bottom-up, fundamental research that focuses on adding companies to the portfolio based on the merits of their business models and position within their respective industries as well as the macro environment. Typically, stocks are purchased with the intent of owning them for a multiyear period. The strategy is benchmarked to the Russell 1000 Growth Index.

U.S. Large-Cap Value Equity—invests primarily in the common stock of domestic, medium to large market capitalization companies (generally greater than \$2 billion at the time of purchase) and is designed for investors seeking capital appreciation through a portfolio of undervalued stocks of well-established, often global, business franchises with sound long-term fundamentals. Stock selection is driven by bottom-up fundamental research that focuses on adding companies to the portfolio based on the merits of their business models and position within their respective industries as well as the macro environment. Typically, stocks are purchased with the intent of owning them for a multiyear period. The strategy is benchmarked to the Russell 1000 Value Index.

Flexible Value—invests primarily in the common stock of domestic medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) with good long-term economics and a capable management team on a bargain basis. This strategy expands the bargain-hunting concept of traditional value investing to a broader range of investment opportunities and is designed for investors seeking long-term growth of capital through a moderately concentrated portfolio. With value defined as the present value of estimated future cash flows, the strategy seeks bargains in “value” as well

as “growth” stocks. The strategy seeks to buy businesses on a bargain basis by: (1) taking advantage of temporary adversity or market disfavor, (2) identifying an underappreciated change that may improve business prospects, (3) seeking overlooked or undiscovered opportunities the market is not focused on and (4) finding scenarios offering compressed valuations for premium businesses. The strategy is benchmarked to the S&P 500 Index.

Equity Income—invests primarily in high-quality companies with medium and large market capitalizations (generally greater than \$2 billion at the time of purchase) with above-average dividend yields and the potential for dividend growth. It is designed for investors seeking to own a concentrated portfolio that is focused on providing current dividend yield and dividend growth. For these purposes, a “high-quality” company is defined as one with above-average and consistent return on equity, manageable debt levels and relatively stable profitability. Stock selection involves screening for yield, fundamental research and an assessment of a company's dividend policy. This strategy may invest up to 20% in fixed income. This strategy is benchmarked to the S&P 500 Index.

U.S. Small-Cap Growth Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) possessing above-average growth potential. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of diversified, high-quality business models with above-average growth, sound management and favorable competitive positioning. The managers employ a disciplined, long-term investment philosophy based on a careful analysis of business fundamentals relative to the price of the security. The goal is to exploit inefficiencies in the small capitalization universe and identify companies operating in large and growing addressable markets with dominant and/or increasing market share. The strategy is benchmarked to the Russell 2000 Growth Index.

U.S. Small-Cap Value Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) focusing on companies that are mispriced in the market relative to a fundamental assessment of their underlying value and strives to exploit those situations where we believe the market is inefficiently valuing the long-term enterprise value of the company. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of companies that generate high levels of sustainable free cash flow and have management teams that effectively allocate capital. Fundamental analysis and valuation discipline are used to select undervalued investments for the portfolio. This strategy is benchmarked to the Russell 2000 Value Index.

U.S. Mid-Cap Growth Equity—invests primarily in the common stock of mid-cap companies that have the potential to grow their earnings at a rate faster than the average company. The strategy defines mid-cap companies as those whose market capitalization falls within the range of either the S&P MidCap 400 Index or the Russell Midcap Growth Index. The market capitalization of the companies in the strategy’s portfolio and the indices will change over time; the strategy will not automatically sell or cease to purchase the common stock of a company it holds just because the company’s market capitalization grows or falls outside these ranges. As “growth” investors, we typically look for companies with one or more of the following attributes: large and/or growing addressable market opportunity; market leader or market share gainer; a differentiated product, service or business model; high and/or rising profit margins; high and/or rising return on invested capital; capital efficiency; management strength; sustainable above-average growth dynamics; and stock prices that undervalue a company’s growth prospects. While the strategy will consistently employ its normal investment criteria, it has the discretion to deviate from the course previously described in order to purchase securities that the portfolio manager believes have the potential to provide an opportunity for substantial appreciation. Examples may include an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development or a

change in management. This strategy is benchmarked to the S&P MidCap 400 Index and the Russell Midcap Growth Index.

Green Growth—invests primarily in the common stock of domestic companies that demonstrate sustainable business models, long-term competitive advantages, strong environmental performance and opportunities to benefit financially from environmentally-driven strategies. It is designed for investors seeking long-term capital appreciation by investing in companies that have the ability to capitalize on unique opportunities afforded by the green economy and appear most willing and capable of adapting to these trends. The strategy adheres to a valuation discipline that is based on a risk/reward analysis. It integrates fundamental research with environmental research and focuses on identifying the key fundamental and environmental drivers of a company’s business model. This strategy is benchmarked to the Russell 2000 Growth Index.

Green Large-Cap—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that demonstrate sustainable business models, long-term competitive advantages, strong environmental performance and opportunities to benefit financially from environmentally driven strategies. It is designed for investors seeking long-term capital appreciation by investing in companies that have the ability to capitalize on unique opportunities afforded by the green economy and appear most willing and capable of adapting to these trends. The strategy adheres to a valuation discipline that is based on a risk/reward analysis. It integrates fundamental research with environmental research and focuses on identifying the key fundamental and environmental drivers of a company’s business model. This strategy is benchmarked to the Russell 1000 Growth Index.

U.S. Opportunity—invests primarily in a diversified portfolio of equity securities, incorporating either a growth or value investment approach to security selection, and investing in companies regardless of market capitalization. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of high-quality companies that we believe have significant market opportunities where the companies are leaders or potential leaders in their respective markets, proprietary products and services or are engaged in new product development and product cycle leadership that sustains a strong brand franchise. This strategy is benchmarked to the Russell 3000 Index.

FIXED INCOME

Our fixed income investment philosophy is based on the idea that fixed income investments play a specific role in client portfolios: to generate income, preserve principal and complement allocations to more volatile investments. For each of our fixed income strategies, we employ the same investment process and methods of analysis. What differentiates our fixed income strategies from each other are (1) the maturity or duration of the portfolio, (2) credit quality, (3) use of high yield and (4) its investment focus in either taxable or tax-exempt securities. Our fixed income strategies employ a combination of top-down analysis of investment-grade sectors to determine relative value opportunities and a bottom-up, fundamental research approach of fixed income securities to better understand the credit and cash flow analysis of specific fixed income securities. It is our belief that spreads (the difference between the current “bid” and current “ask” for a fixed income security) react to changes in the economic environment, yields and interest rate expectations as well as credit concerns and technical factors. Our strategies attempt to exploit the periodic changes in spread relationships. From this analysis, appropriate weightings among the various kinds of taxable and/or tax-exempt fixed income securities within the portfolio are determined. Our strategies strive to outperform their respective benchmarks over the long term.

We provide fixed income investment management services in the following strategies:

Intermediate Income—emphasizes high credit quality fixed income securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, the Barclays Capital Intermediate Aggregate Bond Index. This strategy generally includes accounts that invest in taxable fixed income securities that primarily have an intermediate maturity, between one and 10 years or an average duration between two and five years.

Tax-Exempt Municipal—emphasizes high credit quality fixed income securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, the Barclays Capital Municipal Bond 1-10 Year Index. This strategy generally includes taxable accounts with target durations between two and five years, invested primarily in tax-exempt securities with a concentration on Maryland municipal securities.

Core Fixed Income—emphasizes high credit quality fixed income securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, the Barclays Capital Aggregate Bond Index. This strategy generally includes accounts with target durations between four and seven years, invested primarily in taxable securities. Our Core Fixed Income strategy can adhere to socially responsible guidelines and may include positions in high yield.

Limited Duration—emphasizes high credit quality fixed income securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, the Barclays Capital 1-5 Year Government/Credit Index. This strategy generally includes accounts with target durations between one and four years, invested primarily in taxable securities.

Enhanced Cash—emphasizes high credit quality fixed income securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, the Merrill Lynch 0-3 Month T-Bill Index. This strategy generally includes accounts with target durations between zero and two years, invested primarily in taxable securities.

Intermediate Municipal—emphasizes high credit quality securities with a duration management overlay. This strategy strives to generate returns relative to its benchmark, a blended Merrill Lynch Municipal Bond Index. The custom-blended Merrill Lynch Municipal Bond Index is a weighted average of the 1-3 year (20%), 3-7 year (40%), and 7-12 year (40%) Merrill Lynch Municipal Bond Indices. This blended index is calculated monthly. This strategy generally includes taxable accounts with target durations between two and five years, invested primarily in tax-exempt securities.

Tactical Bond—makes long and short tactical investments in fixed income instruments based on quantitative inputs, seeking to produce positive total return in various market environments including rising interest rates. This strategy makes use of quantitative modeling in making tactical purchase and sale decisions. These models are designed to capture macro-movements in bond sectors, and thus securities selected for purchase will be expected to perform similarly to the sector as a whole. The strategy will take long positions in high-yield corporate bonds, tax-exempt municipal bonds, Treasury bonds and/or Treasury Inflation Protected Securities (TIPS). It may also take a short position in high-yield corporate bonds. It does not seek to track any particular benchmark or index.

BALANCED PORTFOLIO MANAGEMENT

For those clients who want to be invested in both equities and fixed income, we provide balanced portfolio management. We also offer asset allocation advice for clients who want to pursue other investment strategies, such as alternatives and private equity.

We also provide our clients with access to outside managers through an open architecture program. This service provides clients greater access to a wider range of investing opportunities and asset classes,

including international equities, emerging-markets equities, global fixed income, high-yield fixed income, private equity, commodities, hedge funds and real estate. By combining our selective Open Architecture initiative with our extensive in-house resources, we optimize our customized portfolio management capabilities for clients.

Our selective Open Architecture Program provides clients with access to external investment management capabilities. To establish the list of managers, we:

- Follow a disciplined process of research, selecting and monitoring investment managers;
- Identify strategies and managers that we believe have the potential to optimize a client's total portfolio;
- Are proactive in identifying, researching and executing opportunities around the globe; and
- Leverage our network to access ideas and investing opportunities. Our network includes but is not limited to attorneys and accountants, industry connections, foundations and endowments, national and local government officials, research universities, board directors and members, CEOs and business owners, consultants, investment bankers, venture capital and private equity firms, and national and local decision makers.

For clients with complex financial, investment and fiduciary circumstances, we offer strategic advisory services whereby we supplement our asset management expertise with guidance on tax planning, intergenerational wealth transfer (including trust and estate planning), philanthropic planning, family business advisory, wealth structuring and more.

STRATEGIC ASSET ALLOCATION

As an independent investment advisory firm, we are committed to serving our clients' needs and goals. For those clients who are looking for a balanced approach to their investment portfolios, we offer strategic asset allocation. To determine the appropriate asset allocation for a client, we begin with an analysis of each client's financial situation. We then apply the client's risk tolerance and investment objectives to our proprietary "Three Bucket" approach and allocate the client's assets into an Operating Account, a Core Portfolio and Opportunistic Investments.

Based on the results of these assessments, we develop an investment plan for our clients. Each plan is tailored to a client's goals and is adjusted accordingly when the client's circumstance changes or when extreme markets present extraordinary risks or opportunities. For many clients, we oversee a full portfolio of investable assets. In other scenarios, we may manage just a single asset class for a client. This may occur because the client maintains a distinct investment philosophy as a value investor or a growth investor, or because we complement the client's other managers. Strategic asset allocation includes long-term investments in a mix of financial instruments. These include but are not limited to equity securities, fixed income securities, money market instruments, mutual funds, funds of funds and other alternative investments.

ALTERNATIVE INVESTMENTS

Since our Open Architecture and Strategic Asset Allocation capabilities include alternative investments, Brown Advisory has a dedicated team responsible for sourcing and managing the firm's alternative investment and private equity strategies. Our alternative investment program has invested client assets across venture capital, private equity, leveraged buyout, real estate, hedge funds and other strategies. With respect to administration of these investments, our Private Equity Administration Group oversees the execution of investor subscription documents, collects funds for capital calls, circulates materials provided by fund managers, provides periodic reports on investment performance and tax information, and manages distributions.

While we believe that opportunistic investments, which allow for tactical and/or higher risk and illiquidity, are important aspects of balanced portfolios, we also adhere to the belief that alternative investment strategies must be tailored to each client's long-term goals and risk tolerance. Accordingly, among the factors we consider in recommending alternative investment options are liquidity needs and concerns, risk tolerance, long-term performance of private equity, hedge funds and venture capital vis-à-vis the major market indices, cyclicity of investment cycles, attractiveness/timeliness of industries and strategies, higher fees that typically accompany alternative investments, tax issues, alignment of interests and the ability to enhance returns through value creation.

As we assess the merits of alternative investments, we apply our knowledge of the sectors in which we participate. We leverage our in-house research expertise, as well as the insight of partner firms such as CDK Investment Management in industry sectors, as well as experienced partners who participate on endowment, university and private school investment committees with active alternative investment programs, to identify attractive industries and markets. In addition, we will meet with the sponsors and managers of alternative investment opportunities; conduct on-site visits and interviews; and, as applicable, conduct portfolio reviews, financial analysis and legal diligence.

STRATEGIC ADVISORY SERVICES

We recognize that for many clients with complex financial circumstances, simply trying to maximize return for a given level of risk is not enough. For such wealthy individuals and families, we offer strategic advisory services whereby we supplement our asset management expertise with guidance on tax planning, intergenerational wealth transfer, philanthropic planning, family business advisory, wealth structuring and more. Most strategic advisors are attorneys who previously specialized in trust and estates and in tax law, and we will work with our clients' attorneys, accountants, executive and family members, portfolio managers and account administrators. We will attend regular meetings, provide proactive anticipatory advice on investment and tax issues, and coordinate activity with a client's legal counsel, accountants and other outside advisors. We communicate regularly with clients and continually review their overall situations, including any business or estate planning vehicles. As we actively manage a client's portfolio of individual securities, we will evaluate alongside the client whether investment decisions are appropriate and in their best interest. At all times we will manage clients' assets and cash flow needs according to their investment, risk and wealth-transfer objectives. Brown Advisory charges no additional fee for these services.

Strategic asset allocation is designed to meet a client's return, cash flow and risk tolerance criteria. It also takes into account other issues including: tax liability; income/yield requirements; real estate holdings; business objectives; time horizon; family/generational issues; single-stock risk; family issues; and philanthropic intentions. A client's strategic asset allocation plan is reviewed and adjusted from time to time and takes into account changes in a client's financial and family circumstances. Using various simulation models, we estimate the future value of each proposed portfolio over varying periods of time and under various market conditions and assumptions with regard to the client's cash flow requirements and spending patterns. Once the optimal plan is identified for a particular client, we commit the strategic plan to writing and agree on the objective criteria for judging its success in meeting the client's objectives.

FINCAP

FINCAP LLC, a private investment fund, provides long and short investing and concentrates on under-followed and inefficient areas of the market, which include companies with market capitalizations generally less than \$4 billion at the time of purchase. It will also invest opportunistically in corporate actions, debt investments and special investments. Special investments include those that have limited liquidity, no public market and/or an investment horizon requiring a multiyear holding period. The portfolio may not be broadly diversified among issuers and security types.

WINSLOW HEDGE FUND

Winslow Hedge Fund, L.P., a private investment fund, provides long and short investments in companies that focus on green solutions and environmental sustainability. Its assets are invested in securities, other financial instruments, and rights and options relating to such securities.

BROWNSAVANO DIRECT CAPITAL PARTNERS

BrownSavano Direct Capital Partners, L.P., a private investment fund, provides investments in private venture-backed growth companies that are preparing to go public or are developing strategic relationships with potential buyers. The fund also focuses on offering partial liquidity to individual shareholders, including founders, executives, angel investors and former employees of private venture-backed growth companies.

RISK OF LOSS

All investments in securities include a risk of loss of the principal invested amount and any profits that have not been realized. There is a risk that clients could lose all or a portion of their investment in any of the above-mentioned strategies. An investment in a strategy is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Financial markets fluctuate substantially over time. As recent global and domestic economic events have indicated, performance of any investment is not guaranteed. Although we do our best to manage and mitigate the risks, there may be some risks that we cannot control. We cannot guarantee any level of performance or that clients will not experience a loss in their account assets. Provided below is a description of the different risks to which an investor may be exposed. Depending on the investment strategies employed, different risks will be more applicable. Please note that the below risks do not purport to be a complete explanation of all risks involved. Potential investors should read the mutual fund prospectus or private placement memorandum in its entirety before investing in any of our mutual funds or private funds.

EQUITY AND GENERAL MARKET RISK

Each equity strategy may invest in common stock. Common stock represents an equity (ownership) interest in a company and usually possesses voting rights and earns dividends. Dividends on common stock are not fixed but are declared at the discretion of the issuer. Common stock generally has the greatest appreciation and depreciation potential because increases and decreases in earnings are usually reflected in a company's stock price. The fundamental risk of investing in common and preferred stock is the risk that the value of the stock might decrease. Stock values fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions. The market value of all securities, including common and preferred stocks, is based on the market's perception of value and not necessarily the book value of an issuer or other objective measures of a company's worth. If clients invest in an equity strategy, they should be willing to accept the risks of the stock market and should consider an investment in the strategy only as a part of their overall investment portfolio.

VALUE COMPANY RISK

Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced. The determination that a stock is undervalued is subjective; the market may not agree, and a stock's price may not rise to what we believe is its full value. If the market does not consider the stock to be undervalued, then the value of a strategy's holdings may decline, even if stock prices generally are rising. The value of a strategy may also decrease in response to the activities and financial prospects of an individual company.

GROWTH COMPANY RISK

An investment in growth stocks may be susceptible to rapid price swings, especially during periods of economic uncertainty. Growth stocks typically have little or no dividend income to cushion the effect of

adverse market conditions and may be particularly volatile in the event of earnings disappointments or other financial difficulties experienced by the issuer. Securities of growth companies can be more sensitive to the company's earnings and more volatile than the market in general.

MEDIUM CAPITALIZATION COMPANY RISK

Medium capitalization company stocks may have greater fluctuations in price than the stocks of large companies. Further, stocks of mid-sized companies could be more difficult to liquidate during market downturns compared to larger, more widely traded companies. Medium capitalization companies may have limited product lines or resources and may be dependent on a particular market niche. Additionally, securities of many medium capitalization companies are traded in the over-the-counter markets or on a regional securities exchange, potentially making them thinly traded and less liquid and their prices more volatile than the prices of the securities of larger companies.

SMALLER COMPANY RISK

If a strategy invests in smaller companies, an investment in that strategy may have the following additional risks:

- Analysts and other investors typically follow these companies less actively, and therefore information about these companies is not always readily available;
- Securities of many smaller companies are traded in the over-the-counter markets or on a regional securities exchange, potentially making them thinly traded and less liquid and their prices more volatile than the prices of the securities of larger companies;
- Changes in the value of smaller company stocks may not mirror the fluctuation of the general market; and
- More limited product lines, markets and financial resources make these companies more susceptible to economic or market setbacks.

MICRO-CAP RISK

The prices of micro-cap securities are generally more volatile and their markets are less liquid relative to larger market capitalization securities. Therefore, strategies investing in micro-cap securities may involve considerably more risk of loss, and their returns may differ significantly from strategies investing in larger capitalization companies or other asset classes.

FOREIGN SECURITIES/EMERGING MARKET RISK

If a strategy invests in foreign securities and ADRs, an investment in that strategy may have the following additional risks:

- Foreign securities may be subject to greater fluctuations in price than securities of U.S. companies because foreign markets may be smaller and less liquid than U.S. markets;
- Changes in foreign tax laws, exchange controls, investment regulations and policies on nationalization and expropriation as well as political instability may affect the operations of foreign companies and the value of their securities;
- Fluctuations in currency exchange rates and currency transfer restitution may adversely affect the value of the strategy's investments in foreign securities, which are denominated or quoted in currencies other than the U.S. dollar;
- Foreign securities and their issuers are not subject to the same degree of regulation as U.S. issuers regarding information disclosure, insider trading and market manipulation;
- There may be less publicly available information on foreign companies, and foreign companies may not be subject to uniform accounting, auditing and financial standards as are U.S. companies;
- Foreign securities registration, custody and settlements may be subject to delays or other operational and administrative problems;

- Certain foreign brokerage commissions and custody fees may be higher than those in the U.S.;
- Dividends payable on foreign securities contained in a strategy's portfolio may be subject to foreign withholding taxes, reducing the income available for distribution; and
- Prices for stock or ADRs may fall over short or extended periods of time.

If a strategy invests in emerging markets, an investment in that strategy may have the following additional risks:

- Information about the companies in emerging markets is not always readily available;
- Stocks of companies traded in emerging markets may be less liquid, and the prices of these stocks may be more volatile than the prices of the stocks in more established markets;
- Greater political and economic uncertainties exist in emerging markets than in developed foreign markets;
- The securities markets and legal systems in emerging markets may not be well developed and may not provide the protections and advantages of the markets and systems available in more developed countries;
- Very high inflation rates may exist in emerging markets and could negatively impact a country's economy and securities markets;
- Emerging markets may impose restrictions on a strategy's ability to repatriate investment income or capital;
- Certain emerging markets impose constraints on currency exchange, and some currencies in emerging markets may have been devalued significantly against the U.S. dollar;
- Governments of some emerging markets exercise substantial influence over the private sector and may own or control many companies. As such, governmental actions could have a significant effect on economic conditions in emerging markets; and
- Emerging markets may be subject to less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies.

CURRENCY RISK

The value of investments in securities denominated in foreign currencies increases or decreases as the rates of exchange between those currencies and the U.S. dollar change. Currency exchange rates can be volatile and are affected by factors such as general economic conditions, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls and speculation.

REIT AND REAL ESTATE RISK

The value of a strategy's investments in real estate investment trusts ("REITs") may change in response to changes in the real estate market. A strategy's investments in REITs may subject it to the following additional risks: declines in the value of real estate, changes in interest rates, lack of available mortgage funds or other limits on obtaining capital and financing, overbuilding, extended vacancies of properties, increases in property taxes and operating expenses, changes in zoning laws and regulations, casualty or condemnation losses, and tax consequences of the failure of a REIT to comply with tax law requirements. A strategy will bear a proportionate share of the REIT's ongoing operating fees and expenses, which may include management, operating and administrative expenses.

CONVERTIBLE SECURITIES RISK

A convertible security is a bond, debenture, note, preferred stock, right, warrant or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity

securities. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers and generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible securities. Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities, although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities. A strategy's investments in convertible securities may subject it to the risks that prevailing interest rates, issuer credit quality and any call provisions may affect the value of the strategy's convertible securities.

DERIVATIVES RISK

Derivatives are financial instruments that have a value which depends on, or is derived from, a reference asset, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Derivatives may result in investment exposures that are greater than their cost would suggest; in other words, a small investment in a derivative may have a large impact on a strategy's performance. The successful use of derivatives generally depends on the manager's ability to predict market movements.

A strategy may use derivatives in various ways. It may use derivatives as a substitute for taking a position in the reference asset or to gain exposure to certain asset classes; under such circumstances, the derivatives may have economic characteristics similar to those of the reference asset, and a strategy's investment in the derivatives may be applied toward meeting a requirement to invest a certain percentage of its net assets in instruments with such characteristics. A strategy may use derivatives to hedge (or reduce) its exposure to a portfolio asset or risk. A strategy may use derivatives for leverage or to manage cash.

Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, credit risk and general market risks. A strategy's use of derivatives may entail risks greater than, or possibly different from, such risks and other principal risks to which a strategy is exposed, as described below. Certain of the different risks to which a strategy might be exposed due to its use of derivatives include the following:

Counterparty risk is the risk that the other party to the derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. In the event that the counterparty to such a derivative instrument becomes insolvent, a strategy potentially could lose all or a large portion of its investment in the derivative instrument.

Hedging risk is the risk that derivative instruments used to hedge against an opposite position may offset losses, but they also may offset gains.

Correlation risk is the risk that derivative instruments may be mispriced or improperly valued and that changes in the value of the derivatives may not correlate perfectly with the underlying asset or security.

Volatility risk is the risk that because a strategy may use some derivatives that involve economic leverage, this economic leverage will increase the volatility of the derivative instruments, as they may increase or decrease in value more quickly than the underlying currency, security, interest rate or other economic variable.

Credit derivatives risk is the risk associated with the use of derivatives, which is a highly specialized activity that involves strategies and risks different from those with ordinary portfolio security transactions. If the portfolio manager is incorrect in its forecast of default risks, market

spreads or other applicable factors, a strategy's investment performance would diminish compared with what it would have been if these techniques were not used. Moreover, even if the portfolio manager is correct in its forecast, there is a risk that a credit derivative position may correlate imperfectly with the price of the asset or liability being hedged. A strategy's risk of loss in a credit derivative transaction varies with the form of the transaction.

Segregation risk is the risk associated with any requirement, which may be imposed on a strategy, to segregate assets or enter into offsetting positions in connection with investments in derivatives. Such segregation will not limit a strategy's exposure to loss, and the strategy may incur investment risk with respect to the segregated assets to the extent that, aside from the applicable segregation requirement, the strategy would sell the segregated assets.

DEBT/FIXED INCOME SECURITIES RISK

The value of an investment in a fixed income strategy may change in response to changes in interest rates. An increase in interest rates typically causes a fall in the value of the debt securities in which the strategy invests. The longer the duration of a debt security, the more its value typically falls in response to an increase in interest rates. The value of an investment in a fixed income strategy may change in response to the credit ratings of the strategy's portfolio of debt securities. The degree of risk for a particular security may be reflected in its credit rating. Generally, investment risk and price volatility increase as a security's credit rating declines. The financial condition of an issuer of a debt security held by a strategy may cause it to default or become unable to pay interest or principal due on the security. A strategy cannot collect interest and principal payments on a debt security if the issuer defaults.

NON-INVESTMENT GRADE SECURITIES RISK

Securities rated below investment grade, i.e., BA or BB and lower ("junk bonds"), are subject to greater risks of loss of money than higher-rated securities. Compared with issuers of investment grade fixed income securities, junk bonds are more likely to encounter financial difficulties and to be materially affected by these difficulties.

CREDIT RISK

If a strategy invests in fixed income securities, the value of the client's investment in the strategy may change in response to the credit ratings of that strategy's portfolio securities. The degree of risk for a particular security may be reflected in its credit rating. Generally, investment risk and price volatility increase as a security's credit rating declines. The financial condition of an issuer of a fixed income security held by a strategy may cause it to default or become unable to pay interest or principal due on the security. A strategy cannot collect interest and principal payments on a fixed income security if the issuer defaults. Investments in fixed income securities that are issued by U.S. government-sponsored entities such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Association and the Federal Home Loan Banks involve credit risk, as they are not backed by the full faith and credit of the U.S. government.

INTEREST RATE RISK

If a strategy invests in fixed income securities, the value of the client's investment in that strategy may change in response to changes in interest rates. An increase in interest rates typically causes a fall in the value of the securities in which a strategy invests. The longer the duration of a fixed income security, the more its value typically falls in response to an increase in interest rates.

LIQUIDITY RISK

Certain fixed income securities held by a strategy may be difficult (or impossible) to sell at the time and at the price the portfolio manager would like. As a result, a strategy may have to hold these securities longer than it would like and may forego other investment opportunities. There is the possibility that a

strategy may lose money or be prevented from realizing capital gains if it cannot sell a security at a particular time and price.

INVESTMENT COMPANY AND ETF RISK

Investments in open-end and closed-end investment companies, including exchange traded funds (“ETFs”) (which may, in turn, invest in bonds and other financial vehicles), involve substantially the same risks as investing directly in the instruments held by these entities. However, the investment may involve duplication of certain fees and expenses. By investing in an investment company or ETF, the strategy becomes a shareholder of that fund. As a result, investors in a strategy that invests in ETFs or an open-end or closed-end investment company are indirectly subject to the fees and expenses of the individual ETFs or funds. These fees and expenses are in addition to the fees and expenses that investors in the strategy directly bear in connection with the strategy’s own operations. If the investment company or ETF fails to achieve its investment objective, the strategy’s investment in the fund may adversely affect its performance. In addition, because ETFs and many closed-end funds are listed on national stock exchanges and are traded like stocks listed on an exchange, (1) the strategy may acquire ETF or closed-end fund shares at a discount or premium to their NAV, and (2) the strategy may incur greater expenses since ETFs are subject to brokerage and other trading costs. Since the value of ETF shares depends on the demand in the market, we may not be able to liquidate the holdings at the most optimal time, adversely affecting performance.

NON-DIVERSIFICATION RISK

If a strategy is “non-diversified,” its investments are not required to meet certain diversification requirements under federal law. A “non-diversified” strategy is permitted to invest a greater percentage of its assets in the securities of a single issuer than a diversified strategy. Thus, the strategy may have fewer holdings than other strategies. As a result, a decline in the value of those investments would cause the strategy’s overall value to decline to a greater degree than if the strategy held a more diversified portfolio.

MANAGEMENT RISK

Our strategies are actively managed, and our performance in these strategies may reflect our ability to make decisions that are suited to achieving a strategy’s investment objective. As a result, a strategy may not meet its investment objective based on the success or failure of the portfolio managers to implement investment strategies and could underperform other similar strategies with comparable investment objectives managed by other advisers.

ENVIRONMENTAL POLICY RISK

Environmental policy risk is the risk that the strategy could underperform compared to similar strategies that do not have such a policy. The strategy may forego opportunities to buy certain securities when it might otherwise be advantageous to do so or may sell securities for environmental reasons when it might be otherwise disadvantageous for it to do so. The strategy also focuses on particular environmental investment themes, which presents increased risk over a more diversified portfolio by focusing investment choices within specific sectors that may or may not perform as well as other industry sectors.

PORTFOLIO TURNOVER RISK

High portfolio turnover involves correspondingly greater expenses to a strategy, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities.

PRIVATE PLACEMENT RISK

Privately issued securities are restricted securities that are not publicly traded. Accordingly, the market liquidity for specific privately issued securities may vary. Delay or difficulty in selling such securities may result in a loss to the strategy.

SHORT SELLING

Short selling involves selling securities that are not owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a portfolio to profit from declines in market prices to the extent that such declines exceed the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes a portfolio to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise.

PRIVATE FUND RISK

Private investment companies are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client's investment in these companies.

ITEM 9 DISCIPLINARY INFORMATION

Neither Brown Advisory nor any of our supervised persons have been involved in any legal or disciplinary events (i.e., criminal or civil action in a domestic, foreign or military court, administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or self-regulatory organization) that are material to evaluating our advisory business or the integrity of the our management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Our principal business and principal executive officers focus on providing investment advice to individuals and institutions.

Brown Advisory's controlling entity is Brown Advisory Incorporated ("BAI"), which is organized as a Maryland C corporation and serves as the firm's parent company. BAI was previously named Brown Advisory Holdings Incorporated ("BAHI").

Brown Advisory, LLC ("BALLC") is a registered investment adviser with the SEC and is a wholly owned subsidiary of Brown Advisory Management, LLC ("BAM"). BAI is the managing member of BAM. In addition to its traditional investment management activities, BALLC also serves as the general partner of various private and limited partnerships formed to facilitate investment opportunities for our clients. These partnerships invest in public securities, private equity securities and hedge funds managed by third parties.

We are also registered as a Municipal Adviser with the SEC and the Municipal Securities Rulemaking Board ("MSRB"). As such, we may provide advice concerning the issuance of municipal securities, the investment of the proceeds of municipal securities, guaranteed investment contracts, the use of municipal derivatives and municipal escrow investments. The extent to which we may engage in municipal adviser activity is minimal.

AFFILIATIONS WITH BROKER-DEALERS AND/OR OTHER INVESTMENT ADVISERS OR FINANCIAL PLANNERS

We are affiliated with Brown Advisory Securities, LLC ("BAS"). BAS is a wholly owned subsidiary of BAM and an SEC-registered investment adviser and broker-dealer. It is also a member firm of the Financial Industry Regulatory Authority ("FINRA"). While we are not registered as a broker-dealer, certain employees and members of management may serve as registered representatives or in other capacities for BAS. Although BAS may recommend or effect transactions for shared clients, we do not transact with BAS unless a client has specifically directed us to do so.

We are also affiliated with Brown Advisory Ltd., a UK-based investment adviser that is regulated by the UK Financial Services Authority ("FSA"). It is a wholly owned subsidiary of BAI.

AFFILIATIONS WITH INVESTMENT COMPANIES OR OTHER POOLED INVESTMENT VEHICLES

Brown Advisory, LLC has arrangements that are material to its advisory business with affiliated investment companies. We serve as the investment adviser for the following U.S.-registered investment companies:

- Brown Advisory Growth Equity Fund
- Brown Advisory Value Equity Fund
- Brown Advisory Flexible Value Fund
- Brown Advisory Equity Income Fund
- Brown Advisory Small-Cap Growth Fund
- Brown Advisory Small-Cap Fundamental Value Fund
- Brown Advisory Opportunity Fund
- Brown Advisory Maryland Bond Fund
- Brown Advisory Intermediate Income Fund
- Brown Advisory Tactical Bond Fund
- Winslow Green Growth Fund

We also serve as the investment manager for Brown Advisory Funds plc, an Ireland-domiciled UCITS (Undertakings for Collective Investments in Transferable Securities) umbrella fund that comprises five distinct sub-funds. Through our UCITS fund, investors in the European Union and elsewhere are able to invest in our strategies. The five distinct sub-funds are:

- Brown Advisory US Equity Value Fund
- Brown Advisory US Equity Growth Fund
- Brown Advisory US Smaller Companies Fund
- Brown Advisory American Fund
- Brown Advisory American SRI Fund

We also have arrangements to serve as sub-adviser to investment companies and pooled investment vehicles sponsored by other unaffiliated financial services firms. As a sub-adviser for these firms, we serve as an investment manager for mutual funds and UCITS that are subsequently marketed to the clients of other firms. Although we manage portions of the funds, the names of the funds generally reflect the brand name of the unaffiliated firm. While other investment companies and pooled investment vehicles are clients of ours, the underlying clients in the funds are clients of the unaffiliated firm.

Additionally, Brown Advisory, LLC maintains arrangements and/or relationships whereby it serves as sub-adviser to portions of commingled funds with unaffiliated financial firms.

AFFILIATIONS WITH BANKING OR THRIFT INSTITUTIONS

We are affiliated with Brown Investment Advisory & Trust Company (“BIATC”) and Brown Advisory Trust Company of Delaware, LLC (“BATCODE”).

BIATC is a Maryland non-depository trust company that is subject to regulatory oversight by the Office of the Commissioner of Financial Regulation of the State of Maryland. BIATC is a wholly owned subsidiary of BAI and bears certain administrative and operating expenses on behalf of its affiliates. Certain directors, officers and investment personnel of BIATC may serve in a similar capacity with affiliates.

BATCODE is a Delaware limited-purpose trust company that is subject to regulatory oversight by the Office of the State Bank Commissioner of the State of Delaware. BATCODE is a wholly owned subsidiary of BAM. BALLC provides investment management services to trust clients of BATCODE.

AFFILIATIONS WITH INSURANCE COMPANIES OR AGENCIES

We are affiliated with Brown Advisory Insurance Agency (“BAIA”), a state-licensed insurance agency and a wholly owned subsidiary of BAM that provides services to a limited number of BAS clients.

AFFILIATIONS WITH SPONSORS OR SYNDICATORS OF LIMITED PARTNERSHIPS

Brown Advisory, LLC serves as the general partner for partnerships formed on behalf of our clients to invest in both public and private equity securities. We and our affiliates may solicit clients to invest in the private partnerships. In addition, affiliates may receive management and/or administrative fees for investments made in the private partnerships. We serve as general partner for the following partnerships:

- Brown Advisory Investors 2011 – GCMP, LLLP invests in credit financing.
- Brown Advisory Emerging Markets LLLP invests in hedge funds.
- Brown Advisory Global Select LLLP invests in hedge funds.
- Brown Advisory Investors SI International LLLP invests in a long-non-U.S. equity fund in a limited partnership structure.
- Brown Advisory Investors 2011-RG II, LLLP invests in “speed up” venture capital.

- Brown Advisory Investors 2012-CRC III, LLLP invests in real estate private equity.
- Brown Advisory Investors 2011-SLK (TE), LLLP invests in energy private equity.
- Brown Advisory Investors 2011-SLK, LLLP invests in energy private equity.
- Brown Advisory Investors 2011-JBG VIII-A, LLLP invests in real estate private equity.
- Brown Advisory Investors 2011-JBG VIII, LLLP invests in real estate private equity.
- Brown Advisory Investors 2011-CEOF (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2011-CEOF, LLLP invests in buy-out financing.
- Brown Advisory Investors 2011-GCMP, LLLP invests in mezzanine/credit financing.
- Brown Advisory Investors 2010 - EnCap VIII, LLLP invests in buy-out/energy financing.
- Brown Advisory Investors 2010 - EnCap VIII (TE), LLLP invests in buy-out/energy financing.
- Brown Advisory Investors 2010 – EIG XV, LLLP invests in energy-related mezzanine financing.
- Brown Advisory Investors 2010 – EIG XV Exempt, LLLP invests in energy-related mezzanine financing.
- Brown Advisory Investors 2010 - SLCF, LLLP invests in credit financing.
- Brown Advisory Investors 2010 - SLCF (TE), LLLP invests in credit financing.
- Brown Advisory Investors 2010 - Black Oak III, LLLP invests in real estate.
- Brown Advisory Investors 2010 - GCMP, LLLP invests in mezzanine financing.
- Brown Advisory Investors 2009 - EEIF, LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2009 - EEIF (TE), LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2009 - BlackRock PPIF, LLLP invests in credit financing.
- Brown Advisory Investors 2009 - BlackRock PPIF (TE), LLLP invests in credit financing.
- Brown Advisory Inv 2009 - CEF VII LLLP invests in private equity.
- Brown Advisory Inv 2009 - BSMC-TLW LLC invests in energy/private equity.
- Brown Advisory Investors 2009-CRTI I, LLLP invests in real estate private equity.
- Brown Advisory Investors 2009-CRTI Exempt I, LLLP invests in real estate private equity.
- Brown Advisory Inv 2008 - NEA 13 invests in venture capital.
- Brown Advisory Investors 2008 - ABS VI, LLLP invests in venture capital.
- Brown Advisory Investors 2008 - JBG Investment Fund VII, LLLP invests in real estate.
- Brown Advisory Investors 2008 - JBG Investment Fund VII, (A) LLLP invests in real estate.
- Brown Advisory Investors 2008 - Credit Dislocation Fund, LLLP invests in credit financing.
- Brown Advisory Investors 2008 - Credit Dislocation Fund (TE), LLLP invests in credit financing.
- Brown Advisory Investors 2008 - PE SCDF IV, LLLP invests in real estate.
- Brown Advisory Investors 2008- Riverstone IV, LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2008- Bain Europe III, LLLP invests in European private equity.
- Brown Advisory Investors 2007- Bain X, LLLP invests in private equity.
- Brown Advisory Investors 2007- PEDF, LLLP invests in real estate.
- Brown Advisory Investors 2007 - QMP III, LLLP invests in venture capital.
- Brown Advisory Investors 2006 - SLP III, LLLP invests in buy-out financing.
- Brown Advisory Investors 2006 - SLP III (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - SUMERU, LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - SUMERU (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - Point 406, LLLP invests in venture capital.
- Brown Advisory Investors - 2006 ABS V LLLP invests in venture capital.
- Brown Advisory Venture Growth Partners 2006, LLLP invests in private equity.
- Brown Advisory Investors - 2006 HLM LLLP invests in venture capital.
- Brown Advisory Investors - 2005 LIN LLLP invests in buy-out financing.
- Brown Advisory Investors - 2005 ADV LLLP invests in European private equity.
- Brown Advisory Investors - 2005 CEF LLLP invests in private equity.

- Brown Advisory Investors - Symphony Capital Partners 2004, LLLP invests in private equity.
- Brown Advisory Investors - Red Abbey Venture Partners 2004 LLLP invests in venture capital.
- Brown Advisory Investors - Elevation Partners 2004, LLLP invests in private equity.
- Brown Advisory Investors - 2004-BSMC, LLLP invests in energy/private equity.
- Brown Advisory Investors - 2003-SLP, LLLP invests in buy-out financing.
- Brown Advisory Investors SLP-TE LLLP invests in buy-out financing.
- BrownIA Investors 2002-1, LLLP invests in real estate.
- BrownIA Netplex Venture Fund, LLLP invests in venture capital.
- BrownIA Investors 2001-2, LLLP invests in European private equity.
- BrownIA Investors 2001-1, LLLP invests in private equity.
- BrownIA Investors 2000-5, LLLP invests in venture capital.
- BrownIA Investors 2000-4, LLLP invests in European private equity.
- BrownIA Investors 2000-3, LLLP invests in venture capital.
- BrownIA Investors 2000-2, LLLP invests in venture capital.
- BrownIA Investors 2000-1, LLLP invests in venture capital.
- Brown Venture Investors LP / Series 2000 – A invests in venture capital.
- Brown Venture Partners, LLLP invests in venture capital.
- Brown Venture Investors LP / Series 2000 – SCP invests in mezzanine financing.
- Brown Venture Investors LP / Series 1999 – P invests in venture capital.
- Brown Venture Investors LP / Series 1999 – ACM invests in venture capital.
- Brown Venture Investors LP / Series 1999 – B invests in venture capital.
- Brown Venture Investors LP / Series 1999 – CI invests in real estate.
- Brown Venture Investors LP / Series 1999 – J invests in venture capital.
- Brown Venture Investors LP / Series 1999 – Q invests in venture capital.
- BIA Silverlake Investors, LLLP invests in buy-out financing.
- ABCAT / JMI Investors, LP invests in venture capital.

We also serve as the investment adviser to two privately offered funds that are exempt from registration as an investment company under the Investment Company Act of 1940, as amended (“1940 Act”): FINCAP LLC and Winslow Hedge Fund, L.P. FINCAP LLC provides long and short investing with a focus on smaller-capitalization companies (<\$4 billion). Winslow Hedge Fund, L.P. provides long and short investments in companies that focus on green solutions and have the potential to benefit financially from environmentally-driven strategies. Winslow General Partners, LLC, a wholly owned subsidiary of Brown Advisory, LLC, serves as the general partner.

OTHER RELATIONSHIPS OR AFFILIATIONS

We may recommend or select other investment advisers and their products for our clients. We do not receive compensation, either directly or indirectly, from those advisers that would create a material conflict of interest, other than arrangements previously disclosed, such as the receipt of administrative services fees.

In February 2012, BAM acquired a 49% investment in CDK Investment Management, LLC (“CDK”). CDK is a New York-based firm specializing in alternative investments and offers both discretionary and non-discretionary investment advice to private funds of funds. The firm offers investment management services primarily to private investment funds, individuals and institutional separate accounts. CDK is affiliated with CDK Financial Services, LLC, a broker-dealer that serves as placement agent for interests in their Funds. In addition, it is also affiliated through substantial common ownership with CDK Capital,

LLC, which is a commodity pool operator and serves as the General Partner to certain Funds managed by CDK.

We also maintain a relationship with Savano Direct Capital Partners, LLC, through BAI's 50% ownership interest in Brown Savano JV, LLC ("BrownSavano"). BrownSavano was founded for the sole purpose of providing partial liquidity and asset diversification to individual shareholders in market-leading, later-stage private companies. BrownSavano Direct GP, LLC, serves as the General Partner for the BrownSavano Direct Capital Partners, L.P. private fund, a Delaware limited partnership. It focuses on providing partial liquidity to company founders, angels, active or departed employees, and corporate strategic investors. Certain employees of BALLC provide services to BrownSavano under an agreement between BrownSavano and BIA.

ITEM 11 CODE OF ETHICS, PARTICIPATION/INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

OVERVIEW OF OUR CODE OF ETHICS

We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our legal obligations to our clients, to protect our business reputation and to avoid even the appearance of impropriety in our investment activities on behalf of clients. As a registered investment adviser, we are obligated to render to our clients on a professional basis unbiased and continuous advice regarding their investments. Our fiduciary relationship with our clients requires that we act with undivided loyalty, fairness and good faith, and without any regard to personal interest or profit. Since our inception, it has been our policy to avoid any practice that is adverse in any respect to our clients' interests or is the result of a conflict of interest. This policy is evident in our strict Code of Ethics that applies to investments by our employees for their own accounts. While we strive to avoid conflicts, we are cognizant that conflicts will nevertheless arise, and it is our policy to fully and fairly disclose known material conflicts to our clients.

A personal conflict of interest occurs when an employee's private interest or outside business activities improperly interferes with the interests of clients and/or the firm. It is incumbent upon all personnel to take every precaution possible to prevent their personal interests from conflicting or appearing to conflict with the interest of the firm. In particular, an employee must never use or attempt to use his or her position at the firm to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person. Employees are obligated to disclose to the Compliance Department potential conflicts of interest, including those in which they may have been placed inadvertently, due to business or personal relationships with clients, prospects, vendors, other employees or other third parties. Under no circumstance may an employee take a business opportunity belonging to the firm for themselves, engage in a business transaction that competes with the firm or accept a business opportunity for the firm because of an expected personal gain.

Our Code of Ethics details certain minimum expectations that we have for our employees. All personnel, regardless of role, are expected to conduct the firm's business in full compliance with both the letter and the spirit of the law and any other policies and procedures that may be applicable. On an annual basis, we require that each employee certify in writing that he or she has read, understands and complies with the policies and procedures of the Code of Ethics. Any violations regarding the Code of Ethics must be brought to the attention of the Chief Compliance Officer. If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension or termination of employment.

PERSONAL TRADING

Since we recognize that our employees should have an opportunity to develop investment programs for themselves and their families, our Code of Ethics does not prohibit personal trading by employees. As a result, we, our affiliates or related personnel may purchase or sell the same or similar securities for our own accounts that we purchase, sell or recommend for client accounts.

Potential conflicts that could arise as a result include but are not limited to:

- Employees engage in unethical behavior.
- Personal trading of employees misuses material nonpublic information.
- Personal trading of employees is not supervised.
- Clients receive less favorable trading terms than our advisory employees.
- Abusive trading on the part of our advisory employees, including market timing.

While advisory personnel are permitted to trade within their own brokerage accounts, we have several policies and procedures in place designed to ensure that their personal trading does not violate our fiduciary obligations to clients, including any related mutual fund clients. Our Code of Ethics sets forth standards of conduct expected of employees and addresses conflicts that arise from personal trading by employees. It provides policies and procedures designed to ensure that employees conduct their personal securities transactions in a manner that complies with the securities laws, rules and regulations and that does not raise the appearance of impropriety. In addition, it sets forth controls designed to avoid actual or potential conflicts of interest between clients and our employees. Controls in place include blackout periods for certain employees, pre-clearance of employee trades, holdings disclosure and other trading restrictions.

Our Code of Ethics includes the following general tenets:

- Within 10 days of commencing employment, each employee must submit an Initial Holdings Report to the Chief Compliance Officer or designee with information current as of a date no more than 45 days prior to the date the employee becomes an employee.
- Every year, each employee must submit an Annual Holdings Report to the CCO or designee. The information must be current as of a date no more than 45 days before the report is submitted.
- All employee security transactions require pre-approval or pre-clearance, except for accounts over which the employee has vested investment discretion to a third party or transactions that are exempt, including but not limited to open-end mutual fund shares, dividend reinvestment plans and U.S. government obligations.
- Employees must report securities transactions in employee-related accounts. This requirement may be satisfied by the Compliance Department receiving duplicate copies of confirmations of account activity for review. Outside brokerage accounts must be approved by the Compliance Department before opening.
- The Head Trader and CCO are responsible for monitoring personal securities trading for compliance with the Code of Ethics and any indications of violations or unusual trading activity or patterns of transactions. Pending Trades—Employees may not purchase or sell a security in an employee-related account on a day during which any client or Fund has a pending order in the same (or an equivalent) security. This restriction applies until the client or Fund order has been executed or cancelled.
- Securities under Consideration—Employees may not purchase or sell a security in an employee-related account if such employee is aware that a transaction in the same (or an equivalent) security is being considered for any client or that a decision has been made to effect such a transaction.
- Fund Trades—Employees may not purchase or sell a security in an employee-related account for a period of four business days before and after a Fund trades the same (or an equivalent) security.
- Gray or Restricted Lists—Employees may not purchase or sell a security in an employee-related account if such security is restricted from employee trading on the firm’s Gray or Restricted Lists.
- With respect to the handling and use of material non-public information, employees are prohibited from purchasing, selling or recommending the purchase or sale of a security for any account while they are in possession of material inside information. Any employee who comes into possession of inside information is obligated to bring such information to the attention of the CEO, Chief Compliance Officer or Head of Investments.
- Employees may not profit from the purchase and sale, or sale and purchase, of the same (or an equivalent) security on Brown Advisory’s proprietary research list within 30 calendar days.
- All employees are prohibited from acquiring securities in an initial public offering.
- Employees may not acquire securities in an outside private placement without prior written approval of the CCO or designee.

We will provide clients with a copy of our complete Code of Ethics upon request. Clients may request a copy by contacting us at the address, telephone number or email on the cover page of this document.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

We, our affiliates or related personnel may recommend to clients, or purchase or sell for client accounts, securities in which we, our affiliates or related personnel have a material financial interest. These include situations in which we, our affiliates or related personnel act as general partner in a partnership in which we solicit client investments and/or act as an investment adviser to an investment company that we recommend to clients.

Potential conflicts that could arise include but are not limited to:

- **Officer and Director Conflicts**—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which one of our officers or directors has a financial interest;
- **Shareholder Conflicts**—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which a shareholder has a financial interest;
- **Client Conflicts**—Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which a client has a financial interest; and
- Situations where employees engage in unethical behavior and misuse material inside information.

To address these potential conflicts and protect and promote the interests of clients, we employ the following policies and procedures:

- We have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation. To further protect and promote the interests of clients, we have a Conflicts Committee that is charged with reviewing certain transactions or arrangements that may represent a conflict of interest. The members of the Conflicts Committee are chosen by the independent members of the Board of Directors.
- Transactions to be entered into by us for ourselves or on behalf of our clients that present a material conflict of interest must be authorized, approved or ratified by the affirmative vote of a majority of Directors on the Conflicts Committee. In the case of Director conflicts, a majority of disinterested Directors must authorize, approve or ratify the transaction.
- Transactions to be entered into by us for ourselves or on behalf of our clients that present a non-material conflict of interest must be approved or ratified by our Chief Executive Officer.
- If we enter into a transaction on behalf of our clients that presents either a material or non-material conflict of interest, the conflict should be prominently disclosed to the client prior to the consummation of such transaction.
- Employees must comply with our policy on the handling and use of material inside information. Employees are reminded that they may not purchase or sell, or recommend the purchase or sale, of a security for any account while they are in possession of material inside information. In addition, employees may not disclose confidential information except to other employees who “need to know” that information to carry out their duties to clients.
- Employees must report securities transactions (except exempt transactions) in any employee-related account. To ensure compliance with this requirement, employees must complete the Request for Outside Brokerage Account Form and submit it to the CCO for approval prior to opening an account. New employees must complete the same form and submit it to the CCO within 10 days of employment. Employees must instruct the outside institution to send duplicate copies of all transaction confirmations of account activity promptly.

- Employees may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the CEO or designee. The CEO may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the Chairman of the Corporate Governance Committee. An employee who is a director of a company may not participate in investment decisions involving that issuer's securities. On an annual basis, the CCO will report all directorships in public companies held by employees to the Audit Committee.
- Employees are required to report to our Compliance Department all outside business activities. These include board/committee memberships and obligations, employment commitments, non-profit commitments, government commitments and other outside business commitments. In addition to the description of the business activity, any compensation received must be disclosed.
- To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we will restrict stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios.

CONFLICTS OF INTEREST

Personal interests both inside and outside of Brown Advisory that could be placed ahead of our obligations to clients could be the source of actual or potential conflicts of interest. Employees must remain aware that just the opportunity to act improperly may create the appearance of conflict and that conflicts may exist even in the absence of wrongdoing. Employees are required to make a full and timely disclosure of any situation that could result in a potential conflict or the appearance of a conflict of interest.

To identify potential sources of conflicts of interest and to assess how those conflicts are addressed by our compliance program, we perform regular reviews. This process has been developed and improved, since our inception, with the input from and oversight by our Board of Directors and Audit Committee. The three primary categories of potential conflicts of interest evaluated are (1) potential conflicts between the firm and our clients, (2) potential conflicts between our employees and our clients, and (3) potential conflicts between different clients.

Primary potential conflicts between the firm and our clients include:

- Misuse of brokerage commissions
- Transactions benefiting affiliates, including 10f-3 and 17e-1 transactions
- Misleading or deceptive marketing
- Misleading or deceptive trading practices
- Improper valuation
- Errors and corrections

Ameliorative practices:

Soft-dollar policies and procedures, Policy Banning Reciprocal Arrangements (directed brokerage), Policy on Best Execution and oversight by Best Execution Committee, Avoidance of Participation by affiliated broker-dealer in participating in underwriting or selling syndicates, adoption of policies on 10f-3 and 17e-1 transactions, Policy on Marketing, GIPS procedures, Policies on Window Dressing and Portfolio Pumping, Operation of Pricing Committee and adoption of pricing guidelines, Adherence to a Trading Policy including bunching, fair allocation and rotation procedures, and Policy on Errors and Corrections, and disclosures to clients.

Primary potential conflicts between our employees and our clients include:

- Misuse of non-public information including front-running
- Misdirection of investment opportunities

- Participation in investment opportunities by employees

Ameliorative practices:

Code of Ethics, including personal trading restrictions, Policies on Gifts, Entertainment and Political Contributions, Supervisory Policy and business-line procedures, and Conflicts Committee of the Board of Directors.

Primary potential conflicts between our clients include:

- Allocation of investment opportunities
- Trading between client accounts
- Errors and corrections

Ameliorative practices:

Cross Trading Policy, Adherence to Trading Policy including bunching, fair allocation and rotation procedures, Oversight by Best Execution Committee, supervisory review of client accounts, and Error and Correction Policy.

In addition, as a registered Municipal Adviser with the SEC and the Municipal Securities Rulemaking Board (“MSRB”), Brown Advisory may provide advice to state and local governments and other entities concerning the issuance of municipal securities, the investment of the proceeds of municipal securities, guaranteed investment contracts, the use of municipal derivatives and municipal escrow investments. To avoid any related conflicts of interest, the firm will not invest in any new issues of municipal securities where the firm provides public finance advisory services to the issuer of the securities. The firm may purchase such securities in the secondary market when such new issues are free to trade.

ITEM 12 BROKERAGE PRACTICES

BROKERAGE PRACTICES

We believe that fair treatment of all clients is paramount in the implementation of the portfolio manager's objectives. Thus, our primary focus is achieving the best price and quality in the marketplace based on the information available at the time of the trade, without systematically disadvantaging one client over another.

Unless clients direct us otherwise or use a custodian that requires all trades to be directed to its platform, such as Charles Schwab or Fidelity, we allocate transactions to unaffiliated broker-dealers for execution on markets at prices and commission rates that we determine will be in the best interests of the client. We will select the broker-dealer to be used for best execution based on a number of factors. Obtaining best execution is the top priority. The trading desk takes into account the following considerations:

- The procurement of the lowest possible net cost, comprising the level of execution and brokerage commission;
- A decision by the trader as to the broker-dealer most qualified to provide superior execution capabilities;
- That all broker-dealer business allocated for research services will be provided at a commission rate comparable to rates that are for execution only; and
- The ability to settle trades in a timely manner.

We have adopted formal policies and procedures governing Trading and Best Execution. We must use our best efforts to obtain for all client accounts the most favorable price and execution available, except as otherwise directed by a client. To the extent relevant under the circumstances, the following factors may apply to our best execution determination: price, commission, size of the order, difficulty of execution, degree of skill required by the broker-dealer and trading/execution/clearing/settlement capabilities.

We may also take into account factors that are relevant to the specific broker-dealer, such as financial stability, reputation, past history of prompt and reliable execution of client trades, operational efficiency with which transactions are effected, access to markets, access to capital to accommodate trades, ability to maintain confidentiality, market knowledge, willingness and ability to make a market in a particular security, brokerage and research services provided or the ability to accommodate third-party research arrangements, and overall responsiveness to our needs/willingness to work with us.

All client trades are allocated to a broker-dealer on our "Approved Broker List," which is a list of broker-dealers that the Best Execution Committee ("the Committee") has approved for use as executing brokers for client securities transactions. The Approved Broker List is maintained to facilitate the orderly and consistent use of suitable broker-dealers for client transactions. In selecting broker-dealers, we do not adhere to any rigid formulas but rather make a subjective determination after weighing a combination of the factors listed above. The ultimate determination as to the broker-dealer to select from the Approved Broker List on any given trade is made by the trader(s) responsible for executing the transaction.

Our Best Execution Committee oversees the implementation of our best execution obligation. The Committee was formed with the purpose of developing, implementing and evaluating our trade management policies and procedures in order to satisfy our duty to seek best execution. The Committee meets at least quarterly and comprises the Head Trader, members of the portfolio management team and the Chief Compliance Officer. In addition, from time to time, legal, operations, investment management and other personnel, as necessary or appropriate, may attend Committee meetings.

All trade execution for our accounts is governed by our firm-wide Trading and Best Execution Policy. This Policy sets forth the operation of our Best Execution Committee, which evaluates brokerage execution quality.

Since fixed income securities trade over-the-counter and do not trade on a centralized exchange, we use the brokerage services from a variety of Wall Street and regional firms. We will use those firms that are direct issuers, underwriters or market-makers in specific fixed income sectors. The broker-dealers with whom we trade fixed income securities are also on the Approved Broker List. In order to obtain best execution, our fixed income traders place dealers in competitive situations, utilizing offerings and bids from numerous local and national broker-dealers. The fixed income traders review the market environment, the new issue calendar, secondary offerings and historical relationships to help determine a competitive price for the bonds they are trading. By hitting the highest bid when selling securities or selecting the dealer with the lowest-priced offering, our clients are ensured of getting the best execution on their trades. The quality of execution is ascertained by reviewing the bids and offerings received relative to recent pricing data.

On a quarterly basis we review broker-dealer performance. We focus our best execution evaluation efforts on how the broker-dealer performed over time. This takes into consideration such qualitative factors as research provided, promptness of execution, ability of the broker to execute and clear, market coverage provided by the broker and consistent quality of service from the broker. As a complement to our periodic review of broker-dealers on the “Approved Broker List,” we employ a third-party service provider (“ITG”) to provide an independent source of quantitative evaluations of equity trade execution information for the Committee. ITG reports typically examine aggregate trading performance on a quarterly basis.

RESEARCH AND OTHER SOFT DOLLAR BENEFITS OVERVIEW

We regularly receive research and other products and services other than execution from broker-dealers and third parties in connection with client securities transactions. This practice is commonly known as soft dollar benefits. In the selection of broker-dealers for trade execution, we take into consideration not only the available prices of securities and rates of brokerage commissions, but also other relevant factors such as execution capabilities, research and other services provided by such broker-dealers that are expected to enhance our general portfolio management capabilities. In accordance with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, we are allowed to receive research services. However, if research services are a factor in selecting a broker-dealer, we must determine that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer.

In using research and related services from broker-dealers on a soft dollar basis, we are confronted with several inherent risks. These include:

- The risk that the product or service does not fall within the statutory limits of Section 28(e) of the Securities Exchange Act of 1934 as eligible “research” under Section 28(e)(3)(A) or (B), or eligible “brokerage” under Section 28(e)(3)(C);
- The risk that the eligible product or service does not provide “lawful and appropriate assistance” to us as an investment adviser in the performance of our investment decision-making responsibilities; and
- The risk that the amount of client commissions paid is not reasonable in light of the value of the products received or services rendered.

To manage and mitigate these risks, we have developed soft dollar policies and procedures to comply with Section 28(e) of the Securities Exchange Act of 1934. It is our policy that all soft dollar transactions/arrangements will:

- Comply with our best execution obligations, applicable law and individual client guidelines;
- Be approved in writing by our Best Execution Committee following a good-faith determination that the amount of commissions to be paid to the broker-dealer is reasonable in relation to the value of services to be provided;
- Be an appropriate use of clients' commissions considering available alternatives; and
- Be reviewed, including with respect to any "mixed-use" allocation, at least annually by the Committee.

From a payment perspective, all soft dollar payments are made through the equity trading desk in a competitive execution process. Fixed income portfolios are not used to pay for soft-dollar services. Our use of soft dollars is carried out in accordance with the standards established by the CFA Institute and federal securities laws. We owe our clients a fiduciary duty to obtain best execution at all times. As such, we execute transactions for clients in such a manner that the client's execution is the most favorable over time under the circumstances.

TYPES OF RESEARCH PRODUCTS AND SERVICES

The types of research products and services received from third-party research and consulting firms and/or broker-dealers include but are not limited to:

- Information services that report on the availability and potential buyers or sellers of securities
- Meetings with management representatives of issuers and other analysts
- Quantitative analytical software and other research-oriented software
- Communications services pertaining to the execution, clearing and settlement of transactions
- Platforms for accessing company information and financials
- Research or fundamental analysis on individual companies, securities and/or sectors
- Bond analytics on fixed income portfolios, including duration, yield to maturity and convexity
- Credit ratings, research and risk analysis on municipals
- Macro-economic research, including weekly reports and quarterly conference calls
- Global market news services and financial publications
- Securities quotation and data systems for capital markets
- Expert network provider services that assist us in locating hard-to-find industry experts

When we use client brokerage commissions (also referred to as soft dollars) to obtain research or other products or services, we receive a benefit since we do not have to pay for the research, products or services via hard dollars (or check). In exchange for the allocation of commissions to certain broker-dealers, we may be credited for payment of expenses that might otherwise be charged directly to us.

We can then use these soft dollar credits to pay for the research products and services provided by or paid for by such broker-dealers. This may result in our allocating more commission business to broker-dealers who also provide research products and services than to broker-dealers who only effect securities transactions. Soft dollar credits may be:

- Used to obtain research products and services that are proprietary to and prepared by the broker-dealer selected to effect a particular transaction;
- Used to obtain third-party research products and services prepared or developed by an independent research provider or
- Allocated to a pool of "credits" as part of a commission sharing arrangement.

In recognition of the value and benefit of the research and product services provided to us by a particular broker-dealer, we may, consistent with our duty to seek best execution, effect securities transactions through a broker-dealer that may cause a client to pay commissions higher than those charged by another broker-dealer. For those broker-dealers with whom we maintain a soft dollar relationship, we periodically

determine the fair value of the research products and services (proprietary or independent third party) that we expect to receive and may set a target amount of commissions to be directed to the broker-dealers that is reasonable in relation to the value of the brokerage services and research products and services to be provided.

COMMISSION SHARING ARRANGEMENTS

From time to time, we may request that broker-dealers that effect transactions for our clients allocate a portion of their commissions to a pool of soft dollar credits maintained by the introducing or executing broker-dealer. At our direction, the introducing or executing broker-dealer will pay independent research providers (including other broker-dealers) for research products and services from this pool of soft dollar credits. This type of arrangement is called a commission sharing arrangement because the introducing or executing broker-dealer will share its commission with an independent research provider to pay for research products and services. Commission sharing arrangements may be used to pay for proprietary and third-party research products and services. For example, an introducing broker-dealer may offer access to a network of many executing broker-dealers through which we can trade. In this case, rather than paying the individual broker-dealer for research and services by placing trades, we may direct the trade to the introducing broker-dealer and request that the introducing broker-dealer pay the research provider from the pool of “credits” accumulated. Because commission sharing arrangements help separate the execution decision from the research decision, we believe that commission sharing arrangements can help us achieve best execution for clients.

ALLOCATION OF SOFT DOLLAR BENEFITS

Research provided by broker-dealers is used for a broad range of accounts for which we have investment management responsibility. We do not require that the use of soft dollar research be limited to the accounts that generated the commissions. Research provided by broker-dealers is commonly used to service accounts other than those paying for it directly. Although not all research from broker-dealers will be useful to or benefit every account, we do not restrict soft dollar benefits to service only those accounts that paid for the benefits.

With respect to trading, we are always focused on best execution first. Any soft dollar benefits received as a result of trade execution are secondary. Since soft dollar research may be used to service accounts other than those paying for it directly, we do not allocate soft dollar benefits to client accounts according to the soft dollar credits the accounts generate.

SOFT DOLLAR OVERSIGHT

We have policies and procedures in place for dealing with information received from third-party firms. All research products and services, including any “mixed use” research products and services between hard and soft dollars, must be approved by the Best Execution Committee. Requests for approval of new research products and services are submitted via a “Soft Dollar Request Form.” A new form is required for each new research product and service and any change to an existing research product and service that requires an amendment to the contract for the service or reflects a fee increase that is not specifically contemplated by the contract. A written agreement is required for each new soft dollar arrangement.

Our Best Execution Committee is responsible for overseeing the implementation of our soft dollar policies and procedures. The Committee consists of the Head Trader, Chief Compliance Officer and members of the portfolio management team. On an annual basis, the Committee conducts a review of our soft dollar commitments, including the allocation of any mixed-use research products and services between “hard” and “soft” dollars. The Soft Dollar Administrator is responsible for day-to-day oversight of our soft dollar policies and procedures and also provides the Committee with the Soft Dollar Request Forms for the research products and services obtained from the broker-dealers on our Approved Broker List. Soft dollar credits/payments are tracked by obtaining statements from soft dollar brokers on at least a

quarterly basis. The Soft Dollar Administrator is responsible for conducting a reasonable reconciliation of such statements to Brown Advisory commission payment records. In addition to the Committee's annual review, the Committee meets on a quarterly basis. At these meetings, the Committee reviews the soft dollar payments vs. the budget and determines if any adjustments need to be made. Trading practices, including broker selection and best execution, are reviewed regularly by the Best Execution Committee to ensure adherence to firm policy.

The Committee is responsible for determining whether the product or service falls within the safe harbor requirements of Section 28(e). The Soft Dollar Administrator will maintain a list of all third-party services provided by broker-dealers under soft dollar arrangements, and the Committee will confirm annually if such arrangements continue to fall within the "safe harbor" of Section 28(e). If the Committee determines that a soft dollar arrangement does not comply with Section 28(e) or these procedures, the soft dollar arrangement will be terminated.

If a service or product has a non-research or execution function, such as administration or marketing, as well as a research or execution component (i.e., the service or product is for a "mixed use"), the Committee will assign an allocation percentage to the research and the non-research component. Only the research or execution portion may be paid by soft dollars. The non-research component will be paid in hard dollars. The Soft Dollar Administrator is responsible for contacting the broker and arranging for the appropriate soft/hard dollars allocation.

CLIENT REFERRALS

It is our longstanding practice not to allocate commissions to any person or company on the basis of business they might direct to us. We will select broker-dealers to execute client orders that are able to procure the lowest possible net cost, that provide superior order execution and research services—provided that the commission rates charged are comparable to rates charged for execution services only—and that present low counter-party risk. It is against firm policy for any employee to suggest to any third party that in return for referring business to us, we will direct brokerage commissions to that third party or its affiliates.

Under no circumstances may any of our employees enter into an arrangement with any financial institution, broker-dealer, prime broker, investment adviser or investment vehicle for the purpose of directing brokerage commissions in exchange for either the sale of our products or investing assets with us, including situations that give rise to indirect compensation such as "step outs" or similar arrangements.

This policy does not prohibit directing portfolio transactions of any managed account or fund to broker-dealers that also sell shares of our funds, provided that the broker-dealer fully meets best execution criteria and the selection of that broker-dealer is not influenced by any arrangement to sell shares of any of our investment products or any of our affiliates' investment products or funds. This policy also does not prohibit directed brokerage arrangements whereby a client of ours has directed us to use a specific broker-dealer for a portion or all of that client's transactions.

Interactions between trading personnel and sales or marketing personnel should be limited. Under no circumstances may an employee engaged in sales or marketing seek to influence an employee engaged in trading functions to direct brokerage transactions to broker-dealers with whom we currently have or previously have had arrangements to sell or promote any of our or our affiliates' products.

DIRECTED BROKERAGE

In certain cases, clients choose to retain discretion over the broker-dealer used to execute transactions and/or the commission rate that the client will pay with respect to all or a portion of the transactions to be

effected by us. If a client directs the use of a specific broker-dealer for execution of securities transactions, or selects a custodian that requires the direction of trades, we will direct such transactions to the specified broker-dealer including our affiliate even when we might be able to obtain a more favorable price and execution from another broker-dealer for a transaction on behalf of such client's account.

When a client instructs us to direct a portion of the transactions for its account to a designated broker-dealer, the client has made a decision to retain some control over broker-dealer selection and services. We will treat the direction as a decision by the client to retain, to the extent of the direction, the discretion that otherwise would be given by the client to us to select broker-dealers to effect transactions and the other terms of the trade for the client's account. In some cases, the client may have negotiated the commissions to be charged by the designated broker-dealer.

When clients direct us to use a specific broker-dealer for the execution of securities transactions or selects a custodian that requires the direction of trades, the commissions charged may not be the lowest available rates and may not be as low as the rate that we would have obtained for the client had we been authorized to select the broker-dealers for the transactions. The client may not receive the potential benefits that other clients may derive from aggregation of orders. In these situations, we may be unable to obtain most favorable execution of client transactions. Since directed brokerage accounts may not be able to aggregate orders to reduce transaction costs, the client may receive less favorable prices and pay higher brokerage commissions.

TRADE AGGREGATION

In many instances, groups of accounts will need to effect a transaction in the same security or securities. In these instances, we typically will aggregate orders for the same security by multiple accounts into a "block trade." We believe that this process provides equal treatment of all clients, provides ease of administration and facilitates the avoidance of information leakage that may be detrimental to client trades. The average price per share of a block trade will be allocated to each account that participates in the block trade. Discretionary advisory accounts of our employees, affiliates and associated persons may participate in block trades. Such persons will receive the same average price as any other participant in the block trade.

If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are allocated pro rata among participating accounts. The trading desk may allocate a partial fill using a random fill function of the trading system in such cases where it is deemed to be fair and equitable.

When limited offering amounts are available for particular securities, our portfolio managers determine which accounts could best utilize the security based on duration/maturity and sector targets. Once this is determined, the security is allocated on a pro-rata basis among these particular accounts.

TRADING PRACTICES OF MODEL PORTFOLIO RELATIONSHIPS

In addition to providing investment advisory services via separate accounts, private funds, pooled investment vehicles and investment companies, Brown Advisory also provides investment advisory services to select model-based separately managed account programs of unaffiliated managers and financial advisors. In these relationships, Brown Advisory provides a model portfolio on a daily basis to the manager or financial advisor responsible for the separately managed account program. Although Brown Advisory is responsible for providing the model portfolio and any relevant trading activity, the firm is not responsible for the unaffiliated manager's or financial adviser's portfolio implementation with its clients. Given the nature of the relationship, trades executed by Brown Advisory's trading desk for a

given strategy are not aggregated with the trades executed by the trading desk of the unaffiliated manager or financial adviser. Thus, client orders placed by Brown Advisory's trading desk for a given security could compete with client orders placed by the trading desk of the unaffiliated manager or financial adviser. It is possible that Brown Advisory's client orders could be executed at the same time, before, or after the client orders of the unaffiliated manager or financial adviser. There is the potential that Brown Advisory clients could be negatively impacted by the trading activity from the model portfolio arrangements.

CROSS TRADING

A cross trade is generally defined as the matching of buy and sell orders for the same security between different accounts. Cross trades are also deemed to include any prearranged or orchestrated transactions between two accounts that are executed through external brokers. With respect to cross trading, we generally will allow cross trading where the transaction would comply with our policy and client-specific guidelines, and be fair and equitable to both accounts. When one account is subject to ERISA, no cross trades shall be permitted unless allowed by applicable regulations.

Cross trading can significantly reduce the transaction costs for both the buying and selling accounts and may allow for other beneficial efficiencies to clients. However, where an investment adviser has discretion on each side of a transaction, cross trading presents a potential fiduciary conflict of interest. Cross trading may be appropriate if we meet our fiduciary obligations to clients on both sides of the transaction and where best execution requirements are met. Permission must be obtained from the Chief Executive Officer and Chief Compliance Officer or their designees before executing cross trades.

Cross trades are permissible in the following circumstances if best execution requirements and fiduciary duties are met:

- Regulatory and client guidelines permit crossing;
- The cross is advantageous for all parties;
- The price used is reasonable within the context of the market;
- Chosen price reference and source as well as any required approvals are documented appropriately;
- All aspects of the crossing must be agreed to by all portfolio managers involved. If a single manager is responsible for involved funds or portfolios on both sides, the cross needs to be approved by the Head of Investments;
- The cross must be appropriate for both accounts participating in the transaction. In addition, all trades must adhere to the accounts' investment guidelines and restrictions, and, where applicable, to the policies of each registered investment company participating in the transaction.

In circumstances where cross trades may cause situations of enhanced potential conflicts of interest, the Head of Investments, Chief Compliance Officer and Chief Executive Officer must grant prior approval. These situations require proper documentation for each cross trade to demonstrate that best execution requirements and fiduciary duties are met.

ITEM 13 REVIEW OF ACCOUNTS

FREQUENCY AND NATURE OF PERIODIC REVIEWS OF CLIENT ACCOUNTS

The portfolio managers review their accounts on a regular basis. Reviews are undertaken to confirm that the portfolio conforms to client suitability standards as well as to determine if any security changes need to occur. Performance reviews occur quarterly. Portfolio managers continually review investments to confirm that they are consistent with the outlined investment objectives.

Although the portfolio manager of an account makes the investment decisions, our Head of Investments is responsible for overseeing portfolio managers, research analysts and all related functions. In this role, the Head of Investments is charged with investment and risk oversight for the group, independent of the portfolio managers and other policy decision makers. The Head of Investments reviews the performance of all accounts within a style-specific composite on a quarterly basis to ensure that all accounts with similar investment mandates are being managed in a consistent manner. If there are any accounts that fall outside of an acceptable deviation range, the Head of Investments will confer with the portfolio manager(s) to determine the reason for the deviation. The Head of Investments meets regularly with each investment team to review performance and portfolio activity to ensure that the teams are managing the portfolios to stated investment philosophies. Sector and stock selection analysis, current portfolio composition, trading activity and style-based portfolio analysis are all examined during the review. Additionally, Compliance reviews a selection of portfolios to monitor for window dressing and portfolio pumping.

On a quarterly basis, fixed income client accounts are formally reviewed and monitored for performance and deviation/variance from the relevant composite. At this time, the portfolio team meets to review performance in detail in each portfolio. The portfolios are reviewed for performance variation as compared to the composite and benchmarks. Accounts that deviate from similarly managed accounts are investigated for sources of deviations. Variance reconciliation is required for every portfolio with an agreed course of action. If necessary, steps are taken to eliminate deviations.

FACTORS THAT TRIGGER A MORE FREQUENT REVIEW OF CLIENT ACCOUNTS

On a regular basis, we internally review our clients' accounts to ensure compliance with client investment guidelines and policies. At least monthly, portfolios are reviewed per a checklist of criteria as written in the investment policy and guidelines.

Additional reviews may be triggered by changes in market conditions, by changes in client needs and by maturity of client investments. We provide clients with personalized service in the management of their securities portfolios. Since the size, structure and investment objectives of accounts vary widely, the attention that must be given to accounts also varies.

With respect to fixed income, the fixed income team has a formal investment committee that meets twice a week to discuss market- and sector-specific events and strategies. All team members are active participants in the review and strategy formulation process. Meetings usually include a macro-level market review as well as sector-specific valuation comments with performance detail and anticipated market reactions. Strategies are reviewed weekly during these investment committee meetings. All accounts are informally reviewed weekly.

FREQUENCY AND CONTENT OF REGULAR REPORTING TO CLIENTS

We provide formal written reporting to all clients on a quarterly basis unless specified otherwise by the client. The standard sample reporting package that we prepare for all clients includes the following documents: relationship asset summary, asset allocation, performance summary, performance detail,

change in portfolio, portfolio summary, fixed income analysis and distribution (if relevant and may include distribution by maturity, distribution by coupon, distribution by duration, distribution by Moody's rating and distribution by Standard and Poor's rating), common stock analysis (if relevant), realized gains and losses statement, income and expenses statement, purchase and sale statement, and portfolio appraisal. At a minimum, the reports show assets held, current market value and original cost. We also include an economic and market overview section in the reporting package.

Clients' reporting needs often vary in frequency and content. More frequent and customized reporting is available upon request. Customized reports may also include more specialized reports, such as attribution analysis, sector- and security-level contribution to return and portfolio turnover (additions and deletions). We generally meet with our institutional and high net worth clients at least once a year. The portfolio manager or product specialist for the account will typically attend client meetings. Other members of the investment team, client service team or marketing team who are involved with the account may also attend. Portfolio managers also communicate with clients by letter, email and telephone as needed.

ITEM 14 CLIENT REFERRALS AND OTHER COMPENSATION

In general, we do not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to our clients.

We may enter into written solicitation arrangements with third parties. From time to time, brokers employed by other firms will refer clients to us. If these referrals materialize into new clients, we will compensate the broker for making the introduction. Historically, we have compensated the broker based on a percentage of the client's annual management fee. The range of compensation has included a recurring payment of 25% to 33% of the client's annual management fee. The payment is made quarterly based on our billing cycle.

From time to time, brokers employed by our affiliated firm, Brown Advisory Securities, will refer clients to us. If these referrals materialize into new clients, we will compensate the broker for making the introduction. Historically, we have compensated the broker based on a percentage of the client's annual management fee. The compensation has generally included a recurring payment of up to 30% of the client's annual management fee. The payment is made quarterly based on our billing cycle.

DEUTSCHE BANK

We use money market funds managed by asset management affiliates of Deutsche Bank for short-term cash investments for some of our clients. An affiliate, Brown Investment Advisory & Trust Company, receives an asset-based administrative services fee from Deutsche Bank for services provided to clients invested in such money market funds. This arrangement is disclosed to clients in account agreements and annually thereafter.

U.S. BANK

In 2010, we selected U.S. Bank as the third party custodian for a group of accounts for which an affiliate served as qualified custodian prior to September, 2010. In the process of migrating custody services of our client accounts to U.S. Bank, we incurred certain costs. As part of a reimbursement plan for such costs, U.S. Bank agreed to pay us a reimbursement amount (0.21 basis points) based on total assets under custody. This amount will be paid to us until such time that we notify U.S. Bank that we have recovered our costs. Such reimbursement to us has no effect on the amount of the annual market value fee (or any other fee) paid by the client.

ITEM 15 CUSTODY

CUSTODY

We act as the General Partner of certain Private Equity Limited Partnerships and Private Equity Funds and therefore will be deemed by the SEC to have custody of those Fund assets.

We maintain these fund assets with a “qualified custodian.” We maintain assets, i.e., the Limited Partnerships and Private Equity Funds, as a custodian under the exemption from the “qualified custodian” requirement, as the assets held by these funds are held for the account of a pooled investment vehicle that is audited annually, with the audited statements delivered to Fund investors. Where assets are held by a “qualified custodian,” we will notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained at the time of investment and promptly following any changes to this information.

Non-discretionary or separate accounts are held in custody by the clients directly or by a custodian of the client’s choosing, which may include U.S Bank. We do not provide custodial arrangements for separate account assets. All Brown Advisory sponsored private equity funds are annually audited by an independent auditor who is a member of the Public Company Accounting Oversight Board (“PCAOB”), with such audit delivered within 180 days to investors.

In addition, in many cases we have the authority to debit our clients’ custodial accounts for management fees. Under government regulations, we are deemed to have custody of those assets if, for example, we are authorized and instructed by a client’s custodian to deduct our advisory fees directly from the account or if we are granted authority to move money from a client’s account to another person’s account. At all times, the custodial bank maintains actual custody of those assets.

MANAGEMENT FEE DIRECT-DEBITING PROCESS

During the account set-up process, clients identify in their custodial account agreement if they want to pay their management fee directly from their custodial account or if they prefer to mail us a check. If they authorize us to initiate the withdrawal from their custodial account, they also indicate the form of payment: either check from the custodian or wire from the custodian. If we are given the authority by the client, we generally initiate the management fee withdrawal process during the third week following a quarter-end period. This process is initiated in one of two ways:

- In many cases, a spreadsheet is uploaded to the custodian's website. The spreadsheet includes the list of accounts that have authorized us to debit the management fee from their account and the amount of the management fee that is due.
- In other cases, management fee invoices are either emailed or faxed to custodians.

STATEMENTS SENT TO CLIENTS

At the end of each quarter, we send account statements and appraisals to our clients. These account statements and appraisals generally include the following information:

- Account name and number
- Cash balances
- Name of each security held
- Quantity of each security held
- Market value of each security held

Additional reports are provided upon request.

In addition to our statements and appraisals, clients receive account statements directly from the custodian at least quarterly. These are sent to the email or postal mailing address provided to them. These statements should be carefully reviewed when received. All of our statements and appraisals include a legend urging clients to compare custodial account statements to the periodic account statements and portfolio reports received from us.

DIFFERENCES BETWEEN OUR STATEMENTS AND CUSTODIAL STATEMENTS

The statements clients receive from us can differ from the statements clients receive from their custodian. Every month, we reconcile client accounts according to the security holdings and transactions provided by their month-end custodial statement. Although security holdings and transactions are reconciled, market values are not reconciled and can be different. This is primarily a result of the method by which our portfolio accounting system associates prices to securities. While the prices of fixed income securities tend to differ more across custodians, the price of equity securities can differ across custodians as well. Since the same security can be priced differently at different custodians, a standardized pricing hierarchy must be imposed on the portfolio accounting system to ensure accurate, consistent and transparent reporting across clients. Our portfolio accounting system has a pricing hierarchy whereby custodians are ranked by priority. If a security is valued by multiple custodians, the ultimate price assigned to the security in the portfolio accounting system reflects the price used by the custodian with the highest ranking. This means that if two accounts hold the same security and have different custodians, our portfolio accounting system will value the security based on the price used by the custodian that is higher up in the pricing hierarchy. The price will then be applied to all accounts that hold the security.

ITEM 16 INVESTMENT DISCRETION

We accept discretionary authority to manage securities accounts on behalf of our clients. Generally, we manage client assets on a discretionary basis with the authority to determine for each client what investments are made, as well as when and how they are made. For certain clients, their assets may be invested in one or more model portfolios. Generally, there are no limitations on the securities we will purchase or sell, the amount of the securities we will purchase or sell, the broker or dealer we will use to execute a transaction and commission rates paid.

LIMITATIONS ON DISCRETIONARY AUTHORITY

Clients may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts. Any limitations on our discretionary authority to manage securities accounts on behalf of clients would be initiated and imposed by the client. Examples of common guideline restrictions include:

- Limitations prohibiting the purchase of certain securities or industry groups;
- Limitations on the purchase or sale of a particular type of security (taxable/tax-exempt);
- Limitations on the purchase or sale of securities within a particular sector;
- Limitations with respect to the weighted average maturity or duration for a portfolio; and
- Limitations with respect to asset allocation for balanced portfolios.

Specific client investment restrictions may limit our ability to manage those assets like other similarly managed portfolios. This may impact the performance of the account relative to other accounts and the benchmark index. These clients are informed that their restrictions may impact performance.

PROCEDURES TO ENSURE GUIDELINE COMPLIANCE

Any client-imposed limitations or guideline restrictions are defined and outlined in their initial documentation with the firm. We also may maintain investment policy statements for our institutional clients, which address a client's guidelines and objectives in greater detail. When clients provide us with their own investment policy statements, we make sure that the language is reflective of our investment management responsibility. When necessary, the language is adjusted and approved by both the client and us before management of the account begins. Any interpretive issues requiring clarification between us and the client are raised and resolved between Compliance, the Portfolio Management team, Client Service and the client. Internal groups, including Compliance, Systems Administration and the portfolio management team review guidelines for consistency with automation capabilities, determine which restrictions are monitored manually, and establish necessary processes and controls. Pre-trade restrictions are coded in our trade order entry/compliance system to the extent possible. As aggregated orders are entered, the portfolio manager is alerted to any potential guideline violations. The portfolio manager is responsible for the oversight of this process. Additionally, the firm has invested in software that works with our trade order management system to help manage and monitor client guidelines. This system provides automated guideline monitoring, which allows efficient and effective implementation of client and regulatory requirements while reducing risk and increasing transparency. Post-trade compliance testing is conducted daily, with compliance status reports distributed to the Client Service, Portfolio Management and Compliance teams.

ITEM 17 VOTING CLIENT SECURITIES

GENERAL GUIDELINES

As an investment manager, we receive proxy ballots on behalf of our clients. In keeping with our fiduciary obligations to our clients, we review all proxy voting proposals. In general, our proxy voting policy is designed to ensure that we vote in the best interest of our clients, if they delegate voting authority to us. Although management recommendations are given substantial weight, we will not blindly vote in favor of management. We will not support proxy proposals that compromise a client's best interest or that we believe may be detrimental to the underlying value of client positions. Each proxy proposal is considered on its own merits, and an independent determination is made whether to support or oppose management's position. Proxy proposals include a wide range of matters. Examples of routine matters include election of directors, appointment of auditors, changes in state of incorporation and changes in capital structure. Examples of non-routine matters include executive compensation, corporate restructurings, corporate mergers and acquisitions, anti-takeover issues, and social and political issues. While we generally vote with management on routine matters, we generally take a more case-by-case approach with non-routine matters. In all cases, we vote proxies to promote the long-term economic value of the underlying securities. To facilitate the proxy voting process, our research analysts utilize a proxy voting service, both to obtain research and to vote the proxy.

It is important to note that clients may change their proxy voting authorization at any time. If a client revokes our authority to vote the proxy, we will forward any relevant research we obtain to the party that will assume proxy voting authority.

CONFLICTS OF INTEREST

Above all else, we respect the investment interests, objectives and preferences of our clients. Although we take every effort to avoid conflicts of interest, from time to time unavoidable conflicts of interest arise with respect to proxy voting. When voting a proxy for a particular issuer, a conflict of interest can occur when we, our employees, our officers, our directors, our affiliates or our mutual funds engage in the following:

- Conduct business with an issuer or a company closely affiliated to the issuer;
- Receive compensation from the issuer or a company closely affiliated to the issuer or
- Sit on the board of the issuer or a company closely affiliated to the issuer.

For routine proxy voting matters, we will continue to vote according to our normal procedures. This applies for situations where the conflicts are deemed material or immaterial.

For non-routine matters, we will evaluate the situation and the facts to determine the materiality of the conflict. If the conflict is deemed immaterial, then the proxy will be voted consistent with the policy. If the conflict is deemed material or by definition has the potential to influence the proxy voting decision, then we will:

- Contact the Proxy Voting Service Provider for a review and determination when voting for a fund or
- Confer with counsel to ensure that the proxy is being voted in our client's best interest when voting for all other clients.

ABSTENTION

There are times when we may be unable to vote a proxy or may choose not to vote a proxy. Examples of these times include but are not limited to:

- A proxy ballot was never received from the custodian;
- A meeting notice was received too late;

- The fees imposed to exercise the vote are high and outweigh the benefit of voting; or
- A proxy voting service is not offered by the custodian.

RECORDKEEPING

We will maintain files relating to our proxy voting procedures in an easily accessible place. Records will be maintained and preserved for at least five years, with records of the first two years kept on site. We will retain the following:

- Copies of the proxy voting procedures and policies, including any amendments;
- A copy of each proxy statement received;
- A record of each vote cast;
- A copy of any material documentation supporting our decision;
- A copy of each written client request for information on how we voted; and
- A copy of any written response to any written or oral client request for information on how we voted a proxy.

Clients can obtain a copy of our proxy voting policies and information on how we have voted proxies by calling 1-800-645-3923. If a client requests this information, the Chief Compliance Officer or designee will prepare a written response to the client that lists for each specific request:

- The name of the issuer,
- The proxy proposal voted on, and
- How the client's proxy was voted.

ITEM 18 FINANCIAL INFORMATION

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We have not been the subject of a bankruptcy petition at any time during the past 10 years.

Appendix G

Sample Client Report

December 31, 2012



Sample Quarterly Client Report

Fourth Quarter 2012

Performance Detail

Client

December 31, 2012

	Quarter To Date	Cumulative (05-31-12) Inception To Date
Cash & Equivalents	0.00%	0.01%
Large Cap Growth Common Stocks	-0.67%	10.15%
Russell 1000 Growth	-1.32%	7.55%
S&P 500	-0.38%	10.32%
TOTAL PORTFOLIO - GROSS OF FEES	-0.57%	9.97%
TOTAL PORTFOLIO - NET OF FEES	-0.69%	9.79%

All asset class performance returns are gross of account-level management fees.

Large-Cap Growth Review and Outlook

During the quarter, U.S. stocks handed back a portion of the gains achieved earlier in the year, but still managed to produce solid returns for the full year. Notably, the relatively small decline in our benchmark, the Russell 1000[®] Growth Index, cloaked a significant amount of intra-quarter market volatility that carried over into our portfolio.

We believe that when the market overreacts to false market signals, it can create opportunity. We added to two of our health care holdings during the quarter, Intuitive Surgical and Express Scripts, and both of these portfolio actions were enabled by a divergence between noise and reality. Express Scripts declined on the heels of a quarterly earnings release in which company management offered cautious guidance for 2013, but we saw this as a buying opportunity. Its recent merger with Medco created the largest company in the industry and resulted in what we view as an improved foundation for growth. Similarly, Intuitive Surgical experienced a significant pullback during the last few weeks of December, almost entirely based on market reaction to a single negative research report published about the company. We don't believe that this sentiment-driven price movement was backed up by any fundamental weakness, so we took advantage of what we saw as a bargain moment.

Strict adherence to our investment discipline was the key to adding value for the full year in 2012, as the road was full of potholes created by thematic and sentiment-driven trading. We were able to take advantage of several opportunities during the year to add to positions when the market discernibly over-

reacted to macro themes such as the European debt crises or the economic slowdown in China. Technology was the clear driver for performance for the year, with strong performances from firms with great business models such as Salesforce.com, Apple and Amphenol. The overweight to energy was the biggest drag on performance in 2012, as the industry struggled to deal with the rapid swing from scarcity to oversupply in North America, as well as overall volatility in commodity prices.

Fundamental research is where we have spent the vast majority of our time, and we will continue to do so going forward. Regardless of the latest shifts in political or economic backdrop, we are, as always, focused on finding high-quality business models.

Sector Diversification

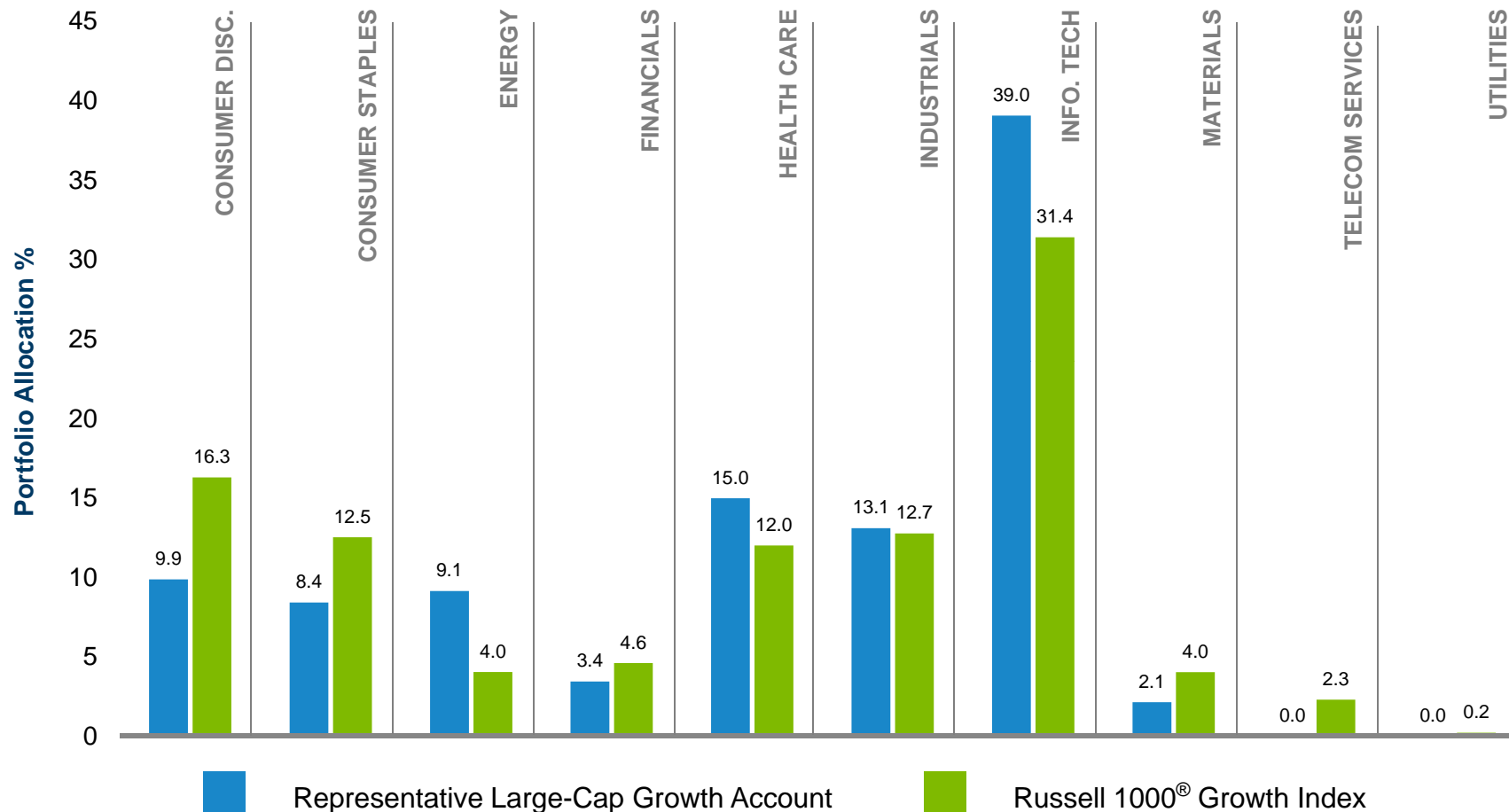
- Our weighting in energy was reduced slightly by our exit from Canadian Natural Resources, but we are still overweight the sector relative to our benchmark. Despite volatility in commodity prices, we believe that our energy holdings exhibit excellent long-term growth prospects.
- As we have noted in past commentaries, our apparent overweight in technology overstates our actual exposure to enterprise-technology purchasing patterns. Among our technology holdings are MasterCard (driven by transaction volume), Amphenol (driven by industrial activity), and Apple and Google (driven primarily by consumer behavior patterns).

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	RUSSELL 1000® GROWTH INDEX (%)	DIFFERENCE (%)	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT (%)	
	Q4 '12	Q4 '12	Q4 '12	Q3 '12	Q4 '11
Consumer Discretionary	9.85	16.27	-6.42	6.51	6.89
Consumer Staples	8.40	12.50	-4.10	9.61	5.67
Energy	9.12	4.02	5.10	11.93	13.45
Financials	3.43	4.59	-1.16	2.56	2.30
Health Care	14.96	11.99	2.97	15.46	16.53
Industrials	13.08	12.74	0.33	13.43	14.52
Information Technology	39.04	31.39	7.65	40.49	40.64
Materials	2.12	4.02	-1.89	--	--
Telecommunication Services	--	2.28	-2.28	--	--
Utilities	--	0.20	-0.20	--	--

Source: Factset. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Sector Diversification



Source: Factset. The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Sector diversification excludes cash and cash equivalents. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Quarterly Attribution Detail by Sector

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	8.82	10.19	16.17	0.97	-0.18	0.70	0.51
Consumer Staples	8.88	-2.17	12.83	-2.49	0.07	-0.01	0.06
Energy	10.63	-6.03	4.00	-1.48	-0.03	-0.58	-0.61
Financials	2.81	12.83	4.47	4.47	-0.09	0.21	0.12
Health Care	15.32	-1.24	12.06	-0.25	0.04	-0.14	-0.10
Industrials	13.46	2.86	12.31	6.88	0.10	-0.52	-0.42
Information Technology	39.35	-2.44	31.79	-6.68	-0.40	1.76	1.36
Materials	0.73	2.54	3.87	4.20	-0.14	-0.06	-0.20
Telecommunication Services	--	--	2.30	-1.47	0.00	--	0.00
Utilities	--	--	0.21	-6.66	0.01	--	0.01
Total	100.00	-0.61	100.00	-1.34	-0.63	1.36	0.74

Source: Factset.

Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution excludes cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Year-to-Date Attribution Detail by Sector

SECTOR	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT		RUSSELL 1000® GROWTH INDEX		ATTRIBUTION ANALYSIS		
	AVERAGE WEIGHT (%)	RETURN (%)	AVERAGE WEIGHT (%)	RETURN (%)	ALLOCATION EFFECT (%)	SELECTION & INTERACTION EFFECT (%)	TOTAL EFFECT (%)
Consumer Discretionary	6.82	8.56	14.98	19.86	-0.27	0.02	-0.26
Consumer Staples	8.96	10.06	12.58	9.74	0.60	-0.31	0.29
Energy	11.83	-9.25	6.97	8.80	0.57	-2.25	-1.68
Financials	2.51	29.91	4.40	22.20	-0.10	0.18	0.08
Health Care	15.39	23.15	11.22	23.57	0.31	0.04	0.35
Industrials	13.94	22.05	12.39	14.82	0.00	0.94	0.94
Information Technology	40.37	21.50	31.17	16.70	0.40	1.52	1.92
Materials	0.18	2.54	4.54	18.21	-0.02	-0.06	-0.08
Telecommunication Services	--	--	1.59	15.35	0.02	--	0.02
Utilities	--	--	0.14	-3.88	0.01	--	0.01
Total	100.00	16.80	100.00	15.19	1.54	0.07	1.61

Source: Factset.

Total portfolio return figures provided above reflect the sum of the returns of the equity holdings in the representative account portfolio due to price movements and dividend payments or other sources of income, and exclude cash.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Sector attribution excludes cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Quarterly Contribution to Return

- Technology offered some of our brightest performers as well as some of our weaker ones this quarter. The best performers in the group were Salesforce.com and MasterCard. Salesforce.com continues to grow faster than expected, with innovative new products helping drive new customer adoption. MasterCard traded higher as it managed to beat expectations in an adverse environment.
- Covance, a health care holding, also made a sizable positive contribution to the portfolio, turning the corner during the quarter after a period of relative underperformance. Its competitive advantages in its clinical business segment have started to bear fruit. We believe the company enjoys a high degree of operational leverage that will help to drive future earnings.
- Apple fell off significantly during the quarter, after a nine-month period in which the stock returned more than 60%. We are mindful of concerns regarding margin and competitive pressures facing the firm, but still believe it has significant competitive advantages that will enable it to maintain its dominant market positioning.
- Express Scripts also dropped based on what we view as market overreaction to cautious guidance by the company for 2013 and beyond. Our positive opinion of the firm's strong business model and market positioning has not changed, and we used the opportunity to add to our position.

Representative Large-Cap Growth Account Top Five Contributors

	NAME	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
SBUX	Starbucks Corp.	2.52	19.75	0.58
CVD	Covance Inc.	2.42	23.73	0.51
SCHW	Charles Schwab Corp.	2.81	12.83	0.33
MA	MasterCard Inc. CI A	3.54	8.88	0.30
CRM	salesforce.com inc.	2.81	10.09	0.29
Total		14.09	14.54	2.02

Representative Large-Cap Growth Account Bottom Five Contributors

	NAME	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
AAPL	Apple Inc.	4.76	-19.85	-1.08
ESRX	Express Scripts Holding Co.	4.43	-13.78	-0.65
CTXS	Citrix Systems Inc.	2.00	-14.25	-0.33
MJN	Mead Johnson Nutrition Co.	3.06	-9.67	-0.33
GOOG	Google Inc. CI A	4.92	-6.25	-0.32
Total		19.18	-12.99	-2.72

Source: Factset. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Top five and bottom five contributors exclude cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Year-to-Date Contribution to Return

Representative Large-Cap Growth Account Top Five Contributors

	NAME	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CRM	salesforce.com inc.	2.84	65.68	1.59
AAPL	Apple Inc.	4.85	32.59	1.43
DVA	DaVita HealthCare Partners Inc.	3.07	45.80	1.32
APH	Amphenol Corp. Cl A	3.12	43.57	1.28
ESRX	Express Scripts Holding Co.	4.35	20.83	0.97
Total		18.22	38.75	6.59

Representative Large-Cap Growth Account Bottom Five Contributors

	NAME	AVERAGE WEIGHT (%)	RETURN (%)	CONTRIBUTION TO RETURN (%)
CNQ	Canadian Natural Resources Ltd.	2.40	-25.33	-0.69
FTI	FMC Technologies Inc.	3.20	-18.00	-0.55
NTAP	NetApp Inc.	2.74	-7.50	-0.24
EL	Estee Lauder Cos. Cl A	2.53	2.59	-0.13
MJN	Mead Johnson Nutrition Co.	3.37	-2.61	-0.12
Total		14.24	-9.16	-1.72

Source: Factset. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Top five and bottom five contributors exclude cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Key Additions/Deletions

- Starbucks was purchased in late October and provided a positive contribution to performance during the quarter. The company needs little introduction, as its handcrafted beverage outlets have become ubiquitous on street corners, at airports and in malls across the country. During its initial growth phase, Starbucks built a widely recognized brand allowing for future expansion into additional categories and geographies such as consumer packaged goods and emerging-market territories.

- In addition, we added the industrial materials company Ecolab to the roster in December. The company is benefiting from positive economic trends as well as industry consolidation. A recent acquisition in the energy space is poised to accelerate Ecolab's growth rate beyond its historical trajectory.

- Given that the energy segment is a large part of our investment thesis for Ecolab, we funded this purchase by selling another energy business, Canadian Natural Resources, where we had less confidence in its ability to execute on its business model.

Representative Large-Cap Growth Account Portfolio Activity

ADDITIONS		SECTOR
ECL	Ecolab Inc.	Materials
SBUX	Starbucks Corp.	Consumer Discretionary

DELETIONS		SECTOR
CNQ	Canadian Natural Resources Ltd.	Energy

Source: Factset. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. References to specific securities are for illustrative purposes only and do not represent all of the securities purchased, sold or recommended for advisory clients.

The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Sectors are based on the Global Industry Classification Standard (GICS) classification system. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Portfolio Characteristics

	REPRESENTATIVE LARGE-CAP GROWTH ACCOUNT	RUSSELL 1000® GROWTH INDEX
Number of Holdings	33	571
Market Capitalization (\$ B)		
Weighted Average	58.9	99.9
Weighted Median	19.5	50.6
Maximum	499.8	499.8
Minimum	3.1	0.4
P/E Ratio FY2 Est.	16.9x	13.9x
Earnings Growth 3-5 Yr. Est. (%)	16.1	14.2
PEG Ratio	1.1	1.0
Dividend Yield (%)	0.7	1.7
Top 10 Equity Holdings (%)	39.2	25.8
Portfolio Turnover (%)	33.2	17.9

Source: Factset. The portfolio information provided is based on a representative Large-Cap Growth account and is provided as supplemental information. Portfolio characteristics exclude cash and cash equivalents. Please see disclosure statements at the end of this presentation for additional information and for a complete list of terms and definitions.

Disclosure

The views expressed are those of the author and Brown Advisory as of the date referenced and are subject to change at any time based on market or other conditions. These views are not intended to be a forecast of future events or a guarantee of future results. Past performance is not a guarantee of future performance. In addition, these views may not be relied upon as investment advice. The information provided in this material should not be considered a recommendation to buy or sell any of the securities mentioned. It should not be assumed that investments in such securities have been or will be profitable. To the extent specific securities are mentioned, they have been selected by the author on an objective basis to illustrate views expressed in the commentary and do not represent all of the securities purchased, sold or recommended for advisory clients. The information contained herein has been prepared from sources believed reliable but is not guaranteed by us as to its timeliness or accuracy, and is not a complete summary or statement of all available data. This piece is intended for our clients and is provided for informational purposes only. It should not be construed as a research report.

The benchmark is the Russell 1000[®] Growth Index. The Russell 1000[®] Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000[®] Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000[®] Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The Index is completely reconstituted annually to ensure that new and growing equities are included and that the represented companies continue to reflect growth characteristics. The Russell 1000[®] Growth Index is a trademark/service mark of the Frank Russell Company. Russell[®] is a trademark of the Frank Russell Company. An investor cannot invest directly into an index.

Figures shown on sector diversification and quarterly attribution by detail slides may not total due to rounding.

Brown Advisory is the marketing name for Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory, Ltd., and Brown Advisory Trust Company of Delaware, LLC.

Terms And Definitions

All financial statistics and ratios are calculated using information from Factset as of the report date unless otherwise noted.

Market Capitalization refers to the aggregate value of a company's publicly traded stock. Statistics are calculated as follows: Weighted Average: the average of each holding's market cap, weighted by its relative position size in the portfolio (in such a weighting scheme, larger positions have a greater influence on the calculation); Weighted Median: the value at which half the portfolio's market capitalization weight falls above and half falls below; Maximum and Minimum: the market caps of the largest and smallest companies, respectively, in the portfolio.

Price-Earnings Ratio (P/E Ratio) is the ratio of the share of a company's stock compared to its per-share earnings. P/E calculations presented use FY2 earnings estimates; FY1 estimates refer to the next unreported fiscal year, and FY2 estimates refer to the fiscal year following FY1.

Earnings Growth 3-5 Year Est. is the average predicted annual earnings growth over the next three to five years based on estimates provided to Factset by various outside brokerage firms, calculated according to each broker's methodology.

P/E / Growth Ratio, or **PEG Ratio**, is the ratio of a portfolio's P/E Ratio divided by its Est. 3-5 Yr. EPS Growth rate.

Dividend Yield is the ratio of a stock's projected annual dividend payment per share for the fiscal year currently in progress, divided by the stock's price.

All of the above ratios for a portfolio are expressed as a weighted average of the relevant ratios of each portfolio holdings, EXCEPT for P/E ratios, which are expressed as a weighted harmonic average.

Portfolio Turnover is the ratio of the lesser of the portfolio's aggregate purchases or sales during a given period, divided by the average value of the portfolio during that period, calculated on a monthly basis. Portfolio turnover is provided for a three-year trailing period.

The **Average Weight** of a position or sector refers to the daily average for the period covered in this report of a stock's value as a percentage of the portfolio.

The **Total Return** of an equity security is the sum of the return from price movement and the return due to dividend payments or other sources of income. Standard benchmark-, sector- and portfolio-level returns are the sums of the weights of each security multiplied by its return, summed and calculated daily and summed over the period covered by the report or by an otherwise-noted period.

Contribution To Return is calculated by multiplying a security's beginning weight as a percentage of a portfolio by that security's return for the period covered in the report.

Allocation Effect measures the impact of the decision to allocate assets differently than those in the benchmark.

Selection and Interaction Effect reflects the combination of selection effect and interaction effect. Selection effect measures the effect of choosing securities that may or may not outperform those of the benchmark. Interaction effect measures the effect of allocation and selection decisions (i.e., did we overweight the sectors in which we underperformed).

Total Effect reflects the combination of Allocation, Selection and Interaction effects. Totals may not equal due to rounding.

Fourth Quarter 2012

Portfolio Holdings

Client

December 31, 2012

Quantity	Security Symbol	Security	Adjusted Unit Cost	Total Adjusted Cost	Price	Market Value	Pct. Assets	Cur. Yield
CASH								
	hmgxx	HighMark U.S. Government Money Market Fund		1,845,109		1,845,108.96	2.5	0.0
COMMON STOCK								
Consumer Discretionary								
43,405	coh	Coach, Inc.	60.60	2,630,415	55.51	2,409,411.55	3.3	2.2
21,301	fosl	Fossil, Inc.	76.50	1,629,430	93.10	1,983,123.10	2.7	0.0
48,990	sbux	Starbucks Corp.	47.36	2,320,354	53.63	2,627,333.70	3.6	1.6
				6,580,199		7,019,868.35	9.6	1.3
Consumer Staples								
18,922	cost	Costco Wholesale Corp.	88.41	1,672,956	98.73	1,868,169.06	2.6	1.1
33,929	el	Estee Lauder Companies, Inc.	55.79	1,892,758	59.86	2,030,989.94	2.8	1.2
31,668	mjn	Mead Johnson Nutrition Co.	77.69	2,460,237	65.89	2,086,604.52	2.9	1.8
				6,025,951		5,985,763.52	8.2	1.4
Energy								
18,041	clb	Core Laboratories N.V.	120.75	2,178,365	109.31	1,972,061.71	2.7	1.0
50,881	fti	FMC Technologies, Inc.	42.29	2,151,525	42.83	2,179,233.23	3.0	0.0
33,909	slb	Schlumberger Ltd.	66.73	2,262,620	69.30	2,349,846.23	3.2	1.6
				6,592,511		6,501,141.17	8.9	0.9
Financials								
170,093	schw	Charles Schwab Corp.	13.25	2,254,058	14.36	2,442,535.48	3.3	1.7
Health Care								
31,550	cvd	Covance, Inc.	48.06	1,516,442	57.77	1,822,643.50	2.5	0.0
15,352	dva	DaVita HealthCare Partners, Inc.	84.76	1,301,255	110.53	1,696,856.56	2.3	0.0
59,052	esrx	Express Scripts Holding Co.	54.71	3,230,535	54.00	3,188,808.00	4.4	0.0
17,322	idxx	IDEXX Laboratories, Inc.	87.00	1,506,996	92.80	1,607,481.60	2.2	0.0
4,777	isrg	Intuitive Surgical, Inc.	514.98	2,460,061	490.37	2,342,497.49	3.2	0.0
				10,015,289		10,658,287.15	14.6	0.0
Industrials								
42,863	dhr	Danaher Corp.	53.21	2,280,711	55.90	2,396,041.70	3.3	0.2
43,193	flr	Fluor Corp.	51.01	2,203,193	58.74	2,537,156.82	3.5	1.1
19,429	rop	Roper Industries, Inc.	103.41	2,009,129	111.48	2,165,944.92	3.0	0.6
23,783	srcl	Stericycle, Inc.	87.80	2,088,167	93.28	2,218,478.24	3.0	0.0
				8,581,200		9,317,621.68	12.7	0.5

Fourth Quarter 2012

Portfolio Holdings



Client

December 31, 2012

Quantity	Security Symbol	Security	Adjusted Unit Cost	Total Adjusted Cost	Price	Market Value	Pct. Assets	Cur. Yield
Information Technology								
31,525	acn	Accenture PLC	59.30	1,869,278	66.50	2,096,412.50	2.9	2.4
31,890	aph	Amphenol Corp.	55.55	1,771,396	64.70	2,063,283.00	2.8	0.6
21,178	anss	ANSYS, Inc.	63.51	1,344,943	67.34	1,426,126.52	2.0	0.0
6,211	aapl	Apple, Inc.	519.49	3,226,524	532.17	3,305,326.50	4.5	2.0
21,794	ctxs	Citrix Systems, Inc.	72.52	1,580,460	65.62	1,430,122.28	2.0	0.0
33,791	ctsh	Cognizant Technology Solutions Corp. CI A	61.86	2,090,402	73.88	2,496,556.80	3.4	0.0
76,807	g	Genpact Ltd.	16.43	1,262,242	15.50	1,190,508.50	1.6	0.0
4,920	goog	Google, Inc.	618.34	3,042,214	707.38	3,480,309.60	4.8	0.0
5,221	ma	Mastercard, Inc.	431.88	2,254,858	491.28	2,564,972.88	3.5	0.2
48,665	nati	National Instruments Corp.	26.24	1,276,979	25.81	1,256,043.65	1.7	2.2
60,258	ntap	NetApp, Inc.	30.76	1,853,819	33.55	2,021,655.90	2.8	0.0
46,187	qcom	Qualcomm, Inc.	59.11	2,730,141	61.86	2,857,109.35	3.9	1.6
9,712	crm	Salesforce.com, Inc.	142.46	1,383,569	168.10	1,632,587.20	2.2	0.0
				25,686,826		27,821,014.68	38.1	0.8
Materials								
21,055	ecl	Ecolab, Inc.	72.05	1,517,005	71.90	1,513,854.50	2.1	1.3
COMMON STOCK								
				67,253,037		71,260,086.52	97.5	0.8
TOTAL PORTFOLIO				69,098,146		73,105,195.48	100.0	0.8

Quarterly Firm Update

- Client assets as of 12/31/2012 were over \$31 billion across all Brown Advisory entities.¹
 - Client assets as of 12/31/2012 were over \$25 billion for Brown Advisory's GIPS-related entities only.²
 - Firm-marketed composite assets under management as of 12/31/2012 were as follows:

Equity Composites

Fixed Income Composites

COMPOSITE	MILLIONS	COMPOSITE	MILLIONS
Large-Cap Growth Institutional	\$8,534	Institutional Intermediate Aggregate	\$459
Institutional Flexible Value	\$1,818	Single-State Municipal	\$375
Small-Cap Growth	\$1,181	National Municipal	\$271
Large-Cap Value	\$819	Limited Duration	\$234
Equity Income	\$351	Core Fixed Income	\$54
Small-Cap Value	\$302	Enhanced Cash	\$25
Large-Cap Sustainability	\$211		
Total Equity Composite Assets	\$13,216	Total Fixed Income Composite Assets	\$1,148

- There were no changes to the firm's investment process.
- Research Team Update: John Bond joined us on November 1 as a Technology Analyst, working closely with Maneesh Bajaj, helping to cover the growing universe of technology companies. John comes to us from Nicusa Capital, where he was a Senior Analyst and Assistant Portfolio Manager. John received his BA degree in East Asian Studies from Harvard and his MBA from Columbia Business School. John is a CFA charterholder.
- Concurrently, Colin Campbell, an Associate Analyst, departed the firm to pursue an opportunity with a start-up technology firm in California.

Notes:

1. As of December 31, 2012, Brown Advisory had more than \$31 billion in client assets for the following entities: Brown Advisory, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC, Brown Advisory, Ltd., and Brown Advisory Trust Company of Delaware, LLC and CDK Investment Management, LLC.
2. With respect to accounts managed according to the Global Investment Performance Standards (GIPS), Brown Advisory had more than \$25 billion in assets under management advisement and administration. These assets include the following entities: Brown Investment Advisory and Trust Company and Brown Advisory, LLC.

Appendix H

Representative Institutional Client List

Representative Institutional Client List

Health Care

- Catholic Health Initiatives
- Greater Baltimore Medical Center Endowment Fund, Inc.
- Johns Hopkins Health System Corporation
- Kennedy Krieger Institute
- Memorial Hospital Foundation, Inc.
- Mercy Medical Center, Inc.
- Palm Healthcare Foundation, Inc.
- Shore Health System, Inc.
- St. Luke's Episcopal Health System
- The Doctors Company
- University of Maryland Medical Systems, Inc.
- Upper Chesapeake Health, Inc.
- Yale New Haven Health System

Religious

- Associated Catholic Charities, Inc.
- Christ Lutheran Church Endowment
- Jewish Community Foundation
- Reform Pension Board
- Saint Mary's Seminary
- The Episcopal Diocese of Maryland
- The Pension Boards: United Church of Christ, Inc.
- United Jewish Communities of MetroWest New Jersey

Corporations

- AEGON USA
- Atmos Energy Corporation
- Baltimore Equitable Society
- Bemis Company, Inc.
- Cox Enterprises, Inc.
- Greenleaf Insurance Company, Ltd.
- Haworth, Inc.
- Jones Dairy Farm
- La-Z-Boy, Inc.
- Schmidt Baking, Inc.
- Zurich North America

Sub-Advisory

- Principal Financial Group
- Prudential Financial, Inc.
- RBC Global Asset Management, Inc.
- SEI Corporation

Public Funds

- Baltimore County Employees Retirement System
- City of Baltimore Fire and Police Employees' Retirement System
- City of Gainesville General Employees' Retirement Fund
- City of Jacksonville Retirement System
- City of Plantation Police Officers' Retirement Plan
- City of St. Pete Beach Firefighters' Retirement System
- City of Sunrise General Employees' Retirement Plan
- City of Ocoee General Employees' Pension Plan
- Delaware River and Bay Authority
- El Paso Firemen & Policemen's Pension Fund
- Kansas City Employees' Retirement System
- Lake Worth Firefighters' Pension Fund
- Lake Worth Police Officers' Pension Fund
- Lantana Firefighters' Pension Trust Fund
- Metropolitan Pier & Exposition Authority Employees' Retirement Plan and Trust
- Missouri County Employees' Retirement Fund
- Missouri Local Government Employees' Retirement System
- State of Maryland Retirement System
- Teachers' Retirement System of Louisiana
- The Ocean County Utilities Authority
- Transit Management of South East Louisiana, Inc. Retirement Income Plan and Trust
- Village of Palm Springs General Employees' Pension Plan
- West Palm Beach Firefighters' Pension Fund

Other Non-Profit

- Baltimore Symphony Orchestra
- Burroughs Wellcome Fund
- France-Merrick Foundation, Inc.
- International Youth Foundation
- Keswick Foundation, Inc.
- Society for Human Resource Management
- St. Elizabeth School Foundation
- The Educational Foundation of America
- The Hillwood Museum and Gardens Foundation
- The Morris & Gwendolyn Cafritz Foundation
- The Jay and Rose Phillips Family Foundation (California and Colorado)
- The Wallace Foundation
- The Wellcome Trust
- Winter Park Health Foundation, Inc.
- Washington College

Taft-Hartley

- Bricklayers & Allied Craftsmen Local #1 of Maryland Pension Fund
- Iron Workers District Council of Southern Ohio & Vicinity Pension Trust Fund
- Newspaper Drivers Local 473 Retirement Benefit Plan
- Pension Plan for Local Union No. 3, International Union of Bricklayers and Allied Craftsmen
- San Diego Electrical Pension Trust
- Teamsters Allied Pension Fund of Maryland
- The Steamship Trade Association of Baltimore, Inc.
- United Association of Journeymen & Apprentices of the Plumbing and Pipefitting Industry, Local 198 Pension Trust Fund

Section 3

Exhibits

AUM by Client Type (Total Firm Assets in \$mm)*							
<i>Client Type</i>	as of	9/30/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Public		\$1,656	1,118	\$694	\$422	\$251	\$274
Corporate		\$1,725	\$1,405	\$1,692	\$848	\$451	\$814
Endowment & Foundation		\$1,564	\$1,427	\$1,342	\$1,223	\$1,148	\$2,292
Union/Multi-Employer		\$550	\$338	\$298	\$136	\$86	\$146
Sovereign Entity		N/A	N/A	N/A	N/A	N/A	N/A
High Net Worth		\$507	\$606	\$411	\$261	\$239	\$429
Mutual Fund		\$3,988	\$2,660	\$1,461	\$955	\$541	\$643
Sub-advised		\$3,867	\$2,983	\$2,635	\$804	N/A	N/A
Limited Partnership		\$1.80	N/A	N/A	N/A	N/A	N/A
Other		\$0.51	\$0.51	N/A	N/A	\$36	\$39
Total							

Numbers above represent our marketed GIPS-compliant composite assets (including our Large-Cap Growth (Inst.), Small-Cap Growth, Large-Cap Value, Small-Cap Fundamental Value, Flexible Value (Inst.), Equity Income, Large-Cap Sustainability, Core Fixed Income, Limited Duration, Intermediate Aggregate, National Municipal, Single State Municipal and Enhanced Cash composites), but do not include assets managed in balanced accounts. These numbers do not include assets managed in the corresponding strategy, but excluded from the

AUM for Proposed Strategy**							
Strategy Name:	Brown Advisory Large-Cap Growth Strategy*						
Assets Under Management for Proposed Strategy	2012	2011	2010	2009	2008	2007	
Total Assets							
Dollars (\$mm)	\$8,534	\$5,622	\$4,159	\$1,177	\$118	\$154	
# Accounts	151	102	71	41	32	30	

Asset Management Growth and Retention

	2012	2011	2010	2009	2008	2007
Total Assets Gained						
Dollars (\$mm)	\$1,061	\$1,058	\$1,725	\$671	\$80	\$103
# Accounts	51	44	33	11	8	9
Total Assets Lost						
Dollars (\$mm)	\$0	\$0	\$0	\$5	\$3	\$17
# Accounts	0	0	0	3	1	2

** The Large-Cap Growth Institutional Composite includes all discretionary institutional portfolios (and carve-outs through 2009) invested in U.S. equities with strong earnings growth characteristics and large market capitalizations. The composite does not include assets managed in balanced portfolios or assets managed in the strategy, but excluded from the composite due to client guidelines or restrictions or a failure to meet the composite's minimum market value requirements. The minimum account market value required for composite inclusion is \$1.5 million.

Key Individuals (up to 10) Responsible for Managing Proposed Strategy

Name	Title/Responsibility	% Time Devoted to Strategy	# Years w/Firm on Strategy	#Years in Industry
Kenneth M. Stuzin, CFA	Portfolio Manager	100%	16	26

The Brown Advisory Large-Cap Growth Strategy is supported by our team of equity research analysts. For information regarding our entire research and investment team, please see attached "Brown Advisory Research and Investment Team."

Total Firm Employees

Function	#
Portfolio Managers (Equity and Fixed Income) *	12
Research Analysts (Equity and Fixed Income) *	20
Risk Management/Compliance	6
Trading	4
Other (All other Brown Advisory employees, including Sales, Marketing, professionals dedicated to balanced portfolio management, Administration,	266
Total	308

* These designations include employees primarily involved with the firm's Institutional Business. Reflects personnel as of 12/31/2012.

7 Year Turnover for those Responsible for Managing Proposed Strategy

Name	Title/Role	Year Joined	Year Departed	Reason
<i>Institutional Investment Professional Hires</i>				
John Bond, CFA	Equity Analyst	2012		
Kevin O'Keefe	Equity Analyst	2012		
Kevin Osten, CFA	Product Specialist	2012		
Simon Paterson, CFA	Equity Analyst	2011		
Daniel Mooney, CFA	Equity Analyst	2011		
Nicholas Williams	Fixed Income Analyst	2011		
Nigel Frankson, CFA	Equity Analyst	2010		
Colin Campbell	Associate Equity Analyst	2009		
Ryland Sumner	Equity Analyst	2009		
David Schuster	Portfolio Manager	2008		
Eric Gordon, CFA	Equity Analyst	2008		
Jason Vlosich	Fixed Income Analyst	2008		
Eric Cha, CFA	Equity Analyst	2007		
Sung W. Park, CFA	Equity Analyst	2006		
Paul Li, Phd, CFA	Equity Analyst	2006		

Institutional Investment Professionals Departures

Colin Campbell	Associate Analyst	2009	2012	New Opportunity
Patrick O'Brien	Equity Analyst	2001	2012	New Opportunity
Elizabeth Levy, CFA	Environmental Research Analyst	2004	2012	Relocation
John Barnett, CFA	Equity Analyst	2005	2011	Started own investment firm
Charles Reid	SCG Equity Analyst	1980	2010	Retirement
Nicholas Coutros	SCG Equity Analyst	1991	2008	Retirement
Toby Thompson	Fixed Income Analyst	2003	2008	New Opportunity
Pred Meserve	SCG Portfolio Manager	1977	2006	Retirement
Steve Rockwell	SCG Equity Analyst	1999	2006	Career Change

% Allocations Over Past Years for Proposed Strategy

Cap Size Range	2012	2011	2010	2009	2008
\$0 - \$2B	--	--	--	--	3.63
\$2B - \$10 BB	21.9	33.54	26.67	39.2	40.23
\$10 BB - \$20 BB	28.5	24.87	21.67	15.73	14.41
\$20 BB - \$50 BB	27.15	21.22	26.81	24.91	15.09
>\$50 BB	19.91	17.31	22.34	17.63	21.43
Cash	2.54	3.05	2.5	2.54	5.21

Proposed Strategy Name: Brown Advisory Large-Cap Growth Strategy
 Preferred Benchmark: Russell 1000 Growth Index

Month Ending	Gross Returns	Net Returns
Inception Date (6/30/1996)	0.5	0.5
7/31/1996	-5.05	-5.25
8/30/1996	2.83	2.83
9/30/1996	5.11	5.11
10/31/1996	0.85	0.65
11/29/1996	5.79	5.79
12/31/1996	-1.91	-1.91
1/31/1997	5.46	5.26
2/28/1997	-0.92	-0.92
3/31/1997	-3.96	-3.96
4/30/1997	5.01	4.81
5/30/1997	7.11	7.11
6/30/1997	4.70	4.70
7/31/1997	9.20	9.00
8/29/1997	-5.26	-5.26
9/30/1997	5.07	5.07
10/31/1997	-1.70	-1.90
11/28/1997	2.80	2.80
12/31/1997	2.43	2.43
1/30/1998	0.36	0.16
2/27/1998	8.28	8.28
3/31/1998	4.42	4.42
4/30/1998	1.69	1.49
5/29/1998	-2.94	-2.94
6/30/1998	2.76	2.76
7/31/1998	-2.69	-2.89
8/31/1998	-14.47	-14.47
9/30/1998	4.81	4.81
10/30/1998	9.04	8.84
11/30/1998	6.44	6.44
12/31/1998	7.27	7.27
1/29/1999	2.49	2.29
2/26/1999	-3.09	-3.09
3/31/1999	2.30	2.30
4/30/1999	4.87	4.67
5/28/1999	-2.13	-2.13
6/30/1999	6.49	6.49
7/30/1999	-2.13	-2.33
8/31/1999	-0.74	-0.74
9/30/1999	-3.62	-3.62
10/29/1999	6.10	5.90
11/30/1999	2.64	2.64
12/31/1999	5.76	5.76

1/31/2000	-2.81	-3.01
2/29/2000	0.00	0.00
3/31/2000	8.50	8.50
4/28/2000	-3.23	-3.43
5/31/2000	-1.29	-1.29
6/30/2000	0.52	0.52
7/31/2000	-3.19	-3.39
8/31/2000	5.15	5.15
9/29/2000	-6.38	-6.38
10/31/2000	1.60	1.40
11/30/2000	-8.30	-8.30
12/29/2000	2.68	2.68
1/31/2001	5.91	5.71
2/28/2001	-9.88	-9.88
3/30/2001	-7.78	-7.78
4/30/2001	8.19	7.99
5/31/2001	-0.11	-0.11
6/29/2001	-0.55	-0.55
7/31/2001	-2.22	-2.42
8/31/2001	-7.30	-7.30
9/28/2001	-8.91	-8.91
10/31/2001	5.99	5.79
11/30/2001	10.25	10.25
12/31/2001	0.19	0.19
1/31/2002	-2.49	-2.69
2/28/2002	-5.07	-5.07
3/28/2002	2.49	2.49
4/30/2002	-9.07	-9.27
5/31/2002	-0.70	-0.70
6/28/2002	-8.09	-8.09
7/31/2002	-7.16	-7.23
8/30/2002	0.99	0.99
9/30/2002	-10.00	-10.01
10/31/2002	10.49	10.37
11/29/2002	8.13	8.13
12/31/2002	-7.22	-7.21
1/31/2003	-2.42	-2.53
2/28/2003	0.44	0.41
3/31/2003	0.97	0.94
4/30/2003	9.32	9.16
5/30/2003	5.09	5.09
6/30/2003	1.22	1.22
7/31/2003	2.51	2.37
8/29/2003	2.12	2.12
9/30/2003	-2.26	-2.26
10/31/2003	4.25	4.12

11/28/2003	0.62	0.63
12/31/2003	4.67	4.67
1/30/2004	2.45	2.33
2/27/2004	1.02	1.02
3/31/2004	-1.63	-1.63
4/30/2004	-0.63	-0.74
5/28/2004	0.15	0.15
6/30/2004	0.47	0.47
7/30/2004	-5.09	-5.20
8/31/2004	-0.80	-0.80
9/30/2004	0.73	0.73
10/29/2004	2.63	2.52
11/30/2004	1.90	1.91
12/31/2004	4.87	4.87
1/31/2005	-2.17	-2.27
2/28/2005	0.64	0.64
3/31/2005	-1.42	-1.37
4/29/2005	-2.52	-2.60
5/31/2005	5.32	5.24
6/30/2005	0.81	0.82
7/29/2005	5.38	5.27
8/31/2005	-1.92	-1.94
9/30/2005	-0.49	-0.54
10/31/2005	-2.70	-2.79
11/30/2005	3.57	3.53
12/30/2005	1.02	1.00
1/31/2006	4.09	3.93
2/28/2006	0.17	0.20
3/31/2006	1.34	1.28
4/28/2006	-0.35	-0.45
5/31/2006	-3.15	-3.16
6/30/2006	-0.14	-0.14
7/31/2006	-0.10	-0.20
8/31/2006	3.14	3.14
9/29/2006	2.65	2.65
10/31/2006	4.25	4.15
11/30/2006	3.02	3.03
12/29/2006	0.03	0.04
1/31/2007	2.93	2.86
2/28/2007	-1.42	-1.41
3/30/2007	0.59	0.59
4/30/2007	3.18	3.09
5/31/2007	4.38	4.38
6/29/2007	0.06	0.06
7/31/2007	-1.24	-1.33
8/31/2007	2.47	2.39

9/28/2007	3.97	3.96
10/31/2007	3.14	3.09
11/30/2007	-4.69	-4.66
12/31/2007	-1.42	-1.35
1/31/2008	-7.46	-7.72
2/29/2008	-0.90	-0.84
3/31/2008	-0.46	-0.56
4/30/2008	4.24	4.10
5/30/2008	4.02	4.01
6/30/2008	-7.44	-7.48
7/31/2008	0.53	0.38
8/29/2008	3.69	3.69
9/30/2008	-10.84	-10.91
10/31/2008	-18.17	-18.30
11/28/2008	-6.15	-6.20
12/31/2008	-1.69	-1.62
1/30/2009	-4.15	-4.16
2/27/2009	-3.81	-3.87
3/31/2009	8.64	8.73
4/30/2009	12.68	12.62
5/29/2009	2.82	2.89
6/30/2009	3.02	2.97
7/31/2009	7.81	7.66
8/31/2009	1.69	1.68
9/30/2009	7.39	7.43
10/30/2009	-1.92	-1.97
11/30/2009	5.49	5.50
12/31/2009	5.27	5.28
1/29/2010	-4.70	-4.73
2/26/2010	3.93	3.91
3/31/2010	7.52	7.48
4/30/2010	2.86	2.81
5/28/2010	-7.40	-7.40
6/30/2010	-3.89	-3.90
7/30/2010	4.93	4.87
8/31/2010	-3.13	-3.15
9/30/2010	13.20	13.17
10/29/2010	3.48	3.41
11/30/2010	2.04	2.03
12/31/2010	6.16	6.14
1/31/2011	3.27	3.22
2/28/2011	3.88	3.85
3/31/2011	-1.07	-1.09
4/29/2011	3.78	3.73
5/31/2011	-0.76	-0.78
6/30/2011	-1.84	-1.87

7/29/2011	-0.32	-0.37
8/31/2011	-6.59	-6.62
9/30/2011	-10.11	-10.13
10/31/2011	14.56	14.50
11/30/2011	0.11	0.09
12/30/2011	-2.55	-2.57
1/31/2012	6.16	6.09
2/29/2012	7.17	7.15
3/30/2012	3.62	3.60
4/30/2012	-0.32	-0.38
5/31/2012	-9.71	-9.74
6/29/2012	2.67	2.64
7/31/2012	-0.36	-0.41
8/31/2012	5.91	5.90
9/28/2012	2.16	2.15
12/31/2012	1.44	1.42

Strategy Name: Brown Advisory Large-Cap Growth Strategy
Preferred Benchmark: Russell 1000 Growth Index

Month Ending	Gross Returns	Net Returns
Inception (6/30/1996)		
12/31/1997	32.97	31.95
12/31/1998	24.99	24.01
12/31/1999	19.76	18.83
12/31/2000	-7.69	-8.44
12/31/2001	-8.55	-9.25
12/31/2002	-26.36	-26.81
12/31/2003	29.28	28.54
12/31/2004	5.88	5.42
12/31/2005	5.18	4.63
12/31/2006	15.71	15.16
12/31/2007	12.15	11.84
12/31/2008	-35.72	-36.27
12/31/2009	53.33	53.05
12/31/2010	25.74	25.30
12/31/2011	0.36	-0.03
12/31/2012	16.73	16.23

REQUEST FOR INFORMATION: US DOMESTIC EQUITY

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of our client.

Responders should be aware that SIS is conducting this search on behalf of a public entity in California. This entity is covered by the Public Records Act (Gov. Code 6250 *et seq.*) which requires that public records be available to the public upon request.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. All data should be as of 12/31/2012, if available.

The deadline for your firm's response to this RFI is 01/18/2013.

Please submit **one hard copy and one electronic copy** to:

John Nicolini
Strategic Investment Solutions
333 Bush Street, Ste 2000
San Francisco, CA. 94104
(415-362-3484)
jnicolini@sis-sf.com

NOTE: Where noted, exhibits are to be completed in the attached Excel document.

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	Delaware Investments
Address:	2005 Market Street, Philadelphia, PA 19103-7094
Telephone Number:	215-255-2300
Fax Number:	215-255-1196
Website:	www.delawareinvestments.com
Primary Contact	
Name:	Trevor M. Blum, CFA
Title:	Senior Vice President, Institutional Consultant Relations and Sales, West Coast
Telephone Number:	503-471-1387
Email:	Trevor.Blum@delinvest.com

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

Delaware Investments traces its origins to an investment counseling service that was founded in 1929. We offer over 80 years of investment management experience, covering many economic, political, and market environments.

Our first mutual fund was introduced in 1938 and since then, Delaware Investments has pioneered a number of investment strategies. Delaware Investments was among the first to offer small company stock funds, single-state municipal bond funds, high-yield corporate bond funds, and short-to-intermediate-maturity government bond funds. Delaware Investments has since become a significant manager of assets in each of the major asset categories with offerings and services covering all market capitalizations and all investment styles.

Delaware Investment Advisers (DIA), a series of Delaware Management Business Trust (DMBT), was established in 1972 to provide investment advisory services for separately managed institutional accounts.

In January 2010, Delaware Investments' former parent, Lincoln National Corporation, sold Delaware Investments to Macquarie Affiliated Managers, (USA) Inc., a subsidiary of Macquarie Group Limited (Macquarie). Macquarie, a Sydney, Australia-headquartered global provider of banking, financial, advisory, investment and funds management services operates in more than 70 locations in more than 28 countries.

Delaware Investments remains headquartered in Philadelphia and will continue to operate out of existing locations.

Delaware Investments' firm structure, our management team, our product offerings, along with our investment capabilities and each team's respective philosophies and processes, have remained in place as part of this transaction.

Delaware Investments sits within Macquarie Funds Group (“MFG”). MFG is one of five operating businesses within Macquarie. MFG is the full-service funds management business of Macquarie Group. MFG has over 25 years of asset management experience. MFG was formed in August 2008 from the merger of the funds and fund-based structured products businesses within the Funds Management Group, Equity Markets Group and Macquarie Capital Products Division. MFG offers a diverse series of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds and fund of funds.

100% of Delaware Investments’ revenue is from investment management services.

- C. Attach an organizational chart depicting the firm’s distinct business units as Appendix A – Firm Organizational Chart and provide the total number of employees within each business unit.**

We have provided an organization chart as Appendix A.

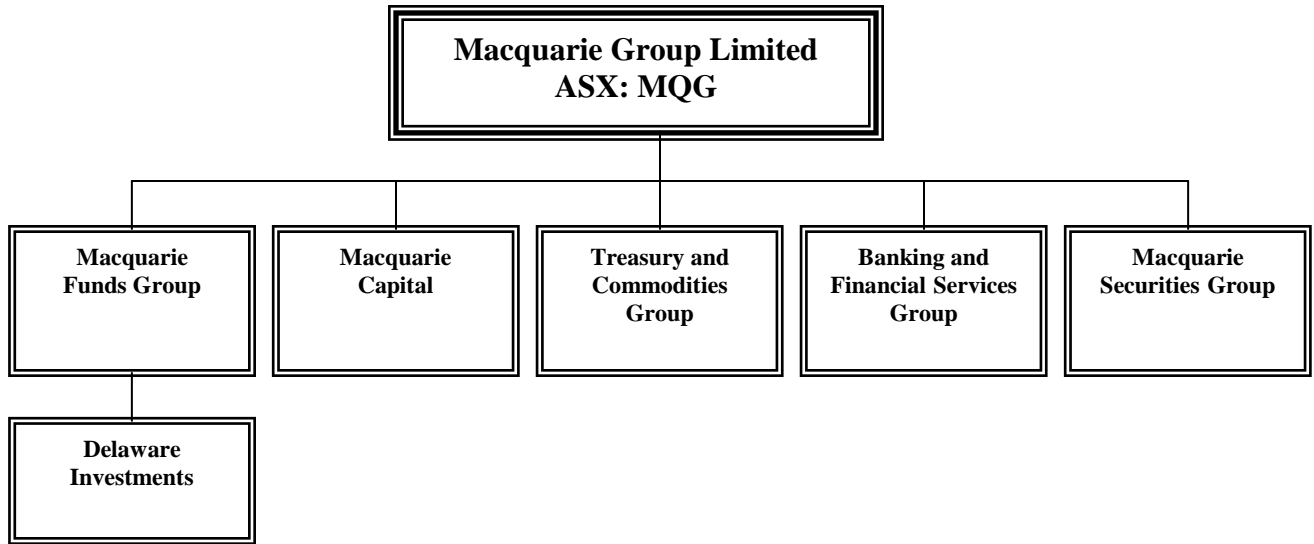
- D. List the firm’s office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.**

The Large-Cap Growth team is located in our San Francisco, CA office.

Location	Function
Philadelphia, PA	Headquarters of Delaware Investments; investment management, client services and marketing for mutual funds, commingled funds and separate accounts
San Francisco, CA	Investment management of Growth products
Boston, MA	Investment management of certain non-U.S. Equity products

- E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.**

Delaware Investments sits within Macquarie Funds Group (“MFG”). MFG is one of five operating businesses within Macquarie. MFG is the full-service funds management business of Macquarie Group. MFG has over 25 years of asset management experience. MFG was formed in August 2008 from the merger of the funds and fund-based structured products businesses within the Funds Management Group, Equity Markets Group and Macquarie Capital Products Division. MFG offers a diverse series of products including managed funds across a wide range of asset classes, funds-based structured products, hedge funds and fund of funds. MFG is one of Australia's leading fund managers with an international reach that extends across the major investment markets of the world.



F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner’s net worth is invested in the business? In the firm’s underlying products?

Macquarie Group Limited, an Australian publicly held company (ASX: MQG), indirectly holds substantially all of the stock of the Delaware companies, with the exception of a small percentage of stock of Delaware Investments U.S., Inc. that is held by certain highly compensated employees who receive stock option grants in connection with a stock option program. The Delaware companies are all indirect subsidiaries of Macquarie Group Limited.

Incentive Unit Plan - Portfolio managers may be awarded incentive unit awards (“Awards”) relating to the underlying shares of common stock of Delaware Management Holdings, Inc. issuable pursuant to the terms of the Delaware Investments Incentive Unit Plan (the “Plan”) adopted on November 30, 2010. Awards are no longer granted under the Delaware Investments U.S., Inc. 2009 Incentive Compensation Plan or the Amended and Restated Delaware Investments U.S., Inc. Incentive Compensation Plan, which was established in 2001.

The Plan was adopted in order to: assist the Manager in attracting, retaining, and rewarding key employees of the company; enable such employees to acquire or increase an equity interest in the company in order to align the interest of such employees and the Manager; and provide such employees with incentives to expend their maximum efforts. Subject to the terms of the Plan and applicable award agreements, Awards typically vest in 25% increments on a four-year schedule, and shares of common stock underlying the Awards are issued after vesting. The fair market value of the shares of Delaware Management Holdings, Inc., is normally determined as of each March 31, June 30, September 30 and December 31 by an independent appraiser. Generally, a stockholder may put shares back to the company during the put period communicated in connection with the applicable valuation.

G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

On January 4, 2010, Lincoln National Corporation sold Delaware Investments to Macquarie Affiliated Managers, (USA) Inc., a subsidiary of Macquarie Group Limited (Macquarie). Macquarie, a Sydney, Australia-headquartered global provider of banking, financial, advisory, investment and funds management services operates in more than 70 locations in more than 28 countries.

Delaware Investments remains headquartered in Philadelphia and will continue to operate out of existing locations.

Delaware Investments' firm structure, our management team, our product offerings, along with our investment capabilities and each team's respective philosophies and processes, have remained in place as part of this transaction.

To our knowledge, there are no further legal, organizational, or ownership structure changes begin contemplated.

H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

At Delaware Investments, we regularly review our investment capabilities vis-à-vis opportunities in the market place. This review may result in the launch of new products or new vehicles for existing products. However, this is considered to be proprietary information and, as such, cannot be divulged to parties outside of the company.

I. Describe your succession and continuity plans for management of the firm.

Succession planning is a topic of regular review by senior management. Each investment team is responsible for its own hiring. Revenue or profit sharing arrangements are in place with the investment professionals of each product team. In these ways, Delaware Investments is creating an entrepreneurial culture among the investment teams while providing a broad-based distribution and administrative platform to support them. We believe this cultural environment, along with the financial incentives in place, create an organization that will be highly successful in attracting and retaining high-caliber investment professionals.

We have a succession plan that is reviewed twice a year. In addition to a review of the senior management positions, the succession plan includes the identification of back-ups to our mission critical investment professional roles.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

There has been no turnover among senior management personnel over the past three years.

K. Exhibit-A (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

We have provided the requested information in Exhibit A.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

During the past five years, the following products have liquidated due to overlap with existing strategies, product demand and strategy viability:

- High-Yield Mid-Grade
- International Value Equity SRI
- Strategic Small Cap
- Small Cap Growth
- Small Cap Growth II
- Smid Cap Growth
- Mid Cap Growth
- Business/Financial Services
- Diversified Value
- Diversified Growth
- Global Equity

The following strategy was closed within the past five years due to capacity constraints:

- Smid Cap Growth Focus

II. INVESTMENT TEAM

- A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as Appendix B – Investment Team Organizational Chart.**

We have provided an investment team organizational chart as Appendix B.

- B. Exhibit B (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.**

We have provided the requested information in Exhibit B.

- C. Attach biographies for each of the individuals named above as Appendix C – Biographies of Key Investment Professionals.**

We have provided biographies of key investment personnel in Appendix C.

- D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.**

The Large-Cap Growth team consists of 9 investment professionals, 2 traders and 1 investment specialist. All 9 investment professionals act as analysts for all strategies, and 4 of the 9 act as portfolio managers for the Large-Cap Growth product. The portfolio managers are Jeffrey S. Van Harte, CFA, Christopher S. Bonavico, CFA, Daniel J. Prislín, CFA, and Christopher M. Ericksen, CFA.

Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio managers' decision to purchase the stock or not, and if so, at what portfolio weight. The portfolio managers are free to make portfolio decisions that are inconsistent with the view of the rest of the team at any time. In practice, this happens rarely.

Different individuals would not be assigned for a separate account vs. the commingled fund.

- E. Exhibit B (in the attached Excel document): Provide a summary of the firm's employees.**

We have provided the requested information in Exhibit B.

- F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.**

Focus Growth Team Compensation

Annual compensation for the Focus Growth team is determined by a revenue-sharing agreement with the firm. Compensation for individual team members will incorporate many considerations, including 1-, 3- and 5-year performance; contributions to others' research (the level/value of participation in debate on others' ideas); and team tenure. More specifically, detailed performance attribution analysis is calculated for each product with incentive compensation differences largely reflective of performance contribution.

The Focus Growth team also has substantial long-term incentives including a value creation bonus program. The bonus is to be paid into a deferred compensation vehicle which will be primarily invested in the products that the Focus Growth team manages for alignment of interest purposes.

Employee Retention

In keeping with Delaware Investments' emphasis on fostering an entrepreneurial culture that rewards outstanding performance, the firm seeks to bond its investment professionals through a number of highly attractive incentive programs rather than through restrictive measures.

Delaware Investments recognizes that its future success is predicated on nurturing its greatest asset, its people. We recognize that there is fierce competition for talent in the marketplace and we are committing tremendous resources to attract and retain the best people we can. We are continually opportunistic in identifying talented people who can add value to our existing team or provide us with capabilities that we do not currently possess.

Investment personnel are compensated with base salaries that are targeted for the top quartile position in the industry, revenue sharing, and equity participation. Portfolio managers/analysts are also awarded bonuses. In addition, for our employees, we offer multiple opportunities for development and professional improvement.

Employment Contracts

Senior management at Delaware Investments does not believe in employment contracts as a retention tool. Instead, management believes in offering competitive compensation plans, clear opportunities for career advancement, challenging roles with significant control and responsibility and, finally, the ability to ultimately become a stakeholder in the organization.

Certain of Delaware Investments' professionals are subject to non-compete provisions as a result of participation in company incentive compensation programs or otherwise. Delaware Investments from time to time has, and in the future, may enter into non-compete agreements with senior employees.

G. Exhibit B (in the attached Excel document): Complete the table listing turnover for the individuals responsible for the proposed strategy.

We have provided the requested information in Exhibit B.

H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Please see our response to Question I.I. on page 5 concerning our succession plans.

In addition, the portfolio managers for the Large-Cap Growth product are Jeffrey S. Van Harte, CFA, Christopher J. Bonavico, CFA, Daniel J. Prislin, CFA and Christopher M. Ericksen, CFA. In the event of a departure, the remaining portfolio managers would assume responsibilities until a suitable replacement could be found, if warranted.

I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

All investment activities are provided directly by Delaware Investments.

Delaware Investments outsources its Investment Accounting functions to BNY Mellon. Delaware Investments has an Investment Accounting oversight group which reviews the BNY Mellon work.

INVESTMENT STRATEGY & PROCESS

J. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

Philosophically, we believe that superior returns can be realized through holding a concentrated portfolio of companies with superior business models and secular opportunities to generate consistent, long-term growth of intrinsic business value.

Concentration. In our view, portfolios should be constructed with a strong emphasis on the highest-conviction companies in a manager's coverage universe, i.e., we "play to win, not to avoid losing."

Consistent, long-term. We generally prefer to hold companies with steady, consistent business models and end markets, and to hold them for five years or more.

Intrinsic business value. While we, like other growth investors, invest with the expectation of attractive revenue and earnings growth from our companies, a company's cash economics – its returns on invested capital and its ability to generate free cash flow, i.e., its intrinsic business value – is key to our evaluation. While most of our growth investor peers are more interested in reported earnings and revenues or are attempting to identify relative value to peer group stocks or to growth rates (GARP investing), we are focused on the growth of intrinsic business value defined as the real economic cash returns generated by a company's business model. In short, we are looking for the growth of profitability that is identifiable by tangible cash economics. So we are growth investors that keep a keen eye on valuation, but that valuation is measured by cash economic metrics, not by relative value metrics.

With more assets flowing to short term-driven, trading-oriented strategies every day, our core philosophical tenets continue to differentiate our approach from that of most other equity market participants, in our opinion.

In addition, the Focus Growth team seeks to capture the discount to a stock's intrinsic value that corresponds to the underestimation of future level and growth rate of free cash flow. We believe that we generate outperformance by identifying intrinsic value growth that the market doesn't price properly due to uncertainty and/or a focus on earnings vs. free cash flow. Through our independent research we hope to identify the companies that will exceed the market's expectations for growth in free cash flow and have a competitive advantage period that is in excess of expectations embedded in the current stock price. Further, we benefit from a persistent "time arbitrage" anomaly. The increasing flow of investment dollars toward hedge funds and others that pursue short-term strategies is in our opinion generating more disconnects between near-term perception and long-term fundamentals, which in turn creates more attractive opportunities for our approach.

K. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

Our research is almost exclusively fundamental, bottom-up. We make very little use of quantitative screens. We are not macro-driven, top-down investors. We believe that bottom-up stock decisions ultimately drive portfolio performance.

L. Discuss unique methods of gathering or analyzing information – what is your firm’s competitive advantage over other managers in your universe?

We believe the following are our key areas of differentiation:

- We hold a concentrated, conviction-weighted portfolio. We believe there is little diversification benefit over 20-25 names and thus we focus on what we believe to be our best ideas. We "play to win, not to avoid losing".
- We have a flat team structure with a stable, veteran team with high level of accountability and peer scrutiny. While members of the team may have portfolio management responsibilities, everyone on the team is first and foremost an analyst.
- We emphasize growth in intrinsic business value. Cash generation and return on invested capital are more important to us than accounting earnings.
- Performance-driven investment culture limits asset capacity in all products
- To align the interest of the team with our clients, the team has significant personal stakes in their own products.

M. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

The Large-Cap Growth universe consists of all U.S. domestic stocks over \$3 billion in market capitalization and may include selected ADR’s from time-to-time.

At present, beyond the 31 companies in the Large-Cap Growth portfolio, as of 12/31/12, we closely follow about 30 companies on our research “bench”.

N. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

We have a flat team structure. While individual members of the team may have portfolio management responsibilities, everyone on the team is first and foremost an analyst. We do not organize around sectors or industries – all of our analysts are generalists, and as such they are charged with finding the most attractive companies in the marketplace, irrespective of sector. Each new idea is researched by a team of two or three analysts.

Each company considered for purchase is discussed with the entire growth team, daily in the context of our morning meetings and monthly in our day-long investment meetings. In our view, spirited, intensive, title-free debate is the best way to determine the “truth” for each business being evaluated. The Focus Growth team members’ performance is viewed as not only a function of their individual research effort but also their contribution to the debate on others’ ideas. Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio manager’s decision to purchase the stock or not, and if so, at what portfolio weight.

The Focus Growth team members are:

- Jeffrey Van Harte (Primary portfolio manager for Large-Cap Growth)
- Christopher Bonavico (Co-manager for Large-Cap Growth)
- Kenneth Broad
- Daniel Prislin (Co-manager for Large-Cap Growth)
- Chris Ericksen (Co-manager for Large-Cap Growth)
- Patrick Fortier
- Greg Heywood
- Van Tran
- Ian Ferry

Our investment philosophy (concentrated portfolios, long term investment horizons, and a focus on the growth of intrinsic business value) has not changed in over two decades (going back to our tenure at a previous firm).

O. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

As stated above, we have a flat team structure. While individual members of the team may have portfolio management responsibilities, everyone on the team is first and foremost an analyst.

Specifically, each company considered for purchase is discussed with the entire investment team, in the context of our daily morning meetings and monthly in our day-long investment meetings.

In our view, spirited, intensive, title-free debate is the best way to determine the “truth” for each business being evaluated. Each team member’s performance is viewed as a function of individual research effort as well as contribution to debate on others’ ideas. Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio manager’s decision to purchase the stock or not, and if so, determine its portfolio weight. Portfolio Managers are free to make portfolio decisions that are inconsistent with the views of the rest of the team, at any time. In practice, this happens rarely.

P. Outline and briefly describe the main steps of your investment process.

Our investment process begins with idea sourcing. We originate ideas in a nontraditional fashion: we do not use quantitative screens. We have always found that the best new ideas involve fundamental change — at the industry level, the product level, or the management level. The metrics on which growth managers typically screen —earnings acceleration, price momentum, PEG ratios — are a result of change, rather than a cause of it, and therefore screens are not particularly useful for us.

Once an interesting idea or theme has surfaced, the relevant company is usually researched by two to three analysts. Working as a team, they emphasize three key areas in their analysis: the nature of the fundamental change the company is experiencing; how its business model is

positioned to exploit the change; and whether the future cash economics it will likely generate validates its current stock valuation.

- *Fundamental change.* In our view, positive change is required in order to create opportunities for growth. We tend to see change occurring in one of three primary areas: at the industry level, the product level, or in the management team. Early identification of this change typically creates a research “edge” over the Street, with commensurately more potential for generation of excess returns; this is perhaps the most salient element of our process.
- *Superior business model.* We evaluate each company from the perspective of a business owner, rather than emphasizing just the attributes of its stock. We seek sustainable competitive advantages by analyzing companies within Porter Five Forces framework, searching for dominance in products, market share, brand, network effects and low-cost models. The quantitative validation of competitive advantage is, in our opinion, the long-term generation of returns on invested capital in excess of the company’s cost of capital. To that end, when evaluating management teams we closely scrutinize their capital allocation strategy.
- *Valuation/validation.* In order to validate not only the market’s valuation but also our qualitative investment thesis, we project each company’s cash economics over a five- to ten-year period, seeking attractive absolute valuations. In addition to helping determine a range of fair value for the business, this analysis also highlights the company’s key value drivers. Further, the company’s accounting earnings must reconcile with its cash economics; our inability to reconcile this relationship in part prevented us from owning several of the large growth companies which floundered in the early years of this decade.

Each company considered for purchase is discussed with the entire investment team, in the context of our daily morning meetings and monthly in our day-long investment meetings. Every idea deemed worthy of consideration is presented to the group for deliberation. Presentations typically include the following research materials:

- investment thesis covering the three key criteria, as well as competitors, management compensation and an assessment of the company’s fundamental risk (among other topics)
- supporting slides (typically regarding the end market opportunity)
- ten-year discounted cash flow model

As a supplement, we typically review a company’s incentive structures, including the employee option program and its dilution impact.

In our view, spirited, intensive, title-free debate is the best way to determine the “truth” for each business being evaluated. Each team member’s performance is viewed as a function of individual research effort as well as contribution to debate on others’ ideas. Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio managers’ decision to purchase the stock or not, and if so, determine its portfolio weight.

Q. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

Please refer to our response to question “P” above. Additionally, while we, like other growth investors, invest with the expectation of attractive revenue and earnings growth from our companies, a company’s cash economics – its returns on invested capital and its ability to generate free cash flow, i.e., its intrinsic business value – is key to our evaluation. While most of our growth investor peers are more interested in reported earnings and revenues or are attempting to identify relative value to peer group stocks or to growth rates (GARP investing), we are focused on the growth of intrinsic business value defined as the real economic cash returns generated by a company’s business model. In short, we are looking for the growth of profitability that is identifiable by tangible cash economics. So we are growth investors that keep a keen eye on valuation, but that valuation is measured by cash economic metrics, not by relative value metrics.

R. To the extent that tactical sector allocation shifts, duration management and other top-down “macro” bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

Bottom-up stock selection is expected to be the primary source of value-added. As bottom-up investors, we do not practice market timing.

We believe that bottom-up stock decisions ultimately drive portfolio performance. Value creation as measured by sector attribution is a by-product of our process, though our preference for avoiding heavy cyclicals and commodity price-oriented companies should, in our view, add value over the long term. However, given the current environment, it is virtually impossible to avoid the macro trends. We will incorporate our macro thoughts and opinions into our research and conversations on a specific stock’s risk-reward tradeoff. Any portfolio positioning we do relative to our macro thoughts will be on the margin and not a core feature of our approach: we stick to our core competence of business model investing in all environments.

S. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Approximately 10% of research is conducted externally and offers an industry-level perspective and/or provides a sense of market consensus on a company, a key step in evaluating our research edge. This research is generally provided by a network of regional or boutique brokers and industry publications primarily to understand consensus expectations.

DMBT uses commission revenues from equity trades to pay for research received by the manager. Under brokerage and research allowable under the safe harbor protections described in Section 28(e) of the Securities and Exchange Act of 1934, equity commissions are used to pay brokers or dealers for research services such as: advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities.

T. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

The Large-Cap Growth team consists of 9 investment professionals, 2 traders and 1 investment specialist. All 9 investment professionals act as analysts for all strategies, and 4 of the 9 act as portfolio managers for the Large-Cap Growth product. The portfolio managers are Jeffrey S. Van Harte, CFA, Christopher S. Bonavico, CFA, Daniel J. Prislin, CFA, and Christopher M. Ericksen, CFA.

Each company considered for purchase is discussed with the entire Focus Growth team, daily in the context of our morning meetings and monthly in our day-long investment meetings. In our view, spirited, intensive, title-free debate is the best way to determine the “truth” for each business being evaluated. The Focus Growth team members’ performance is viewed as not only a function of their individual research effort but also their contribution to the debate on others’ ideas. Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio managers’ decision to purchase the stock or not, and if so, at what portfolio weight.

U. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

From a portfolio construction perspective, we are benchmark aware but by no means benchmark driven. To the extent an individual name or a sector was assigned a weight similar to that of the benchmark, it would very likely be a coincidence. We have access to industry-standard risk management tools but make very little use of them.

In our view, weighting individual names based on conviction, with a fundamental- and valuation-risk overlay, best serves clients. We start new positions at 2-5% weights:

- High return/low risk positions at 4+%
- Moderate return/low risk positions at 3% - 4%
- High return/high risk positions at 2% - 3%

Individual securities are limited to a weight of approximately 8% at market.

At the sector level, we prefer broad diversification, and within industries we will typically only hold one company (usually the leader or the eventual leader). Our annual portfolio turnover is generally expected to fall in the 25% to 35% range, reflecting our long investment horizon.

V. How do you define “risk”?

We define risk as a function of the business or fundamental risk of a business. We look at the fundamental risk of each stock and at the aggregate fundamental risk of the portfolio.

W. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

Portfolio Construction Guidelines:

- Individual securities typically have a portfolio weighting of between 2% and 5% at purchase and a maximum of approximately 8% at market value
- We have no explicit limit on sector weights, although we will generally own only one company in a particular industry or business niche.
- We maintain a 20% maximum on foreign securities held
- Our holdings range is typically from 25 to 35
- We typically will hold 2% – 3% cash. Our policy limit is 10%, which we expect to reach very infrequently. As we do not practice market timing, cash is generally transactional only
- Our annual portfolio turnover is generally expected to fall in the 25% to 35% range, reflecting our long investment horizon

X. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

Holdings are sold for the following reasons:

- A better idea is found, i.e., the stock is “crowded out” of the portfolio
- Unexpected, negative fundamental change, including change in management strategy
- Valuation becomes stretched past fair value
- Portfolio construction considerations

Y. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

No. The Large-Cap Growth product does not use leverage in the management of the portfolio.

Z. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

No. The Large-Cap Growth strategy does not employ short positions.

AA. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Hedging techniques are not used in the Large-Cap Growth strategy.

BB.Regarding risk management:

- 1) **List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.**

We define risk as a function of the business or fundamental risk of a business. We look at the fundamental risk of each stock and at the aggregate fundamental risk of the portfolio. Along with valuation as a risk factor to a company's stock price, we look to mitigate other risks to our aggregate portfolio in the following ways:

Risk

Three levels of risk mitigation:

1. Industry level

- Typically avoid commodity industries, particularly those in secular decline and those unlikely to ever achieve their cost of capital (e.g., steel, airlines).
- Positive long-term secular trends. We select industries with favorable tailwinds and high barriers to entry (e.g., wireless, transaction processing, global logistics).

2. Company level

- Outstanding management that is well versed in capital allocation.
- Minimal agency conflict. We seek companies with a clear alignment of interest between shareholders and management.
- Low volatility of cash flows due to stable end markets, variable cost business model, geographic or segment diversification and ability to take market share.
- Strong financial position. High returns on capital tend to generate excess cash, resulting in a strong balance sheet and no dependency on access to the capital markets for growth.

3. Portfolio level

- Own the best model in each industry (no duplicative or highly correlated holdings).
- "Barbell Strategy", in which the majority of the portfolio includes high-quality, established growth names while a smaller portion is allocated to earlier-stage and special situations.
- Behavioral influence. We avoid succumbing to common behavioral biases such as over-optimism and extrapolation of near-term news.

Portfolio risk is managed through a combination of portfolio construction techniques (at both the individual holding and the sector/industry level) and fundamental/valuation risk assessment. We have little use for quantitatively driven industry-standard risk management tools..

2) Identify the person(s) or group primarily responsible for the risk management function.

The portfolio managers for the Strategy, under the leadership of Jeff Van Harte, are responsible for risk management.

3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

The portfolio managers responsible for the Large Cap Growth Strategy are closely involved with the entire investment process of the strategy as all 9 investment professionals act as analysts for all strategies, and 4 of the 9 act as portfolio managers for the Large-Cap Growth product. We feel this collaborative process is essential to our success.

CC. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

As of 9/30/2012, there was a total of \$12,177 million invested in the Large-Cap Growth strategy. Investment in this strategy by the firm and its employees is proprietary information, and as such we do not divulge.

Investment professionals are allowed to invest in strategies not managed by Delaware Investments. Employees are required to report personal securities transactions on a quarterly basis. This information is reported to the Compliance department through an on-line certification module.

However, it should be noted that all team members have a substantial portion of their liquid net worth in the team's products. Since we practice conviction-based concentrated investing, it should come as little surprise that we are eager to "eat our own cooking" and proud to have material "skin in the game" along with our clients. We believe our willingness to put personal capital and revenues (via performance fees) at risk highlight our drive for an even tighter alignment of interests with our clients. By policy we tend not to give out the specifics of individual team members investment in the strategies.

DD. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

Our investment philosophy (concentrated portfolios, long term investment horizons, and a focus on the growth of intrinsic business value) has not changed in over two decades (going back to our tenure at a previous firm). However, some of our investment *process* has changed slightly in order to more efficiently put our philosophy to work in our portfolios. One example of a process change is our move toward standardizing the template for our discounted cash flow models that we use to estimate a company's fair value. In the past, each investment team member had the flexibility to develop his or her own standard model as long as he or she included and addressed the key inputs and potential drivers of value. Because we believe in full team participation in a collaborative group debate on all investment ideas, we

found that we were getting into long debates concerning a few key inputs such as the assumptions made in the financial models about the equity risk premium used to calculate a company's cost of capital. Because we are interested in owning companies that can consistently earn a return of capital above their cost of capital, such topics were central to our investment thesis. The global financial crisis in 2008-2009 exacerbated the problem since risk premium and investor risk appetites were swinging to extreme levels. In order to efficiently address this topic and in an attempt to keep the collaborative debate centered on stock-specific fundamentals, we decided to standardize as many inputs as reasonable while keeping the model input debate on fundamental characteristics such as revenues, expenses, margins, return on capital, etc.. The only "esoteric" input we debate now centers on our estimate of a company's "business model beta" so we can look at its implied equity cost of capital relative to the other stocks in the portfolio. This change has resulted in a debate that is less theoretical and more practical concerning a company's fundamentals and whether the market has appropriately priced those fundamentals into the stock.

III. PERFORMANCE & PORTFOLIO COMPOSITION

A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

The Russell 1000 Growth is the benchmark for Large-Cap Growth portfolios given that we are growth investors and our universe is all companies with a market cap of \$3 billion and above. This benchmark is widely recognized, commonly used, and has readily available data.

B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

Expected alpha is expected to be between 200 to 300 basis points, before fees, averaged over a full market cycle. We do not manage the portfolio to an explicit beta target; however we would generally expect it to be in the range of 0.8 to 1.2 versus the Russell 1000 Growth index. Annualized tracking error is expected to run between 4% and 7%, depending on market conditions. Note: tracking error is not monitored in the day-to-day management of this strategy.

C. What has been the annual turnover (in position terms) for this product over the past five years?

The annual turnover for the Large-Cap Growth strategy over the past five years is 25%.

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

Given our balance of steady growers and companies that are earlier in their life cycles, we expect to perform solidly in various market environments. In particular, our goal is to have company-specific fundamentals and the attendant idiosyncratic risk drive as much of the portfolio as possible rather than simply relying on the vagaries of the market and macro environment.

Heavily price momentum-driven markets tend to be most difficult for us, given our valuation discipline. In addition markets where investor sentiment derives significant performance in select sectors can also be problematic. For example, in 2006, the strong performance in the traditional cyclical sectors such as energy and materials, where we typically have little exposure, were a significant headwind for us.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

While we would not categorize any set period as particularly “abnormal”, we have had periods of both strong “good/bad performance”. For example, calendar years 2008 and 2009 in tandem would be two years in which we both underperformed and outperformed, respectively. We feel both of these years, together, are illustrative of our process.

For the year 2008, our Large Cap Growth Strategy finished behind the Russell 1000 Growth Index. While we had some stocks to take responsibility for, which we go more in depth into in our 2008 Annual Client Letter, the macro environment and risk aversion wreaked havoc on our portfolio. We would have thought the quality of the stocks in our portfolio would have held up better in a tougher stock market. They did not, as many suffered from multiple compression driven by profound risk aversion.

During 2008, directionally we had the right read on the macro situation, and it helped us avoid several difficult areas. We were concerned about a “cycle within a cycle” in materials and energy, which of course were the sectors that created real performance headwinds for us in the prior few years. As we typically avoid the more cyclical and/or commodity price sensitive companies, we didn’t chase these areas, and it helped in 2008. We were also very wary of the credit cycle and had no direct exposure to it. This helped as well.

With all that said, however, we (and nearly everyone else) underestimated the overwhelming magnitude of the credit bubble and how its collapse would ultimately manifest itself in the broader economy and the markets. We were most surprised by how violent and indiscriminate the multiple compression was. Business model quality and competitive advantage were mostly ignored. While this environment had created opportunities from a new idea perspective, it certainly hurt our existing holdings, so much so that it outweighed the good decisions we made in avoiding some of the most damaged areas.

During 2009, our Large Cap Growth Strategy largely outperformed the benchmark. We believe we benefited from both solid stock selection and a normalization of risk aversion. As you might recall, in 2008, we noted the portfolio had been penalized as multiples shrank during the market’s flight from any kind of risk. In 2009, we think most of our companies came back to more reasonable valuation levels versus the extreme discounts of late 2008. When the tide went out, our businesses still had their bathing suits on (as Warren Buffett might say), and that did not go unnoticed by the market.

Because we generally own businesses that have strong competitive positions; generate copious amounts of free cash; have underleveraged balance sheets and excess cash; take market share in downturns; and generally beat the living daylights out of their competitors, we’d like to think it was easy for the market to come back to them in 2009. We wrote in last year’s letter:

“Business model quality and competitive advantage were mostly ignored [in 2008]. While this environment has created opportunities from a new idea perspective, it certainly hurt our existing holdings, so much so that it outweighed the good decisions we made in avoiding some of the most damaged areas.”

More importantly, it wasn’t hard for us to hold on to these businesses during a rough period. And we did more than hold on – when opportunities presented themselves we added to select positions.

In reviewing the bottom performers, we’d note there were no major fundamental disappointments in 2009. As we’ve said many times, avoiding mistakes is just as important as picking good stocks. In that regard, this was a solid year. Instead, the primary “issue” with three of the primary detractors was they did not suffer from the same risk aversion worries that had hit the best performers (in late 2008). Simply put, since their stocks didn’t go down much in the crisis, they weren’t primed to run back in 2009.

As we look back on the past two years, 2008 and 2009 were outliers in terms of the magnitude of the selloff and subsequent rally. We like to think we have a pretty rational approach to investing. However, Mr. Market's short-term focus can produce a certain amount of chaos that we can't always account for in our fundamental analysis—even with a rational approach. We believe solid stock selection and the conviction to stick with our holdings is the best approach to weather such volatile periods. Furthermore, our focus on a company's competitive position and business model quality results in a portfolio that has a solid chance to add value in an uncertain global outlook. To reiterate, we like our philosophy and process very much in this environment.

We have also attached the team's annual client letters from 2010 and 2011 as Appendix D1 and Appendix D2, which are another two calendar year periods that are insightful to our approach. We would be happy to discuss any period of over/under performance more in depth if needed.

F. Provide metrics associated with the following areas:

1) Number of securities held

- **Current:** As of 12/31/2012 we held 31 securities.
- **Historical range:** Our holdings range is typically from 25 to 35 securities.

2) Position size

- **Current average:** As of 12/31/2012 our average individual position size is approximately 3.2%.
- **Current largest:** Our largest holding as of 12/31/12 was Apple at 6.8%.
- **Maximum allowable (specify if measured at cost or market):** Maximum of approximately 8% at market value
- **Percent in top ten holdings:** Approximately 49.2% as of 12/31/12.

3) Cash & equivalents allocation

- **Current:** Approximately 1.5% as of 12/31/12.
- **Historical range:** We typically will hold 2% – 3% cash.
- **Maximum allowable:** Our policy limit is 10%, which we expect to reach very infrequently. As we do not practice market timing, cash is generally transactional only.

G. Exhibit-C (in the attached Excel document): Provide current and historical holding Cap Size.

We have provided the requested information in Exhibit C.

- H. Exhibit-D (in the attached Excel document): Please enter monthly gross and net of fee returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.**

We have provided the requested information in Exhibit D.

- I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.**

Bottom-up stock selection is expected to be the primary source of value-added. As bottom-up investors, we do not practice market timing.

We believe that bottom-up stock decisions ultimately drive portfolio performance. Value creation as measured by sector attribution is a by-product of our process, though our preference for avoiding heavy cyclicals and commodity price-oriented companies should, in our view, add value over the long term.

- J. Regarding composite quality:**

- 1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?**

Delaware Investments claims compliance with the Global Investment Performance Standards (GIPS®). Delaware Investments has been independently verified for the period from January 1, 2000 through December 31, 2011.

- 2) Has it been your firm’s policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.**

Yes.

- 3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.**

Yes. Some accounts have restrictions on foreign investments so they are in the restricted composite.

- 4) Are terminated portfolios included in the composite? If not, please explain.**

Yes.

- 5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?**

Accounts are included in the composite the first full month after inception. This policy has been consistently applied since inception of the composite.

6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

Portfolios are asset weighted. Yes. This policy has been consistently applied since inception of the composite.

7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

Yes. Cash returns are mixed with asset returns. Yes. This policy has been consistently applied since inception of the composite.

8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

Accounts are only switched from one composite to another if the investment guidelines change.

9) Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.

As of 9/30/2012, the Large-Cap Growth strategy had 59 accounts totaling \$12,177 million and the composite had 47 accounts totaling \$10,650 million.

10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

1 year ended					
	2008	2009	2010	2011	9/30/2012
Minimum	-43.22%	42.66%	14.38%	8.29%	30.40%
Maximum	-42.03%	45.48%	15.40%	9.17%	32.04%
Median	-42.61%	43.90%	14.89%	8.87%	31.61%

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-E** (in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 9/30/12.

IV. INVESTMENT VEHICLES, FEES & TERMS

A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

We believe that capacity in this product is approximately \$15 to \$20 billion. This level, while somewhat conservative in our view, reflects our desire to maintain an asset size that does not prevent our holding meaningful positions in very attractive mid-cap companies. Specifically, the \$15 to \$20 billion range was determined as a function of: (1) our preference for material position sizes (generally 2% and above), given our concentrated approach; (2) our minimum capitalization at purchase of \$3 billion; and (3) our desire to limit our ownership of a company to approximately 10-15%.

B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:

1) Separate Account

The standard fee schedule for a Large-Cap Growth – Focus separate account is as follows:

Large-Cap Growth – Focus Separate Account	
On amounts up to \$25 million	0.75%
On amounts from \$25 million to \$50 million	0.65%
On amounts from \$50 million to \$100 million	0.55%
On amounts from \$100 million to \$300 million	0.45%
On amounts over \$200 million	0.40%

Minimum separate account size is \$50 million.

Separate account fees are negotiable.

2) Commingled Fund

The Delaware Pooled Trust Large-Cap Growth Equity Portfolio

The fees, as stated in the attached Prospectus, are given below.

The Delaware Pooled Trust Large-Cap Growth Equity Portfolio	
Management Fees	0.55%
Distribution and service (12b-1) fees	none
Other expenses	0.09%
Total annual portfolio operating expenses	0.64%
Fee waivers and expense reimbursements*	(0.00%)*
Total annual portfolio operating expenses after fee waivers and expense reimbursements	0.64%

*The Portfolio's investment manager, Delaware Management Company (Manager), is contractually waiving its investment advisory fees and/or paying Portfolio expenses (excluding any 12b-1 fees, taxes, interest, short sale and dividend interest expenses, brokerage fees, certain insurance costs, and nonroutine expenses or costs, including, but not limited to, those relating to reorganizations, litigation, conducting shareholder meetings, and liquidations) to the extent necessary to prevent total annual

portfolio operating expenses from exceeding 0.65% of the Portfolio's average daily net assets from February 28, 2012 through February 28, 2013. The waivers and reimbursements may only be terminated by agreement of the Manager and the Portfolio.

3) Institutional Mutual Fund

Delaware U.S. Growth Fund – Institutional Class Fees

Delaware U.S. Growth Fund – Institutional Class	
Management fees	0.64%
Distribution and service (12b-1) fees	none
Other expenses	0.27%
Fee waivers and expense reimbursements	(0.06%)*
Total annual fund operating expenses	0.85%

* The Fund's investment manager, Delaware Management Company (Manager), has contractually agreed to waive all or a portion of its investment advisory fees and/or pay/reimburse expenses (excluding any 12b-1 fees, taxes, interest, short sale and dividend interest expenses, brokerage fees, certain insurance costs, and nonroutine expenses or costs, including, but not limited to, those relating to reorganizations, litigation, conducting shareholder meetings, and liquidations) in order to prevent total annual fund operating expenses from exceeding 0.85% of the Fund's average daily net assets from February 28, 2012 through February 28, 2013. These waivers and reimbursements may be terminated only by agreement of the Manager and the Fund.

C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

We would be willing to discuss a performance based fee arrangement.

D. Specifically regarding commingled vehicles (excluding mutual funds):

- 1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.
- 2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?
- 3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.
- 4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?
- 5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.

Not applicable.

- E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.**

Delaware Investments' management philosophy is to offer the same product to everyone for the same price; however, for very substantial sized accounts, the firm will consider "most favored nation" clauses on a case-by-case basis. While we do offer some clients "most favored nation" status, we do not disclose confidential client information publicly.

- F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?**

Total trading costs are considered to be proprietary.

- G. Are fees and/or terms negotiable for this mandate? If so, at what size?**

Separate account fees are negotiable.

- H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?**

All team members have a substantial portion of their liquid net worth in the team's products. Since we practice conviction-based concentrated investing, it should come as little surprise that we are eager to "eat our own cooking" and proud to have material "skin in the game" along with our clients. We believe our willingness to put personal capital and revenues (via performance fees) at risk highlight our drive for an even tighter alignment of interests with our clients. By policy we tend not to give out the specifics of individual team members investment in the strategies.

- I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as Appendix E – Legal Documents.**

We have attached all relevant documents as Appendices E1 and E2.

OPERATIONS, TRADING & CONTROLS

J. Briefly describe your administrative/back office operations and organizational structure.

The Investment Operations department, headed by Michael Capuzzi, encompasses overall strategic business lines within Delaware Investments. These include trade operations, trade settlements, performance, institutional account services, technology development, project management, and business analysts.

Delaware Investments outsources its Investment Accounting functions to BNY Mellon. Delaware Investments has an Investment Accounting oversight group which provides general vendor oversight to BNY Mellon Fund Accounting and Custody Operations. Currently, there are 39 Delaware Investments operations professionals that support the Institutional business.

The middle office functions of trade processing and settlements are performed by Delaware personnel under the direction of Michael F. Capuzzi, CFA is Senior Vice Present, Head of Delaware's investment operations. The back office operations such as shadow accounting, cash and asset reconciliations and other accounting items have been outsourced to BNY Mellon and Camillo D'Orazio, Vice President—Institutional Account Services area has oversight responsibilities of this provider.

K. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

Delaware Investments outsources its Investment Accounting functions to BNY Mellon. Delaware Investments has an Investment Accounting oversight group which provides general vendor oversight to BNY Mellon Fund Accounting and Custody Operations.

L. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

Investment research

In support of our process, the team has access to industry standard applications and databases including StockVal, Multex and Bridge.

Portfolio construction

We do not utilize a quantitative program or system for portfolio construction.

Risk measurement and monitoring

We have access to BARRA for risk management, but we generally do not utilize this system. We use the FactSet system for performance attribution.

Trading

We use various electronic trading systems which allow us to access all market centers. These systems include Posit, Instinet, Pipeline, RealTick, Liquidnet, and direct access via broker algorithms.

OMS, our trade order management system, is owned by the ITG Group. We employ a variety of software packages which provide a range of features. Examples include financial data and

screening packages such as the Baseline, information systems such as Bloomberg and our trading systems.

Accounting

Delaware Investments outsources its Investment Accounting functions to BNY Mellon. BNY Mellon uses Eagle's Star accounting platform. Delaware Investments has an Investment Accounting Oversight group which reviews BNY Mellon work.

Performance Attribution

Performance attribution is analyzed on a daily basis. The team utilizes FactSet's Portfolio Analysis software (PA) which offers insight into what drives portfolio performance. PA Attribution Reports provide performance compared to a benchmark. This dynamic report shows a specific portfolio's weightings compared to the benchmark, and allows us to see which sectors, countries or individual positions within our portfolio contributed most or least to performance.

Additionally, the PA Characteristics Reports provide insight into the factors that make our portfolios move and illustrate how our investment decisions affect portfolio performance by providing a fundamental overview of our portfolios' characteristics versus a given benchmark including market capitalization, valuation measures, growth rates, profitability ratios, and other financial ratios.

M. Regarding valuation practices:

1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.

The pricing source is IDC. As long as the vendor provides us with a price we will accept it. There may be an instance when the vendor does not provide a price for a security. When that occurs, we get the price from a dealer.

Delaware Investments, through its trading department, selects brokers, dealers and banks to execute transactions for the purchase or sale of portfolio securities based upon a judgment of their professional capability to provide the service. The primary consideration is to have brokers or dealers to execute transactions at best execution.

Best execution refers to many factors, including size of an order, the price paid or received for a security, the bid/ask spread, the promptness and reliability of execution, the confidentiality and placement accorded the order and other factors affecting the overall benefit obtained by the account in the transaction.

A secondary consideration involves research capabilities of these broker/dealers as a percentage of our research is gathered from the Street.

2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

As stated in M. 1) above, IDC is the pricing source used.

3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?

Yes. The Pricing Committee will monitor and review pricing procedures and make determinations of “fair value” where the procedures call for judgment and analysis. In the event that market quotations are not readily available, the “fair value” of such securities will be determined in good faith.

In determining whether market quotations are readily available, various factors will be taken into consideration, such as: market closures (due to strikes, weather events, unscheduled holidays or other unplanned events), significant events after local market closures, or aftermarket trading, and a determination will be made as to whether a fair value committee meeting is necessary. If it is determined that no meeting is necessary, the security will be priced at the prior closing price. If a meeting is necessary, the Pricing Committee, after considering the appropriate criteria, will determine a fair value for the security. The fair value price may be a single price good for a day or a number of days as set by the Committee. Alternatively, the Committee may determine that the application of an internally derived or third party provided methodology (e.g., matrix pricing) to determine fair value price for a period of time is appropriate.

N. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor’s opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

The firm does not have a SAS 70. However, we have developed and implemented a number of policies and procedures related to internal controls, including Disclosure Controls Procedures, Sarbanes Oxley Procedures and specific Procedures pursuant to Section 404 of Sarbanes Oxley. We have also developed and implemented a compliance program in accordance with Rule 206(4)-7 under the Investment Advisers Act of 1940 that requires annual assessments of the continuing effectiveness and adequacy of the firm's compliance program.

O. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

Portfolio Managers receive daily printouts of all portfolios to review positions and weighting. In addition, traders report all trades to the portfolio management group at the end of the day. All trade activity has an audit trail to identify when and by whom a trade was entered. In addition, we monitor dispersion among accounts in the same style to highlight accounts where stock positions differ from the average weighting by a significant percentage.

P. Discuss procedures used to monitor and control personal trading activities.

Employees are required to report personal securities transactions on a quarterly basis. This information is reported to the Compliance department through an on-line certification module.

Q. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

Yes. Every new employee is given a copy of the Code of Ethics on his or her start date. In addition, all employees receive the updated Code of Ethics on an annual basis and are required to certify that they have received the document.

The Delaware Investments' Code of Ethics requires that all Portfolio Managers, Investment Persons and Access Persons complete a Holdings Disclosure Report at the time of hire and annually thereafter.

Delaware Investments requires pre-clearance for funds on which we serve as sub-advisor. Delaware Investments also reports personal securities transactions and holdings on a quarterly basis.

R. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

To our knowledge, there are no unique existing or potential conflicts of interest in relation to this investment management contract being awarded to Delaware Investments.

S. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

Our team's other products in large-cap growth, multi-cap growth, and in the global-growth space will have overlapping holdings with the Smid-Cap Growth – Focus strategy, and our capacity determination for each product incorporates this expectation. To that end, as we approach our stated asset capacity for Smid Cap Growth we have decided to soft-close to new Institutional clients.

T. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

The portfolio managers are primarily responsible for adhering to the investment guidelines. In addition, the Compliance department monitors investment guidelines using the Delaware Compliance System. The Compliance System monitors transactions on both a pre-trade (for equity accounts) and post-trade (for both equity and fixed income accounts) basis. For equity accounts, the Compliance System acts as a filter between Portfolio Managers and the Equity Trading desk identifying possible portfolio guideline violations prior to the order being submitted to the Trading desk. Additionally, each morning a member of the Compliance Department generates and reviews the Compliance System Exception Report. This report covers both equity and fixed income and will test each portfolio for compliance within its investment guidelines. If a violation is reported, the Portfolio Manager is immediately alerted.

U. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

The Compliance department monitors investment guidelines using the ITG IC System. The IC System currently monitors transactions on a post-trade (for both equity and fixed income accounts) basis and will also be monitoring transactions on a pre-trade (equity) basis. In the meantime we continue to utilize XIP CompAlert for pre-trade monitoring for equity accounts. For equity accounts, the Compliance System acts as a filter between portfolio managers and the Equity Trading desk identifying possible portfolio guideline violations prior to the order being submitted to the Trading desk. Additionally, each morning a member of the Compliance department generates and reviews the IC Daily Exception Report. This report covers both equity and fixed income and will test each portfolio for compliance within its investment guidelines. If a violation is reported, the portfolio manager is immediately alerted.

V. Regarding counterparties:

- 1) List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).**

Delaware Investments considers this to be proprietary information.

- 2) Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.**

Delaware Investments considers this to be proprietary information.

- 3) How are your trading counterparties selected, monitored and evaluated?**

Delaware Investments selects broker/dealers to execute transactions based upon a judgment of their professional capability to provide the service. The primary consideration is to have broker/ dealers execute transactions at best execution. Best execution refers to many factors, including size of an order, the price paid or received for a security, the bid/ask spread, the promptness and reliability of execution, the confidentiality and placement accorded the order and other factors affecting the overall benefit obtained by the account in the transaction.

A secondary consideration involves research capabilities of these broker/dealers as a percentage of our research is gathered from the Street.

We monitor execution quality in a variety of ways. First, the trader working the order gives very precise instructions to the executing broker and monitors progress on a continuous basis throughout the day. The trader must pay close attention to both price and volume parameters in trying to implement what the portfolio managers want to do. We also subscribe to Able Noser who provides us with detailed, quarterly reports which compare us to other institutions in their respective universes. The Head of Trading reviews these reports quarterly and discusses the results with the individual traders and with the portfolio managers.

4) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.

Delaware Investments has the following operational processes and monitoring measures in place to manage counterparty risk. Please note that these steps describe our risk management policies in general for all clients and that institutional separate account clients may require us to trade with counterparties selected by such clients.

- ***Counterparty Exposure*** – We consult with our separate account clients and agree to exposure thresholds to counterparties on an approved list. The Fixed Income department reviews the counterparty exposure daily. As further described below, the firm’s Derivatives and Complex Securities Committee conducts an in-depth review of counterparty exposure on a monthly basis. Unless instructed otherwise by a client, we will require our counterparties to post collateral at certain levels of exposure. If the counterparty has reached an exposure level that is too high, we will cease trading with that counterparty until appropriate levels are restored.
- ***Counterparty Quality*** – As part of their coverage responsibilities, analysts on the Fixed Income department’s credit research team continually review derivative counterparties as part of their sector and company specific responsibilities. Unless instructed by a client, we will not enter into a derivatives position with a counterparty that does not meet our credit review standards.
- ***Derivatives and Complex Securities Committee*** – Delaware Investments has a Derivatives and Complex Securities Committee that meets on a monthly basis. The Committee is comprised of representatives from the firm’s Compliance, Legal, Equity, Fixed Income, and Fund Accounting departments. A member of the Derivatives Operations group also participates in each meeting. The Committee operates pursuant to a policy statement that sets out the policies, guidelines and internal control procedures with respect to derivatives and complex securities transactions entered into by the adviser on behalf of its clients. At each meeting, the Committee also reviews, among other reports: a report on counterparty exposure by client; a summary report on derivative exposure by client; a swap counterparty exposure report; and a collateral posting exposure report. Please note that the Committee is not intended to be a firm-wide risk management committee.

Delaware Investments has taken steps to enhance its counterparty risk management practices. In early 2008, the firm created its Derivatives Operations group. The Derivatives Operations group was designed to manage counterparty risk in connection with derivatives trading by monitoring collateral posting obligations and derivatives settlement issues. The Derivatives Operations group meets weekly with members of the firm’s Legal and Fund Accounting departments to discuss outstanding issues. Outside counsel also participates in this weekly meeting.

W. Provide an overview of your business continuity and disaster recovery systems and plans.

We believe that a sound disaster recovery plan is essential to protect the well being of Delaware Investments. We have provided an overview of our Disaster Recovery Business Continuity Plan below.

While we make every effort to avoid business disruptions, it is reasonable and prudent to guard against potential disruptions and prepare plans that will enable us to recover from such disruptions and resume business functions.

Delaware's Business Continuity Strategy employs:

- System and Telecommunication Accessibility
- System Back-up and Recovery
- Employee Safety and Communication

Our business continuity/disaster recovery plan includes documented and tested procedures that will assist in ensuring the availability of critical resources and in maintaining the continuity of operations during an emergency situation.

Alternative Facilities

Strategies include the use of both affiliated sites and mobile sites for client response call centers. The location of the continuity site will be determined based on the geographical scope of a disruption (firm, city, and region).

Critical Systems

Critical applications have been identified throughout Delaware. In the event of a site disruption, these critical applications will be available when the alternative facilities are established.

Recovery Time

Recovery time for critical systems will be determined based on the scope of the disruption. Targeted recovery for critical systems ranges from 24 hours to 72 hours.

Communication

Communication teams are identified in each location. These teams will establish communications with internal employees, clients and members of the media.

V. LEGAL & REGULATORY ISSUES

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as Appendix F – ADV Part II. If exempt, please describe the exemption.**

Delaware Investment Advisers (DIA) is a series of Delaware Management Business Trust (DMBT) which is a Registered Investment Advisor under the Investment Advisors Act of 1940.

Delaware Management Business Trust's predecessors have been registered with the SEC since June 1952. Due to a business acquisition, we were required to re-register with the SEC as an investment advisor on May 31, 1988.

We have provided our ADV Part II as Appendix F.

- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.**

No. Delaware Investment Advisers ("DIA"), a series of Delaware Management Business Trust, is not and has not been involved in any court case relating to the management of institutional assets over the course of the past five years; however, DIA's affiliates may from time to time have litigation relating to securities held in the Delaware Investments Family of Funds. Currently there is at least one such action pending.

- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.**

Delaware Investment Advisers' affiliates within Delaware Investments have been placed under investigation or fined by their regulators over the past five years as follows:

1. In 2009, Delaware Distributors, LP (DDL), a broker-dealer to several US registered mutual funds and an affiliate of DIA, settled a matter relating to the Division of Securities of the Office of the Maryland Attorney General's finding that DDL failed to file correct sales reports for two share classes of four funds. Without admitting or denying any of the findings, DDL entered into a consent order under which it agreed to pay \$8,000 in civil penalties and \$4,257.50 in back fees and interest.

2. In 2011, Delaware Distributors, LP (DDL), a broker-dealer to several U.S. registered mutual funds and an affiliate of DIA, settled a matter relating to the Government of the District of Columbia, Department of Insurance, Banking and Securities Commissioners finding that DDL failed to file correct sales reports for certain funds. Without admitting or denying any of the findings, DDL entered into a consent order under which it paid \$305,000.00 in civil penalties and \$363,685.00 in back fees and interest.

3. Delaware Investments is one of several parties that have received a subpoena from the U.S. Department of Labor (DOL) requesting information pertinent to a collective investment fund previously managed by Delaware Investment Advisers. Delaware Investments is cooperating fully with the DOL in responding to this matter.

4. In September 2011, Delaware Asset Advisers (“DAA”), a series of Delaware Management Business Trust, an affiliate of DIA that manages CDOs and other structured products, received a notice from the U.S. Securities and Exchange Commission (the “SEC”) of a potential proceeding relating to alleged violations of federal securities laws in connection with DAA’s role as collateral manager for certain collateralized debt obligations (CDOs).

In July 2012, DAA settled this matter with the SEC. The SEC found that DAA was negligent in connection with its participation in the ratings process as the collateral manager in the Delphinus 2007-1 CDO, and that this led the CDO’s trustee to conclude that all investors in the Delphinus CDO should be paid out pro rata rather than based on payment provisions that would have been applied under the transaction document in the event that ratings of notes issued by the CDO were not confirmed. Without admitting or denying the validity of the SEC’s findings, DAA agreed to pay disgorged fees, interest and a penalty totaling \$4.8 million. The DAA portfolio manager who had primary responsibility for managing the Delphinus CDO was also part of this SEC settlement and agreed to certain conditions, including suspension from association with any investment adviser for six months.

DAA takes its fiduciary responsibilities extremely seriously and works diligently to ensure all employees adhere to the highest of standards, and to ensure that its processes and procedures are best-in-class in the industry. The ratings process when it comes to CDOs is a unique part of the business and work is ongoing to ensure that processes are in line with industry best practices and that DAA has appropriate checks and balances in place. DAA and Delaware Investments do not believe that the settlement order described above has materially adversely affected DAA’s or Delaware Investments’ ability to service its clients.

D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.

To our knowledge, no current officer, director, partner, principal or employee of the firm has ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony.

E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).

The firm has the following insurance coverage in place for the period ending October 31, 2013.

Policy	Carrier	Limits
Directors & Officers/Errors & Omission Liability	Twin City Fire Insurance Co. (A member of the Hartford)	\$10MM
	US Specialty Insurance Co (HCC)	\$10MM excess \$10MM
	St. Paul Mercury Insurance Co. (Travelers)	\$15MM excess \$20MM
	Freedom Specialty Insurance Co.	\$10MM excess \$35MM
	Continental Casualty Co. (CNA)	\$10MM excess \$45MM
		Total Limits \$55MM
Investment Advisers Fidelity Bond	Federal Insurance Company	55.6% co-surety
	St. Paul Fire and Marine Insurance Company (Travelers)	33.3% co-surety
	U.S. Specialty Insurance Co. (HCC)	11.1% co-surety
		Total Limits \$45MM
Investment Companies Fidelity Bond	Federal Insurance Company (Chubb)	62.5% co-surety
	St. Paul Fire and Marine Insurance Company (Travelers)	37.5% co-surety
		Total Limits \$40MM

F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

During the past five years, claims have been made against the firm's Directors & Officers/Errors & Omission Liability insurance policies, but none have been deemed material.

G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

No.

H. What is your firm's soft dollar policy?

DMBT uses commission revenues from equity trades to pay for research received by the manager. Under brokerage and research allowable under the safe harbor protections described in Section 28(e) of the Securities and Exchange Act of 1934, equity commissions are used to pay brokers or dealers for research services such as: advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities.

MISCELLANEOUS

I. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as Appendix G – Sample Client Report.

Client reports containing information on portfolio holdings and performance are issued monthly, typically within 5 to 7 business days following month end. However, separate accounts are valued daily and information regarding a portfolio is available upon request. Statements in an electronic format can be provided at the client's request.

Additionally, we provide written quarterly commentary on the market, and in-person portfolio reviews at the client's request. Generally, we hold semi-annual or quarterly review meetings with each client. Review meetings are supplemented by telephone conversations, written correspondence or e-mail.

Delaware Investments has a state-of-the-art Information Technology department that is responsive to client or in-house informational needs. Our online system can be accessed by clients to view statements and product information via the Delaware Investments website. Each client is issued a unique identification and password to ensure security of the site information.

As needed, we are able to make available our research efforts to aid our clients in specific requests. Often in the past, we have assisted clients with asset class outlook, sector analysis, and company-specific issues.

We have attached a sample report as Appendix G.

J. Attach a list of institutional clients invested in the proposed strategy as Appendix H – Representative Institutional Clients.

We have attached this document as Appendix H.

K. Provide references for five current institutional clients invested in the proposed strategy.

We have provided current Large-Cap Growth Equity client references below. As a courtesy, we prefer to contact our clients prior to a reference check. Please call Trevor M. Blum, CFA, Senior Vice President – Institutional Consultant Relations and Sales, West Coast at (503) 471-1387 before contacting clients.

Client: Miami Fire Fighters & Police Retirement Trust
Contact Name/Title: Mr. Robert H. Nagle, Administrator
Phone: (305) 858-6006

Client: Oregon Public Employees' Retirement Fund
Contact Name/Title: Mr. Benjamin Mahon, Senior Investment Officer
Phone: (503) 378-4111

Client: The Boeing Company – Trust Investments
Contact Name/Title: Mr. Eric Peterson, Trust Administrator
Phone: (312) 544-2092

Client: Stanislaus County Employees' Association
Contact Name/Title: Mr. Thomas Watson, Retirement Administrator
Phone: (209) 525-4650

Client: City of Oakland Police and Fire Retirement System
Contact Name/Title: Mr. Teir A. Jenkins, Retirement System Accountant
Phone: (510) 238-6481

L. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

These references can be provided if selected for further due diligence.

M. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?

We believe the core tenets of our investment philosophy address ESG issues, both implicitly and in some areas, explicitly. Due to our long term investment time horizon, we aim to own companies in our portfolio through a full market cycle, or roughly three to five years. This leads us to companies that have established strong competitive positions and have created environments both within their companies and within their industries to function efficiently and sustainably. Establishing and maintaining strong competitive positions in any industry takes management focus and coordination to address most, if not all, of ESG issues. Shortcomings in ESG issues tend to get discovered in the marketplace with increasing efficiency and therefore our companies wouldn't be able to engage in such practices without notice during our long term holding period without damaging their franchise values. Therefore, in our fundamental analysis that leads us to companies that create and maintain value for their employees, the communities in which they operate, and indeed for shareholders, we believe that we address ESG matters implicitly in our investment process.

Where we address ESG issues more explicitly is in the Governance area. Because our valuation approach focuses on the cash metrics of a business (absolute levels of cash flow and returns on capital versus "short cut" relative valuation metrics), we pay special attention to the rationale and manner of which company management teams allocate capital within their businesses.

Therefore, issues such as Board oversight on capital allocation, capital structure decisions, management financial incentives, whether a Board or management team's interests are aligned with shareholders, etc, all address our focus on capital within a business and how it might get returned to us as minority equity shareholders.

N. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

Please see our response to Question M directly above.

- O. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.**

The firm does not currently have a formal policy that incorporates ESG issues into its investment decision-making process. The firm continues to discuss the systemic incorporation of environmental, social and governance factors into its investment process. To the extent an individual manager or team believes these issues may present risk factors that could potentially have a material impact on investment performance, that individual manager or team may take those factors into consideration. We also continue to investigate whether incorporating such factors is consistent with our investment goals and strategies. Should we advance in this RFP selection process, we would be pleased to discuss this matter with you further.

- P. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?**

Delaware Investments utilizes the proxy voting and services of Institutional Shareholder Services (ISS/RiskMetrics). ISS/RiskMetrics is a full service organization with deep research capability. We also utilize the research capabilities of several other outside firms to augment the research provided by ISS when needed.

To help ensure that the Advisers vote client proxies in accordance with the procedures and in the best interests of clients, Delaware Management Business Trust (DMBT) has established a Proxy Voting Committee (the "Committee") which is responsible for overseeing each Adviser's proxy voting process. The Committee consists of the following persons in DMBT: (i) one representative from the Legal department; (ii) one representative from the Compliance department; (iii) two representatives from the Client Services department; and (iv) one representative from the Portfolio Management department. The person(s) representing each department on the Committee may change from time to time. The Committee will meet as necessary to help DMBT fulfill its duties to vote proxies for clients, but in any event, will meet at least quarterly to discuss various proxy voting issues.

For additional information on our proxy voting policies, please refer to page 16 of our ADV Part 2A, which has been provided as Appendix F.

REQUEST FOR INFORMATION: US DOMESTIC EQUITY

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of our client.

Responders should be aware that SIS is conducting this search on behalf of a public entity in California. This entity is covered by the Public Records Act (Gov. Code 6250 *et seq.*) which requires that public records be available to the public upon request.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. All data should be as of 12/31/2012, if available.

The deadline for your firm's response to this RFI is 01/18/2013.

Please submit one hard copy and one electronic copy to:

John Nicolini
Strategic Investment Solutions
333 Bush Street, Ste 2000
San Francisco, CA. 94104
(415-362-3484)
jnicolini@sis-sf.com

NOTE: Where noted, exhibits are to be completed in the attached Excel document.

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	HS Management Partners, LLC
Address:	598 Madison Avenue, 14 th Floor, NY, NY 10022
Telephone Number:	(212) 888-0060
Fax Number:	(212) 888-0066
Website:	www.hsmanage.com
Primary Contact	
Name:	Barton H. Buxbaum
Title:	Partner, Director of Client Development
Telephone Number:	(212) 823-0563
Email:	bbuxbaum@hsmanage.com

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

Investment management is our only business and therefore represents the total revenues of our Firm.

HS Management Partners ("HSMP") is a 100% employee-owned SEC-registered investment adviser. We formed the Firm with a philosophy that a successful asset management practice

requires strength across investments, client development, and operations. Our team consists of thirteen professionals with an average 22 years of experience, and our four senior investment professionals share 110 years of collective experience.

HSMP specializes in concentrated quality growth equity portfolio management. We invest client capital in a portfolio of generally between 20 to 25 quality growth equities. We take a multi-dimensional approach to portfolio construction, with a demonstrated ability and willingness to go across the growth continuum (from established growth franchises to those with higher growth potential), up and down the market capitalization scale, and around the globe.

Focus is a vital part of our investment process. HS Management Partners devotes all resources and attention to one core product. All research and investment efforts are conducted for the sole benefit of our clients. A distinctive tenet of our investment process is the passion and the total immersion of our senior investment professionals. We believe this collaborative and cohesive process drives successful investment performance and provides a rewarding, fulfilling relationship for our clients.

- C. Attach an organizational chart depicting the firm's distinct business units as Appendix A - Firm Organizational Chart and provide the total number of employees within each business unit.**

Please see Appendix A - HSMP Organizational Chart attached.

- D. List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.**

HSMP is located at 598 Madison Avenue, 14th Floor, New York, NY 10022.

- E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.**

The Firm has no subsidiaries, affiliates or joint ventures.

- F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?**

HSMP is 100% employee owned. The Firm's four partners independently capitalized the Firm, and no one partner owns a majority stake. Harry Segalas is the largest single owner of the Firm.

G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

Since the Firm's formation in 2007 there have been no changes to its legal, organizational or ownership structure.

H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

HSMP's sole investment product is our Concentrated Quality Growth Portfolio. We believe there is more than adequate capacity from an investment standpoint to continue to grow our firm meaningfully with this one product. No new investment strategies or products are currently under consideration.

I. Describe your succession and continuity plans for management of the firm.

Each of the partners are comparatively young (early-mid 50's), in good health and passionate about the investment/asset management business. Each of the partners expects to remain engaged for many years to come. That said, should something unforeseen happen to any individual partner, we believe the remaining partners, each of whom has been here since the inception of the Firm and brings more than thirty years of investment experience, have the ability to fill the void.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

Since the Firm's formation in 2007 there has been no turnover among senior staff.

K. Exhibit-A (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

Please see Exhibit A for a breakdown of assets under management.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

No. HSMP has never liquidated, dissolved or otherwise terminated a strategy, hedge fund or commingled fund.

II. INVESTMENT TEAM

A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as Appendix B - Investment Team Organizational Chart.

Please see Appendix B - HSMP Organizational Chart attached.

Exhibit B (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.

Exhibit B – please see a list of the key individuals responsible for managing HSMP’s Concentrated Quality Growth Equity strategy.

B. Attach biographies for each of the individuals named above as Appendix C – Biographies of Key Investment Professionals.

Please see Appendix C – Biographies of Key Investment Professionals attached.

C. Identify the named portfolio manager(s) who would be responsible for our client’s specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.

As Chief Investment Officer, Harry Segalas serves as the decision maker and lead portfolio manager on client accounts.

D. Exhibit B (in the attached Excel document): Provide a summary of the firm’s employees.

Exhibit B - please see a summary of HSMP’s employees attached.

E. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

Partner compensation is ultimately determined by business results. The partners have capitalized the Firm with the long-term in mind, and partner remuneration depends on our ability to attract assets and manage those assets effectively within the discipline of our quality growth approach. We must deliver returns exceeding designated benchmarks (the Russell 1000® Growth and S&P 500® Indexes) while maintaining a prudent risk profile to attract the requisite assets under management for the Firm to prosper; only then will partnership distributions be available.

Bonus plans are based on the overall success of the Firm as well as the contribution of the individual member to the Firm’s overall success. Non-partner members of the Firm are compensated on the basis of competitive salaries and incentive bonuses. Partners’ remuneration depends entirely on the success of our concentrated quality growth portfolio in retaining and attracting client assets. The success of the Firm, and the compensation any member of the Firm may realize, is aligned with the success of our clients.

F. Exhibit B (in the attached Excel document): Complete the table listing turnover for the individuals responsible for the proposed strategy.

Exhibit B - please see the table listing turnover for the individuals responsible for our Concentrated Quality Growth Equity strategy.

G. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Each of the partners who comprise the senior members of the investment team are comparatively young (early-mid 50's), in good health and passionate about the investment/asset management business. Each of the partners expects to remain engaged for many years to come. That said, should something unforeseen happen to any individual partner, we believe the remaining partners, each of whom has been here since the inception of the Firm and brings more than thirty years of investment experience, have the ability to fill the void.

H. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

HSMP manages all investment and administrative capabilities in-house. HSMP does not have any affiliates.

III. INVESTMENT STRATEGY & PROCESS

A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

HSMP applies a focused, bottom-up, fundamental approach to growth equity portfolio management. Our investment style emphasizes fundamentals first, supported by value-added research and a dynamic valuation overlay. We invest our clients' capital in a portfolio of 20 to 25 primarily quality growth businesses that we believe have strong management teams, exceptional business models, sustainable franchises and enduring competitive advantages.

We seek to assemble and maintain a portfolio whose earnings stream grows each and every year and at a pace that exceeds corporate profit growth in most periods. In doing so, we strike the balance between growth and valuation. Our ultimate goal is to deliver superior long-term returns while effectively mitigating portfolio risk.

B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

HSMP applies a fundamental approach to growth equity portfolio management.

C. Discuss unique methods of gathering or analyzing information – what is your firm’s competitive advantage over other managers in your universe?

Our competitive advantage is three-fold:

I. Firm-wide focus – We put all of our resources and attention behind our sole investment product. All research and investment efforts are conducted for the sole benefit of our clients.

II. Emphasis on the earnings stream of the portfolio – We aim to build a portfolio with an earnings stream that grows each and every year, and to strike the right balance between growth and valuation. The net result should drive performance during the good times, protect clients better in the down times, and generate alpha.

III. High level of comfort investing across the growth & market capitalization continuum – We are attracted to beautiful businesses with long-term annual growth rates of 10% to 12%. At the same time, we invest in robust top-line growth companies that we see as an essential component of building a rapid portfolio earnings stream, so long as the valuation is reasonable. While we like big, dominant, “800 pound gorilla” businesses that tend to have very large market capitalizations, we will also go down the capitalization scale to capture exponential growth – investing in companies that we believe can become tomorrow’s market leading businesses.

D. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

Our bottom-up research leads to a vibrant group of exchange-traded public equities that span the growth continuum. Our emphasis is on quality growth businesses and we will invest down the capitalization scale (as low as \$1 billion) to capture exponential growth opportunities. The market capitalization range within our clients’ portfolios spans from \$2 billion to over \$200 billion. Our investable universe consists of no more than several hundred companies that exhibit the characteristics we prize. Investment candidates tend to reside in the Consumer Discretionary/Staples, Consumer/Business Services, Technology, Media, Healthcare, and Specialty Industrial sectors.

E. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

The investment team consists of six individuals, including four senior investment professionals, three of whom are founding partners. The team works in a cohesive,

collaborative manner, discussing ideas for inclusion in client portfolios from our Focus List. All resources of the Firm are quickly mobilized to conduct proof of concept/research work on a given idea, and inputs are quickly and broadly shared among team members. Harry Segalas, as CIO, makes the final portfolio decision.

This structure, distinct from company specific coverage responsibility, allows HSMP to marry the experience of its senior professionals with optimal use of information commoditization (including Street research) to yield concise, timely investment decisions. Internally, we refer to this as “research that matters.”

This structure has not changed since inception.

F. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

The team works in a cohesive, collaborative manner, discussing ideas for inclusion in client portfolios from our Focus List. All resources of the Firm are quickly mobilized to conduct proof of concept/research work on a given idea, and inputs are quickly and broadly shared among team members. Harry Segalas, as CIO, makes the final portfolio decision.

G. Outline and briefly describe the main steps of your investment process.

- Idea Generation
 - Conceptualization
 - Immersion
 - Observation
 - Select sources (subscriptions, conferences, sell side)
 - Quality Businesses
 - Focus: Consumer, Media, Technology, Services, Healthcare, Industrial
 - Conceptualization to Commercialization
 - Approximately 46% of the portfolio is represented by new names purchased within the past 12 months
- Focus List
 - Institutionalization of ideas
- Targeted Research – What Matters
 - Ability to mobilize quickly in a disciplined fashion while applying consistent valuation metrics
- Valuation
 - Evaluate relevant and proven metrics
- Sell Discipline – Optimizing Capital Allocation
 - Fundamentals
 - Valuation
 - Better opportunity

- Connecting the Dots
 - Concentration
 - Replicable decision process
 - Active management adds value
- Balancing Risk and Reward
 - Sustain portfolio earnings growth and limit downside

H. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

After a company reaches our 50 stock Focus List, the senior investment team identifies the key areas, unique to the company, which will drive its projected earnings stream. We conduct more intense and multi-faceted Targeted Research with a single goal: proof of concept. We begin this process by first utilizing technology to access publicly available information such conference calls, SEC filings, and Street research. Fieldwork then ensues in order to validate business execution. This work varies depending upon the company and industry of interest and can include the following:

- accessing industry contacts such as customers/suppliers/vendors
- visiting companies and/or stores
- attending trade shows and industry conferences
- modeling specific profit enhancement initiatives

All of these inputs are evaluated and then used to develop financial models that capture both the projected earnings growth and outlook for the company. We proceed only with those companies where proof of concept is confirmed.

I. To the extent that tactical sector allocation shifts, duration management and other top-down “macro” bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

100% of our resources are dedicated to bottom-up analysis.

We apply a bottom-up, fundamental approach to quality growth investing. While we do not incorporate a formal top-down analysis into our investment process, we remain highly cognizant of the economic headwinds or tailwinds facing the businesses we own. We seek to invest in businesses that exhibit relative strength through various economic environments, emerging in stronger competitive positions.

J. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Approximately 25% of our research effort is from external sources. We utilize technology to access publicly available information such as conference calls, SEC filings, and Street Research. We subscribe to Thomson/Reuters and I-Metrix which also serve as useful research tools. In addition, we utilize research, research-related products and other brokerage services on a soft dollar commission basis. Our soft dollar policy is to make a good faith determination of the value of the research product or services in relation to the commission paid. We maintain soft dollar arrangements for those research products and services which assist us in our investment decision-making process. External research

providers are routinely monitored for the quality of research provided and the value of conferences sponsored. A formal review of external research is conducted once per quarter, the frequency with which our Best Execution Committee meets.

K. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

As mentioned, the team works in a cohesive, collaborative manner, discussing ideas for inclusion in client portfolios from our Focus List. All resources of the Firm are quickly mobilized to conduct proof of concept/research work on a given idea, and inputs are quickly and broadly shared among team members. Final purchase decisions are driven by Harry Segalas, Chief Investment Officer.

L. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

HSMP's investment process begins with Idea Generation. We capitalize on the broad experience and knowledge base of our senior investment team. The members comprising this group have analyzed a vast range of companies and industries over four decades, and have lived through and gained experience from a variety of economic and markets cycles over the course of their investment careers.

In our quest for suitable investment candidates, we seek to identify quality business franchises with criteria that include: strong management teams; superior business models; sound balance sheets; high free cash flow characteristics; recurring revenue streams; pricing power; global platforms; new market opportunities; wide and defensible moats; and strong, albeit reasonably attainable, earnings prospects. Our orientation is toward companies that sell low ticket goods or services to the billions of consumers and businesses around the world and which participate in stable developed profit pools as well as offering a presence in developing marketplaces. The products sold or services rendered tend to be relatively less cyclical in nature while the broad customer base provides diversification.

The businesses with sustainable competitive advantages vital to the attainment of our core objective – the delivery of superior returns by attaching client assets to a growing stream of high-quality earnings while employing discipline with targeted research and proven valuation tools – is a finite universe. Indeed, we believe our investable universe consists of no more than several hundred companies that exhibit the characteristics we prize. Investment candidates tend to reside in the Consumer Discretionary/Staples, Consumer/Business Services, Technology, Media, Healthcare, and Specialty Industrial sectors.

In addition to established, leading companies that we have known for many years, we constantly seek to identify “up and coming” new candidates that meet our quality criteria largely within these sectors. Examples would include businesses possessing great assets and new leadership, companies that have been freed of legacy issues, franchises moving from niche markets to mainstream, and/or companies with exciting new products/services. Ideas with attractive investment potential are placed on our Focus List.

The HS Management Partners Focus List consists of 50 stocks, and is the next phase in our replicable investment process whereby an idea is formally integrated into a comparative valuation analysis. This analysis among our 50-stock Focus List allows us to compare candidates on an apples-to-apples basis with respect to anticipated growth rates, appropriate discount rates, and reasoned valuation assumptions as measured in relative multiples to the market, free cash flow yields, and appraised present values.

Following the addition of a stock to our Focus List, we conduct more intensive Targeted Research with a single goal: Proof of Concept. We analyze business models and evaluate long-term potential. We utilize technology to access publicly available information such as conference calls, SEC filings and Street research. Our experienced senior investment team members identify the key determinants unique to each company required for us to gain a more comprehensive understanding of the factors critical to the attainment of projected earnings growth. Our work addressing what matters varies by company and/or industry and can include the following:

- Accessing industry contacts (customers/suppliers/vendors)
- Visiting companies and/or stores
- Attending trade shows and industry conferences
- Modeling specific profit enhancement initiatives

The next step in the investment process is our Valuation Discipline, in which we evaluate relevant and proven metrics. We analyze a company's absolute and relative price/earnings ratio in the context of the level and duration of its organic growth rate. The P/E ratio is also examined relative to where the stock has sold in the past and to where it may sell in the future based on fundamental prospects. The quality of earnings is determined by focusing on free cash flow yields. We also conduct an appraised present value analysis on each of the stocks on our Focus List.

Should a company's fundamentals appear strong and validated by our proof of concept work, and we find the valuation of its shares attractive, we will initiate a position in a stock. The portfolio consists of 20 to 25 stocks. Individual position sizes typically range from 2% to 8% and we typically invest incrementally, building positions over time with sensitivity to conviction and market conditions.

HSMP views its clients' capital as scarce capital and each day we determine how best to apply that capital. Three considerations influence our Sell Discipline. First and foremost are fundamentals. A loss of confidence in a company's business model or its ability to realize the earnings stream in the manner and at the pace we had anticipated is reason for us to sell out of the stock. A second reason we would sell is tied to valuation. Should a stock look richly priced based on our valuation tools and growth assumptions, we would typically sell a part or all of the position. Third would be a better investment opportunity, where our conviction level is stronger and our enthusiasm for the fundamentals is greater. A change in fundamentals typically results in a liquidation of the shares, whereas sales occasioned by valuation considerations and/or a better opportunity might be incremental in nature. To the extent we find situations where we believe a holding is moving ahead of itself or a more attractively positioned situation is emerging, we will sell or trim a position so as to re-deploy the capital in a manner we believe will enhance returns over time and minimize risk in the process.

Our buy and sell disciplines underscore the importance of managing a concentrated portfolio. With a hard cap of 25 portfolio holdings, and a Focus List of 50 names from which our portfolio is comprised, decisions to add a name are often accompanied by a parallel decision to sell a name – the essence of active management.

M. How do you define “risk”?

Company Specific Risk: We populate our Focus List with businesses we believe possess attractive models and offer a high level of transparency. We then apply our best thinking to select those names from the Focus List that meet our objective of growing the earnings stream consistently over time and that can be purchased at attractive valuations. Our orientation is toward companies that sell low ticket goods or services to the billions of consumers and businesses around the world and which participate in stable developed profit pools as well as offering a presence in developing marketplaces. The products sold or services rendered tend to be relatively less cyclical in nature while the broad customer base provides diversification.

Portfolio Centric Risk: Our emphasis on growing the earnings stream places consistent upward pressure on portfolio performance. As well, our valuation discipline mitigates risk by providing a framework to help ensure that we do not overpay for the earnings stream. Our 20 to 25 stock portfolio allows us to get the benefits of diversification without the dilution of our best thinking. Position size is another means by which we seek to control portfolio risk. In addition, we have found that active management has added value and mitigated risk over time for our clients. Historically, we’ve been able to preserve capital better than the indices through difficult markets. We understand the businesses we own, and that places us in a good position to evaluate how those businesses are likely to perform and behave in varying market and economic cycles.

HSMP is discriminating with respect to the quality of the businesses we own and the price we are willing to pay to realize the earnings stream we prize.

N. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

We adhere to the following portfolio guidelines:

1. Cash Position: Except upon the initial or any subsequent cash deposit, the portfolio should not maintain a cash position with a value larger than 5% of the fair market value of the portfolio, provided, however that if, after such initial or subsequent cash deposit, the cash position exceeds 5% of the fair market value of the portfolio, such cash position will be reduced to a percentage below 5% of the fair market value of the portfolio as soon as reasonably practicable.
2. A single portfolio security shall not generally exceed 8% of the fair market value of the Portfolio.
3. The total number of securities held in the Portfolio shall generally be between 20 and 25.

4. Client portfolios may hold foreign issuer equity securities as American Depository Receipts (traded on listed exchanges or over-the-counter markets) or ordinary shares (traded in their local market).
5. The Portfolio shall not hold derivatives or limited partnership interests.
6. The Benchmark will be the Russell 1000 Growth Index unless designated otherwise by the client.

O. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

We view our clients' capital as scarce capital and every day we strive to make the best use of that capital. Three things prompt us to sell or reduce a stock position. First are fundamentals, or any concerns we may have as it relates to a company's ability to help drive the earnings stream. Second is valuation, which refers to a stock that is relatively expensive. Third would be a better investment candidate, where our conviction level is stronger and our enthusiasm for the fundamentals is greater.

We do not employ stop-loss provisions.

P. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

We do not utilize leverage in client portfolios.

Q. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

We do not utilize short positions in client portfolios.

R. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

We do not utilize hedging in our client portfolios.

S. Regarding risk management:

- 1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.**
- 2) Identify the person(s) or group primarily responsible for the risk management function.**
- 3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.**

Company Specific Risk: We populate our Focus List with businesses we believe possess attractive models and offer a high level of transparency. We then apply our best thinking to select those names from the Focus List that meet our objective of growing the earnings stream consistently over time and that can be purchased at attractive valuations. Our orientation is toward companies that sell low ticket goods or services to the billions of consumers and businesses around the world and which participate in stable developed profit pools as well as offering a presence in developing marketplaces. The products sold or services rendered tend to be relatively less cyclical in nature while the broad customer base provides diversification.

Portfolio Centric Risk: Our emphasis on growing the earnings stream places consistent upward pressure on portfolio performance. As well, our valuation discipline mitigates risk by providing a framework to help ensure that we do not overpay for the earnings stream. Our 20 to 25 stock portfolio allows us to get the benefits of diversification without the dilution of our best thinking. Position size is another means by which we seek to control portfolio risk. In addition, we have found that active management has added value and mitigated risk over time for our clients. Historically, we've been able to preserve capital better than the indices through difficult markets. We understand the businesses we own, and that places us in a good position to evaluate how those businesses are likely to perform and behave in varying market and economic cycles.

Investment candidates tend to reside in the Consumer Discretionary/Staples, Consumer/Business Services, Technology, Media, Healthcare, and Specialty Industrial sectors. We steer away from commodity sectors (such as energy), and companies with deeply cyclical tendencies (such as autos). Our primary reason for doing so is our commitment to the visibility of our portfolio earnings stream. We understand this may cause us to be out of favor from time to time, but we view an ever-growing earnings stream as a key means to driving value and controlling risk.

Furthermore, we view our clients' capital as scarce capital and every day we strive to make the best use of that capital. Three things prompt us to sell or reduce a stock position. First are fundamentals, or any concerns we may have as it relates to a company's ability to help drive the earnings stream. Second is valuation, which refers to a stock that is relatively expensive. Third would be a better investment candidate, where our conviction level is stronger and our enthusiasm for the fundamentals is greater.

Experience has shown us that the best way to mitigate risk is to stay focused on quality, make sure the earnings stream grows regardless of the environment, and be sensitive to valuation. Ultimately, if we can do that, we believe we can generate absolute gains, outperform relevant benchmarks, and deliver alpha for our clients.

- T. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?**

Partners and employees have in excess of \$27 million invested in this strategy. Investment professionals are permitted to invest in strategies not managed by the Firm. Any such investments are subject to a series of provisions as contained in HS Management Partners' Code of Ethics. The Code of Ethics is attested to on an annual basis by each member of the Firm.

- U. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?**

There have been no changes to our investment process or risk management techniques since inception of our Concentrated Quality Growth Equity strategy.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

- A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.**

For the purpose of performance comparisons our product is typically benchmarked against the Russell 1000 Growth and S&P 500 indexes.

- B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.**

We do not target a specific excess return or tracking error. Our ultimate goal is to deliver superior absolute and relative long-term returns while effectively managing portfolio risk.

- C. What has been the annual turnover (in position terms) for this product over the past five years?**

Annual turnover for our Concentrated Quality Growth Equity product:

Year	Turnover
2008	111%
2009	75%
2010	93%
2011	71%
2012	93%

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

In our quest for suitable investment candidates, we seek to identify quality business franchises with criteria that include: strong management teams; superior business models; sound balance sheets; high free cash flow characteristics; recurring revenue streams; pricing power; global platforms; new market opportunities; wide and defensible moats; and strong, albeit reasonably attainable, earnings prospects. Investment candidates tend to reside in the consumer, services, technology, media, healthcare, and industrial sectors. We steer away from commodity sectors (such as energy), and companies with deeply cyclical tendencies (such as autos). Our primary reason for doing so is our commitment to the visibility of our portfolio earnings stream. We understand this may cause us to be out of favor from time to time, but we view an ever-growing earnings stream as a key means to driving value and controlling risk.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility - in essence provide context and explanation for any periods that would be considered abnormal.

We tend to perform well through environments where investors are more mindful of risk and, in turn, direct funds towards a transparent investment product consisting of higher quality investment candidates. We tend to outperform when our portfolio's earnings growth advantage widens relative to that of the benchmark. This occurs when economic growth moderates or decelerates.

During periods when the index performance is driven by cyclical sectors (i.e. energy or basic materials) we may underperform on a relative basis given our aversion to companies with less predictability of earnings. In addition, when people have the propensity to take on higher levels of risk, such as in the first year of an economic recovery, we tend to underperform as lower quality stocks rally.

F. Provide metrics associated with the following areas:

- 1) Number of securities held
 - Current: 25
 - Historical range: 20-25
- 2) Position size
 - Current average: 4.0%
 - Current largest: 7.1%
 - Maximum allowable (specify if measured at cost or market): generally 8% at market
 - Percent in top ten holdings: 51.9%
- 3) Cash & equivalents allocation
 - Current: 0.23%
 - Historical range: 0% - 3%
 - Maximum allowable: 5%

G. Exhibit-C (in the attached Excel document): Provide current and historical holding Cap Size.

Please see Exhibit C for current and historical holding Cap size.

H. Exhibit-D (in the attached Excel document): Please enter monthly gross and net of fee returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.

Please see Exhibit D for monthly gross and net of fee returns for our Concentrated Quality Growth Composite.

I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

We attribute 100% of our historical “value added” to Stock Selection.

J. Regarding composite quality:

1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?

Yes, the HSMP Concentrated Quality Growth Composite claims compliance with CFA Institute GIPS standards. The initial date of compliance was January 1, 2008.

2) Has it been your firm’s policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.

The HS Management Partners Concentrated Quality Growth Composite includes all fully discretionary, actively managed, fee paying accounts which employ our style of investing in 20-25 quality growth businesses. These accounts must have a market value exceeding \$500,000 at the time of initial inclusion in the composite and have a market value exceeding \$300,000 to maintain inclusion.

3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

Accounts that have contributions/withdrawals of greater than 10% of their market value (at the time of the cash flow) shall be excluded from composite membership. Accounts that are not actively managed according to the intended strategy are excluded at the end of the last full day in which they last met the inclusion criteria. Accounts are reinstated into the composite on the first day after the account again meets our inclusion criteria. Prior to April 1, 2009, our inclusion and exclusion criteria were applied on a monthly basis, rather than daily.

4) Are terminated portfolios included in the composite? If not, please explain.

Our Composite results include those accounts no longer with the Firm.

5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?

New portfolios are included in the Composite on a daily basis if they have a market value exceeding \$500,000 and are at least 95% invested in our strategy. Prior to April 1, 2009 inclusion and exclusion criteria were applied on a monthly basis rather than a daily basis.

6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

Portfolios in the composite are asset-weighted. This has been the policy since inception of the Composite.

7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

Cash returns and assets returns are mixed. This policy has been consistently applied since inception of our Concentrated Quality Growth Composite.

8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

Our only composite is our Concentrated Quality Growth Composite.

9) Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.

As of 9/30/12 & 12/31/12 the number of accounts and assets in our Concentrated Quality Growth strategy and Concentrated Quality Growth Composite were:

	Concentrated Quality Growth Strategy Relationships	Concentrated Quality Growth Strategy AUM	Concentrated Quality Growth Composite Accounts	Concentrated Quality Growth Composite AUM
9/30/12	64	\$1.40 Billion	81	\$1.38 Billion
12/31/12	74	\$1.62 Billion	94	\$1.61 Billion

- 10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

	Gross of Fee		
	Highest	Lowest	Median
Year	TWR	TWR	TWR
2008	33.1%	35.1%	34.6%
2009	36.6%	24.9%	35.8%
2010	17.6%	16.5%	17.0%
2011	5.6%	4.6%	5.3%
2012	29.1%	28.1%	28.7%
Note: This report only includes the portfolios in each period that were present for that entire period.			

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. Exhibit-E (in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 9/30/12.

V. INVESTMENT VEHICLES, FEES & TERMS

- A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?**

We believe there is more than adequate capacity from an investment standpoint to continue to grow our firm meaningfully with our sole product, the Concentrated Quality Growth Portfolio. A target AUM level has not been set.

- B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:**
- 1) Separate Account
 - 2) Commingled Fund
 - 3) Institutional Mutual Fund

HSMP offers only separate accounts.

The minimum account size that HSMP accepts is \$10 million. However, under certain circumstances, HSMP has the discretion to accept accounts below this minimum.

If the account for which HSMP will act as an investment adviser is less than HSMP's minimum account size of \$10 million, the annual fee to be charged is 1.00% of assets under management.

If the account meets HSMP's minimum account size of \$10 million, the following fee schedule applies:

Assets Under Management Annual (%) Fee	
Account Size Bracket/ Thresholds	Percentage to be applied
First \$25 million	0.90%
Next \$25 million	0.70%
Next \$50 million	0.50%
Next \$100 million	0.40%
Additional amounts over \$200 million	0.30%

- C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.**

HSMP does not currently offer a performance-based fee arrangement.

- D. Specifically regarding commingled vehicles (excluding mutual funds):**

- 1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.
- 2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?
- 3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.
- 4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?
- 5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.

We do not offer commingled vehicles.

- E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.**

Fees may be negotiable depending upon the size of the mandate.

F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?

For a \$100 million portfolio, trading costs in 2012 would have been approximately 8 bps, which equates to approximately \$80,000.

G. Are fees and/or terms negotiable for this mandate? If so, at what size?

Under certain circumstances, our fee schedule may be negotiable.

H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?

Partners and employees of the Firm have in excess of \$27 million invested alongside our clients.

I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as Appendix E - Legal Documents.

Please see sample IMA attached as Appendix E - Legal Documents.

VI. OPERATIONS, TRADING & CONTROLS

A. Briefly describe your administrative/back office operations and organizational structure.

We formed the Firm with a philosophy that a successful asset management practice requires strength across all disciplines, including compliance, operations, administration, IT, and trading. While first and foremost an investment firm, we view these disciplines as vitally important tenets of our business. With a long-term perspective in mind, HSMP professionals in these disciplines operate deliberately, work collaboratively, meet routinely, and reassess continually.

B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

HSMP interfaces with an ever-expanding network of custodians. Existing clients of HSMP custody their assets with Charles Schwab & Co., JPMorgan/Chase, JPMorgan Worldwide Securities Services, Mellon Bank (both BNY-Mellon Wealth Management and Mellon Institutional), Northern Trust Company, State Street, State Street Wealth Management, Brown Brothers Harriman, PNC Bank, Wells Fargo, Goulston & Storrs, Citibank, Comerica, Fidelity, Fidelity Management Trust Company, US Bank, First Clearing, Fifth Third Bank, Fiduciary Trust Company, Wilmington Trust, Royal Bank of Canada, Union Bank of California, HSBC Bank (USA), Santa Barbara Bank & Trust, SunTrust, and National Financial Services.

When available, position and cash balance data is downloaded from each custodian daily into our Advent Portfolio Exchange system. This data, and the subsequent balancing function, insure that our Advent Portfolio Exchange system is reconciled with each custodian. Those custodians who do not participate in Advent's download feature are reconciled monthly via the custodian's statement.

C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

We utilize Advent's Portfolio Exchange platform (APX) as our internal accounting system. APX is a comprehensive portfolio management solution that automates all phases of the investment management process from marketing to reporting (we recently upgraded to the most modern version of APX, allowing us to obtain even greater functionality).

Trading

Orders flow to our Trader, Mark Dreifus, from the Chief Investment Officer, Harry Segalas. In the absence of the Chief Investment Officer, both Greg Nejme (Partner & President) and David Altman (Partner and Director of Research) are authorized to direct trades. Orders are evidenced by an email sent to the Trader, the Chief Compliance Officer and each member of the trading team. The order email indicates all required order information, including target percentage or number of shares, security ticker, limit, broker (if directed), and the relevant account allocation. The order email is retained electronically as the transaction origination document (paperless trading).

Trades are entered into Advent's Moxy Trading System, with direct telephone line access to the various trading desks as a back-up. Orders are sent electronically to our executing brokers and acknowledged through Sungard's FIX transaction network. Trade execution information is then received through Sungard's FIX transaction network in Moxy and reported by the Trader, via email, to our CIO (again, copying the CCO and the trading team).

Moxy also produces the necessary post-trade broker and custodian notifications and is used to transmit data to our portfolio accounting system, Advent's Portfolio Exchange (APX).

The Moxy Trading System has HSMP-defined rules and restrictions programmed within it to help prevent trade errors. Moxy is also programmed with client-directed investment restrictions.

Mark Dreifus, Vice President, is dedicated to trade execution. As with other parts of the Firm, we have built in redundancies with respect to trading activities. Mark is supported by Cameron Livingstone, Senior Vice President, and Katelyn Nejme, Associate, who have strong familiarity with our trading protocols. Ron Staib, our Chief Compliance Officer, also has an understanding of our trading practices, as he and Mark were both directly trained on the Advent applications in the early days of the Firm. Mark and Cameron have an acute understanding of Advent's Moxy and partner with the Chief Investment Officer, to work order flow.

We utilize the Advent Portfolio Exchange system (APX) for next day trade comparison and daily position/cash reconciliation. All accounts whose custodians participate in Advent's daily download feature are reconciled each morning to insure a match with the various client custodians on all aspects of each trade. Accounts not eligible for Advent's download feature are reconciled monthly.

Reconciliation

Each morning, custodial data is downloaded from our various custodians through Advent's Custodial Data network (ACD). Advent DataPort is employed to translate all custodial files into APX-compatible format, and translated information is then posted on blotters for review. We download dividend accrual information through Advent Market Data Manager (MDM) as well and post reviewed information from blotters into appropriate portfolios. A reconciliation report (enhanced in June, 2011 to make it more efficient) is run daily to compare the positions and cash balances in APX to those of each custodian. Discrepancies are either corrected on our books or within the respective custodian's records.

D. Regarding valuation practices:

- 1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.**
- 2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.**
- 3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?**

Policy

As a registered adviser and as a fiduciary to our advisory clients, HS Management Partners requires that all client portfolios and investments reflect current, fair and accurate market valuations. HS Management Partners utilizes the Advent Portfolio Exchange system to maintain client account holdings and obtain and provide security valuation. Any pricing errors identified and adjustments or corrections required are to be verified by HS Management Partners' Operations staff through an independent source or service, and reviewed and approved by the Chief Compliance Officer.

Background

As a fiduciary, our Firm must always place our client's interests first and foremost. This includes pricing processes which ensure fair, accurate and current valuations of client securities. Proper valuations are necessary for accurate performance calculations and fee billing purposes, among others. Our portfolio accounting vendor, Advent Software, utilizes highly reputable pricing sources through files provided by our client custodians. These sources are used throughout our industry. We perform internal review procedures daily to insure that its valuations are timely and accurate. HS Management Partners also reviews account valuations daily (through our automatic value-based asset comparison with our client's custodians) to detect, review and correct potential valuation issues. HS Management Partners also performs a quarterly random sample review of security valuation and documents said review. If a security price is disputed, independent custodians of client accounts may serve as the primary pricing source as may the exchanges themselves (where the price is retrieved via the internet).

Responsibility

HS Management Partners' Chief Compliance Officer has overall responsibility for the Firm's pricing policy, determining pricing sources, pricing practices, including any reviews and re-pricing practices to help ensure fair, accurate and current valuations.

Procedure

HS Management Partners has adopted procedures to implement the Firm's policy which include the following:

- HS Management Partners utilizes, to the fullest extent possible, recognized and independent pricing services, through our vendor Advent Software, and/or qualified custodians or the exchanges themselves for timely valuation information for advisory client securities and portfolios. HS Management Partners performs a daily account value reconciliation between Advent and our client custodians to detect pricing discrepancies.
- Whenever valuation information for a specific investments is not available through our vendor, Advent Software (which originates from our client's custodians data feeds), HS Management Partners' Operations staff will obtain and document price information from at least one independent source, whether it be a broker-dealer, bank, pricing service or other source (such as the exchange where the security trades as published over the internet). The securities without market valuation will be priced in good faith to reflect the security's fair and current market value and supporting documentation maintained. The Chief Compliance Officer will approve the source and value information utilized and supporting documentation will be maintained. If market valuation is not available from either Advent Software or at least one independent source, as detailed above, HS Management Partners' Valuation Committee (which is comprised of the same members as HS Management Partners' Best Execution Committee) will meet to determine a fair market value in good faith based on such factors as the previous available market valuation information, comparable securities, etc.
- Any errors in pricing or valuations are to be resolved as promptly as possible, preferably upon a same day or next day basis.

Should HS Management Partners detect an inaccurate price used in its valuation and that price is received from Advent (through whom the pricing vendor FTID sends their prices), it will bring said price to Advent's attention, asking that Advent research the price for accuracy. If the price is found to be inaccurate, HS Management Partners will ask that Advent correct the price immediately. If the incorrect price is taken from a source other than FTID, the particulars of the incorrect valuation will be brought to the attention of the SVP of Operations who will research the issue and work to obtain an accurate price.

- E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.**

Policy

As a SEC registered adviser, it is HS Management Partners' policy to conduct an annual review of the Firm's policies and procedures to determine that they are adequate, current and

effective in view of the Firm's businesses, practices, advisory services, and current regulatory requirements. Our policy includes amending or updating the Firm's policies and procedures to reflect any changes in the Firm's activities, personnel, or regulatory developments, among other things, either as part of the Firm's annual review, or more frequently, as may be appropriate, and to maintain relevant records of the annual reviews. HS Management Partners has also hired Focus One Associates, an independent consulting firm, to assist us in our annual review.

Background

In December 2003, the SEC adopted Rule 206(4)-7, *Compliance Programs of Investment Companies and Investment Advisers* (Compliance Program Rule) under the Advisers Act and Investment Company Act, (SEC Release Nos. IA-2204 and IC-26299). The rules were effective and advisers and funds had to be in compliance with the rules by 10/5/2004. The rules require SEC registered advisers and investment companies to adopt and implement written policies and procedures designed to detect and prevent violations of the federal securities laws. The rules are also designed to protect investors by ensuring all funds and advisers have internal programs to enhance compliance with the federal securities laws. Among other things, the rules require that advisers and investment companies annually review their policies and procedures for their adequacy and effectiveness and maintain records of the reviews. A Chief Compliance Officer must also be designated by advisers and investment companies to be responsible for administering the compliance policies, procedures and the annual reviews.

The required reviews are to consider any changes in the adviser's or fund's activities, any compliance matters that have occurred in the past year and any new regulatory requirements or developments, among other things. Appropriate revisions of a firm's or fund's policies or procedures should be made to help ensure that the policies and procedures are adequate and effective. Advisers and funds were to have completed their first annual review within eighteen months of the adoption or approval of their compliance policies and procedures (i.e. no later than April 5, 2006, and annually thereafter).

Responsibility

The Chief Compliance Officer has the overall responsibility and authority to develop and implement the firm's compliance policies and procedures and to conduct an annual review to determine their adequacy and effectiveness in detecting and preventing violations of the firm's policies, procedures or federal securities laws. The Chief Compliance Officer also has the responsibility for maintaining relevant records regarding the policies and procedures and documenting the annual reviews.

Procedure

HS Management Partners has adopted procedures to implement the Firm's policy and reviews to monitor and insure the Firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- On at least an annual basis, the Chief Compliance Officer, and such other persons as may be designated, will undertake a complete review of all HS Management Partners' written compliance policies and procedures.

- The review will include a review of each policy to determine the following:
 - a) adequacy;
 - b) effectiveness;
 - c) accuracy;
 - d) appropriateness for the firm's current activities (risk assessment);
 - e) current regulatory requirements;
 - f) any prior policy issues, violations or sanctions; and
 - g) any changes or updates that may otherwise be required or appropriate.

- The annual review process will also consider and assess the risk areas for the Firm and review and update any risk assessments in view of any changes in advisory services, client base and/or regulatory developments.

- If necessary, the Chief Compliance Officer, or designee(s), will coordinate the review of each policy with an appropriate person, department manager, management person or officer to ensure that each of the Firm's policies and procedures is adequate and appropriate for the business activity covered, e.g., a review of trading policies and procedures with the person responsible for the Firm's trading activities.

- The Chief Compliance Officer, or designee(s), will revise or update any of the Firm's policies and/or procedures as necessary or appropriate and obtain the approval of the person, department manager, management person or officer responsible for a particular activity as part of the review.

- The Chief Compliance Officer will obtain the approval of the Firm's compliance policies and procedures from the appropriate senior management person or officer, or chief executive officer.

- The Firm's annual reviews will include a review of any prior violations or issues under any of the Firm's policies or procedures with any revisions or amendments to the policy or procedures designed to address such violations or issues to help avoid similar violations or issues in the future.

- The Chief Compliance Officer will maintain hardcopy or electronic records (i.e.; the NRS System) of the Firm's policies and procedures as in effect at any particular time since 10/25/2007, and any policies in effect prior to that date;

- The Chief Compliance Officer will also maintain the necessary Annual Compliance Review files for each year which will include and reflect any revisions, changes, updates, and materials supporting such changes and approvals, of any of the Firm's policies and/or procedures.

- The Chief Compliance Officer, or designee(s), will also conduct more frequent reviews of the HS Management Partners' policies or procedures, or any specific policy or procedure, in the event of any change in personnel, business activities, regulatory requirements or developments, or other circumstances requiring a revision or update.

- Relevant records of such additional reviews and changes will also be maintained by the Chief Compliance Officer.

HSMP does not engage an auditor to perform a SAS 70 review.

F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

All orders flow to our trading desk from Harry Segalas, Chief Investment Officer (although David Altman, Director of Research, and Greg Nejme, Firm President, have authorization to send orders in Harry's absence). Every order is evidenced by an email request from Harry (which stands as the order ticket). The email indicates all required order information, including target weight or number of shares, security ticker, limit, broker and the relevant account allocation. Trades are entered into the Advent Moxy Trading System, with direct telephone line access to the various trading desks as a back-up. Orders are sent to the trading desks and acknowledged by the executing broker through the Sungard FIX Network. Trade execution information is then received into Moxy and reported to our CIO by an email issued from the trading desk staff. Moxy also produces the necessary post-trade broker and custodian notifications and is used to transmit data to our portfolio accounting system (Advent APX).

HSMP's Chief Compliance Officer reviews trading activity daily and is copied on all trade emails. The CCO reviews to insure that each ticket meets a) regulatory standards for trading tickets and b) Firm trading guidelines.

G. Discuss procedures used to monitor and control personal trading activities.

Each member of the Firm is required to disclose all of their personal accounts (with the exception of automatic investment plans, such as 401k plans, or in accounts where the member of the Firm has no direct control or influence over the securities held) as well as those for the benefit of persons living in their household where the member of the Firm has a pecuniary interest. In addition, partners and employees must place HSMP's CCO as an interested party for statements and trade confirmations for these accounts. The CCO reviews all confirmations and statements each month to ensure compliance with our Code.

Partners and employees of the Firm are not permitted to invest in securities appearing on HSMP's Focus List. Furthermore, partners and employees are required to obtain pre-approval for all equity security trading in their own accounts or accounts of those living in their household.

A sixty-day holding period is required in all securities (to discourage frequent trading) and a three-day blackout period is also in effect on either side of a client transaction (should a partner or employee wish to divest of a security purchased prior to the joining HSMP that is now on the Focus List).

In addition to the restrictions noted above, no partner or employee shall acquire beneficial ownership of any securities in a limited offering or private placement without the prior

written approval of the Chief Compliance Officer who has been provided with full details of the proposed transaction (including written certification that the investment opportunity did not arise by virtue of the access person's activities on behalf of a client). If approved, said investment will be subject to continuous monitoring for possible future conflicts.

H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

HSMP's Chief Compliance Officer has responsibility for monitoring compliance with our Code of Ethics, including adherence to the Firm's personal trading policy.

Each employee is required to confirm their understanding of the Code annually. The CCO is available constantly for Code related discussions and also coordinates periodic compliance related presentations to the staff on topics of current interest.

I. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

HSMP is not aware of any conflicts of interest.

J. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

HSMP's only strategy is Concentrated Quality Growth Equity.

K. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

HSMP utilizes Advent's Moxy Trading System to assist in the proper allocation of transactions to client accounts.

As a matter of policy, our allocation procedures must be fair and equitable to all clients with no particular group or client(s) being favored or disfavored over any other client(s).

Our policy is to aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transaction will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

In the event transactions for an adviser, employees or principals are aggregated with client transactions, conflicts arise and special policies and procedures must be adopted to disclose and address these conflicts.

Please refer to HSMP's Form ADV Part 2A - Item # 11 - Participation or Interest in Client Transactions for additional details.

L. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

The Advent System, used by HSMP for both portfolio accounting and trading, is capable of accepting restrictions placed by our clients with regard to specific securities. The system is designed to prevent trading in client-defined securities. The Firm's Operations staff monitors the various aspects of the Advent System to insure it is working properly, including the proper functioning of client restrictions. The CCO also reviews all Firm and client guidelines daily to ensure continued compliance.

M. Regarding counterparties:

- 1) List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).**
- 2) Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.**
- 3) How are your trading counterparties selected, monitored and evaluated?**
- 4) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.**

List of Executing Brokers utilized by HSMP in 2012:

- Barclays
- Sanford Bernstein
- Goldman Sachs
- Instinet
- ISI
- Bank of America/Merrill Lynch
- Morgan Stanley
- Piper Jaffray
- Charles Schwab
- UBS

HSMP works to select those broker-dealers which provide the maximum benefit to all the Firm's clients at the lowest overall cost. HSMP considers the following factors when selecting a broker-dealer for client transactions and for determining the amount of compensation:

- the quality of their research and attendance at investor conferences;
- the quality of their trade executions;
- their commission rates; and
- their services available to assist in completing securities transactions (including settlement, custody and clearance).

As HSMP is working to obtain the greatest overall benefit to all our clients, we may use a broker-dealer who provides useful research and securities transaction services even though a lower commission may be charged by a broker-dealer who offers no research services and minimal securities transaction assistance.

HSMP performs quarterly reviews (or more frequently, as conditions warrant) to assess the quality of the broker-dealer's execution based on the above criteria. This review is performed by HSMP's Best Execution Committee. The Committee consists of HSMP's President, Director of Research, Chief Compliance Officer, Senior VP of Investments and Vice President of Trading. Together, based on empirical evidence and observation, the Committee determines:

- whether to include or exclude a particular broker-dealer from the Firm's list of approved broker-dealers;
- the appropriate ranking of each broker-dealer on the Firm's list; and
- the distribution of orders that will maximize benefit to the Firm's clients.

Guidelines regarding the amount of trading directed to a specific member of our approved list of broker-dealers is set quarterly by the Best Execution Committee based on the criteria noted above.

N. Provide an overview of your business continuity and disaster recovery systems and plans.

In the event of a significant business disruption, HSMP's goal is to secure the safety of our employees, protect client assets and information and to continue essential business operations. As registered investment advisors, we have a fiduciary obligation to establish and maintain a business recovery plan (BRP) that satisfies multiple objectives:

1. protect client information;
2. insure that our Firm can provide continuous, reliable service to our clients during business disruptions of both short and long duration;
3. maintain regulatory compliance;
4. provide for semi-annual reviews to determine whether procedural changes require updating.

No contingency plan can provide absolute assurance that negative consequences will not ensue from a crisis or event. Business disruptions can be unpredictable and change over time. Thus, no plan, in either its original design or later version can anticipate every contingency or need.

To the best of our knowledge, HSMP has created a Business Recovery Plan consistent with contemporary industry standards. In the event of an actual significant business disruption, HSMP will make every reasonable effort to implement this plan as written. However, HSMP wants to disclose that its plan is dependent upon infrastructure and resources outside of our Firm's control which include, but are not limited to, external securities exchanges, securities clearinghouses, and internet and telecommunications providers.

Testing

HSMP, in concert with our IT vendor, The Lloyd Group (TLG), endeavors to conduct semi-annual tests of our Business Recovery Plan and makes modifications and improvements as needed after integrating new risk scenarios into the program. At least annually, HSMP employees are instructed on the specifics of the plan and its implementation. The plan is part of HSMP's Policies & Procedures Manual which each employee must attest to have read annually.

VII. LEGAL & REGULATORY ISSUES

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as Appendix F - ADV Part II. If exempt, please describe the exemption.**

Yes, HSMP is registered as an investment advisor under the Investment Advisors Act of 1940. Please find attached HSMP's Form ADV Part 2A.

- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.**

No.

- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.**

Neither the Firm nor any partner has been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters.

- D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.**

No partner or employee of HSMP has ever been convicted of pled guilty to or pled *nolo contendere* to a felony.

E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).

Following is a summary of HSMP's insurance coverage effective January 2013.

Policy	Amount	Insurer
Umbrella Policy (Excess of Commercial General Liability & Workers Comp)		The Travelers Insurance Company
General Aggregate	10,000,000	
Products/Completed Operations - Aggregate	10,000,000	
Advertising & Personal Injury - Each Occurrence Subject to General Aggregate	10,000,000	
Bodily Injury and Property Damage - Each Occurrence to General Aggregate	10,000,000	
Business Owners Policy (BOP)		Charter Oak Fire Insurance Company
Commercial General Liability Coverage		
General Aggregate (Except Products - Completed Operations Limit)	2,000,000	
Products - Completed Operations - Aggregate	2,000,000	
Personal & Advertising Injury	1,000,000	
Each Occurrence	1,000,000	
Hired Auto	1,000,000	
Non-Owned Auto	1,000,000	
Employee Benefit - Aggregate & Each Employee	1,000,000	
Damage to Rented Premises	300,000	
Fine Arts	25,000	
Medical Expenses - Per Person	5,000	
Property Coverage		
Business Personal Property	1,125,402	
Accounts Receivable	25,000	
Valuable Papers	25,000	
Workers Compensation		Hartford Insurance of The Midwest
Workers' Compensation Coverage	Unlimited in NY	
Employer's Liability		
Bodily Injury by Accident	1,000,000	
Bodily Injury by Disease - Aggregate	1,000,000	
Bodily Injury by Disease - Each	1,000,000	
Directors & Officers / Errors & Omissions / Employment Practices - Total (Primary + Excess)	10,000,000	
D&O / E&O / Employment Practices (Primary)		Twin City Fire Insurance Company
Each	5,000,000	
Aggregate	5,000,000	
D&O / E&O / Employment Practices (Secondary)		US Specialty Insurance Company
Aggregate	5,000,000	
Key Man Insurance	5,000,000	Transamerica
ERISA Bond (401K)	100,000	The Hartford Fire Insurance Company
ERISA Bond (ERISA Clients)	7,347,886	Chubb Group of Companies
As of January 9, 2013		
<i>Note: This table includes only a brief summary of some of the limits of the corresponding coverage.</i>		

F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

HSMP has never submitted a claim to its errors and omissions, liability, fiduciary or fidelity bond carriers.

G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

The Firm has never filed for bankruptcy protection and has never been subject to the appointment of a receiver, trustee or assignee for the benefit of creditors.

H. What is your firm's soft dollar policy?

The Firm engages in soft dollar arrangements exclusively for research, research-related products and other brokerage services. HSMP does not utilize soft-dollars to pay for any other goods or services that might normally be paid for in "hard-dollars."

Our use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. As required by Section 28(e), HSMP will make a good faith determination that the amount of commissions or other fees paid is reasonable in relation to the value of the brokerage and research services provided. That is, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation paid to that broker is reasonable in relation to the value of all the brokerage and research products and services provided by that broker. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in HSMP's performance of its overall responsibilities to all of its clients.

100% percent of the Firm's trading in client accounts is tied to soft-dollar relationships with executing brokers. HSMP has a Best Execution Committee that meets quarterly to evaluate each executing broker in three categories; Value of Research, Trade Execution/Support and Settlement/Custody Support. Based on the Committee's evaluation, we rank our executing brokers and distribute trades according to the rankings in order to maximize the benefit our client's receive from their commission assets.

VIII. MISCELLANEOUS

A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as Appendix G - Sample Client Report.

HSMP's standard reporting package includes a portfolio appraisal and performance, as well as our CIO's Quarterly Investment Review. Please see Appendix G - Sample Client Report.

B. Attach a list of institutional clients invested in the proposed strategy as Appendix H - Representative Institutional Clients.

We may be willing to provide a representative institutional client list at a later stage in this search.

C. Provide references for five current institutional clients invested in the proposed strategy.

We may be willing to provide references at a later stage in this search.

D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

We may be willing to provide references at a later stage in this search.

E. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?

HSMP does not have a policy that incorporates environmental, social and governance issues into the investment decision making process.

F. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

Not applicable.

G. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

Not applicable.

H. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?

HSMP generally takes responsibility for voting proxies solicited by, or with respect to, the issuers of securities held in the portfolio in accordance with HSMP's policies and procedures.

We maintain written policies and procedures as to the handling, research, voting and reporting of proxy voting. Our policy and practice includes the responsibility to:

- monitor corporate actions
- receive and vote client proxies

- disclose any potential conflicts of interest
- make information available to clients about the voting of proxies for their portfolio securities
- maintain relevant and required records

HSMP utilizes the services of Broadridge's ProxyEdge System to accumulate proxy information, reconcile votable shares, place votes on behalf of our clients, and create reports upon client request. HSMP does not utilize the services of any vendor to help it make decisions on how to vote. HSMP voting is consistent with its Proxy Voting Policy, a copy of which has been provided.

Strategic Investment Solutions, Inc.
Request For Information: US Domestic Equity
January 17, 2013

TCW Concentrated Core Equities
As of December 31, 2012

TCW Asset Management Company

A wholly-owned subsidiary of The TCW Group, Inc.
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Strategic Investment Solutions, Inc. TCW Concentrated Core Equities (CCE)

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I. Background & General Information

A. Contact information:

Firm Name:	TCW Asset Management Company (TAMCO) A wholly-owned subsidiary of The TCW Group, Inc.
Address:	865 South Figueroa Street Los Angeles, CA 90017
Telephone Number:	213.244.0867
Fax Number:	213.244.0532
Website:	www.tcw.com
Primary Contact	
Name:	Chris Scibelli
Title:	Managing Director
Telephone Number:	213.244.0867
Email:	Chris.Scibelli@tcw.com

B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

TCW, founded in 1971, manages a broad range of innovative, value-added investment strategies for a global base of clients, investors, and shareholders. The firm is owned by three distinct groups: its key employees, Société Générale, S.A. (SG), and the Amundi Group (Amundi).

TCW's affiliation with SG, one of the largest global banking franchises with a presence in 85 countries, dates back to 2001 when SG acquired TCW. Over this period, TCW's management has focused on preserving the investment culture of the firm and expanding the reach and capabilities of the franchise. To this end, SG has assisted by sharing its local knowledge and, when appropriate, supporting the growth and enhancing the stability of TCW.

In early 2010, TCW completed its acquisition of Metropolitan West Asset Management, LLC (MetWest), a top-ranked fixed income asset manager. As a result, many of the key employees of MetWest assumed primary responsibility for the oversight of TCW's fixed income mandates. The TCW and MetWest fixed income teams were rapidly integrated and, as a result, the TCW franchise now manages a full array of fixed income products.

Also in 2010, the Amundi Group was formed via the merger of the asset management businesses of SG and Credit Agricole. As a consequence of TCW's affiliation with SG, the Amundi Group acquired a minority ownership interest in TCW. The Amundi Group manages over \$900 billion in assets and is among the ten largest investment management businesses in the world. TCW and Amundi also operate under a distribution agreement which has enhanced TCW's distribution network.

On August 9, 2012, TCW management and The Carlyle Group announced a definitive agreement to acquire TCW from Société Générale. As a result of the transaction, TCW will again become an independent company and TCW employees will increase their ownership stake in the firm to approximately 40% on a fully diluted basis. Carlyle will own the balance. We expect the transaction to close in the first quarter of 2013.

As of December 31, 2012, the assets under management at TCW exceeded \$138 billion. Our client base is geographically distributed throughout the world and includes two mutual fund complexes, i.e., the TCW Funds and the MetWest Funds. These two Fund complexes comprise a combined \$48+ billion in assets.

TCW is focused solely on investment management and derives 100% of its revenue from investment management.

C. Attach an organizational chart depicting the firm’s distinct business units as Appendix A – Firm Organizational Chart and provide the total number of employees within each business unit.

Please refer to **Appendix A** for the Organizational Chart of the firm.

D. List the firm’s office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

TCW — Office Summary

As of September 30, 2012

Location	Function
TCW Los Angeles Office 865 South Figueroa St., Suite 1800 Los Angeles, CA 90017	Corporate Headquarters Investment Management and Client Service
TCW New York Office 1251 Avenue of the Americas, Suite 4700 New York, NY 10020	Investment Management and Client Service
TCW Boston Office 222 Berkeley Street, 13th Floor Boston, MA 02116	Investment Management
TCW Paris Office 10, Places des Cinc Martyrs du Lycee Buffon 75015, Paris France	Client Service
TCW Asia Limited Suite 909 One Pacific Place, 88 Queensway, Hong Kong	Client Service

The TCW Concentrated Core team is located in the TCW Los Angeles office.

E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

As a part of a global banking franchise, TCW is a Los Angeles-based asset management firm with several strategic alliances and affiliates. These alliances include those with members of its current ownership group, i.e., Société Générale (SG) and Amundi.

In addition, TCW holds a minority ownership stake in two asset management firms, Sompo Japan Nipponkoa Asset Management Co, Limited (SNAM) and PT Bahana TCW Investment Management.

TCW acquired, in 1999, a minority interest in SNAM, a Japanese asset manager. SNAM is among the top fifty asset management companies in Japan.

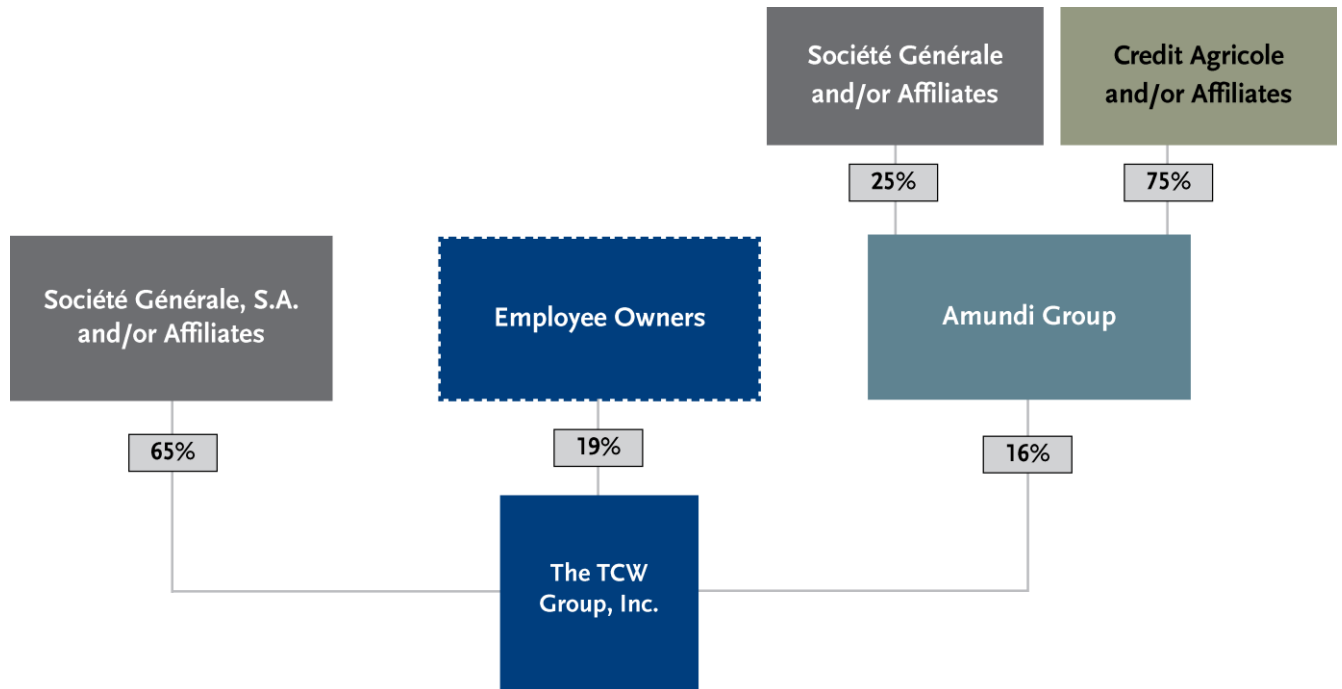
In Indonesia, TCW participated in a strategic joint venture company, PT Bahana TCW Investment Management Company, with a holding company owned by the Republic of Indonesia. Thanks to a successful transfer of capital and knowledge, the company is among the top five asset management companies in Indonesia.

Please refer to **Exhibit I** for a listing of TCW's affiliates.

F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

TCW has three ownership groups: Société Générale, S.A. (SG), a European money-center bank, the Amundi Group (Amundi), a global asset manager with over \$900 billion in assets under management, and key employees.

Below is a diagram of the TCW Group, Inc. and related entities.



On August 9, 2012, TCW management and The Carlyle Group announced a definitive agreement to acquire TCW from Société Générale. As a result of the transaction, TCW will again become an independent company and TCW employees will increase their ownership stake in the firm to approximately 40% on a fully diluted basis. Carlyle will own the balance. We expect the transaction to close in the first quarter of 2013.

For additional details, please refer to **Exhibit II** for the TCW Client Letter and News Release.

Please refer to **Exhibit III** for the TCW Funds Statement of Additional Information for Portfolio Management investments in their respective TCW Funds.

G. Provide a timeline of any past changes to the firm’s legal, organizational or ownership structure, or if possible, those presently contemplated.

Please refer to our response to question B above. Also, please refer to **Exhibit IV** for the press release regarding our legal structure changes.

H. Outline your firm’s strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

TCW’s primary business plan is focused on utilizing the Firm’s breadth of investment capabilities to assist clients and investment consultants in meeting the specific investment needs of the Firm’s clients. The central theme of the plan is to utilize the Firm’s existing high-quality product offerings to provide building blocks for specific solutions, related to income generation, capital appreciation, and diversification. The Firm strives to offer a multitude of investment structures to best meet the needs of clients, including mutual funds, separate accounts, and strategic partnerships. The Firm’s number one priority is sustaining its clients’ trust and confidence.

The overall business objective of the Firm is to maintain continued, controlled growth through the diversification of its products and the extension of its client base. The Firm's growth is managed very carefully, both in terms of the allocation of capital and human resources, in order to ensure specific infrastructure at the Firm or product level is in place before growth takes place. For example, the Firm has set long-term profit margin goals at levels at the lower end of industry averages. This is done specifically to focus on the need for the Firm to plan for the long term and reinvest in people, support, and infrastructure to optimize the long-term probability of success at the Firm. In that spirit, the Firm's management consistently focuses product teams and department heads on issues relating to resource planning.

TCW does not set a quantified specific goal in terms of its growth (i.e., \$150 billion or \$200 billion in assets under management). Rather, it sets specific targets on product quality and long-term growth rates with the ultimate desire of growing at a minimum of two times the average for the overall market. TCW believes it has all of the managerial leadership, human resources and capital necessary to meet its objectives when combined with the global reach and resources of Société Générale.

I. Describe your succession and continuity plans for management of the firm.

Over the years, TCW has enjoyed retention of its key officers at all levels and in all parts of the firm – Investment Management, Sales, and Administration, with an average tenure approaching 10 years in the top most positions. In addition, the Firm has had a longstanding practice of employing co-portfolio managers in many key strategies, such that the unlikely event of a loss of one key employee need not adversely affect investment activity. On the corporate / administrative side, the Firm has a history of thoughtful, deliberate succession management for the President / CEO role, and has at various times leveraged either a Chief Operating Officer (COO) or Chief Administrative Officer (CAO) function to augment and support the office of the President to ensure the affairs of the Firm could continue to run even if an unexpected loss of the CEO occurred.

As a means of developing our professionals and establishing sustained capabilities, The Firm is continually mentoring our top performing junior professionals to identify potential analyst, trader, and/or portfolio manager capabilities and cultivate future investment team members. We also build redundancy in the Firm with a team-oriented organization, and, opportunistically, we will continue to add to our team with qualified individuals in anticipation of future needs. Our team-based approach minimizes “key man” risk.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

For the three-year period ending December 31, 2012, TCW gained 4 professionals at the Senior Vice President and above level in the Marketable Securities Division.

For the three-year period ending December 31, 2012, TCW lost 24 professionals at the Senior Vice President and above level in the Marketable Securities Division.

Brian McNamara, Managing Director, joined the TCW Concentrated Core team in the first quarter of 2012. Brian's primary role is that of a senior marketing and client relations professional who also possesses a deep knowledge of the Concentrated Core research process and each of the portfolio's holdings. His contributions will further extend into new idea generation, new product innovation, research involvement and client communication.

The team did not have any departures over the past three years.

- K. Exhibit-A (in the attached Excel document): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.**

Please refer to **Exhibit A** for AUM Breakdown.

- L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.**

Various strategies and investment vehicles have been terminated in the past, mainly for business reasons.

II. Investment Team

- A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as Appendix B – Investment Team Organizational Chart.**

Please refer to **Appendix B** for an organizational chart of the TCW Concentrated Core team.

- B. Exhibit B (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.**

Please refer to **Exhibit B** for TCW Concentrated Core Equities Key Personnel.

- C. Attach biographies for each of the individuals named above as Appendix C – Biographies of Key Investment Professionals.**

Please refer to **Appendix C** for the professional biographies of the TCW Concentrated Core team.

- D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.**

Craig Blum, CFA, Group Managing Director, is the portfolio manager for the TCW Concentrated Core Equities strategy.

Mr. Blum would be the portfolio manager responsible for this account.

- E. Exhibit B (in the attached Excel document): Provide a summary of the firm's employees.**

Please refer to **Exhibit B** for a summary of the firm's employees.

F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

Our ability to attract and retain high-quality investment professionals can be attributed to a compensation philosophy implemented via an incentive-based structure that aligns employee performance and contributions with client and shareholder objectives. Most importantly, key personnel are equity holders and a significant objective of our management is to expand the number of employee stockholders.

Generally, our investment professionals are remunerated through a base salary and performance-based compensation bonus. Individuals are evaluated upon (1) individual performance, (2) contributions to the efforts of the overall team, and (3) the success of the Firm.

Contributions to the collective efforts are critical as the management of client portfolios is conducted on a team basis to capture the best ideas in the process of constructing portfolios. Finally, the firm's success signals that stakeholder objectives in the aggregate are being achieved, with equity ownership a desirable means to provide and receive compensation.

As mentioned, to foster continuity, highly-valued investment professionals are enfranchised as stakeholders with ownership via equity distribution and incremental vesting. In February of 2010, TCW acquired MetWest, in which a part of the purchase price was paid for with shares of common stock of TCW. In association with the acquisition of MetWest, a retention plan was implemented for former MetWest employees that provided for the issuance of additional shares of TCW common stock. Also in 2010, TCW approved a Restricted Stock Unit Plan for TCW employees, under which approximately 150 TCW employees have received restricted stock units that vest as shares of TCW common stock over a five-year period.

Additionally, key members of the Equities team have long term employment contracts that incorporate compensation incentives with associated employment and performance requirements.

On August 9, 2012, TCW and The Carlyle Group announced a definitive agreement to acquire TCW from SG. As a result of this transaction which is expected to close in the first quarter of 2013, TCW employees will increase their ownership stake in the firm to approximately 40% on a fully diluted basis. Increasing employee ownership in the firm will further align our interests with our clients and further motivate employees to the benefit of our clients.

To assess the competitiveness of TCW's compensation practices, the Firm conducts annual salary surveys to review benchmark and compensation ranges, both on a national and a regional basis. According to McLagan Partners, a leading compensation consultant in the industry, these studies have shown that the Firm is, on average, above the median in terms of salaries and total compensation provided to its employees.

G. Exhibit B (in the attached Excel document): Complete the table listing turnover for the individuals responsible for the proposed strategy.

Please refer to **Exhibit B** for TCW Concentrated Core Personnel Turnover.

H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Related to the Concentrated Core strategy, Brandon Bond, Managing Director, would assume the responsibilities of the Portfolio Manager with the support of both Brian McNamara and our Director of US Equity Research/Equities CIO, Michael Reilly, on a temporary basis until a formal determination was made regarding the future management of the strategy.

I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

TCW handles all management and administrative functions internally; the exception being the client accounting and related operations for certain strategies (including Concentrated Core) and accounts which have been outsourced to BNY Mellon. TCW does have an internal department (Client and Fund Reporting Group) which is tasked with monitoring BNY Mellon through service level agreements, score cards and a Steering Committee.

III. Investment Strategy & Process

A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

The team's strategy is a highly-focused approach, primarily targeting top mid to large-cap growth companies with strong and enduring business models; an active strategy utilizing proprietary fundamental research focused on identifying companies with improving operating prospects. The team's investment philosophy, superior long-term performance, can be achieved by participating in the long-term success of selected extraordinary businesses, purchased at attractive valuations.

The team utilizes a multi-factor investment strategy designed to identify opportunities not fully reflected in stock market valuations. The companies targeted for investment typically are those believed to have strong and enduring business models and defensible advantages over their competitors. Typically, they are companies positioned to benefit from secular trends. In addition, each investment is subjected to cash flow-based valuation analysis. A portfolio is constructed one stock at a time, and each stock must satisfy the team's research criteria. Thorough analysis of a company's valuation, business model advantage, and resulting financial superiority is critical.

A portfolio is generally fully invested in equities. The team's investments typically average higher rates of growth, profitability, and quality, though traded in a higher valuation than the broader market. In order to not dilute the performance of those stocks in which the team has the greatest confidence, the team does not over diversify; holdings are weighted to reflect each issue's attractiveness relative to others. The team's investment decisions are made with a long-time horizon, which can result in relatively low turnover.

The companies targeted for investment typically exhibit one or more of the following characteristics:

- superior management teams with long-term business perspectives and an ownership position in their businesses;
- specific plans to capitalize on positive fundamental changes;
- well positioned to benefit from long-term economic trends and secular forces;
- dominant industry or market niche position;
- superior growth and profitability;
- proprietary products or low-cost production and/or distribution capability;
- substantial and sustainable free cash flow to finance future growth; and
- shareholder orientation - deployment of cash flow to generate highest long-term return to shareholders.

The team has a lengthy track record of successfully implementing the strategy's philosophy and process through a variety of business environments and market cycles with the result being superior long term returns. Particularly noteworthy is the strategy's consistently superior results through the exceptionally volatile period between 2007 and 2012. In fact, the strategy is the only U.S. Large Cap Growth manager to outperform the Russell 1000 Growth Index each and every year over the past six years.

B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

Our approach is primarily fundamental.

C. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?

Fundamental Analysis

The team develops proprietary earnings and cash flow models for stocks owned or considered for purchase. The team will look at historical financials for the last 10 years, or as long as possible if the company has been public for less than 10 years. Databases containing financial information as well as filings with the SEC are their primary sources of information.

The team looks at the financial statements in totality. Some of the key financial analysis includes a review of profitability ratios and trends, free cash flow trends, liquidity and leverage trends. A DuPont analysis is typically reviewed as are the returns on invested capital.

The team forecasts company financial statements on a quarterly basis for 2 years and on an annual basis for at least 5 years. The assumptions, or dependent variables, vary depending on the type of company under review. Generally models are set up so that different assumptions can be put into the model and a base case, bear case and bull case scenario is run for each security considered for purchase.

Once a model is completed, the company's valuation is reviewed and compared to the security's current stock price. Price targets are derived for the intermediate term (12-18 months) and long-term (upwards of 10 years). All price targets are derived via discounted cash flow analysis.

Competitive Advantage

TCW's Concentrated Core distinguishes itself from its competitors in three main ways: (1) concentration of the portfolio, (2) macroeconomic overlay and (3) portfolio construction process. First, we believe a concentrated portfolio of 25-35 stocks is beneficial in that the portfolio is statistically diversified while allowing the fund to effectively capture the alpha of our best ideas. Second, the fund employs a light macroeconomic overlay, whereby it seeks to own both "offensive growth" stocks (i.e., AAPL, CRM) as well as "defensive growth" stocks, whereby fundamentals are less correlated to GDP (i.e., ACE, AGN). Third, we believe the fund's portfolio construction process is a key competitive advantage. Whereas other large cap growth managers can get whipsawed by alternating between "risk-on" and "risk-off," the fund owns a blend of secular growth stories, some of which are much less-dependent on GDP and the business cycle.

D. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

Concentrated Core's stock universe is primarily comprised of mid to large capitalization US companies, traded on a US exchange or in the US OTC market. Generally, these companies have a minimum market capitalization of \$3 billion, at time of investment. There are no subsets that could be characterized as the primary focus.

E. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

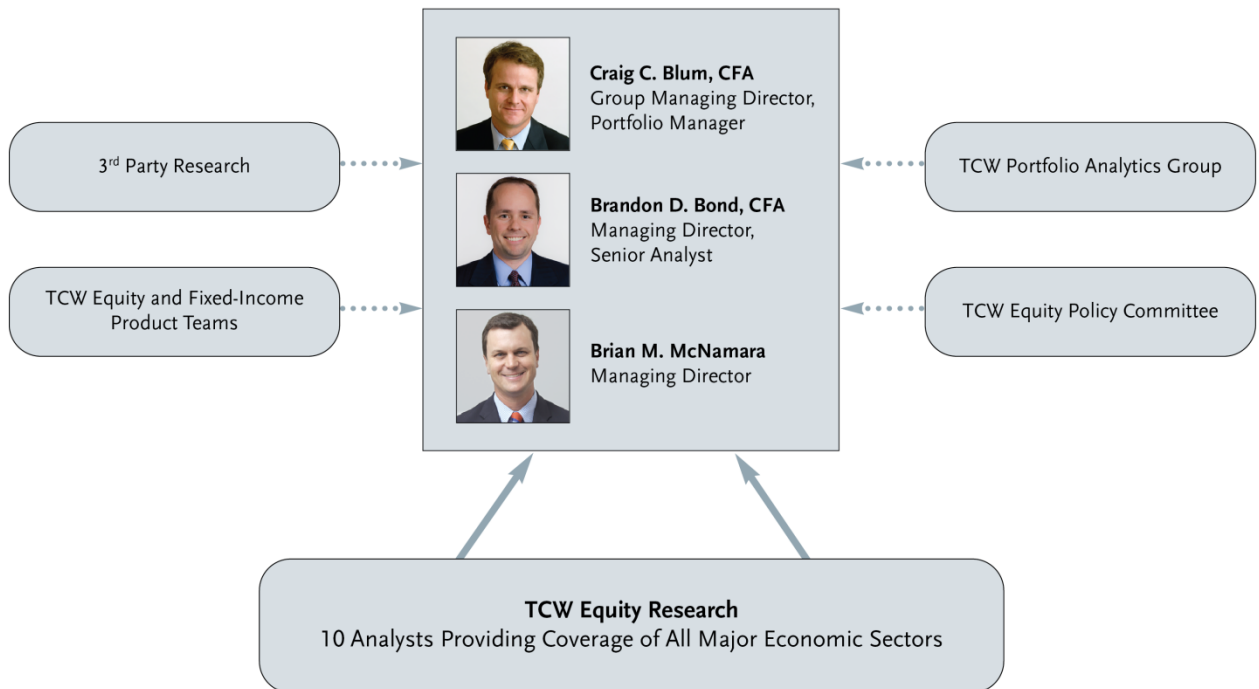
The Concentrated Core team consists of the following three investment professionals:

1. Craig Blum, Portfolio Manager
2. Brandon Bond, Senior Analyst
3. Brian McNamara, Analyst and Portfolio Specialist.

Research is carried out by the Portfolio Manager and dedicated analysts, and augmented by the investment analysts in TCW's US Equities Research Department. The TCW US Equities Research Analysts are located in Los Angeles and are responsible for specific industries or industry sectors. As specialists in their areas, the Analysts add value by providing recommendations for the purchase and sale of securities. In addition, Analysts follow industry developments and maintain financial models for current portfolio holdings. The collegial approach among Analysts and Portfolio Manager helps the strategy to generate ideas and fosters an environment in which investment issues are discussed and debated.

The only change to the Concentrated Core team over the past three years was the addition of Brian McNamara, who spends a majority of his time on client marketing and communications but who also possesses a deep knowledge of the Concentrated Core research process and each of the portfolio's holdings.

Investment Team and Resources



Director:

Michael P. Reilly, CFA
Chief Investment Officer – Equities
Group Managing Director
 BS in Finance,
 BA in Spanish, MBA

Research Associates:

Karen K.L. Chan
 Richard Dai
 Bradley J. Phillipi

Senior Equity Analysts:

Jason S. Maxwell, CFA
Managing Director
 BS in Structural Engineering, MBA
Energy & Utilities

Anthony S. Valencia, CFA
Managing Director
 BS in Economics, MBA
**Media, Entertainment,
 Gaming and Lodging**

Iman H. Brivanlou
Senior Vice President
 BS in Physics, MBA,
 PhD in Computational Neuroscience
**Insurance, Real Estate,
 Business Services, Transports,
 & Consumer Staples**

Haicheng Li, CFA
Senior Vice President
 BA in Molecular Biology and
 Biochemistry, MA in Biomedical
 Research, MA in Medicine, MBA
**Health Care – Biotech, Pharma,
 Cardiovascular Devices**

Jeffrey W. Lin, CFA
Senior Vice President
 BS in Electrical Engineering, MBA
**Computer Hardware &
 Storage, Electronics
 Manufacturing Systems (EMS),
 Software, IT Services**

Nirav S. Parikh
Senior Vice President
 BA in Accounting & Finance, MBA
**Semiconductors, Semi-Cap
 Equipment, Telecom
 Equipment & Services**

Robert J. Park, CFA
Senior Vice President
 BA in Economics, MBA
**Health Care – Facilities,
 Services, Ortho/Eye Devices,
 Life Science Tools**

Equity Analysts:

John M. Campagnolo, CFA
Senior Vice President
 BS in Accounting
**Financials
 (ex-Insurance)**

Vera Kahn
Senior Vice President
 BA in Russian Studies, MBA
Retail

Joseph Shaposhnik
Assistant Vice President
 BS in Business Administration,
 MBA
**Industrials &
 Basic Materials**

Please refer to **Appendix C** for the TCW Concentrated Core and US Equity Research professional biographies.

F. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

Although the Portfolio Manager researches and monitors companies, he depends on the research analysts to share new investment ideas and to alert him of changes in the fundamentals of companies already held in the strategy. Interaction with the industry experts of the Equity Research Department is frequent and collegial. The analysts are located in close proximity to the Concentrated Core Portfolio Manager and encouraged to discuss their industry outlook. Analysts also post reports on the TCW intranet and make formal presentations at a weekly research meeting.

A new idea for the portfolio can come via a Concentrated Core team member or a member of the research analyst staff. When choosing a new stock for the portfolio, the interaction between analysts and the Concentrated Core team can vary but generally the research analyst as well as the Concentrated Core team work closely to analyze the company's prospects and conduct all due diligence. Ultimately, however, the final buy and sell decision resides with Portfolio Manager Craig Blum.

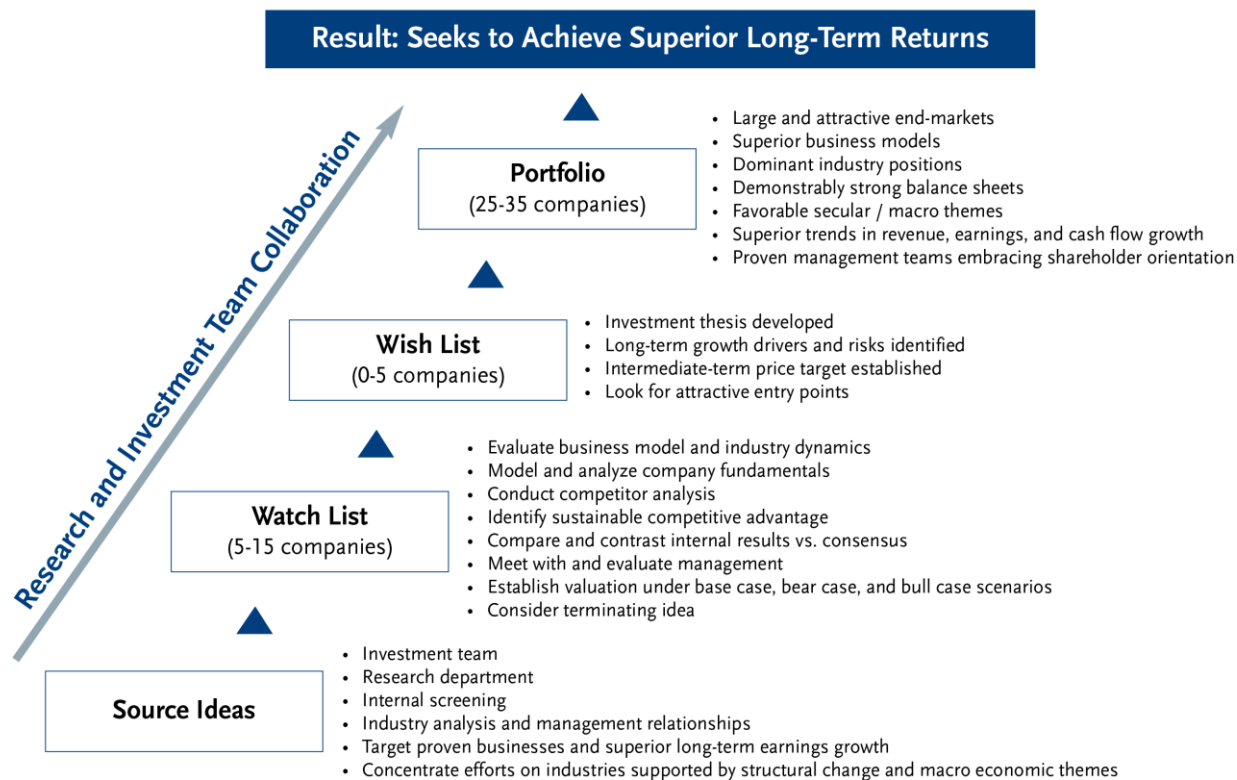
G. Outline and briefly describe the main steps of your investment process.

The strategy's investment process is designed to identify attractive candidates for investment in which changes in business fundamentals are not fully reflected in stock market valuations. The steps in this process can include:

- Through original and secondary research, the Portfolio Manager develops an initial investment idea, concept or thesis based on changes in: technology, industry dynamics, demographics, regulations, etc.
- Comprehensive, proprietary fundamental research is conducted on the companies and industries of interest. This research process is focused on the changes in business fundamentals occurring within a company and its industry.
- A dialogue is typically established with the senior level managers of a company considered for investment. Business conditions, business plans and corporate strategies are discussed in these interviews.
- Independent sources may also be interviewed to verify facts and assumptions derived from conversations with management. These sources may include a company's customers, suppliers, competitors and relevant industry associations.
- The Portfolio Manager evaluates available research inputs and company stock market valuations to develop an investment decision.
- If a buy decision is made, a plan is developed for each holding that outlines the Portfolio Manager's expectations for the financial fundamentals of the company and for the price movement of the stock.
- All companies held in the portfolio are monitored and re-evaluated to determine if they are fulfilling expectations. A holding may be sold when its price rises to a level that reflects fully the operational expectations, or to take advantage of a better opportunity.

Below is a diagram of the team's bottom-up investment process.

Bottom-Up Investment Process



H. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

Please refer to the above response.

I. To the extent that tactical sector allocation shifts, duration management and other top-down “macro” bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

The TCW Concentrated Core Portfolio Manager has consistently practiced the strategy's philosophy since the strategy's inception in October 1987. The one addition to the portfolio construction process is the inclusion of a light macroeconomic overlay, which was added upon Craig Blum being named sole Portfolio Manager in February 2008. This macro overlay is implemented by purchasing securities that may be more or less correlated to GDP during various points of the economic cycle, and with a keen view on the long-term ramifications of extensive global easing since the market sell-off 4+ years ago.

J. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

The team utilizes systems and applications provided to them in a service bureau environment by outside providers, including FactSet, Baseline, First Call, and Bloomberg. Other databases utilized include Telerate, Capital Management Sciences, Cantor Fitzgerald, First Call, Reuters Knowledge, Compustat, CFRA Accounting Lens, Baseline, InsiderScore, Datamonitor and StreetAccount.

Please refer to **Exhibit V** for TCW Broker Commissions summary.

K. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

Concentrated Core consists of the following three individuals: Craig Blum, Brandon Bond and Brian McNamara. Portfolio activities for Concentrated Core are monitored by Portfolio Manager Craig Blum. Mr. Blum has full discretion concerning specific investment purchase and sale decisions as well as portfolio weightings. Craig Blum, CFA, is responsible for all final buy/sell decisions.

TCW employs a central trading desk, located in the Firm's Los Angeles headquarters, for its domestic equities products. The six experienced traders average fifteen years of professional experience. TCW's Director of US Equity Trading is Mr. Scott W. Thornton, CFA. Please refer to **Appendix C** for Mr. Thornton's professional biographies.

The TCW Group has several key management committees that monitor various aspects of the business, such as enterprise risk, new products, portfolio management, trading, portfolio analytics, pricing and proxy voting, however, Investment and Trading decisions are not made by a committee.

L. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

The team's strategy is a highly-focused approach, targeting companies believed to have strong and enduring business models and defensible advantages over their competitors. Historically, the strategy has typically held between 25-35 securities but it may hold more or less securities. Due to the concentration inherent in the strategy, the portfolio can have significant weightings in particular holdings, which are typically not higher than 10% and never higher than 15%. The strategy strives to remain fully invested and makes no attempt to time the market or dampen volatility with cash positions in its portfolios. Cash is a residual of the trading process and generally has historically ranged from approximately 0–5%, but can be higher.

The team seeks to own securities in all major industries, with the exception of utilities. The portfolio is constructed one stock at a time. The team has both an intermediate term (12-18 months) and long-term price target for each stock in the portfolio. All price targets are derived via discounted cash flow analysis. Portfolios are weighted according to the conviction of the Portfolio Manager. Individual stock weights are determined based on the Portfolio Manager's consensus confidence in each company's ability to grow free cash flow and the Portfolio Manager's assessment of the company's business opportunity.

M. How do you define “risk”?

N. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

Concentrated Core is not designed to outperform a single index. The focus remains on maximizing risk-adjusted total return on a long-term basis within the context of our investment philosophy. Most clients evaluate our performance relative to the Russell 1000 Growth index or S&P 500 Index. The team does not observe rigid policies requiring specific levels of portfolio diversification in terms of sector, security, or size. Although a portfolio will be diversified, it may include large concentrations relative to its benchmark in certain sectors of the economy. Accordingly, a portfolio may be subject to wider fluctuations in value than would be the case if it were subject to broader diversification requirements. The team’s individual position weightings are based on the team’s confidence in each company’s ability to grow free cash flow and the assessment of each company’s business opportunity. Generally though, a portfolio will not exceed 15% of its assets in a single issuer nor will it exceed 35% of its assets in any one industry, at the time of investment.

We closely monitor risk and the strategy is supported by TCW’s Portfolio Analytics Group, which tracks all strategies and composites on a real-time basis and are supported by several analytical systems including Zephyr Style Advisor, Ibbotson Encorr, Barra Aegis, Bloomberg, Russell Performance Universe (RPU), Russell Performance Attribution (RPA), Baseline Analytics, and other custom applications. The focus of TCW’s Portfolio Analytics Group is to analyze the relative and absolute risk of TCW’s strategies as well as portfolio characteristics, attribution, and analytics. This department is available to provide general and specific analysis to TCW’s clients as well as to executive management and the portfolio teams.

However, the portfolio construction process is not based on fixed or narrowly defined statistical measures of the aforementioned factors, and the team has few target limits or ranges for specific risk metrics. Rather, the team seeks to reduce volatility by targeting uncorrelated business fundamentals, regularly monitoring the “top heaviness” of the portfolio (i.e., the percentage of the portfolio represented by the top ten names) and controlling business risk through the quality framework and depth of research enabled by concentration. The team also regularly evaluates the potential impact to individual positions and the collective portfolio from a host of macro-economic scenarios including various levels of inflation, interest rates, economic growth and geographically concentrated weakness.

O. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

The team’s sell discipline focuses on a company’s fundamentals, relative to valuation. The price appreciation, or depreciation, is not in and of itself an adequate reason to buy or to sell a security. All companies held in a portfolio are monitored and re-evaluated to determine if they are fulfilling expectations.

The following situations comprise the primary reasons that the team would eliminate a security from a portfolio:

- if a change in management occurred that the portfolio manager felt would materially affect a company's performance;
- if conditions within a sector or industry produced an environment in which the long-term growth outlook originally reached by the portfolio manager was materially altered as to impede growth expectations; and/or
- if a company altered its business model in a fashion that the portfolio manager believed would cease to provide an inherent advantage over the company's competitors and inhibit growth of its respective market share.

The team may sell or reduce a holding if its price rises to a level that fully reflects the company's growth opportunities, or if it fails to meet the operational expectations that the portfolio manager establishes for it. The team's long-term time horizon and rigorous fundamental buy discipline dictates that the portfolio manager does not react to short-term fluctuations in the market.

We do not employ any form of stop-loss provisions.

P. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

The strategy does not employ leverage.

Q. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

No.

R. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Not applicable.

S. Regarding risk management:

- 1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.**
- 2) Identify the person(s) or group primarily responsible for the risk management function.**
- 3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.**

As previously mentioned, Concentrated Core is not designed to outperform a single index. The focus remains on maximizing risk-adjusted total return on a long-term basis within the context of our investment philosophy. Most clients evaluate our performance relative to the Russell 1000 Growth index or S&P 500 Index. The team does not observe rigid policies requiring specific levels of portfolio diversification in terms of sector, security, or size. Although a portfolio will be diversified, it may include large concentrations relative to its benchmark in certain sectors of the economy. Accordingly, a portfolio may be subject to wider fluctuations in value than would be the case if it were subject to broader diversification requirements.

The team's individual position weightings are based on the team's confidence in each company's ability to grow free cash flow and the assessment of each company's business opportunity. Generally though, a portfolio will not exceed 15% of its assets in a single issuer nor will it exceed 35% of its assets in any one industry, at the time of investment.

We closely monitor risk and the strategy is supported by TCW's Portfolio Analytics Group, which tracks all strategies and composites on a real-time basis and are supported by several analytical systems including Zephyr Style Advisor, Ibbotson Encorr, Barra Aegis, Bloomberg, Russell Performance Universe (RPU), Russell Performance Attribution (RPA), Baseline Analytics, and other custom applications. The focus of TCW's Portfolio Analytics Group is to analyze the relative and absolute risk of TCW's strategies as well as portfolio characteristics, attribution, and analytics. This department is available to provide general and specific analysis to TCW's clients as well as to executive management and the portfolio teams.

However, the portfolio construction process is not based on fixed or narrowly defined statistical measures of the aforementioned factors, and the team has few target limits or ranges for specific risk metrics. Rather, the team seeks to reduce volatility by targeting uncorrelated business fundamentals, regularly monitoring the "top heaviness" of the portfolio (i.e., the percentage of the portfolio represented by the top ten names) and controlling business risk through the quality framework and depth of research enabled by concentration. The team also regularly evaluates the potential impact to individual positions and the collective portfolio from a host of macro-economic scenarios including various levels of inflation, interest rates, economic growth and geographically concentrated weakness.

In addition, the Portfolio Analytics Group and Portfolio Analytics Committee, staffed with senior TCW executives and specialists, focusing on risk management, analytics and asset allocation. The Portfolio Analytics Group includes a staff of seven dedicated professionals. It tracks and analyzes all strategies and composites on a real time basis and is supported by several analytical systems including Zephyr StyleADVISOR, Ibbotson Encorr, BARRA Aegis, Bloomberg, Mellon Performance Universe (MPU), Russell Performance Attribution (RPA), Baseline Analytics, Morningstar Direct, FactSet, and other custom applications. The focus is to analyze the relative and absolute risk of TCW's strategies as well as portfolio characteristics, attribution, and analytics. This department is available to provide general and specific analysis to TCW's clients as well as to executive management and the portfolio teams. The Portfolio Analytics Group builds on this expertise and provides a forum for senior management to review and manage the risk of the firm's strategies.

T. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

There is small aggregate investment by the firm. Please refer to **Exhibit III** for the TCW Funds Statement of Additional Information for portfolio management investments in their respective TCW Funds.

Yes. Investment professionals are allowed to invest in strategies not managed by the firm.

U. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

The TCW Concentrated Core Portfolio Manager has consistently practiced the strategy's philosophy since the strategy's inception in October 1987. The one addition to the portfolio construction process is the inclusion of a light macroeconomic overlay, which was added upon Craig Blum being named sole Portfolio Manager in February 2008.

IV. Performance & Portfolio Composition

A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

Given the strategy's focus on mid to large-cap companies, the Russell 1000 Growth is the primary benchmark the Fund is measured against by most clients.

The strategy is comfortable being benchmarked against either the Russell 1000 or S&P 500, which have comparable R-squared. The strategy is also comfortable being evaluated against the Wilshire 3000 Index, and will manage the portfolio in the same way, irrespective of the benchmark the client chooses.

B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

TCW generally does not set performance goals in basis point percentage terms relative to the benchmark. However, the strategy does seek to outperform the benchmark over full market cycles in all rational market environments.

While historical tracking error is measured, it is not an important feature of the forward looking investment process. The focus remains on maximizing risk-adjusted total return on a long-term basis within the context of our investment philosophy. Most clients evaluate our performance relative to the Russell 1000 Growth index or S&P 500 Index.

C. What has been the annual turnover (in position terms) for this product over the past five years?

The team strives to own securities in the portfolio for 3-5 years. As such, annual turnover is usually low, averaging between 20-30% over the past decade. In any given year, turnover can deviate from the longer-term average, however.

For the five-year period ending December 31, 2012, turnover for a Concentrated Core representative account has averaged 30%.

D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

Generally, market environments that favor companies exhibiting rapid earnings and cash flow growth tend to result in optimal performance for the strategy. The team also favors dominant companies that can capture market share, as competitors struggle disproportionately during difficult economic environments, thereby increasing future earnings power.

It is common for the strategy to experience short-term underperformance during periods defined by low premiums for high-quality companies. It is also difficult for the strategy to distinguish itself in frothy markets in which investors become undisciplined about valuation. However, while market environments that favor lower-quality stocks can produce measurable headwinds to the fund's performance, it is often the case that the team's superior stock selection overwhelms this disadvantage. The team attributes these particularly successful periods to the fund's unique definition of quality (large end-markets, sustainable business model advantage, growing market share, growing earnings power) and to the large number of holdings that are capable of producing attractive long-term returns in a variety of economic environments.

E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

The best performing quarter versus the Russell 1000 Growth Index was 1Q 1988 where the composite outperformed the benchmark by 1322 bps.

The least performing quarter versus the Russell 1000 Growth Index was 4Q 1989 where the composite underperformed the benchmark by 829 bps.

In 2006 the composite underperformed the benchmark by a margin we consider to be quite abnormal given the strategy's impressive long-term track record. We attribute this to two reasons: 1) the strategy was managed in a co-PM fashion, and 2) the top-heaviness of the portfolio and correlations of the top 10 stocks were extremely high.

Since Craig Blum became sole Portfolio Manager (February 2008), the volatility of the fund has decreased dramatically versus the decades prior. The same rigorous bottom-up stock selection process is in place but a light macro overlay as well as more stringent risk methodology has been added to the investment process.

Since Mr. Blum took over sole PM duties, the strategy has outperformed the Russell 1000 Growth Index each and every calendar year and remains the only U.S. Large Cap Growth strategy to do so over the past six calendar years.

F. Provide metrics associated with the following areas:

1) Number of securities held

- **Current**
- **Historical range**

Historically, the strategy has typically held between 25-35 securities but it may hold more or less securities.

As of December 31, 2012, the strategy held 31 securities.

2) Position size

- **Current average**
- **Current largest**
- **Maximum allowable (specify if measured at cost or market)**
- **Percent in top ten holdings**

Due to the concentration inherent in the strategy, the portfolio can have significant weightings in particular holdings, which are typically not higher than 10% and never higher than 15%.

As of December 31, 2012, the average position size in the portfolio is 3.1%.

As of December 31, 2012, the largest position size in the portfolio is 7.3%.

As of December 31, 2012, the top ten holdings in the portfolio represented 42.8% of the portfolio holdings.

3) Cash & equivalents allocation

- **Current**
- **Historical range**
- **Maximum allowable**

The strategy strives to remain fully invested and makes no attempt to time the market or dampen volatility with cash positions in its portfolios. Cash is a residual of the trading process and generally has historically ranged from approximately 0–5%, but can be higher. The strategy limits cash to generally 10%.

As of December 31, 2012, the strategy had 2.9% in cash.

G. Exhibit-C (in the attached Excel document): Provide current and historical holding Cap Size.

Please refer to **Exhibit C** for TCW Concentrated Core Market Cap Allocation.

H. Exhibit-D (in the attached Excel document): Please enter monthly gross and net of fee returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.

Please refer to **Exhibit D** for TCW Concentrated Core Returns.

I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

Please refer to **Exhibit VI** for TCW Concentrated Core Attribution Analysis.

J. Regarding composite quality:

1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?

Yes. The inception date of the composite is September 30, 1987.

2) Has it been your firm’s policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.

Yes.

3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

Yes, there are 11 accounts that currently fall below the composite minimum.

4) Are terminated portfolios included in the composite? If not, please explain.

Yes, they are included in the composite through to the last full performance measurement period that the portfolio was under management.

5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?

New discretionary accounts are included in the composite at the start of their first full performance period. Prior to 2010, a full measurement period was considered one full quarter. From 2010 onward, it was changed to one full month.

6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

Composite returns are calculated on both an asset-weighted and equal-weighted basis. Asset-weighted results are calculated by weighting the contributions to the composite rate of return utilizing the beginning of period market values of the constituent portfolios. Equal-weighted results are obtained by calculating a simple arithmetic average of the constituent portfolios.

7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

Yes.

8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

Yes, this can happen if the guidelines change for an account or if there is a change to a composite definition such that it is no longer valid for a particular account.

9) Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.

As of December 31, 2012, the Concentrated Core strategy had approximately \$5,900 million across 69 accounts.

As of December 31, 2012, the Concentrated Core composite had approximately \$4,048 million across 31 accounts.

10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. Exhibit-E (in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 9/30/12.

Composite Performance Dispersion (%)

As of December 31st

	2012	2011	2010	2009	2008
# of Portfolios 1 Year	31	33	25	26	33
Min 1 Year	15.6	4.0	16.7	42.6	(37.4)
Max 1 Year	18.7	5.6	19.0	45.0	(34.5)
Mean 1 Year	16.7	4.9	17.8	43.7	(36.4)
Median 1 Year	16.6	4.9	17.7	43.6	(36.4)

Please refer to **Exhibit E** for TCW Concentrated Core's Monthly Returns.

Please refer to **Exhibit VII** for TCW Concentrated Core Composite Details and Performance Footnotes.

V. Investment Vehicles, Fees & Terms

A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

As of December 31, 2012, TCW Concentrated Core strategy had approximately \$5,382 million assets under management. There are currently no capacity constraints for TCW's Concentrated Core strategy.

B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:

1) Separate Account

Minimum Account Size:

\$25 million

Standard Fee Schedule:

0.70% on all assets

2) Commingled Fund

Commingled Trust:

Minimum Investment

\$5 million

Fee Schedule

0.75% on the first \$50 million

0.65% on remaining assets

Collective Trust (Daily Valued):

\$5 million (at the plan level)

Qualified investors only-

Defined Contribution and Defined Benefit assets

0.65% on all assets

(net to the investor)

No revenue share or administrative offset

3) Institutional Mutual Fund

TCW Select Equities Fund:

Minimum Investment:

\$2,000 (I-Class-TGCEX)

\$2,000 (N-Class-TGCNX)

0.75% advisory fee

Expense Ratio

I Class: 0.90%

N Class: 1.20%

C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

For accounts of considerable size, TCW is willing to discuss alternative fee structures.

D. Specifically regarding commingled vehicles (excluding mutual funds):

1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.

The TCW Concentrated Core is offered through the Commingled Trust and the Collective Trust vehicles.

2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?

Commingled Trust

Please refer to **Appendix E**, TCW Concentrated Core Equities Trust Offering Memorandum, Tax and Regulatory Matters, Taxes, pp 20-21.

Collective Trust

Please refer to **Appendix E**, Declaration of Trust for the TCW Multiple Investment Trust.

3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.

Commingled Trust

Please refer to **Appendix E**, TCW Concentrated Core Equities Trust Offering Memorandum, Expenses, pp. 6-7.

Collective Trust

Please refer to **Appendix E**, Declaration of Trust for the TCW Multiple Investment Trust, TCW Multiple Investment Trust Schedule of Fees.

4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?

Please refer to **Appendix E**, TCW Concentrated Core Equities Trust Offering Memorandum, Redemption of Units, pp. 14-15.

Collective Trust

Please refer to **Appendix E**, Declaration of Trust for the TCW Multiple Investment Trust, Withdrawal.

5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.

There are currently no capacity constraints for TCW's Concentrated Core strategy.

The product teams will cease marketing the strategy when they have reached capacity in terms of size, liquidity, or their management and administrative capabilities.

E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.

No.

F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?

As of December 31, 2012, total trading costs for the portfolio were 6 bps per share.

G. Are fees and/or terms negotiable for this mandate? If so, at what size?

For accounts of considerable size, TCW is willing to discuss alternative fee arrangements.

H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?

The firm and employees have minimal investment in the vehicle.

I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as Appendix E – Legal Documents.

Please refer to **Appendix E** for Legal Documents including a sample IMA and prospectus.

VI. Operations, Trading & Controls

A. Briefly describe your administrative/back office operations and organizational structure.

TCW handles all management and administrative functions internally; the exception being the client accounting and related operations for certain strategies (including Concentrated Core) and accounts which have been outsourced to BNY Mellon. TCW does have an internal department (Client and Fund Reporting Group) which is tasked with monitoring BNY Mellon through service level agreements, score cards and a Steering Committee.

B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

Transfer Agent

U.S. Bancorp Fund Services, LLC
615 E. Michigan Street
Milwaukee, Wisconsin 53202

Custodian and Administrator

State Street Bank and Trust Company
200 Clarendon Street
Boston, Massachusetts 02116

C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

Please refer to *Exhibit VIII* for TCW Applications by Product.

D. Regarding valuation practices:

1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.

Please refer to *Exhibit IX* for TCW Valuation Policy Summary.

2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

TCW contracts with an outside pricing service through our custodian, State Street. They use IDC to price the concentrated core securities.

3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?

TCW maintains a formal Pricing Committee which establishes valuation policies and procedures (including for price overrides), oversees the valuation process, reviews pricing reports and establishes review parameters for internally priced marketable securities.

E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

Please refer to **Exhibit X** for TCW's Enterprise Risk Management Infrastructure.

BNY Mellon undergoes an annual SSAE 16 evaluation. This will be provided upon request under separate cover.

Please also refer to Question VI.A above.

F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

Please refer to Question VI.L below.

G. Discuss procedures used to monitor and control personal trading activities.

Laws and ethical standards impose on the Firm, its employees and its directors duties to avoid conflicts of interest between their personal investment transactions and transactions the Firm makes on behalf of its clients. In view of the sensitivity of this issue, avoiding even the appearance of impropriety is important. The following personal investment transaction policies are designed to reduce the possibilities of such conflicts and inappropriate appearances, while at the same time preserving reasonable flexibility and privacy in personal securities transactions.

The Firm uses an online personal securities compliance system. This system can be accessed via the internet from any location in the world. The system is to be used for all Personal Securities transactions including:

- Account openings, changes, or closings (including accounts in which the Access Person has a "beneficial interest.")
- Pre-clearance (make a personal trade request for Securities).
- Required Reports (Initial Holdings Report, Quarterly Report, Annual
- Holdings Report and Annual Certificate of Compliance)

H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

Yes, TCW maintains a Code of Ethics. TCW educates its professionals and staff on its formal policies and procedures addressing the avoidance and prevention of insider trading and the handling of potential material, non-public information, including establishing information barriers and a restricted securities list. TCW's policies are addressed during the orientation for new personnel and, they are incorporated into TCW's mandatory compliance training for employees which generally occurs annually. In addition, the Legal Department has held special training sessions on this topic for the research group. The policies are also posted on the internal intranet for access by all personnel. Furthermore, TCW has implemented guidelines regarding the engagement and use of expert network firms. The guidelines require that only established and well regarded expert firms may be engaged, and prior to engaging an expert firm, the expert firm's compliance process must be reviewed. The guidelines include procedures for an employee to follow when using an approved expert firm. Additionally, an expert firm may only be used by employees that have attended (in person or webinar) an internal insider trading training and have agreed to abide by the guidelines.

Please refer to *Exhibit XI* for TCW's Code of Ethics.

I. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

To the best of our knowledge there are currently no conflicts within the strategy.

J. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

A conflict of interest occurs when the Firm's interests could compete or conflict with a client's interests. The Firm recognizes certain conflicts may arise in the portfolio management process, including transactions with Affiliates, allocation of trades and cross trades, employee trading in securities that also are held in client accounts, and incentive or transactions fee arrangements. TCW's policies address how the Firm manages various potential and actual conflicts of interests, including sections on take-out transactions, investment in different classes of the capital structure in distressed entities and affiliated party transactions.

Although multiple strategies may invest in similar securities, as described below, TCW maintains trading and allocation procedures which are designed to ensure the fair and equitable allocation of securities across all eligible accounts.

K. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

The purpose of the overall trading and allocation practices is to ensure that TCW acts to the highest fiduciary standards on behalf of all of our clients. To this end, we seek to execute trades at the most competitive level for our clients, while minimizing transaction costs. Additionally, we require the portfolio management team to allocate buys and sells in a manner that is fair and equitable over the course of time. Our investment professionals work from a single trading room, where all portfolio managers and analysts are required to perform their duties.

When executing block trades, securities will be allocated among accounts using procedures that TCW considers to be fair and equitable. Participation of an account in an allocation will be based on a variety of considerations such as investment objectives, guidelines and restrictions, availability of cash, the amount of existing holdings (or substitutes) of the security in the account, investment horizon, and if applicable, directed brokerage instructions.

We rely on a number of tools to identify which accounts need to purchase or sell securities before entering into negotiations with various potential broker counterparties. These tools identify a series of factors, e.g., portfolios that do not allow the quality of the security being purchased are eliminated from the allocation process. Another step involves sorting portfolios by the sector and subsectors to which the purchased security belongs. Emphasis is given to portfolios that are the most underweight relative to our target portfolio weighting in the relative sector. Position size also becomes a factor in this process, as available cash and other considerations might prohibit allocation to certain accounts. Given the nature and supply of certain fixed income securities, often a portfolio can, or must, be allocated an equivalent security to that received by other accounts. Finally, because TCW offers a set of different investment strategies to its various clients, it is conceivable that different decisions can be made concerning the timing to purchase or sell a particular bond for each strategy.

TCW does not give preference to portfolios based upon size, fees, performance, or any other criteria other than those outlined above.

Generally, the dispersion of returns in the composite is caused by several factors, including client-imposed guidelines, large inflows and outflows of funds, differing performance on individual securities, and differences in the structure of newly-formed portfolios. The dispersion of returns for comparable client accounts tends to be modest, with significant differences generally resulting from variations in a client or clients' objectives. The portfolio manager's decisions have a minimal impact on the differences amongst portfolios.

L. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

TCW is committed to maintaining an internal control structure to insure the protection of client assets and the accurate and timely measurement and reporting of TCW activities. TCW has developed numerous procedures, policies, and committees that meet regularly to insure that client guidelines are strictly followed.

Pre-trade Monitoring

The emerging markets fixed income trading desk has systems and procedures in place for the oversight of securities traded, including pre-trade checking of client guideline or regulatory imposed investment limitations, restricted lists and limits on dealing with affiliates or restricted persons, e.g., ERISA, trade allocation procedures, and tracking of directed brokerage instructions. The emerging markets fixed income desk uses Charles River Compliance System (CRD) as their trading system. Prior to the start of trading for an account, our Investment Operations programs applicable limits into CRD and all fixed income trades are pre-tested by Investment Operations.

The systems and procedures vary based on pertinent factors such as the characteristics of the investment strategy, and the number/nature of accounts, including whether the accounts are wrap accounts. Many of the marketable securities strategies use third-party automated order management systems that apply selected pre-trade compliance validation in the order creation process.

Post- trade Monitoring

Investment Operations periodically conducts post-trade compliance reviews for all marketable securities strategies, utilizing a third-party automated compliance system (the “Compliance System”) and/or manual checklists. Investment Operations programs applicable limits into the Compliance System and creates manual checklists for the limits that are not programmable. Limits in the Compliance System generally are reviewed each business day based on the previous business day’s activity. Manual checklists are used for a monthly or quarterly spot-check.

Charles River Investment Management System (“Charles River”), an automated investment limitation monitoring system leased from Charles River, Boston, Massachusetts, which is used for certain post-trade compliance monitoring for the marketable securities strategies.

M. Regarding counterparties:

- 1) List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).**

Please refer to *Exhibit XII* for a list of counterparties used for the year ended 12/31/12 for a representative TCW Concentrated Core account.

- 2) Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.**

The top 5 brokers are ranked in *Exhibit XII* and accounts for 58% of traded trades through 12/31/12.

- 3) How are your trading counterparties selected, monitored and evaluated?**

Counterparty Risk Management:

TCW takes certain steps to manage the risk involved in counterparty trading relationships. These steps may include, but are not limited to, undertaking due diligence before entering into an agreement or relationship, performing initial and periodic credit approval, establishing credit standards, negotiating appropriate terms within any ISDA agreements with such counterparties, incorporating protective provisions in its client contracts, and conducting periodic reviews of such relationships. Recognizing the risks inherent in all investment activities, we have created a broker/counterparty review process, which includes a comprehensive quarterly review of counterparty ratings, counterparty exposure, collateral held, and systemic risk.

Counterparty Review:

Our policy is to execute trades with broker-dealers on our Approved Broker-Dealers list. Our counterparty reviews include verification of the financial soundness of the company and completion of an analysis of the broker's ability to be an effective counterparty for our clients. An approved broker-dealer may lose its approved status should our regular review indicate it became less financially sound.

Permission for trading with specific broker-dealers in specific client accounts may be further limited by a client's investment guidelines.

TCW only transacts with highly rated, creditworthy (i.e. properly capitalized), and ethical financial counterparties, which must have a minimum of an A rating and must have a demonstrated expertise in relevant transactions.

Some of the capabilities that we look for when reviewing broker/dealers:

- Ownership structure
- Amount of net capital and earnings
- Reputation
- Amount of time in the business
- Types of business being considered (i.e. UST, MBS, derivatives, etc.)

Credit review, re-approval of counterparties is an ongoing process as described below:

Broker due diligence involves several procedures to determine the creditworthiness of broker-dealers, including:

- A copy of the most recently filed FOCUS Report is obtained (SEC Form X-17A-5 that is used to determine a broker/dealer's financial condition)
- An unqualified opinion from the broker-dealer's independent accountants must accompany the audited financial statements for the most recent fiscal year-end of the broker-dealer.
- A review of the financial statements and most recently filed FOCUS Report is performed to ascertain:
 - The liquidity, capital structure, leverage and, if applicable, support from the parent in order to assess the financial viability of the broker-dealer.
 - The broker-dealer should have reasonably stable earnings currently as well as over a sustained period of time.
 - Ideally, the broker-dealer should be in operations for three years or more, with net capital well in excess of minimum required levels, and excess cash on reserve in order to meet 15c3-3 requirements, as applicable.
 - A review of non-allowable assets vs. allowable assets is performed to ascertain balance sheet capital strength.
 - In addition, other factors considered include the experience of the management team of the broker-dealer in terms of industry experience as well as the tenure with the current broker-dealer.

Our policy is to achieve best execution by executing a transaction with a qualified and capable counterparty that bids or offers the most favorable price. Broker/dealers are placed in competition with one another to the extent reasonably possible when we look to buy or sell a bond.

With respect to over-the-counter derivatives, TCW has additional controls and processes to mitigate counterparty exposure. This includes bi-lateral exchange of collateral cover any mark-to-market exposures and is monitored on a daily basis.

4) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.

Please refer to the above response.

N. Provide an overview of your business continuity and disaster recovery systems and plans.

Please refer to *Exhibit XIII* for TCW's Business Continuity Plan Summary.

VII. Legal & Regulatory Issues

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as Appendix F – ADV Part II. If exempt, please describe the exemption.**

Please refer to **Appendix F** for TAMCO's ADV Part II.

- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.**

Please refer to **Exhibit XIV** for TCW Litigation Summary.

- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.**

Various entities within the TCW Group are subject to routine reviews and examination by the California Department of Financial Institutions, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Commodities Futures Trading Commission and other governmental and regulatory authorities. From time to time, these governmental and regulatory authorities perform routine reviews or examinations of some of the entities within the TCW Group. TCW is not currently engaged in, or subject to, any censure or penalty or any non-routine review, examination, investigation, proceeding, action or restriction by any governmental or regulatory authorities in respect of TCW.

Additionally, within the past 5 years, TCW has not been subject to any censure, fine or penalty, or to any non-routine review, examination, inquiry, investigation, proceeding, action, restriction or finding of a violation by any governmental or regulatory authorities (other than general industry sweeps, none of which resulted in any action against TCW and other than third party information requests from regulators). TCW has not received, in the course of any routine regulatory review or otherwise, any comment believed to be material.

- D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled nolo contendere to a felony? If so, describe each instance.**

No.

- E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).**

Please refer to **Exhibit XV** for TAMCO's Summary of Selected Insurance.

F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

TCW does not comment on insurance claims.

G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

No.

H. What is your firm's soft dollar policy?

Please refer to **Exhibit V** for a summary of TCW Broker Commission Summary.

VIII. Miscellaneous

A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as Appendix G – Sample Client Report.

Please refer to **Appendix G** for a sample client report.

B. Attach a list of institutional clients invested in the proposed strategy as Appendix H – Representative Institutional Clients.

Please refer to **Appendix H** for TCW Concentrated Core Representative Institutional Clients.

C. Provide references for five current institutional clients invested in the proposed strategy.

Organization & Contact Name	Phone Number	Email Address	Inception Date of Relationship	Current AUM (\$ mm)
Mary Kay Cosmetics	*	*	9/6/12	51
Verizon Investment Management Corporation	*	*	6/30/05	117
Alameda County Employees' Retirement Association	*	*	6/4/99	357
Public School Retirement System of St. Louis	*	*	7/4/12	30

Please contact Chris Scibelli at (213) 244-0867 prior to contacting any TCW client. It is TCW's practice to place a courtesy call to its clients in preparation for reference confirmations. At that point TCW will supply a contact telephone number and email address.

D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

Like many firms, during its history TCW has been terminated from client relationships for a variety of reasons. We generally do not comment or provide references on terminated client relationships.

E. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?

TCW does not currently have an ESG policy in place. While we do not offer specific socially responsible investment products, we meet the ESG needs of our clients and implement investment restrictions based on each client's specific sensitivities. As of December 31, 2012, TCW managed approximately \$16.9 billion in accounts that:

- comply with Shariah law,
- prohibit investments in companies doing business in Iran and Sudan,
- prohibit investments in companies involved in the manufacturing of anti-personnel mines or cluster bombs (Ottawa and Oslo treaties), or
- adhere to the Socially Responsible Investment Guidelines set forth by the United States Conference of Catholic Bishops

F. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

Please refer to our response to Question G below.

G. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

On behalf of our clients, we invest in those companies which we believe are focused on maximizing shareholder value. Most often, these are the same companies which have embraced appropriate Environmental, Social and Governance policies, including: being good stewards of the environment; acting as responsible corporate citizens both in terms of their role in the community and in producing quality products in a safe workplace in which company employees are treated with fairness and respect; and, embracing corporate governance policies which promote accountability and acting in the best interest of shareholders.

H. What is your firm’s proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?

If TCW has responsibility for voting proxies in connection with its investment advisory duties, or has the responsibility to specify to an agent of the client how to vote the proxies, TCW exercises such voting responsibilities for its clients through the corporate proxy voting process. TCW also uses outside proxy voting services (each an “Outside Service”) to help manage the proxy voting process. An Outside Service facilitates TCW’s voting according to the Guidelines (or, if applicable, according to guidelines submitted by TCW’s clients) and helps maintain TCW’s proxy voting records. All proxy voting and record keeping by TCW is, of course, dependent on the timely provision of proxy ballots by custodians, clients and other third parties.

TCW has adopted proxy voting guidelines and procedures (the “Guidelines”). The Guidelines provide a basis for making decisions in the voting of proxies for clients of TCW. When voting proxies, TCW’s utmost concern is that all decisions be made solely in the interests of the client and with the goal of maximizing the value of the client’s investments. With this goal in mind, the Guidelines cover various categories of voting decisions and generally specify whether TCW will vote for or against a particular type of proposal. TCW’s underlying philosophy, however, is that its portfolio managers, who are primarily responsible for evaluating the individual holdings of TCW’s clients, are best able to determine how to further client interests and goals. The portfolio managers may, in their discretion, take into account the recommendations of TCW management, the Proxy Committee, and an Outside Service.

Please refer to **Exhibit XVI** for a summary of TCW Proxy Voting Guidelines and Procedures Summary.

REQUEST FOR INFORMATION: US DOMESTIC EQUITY

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of our client.

Responders should be aware that SIS is conducting this search on behalf of a public entity in California. This entity is covered by the Public Records Act (Gov. Code 6250 *et seq.*) which requires that public records be available to the public upon request.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. All data should be as of 12/31/2012, if available.

The deadline for your firm's response to this RFI is 01/18/2013.

Please submit **one hard copy and one electronic copy** to:

John Nicolini
Strategic Investment Solutions
333 Bush Street, Ste 2000
San Francisco, CA. 94104
(415-362-3484)
jnicolini@sis-sf.com

NOTE: Where noted, exhibits are to be completed in the attached Excel document.

I. BACKGROUND & GENERAL INFORMATION

A. Contact information:

Firm Name:	Wedgewood Partners, Inc.
Address:	9909 Clayton Road, Suite 103; St. Louis, MO 63124
Telephone Number:	(314) 567-6407
Fax Number:	(314) 567-0191
Website:	www.wedgewoodpartners.com
Primary Contact	
Name:	Dana Webb
Title:	Sr. Portfolio Manager
Telephone Number:	(314) 567-6407
Email:	dwebb@wedgewood-partners.com

- B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

[Current President and CEO, Tony Guerrerio founded Wedgewood Partners, Inc. in 1988. We are a wholly employee owned investment management firm based in St. Louis, MO. We have one single investment style, which is focused large-cap growth. Our large-cap focused growth philosophy and process took shape when current CIO, David Rolfe, joined as the firm's CIO in 1992. The firm was sold to CNB Bancshares in 1998. Tony and David bought the firm back in 2000 after Fifth Third Bank bought CNB Bancshares. Our intent was, and still](#)

is, to serve the investment needs of high net worth families/individuals as well as institutional clients. The product is available in the following investment vehicles: SMA, UMA, and mutual fund. We have operated under the name of Wedgewood Partners, Inc. since the company's inception in 1988.

Wedgewood owns a small broker-dealer, but only the Wedgewood sponsored wrap accounts are traded there and it only represent less than 5% of firm revenue. We are currently divesting this business and the process should be complete during the 2nd quarter of 2013.

- C. Attach an organizational chart depicting the firm's distinct business units as **Appendix A - Firm Organizational Chart** and provide the total number of employees within each business unit.

Please see the attached Organizational Chart.

- D. List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

Wedgewood has one office; located in St. Louis, Missouri.

- E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

N/A

- F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

Tony Guerrero, President (55%), and David Rolfe, CIO (45%), are the sole owners of the firm. Dana Webb and Michael Quigley, the other two members of the investment team, have been extended deferred equity incentive compensation offers in the amount of 5% each of the firm's value. The offer can be executed at a change in firm control.

The majority of the equity allocation for the firm's 401k, where a bulk of our investment professionals' net worth resides, is in the Wedgewood Large Cap Focused Growth product.

- G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

Tony Guerrero founded the firm in 1988. It was sold to CNB Bancshares in 1998. Tony and David Rolfe bought the firm back in 2000 after Fifth Third Bank bought CNB Bancshares. We have operated under the name of Wedgewood Partners, Inc. since inception.

- H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

At year-end 2012, we crossed over the \$3 billion level in product assets under management. Over the long-term, we plan to top out in the \$8-\$9 billion range. Although we do possess a 20-year track record, which has been led by our existing CIO over this time frame, chronologically, we are a relatively young team (CIO - 51 years of age). We believe that we have many years left to grow the firm. Our growth plans are centered on establishing relationships with firms/institutions with a long-term investment focus and that understand what we do, why we do it, and how we do it. The markets are volatile enough. Our existing clients understand that at times a focused portfolio may experience markets in which our style is not in vogue. If our partners understand our long-term investment focus as well as

our intent to take advantage of times when the market is dismissing high quality growth companies, we believe that they are less likely to jump ship at precisely the wrong time. A testament to our partners is that we have yet to be fired over any short-term underperformance. This firm vision as well as the importance of building and satisfying existing client relationships has been well communicated as well as illustrated by top management to all employees of the firm. We do not have plans to open any new products/strategies.

I. Describe your succession and continuity plans for management of the firm.

Members of the investment team all have an equity stake in the company and non-compete agreements. Their ages range from 31-64 giving us tremendous flexibility to react to any unexpected changes in our key team members while growing a solid management team that has lived with Wedgewood values and investing philosophy. There are no plans for founder and President, Anthony Guerrerio (64), to retire given he is very healthy and an active member of the investment team. He has received a liquidity event in the past so his financial needs have been met. Tony has had formal succession plans prepared and he is available to discuss them with interested parties.

J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.

There has been no turnover among senior staff in the past three years.

K. **Exhibit-A (in the attached Excel document):** Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

Wedgewood, currently and since our inception, has only had one product; the Large Cap Focused Growth Product.

II. INVESTMENT TEAM

A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as **Appendix B - Investment Team Organizational Chart**.

B. **Exhibit B (in the attached Excel document):** Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.

C. Attach biographies for each of the individuals named above as **Appendix C - Biographies of Key Investment Professionals**.

Please see the attached.

- D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.

The investment team consists of David Rolfe, Tony Guerrerio, Dana Webb, and Michael Quigley. They are responsible for all accounts. David Rolfe, as CIO, would be the lead portfolio manager for the portfolio.

- E. **Exhibit B (in the attached Excel document):** Provide a summary of the firm's employees.

- F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

Our President and firm founder, Tony Guerrerio, retains 55% ownership of the firm. David Rolfe, our CIO, has a 45% ownership stake. Their compensation includes salary and firm profits. Additional investment team members, Dana Webb and Michael Quigley, each have signed non-compete agreements and have been extended deferred equity compensation offers in the amount of 5% each of the firm's value. Both Dana and Michael receive relatively competitive salaries & performance bonuses. Currently, only investment team members are eligible for ownership. Ownership is only offered after years of positive contributions to the performance of the strategy and firm growth. All Wedgewood employees receive a base salary, but bonuses are reserved for those that exemplify a professional attitude and desire to improve themselves, in turn improving the firm's resources overall. We ask that all Wedgewood employees step up to the plate and those that do are rewarded financially. In regard to compensation levels relative to other investment advisory firms, Wedgewood is very competitive. Employees are evaluated on their quality of work, attitude, focus, initiative, ability to meet deadlines, teamwork, whether they meet or exceed expectations, reliability, and interaction with others. No employee receives a percentage of management fees.

- G. **Exhibit B (in the attached Excel document):** Complete the table listing turnover for the individuals responsible for the proposed strategy.

- H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Members of the investment team all have an equity stake in the company and non-compete agreements. Their ages range from 31-64 giving us tremendous flexibility to react to any unexpected changes in our key team members while growing a solid management team that has lived with Wedgewood values and investing philosophy. There are no plans for founder and President, Anthony Guerrerio (64), to retire given he is very healthy and an active member of the investment team. He has received a liquidity event in the past so his financial needs have been met. Tony has had formal succession plans prepared and he is available to discuss them with interested parties.

- I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

Wedgewood utilizes the services of Broadridge, to assist us in our proxy voting effort, and Focus1 Associates, to assist us in the creations, maintenance, and review of our compliance program.

III. INVESTMENT STRATEGY & PROCESS

- A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

For the past 20 years, Wedgewood Partners has adhered to an investment philosophy that hinges on thinking and acting like business owners. To paraphrase Warren Buffett; "...being an investor has made me a better owner - and being an owner has made me a better investor." The four members of the Wedgewood Partners' Investment Committee hold the entire equity stake of Wedgewood, so similar to Buffett, the business owner-approach is pervasive at Wedgewood. As such, we are not concerned about short-term fluctuations in the market price of our businesses, nor are we interested in using these fluctuations to measure or characterize risk. Instead, we view risk as a permanent loss on an investment and we view reward as the long-term appreciation of equity, relative to the underlying growth of the business. We recognize that the byproduct of this successful execution is a concomitant increase in equity value which, prima facia, reduces the risk that we will experience a permanent loss of capital (the ultimate bane of any investment strategy). Said another way, we believe the philosophy of the business owner repeatedly trumps the whimsy of the easily influenced speculator. We believe this approach allows us to exercise a much higher level of conviction, relative to most of our peers.

We believe that focused portfolios have the ability to sustainably outperform versus market indexes, on a risk-adjusted basis, due to the fact that low-conviction ideas - or those ideas that are equal-weight/underweight vs. the benchmark - are avoided, as they routinely detract from alpha generating capabilities, despite reduced volatility. In addition, we believe that stocks eventually follow the long-term growth path of the underlying companies. Furthermore, our consistent execution of the time-tested tenets of both "growth" and "value" investing delivers a portfolio that consistently offers significantly more prospective growth versus our peers' (and benchmark) portfolios, without paying a premium for such growth. Last, we believe that risk should be managed by avoiding permanent loss of capital, rather than by mitigating volatility.

The stock market is efficient, but we earnestly believe, not perfectly efficient. We endeavor to capitalize on the inefficiencies of the broad stock market, the inefficiencies at the company level whereby best-in-class growth companies are routinely and inefficiently undervalued and the inefficiencies at the "follow-the-herd" individual investor level. Exploiting any one of these is advantageous. Consistently exploiting all three, yields a significant advantage to the intelligent investor. The stock market may be efficient in the long-term, but in the short-term the market may act inefficient serving up opportunity for long-term investors; opportunities to own great businesses at attractive valuations. Owning a high conviction portfolio, we look to capitalize on market inefficiency. During periods of high volatility, our portfolio turnover increases as a result. We view the inevitable volatility of individual stocks and markets as opportunity rather than risk. Our better investment decisions over the years have come at times (re: opportunity) to act in a contrary nature. We do not follow the herd. We have yet to see or know of a successful investor that doesn't have a contrarian nature

about their investment thinking and their investment related behavior. Such contrariness and margin-of-safety and behavior must be embedded in a successful investment philosophy and process.

- B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

Our approach is fundamental, bottom up.

- C. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?

We believe our focus on only a few dozen excellent investment opportunities gives us more conviction and ability to exercise that conviction, relative to most managers. We think this advantage is sustainable as there are too many institutional imperatives that focused managers need to overcome.

- D. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

The broadest definition of our universe is any company with a market capitalization over \$5 billion. We invest in domestic equities, but also allow up to 10% in ADRs. Over our 20 year history, we have only owned @ 100 different companies. We focus on industry structures that produce high levels of ROIC in addition to attractive growth opportunities.

- E. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

The four members of the investment team are involved in the research effort, but it is officially headed and organized by David Rolfe, CIO. All members are generalists, but sectors are further divided between Michael and Dana for additional deep-dives as directed by Dave or Tony. Michael covers the Technology, Consumer Staples, Materials and Energy sectors and Dana covers the Health Care, Industrials, Consumer Discretionary, and Financial sectors. All members are responsible for bringing ideas to the investment committee.

- F. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

At Wedgewood the portfolio managers act as analysts.

- G. Outline and briefly describe the main steps of your investment process.

Our investment philosophy has yielded a process that revolves around analyzing a potential holding for five fundamental factors that are important markers for a potential, favorable risk/reward opportunity. These five factors are at the company, security and portfolio levels and include: sustainably superior competitive advantage(s), compelling valuation, double-digit growth, exceptional financial strength, and limited overlap with existing portfolio holdings. Every company in our portfolio must exhibit all five of these factors, otherwise they are avoided or sold.

We do not think these factors change very quickly or very often, with the exception of valuation. So the rate at which these factors change is about the same rate that we think about adding new names to the portfolio. In other words, we become more interested in a company as it exhibits more of our process factors. But that can take a long time and other ideas might take precedence.

- H. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

The goal of our process is to identify companies and stocks that exhibit five, well-defined characteristics that are necessary for portfolio inclusion. First we look to uncover companies that possess sustainably superior profitability relative to competition. We analyze the effects that a company's suppliers, rivals and customers have on long-term industry profitability and then decide if a company's value chain is unique enough to withstand those pressures. A portfolio holding must also possess the potential to grow profits at a double-digit rate over a full business cycle, which we believe typically spans three to five years. Next we want our portfolio companies to exhibit financial strength, which includes regular free cash flow generation as well as revenues that do not require regular debt financing. Fourth, we look for the equity to trade at compelling valuations, based primarily on historical, relative and absolute price ratios, but also using discounted cash flow models and sum-of-the-parts analysis. Last, we seek to own companies that derive the vast majority of profitability from sources that are substantially different from the profitability sources of other portfolio holdings. We believe that this is a more thoughtful approach to diversification than simply making the holdings in the portfolio more numerous.

- I. To the extent that tactical sector allocation shifts, duration management and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

As bottom-up stock pickers, almost all of our resources are dedicated to security selection. Any macro decisions we focus on are industry or sector specific fundamentals and secular trends, which are only used to put a specific company's competitive positioning into context.

- J. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

External research sources include sell-side research reports, industry experts, periodicals, government reports, trade journals, and industry conferences. External sources that are independently cited by other sources are given more attention. We utilize the mosaic of information generated by external research sources to gauge the strength and viability of our investment thesis. All research is paid for with firm funds as Wedgewood does not participate in any soft-dollar arrangements.

- K. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

During the research process, all research is shared as produced in order to keep all investment team members up-to-date. Portfolio recommendations (buys, sells, additions, trims) are communicated to team members via e-mails, formal or informal discussions. All portfolio decisions must be unanimous among the team members. David Rolfe, CIO, has veto power, although that power has rarely been invoked.

- L. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

Within a focused portfolio of 20 stocks, the average position size will be 5%. Typically, we will overweight four or five stocks. Security weights are a function of our conviction in the collective five attributes that we look for in our portfolio companies. We have a soft sector limit of 35%. However, given our bottom-up philosophy, sector allocation is a byproduct of company specific opportunities and we, on rare occasion, can exceed the max. We typically remain fully invested, running cash balances between 1 and 2 percent, but can hold up to 10 percent. Cash is a residual of our investment process. Additionally, we may hold up to 10% in ADRs.

- M. How do you define "risk"?

We define risk as the probability of booking permanent capital losses – the higher the probability of permanent capital loss, the higher the risk, and vice versa.

- N. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

of Holdings: 18-22

Maximum Sector Exposure: 35%

Maximum Business Model Exposure: 15%

Maximum Individual Stock Weighting: 10%

Maximum Cash Weighting: 10%

Minimum Individual Stock Weighting: 2%

Minimum Market Capitalization: \$5 billion

- O. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

Issue specific factors:

We will trim/sell if we lose conviction in a company's ability to generate superior profitability relative to competition. We will also trim/sell if we lose conviction in a company's financial strength. In addition, if a holding becomes less compellingly valued, we will trim/sell. Fourth, we will trim/sell if we do not think the 3-5 year growth rate will meet or exceed a double-digit pace. Fifth, we will trim/sell if one portfolio holding encroaches on the profitability opportunity of another portfolio holding. Sixth, we will sell our lowest conviction holding if we find a better idea.

As a portfolio guideline:

We will trim if a position exceeds 10% of the portfolio.

In the context of a focused portfolio, the synthesis of all of these sell decision rules is amplified in that 1.) Every sell/trim decision involves a high conviction holding and 2.) The process of adding a new stock to the portfolio forces us to make the all-important and all-difficult sell decision.

We do not have a typical loss tolerance for any single position, particularly if we still have high conviction in the name. If we loved a stock for example at \$50 and still had conviction in the name, we would definitely love it even more at say \$30. Given the dynamics of the investment team, all four members of the team would have to agree to maintain the position

which in effect, is a control to mitigate "falling in love" with any losing positions in the portfolio.

- P. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

No, Wedgewood does not employ leverage.

- Q. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

No, we do not employ short positions.

- R. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Wedgewood does not utilize any hedging strategies.

- S. Regarding risk management:

- 1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

We believe the risk of permanent capital impairment is of utmost importance and controls for this are present at every step of our process – including a systematic analysis of competitive advantages, growth, valuation, financial health, and uniqueness of strategy. We believe the risk of permanent capital impairment is of utmost importance and controls for this are present at every step of our process – including a systematic analysis of competitive advantages, growth, valuation, financial health, and uniqueness of strategy. A company that possesses a competitive advantage(s) ensures the growth rate of the company is sustainable and the said company's corporate performance is superior during bad macro periods. Companies that can generate and capture enough value to drive minimum 10-12% growth in their relative value driver, EPS, free cash flow or book value ensures that the company can double the value the company over a 5 year period. Analyzing stocks like a value investor reduces risk because if we get the fundamental picture wrong, we haven't overpaid, reducing downside. Also, under-owned means more potential buyers than sellers. Companies with strong balance sheets do not require debt to conduct normal business and have the ability to cheaply lever up if the opportunity presents itself. Our companies produce self-funded cash flows and regular free-cash flow generation which is invested back into the business at a high ROIC. Strong balance sheets reduce risk as management is an incremental buyer of the stock, the company can secure supply chain with excess cash and the company has cash resources when credit conditions are tight. When we populate a portfolio, our process dictates thoughtful diversification. Each company in our portfolio faces substantially different competitive pressures relative to existing portfolio holdings. This reduces risk as industry-wide shocks are limited to one portfolio holding.

- 2) Identify the person(s) or group primarily responsible for the risk management function.

The investment team is primarily responsible for risk management.

- 3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

Wedgewood’s process and risk management are one and the same, yet nowhere do we look at the standard deviation (or beta) of portfolio stocks when ascertaining risk. Rather than rely on a mean-variance framework to characterize portfolio risk, we instead employ our +20-year old, “bottom-up” process. While absolute risk metrics (standard deviation) might seem high relative to more diversified portfolios, focused portfolios have a higher probability of adding alpha, as well as risk-adjusted returns. Our highly repeatable process does not have a distinct silo for risk control. We believe the risk of permanent capital impairment is of utmost importance and controls for this are present at every step of our process – including a systematic analysis of competitive advantages, growth, valuation, financial health, and uniqueness of strategy.

- T. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

The majority of the equity allocation for the firm’s 401K, where a bulk of all employees’, including investment professionals, net worth resides, is in the Wedgewood Large Cap Focused Growth Product.

- U. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

There have been no changes to the investment process or risk management techniques since the product’s inception.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

- A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

Our benchmark is the Russell 1000 Growth Index as it is the most relative to our investment style. We also compare our strategy with the S&P 500 Index in terms of a broad market index.

- B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

We do not have a pre-determined alpha/tracking error target, however, over the past 5, 10, and 15 year periods our alpha, tracking error, upside capture, and downside capture are as follows:

	<u>5 Year</u>	<u>10 Year</u>	<u>15 year</u>
Alpha	5.56	3.51	7.41
Tracking Error	6.19	5.96	7.74
Upside Capture	115.70	112.25	124.23
Downside Capture	87.57	85.92	83.39

- C. What has been the annual turnover (in position terms) for this product over the past five years?

Our turnover for the past five years has been 35%. Historically, our turnover has been between 15 and 20 percent. Turnover is a byproduct of our sell discipline. We think turnover in the portfolio is loosely correlated to market volatility. For instance over the past few years, turnover has been ~2x the long-term historical average of 15-20 percent. Typically during times of volatility, the “better ideas” portion of our sell discipline is triggered and we have an opportunity to “upgrade” the portfolio to names that we believe are cheap and have durable, long-term earnings potential versus the names in the existing portfolio.

- D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

Our strategy can be expected to underperform/outperform when the market discounts/reward all or a combination of the five fundamental factors necessary for a company to be part of the Wedgewood portfolio. For example, 2006, was our worst year of performance relative to our benchmark. 2006 saw exceptionally strong corporate earnings. The ratio of total profits for the S&P companies to gross domestic product (GDP) soared in 2006 to an unprecedented 5.7 percent--much higher than the historical average of about 2.3 percent. The record level of earnings wasn't sustainable because it wasn't broad based but, rather, was concentrated in two sectors; financial companies and energy companies. The profits of the energy companies were driven by high oil prices that eventually peaked in 2008 at \$145 per barrel but later fell to \$30 before recovering to \$71 in June 2009. In the financial sector, higher volumes and fees stoked returns on equity that were around 60 to 80 percent above the historical trend. Much of these returns came from subprime and related products that were wiped out in 2008 and 2009. We do not invest in companies that depend on leverage to produce outsized earnings as we believe leverage is not a value creator in and of itself. Leverage doesn't increase the cash flows from an investment, but rather it increases risks for companies that do employ leverage. During the period of 2004-2007, the S&P debt/equity was over 2x vs. today, well above the 20yr average. The valuations of energy companies at the time were unattractive and we were underweight this sector as a result.

2009 would go down as our best year ever – on both an absolute and relative basis. Through the end of January 2009, the 10-year rolling rate of return of the S&P 500 Index had been - 4.28% - the second worst ever! We cautioned our clients that now (2009) was not the time to be bearish. At both bull market tops, and bear market bottoms, emotion trumps reason. Greed overtakes reason at market tops. Conversely, fear overtakes reason at market bottoms. At major bear market lows, fear becomes debilitating. The stock market's shocking daily volatility had left even the most seasoned investors numb. But, we cautioned, if stock market history rhymes at all, far too many investors – individual and professional alike – will miss the start of the next bull market. We believed that the stock market finally had begun to separate the “good” companies from the “bad.” Specifically, after the all-consuming crushing last days of the bear market, the stock market has begun the sorting and discriminating process of recognizing and rewarding those few companies that have the most resilient business models, the best economic franchises, the survivors and the thrivers. On this score, our portfolio of high quality, cash generating businesses (after middling performance during the corporate- bubble years) had begun to shine. In 2009, we were in the midst of a multiyear earnings bust. Exceptional profitability has become quite rare – and valuable. Our portfolio shined. Our turnover is highly correlated with market volatility. We had never been so active realigning portfolio holdings as we were in late 2008. In fact, the drop in financial stocks was so severe that as we entered 2009 we had increased our holdings in financial stocks to weights we have rarely held before. Each of these companies possess all of the

competitive attributes we have always required for inclusion for investment consideration, but in the current economic climate such attributes stand head and shoulders above their industry competitors. Some sported exceptional balance sheet strength (Berkshire Hathaway). A few sport unrivaled global network effects (American Express, Visa and Western Union). A couple had seen their competitors vanish or struggle with weakened franchises and diminished reputations (Goldman Sachs and Northern Trust.) Our leading performers included Cognizant Technology Solutions, American Express, Apple, Express Scripts, Visa, Varian and Qualcomm.

Our philosophy and strategy does not rely in any way on unique markets or events such as IPO's, corporate mergers and acquisitions, corporate turnarounds or extremes in valuations or extreme economic environments. We believe that our philosophy of focused growth, company investing at reasonable valuations, coupled with very low annual portfolio turnover (low-trading and low opportunity cost) gives us a decided advantage over our competitors in any market environment. This independent mindset, absent of performance eroding institutional imperatives to think and act far too short term, is the backbone of our investment philosophy. As such, we believe we have a sustainable competitive advantage relative to our peers. Our long term out performance also speaks to our competitive advantage.

- E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

Our portfolio typically outperforms when companies with similar characteristics to those stated in our process, outperform. Conversely, when the market favors companies that do not have similar characteristics to our process, our portfolio tends to underperform. For instance, in late 2005, all of 2006 and early 2007, highly levered companies, with prospects that were highly correlated to overall economic activity tended to outperform. We typically seek only those companies with excellent balance sheets and company-specific advantages.

2006, was our worst year of performance relative to our benchmark. 2006 saw exceptionally strong corporate earnings. The ratio of total profits for the S&P companies to gross domestic product (GDP) soared in 2006 to an unprecedented 5.7 percent--much higher than the historical average of about 2.3 percent. The record level of earnings wasn't sustainable because it wasn't broad based but, rather, was concentrated in two sectors; financial companies and energy companies. The profits of the energy companies were driven by high oil prices that eventually peaked in 2008 at \$145 per barrel but later fell to \$30 before recovering to \$71 in June 2009. In the financial sector, higher volumes and fees stoked returns on equity that were around 60 to 80 percent above the historical trend. Much of these returns came from subprime and related products that were wiped out in 2008 and 2009. We do not invest in companies that depend on leverage to produce outsized earnings as we believe leverage is not a value creator in and of itself. Leverage doesn't increase the cash flows from an investment, but rather it increases risks for companies that do employ leverage. During the period of 2004-2007, the S&P debt/equity was over 2x vs. today, well above the 20yr average. The valuations of energy companies at the time were unattractive and we were underweight this sector as a result.

2009 would go down as our best year ever – on both an absolute and relative basis. Through the end of January 2009, the 10-year rolling rate of return of the S&P 500 Index had been - 4.28% - the second worst ever! We cautioned our clients that now (2009) was not the time to be bearish. At both bull market tops, and bear market bottoms, emotion trumps reason. Greed overtakes reason at market tops. Conversely, fear overtakes reason at market bottoms. At major bear market lows, fear becomes debilitating. The stock market's shocking daily

volatility had left even the most seasoned investors numb. But, we cautioned, if stock market history rhymes at all, far too many investors – individual and professional alike – will miss the start of the next bull market. We believed that the stock market finally had begun to separate the “good” companies from the “bad.” Specifically, after the all-consuming crushing last days of the bear market, the stock market has begun the sorting and discriminating process of recognizing and rewarding those few companies that have the most resilient business models, the best economic franchises, the survivors and the thrivers. On this score, our portfolio of high quality, cash generating businesses (after middling performance during the corporate- bubble years) had begun to shine. In 2009, we were in the midst of a multiyear earnings bust. Exceptional profitability has become quite rare – and valuable. Our portfolio shined. Our turnover is highly correlated with market volatility. We had never been so active realigning portfolio holdings as we were in late 2008. In fact, the drop in financial stocks was so severe that as we entered 2009 we had increased our holdings in financial stocks to weights we have rarely held before. Each of these companies possess all of the competitive attributes we have always required for inclusion for investment consideration, but in the current economic climate such attributes stand head and shoulders above their industry competitors. Some sported exceptional balance sheet strength (Berkshire Hathaway). A few sport unrivaled global network effects (American Express, Visa and Western Union). A couple had seen their competitors vanish or struggle with weakened franchises and diminished reputations (Goldman Sachs and Northern Trust.) Our leading performers included Cognizant Technology Solutions, American Express, Apple, Express Scripts, Visa, Varian and Qualcomm.

F. Provide metrics associated with the following areas:

1) Number of securities held

- Current: 22
- Historical range: 18-22

2) Position size

- Current average: 4.5%
- Current largest: 9.37%
- Maximum allowable (specify if measured at cost or market): 10%
- Percent in top ten holdings: 58.5%

3) Cash & equivalents allocation

- Current: 1.9%
- Historical range: 1-2%
- Maximum allowable: 10%

G. **Exhibit-C (in the attached Excel document)**: Provide current and historical holding Cap Size.

H. **Exhibit-D (in the attached Excel document)**: Please enter monthly **gross and net of fee** returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.

Wedgewood only maintains monthly returns through 2003 as we were not required by GIPS to maintain them prior to that period.

- I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

Please see attribution included. Our “value added” is due to stock/industry selection.

- J. Regarding composite quality:

- 1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?

Yes, our compliance to the GIPS standards has been verified through inception.

- 2) Has it been your firm’s policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.

Yes, all fully discretionary accounts that meet the composite’s criteria are in the composite.

- 3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

The only accounts not included in the composite are those waiting the appropriate time for entry and any accounts with client driven restraints or restrictions (industry, security, cash, etc.). Additionally, there are some legacy accounts from our broker-dealer where we manage all the client’s assets and not just their equity portion.

- 4) Are terminated portfolios included in the composite? If not, please explain.

Yes

- 5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?

Accounts are included in the composite the first full quarter, after the quarter of inception. For example, an account opened January 15, 1999 will be included beginning April 1, 1999. This has been consistent since the composite’s inception.

- 6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

Portfolios in the composite are asset weighted. This has been consistent since the composite’s inception.

- 7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

Yes. This policy has been consistent since the composite’s inception.

- 8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

Accounts may move from our composite to a “non-included” composite (which consists of accounts that were either removed or never allowed in due to client directed restrictions/constraints (security/sector/cash) or are waiting the required amount of time) if such restrictions are added or lifted from the account.

- 9) Through 12/31/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.

Investment Style	\$2.1 billion/ 2480 accounts
Composite	\$1.6 billion/ 1615 accounts

- 10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

Composite Dispersion:

2011	0.7%
2010	1.0%
2009	2.6%
2008	1.3%
2007	1.4%

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-E (in the attached Excel document):** Please include monthly gross and net of fee returns, since inception through 9/30/12.

V. INVESTMENT VEHICLES, FEES & TERMS

- A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

We have grown with our long-term clients as well as some new relationships/accounts of size. In addition, we started to sub-advise the RiverPark/Wedgewood Large Cap Growth Focused Fund in October 2010 and that has grown to over \$600 million in AUM. Our UMA assets have grown as well over the last few years to \$700 million. Given we invest in companies with minimum market capitalizations of \$5 billion, we believe that capacity in AUM for the strategy is in the range of \$8-\$9 billion.

- B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:

- 1) Separate Account - Our fees are negotiable depending on the vehicle, size of an account, or the size of a relationship. Wrap fees range from 34 bps to 150 bps. Non-wrap fees range from 40 bps to 100 bps.
- 2) Commingled Fund - N/A
- 3) Institutional Mutual Fund - Retail: 1.25% / Institutional: 1.00%

- C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

We are open to performance-based alternative fee schedules. One such example we have agreed to in the past was structured with a maintenance fee of 25 bps and a maximum performance fee of an additional 20 bps.

- D. Specifically regarding commingled vehicles (excluding mutual funds): **N/A**
- 1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.
 - 2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?
 - 3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.
 - 4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?
 - 5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.
- E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.
- No**
- F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?
- The majority of our accounts a fee based and do not pay any commissions. DVP clients' transactions were traded at 1.5 cents-per-share (recently negotiated to 0.9 cents-per-share). Wedgewood does not participate in any soft-dollar arrangements.**
- G. Are fees and/or terms negotiable for this mandate? If so, at what size?
- Yes, our fees are negotiable depending on the vehicle, size of account, or the size of a relationship.**
- H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?
- The majority of the equity allocation for the firm's 401K, where a bulk of all employees', including investment professionals, net worth resides, is in the Wedgewood Large Cap Focused Growth Product.**
- I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as **Appendix E - Legal Documents**.

VI. OPERATIONS, TRADING & CONTROLS

- A. Briefly describe your administrative/back office operations and organizational structure.
- The Operations department consists of one Director and four full time employees. Each employee is fully crossed trained to handle all consultant client requests.**

- B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

Wedgewood does not custody any assets.

- C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

Wedgewood uses Advent's Axys software for our portfolio management and accounts needs.

- D. Regarding valuation practices:

- 1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.

Procedure

Wedgewood Partners, Inc. has adopted procedures to implement the firm's policy and conducts reviews to monitor and ensure the firm's policy is observed, implemented properly and amended or updated, as appropriate, which include the following:

- Wedgewood utilizes, to the fullest extent possible, recognized and independent pricing services and/or qualified custodians for timely valuation information for advisory client securities and portfolios.
- Whenever valuation information for specific illiquid, foreign, derivative, private or other investments is not available through pricing services or custodians, Wedgewood will obtain and document price information from at least one independent source, whether it be a broker-dealer, bank, pricing service or other source.
- Any securities without market valuation information are to be reviewed and priced by Wedgewood in good faith to reflect the security's fair and current market value, and supporting documentation maintained.
- Wedgewood will arrange for periodic reviews of valuation information from whatever source to promptly identify any incorrect, stale or mispriced securities.
- Any errors in pricing or valuations are to be resolved as promptly as possible, preferably upon a same day or next day basis, with re-pricing information obtained, reviewed and approved.

- 2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

We receive pricing data daily from Penson Clearing via the Advent Custodial Download.

- 3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?

Anthony Guerrero has overall responsibility for the firm's pricing policy.

- E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

Wedgewood does not participate in a SAS70 Review. Please see the attached Independent Auditors' Supplementary Report on Internal Control.

- F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

All trades are reviewed daily by a principal of the firm by the firm's compliance officer.

- G. Discuss procedures used to monitor and control personal trading activities.

All employees of Wedgewood must obtain clearance from compliance or the appropriate principal prior to effecting any securities transaction in which they, their families, or trusts of which they are trustees or in which they have a beneficial interest.

All employees shall submit to the appropriate principal a report of every securities transaction executed in which they, their families, or trusts of which they are trustees or in which they have a beneficial interest. The requirement may be satisfied by sending duplicate transactions and statements to Wedgewood's office.

- H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?

Wedgewood has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. It primarily focuses on the obligation to comply with securities regulations and the reporting by certain employees of personal securities transactions.

Our Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. As part of the Code of Ethics and firm policy, WPI requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

- I. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

Potential Conflicts of Interest

In addition to being registered as an investment adviser, WPI is also a FINRA member broker dealer. As such, WPI and its associated persons, in their separate capacities as registered representatives, will be able to effect securities transactions for advisory clients for which they will receive separate compensation. WPI does not engage in such activities with WPI-sponsored Wrap Program accounts for separate commission compensation. While WPI and its investment professionals act as registered representatives in such accounts, all commissions are included within the wrap fee charged. Clients may, however, have other investment needs for which separate commission-based brokerage services are available, and certain clients may engage WPI on a fee plus commission basis without directing a specific third party broker.

WPI is also a licensed insurance agency. Certain associated individuals of WPI are also licensed insurance agents of WPI and other various independent insurance companies. As such, these individuals can purchase insurance and insurance-related investment products for WPI-sponsored Wrap Program clients for which they will receive separate and customary commission compensation.

While these individuals endeavor at all times to put the interest of WPI-sponsored Wrap Program clients first as part of WPI's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making advisory/investment recommendations.

In addition, the amount of compensation received by WPI and its representatives as a result of the client's participation in the WPI-sponsored Wrap Program may be more than what WPI and its representatives would receive if the client paid separately for investment advice, brokerage and other services. Therefore, WPI and its representatives may have a financial incentive to recommend the WPI-sponsored Wrap Program over other third-party sponsored advisory programs or services.

We no longer actively markets our Wedgewood-sponsored Wrap Program. We are currently divesting our broker-dealer, which offers most of the non RIA products and the process should be complete during the 2nd quarter of 2013.

- J. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

Wedgewood partners only has one product; the Large Cap Focused Growth Product; which is offered as SMA, UMA, and Mutual Fund.

- K. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

All portfolios are initiated with the same security weightings. Trades are entered on a rotational basis in order to ensure that no one client is consistently receiving advantageous trades. Trades are always allocated using an average price and distributed according to a preset weight. If there is a partial execution, shares are allocated pro rata across eligible accounts.

- L. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

All accounts are managed the same unless an account has a client directed restraint or restriction (i.e. security, industry, cash). For accounts that do have such restraints, the Director of Trading maintains a list of all restricted accounts that is disseminated to the trading team and reviewed before all trades. Additionally, client restrictions are entered into the various trades systems, where possible, to restrict those transactions.

- M. Regarding counterparties:

- 1) List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).

The great majority of our trades are entered at the trade desk of the broker where our clients' assets are custodied, in order to avoid a trade-away fee. Our DVP clients are traded through either ITG or Jones Trading for a 1.5 cents-per-share commission.

- 2) Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.

Of all our DVP trades the great majority were traded at ITG during the year ending 09/30/12. During 4Q12 we began using a new broker, Abel Noser, for 0.9 cents-per-share and renegotiated our commission rates with ITG and Jones Trading to match.

- 3) How are your trading counterparties selected, monitored and evaluated?
Since Wedgewood does not participate in any soft dollar arrangements and only uses brokers for pure executions, we originally choose brokers based on the lowest commission rates and how well their team interacts with our own. Each broker is continuously monitored for best execution and evaluated based on that.
- 4) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.
Wedgewood has a Best Execution Policy, but no specific guidelines/restrictions related to brokers.

N. Provide an overview of your business continuity and disaster recovery systems and plans.

Our Business Continuity Plan – We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the firm’s books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption.

Our business continuity plan addresses: data back-up and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees, and regulators; alternate physical location of employees; critical supplier, contractor, bank and counter-party impact; regulatory reporting; and assuring our customers prompt access to their funds and securities if we are unable to continue our business.

Varying Disruptions – Significant business disruptions can vary in their scope, such as only our firm, a single building housing our firm, the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site when needed and expect to recover and resume business within 8 hours. In a disruption affecting our business district, city, or region, we will transfer our operations to a site outside of the affected area, and recover and resume business within 24 hours. In either situation, we plan to continue in business, transfer operations to our clearing firm if necessary, and notify you through our web site (www.wedgewood-partners.com). If the significant business disruption is so severe that it prevents us from remaining in business, we will assure our customer’s prompt access to their funds and securities.

VII. LEGAL & REGULATORY ISSUES

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm’s ADV Part II as **Appendix F – ADV Part II**. If exempt, please describe the exemption.
Yes, Wedgewood Partners, Inc. is an RIA under the Investment Advisors act of 1940.
- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.
No

- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

No

- D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.

No

- E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).

Our insurance carrier is Chubb Group;

Errors and Omissions: \$5 million

Fiduciary Liability: \$1 million

Directors and Officers: \$1 million

Fidelity Bond: \$1 million

- F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

There have been no claims submitted on the insurance covering the firm.

- G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

No

- H. What is your firm's soft dollar policy?

Wedgewood does not utilize any soft dollar arrangements.

VIII. MISCELLANEOUS

- A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as **Appendix G - Sample Client Report**.

Wedgewood can supply our standard reporting package which consists of a portfolio appraisal, transaction summary, realized and unrealized gains/losses, income & expenses, various performance reports, and our quarterly client letter. We have also provided client letters addressing many issues that were pertinent at the time. (Examples include letters on the housing crisis, financial crisis, tech boom and bust.) Past client letters are also available on our website, www.wedgewoodpartners.com. In addition, if a client requests annual or more frequent visits from our CIO or a PM, we are more than happy to oblige.

Please see the attached Sample Client Report. Also, we will be upgrading software during 2Q13 and will have enhanced reporting options at that time.

B. Attach a list of institutional clients invested in the proposed strategy as **Appendix H - Representative Institutional Clients**.

C. Provide references for five current institutional clients invested in the proposed strategy.

Steve Snyder	James Meek
Fortigent	The Meek Group - Graystone Consulting
(301) 816-1287	(410) 736-5367
Steve.snyder@fortigent.com	james.k.meek@morganstanleygraystone.com

Kimberly Vaughn	Florian Weber
RBC Wealth Management	Investnet/Prima
(405) 841-9485	303.824.8246
Kimberly.a.vaughn@rbc.com	florian.weber@investnet.com

Andrew Rosenthal
Presidio Wealth Management
(415) 449-1056
arosenthal@presidiofp.com

D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

N/A

E. Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?

We do not consider ESG issues as part of our investment process, but we historically have not invested in tobacco, alcohol, gaming, or pornography stocks as they typically do not comply with the characteristics needed for portfolio inclusion.

F. If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

N/A

G. Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

No

H. What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?

Wedgewood employs the services of Broadridge to assist us with the proxy voting process. We always votes in-line with company management.

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Diversified Growth**

18 January 2013

RFP Response

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Appendix 2

Excel (Exhibit A – Exhibit D)

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I. Background & General Information

The responses in this document refer to services and resources provided by Wellington Management Company, LLP and its affiliates (Wellington Management). Wellington Management is a fully-integrated global organization comprised of the parent entity, Wellington Management Company, LLP and its affiliates including:

- Wellington Global Investment Management Ltd
- Wellington International Management Company Pte Ltd
- Wellington Management Advisers, Inc.
- Wellington Management International Ltd
- Wellington Trust Company, NA

Question A.

Contact information:

Firm Name:	Wellington Management Company, LLP
Address:	280 Congress Street Boston, MA 02210
Telephone Number:	617-951-5000
Fax Number:	617-289-5697 (Scott Geary)
Website:	www.wellington.com
Primary Contact	
Name:	Scott C. Geary
Title:	Vice President, Business Development Manager
Telephone Number:	415-627-1809
Email:	scgeary@wellington.com

Question B.

Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

Wellington Management Company, LLP is a private limited liability partnership whose sole business is investment management. With US\$758 billion in assets under management, Wellington Management serves as an investment adviser to 2,191 clients located in more than 50 countries, as of 31 December 2012. Our singular focus is investments — from global equities and fixed income to currencies and commodities. We like to describe ourselves as a community of teams that create solutions designed to respond to specific client needs. Our most distinctive strength is our proprietary, independent research, which is shared across all areas of the organization and used only for managing our clients' portfolios.

History

Important dates and events in Wellington Management's history are:

- 1928 — Wellington Fund is established as the first balanced mutual fund in the United States.
- 1933 — Wellington Management Company is incorporated.
- 1967 — Wellington Management merges with Thorndike, Doran, Paine and Lewis, an independent investment counseling firm founded in Boston, Massachusetts, in 1960.
- 1979 — Wellington Management is purchased by its key employees and a partnership structure is established.
- 1996 — Wellington Management becomes a limited liability partnership under Massachusetts partnership law.

Revenues

Since Wellington Management is a private partnership, our revenues are confidential.

Question C.

Attach an organizational chart depicting the firm's distinct business units as Appendix A – Firm Organizational Chart and provide the total number of employees within each business unit.

Please refer to Appendix 1 for Appendix A – Firm Organization Chart.

Question D.

List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.

Wellington Management has offices in seven countries around the globe. Headquartered in Boston, Massachusetts, we also have offices in Chicago, Illinois; Radnor, Pennsylvania; San Francisco, California; Beijing; Frankfurt; Hong Kong; London; Singapore; Sydney; and Tokyo.

Please refer to the below table for the business functions as well as the number of professionals at each location, as of 31 December 2012. The Diversified Growth Team is located in our Boston office.

Wellington Management Company, LLP		
Boston, MA USA	Portfolio Management, Research, Relationship Management, Business Development, Consultant Relations, Marketing, Legal, Compliance, Operations, other administrative functions	1,128
Radnor, PA USA	Portfolio Management, Research	21
Chicago, IL USA	Business Development, Relationship Management, Consultant Relations, Marketing	6
San Francisco, CA USA	Research, Relationship Management, Business Development, Consultant Relations, Marketing	9

Wellington Global Investment Management Ltd		
Hong Kong, China	Portfolio Management, Research, Relationship Management, Business Development, Consultant Relations, Marketing, Legal, Compliance, Operations, other administrative functions	38
Beijing, China	Representative Office	See below ¹

Wellington International Management Company Pte Ltd		
Sydney, Australia	Relationship Management, Business Development, Consultant Relations, Marketing, Operations, other administrative functions	16
Singapore	Portfolio Management, Research, Relationship Management, Business Development, Consultant Relations, Marketing, Compliance, Human Resources, Operations, other administrative functions	28

Tokyo, Japan	Portfolio Management, Research, Relationship Management, Business Development, Consultant Relations, Marketing, Legal, Compliance, Operations, other administrative functions	41
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Wellington Management International Ltd		
London, United Kingdom	Portfolio Management, Research, Relationship Management, Business Development, Consultant Relations, Marketing, Legal, Compliance, Operations, other administrative functions	131
Frankfurt, Germany	Business Development, Relationship Management	2

¹There are five individuals who are not included in the total number of firm employees. Per government regulations in China, staff in our Beijing office may not be employed directly by Wellington Management, and therefore, are not listed as employees.

Question E.

List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.

Wellington Management Company, LLP (WMC) is a Massachusetts, USA, limited liability partnership, privately held by 135 partners, all fully active in the business of the firm. There are no external entities with any ownership interest in the firm. WMC has the following active operating affiliates:

US Affiliates

Wellington Trust Company, NA

Wellington Trust Company, NA (Wellington Trust), a majority-owned subsidiary of WMC founded in 1982, is a limited purpose, nationally chartered trust company. Wellington Trust provides trustee and fiduciary investment management services to qualified institutional and high-net worth clients through commingled portfolios and/or separate accounts. The investment functions of WMC and Wellington Trust are fully integrated.

Wellington Management Advisers, Inc.

Wellington Management Advisers, Inc. is a broker-dealer affiliate of WMC. This entity does not engage in retail brokerage, lending, securities underwriting, or proprietary trading. Its business is limited to introducing US prospects and clients to the investment management capabilities of the Wellington Management organization, including to prospects who ultimately may purchase interests in Wellington Management private funds.

Non-US Affiliates

Wellington Management International Ltd

Wellington Management International Ltd (WMIL), a private limited company registered in England and Wales (Reg. No. 4283513), is regulated in the conduct of investment business by the Financial Services Authority (FSA) of the UK. WMIL's predecessor, Wellington Management International, was founded in 1983. WMIL conducts business development, research and portfolio management activities, and provides multi-functional client support services primarily in the United Kingdom, Europe, Africa, and the Middle East. In addition to its office in London, WMIL has a branch office in Frankfurt, Germany (opened in January 2011).

Wellington International Management Company Pte Ltd

Wellington International Management Company Pte Ltd (WIM), a private limited company organized in Singapore (Reg. No. 199504987R), conducts business development, research and portfolio management activities, and provides multi-functional client support services primarily in Asia and Australia. In addition to its office in Singapore (opened in October 1996), WIM has offices in Sydney, Australia (opened in January 1997) and Tokyo, Japan (opened in October 1997).

Wellington Global Investment Management Ltd

Wellington Global Investment Management Ltd (WGIM) is a private limited company, incorporated in Hong Kong (Reg. No. 827603), which opened in October 2003. WGIM conducts business development, research and portfolio management activities, and provides multi-functional client support services in the greater China region. WGIM also has a representative office in Beijing which opened in September 2007.

Fund Entities

Wellington Management has several affiliated entities that exist solely to facilitate investment in the firm's sponsored hedge fund and offshore mutual fund products.

Question F.

Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

As mentioned, the firm is owned by 135 partners, all fully active in the firm. Individual percentages of ownership are confidential. However, no individual owns a significant percentage of the firm.

Minority Ownership

As Wellington Management has partners located outside of the US, we are not able to report a percentage of minority owners of the firm - the term "minority" is classified differently across the world.

Investing in Products

We believe that it is valuable for our personnel to invest in vehicles we manage because it aligns those individuals' interests with those of our clients, but investment in such vehicles is voluntary.

Generally, Wellington Management personnel do invest in pooled vehicles, including publicly offered mutual funds and sponsored products that we manage. The Wellington Management Retirement and Pension Plan (WRPP) and the Wellington Management Company, LLP Defined Benefit Plan (together, the Wellington Retirement Plans), a defined contribution retirement plan and a defined benefit retirement plan, respectively, established by our firm for the benefit of our personnel, invest in a substantial number of collective investment funds that are sponsored products. WRPP also invests in shares of certain mutual funds sponsored by the Hartford Financial Services Group and the Vanguard Group, some of which we advise or sub-advise.

Wellington Management personnel, including portfolio managers, may invest in sponsored products, including sponsored hedge funds, provided they qualify under applicable securities laws. The minimum investment amount is typically waived for Wellington Management personnel.

The amount that partners or employees invest in this product and all others is generally considered confidential. However, to the extent that the investment professionals serve as portfolio managers to US registered mutual funds, the range of their investment in such US registered mutual funds is required to be disclosed in the fund's registration statement.

Question G.

Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.

While we have made occasional changes to portions of our functional organization as part of the normal course of business, our firm's ownership model, business model and client focus have not changed and no other changes are contemplated other than what is provided below.

New partners are elected annually, and experienced partners retire in either June or December, after pre-notification to the managing partners and development of a succession plan.

The managing partners are responsible for the governance of the partnership. Oversight of the business of the company is currently the responsibility of Perry Traquina, Chairman and CEO, and the Executive Committee. In June, 2012 Brendan J. Swords, Director of Global Equity Portfolio Management and President of Wellington Hedge Management, was elected to serve as the next President of Wellington Management Company, LLP, effective 1 July 2012. We expect that Brendan will serve as President for an appropriate period of time to accomplish a smooth transition before ultimately succeeding Perry Traquina as Chief Executive Officer.

Question H.

Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

Our approach to growth planning is well articulated in our firm's strategy statement: We seek to earn expanding revenues and profits on a worldwide basis by offering products and services of value to our clients and by serving them more effectively than any of our competitors, and we seek growth as a prerequisite for perpetuating our enterprise. In other words, our focus is on exceeding the investment objectives and service expectations of our clients over the long term.

New Products

We develop new investment solutions on a regular basis in response to client requests and market opportunities. Our business focus remains the same (i.e., managing client portfolios), and we have not entered into any new business activities outside of that in the last six months nor are we likely to do so in the future.

In recent years, we have launched a number of new investment approaches including Asian Local Opportunities, Balanced Real Assets, Capital Spectrum, Emerging Markets Research Equity, Enduring Assets, Global Credit Plus, Japan Small Cap Equity, and Unconstrained Global Agriculture. We anticipate that we will continue to introduce new investment approaches in the future that will respond to our clients' evolving needs.

Question I.

Describe your succession and continuity plans for management of the firm.

A critical part of the current and future success of this firm is the development of new leaders and planning for succession. Over the past few years we have used a process, whereby the head of each business prepares a succession plan to increase our focus on current and future leaders of the firm. That plan is designed to give a realistic assessment of leadership bench strength and is reviewed with our CEO, Chair of the Compensation Committee and Head of Human Resources, on an annual or as needed basis.

Question J.

Please list turnover among senior staff (*Officers, Managing Directors, etc.*) over the past three years.

The firm's turnover for management personnel has averaged approximately 8% annually over time. We do not believe professional turnover is an issue for the firm.

Question K.

Exhibit-A (*in the attached Excel document*): Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.

Please refer to Appendix 2 for the attached Excel which includes Exhibit A.

Question L.

Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

The firm will occasionally discontinue a product for a specific business reason (e.g., performance or investment team changes). When this occurs, we work with clients invested in the product to find suitable alternatives and ensure an orderly transition.

II. Investment Team

Question A.

Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as Appendix B – Investment Team Organizational Chart.

Please refer to Appendix 1 for Appendix B – Investment Team Organizational Chart.

Question B.

Exhibit B (in the attached Excel document): Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.

Please refer to Appendix 2 for the attached Excel which includes Exhibit B.

Question C.

Attach biographies for each of the individuals named above as Appendix C – Biographies of Key Investment Professionals.

Please refer to Appendix 1 for Appendix C – Biographies of Key Investment Professionals.

Question D.

Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.

Portfolio Manager Paul Marrkand has sole discretion over all accounts in the Diversified Growth approach in regard to stock selection and weightings. Additionally, he is responsible for ensuring that the portfolios adhere to client restrictions.

Question E.

Exhibit B (in the attached Excel document): Provide a summary of the firm's employees.

Please refer to Appendix 2 for the attached Excel which includes Exhibit B.

Question F.

For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.

Portfolio Manger's Compensation

Our compensation plans are designed to attract and retain the best professionals in the investment industry, provide them with incentives to excel, and reward superior performance. Compensation arrangements for investment professionals typically include a base salary component and one or more variable components. Our incentive compensation system for equity portfolio managers is tied to success in retaining clients and meeting their objectives. For senior professionals, variable compensation is a substantial portion of total compensation.

In most cases, an equity portfolio manager's incentives are based primarily on his or her ability to exceed an account's benchmark over rolling one- and three-year time periods, with greater weight placed on the three-year performance.

Analyst's Compensation

Wellington Management has made a substantial commitment to developing our proprietary, independent research capabilities, and research is a career within the organization.

Compensation arrangements for analysts typically include a base salary component and one or more variable components. Analysts in our centralized research groups are eligible to receive discretionary bonuses based upon their success in having their recommendations implemented in client portfolios across the firm and feedback from portfolio management teams regarding their overall effectiveness. Where our analysts are involved in the direct management of client assets, an additional portion of their compensation is based on individual performance track records within analyst-managed portfolios. When an analyst is a full-time member of a portfolio team, the variable portion of compensation depends on the contribution that the analyst makes to the performance of the team's accounts.

Merit-Based Compensation

Additionally, a significant number of our portfolio managers and analysts are partners or associates of the firm and, therefore, receive additional merit-based compensation based on the overall performance of the firm and their individual contributions to firmwide results.

Evaluation Process – Portfolio Managers and Analysts

Portfolio managers are primarily evaluated based on:

- investment performance
- ability to meet client objectives
- investment leadership and impact
- overall effectiveness with internal and external constituencies

Analysts are evaluated based on:

- the success of their investment recommendations
- ability to add value to clients' portfolios
- communication effectiveness
- investment leadership and impact

Employment Contracts

We do from time to time enter into employment arrangements or agreements with employees of the firm. These agreements generally do not include stay-put clauses or non-compete clauses. However, when entering the partnership, partners of Wellington Management are bound by an agreement not to compete with the firm or provide services to the firm's clients for a period of time following departure.

Employee Retention

All professional employees participate in a corporate culture and work environment that supports a high degree of independence and self-direction. Key professionals also have a unique entrepreneurial opportunity to develop investment teams within the broader organization that focus on a particular style of management or group of clients.

At Wellington Management, an investment professional's earning capacity is driven significantly by his or her individual or specific team performance. We also maintain an ongoing view of competitive trends in compensation.

The nature of our partnership is such that any individual making substantial contributions to the success of our clients (and thus, of the firm) has the potential to become an equity owner of the firm. The opportunity to offer equity ownership to professionals based on their performance and contributions to the firm's culture has been an effective long-term retention strategy for the firm.

Question G.

Exhibit B (in the attached Excel document): Complete the table listing turnover for the individuals responsible for the proposed strategy.

Please refer to Appendix 2 for the attached Excel which includes Exhibit B.

Question H.

Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

In the unlikely event that Paul Marrkand was unable to fulfill his daily responsibilities as portfolio manager; another partner of the firm would oversee the Diversified Growth portfolios until such time as a new manager could be assigned on a permanent basis.

Question I.

Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

The majority of our research is conducted internally, however the Diversified Growth Team has access to the following external resources, but they primarily utilize these databases for financial data, charting, news, and pricing information: Thomson One Analytics (First Call and I/B/E/S) consensus data is used for comparison purposes or when an internal source is not available. The most frequently used external databases and applications include Bloomberg, Datastream, FactSet, Morgan Stanley Capital International, Reuters, SNL Datasource, Stockval, and Street Events to name a few. These databases provide financial data, charting, news, and pricing information. Please refer to Questions J, page 27 for additional information.

III. Investment Strategy & Process

Question A.

Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

The Diversified Growth investment approach is based on the following beliefs:

- Fundamental stock research is our most powerful competitive advantage and most effective tool in driving consistent, strong results for our clients. Stock selection, rather than top-down factors, should drive performance.
- Typical investor biases, for example, overweighting growth, quality, or valuation work against consistent results. While the equity market may reward these characteristics over shorter-term periods, rotating between growth, quality, and valuation, these trends revert in unpredictable patterns. By maintaining a diversified portfolio of growth stocks which incorporates each of these attributes, but does not tilt toward any one of them, we believe we can deliver more consistent results over time.
- Investors tend to build their estimates of a company's future growth on a single set of assumptions, typically extrapolating recent results. History shows that companies rarely grow in a linear fashion over time, and suggests that single point estimates of future growth underestimate the probabilities of alternative outcomes. Our approach to valuing stocks incorporates multiple scenarios of future growth and profitability. We believe that this approach better reflects the variability of real world results and the inherent degrees of uncertainty in forecasting the future.

Anomalies/Inefficiencies

In the short term, markets can often price securities inefficiently as investors overreact to recent news or trends. We believe that our research resources and our analytical framework give us a significant edge in developing a differentiated view about the longer-term value of a business relative to its current stock price. We also recognize that forecasting still involves uncertainty. Experience has taught us that overestimating the precision of forecasts can lead to understating opportunities and risks, and focusing excessively on near-term data points and trading. Therefore, our approach to valuing companies includes multiple scenarios of revenue growth and free cash flow in a systematic valuation framework. We believe this approach gives us a more balanced perspective, consistent with our longer-term investment horizon, and helps to reduce turnover.

In addition, we also observe that investors can become overly driven by top-down factors favoring a certain type of stock (such as smaller-cap, higher beta, higher momentum, cheaper valuation, etc.) in their portfolio versus the overall market. Concentrating a portfolio (on purpose or inadvertently) can lead to significant 'style tilts' and biases that may be rewarding in the short-term, but are not supported by longer-term fundamentals. Our disciplined portfolio construction process focuses on bottom-up stock picking and actively monitors risk to make sure that stock selection (rather than style tilts) is driving the opportunity / risk in the portfolio, avoiding the relative performance volatility that can result from significant style tilts.

Question B.

Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

The Diversified Growth approach is focused on bottom-up stock selection and intensive fundamental research. No quantitative models or technical analysis are used in the Diversified Growth approach.

Question C.

Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other managers in your universe?

We believe there are several features that distinguish our approach from the competitors:

Strong Fundamental Research

Fundamental stock research is our most powerful competitive advantage and most effective tool in driving consistent, superior results for our clients. Stock selection should drive performance.

Valuation Framework

While we believe that our research resources give us a significant edge, we also recognize that forecasting still involves uncertainty. Experience has taught us that overestimating the precision of forecasts can lead to understating opportunities and risks, and focusing excessively on near-term data points and trading. Therefore, our approach to valuing companies includes multiple scenarios of revenue growth and free cash flow in a systematic valuation framework. We believe this approach gives us a more balanced perspective, consistent with our longer-term investment horizon.

Balance of Growth, Quality, and Valuation

Our investment process leverages the extensive research resources of the firm and emphasizes a balance of growth, quality, and valuation criteria in selecting stocks. Typical investor biases for example, overweighting growth, quality, or valuation, work against consistent results. While the equity market may reward these characteristics over shorter-term periods, rotating between growth, quality, and valuation, these trends revert in unpredictable patterns. Our disciplined portfolio construction process focuses on bottom-up stock picking and actively monitors risk to make sure that stock selection (rather than style tilts) is driving the opportunity/risk in the portfolio. By maintaining a diversified portfolio of growth stocks which incorporates each of these attributes, we should be able to deliver more consistent results over time and avoid the relative performance volatility that can result from style tilts.

Each stock in our investment universe is evaluated and ranked on a consistent set of proprietary metrics. Broadly, these factors fall into three categories: Growth (forecasted organic revenue growth), Quality (forecasted free cash flow margin, strong competitive positioning), and Valuation (attractive risk/reward based on the team's proprietary scenario valuation tool). The metrics are all based on fundamental research. To be added to the portfolio, a new idea must improve the portfolio's growth, quality, and/or valuation characteristics.

Question D.

Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

The approximately 500 companies in our investment universe consist of the constituents in the Russell 1000 Growth Index as well as other companies that exhibit similar characteristics as the Russell 1000 Growth Index. The portfolio invests primarily in companies with market capitalizations over US\$1 billion at the time of purchase, with the majority of portfolio assets represented by companies with market capitalizations over US\$10 billion.

The team runs a broad set of investment screens on the investment universe to identify stocks with attractive growth, quality, and valuation characteristics. The vast majority of investment ideas are generated internally; discussions with company managements about competitors, suppliers, customers may also generate ideas for further research.

Question E.

Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?

Diversified Growth

The Diversified Growth Portfolio is managed by Paul Marrkand and supported by dedicated Equity Research Analysts Joel Thomson and Kevin Stowell. Joel has primary coverage for the consumer sectors as well as medical technology. Kevin Stowell covers companies within energy, materials and industrials sectors. Paul Marrkand is responsible for the remaining sectors including information technology. Additionally, the team leverages the full resources of Wellington Management including the global industry analysts who research and rate stocks in their assigned industries, other portfolio managers and team analysts, and the Capital Appreciation Group (comprised of other growth-oriented investment teams at the firm).

Wellington Management's Research Resources

Wellington Management's 50 global industry analysts provide independent, in-depth industry and company research. Our centralized research analysts meet with company managements, competitors, suppliers, and other sources to identify and maintain what they feel are the most appropriate estimates of the future fundamentals of each business and the most appropriate valuation technique within their area of coverage. The analyst's role is to make timely investment recommendations using a 5-tiered numerical ranking system, which are broadly communicated throughout the firm. Similarly, portfolio management teams evaluate each security based on their specific investment philosophy and well-defined investment process.

In addition, members of the Diversified Growth Team and other portfolio management teams at the firm also perform basic research, meeting with company managements, often with the global industry analysts. Each team may form a differentiated view of a particular company, based on their view of the business and their criteria for investing. The firm encourages this diversity of opinion and the active sharing and debating of these ideas. For the Diversified Growth approach, these research resources help generate a broad array of investment ideas and provide in-depth analysis of investment opportunities and risks.

Diversified Growth Process Improvements

The origins of the philosophy, focusing on high organic growth while incorporating quality and valuation criteria, go back to the inception of the product. The rationale for the product's creation is based on the strengths of our fundamental equity research analysis and evidence that even within growth investing, the market tends to reward certain investment characteristics, rotating between growth, quality, and valuation attributes. As mentioned, our investment process leverages the extensive research resources of the firm and emphasizes a balance of growth, quality, and valuation criteria in selecting stocks. There have been no significant changes to the process. However, the team believes in the philosophy of continuous improvement, and over time, has added risk management tools to the portfolio construction process to help maintain desired sources and levels of active risk in the portfolio.

Firmwide Research Foundation

Independent research spanning a broad spectrum of research disciplines is the firm's most distinguishing feature and is the foundation for its products. Analysis is a career path at Wellington Management, and many analysts also manage assets in their area of expertise. Almost half of the analysts are partners or associate partners of the firm.

The strong, successful working relationships and integration among the firm's equity, fixed income, quantitative, asset allocation, and other research teams distinguish the firm from many others. At Wellington Management, collaboration across asset class lines and across research disciplines is a way of life.

Wellington Management's approach to research has remained consistent.

Phillip H. Perelmuter

Senior Vice President, Managing Partner, and Director of Investment Research

As director of Investment Research, Phil oversees our Global Industry Research, Macroanalysis, Asset Allocation, Quantitative Investment, and Technical Analysis groups. In this role, he is responsible for driving communication and collaboration among investment teams and leveraging the skills and knowledge in each area for the benefit of our clients. He is also one of the firm's three managing partners, a group responsible for governance of the partnership. Phil serves on the Executive Committee, which functions as the firm's internal board of directors.

Mark D. Mandel, CFA

Partner and Director of Global Industry Research

Mark is the director of Global Industry Research, an investment group comprised of senior fundamental researchers and the various functions that support bottom-up analyses, stock picking, and investment across a universe of publicly traded equity securities. He leads a management team responsible for approximately 100 professionals who follow close to 3,000 stocks and directly manage over US\$50 billion of client assets. Mark was named to his current role in 2002 after eight years as a global industry analyst covering non-bank financial services.

Firmwide Research Overview

We consider our ability to make independent evaluations and to establish our own research priorities central to our ability to identify investment opportunities for our clients. Our stock analysis and research is used solely for the benefit of our clients and is not sold or distributed externally.

Global Industry Research consists of 50 global industry analysts who provide in-depth fundamental analysis of companies within their assigned industries. In addition, 7 global macroanalysts, 3 technical analysts, 3 global derivatives analysts, 12 asset allocation analysts, 44 research associates, 18 portfolio coordinators, 36 credit analysts, 9 equity quantitative analysts, 23 fixed income portfolio analysts, 8 fixed income strategists, and 13 fixed income quantitative analysts round out our research efforts. Our research resources are complemented by 119 portfolio managers and 61 equity research analysts who are dedicated to supporting specific investment styles. These portfolio management teams are also actively involved in the evaluation of specific companies.

Wellington Management is unique in that we do not have a chief investment officer or a single approach to evaluating securities. Our centralized research analysts identify and maintain what they feel is the most appropriate valuation technique within their area of coverage. The analyst's role is to make timely investment recommendations using a 5-tiered numerical ranking system, which are broadly communicated throughout the firm. Similarly, portfolio management teams evaluate each security based on their specific investment philosophy and well-defined investment process. Research activities include direct, on-site contact with company management, company reports, customers, industry conferences, suppliers, competitors, and practitioners. Due to the size of the firm's holdings in many sectors, company management frequently visits our global offices. Overseas travel is routine due to the global nature of our analysts' research universes.

We do obtain some research from external sources of information, including reports and contacts with street sources. These are typically used to evaluate general industry conditions and to maintain a sense of the market's consensus, rather than for specific investment ideas. The most valuable insight often results from a wide discrepancy between our analysts' views and street consensus.

All of the research generated by our research resources and our dedicated portfolio management teams is shared broadly within the organization, which we believe leads to a more robust evaluation of every security. Investment professionals meet formally each day at either 7:30 am or 8:30 am (Boston time) to discuss investment ideas and ensure the prompt and equitable dissemination of investment information and recommendations. This morning meeting has been conducted each day for over 50 years. In addition, with the growing presence of investment professionals in our offices in the UK and Asia, we also hold the early morning meeting, which takes place each day at 8:30 am (London time) providing a forum for investment professionals from the non-US offices to exchange investment information.

In addition, Wellington Management provides a premier investment platform to its clients. Our commitment to investment excellence is evidenced by the firm's significant presence and long-term track record in nearly all sectors of the liquid, global securities markets. The key factors supporting this long-term investment success are the disciplined structure of the firm's investment approaches and the research foundation upon which they are built.

Question F.

Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?

Diversified Growth

Each stock is evaluated and ranked on a consistent set of growth, quality, and valuation criteria. While the screens, many of which are proprietary, are done on a number of key metrics (growth, quality, valuation), they act only to bring certain securities to the attention of the team. Prior to any stock entering the portfolio, additional work is done, including a discounted cash flow-based scenario valuation analysis.

Communication is of paramount importance to the management of the Diversified Growth Portfolio. The members of the team sit within close proximity of each other and interact extensively on a daily basis. The team members have frequent discussions to talk about current and potential holdings. In addition, research information circulates daily throughout the firm at formal meetings, in professional reports, and during casual conversations.

Paul Marrkand has sole discretion over the account in regard to stock selection and weightings.

As stated, research information circulates daily throughout the firm at formal meetings, in professional reports, and during casual conversations.

Morning Meeting

Investment professionals meet formally each day at either 7:30 am or 8:30 am (Boston time) to discuss investment ideas and ensure the prompt and equitable dissemination of investment information and recommendations. Investment professionals located outside the Boston office actively participate in the meeting via video or audio link. This Morning Meeting has been conducted each day for over 50 years. In addition, with the growing presence of investment professionals in our offices in the UK and Asia, we also hold the Early Morning Meeting, which takes place each day at 8:30 am (London time) providing a forum for investment professionals from the non-US offices to exchange investment information.

Investor Launch Pad

The Investor Launch Pad (ILP) is Wellington Management's internally developed application designed as a platform for sharing research. ILP's core capabilities center on fostering collaboration and dissemination of alpha generating internal research across the broad investor community at Wellington Management. The tool offers a single point of access to:

- Security information
- Holdings
- Recent trades
- Investor profiles
- Internal Research content on companies, issuers, themes, etc.

ILP is a proprietary web-based application, and information is provided to investors via an intuitive user interface, contains robust search capabilities, and is seamlessly integrated with existing investor workflows.

ILP provides content, capabilities, and views that span all asset classes and investment teams.

Industry Reviews

Investment professionals participate in an industry review meeting on a weekly or more frequent basis. During these sessions, analysts provide an overview of their industry or area of research coverage. The sessions are informal and interactive. Industries or geographies are reviewed on a rotation basis.

Joint Company Meeting and Research Trips

Members of the global industry research group meet frequently alongside our specialty analysts and portfolio managers during company visits, both in-house and off-site.

Formal/Informal Meetings

Our office design encourages and facilitates a wide variety of formal and informal communications that enhance the level of our company research. Extensive email, video-conference, and voicemail communication supplement these face-to-face meetings. This ongoing, daily interaction between investment professionals is a key element to the success of the firm's investment processes.

Question G.

Outline and briefly describe the main steps of your investment process.

Our investment approach leverages the extensive research resources of the firm in a disciplined framework focused on a broad universe of large-cap growth stocks. The investment process is bottom-up and emphasizes a balance of alpha sources across growth, quality, and valuation criteria in selecting stocks. We utilize risk analysis tools to maintain the portfolio's emphasis on stock selection and minimize other sources of relative risk.

The investment process starts with a universe of approximately 500 companies with similar characteristics to the Russell 1000 Growth benchmark. Each stock is evaluated and ranked on a consistent set of growth, quality, and valuation criteria. Fundamental research drives the process, leveraging the firm's significant research resources including the firm's global industry analysts. Wellington Management's 50 global industry analysts provide independent, in-depth industry and company research. For the Diversified Growth approach, these research resources help generate a broad array of investment ideas and provide in-depth analysis of investment opportunities and risks. Ultimately, the Diversified Growth Team utilizes these inputs to develop their own estimates of growth, quality, and valuation for each company, assimilating their own research and the broad research of the firm into the Diversified Growth analytical framework.

While we believe that our research resources give us a significant edge, we also recognize that forecasting still involves uncertainty. Experience has taught us that overestimating the precision of forecasts can lead to understating opportunities and risks, and focusing excessively on near-term data points and trading. Therefore, our approach to valuing companies includes multiple scenarios of revenue growth and free cash flow in a systematic valuation framework. We believe this approach gives us a more balanced perspective, consistent with our longer-term investment horizon.

The final step in the process involves overlaying portfolio construction with risk management tools to help maintain desired sources and levels of active risk in the portfolio. While not a main driver to investment decisions in the portfolio, risk tools are utilized to ensure a high level of stock specific risk and low factor exposures within a consistent band of active risk. If two stocks of similar growth, quality, and valuation metrics are identified as investment opportunities, the one with the higher stock-specific contribution to the portfolio risk will generally get a higher priority. This approach helps to align the risk profile of the portfolio with the team's focus on bottom-up stock selection, reduce the influence of broad market risk factors, and assure style consistency over time.

Question H.

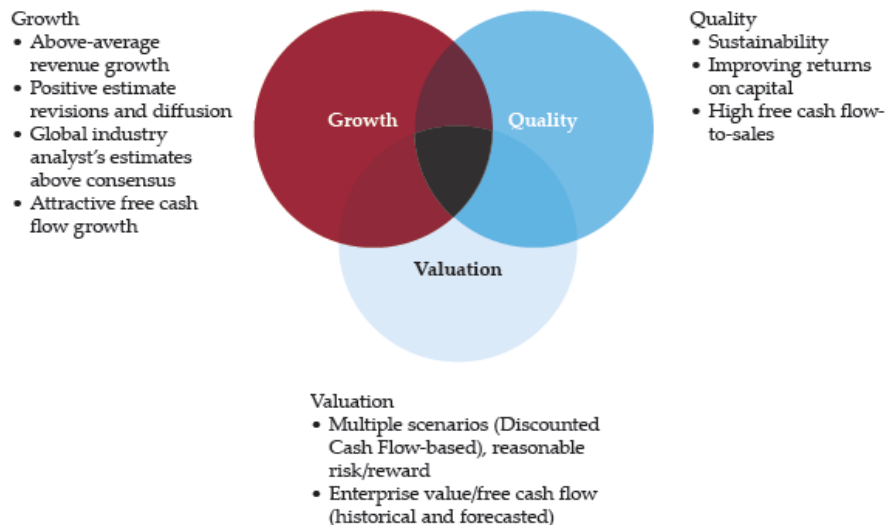
Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

Each stock in our investment universe is evaluated and ranked on a consistent set of metrics across growth, quality, and valuation. All of these criteria are fundamentally based, and utilize both historical and the team's proprietary forecasted data. These factors are tested by the team, and the list evolves over time based on this testing. The team utilizes a variety of screens that are applied to the investment universe to identify stocks with attractive growth, quality, and valuation criteria. Importantly, this screening is used solely to identify ideas for further research.

The Diversified Growth Team will then pursue attractive ideas by meeting with global industry analysts, other team analysts at Wellington Management, company management, competitors, and/or suppliers with the objective of focusing on critical variables which the team uses to evaluate investments. Broadly, these factors fall into three categories: Growth (forecasted organic revenue growth), Quality (forecasted free cash flow margin, strong competitive positioning), and Valuation (attractive risk/reward based on the team’s proprietary discounted cash flow-based scenario valuation tool). The factors are all based on fundamental research.

The Diversified Growth process utilizes a proprietary valuation model. Our approach to valuing companies includes multiple scenarios of forecasted organic revenue growth and forecasted free cash flow in a discounted cash flow valuation framework. Our scenario valuation approach produces a range of price targets for each security, which we compare to the current stock price to estimate the likelihood and extent of upside return potential. We believe this approach gives us a more balanced perspective, better reflects the volatility of outcomes in the real world, and helps to reduce turnover, consistent with our longer-term investment horizon. The multi-scenario valuation model was developed and is maintained by the Diversified Growth Team.

A sample of the growth, quality and valuation criteria are included in the diagram below:



Question I.

To the extent that tactical sector allocation shifts, duration management and other top-down “macro” bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

Although macroeconomic factors and outlooks can impact team members’ outlooks for specific companies, this analysis does not play a significant role in our process. The investment process is bottom-up and emphasizes a balance of alpha sources across growth, quality, and valuation criteria in selecting stocks.

Question J.

Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

The majority of our research is conducted internally. The Diversified Growth approach leverages the extensive research resources of the firm in a disciplined framework focused on a broad universe of large-cap growth stocks. Each stock is evaluated and ranked on a consistent set of proprietary forecasts across growth, quality, and valuation criteria.

In addition, the Diversified Growth Team has access to the following external resources, but they primarily utilize these databases for financial data, charting, news, and pricing information: Thomson One Analytics (First Call and I/B/E/S) consensus data is used for comparison purposes or when an internal source is not available. The most frequently used external databases and applications include Bloomberg, Datastream, FactSet, Morgan Stanley Capital International, Reuters, SNL Datasource, Stockval, and Street Events to name a few. These databases provide financial data, charting, news, and pricing information.

We receive or arrange access to various types of research in three ways: via executing broker-dealers who also develop their own proprietary research; “third-party” or independent research firms which do not conduct trade execution for us but do produce investment research; and expert network firms whose business models consist solely of arranging access to subject matter experts.

Roughly 6% of Wellington Management’s firmwide equity commissions are used for the payment of qualified third-party research services.

All of our third-party research providers are subject to initial and ongoing due diligence reviews. In addition, all of our external research is subject to our Policies and Procedures on the Receipt and Use of Material, Non-Public Information. Lastly, all investment and research personnel receive training on material, non-public information, and our procedures in that regard.

Please refer to Appendix 3 which includes our Policies and Procedures on the Receipt and Use of Material, Non-Public Information for further detail.

Question K.

Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

The Diversified Growth Portfolio is managed by Paul Marrkand and supported by dedicated Equity Research Analysts Joel Thomson and Kevin Stowell, our Capital Appreciation Group (comprised of other growth-oriented investment teams at the firm), and 50 global industry analysts. The team members have frequent discussions to evaluate current and potential holdings, but the portfolio manager does not rely on a committee to make his buy and sell decisions. Paul Marrkand has sole discretion over the account in regard to stock selection and weightings.

Once the portfolio manager makes the decision to buy or sell a security, the order is placed with the Global Trading, along with specific instructions ranging from a strict limit to broader latitude that allows the trader some control in terms of timing the entry into the market.

Global Trading

A staff of 50 traders, with 20 years average professional experience and an average of 11 years at Wellington Management, handles the execution of all orders.

Question L.

Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

As stated, our investment approach leverages the extensive research resources of the firm in a disciplined framework focused on a broad universe of large-cap growth stocks. The investment process is bottom-up and emphasizes a balance of alpha sources across growth, quality, and valuation criteria in selecting stocks. We utilize risk analysis tools to maintain the portfolio's emphasis on stock selection and minimize other sources of relative risk.

New idea generation can come from any of a variety of resources: Diversified Growth team members, global industry analysts, other portfolio management teams at the firm, company meetings, industry conferences, as well as proprietary screens that the team runs, based on fundamental factors. The Diversified Growth Team will then pursue attractive ideas by meeting with global industry analysts, other team analysts at Wellington Management, company management, competitors, and/or suppliers with the objective of focusing on critical variables which the team uses to evaluate investments.

Each stock in our investment universe is evaluated and ranked on a consistent set of metrics across growth, quality, and valuation. All of these criteria are fundamentally based, and utilize both historical and the team's proprietary forecasted data.

The team members have frequent discussions to evaluate current and potential holdings. Paul Marrkand has sole discretion over the account in regard to stock selection and weightings. To be added to the portfolio, a new idea must improve the portfolio's aggregate growth, quality, and/or valuation characteristics.

The final step in the process involves overlaying portfolio construction with risk management tools to help maintain desired sources and levels of active risk in the portfolio. While not a main driver to investment decisions in the portfolio, risk tools are utilized at the back end of the process to reinforce the team's focus on fundamental analysis and ensure a high level of stock-specific risk and low factor exposures within a consistent band of active risk. Active risk models also are helpful in monitoring the balance of growth, valuation, and quality drivers in the portfolio. This approach helps to align the risk profile of the portfolio with the team's focus on bottom-up stock selection, reduce the influence of broad market risk factors, and assure style consistency over time.

Diversified Growth portfolios typically hold 60 – 90 securities and are generally broadly diversified across market sectors. Position sizes are determined by our level of conviction and the reward/risk potential of each security.

Question M.

How do you define "risk"?

We think about risk at two principal levels. First, we attempt to estimate the risk of the individual businesses in which we invest through our approach to fundamental research, focusing on a broad variety of factors relating to the company's competitive positioning, the quality of its management team, the quality of its balance sheet, and the price we are paying for the stock.

We also analyze risk at the portfolio level, as defined by the expected volatility of portfolio returns compared to the portfolio benchmark. We measure and define portfolio risk by comparing the portfolio to its benchmark and a universe of peers, specifically in the form of risk characteristics such as tracking risk, beta, R-squared, standard deviation, Sharpe ratio (measure of unit return per incremental unit of risk) and information ratio (alpha divided by tracking risk). We also use Barra risk analysis software to compare active risk in the portfolio relative to the portfolio's benchmark. Risk analysis is an integral part of the investment process and is actively used by the Diversified Growth Team and product management to monitor portfolio risk levels.

There are several groups within the company that are closely involved in evaluating risk control and compliance and who are, therefore, aware of changing market conditions and the impact on portfolios. These include: Portfolio Management, Product Management, Operational Risk Management, and various investment review groups. These groups ensure that the firm has all risk management tools necessary for the efficient management of portfolios, at its disposal.

The Investment Review Group routinely monitors all accounts to ensure the consistent implementation of the firm's investment strategies and to ensure those investment programs are compatible with the client's objectives and expectations. This "peer review" of each account is an integral checkpoint in the monitoring process, which seeks to ensure adherence to client objectives and guidelines.

Question N.

List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

Diversified Growth portfolios typically hold 60 – 90 securities and are generally broadly diversified across market sectors. While sector weights are a residual of bottom-up stock selection, we typically limit sector exposures to $\pm 20\%$ versus the Russell 1000 Growth Index. Exposure to any single stock is limited to 7% of market value or 2% above the benchmark by weight, whichever is higher. Portfolios are fully invested with cash balances typically less than 5%, subject to a 10% maximum. Up to 20% of the portfolio can be allocated to non-US domiciled stocks. Turnover is expected to be moderate and is influenced by the market environment. Tracking risk relative to the Russell 1000 Growth Index will typically be moderate.

Question O.

Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

On a daily basis, we compare the potential outcomes of the stocks in our focus list with the current price to determine the companies that exhibit the best risk/reward profiles. We typically purchase companies that exhibit more positive outcomes, and trim/sell stocks that have less upside scenarios. This disciplined approach ensures our best ideas are continuously being incorporated into the portfolio.

Sell/trim disciplines are dictated by a stock being no longer attractive/as attractive versus other ideas due to:

- Growth - deterioration in forecasted organic revenue growth; either the future prospects for the business have worsened or we simply got it wrong
- Quality - deterioration in forecasted free cash flow margins and/or confidence in management's commitment to improving shareholder returns, or negative change in longer-term competitive structure of industry and company
- Valuation - due to either price appreciation or fundamental deterioration, fewer potential upside scenarios, and/or less magnitude of upside scenarios

This disciplined approach ensures our best ideas are continuously being incorporated into the portfolio.

There is not a stop-loss policy in place. However, we are constantly monitoring stocks in the portfolio, including those that underperform, and frequently reassess the drivers for deterioration. We look for signs of deteriorating fundamentals (across growth and/or quality metrics) and excessive valuation in making sell decisions.

Question P.

Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

No. Leverage is not employed in the Diversified Growth approach.

Question Q.

Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

No. Short positions are not employed in the Diversified Growth approach.

Question R.

Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Currency hedging is not used in the Diversified Growth approach.

Question S.

1)

Regarding risk management:**List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.**

As mentioned, we think about risk at two principal levels. First, we attempt to estimate the risk of the individual businesses in which we invest through our approach to fundamental research, focusing on a broad variety of factors relating to the company's competitive positioning, the quality of its management team, the quality of its balance sheet, and the price we are paying for the stock. We believe the most important way to control this risk is the fundamental analysis of the individual stocks. One of the key elements of risk control is our multiple scenario analysis in terms of evaluating valuation. This tool helps us from chasing stocks, and overreacting to short-term noise.

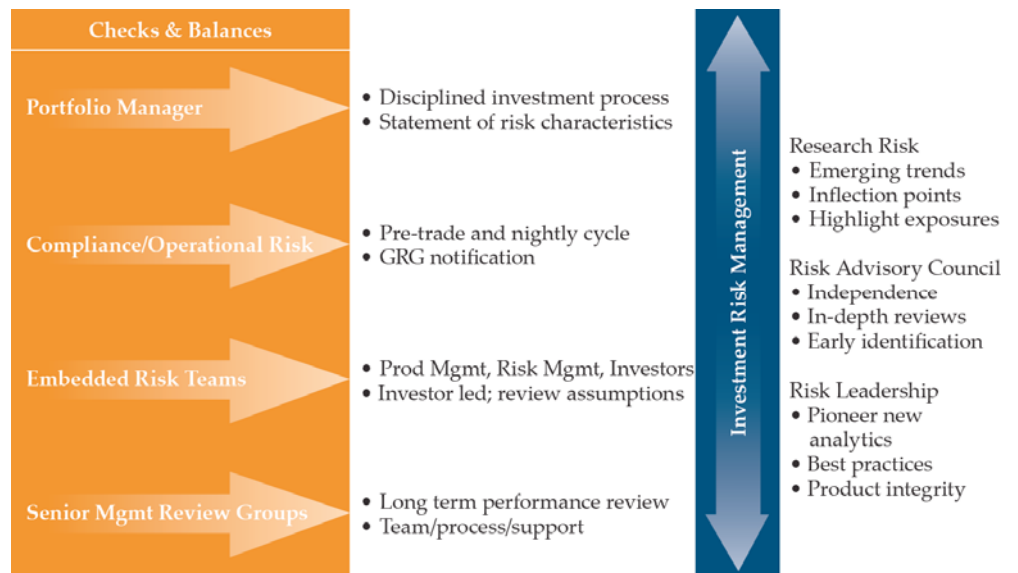
We also analyze risk at the portfolio level, evaluating the balance of aggregate portfolio characteristics. While the biggest risk for managers can come from individual stocks disappointing, often times risk comes from style tilts in the portfolio (i.e. being a momentum manager when momentum falls out of favor). While the equity market may reward these style tilts over short-term periods, these trends revert in unpredictable patterns. We believe by maintaining a diversified portfolio of growth stocks which remains balanced across growth, quality, and valuation attributes, we should be able to deliver more consistent results over time. To reinforce that balance with use risk tools in analyzing the sources of relative risk in the portfolio.

At the portfolio level, we also define risk by the expected volatility of portfolio returns compared to the portfolio benchmark. We measure and define portfolio risk by comparing the portfolio to its benchmark and a universe of peers, specifically in the form of risk characteristics such as tracking risk, beta, R-squared, standard deviation, Sharpe ratio (measure of unit return per incremental unit of risk) and information ratio (alpha divided by tracking risk). We also use Barra risk analysis software to compare active risk in the portfolio relative to the portfolio's benchmark. Risk analysis is an integral part of the investment process and is actively used by the Diversified Growth Team and Product Management to monitor portfolio risk levels.

2)

Identify the person(s) or group primarily responsible for the risk management function.

We continue to believe that effective risk management contains both qualitative and quantitative elements and requires an open culture with a strong sense of ownership across functional lines. Our functional structure is augmented by our robust committee culture, with key risk related committees including Counterparty, Risk Management, Product Panel, and Investment Review Groups (a high level summary of broad responsibilities and interactions provided below).



Kent Stahl is the Director of the firm's Investments & Risk Management Group. Kent reports to Scott Lopez, Director of Global Investment Services.

Kent M. Stahl, CFA

- Director, Investments & Risk Management
- Senior Vice President
- MBA, University of Chicago, 1987
- 26 years of professional experience
- 15 years with Wellington Management

The Investments and Risk Management Group is independent from the firm's portfolio managers and product management teams and provides an additional layer of risk awareness and control for the firm's investment approaches. The primary focus of this group is to identify and communicate significant investment trends and risks across our equity, asset allocation, and fixed income strategies and to ensure that our risks are managed appropriately. This group is actively involved in our portfolio oversight processes, and works with product management on a regular basis. This group also serves on a number of our internal investment and risk management committees. The Investment Risk Management function is separate from the Legal and Compliance Group, but the teams work together on a number of initiatives and committees (e.g., counterparty, risk oversight).

The Investment Risk Management Group interacts closely with both investment teams and business professionals, contributing to the efforts centered on preparing detailed risk reports, analyzing various risks, and communicating the key themes embedded in our individual strategies and at the aggregate level. To assess the data and to enhance our reporting capabilities, we utilize various internal proprietary systems as well as external systems, such as FactSet, to access current and historical portfolio data and to obtain exposure information at the individual portfolio level. FactSet also enables us to aggregate our analyses by looking across several strategies and several factors at once. In addition, we develop a lot of our own analytical tools that are then broadly distributed across the firm to be used for individual client reporting needs and research projects.

Our Investment Risk Management philosophy is that no single report or tool completely determines risk and instead we like to think of our process as a mosaic; combining all of our reporting elements before summarizing our findings. Many of our monthly and quarterly reports look across a range of areas including performance, characteristics, attribution, style, risk and competitive analysis. Some of the main reports that we produce regularly include our monthly Equity and Fixed Income Dashboard reports which integrate various attribution, positioning and risk exposure analyses, a quarterly Capacity analysis which tracks changes across our equity investment platform and quarterly Holdings Overlap and yearly Trading Overlap trend reports. These reports go to all investors and senior management. If the team sees a particularly interesting trend or risk concentration, there are multiple forums to communicate these risks, including but not limited to; the Morning Meeting, formal review groups, regular risk reviews and informal discussions.

Responsibility for analyzing and managing risk in individual client portfolios rests with the portfolio manager, in coordination with Product Management and with oversight by functional line management. Product Management conducts in-depth reviews with the portfolio managers on an ongoing basis, discussing unique risks to each strategy, business issues, style analysis, and performance attribution. Portfolio managers report to line management in each investment area and are further subject to the oversight provided by the firm's investment review groups.

These formal internal review processes provide senior management review of all client portfolios and act as a surrogate for the client. Review groups are organized by investment approach and are supported by analytics relating to portfolio composition, product integrity, performance, and risk characteristics. It is the responsibility of the Global Relationship Group to ensure that the expectations of each client are being met in the management of the client's account and to provide the client with regular reporting on its client portfolio.

The Legal and Compliance Group is responsible for ensuring that the firm has policies, procedures, and controls to ensure compliance with specific regulatory requirements. It is also responsible for establishing, maintaining, and implementing the firm's compliance monitoring program. Regulatory compliance issues are identified for the business by the Legal and Compliance Group.

3)

Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

Our stock level and portfolio risk management process is both integrated into and independent from the investment process. Please refer to Questions 1 and 2 directly above for further detail.

Question T.

What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?

As mentioned, we believe that it is valuable for our personnel to invest in vehicles we manage because it aligns those individuals' interests with those of our clients, but investment in such vehicles is voluntary.

Generally, Wellington Management personnel do invest in pooled vehicles, including publicly offered mutual funds and sponsored products that we manage. The Wellington Management Retirement and Pension Plan (WRPP) and the Wellington Management Company, LLP Defined Benefit Plan (together, the Wellington Retirement Plans), a defined contribution retirement plan and a defined benefit retirement plan, respectively, established by our firm for the benefit of our personnel, invest in a substantial number of collective investment funds that are sponsored products. WRPP also invests in shares of certain mutual funds sponsored by the Hartford Financial Services Group and the Vanguard Group, some of which we advise or sub-advise.

Wellington Management personnel, including portfolio managers, may invest in sponsored products, including sponsored hedge funds, provided they qualify under applicable securities laws. The minimum investment amount is typically waived for Wellington Management personnel.

The amount that partners or employees invest in this product and all others is generally considered confidential. However, to the extent that the investment professionals serve as portfolio managers to US registered mutual funds, the range of their investment in such US registered mutual funds is required to be disclosed in the fund's registration statement.

Personal Investing

Wellington Management has had a Code of Ethics (Code) in place for many years. As a firm, we seek excellence in the people we employ, the products and services we offer, the way we meet our ethical and fiduciary responsibilities, and the working environment we create for ourselves. Our Code of Ethics embodies that commitment.

Our Code of Ethics applies to all partners and employees of Wellington Management Company, LLP, and its affiliates around the world. Its restrictions on personal investing also apply to temporary personnel (including co-ops and interns) and consultants whose tenure with Wellington Management exceeds 90 days and who are deemed by our Legal and Compliance group to have access to nonpublic investment research, client holdings, or to trade information. We periodically review the provisions of the Code with all personnel through written communications, informational meetings and web-based training.

The Code contains restrictions on personal investing including, but not limited to, blackout periods, short-term profits, participation in private placement transactions, and participation in initial public offerings. Our Code requires preclearance of personal securities transactions covered by the Code as well as the reporting of reportable transactions after the fact.

Legal and Compliance is responsible for monitoring the Code of Ethics; the team periodically requests certifications from Wellington Management personnel and reviews holdings and transaction reports for potential violations. Wellington Management employs a third-party vendor application to automatically screen for Code of Ethics compliance. The system facilitates pre-clearance and reporting of personal securities transactions, as well as quarterly certifications and annual reporting. Records of preclearance, reporting, and certifications are maintained electronically in the system.

Potential violations of the Code of Ethics are investigated and reviewed by Legal and Compliance. All violations of the Code are reported to the Chief Compliance Officer and may result in warnings, disgorgement, limitations or restrictions on personal investing, and/or termination of employment.

Question U.

Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

The origins of the philosophy, focusing on high organic growth while incorporating valuation and quality criteria, go back to the inception of the product. There have been no significant changes to the process. However, the team believes in the philosophy of continuous improvement, and over time, has added risk management tools to the portfolio construction process to help maintain desired sources and levels of active risk in the portfolio.

IV. Performance & Portfolio Composition

Question A.

Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.

We believe the Russell 1000 Growth Index is the most appropriate benchmark for our Diversified Growth approach as it best reflects the growth orientation of our portfolio over time.

Question B.

Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.

The Diversified Growth approach is expected to outperform the growth indexes by at least 200 basis points annually over a full market cycle (e.g., three to five years), gross of fees.

Question C.

What has been the annual turnover (*in position terms*) for this product over the past five years?

Turnover is expected to be moderate and is influenced by the market environment.

Year	Turnover
2012	71%
2011	55
2010	56
2009	79
2008	114

We base our calculation on the US Securities and Exchange Commission definition which states that turnover equals the lesser of purchases and sales for the trailing 12 months divided by the trailing average 13-month market value of the portfolio.

Question D.

Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.

By focusing on bottom-up stock selection and minimizing factor exposures, our objective is to be able to outperform through a broad variety of market environments. Our success over time will be driven by stock selection rather than a reliance on a particular investment environment.

Due to the diversified profile (diversified across sources of return of growth, quality, and valuation), any market where one factor in the equity market is significantly rewarded (e.g., momentum), the strategy can have more difficulty adding value. The volatility profile is typically comparable to the growth universe. Risk models are used at the portfolio level to ensure that factor exposure are limited and that the majority of risk is stock specific and not factor risk.

Question E.

Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

Due to the diversified profile, in any market where one factor in the equity market is significantly rewarded (e.g., momentum), the strategy can have more difficulty adding value. Both 2008 and 2011 were challenging years where stock prices were driven by a flight to safety in reaction to top-down events and not necessarily underlying fundamentals. These periods were challenging for our approach, but we do not believe they represent normal or sustainable investment environments. The volatility profile is typically comparable to the growth universe.

Question F.**Provide metrics associated with the following areas:****1) Number of securities held**

Current	88 ¹
Historical range	84 – 97 ²

¹As of 31 December 2012²Based on month-end values for the five-year period ending 31 December 2012

The number of holdings is typically between 60 – 90 securities. This range has not changed significantly over time.

2) Position size

Current average¹	1.1%
Current largest¹	5.8%
Maximum allowable (specify if measured at cost or market)	Position weights in the portfolio are based on the security's upside and the conviction in the fundamental estimates used to arrive at upside targets. Exposure to any single stock is limited to 7% of market value or 2% above the benchmark by weight, whichever is higher.
Percent in top ten holdings	31.5%

¹As of 31 December 2012

3) Cash & equivalents allocation

Current	4.3%
Historical range	0 – 5.1%
Maximum allowable	Portfolios are fully invested with cash balances typically less than 5%, subject to a 10% maximum. The Diversified Growth Portfolio is generally fully invested except for “transaction balances,” which arise primarily from timing differences between purchases and sales.

Question G.

Exhibit-C (in the attached Excel document): Provide current and historical holding Cap Size.

Please refer to Appendix 2 for the attached Excel which includes Exhibit C.

Question H.

Exhibit-D (in the attached Excel document): Please enter monthly gross and net of fee returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.

Please refer to Appendix 2 for the attached Excel which includes Exhibit D.

Please refer to Appendix 4 for the Diversified Growth Composite GIPS-compliant presentation which was prepared and presented in compliance with the Global Investment Performance Standards (GIPS®).

Question I.

Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.

The Diversified Growth approach is expected to outperform the Russell 1000 Growth Index by 200 basis points annually over full market cycles (e.g., three to five years), gross of fees. The approach focuses on bottom-up stock selection; differences in sector weights versus the benchmark are the result of individual security selection. We monitor factor exposures versus the benchmark (such as beta, market cap, style factors) with the goal of maintaining them at low levels and having stock selection be the primary source of our risk versus the benchmark. Since our relative sector weights are an outcome of our stock selection (we do not make top-down sector allocation decisions), we believe the best way to evaluate the value-added of our Diversified Growth investment approach is on a bottom-line basis (i.e., performance versus the benchmark).

That said, we do perform traditional sector attribution which divides performance into 'stock selection' and 'sector allocation.' However, we recognize that this is an imperfect tool for measuring the components of a bottom-up investment process. For example, if a portfolio has any deviation in sector weights from the benchmark, some portion of the relative performance will be accounted for as 'sector allocation' regardless of whether the manager builds the portfolio from the bottom up or top down. In addition, the sector assignment of a particular stock may not be a very accurate characterization of its business exposures, risks, or performance characteristics. For these reasons, and because we do not run a sector-neutral portfolio, some portion of our performance will always be accounted for by this tool as 'sector allocation,' however we would emphasize that those sector differences are the result of where we are finding attractive stocks rather than any top down allocation process.

Question J.

Regarding composite quality:

- 1) **Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?**

Yes. The composite information provided is in conformance with GIPS® standards. Wellington Management claims compliance with the Global Investment Performance Standards (GIPS) and has since 1993.

- 2) **Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.**

All fully discretionary, fee paying accounts are eligible for inclusion in the composite. No selective periods of performance have been used.

- 3) **Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.**

No.

- 4) **Are terminated portfolios included in the composite? If not, please explain.**

Closed accounts are included through the completion of the last full month of eligibility.

5) **When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?**

An account is typically included in the composite after the first full month of eligibility.

6) **How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?**

All monthly composite returns (including only individual accounts meeting the minimum asset level requirements) are calculated using asset-weighted monthly returns and beginning-of-month market values. Monthly composite returns are geometrically linked to determine both a quarterly as well as an annual return. For all periods through 31 December 1996, account returns were calculated using a Modified Dietz methodology based on monthly valuations and a day weighting treatment of cash flows.

7) **Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?**

Yes.

8) **Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?**

Yes. Existing accounts transitioning to a new approach due to a guideline change are removed from their existing composites the month that the guideline change is effective. Accounts are then included in their new respective composite.

9) **Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.**

As of 31 December 2012

	# of Accounts	Assets Under Management
Diversified Growth Portfolio	24	US\$11,975 mil
Diversified Growth Composite	20	11,685

10)

Provide the performance dispersion (*high, low and median returns*) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

Year	High	Low	Median
2012	14.7%	13.4%	13.8%
2011	-2.8	-3.7	-3.2
2010	21.0	20.1	20.6
2009	39.7	38.5	39.0
2008	-39.2	-40.5	-40.0

DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G. If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. Exhibit-E(in the attached Excel document): Please include monthly gross and net of fee returns, since inception through 9/30/12.

Not applicable. Monthly returns are only provided in Exhibit D.

V. Investment Vehicles, Fees & Terms

Question A.

Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

Growth of Assets

Year	Assets Under Management
2012	US\$11,975 mil
2011	11,699
2010	11,745
2009	6,451
2008	3,895

Capacity

The Diversified Growth approach has limited capacity for new separate accounts, but our commingled pools remain open for investments of up to US\$50 million per year, per client. As a firm, we do not seek growth for its own sake and there are no firmwide asset or revenue targets for any individual investment approach. Rather, we believe our primary responsibility is to our existing clients. To that end, portfolio manager incentives are clearly structured to reward value added rather than asset growth to align the managers' interests directly with those of our clients. We review each investment strategy's capacity at inception and on an ongoing basis, considering a wide range of factors including product market cap range, current asset base, pace of cash flows, firmwide ownership in portfolio names, days of volume held in portfolio names, and the investment team's qualitative input. We have demonstrated a willingness to close approaches to new business when we felt that impending liquidity constraints could impair our ability to add value for existing clients.

Question B.

Provide the standard fee schedule, liquidity terms and minimum investment for the following:

1) Separate Account

The US institutional separate account fee schedule for this product is:

Market Value	Annual Fee¹
On the first US\$25 million	0.60%
On the next US\$25 million	0.50
Over US\$50 million	0.40

¹Fee changes are not anticipated at this time, but could occur in the future.

Generally, the minimum assets required for a separately managed Diversified Growth Portfolio are US\$50 million. Based on this requirement, the minimum annual fee for a separately managed account is US\$275,000.

2) Commingled Fund

Our commingled vehicles are currently open to new clients for allocations up to US\$50 million per year. Commingled funds maintained by our affiliates are managed and operated in accordance with the fund's governing documents and related agreements.

Monthly Commingled Vehicle

The fee schedule for commingled portfolios in the Diversified Growth style is:

Market Value	Annual Fee¹
On the first US\$25 million	0.60%
On the next US\$25 million	0.50
Over US\$50 million	0.40

¹Fee changes are not anticipated at this time, but could occur in the future.

Commingled pool account fees consist of two components: 1) an investment management fee and 2) routine operating expenses (e.g., custody, accounting, audit, transfer agency, and other administrative expenses). Operating expenses are capped, separate from, and in addition to the investment management fee.

Generally, the minimum assets required for a commingled account are US\$10 million. Based on this requirement, the minimum annual fee for a commingled account is US\$60,000.

Daily-Priced Commingled Vehicle

The fee schedule for our daily priced commingled portfolios in the Diversified Growth style is:

Average Daily Net Assets	Capped Total Expense Ratio
On all assets	0.60%

¹Fee changes are not anticipated at this time, but could occur in the future.

Commingled pool account fees consist of two components: 1) an investment management fee and 2) routine operating expenses (e.g., custody, accounting, audit, transfer agency, and other administrative expenses). The investment management fee is calculated on the portfolio's average daily net assets at an annual rate of 0.55%. Generally, the minimum assets required for a commingled account are US\$10 million.

3) **Institutional Mutual Fund**

Not applicable.

Question C.

Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.

We do not offer standard performance-based fee schedules for most separate accounts or our commingled accounts offered through an affiliate of Wellington Management. Certain investment approaches, however, do offer performance-based fee schedules, and we would be willing to discuss this as the search progresses.

Question D.

Specifically regarding commingled vehicles (*excluding mutual funds*):

1) **Describe the structure of your commingled investment vehicle(s), including type (*e.g., LLC, L.P.*) and domicile.**

If selected, we may propose investment in a commingled pool, sponsored by an affiliate of Wellington Management available to certain appropriately qualified clients in our Diversified Growth approach. We would be happy to discuss this further with you as your search progresses.

2) **Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?**

While we have generally not managed our commingled funds for any particular tax outcome, we generally attempt to avoid ownership by the funds of investments that may give rise to UBTI (e.g., certain partnership investments and investments requiring use of leverage). Despite these efforts, it is possible that a commingled fund will make investments, incur liabilities, or otherwise take actions that would result in the realization of UBTI and thus incur tax with respect to such income. In addition, participants should realize that by attempting to avoid investments that would result in UBTI, we may limit the opportunity set of investments otherwise available to a particular commingled fund.

-
- 3) **Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.**

Commingled pool account fees consist of two components: 1) an investment management fee and 2) routine operating expenses (e.g., custody, accounting, audit, transfer agency, and other administrative expenses). Operating expenses are capped, separate from, and in addition to the investment management fee. Please refer to the fee schedules directly above.

- 4) **How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?**

In general, most commingled portfolios are priced, and an NAV is struck on the last day of each month. Consequently, the commingled portfolios are only open for cash flows into and out of the portfolios once a month as well. With very few exceptions, funds will be wired to and from the transfer agent, on the first business day of each month to accommodate contributions to and redemptions from the commingled portfolios. Typically client notification is required by the 22nd calendar day of each month of incoming and outgoing cash flows for the following month. Requests submitted after this date will be considered on an exception basis.

Those portfolios open to defined-contribution plans are priced and an NAV is struck each day the New York Stock Exchange (NYSE) is open for trading. These commingled portfolios also are open for cash flows these days. Purchase and redemption orders can be submitted up to 4 pm Eastern Time (or the NYSE close) each business day, and the orders will settle in cash on the next business day. Orders received after the NYSE close will be processed on the next business day. In the case of a client's very large redemption, advance written notice may be required.

Investments in commingled pools are governed by the terms of the Plan and Declaration of Trust establishing the pool and the Investment Agreement.

Under most circumstances, the commingled fund uses a cash settlement approach to meeting fund redemptions. However, like many investment funds, the fund's governing documents authorize the payment of redemption proceeds from the fund in-kind.

- 5) **Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.**

The Wellington Management Product Panel, a cross-functional review group, formally decides whether a particular new investment approach can be launched (or an existing product significantly revised) with sufficient confidence in its long-term success.

Some products are developed in response to specific client requests. Product innovation that takes place independent of client requests is a continuous process. New ideas are initiated by investment, marketing, or other professionals, and the Product Panel reviews the ideas in-depth for investment validity.

Question E.

Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.

When negotiating pricing and other modifications to the standard terms of investment for our investors we take a number of factors into account including but not limited to the mandate size, the relationship with our firm as well as capacity constraints within the product. We are happy to discuss further pricing and other potential modifications should we move forward in the search process.

Question F.

What were total trading costs for this portfolio (*bps and dollars*) for the most recent calendar year?

Wellington Management subscribes to third-party equity trading cost studies and performs internal proprietary analysis to form a mosaic approach to monitoring trading costs. We have participated in the Abel Noser study on a semi-annual basis for roughly 25 years and submit daily data files to Investment Technology Group (ITG) for timely equity trading cost reviews. Abel Noser measures Wellington Management's average commission and implicit costs (e.g., market impact) and compares them to peer-universe averages in order to provide a relative assessment of both our explicit costs and our implicit execution performance at the firm level. We have generally been in-line with the Abel Noser peer universe averages. We utilize ITG's TCA product to help track equity trading cost trends through regular management reporting. Our trading research team uses in-house tools to perform proprietary trading cost analysis across a range of asset classes and trade types. It is important to note that trading costs generally result in a reduction in the potential return of a portfolio transaction and thus tend to have a negative impact on account performance. The goal of our trading research efforts is to make investment personnel aware of trading costs and to prescribe changes to the implementation process that help maximize client portfolio returns.

Currently, we subscribe to the Abel Noser trade cost study and ITG's TCA service to help monitor firmwide equity trading costs. We have evaluated the methodologies of many transaction cost analysis vendors and have found that each vendor methodology has unique strengths and weaknesses, yet together these studies allow us to gain some insight on our best execution process.

Methodology and Services

To assess implicit execution performance, Abel Noser compares the average executed price for each Wellington Management order to a price benchmark called "available volume weighted average price", which is abbreviated "aVWAP". This benchmark is defined as the volume weighted average price (VWAP) from the time the order begins until the end of the last day on which the order is executed. Explicit costs are calculated using the data that we supply to them. Both types of costs are then compared to peer-universe averages in order to provide a relative assessment of both our explicit costs and our implicit execution performance at the firm level. These analyses are provided semi-annually and cover the trailing half-year period.

ITG's TCA service analyzes implicit execution performance by comparing average trade execution prices to a variety of price benchmarks such as the price at the time the order arrived on the trading desk (Arrival Price) and VWAP over the order interval (Interval VWAP). ITG does not provide a peer universe study within its TCA product. We utilize TCA's web-based user interface to analyze our trading cost results and to generate trading management reporting. Wellington Management provides a daily trade file to ITG to allow for timely quantitative feedback on our trade process.

Results

A summary of Wellington Management's most recent volume weighted average commission costs for four countries in which we trade are listed below. The institutional averages are derived from the peer universe information supplied by the Abel Noser studies. Our commission costs are in line with the average costs reported for institutional money managers.

	United States		United Kingdom	
	Wellington Management	Institutional Average	Wellington Management	Institutional Average
1H2012	2.7 cps	2.4 cps	8 bps	10 bps
2011	2.5	2.5	9	10
2010	2.5	2.5	9	10
2009	2.3	2.4	9	11
2008	2.4	2.9	10	11

	Hong Kong		Japan	
	Wellington Management	Institutional Average	Wellington Management	Institutional Average
1H2012	13 bps	14 bps	6 bps	10 bps
2011	13	14	6	10
2010	14	15	8	10
2009	15	15	8	10
2008	14	17	8	10

Wellington Management's total firmwide equity trading costs, including market impact, have historically been in line with the peer universe. Below is a matrix of Wellington Management's most recent Abel Noser study results comparing our implicit costs (aVWAP) and total costs (including commissions) to their peer universe result. The data has been displayed so that a negative result represents trading costs and a positive result represents value-added trading.

2011	United States		United Kingdom	
	Wellington Management	Institutional Average	Wellington Management	Institutional Average
Implicit Costs	1 bps	-1 bps	-1 bps	-2 bps
Total Costs	-8	-10	-10	-14
2011	Hong Kong		Japan	
	Wellington Management	Institutional Average	Wellington Management	Institutional Average
Implicit Costs	-5 bps	-2 bps	-6 bps	-4 bps
Total Costs	-17	-16	-12	-16

Evaluating trading efficiency and measuring transaction costs is inherently difficult due to the complexities of trading and the lack of a standard methodology. We believe there is information to be gained from the discipline of analyzing transaction costs and reviewing the results, but caution against relying on the statistics as a sole measure of trading effectiveness. It is important to remember that best execution is a process and it is important to review the execution price in the context of the market as well as the portfolio manager's objectives at the time of the trade.

Question G.

Are fees and/or terms negotiable for this mandate? If so, at what size?

When negotiating pricing for our investors we take a number of factors into account including but not limited to the mandate size, the relationship with our firm as well as capacity constraints within the product. We believe that we have fairly priced our services relative to historical and expected value-added of the investment approach. However, we would be willing to discuss fee levels as the search progresses.

Question H.

Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?

The amount that partners or employees invest in this product and all others is generally considered confidential. However, to the extent that the investment professionals serve as portfolio managers to US registered mutual funds, the range of their investment in such US registered mutual funds is required to be disclosed in the fund's registration statement.

We believe that it is valuable for our personnel to invest in vehicles we manage because it aligns those individuals' interests with those of our clients, but investment in such vehicles is voluntary.

Generally, Wellington Management personnel do invest in pooled vehicles, including publicly offered mutual funds and sponsored products that we manage. The Wellington Management Retirement and Pension Plan (WRPP) and the Wellington Management Company, LLP Defined Benefit Plan (together, the Wellington Retirement Plans), a defined contribution retirement plan and a defined benefit retirement plan, respectively, established by our firm for the benefit of our personnel, invest in a substantial number of collective investment funds that are sponsored products. WRPP also invests in shares of certain mutual funds sponsored by the Hartford Financial Services Group and the Vanguard Group, some of which we advise or sub-advise.

Wellington Management personnel, including portfolio managers, may invest in sponsored products, including sponsored hedge funds, provided they qualify under applicable securities laws. The minimum investment amount is typically waived for Wellington Management personnel.

Question I.

Attach relevant documents (e.g., *sample investment management agreement, offering memorandum, prospectus*) as Appendix E – Legal Documents.

Please refer to Appendix 1 for Appendix E – Legal Documents.

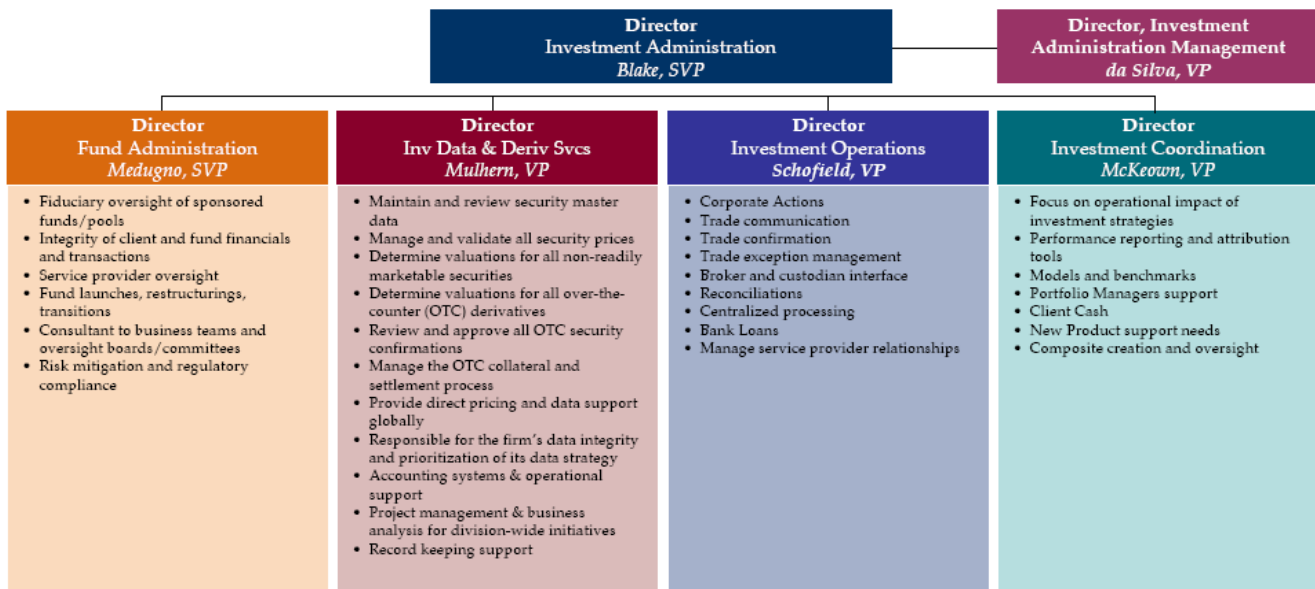
VI. Operations, Trading & Controls

Question A.

Briefly describe your administrative/back office operations and organizational structure.

As a firm, Wellington Management is organized by function, with distinct separation of our investment management, trading, operations, and client service responsibilities. Trades are placed in the market by traders, not portfolio managers, and all trading is done on behalf of client accounts. Our investment process is open by design. Each day a report on all securities purchased or sold during the prior day on behalf of accounts managed by the firm is distributed to all investment personnel. Therefore, all security transactions in all accounts managed by the firm are open to a level of peer review.

From a process standpoint, investment management compliance is focused on the investment process and the responsibility to manage each client account in accordance with its investment guidelines. Wellington Management's back office, Investment Administration, is functionally organized and encompasses Fund Administration, Investment Data and Derivative Services, Investment Operations, and Investment Coordination. Investment Data and Derivatives Services reviews data drawn or extracted from external vendors for reasonableness and reviews internal applications as warranted. They are also responsible for security setup and pricing. Once the investment decision has been made and executed by our front office the resulting activity flows through to Investment Operations, which handles custodian notification. Trade communication is facilitated through the Trade Operations unit within Investment Operations, they also monitor failed trades and works closely with the custodians and brokers to assure settlement of over approximately 16,000 trades per day. The Service Level Agreement (SLA) Team within Investment Operations is responsible for the reconciliation of the internal investment record to the client's custodial record. Performance Services, with Investment Coordination, reviews the individual client's performance relative to various external benchmarks and to other internal accounts having the same investment characteristics. The Investment Administration functional groups work closely with the, Legal and Compliance Group. This group has the responsibility for regulatory compliance and investment compliance for our client portfolios, respectively.



Question B.

If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

Please refer to Question A above for fund administration information.

Custody – Separate Accounts

Custody is not included for assets invested in separate accounts and must be made on a third-party basis. We do, however, have a great deal of experience working with a variety of global custodians chosen by our clients. We would be willing to provide assistance in choosing an appropriate custodian.

Custody – Commingled Accounts

Wellington Trust is the named custodian and trustee for all assets held in the commingled portfolios. Wellington Trust engages State Street Corporation and Brown Brothers Harriman as sub-custodians.

Outsourced Functions

Currently, Wellington Management outsources several back office functions:

The Investment Administration Team has a long standing outsourcing relationship with State Street Services that includes the account reconciliation process and derivatives processing. This allows Wellington Management to leverage the best of breed automated reconciliation systems in place at State Street. We have clearly defined service level agreements, dedicated oversight team and operating models that include robust controls, escalation policy, and risk management oversight. Wellington Management will retain overall accountability for each of these processes.

For insurance clients' fixed income mandates, certain accounting and reconciliation functions are being performed by State Street Kansas City. The purpose of this relationship is to provide Wellington Management portfolio managers more robust accounting and analytics. Some of the data received from State Street Kansas City would include security-level amortized cost and book yields.

Wellington Management uses Brown Brothers Harriman & Company's (BBH) Infomediary middleware product to create and transmit all of our SWIFT messages. Throughout the day Wellington Management sends trade files to BBH for conversion to SWIFT messages and transmission to service providers over the SWIFT Network.

Wellington Management has outsourced some corporate action functions to BBH. BBH receives all corporate action notices from the client's custodians, consolidates the information, and provides us with one confirmed corporate action notice via their ActionView product. In addition, we respond to all voluntary actions through ActionView. BBH reroutes these messages to the appropriate custodians.

We have outsourced the bank loan operations to Markit Group Limited. They handle all of our bank loan administration, including loan closings and various reporting functions.

This also provides Wellington Management personnel direct access to (WSO), the premier bank loan recordkeeping system. This software provides real time access to the most comprehensive library of bank loan data available.

Question C.

Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

Portfolio valuation, modeling, and authorization

Portfolio managers use Wellington Management's QStation (2001, 2008), Portfolio Manager Workstation (PMW, 1998, 2003) and Fixed Income Portfolio Manager's Tool (FI-PMT, 2003, 2009) software applications for this purpose. QStation is an optimization tool that allows managers to enter constraints and generates a set of recommended trades designed to determine the optimal trade-off between expected alpha and risk in the portfolio. This application provides the abilities to group up and drill down, to value a portfolio in base currency or USD, to compare portfolios against benchmarks, and to engage in "what if" analysis. Trades generated from QStation are submitted to trading using PMW, the order-entry system for equity and asset allocation managers. FI-PMT is also utilized as an order-entry tool for fixed income managers. Orders are checked real time through the Fidessa's Sentinel (2006) compliance system. Afterward, the trades are routed by the Wellington Trading Gateway (TG, 2010) to the Wellington Management order management systems.

Trading

Wellington Management's trading systems are designed to automate as much as possible to reduce risk and create efficiencies.

The orders from the TG are routed to one of the internally developed order management systems (OMS), Global Trading System Equity (GTS EQ, 1987, 2011) for equity and Global Trading Systems Fixed Income (GTS FI, 1995, 2005) for Fixed Income, Mortgages, and Currency.

The trader will evaluate the difficulty of the block order (size, liquidity, urgency, price volatility, etc.) and gauge the types of broker execution skills necessary to seek best price available and most favorable execution on the order. The trader will place the order electronically or verbally when electronic methods are not available. Placed orders are executed via broker/dealers, electronic market access methods such as algorithms, direct market access (DMA) and crossing networks. Once the order is executed, the shares are allocated among the participating accounts on a pro rata basis and the account details are communicated to the broker via various trade notification and matching systems. Wellington Management has integration with Omgeo OASYS for DTC trading, Omgeo Connect for non-US entities, TradeWeb, Bloomberg.com and internally developed FIX connectivity directly with the broker.

Twice a day our internal trading system updates our portfolio accounting system with the allocated trades. Our Trade Operations group within Investment Operations handles client and custodian trade notification. Most trades are communicated electronically to the client's custodian banks via SWIFT. For custodians that are unable to support SWIFT, trades are communicated via electronic trade files using the AutoEmail application. Majority of these electronic trades files are transmitted on trade date +1. However, some are transmitted on trade date depending on the trade/settle dates and client instructions.

Portfolio Accounting

Wellington Management uses Advent Software's Geneva Portfolio Accounting system. We maintain all client records on this system, which is dedicated to investment support and portfolio reporting. This system provides data used in customized reports for investment professionals and clients that best meet their needs. The Geneva Portfolio Accounting system gives us the capability to mirror the accounting methodologies of the custodian/accounting agent for securities. We defer to the official books and records of the account, which are either maintained by a third-party accounting agent, hired by the client or are part of the custodial agreement established by the client with the custodian. Wellington Management reconciles the portfolio records to the client's custodian or accounting agent, whoever is deemed to have the official books and records of the account, on a regular basis.

In addition to Geneva, our account administrators use over 40 desktop and server-based software products for trade communication, settlement processing, and trade confirmation.

Internally written software integrates and manages pricing and corporate actions from over ten independent sources to be used for the pricing of portfolios.

Client Reporting

Wellington Management's client reporting system consists of a custom, Microsoft Exchange-based, document management and workflow system that integrates reports from the Enterprise Reporting system, Oracle reports from the firm's Investment Data Mart (IDM), and Excel spreadsheets that access aggregate and statistical data from the firm's StatServer system. The StatServer software is a PL/SQL application that stores the calculated statistics in the same Investment Data Mart used by the firm's Oracle reports and extranet web site. The Interactive Query Tool (IQT) application built with .NET technologies provide ad hoc query ability for internal users of the data. From our document management system, reports are then routed to an output management system consisting of Documentum's document management engine and Canon imageRUNNER printers.

Our client reporting system accesses data generated from Wellington Management's Performance, Benchmark, and Performance Attribution systems. Wellington Management's Daily Performance system calculates daily and monthly returns for our managed portfolios at the total, asset class, and security level utilizing a daily time-weighted methodology. Wellington Management's Benchmark Maintenance incorporates daily feeds of index data at the total and security level from multiple vendors and allows the creation and maintenance of customized benchmarks for client reporting and portfolio management. Wellington Management's Performance Attribution system provides attribution calculations and reporting for equity, fixed income, and asset allocation portfolios utilizing product-specific attribution methodologies.

Contributions and Withdrawals

The Client Flows System (CFS, 2005) is a system used by the Cash Flow Group within Investment Administration to process contribution and withdrawal instructions received from clients for their accounts. CFS is also used by the Client Flow Group to process flows into Wellington Trust Company funds and Wellington Hedge Funds. The CFS system provides internal notification to the portfolio management team and other interested parties of pending flows.

AIM

As part of the core Reference Data Services applications, Account Information Manager (AIM) is a proprietary web-based system built by Wellington Management. It is used to create and maintain client account, portfolio and group information to support multiple structures and relationships. A central application, AIM allows multiple functional areas throughout the firm to work collaboratively together by providing inter-departmental communication, distributed data entry, work management, and control mechanisms. This core account and portfolio reference data is then used by multiple other systems throughout the investment management process in managing the assets of our customers.

Enterprise Reporting

The Enterprise Reporting (ER) infrastructure provides the configuration tools, administration tools, batch processes, and end-user delivery applications for creating, executing, and delivering reports on the ER and Oracle production platform.

Reports are created using Oracle Report or Cognos and can be run interactively or can be scheduled to run as part of the enterprise batch cycle once the datamarts are updated with the most current information. The reports can be generated in several formats (pdf, excel, rich format) and delivered via email, ftp, printer, and links to pdf documents.

Question D.

Regarding valuation practices:

- 1) **Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.**

All securities maintained on our system are expected to be priced reasonably and accurately on a daily basis. Our pricing records are designed for *internal information purposes only* in order to support the portfolio management functions and do not constitute an official financial record for any of our investment company clients. Since we are primarily responsible for pricing institutional separate and pooled accounts, we perform additional verification procedures on month-end prices.

As a rule, Wellington Management does not provide a pricing service and is not responsible for pricing of the securities held by any of its investment company clients. In its capacity as investment adviser or subadviser, Wellington Management provides assistance on pricing matters such as resolution of pricing issues and supplemental review of a fund's pricing information. The focus is on identifying issues that need further review and explanation by providing the necessary resources to assist with difficult pricing issues.

- 2) **Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.**

Our clients and/or their custodian/master trustee determine the official pricing source for securities held in client portfolios. Wellington Management prices are used for internal information purposes only, supporting Wellington Management portfolio management and performance measurement functions. Pricing sources include feeds from Barclays, Markit Partners, FT Interactive Data (IDC), Reuters, S&P (JJ Kenny), JPMorgan Pricing Direct, PC Bond, Price Serve (Bank of America/Merrill Lynch) as well as direct quotes where necessary from independent broker/dealers. Pricing overrides occur only with the proper documentation of the relevant pricing source(s).

- 3) **Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?**

Not applicable.

Question E.

Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

Wellington Management annually engages Deloitte & Touche, LLP to conduct an in-depth audit of our internal processes and controls in the areas of compliance, operations, and technology (Internal Controls Report).

Wellington Management's Internal Controls Report is issued pursuant to the American Institute of Certified Public Accountants Statement on Standards for Attestation Engagements (SSAE) No. 16, "Reporting on Controls at a Service Organization" and the International Auditing and Assurance Standards Board International Standard on Assurance Engagements (ISAE) No. 3402, "Assurance Reports on Controls at a Service Organization." Wellington Management's believes that reporting under both the US and International standards provides maximum assurance to our clients around the world.

Our Internal Controls Report is a comprehensive report covering key control objectives and control activities reviewed and tested over a twelve month period. Our Internal Controls Report covers the period from November 1 through October 31 each year. The following areas are covered:

Transaction Processing Control Objectives:

- New Account Setup and Maintenance
- Contributions and Withdrawals
- Client Reporting
- Calculation of Advisory Fees
- Portfolio Compliance
- Client Account Reconciliations
- Trade Authorization and Execution
- Authorized Counterparties
- Trade Allocation (Equity and Fixed Income)
- Trade Confirmation, Communication, and Settlement
- Securities Setup and Maintenance
- Securities Pricing (General and Fair Value)
- Corporate Actions

General Computer Control Objectives:

- Information Technology Operations
- Information Security
- Change Management

The Internal Controls Report also provides significant assistance to our clients in connection with their ongoing due diligence of Wellington Management. Given the broad scope of the areas covered in our Internal Controls Report and the length of time covered, the report provides clients with important information typically covered in due diligence reviews.

The Internal Controls Report is attached as Appendix 5 (electronically only).

Question F.

Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

Wellington Management has a strong system of compliance controls in its trading and investment management processes. There is a distinct separation of functional responsibility between portfolio management, trading, operations, and compliance functions. All trading is centralized through a proprietary trading system and only portfolio managers can authorize orders on behalf of client accounts. There is no proprietary trading at Wellington Management, and the trading system will not allow any unauthorized trade to be processed.

Fundamental to the firm's risk controls is the open investment process, which promotes sharing of information across investment disciplines. Portfolio managers, client administration, and client service relationship managers receive daily transaction reviews for each of their portfolios. A daily trade report is distributed broadly, ensuring all investment professionals are apprised of investment activity, and a daily investment meeting provides a platform for the exchange of questions and ideas on specific investment decisions and recommendations.

While strong internal controls cannot completely eliminate the possibility of fraudulent conduct, we believe that we have effective procedures in place to minimize the likelihood of this possibility.

Question G.**Discuss procedures used to monitor and control personal trading activities.**

Wellington Management has a Code of Ethics (Code) that applies to all personnel. Our Code requires preclearance of all personal securities transactions covered by the Code prior to execution and quarterly reporting of all personal trading. Portfolio managers are subject to further restrictions on their personal transactions, and those individuals involved in trading or portfolio management may not buy or sell securities issued by broker/dealers. Likewise, personnel are not allowed to engage in personal transactions involving the direct purchase of any security in an equity IPO, excluding initial offerings of open-end mutual funds, US government issues or money market instruments. Implementation and compliance with the firm's Code are the responsibility of Legal and Compliance, with oversight by the firm's Ethics Committee. The Ethics Committee periodically reviews the Code to ensure its provisions remain in line with regulatory requirements and industry best practices.

Question H.**Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?**

Yes. Wellington Management has had a Code of Ethics (Code) in place for many years. As a firm, we seek excellence in the people we employ, the products and services we offer, the way we meet our ethical and fiduciary responsibilities, and the working environment we create for ourselves. Our Code of Ethics embodies that commitment.

Our Code of Ethics applies to all partners and employees of Wellington Management Company, LLP, and its affiliates around the world. Its restrictions on personal investing also apply to temporary personnel (including co-ops and interns) and consultants whose tenure with Wellington Management exceeds 90 days and who are deemed by our Legal and Compliance group to have access to nonpublic investment research, client holdings, or to trade information. We periodically review the provisions of the Code with all personnel through written communications, informational meetings and web-based training.

The Code contains restrictions on personal investing including, but not limited to, blackout periods, short-term profits, participation in private placement transactions, and participation in initial public offerings. Our Code requires preclearance of personal securities transactions covered by the Code as well as the reporting of reportable transactions after the fact.

Legal and Compliance is responsible for monitoring the Code of Ethics; the team periodically requests certifications from Wellington Management personnel and reviews holdings and transaction reports for potential violations. Wellington Management employs a third-party vendor application to automatically screen for Code of Ethics compliance. The system facilitates pre-clearance and reporting of personal securities transactions, as well as quarterly certifications and annual reporting. Records of preclearance, reporting, and certifications are maintained electronically in the system.

Potential violations of the Code of Ethics are investigated and reviewed by Legal and Compliance. All violations of the Code are reported to the Chief Compliance Officer and may result in warnings, disgorgement, limitations, or restrictions on personal investing, and/or termination of employment.

Question I.

Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.

Conflicts of Interest

Wellington Management does not engage in retail brokerage, lending, securities underwriting, or proprietary trading and is not affiliated with any firms that engage in these businesses. In addition, the firm's business model, ownership structure, and culture seek to align the interests of clients with those of the firm. Together, these structural elements help the firm avoid some of the most typical conflicts of interest in the investment management business, such as:

- conflicts relating to an ownership relationship with another financial entity
- conflicts involving trading for the profit of the firm versus the client
- conflicts caused by business interest in a distribution entity
- conflicts stemming from the use or sale of research to support other forms of business

Still, the nature of the investment management business — and our firm’s diversification by client type and asset class — makes it virtually impossible for any firm to be immune from conflicts of interest altogether. We have extensive policies and procedures for managing conflicts of interest that are described in Our Business and Practices, which is attached as Appendix F in Appendix 1.

Guidelines

Our policies and procedures with respect to investment guidelines are defined in the firm’s Investment Compliance Policy and Procedures. Primary responsibility for compliance with each client’s investment objectives and restrictions rests with the portfolio manager. Portfolio managers are required to be familiar with and understand client guidelines prior to making an investment decision.

Fidessa’s Sentinel contains the rules applied to each account that are tested by our compliance screening processes. Sentinel compliance screening can be performed on a pre-trade basis, in an overnight post-trade process, or both. Our proprietary investment and trading systems are linked to compliance screens, which enable most investment restrictions to be tested at the time an order is entered. Exceptions are reviewed intra-day by Investment Compliance. Compliance tests are also applied to account holdings overnight, with results reviewed the next morning. Users throughout the firm have read-only access to the rules managed and maintained by Investment Compliance.

For additional information on this topic, please refer to Appendix 6 for a copy of our Investment Compliance Policy and Procedures.

Question J.

List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

The investment team has managed a global version of the Diversified Growth approach called Global Diversified Growth for over five years. The Global Diversified Growth approach is a global portfolio that utilizes that same investment philosophy and process as Diversified Growth. We do not expect our holdings to have a great deal of overlap with most of our equity products. While there may be some overlap of holdings between the various products offered by the firm, each of the portfolios will have unique characteristics determined by their respective process. Additionally, the firm continually tracks stocks firmwide for any capacity and/or liquidity issues.

As stated, each client account's guidelines are input into the monitoring systems by Investment Compliance. Information is categorized and rules are assigned based on the individual restrictions contained in the guidelines. Sentinel compliance screening can be performed on a pre-trade basis, in an overnight post-trade process, or both. Please refer to the Question I directly above.

Question K.

Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

Trade Allocation

Wellington Management has a formal policy regarding the allocation of trades. Our trade allocation objective is to be fair to all clients in situations where two or more client accounts participate simultaneously in a buy or sell order involving the same security or other financial instrument. The initial decision whether a client account should buy or sell a security, including purchases through an initial or secondary offering, resides within the portfolio manager's discretion. Once the decision is made to buy or sell a security for a particular account, the portfolio manager places an order with Global Trading for execution.

Global Trading typically aggregates orders with substantially similar execution requirements and places a block order with one or more brokers. As an aggregated order is filled, the securities are allocated among the participating accounts pro rata, based on the order size specified by the portfolio manager at the time of order entry, at the average execution price and, if applicable, commission. The allocation to a given account may be rounded to the nearest round trading lot.

Please refer to Appendix 7 for our Policy and Procedures Regarding Allocation of Trades for additional information about our trade allocation procedures.

Dispersion

All discretionary portfolios managed in the Diversified Growth style are generally managed identically with small variations due to client cash flow requirements or minor differences in guidelines.

All portfolios within the Diversified Growth approach are managed using the same process. Therefore, dispersion will be low except for cash flow differences and client specific guidelines. Lead Portfolio Paul Marrkand is responsible for ensuring that dispersion between accounts is kept to a minimum and that all portfolios adhere to client restrictions. The utilization of internally developed portfolio management software enables our portfolio teams to manage almost all fully discretionary portfolios as clones. As such, the level of commonality of stocks for the Diversified Growth approach is extremely high, so the only meaningful potential differences within the performance composite arise from different cash flows among accounts.

Furthermore, our equity product management reviews portfolio dispersion with the portfolio management teams. The firm's investment review group, comprised of experienced professionals, also reviews investment styles to ensure compliance with the firm's internal investment policies as well as client objectives. Portfolio managers meet with the investment review group on a rotating basis to discuss their portfolios; special reviews are called if the group is concerned about performance dispersion or portfolio characteristics.

Question L.

Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

Sentinel compliance screening can be performed on a pre-trade basis, in an overnight post-trade process, or both. Each client account's guidelines are input into the monitoring systems by Investment Compliance. Information is categorized and rules are assigned based on the individual restrictions contained in the guidelines. Our compliance system has the flexibility to handle many types of restrictions; however, not all client restrictions are capable of automated monitoring.

Pre-trade screening takes place at the time the order is first entered into Wellington Management's systems. For each restriction that returns a result on a pre-trade basis, the user receives a message detailing the issue and requiring the portfolio manager to either alter the intended order or make a specific override decision. Override decisions for compliance issues are documented in the system and reviewed by Investment Compliance throughout the day.

Overnight screening is performed against each client portfolio's end-of-day holdings. Results of the batch screening process are accessible to portfolio managers and relationship management via the Intranet. Investment Compliance monitors results across all client portfolios and assists in the resolution of any issues identified by the screening process.

Question M.**Regarding counterparties:**

- 1) **List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).**

The Counterparty Review Group is responsible for establishing quantitative and qualitative criteria for trading counterparties with which Wellington Management transacts on behalf of its clients. Approval criteria for trading counterparties are established based on transaction type and are described in our Policy and Procedures Regarding Trading Counterparties attached as Appendix 8. The approval criteria have been developed to manage the varying degrees of counterparty risk associated with different types of securities trading. Counterparties are maintained on separate lists for repurchase agreements, over-the-counter derivatives and delivery-versus-payment transactions. Periodically, the Counterparty Review Group reviews all trading counterparties. The extent and timing of counterparty reviews vary based on the potential exposures associated with the type of trading that is being conducted with the counterparty.

-
- 2) **Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.**

Wellington Management considers such information to be confidential and proprietary.

3)

How are your trading counterparties selected, monitored and evaluated?

The Counterparty Review Group (CRG), a cross-functional group comprised of senior professionals from within the firm, is responsible for overseeing the counterparty selection process and monitoring counterparty exposure. The CRG is responsible for approval of eligible counterparties for non-DVP transactions and the Global Trading Department is responsible for approval of eligible counterparties for delivery-versus-payment (DVP) transactions. The Global Trading Department is also responsible for ensuring that all trading is transacted with approved counterparties.

Wellington Management maintains lists of approved trading counterparties that have been approved in accordance with our Policy and Procedures. The CRG has established a framework to evaluate trading counterparties with which Wellington Management transacts on behalf of its clients. The framework is risk-based and non-prescriptive by design to enable the CRG to react to a dynamic credit and market landscape. Accordingly, the criteria used in the evaluation framework, the weight given the particular criteria, and the level of risk that the CRG deems appropriate for client transactions may vary based on market conditions. All approved trading counterparties, however, must be appropriately registered and/or licensed with all applicable regulatory authorities.

Delivery-Versus-Payment (DVP) Counterparties

The primary responsibility for formulating and administering procedures with respect to the approval criteria and selection process relating to counterparties that settle trades through delivery-versus-payment resides with the Global Trading Department. Global Trading's due diligence and evaluation of DVP counterparties typically includes a review of relevant organizational, financial, trade and settlement, and regulatory and compliance information provided by the broker/dealer. The CRG oversees and periodically reviews and approves the criteria and selection process.

Non-DVP Counterparties

The CRG evaluates and periodically reviews the counterparties approved to transact in transactions that settle on a basis other than delivery-versus-payment (Non-DVP Counterparties). Based on an evaluation of several factors, the CRG may determine that a particular Non-DVP Counterparty should (i) be added or remain as an approved counterparty without need of trading limitation or enhanced monitoring, (ii) remain as an approved counterparty subject to enhanced review and monitoring and potentially with limitations on allowable trading, or (iii) be removed as an approved counterparty.

The evaluation of Non-DVP Counterparties by the CRG may include, but are not limited to, the review of the factors listed below, none of which may be solely determinative:

- External ratings;
- Internal analysis of creditworthiness;
- Market indicators of perceived creditworthiness;
- Operational assessment; and
- Importance to a particular trading market.

All approved counterparties will be reviewed and re-evaluated periodically. The timing of such reviews will vary based on market events, the potential exposures associated with the type and extent of trading that is being conducted with the approved counterparty, and the perceived credit risk characteristics of the approved counterparty.

Counterparty Risk Management and Monitoring

We recognize that, as a byproduct of investing, counterparty exposure is an unavoidable risk for all client accounts. We seek to mitigate this risk through prudent counterparty selection and monitoring, trading discipline, standardized OTC agreement terms, and dedicated operational functions that oversee confirmation of trades, collateral management and pricing.

All approved counterparties are subject to our Policy and Procedures Regarding Trading Counterparties. Counterparty exposure and diversification are monitored at the firm level on a daily basis by members of our Counterparty Review Group and Global Trading Department. There are no formal maximum volume limits on the broker/dealers with whom we execute trade orders. Global Trading will reduce or halt trading activity with any broker/dealer whose financial standing, business practices, or execution/operational capabilities are deteriorating or who does not meet our established criteria, until we are comfortable that the issues have been resolved favorably. Counterparty risk associated with trading repurchase agreements or OTC derivatives may be reduced by trading under the terms of standardized legal agreements such as the SIFMA Master Repurchase Agreement or ISDA Master Agreement. OTC derivatives can only be traded if the approved counterparty has executed an umbrella master agreement covering the related clients. Each of Wellington Management's master agreements allows multi-transaction payment and closeout netting and bilateral pledging of collateral should exposure exceed US\$250,000. Our Derivatives Operations and Settlements Groups provide operational expertise through the management of post trade events including trade confirmation, pricing validation, collateral management and reconciliation of routine fails and disputes.

4) **Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.**

Please refer to the response to Question 3 above.

Question N.

Provide an overview of your business continuity and disaster recovery systems and plans.

Wellington Management Company, LLP and its affiliates (Wellington Management) has developed a comprehensive business continuity and disaster recovery program (Business Continuity Program). The Business Continuity Program consists of various elements, which represent the processes for planning for and responding to significant business disruptions. The Business Continuity Program is designed to enable Wellington Management to meet its obligations to provide investment management services to its clients in the event of a significant business disruption.

Statement of Policy

As a matter of policy, Wellington Management maintains a Business Continuity Program reasonably designed to enable Wellington Management to recover and resume critical business operations and systems in a timely manner in the event of a significant business disruption.

Responsibility and Oversight

The Business Continuity Planning (BCP) group is responsible for the on-going management of the Business Continuity Program including coordinating tests of business continuity plans, assessing the effectiveness of the Business Continuity Program, providing training, and supporting the incident management process.

Each business unit within Wellington Management is responsible for designing and coordinating the elements of its respective business continuity plan under the direction of the BCP group.

The Disaster Recovery Group within Information Technology is responsible for maintaining, testing, and executing Wellington Management's disaster recovery plan for responding to systems failures. The process involves continual monitoring of the status and capacity of systems environments, identification and prioritization of critical systems, development and testing of critical systems' recovery strategies, and execution of the recovery strategies.

The Operational Resilience Committee, a committee comprised of cross-functional senior professionals, provides oversight of the Business Continuity Program and the Business Continuity Policy and Procedures.

VII. Legal & Regulatory Issues

Question A.

Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as Appendix F – ADV Part II. If exempt, please describe the exemption.

Yes. Wellington Management Company, LLP including its predecessor entities, has been registered as an investment adviser with the US Securities and Exchange Commission (SEC) since 1960. When Wellington Management became a partnership in 1979, a new registration was required by the SEC and was completed 30 October 1979. Our SEC file number is 801-15908.

Please refer to Appendix 1 for Appendix F – Form ADV Part 2A, Our Business and Practices.

Question B.

Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.

From time to time, Wellington Management is involved in litigation that arises in the ordinary course of its business, none of which is material with respect to the firm's investment management business or its clients. To the best of our knowledge, none of our investment professionals have been or are currently the subject of litigation that relates to his or her investment activities.

In the last five years, Wellington Management Company, LLP was involved in the following litigation. In 2004, Wellington Management was named as a defendant in a number of class action lawsuits brought by shareholders of certain mutual funds sponsored by the Hartford Financial Services Group for which Wellington Management serves as sub-adviser. In February 2008, the complaint was dismissed.

Question C.

Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

Wellington Management periodically receives requests for information and subpoenas from various regulators and governmental entities, including the US Securities and Exchange Commission (SEC), US Department of Labor, US Commodity Futures Trading Commission, among others, regarding Wellington Management's trading activities, securities of companies followed by the firm, clients of the firm, and industry practices. To the best of our knowledge, Wellington Management is not the subject of any investigation or administrative proceeding that is material to the firm's investment management business.

We note that during 2010 and 2011 the SEC's Office of Compliance, Inspections and Examinations conducted an examination of Wellington Management that focused, in part, on the firm's policies and practices regarding material non-public information. In the course of closing the exam in October 2011, the SEC exam staff noted that the firm had purchased securities of a particular issuer in 2008 shortly before a public announcement that the issuer was being acquired by another party. We conducted a thorough review of the facts and circumstances surrounding the transactions and believe that the trading was appropriate. We informed the SEC exam staff of our review and conclusions. In May 2012, the SEC initiated an investigation into these same transactions. We continue to believe that the trading was appropriate and will cooperate with the SEC to facilitate its review.

Question D.

Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled nolo contendere to a felony? If so, describe each instance.

No.

Question E.

Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (*i.e., amounts and respective carriers*).

Overview

Wellington Management Company, LLP (Wellington Management) maintains an extensive professional insurance program covering the firm and its global affiliates and subsidiaries. The program, as summarized below, is designed reasonably to protect the firm against undue financial burdens from insurable events in its business or geographic locations.

Errors & Omissions/Directors & Officers

Wellington Management's combined Errors & Omissions/Directors & Officers Liability (E&O/D&O) policy covers errors in client accounts and management liability in oversight of the firm and its affiliates. The customized policy is placed with St. Paul Travelers (St. Paul Surplus Lines Insurance Company) as lead insurer, in a syndicate with 21 other insurers.

The firm currently maintains a one-year, claims-made policy, with a single- and aggregate-loss limit in excess of US\$100 million. Wellington Management is responsible for a US\$10 million self-insured retention.

Fidelity Bond

The firm's Financial Institution Bond (more commonly, "Fidelity Bond") covers Wellington Management against various forms of crime. The bond has a single- and aggregate-loss limit of US\$25 million, a US\$100,000 per-event deductible, and a term of one year. Coverage is provided by two insurers, with the Chubb Group (Federal Insurance Company) as the lead.

ERISA Bond

Certain tax-qualified US client accounts of Wellington Management are subject to regulation under ERISA and require special bonding in amounts up to US\$1,000,000 per plan. In such instances, coverage is provided under a co-surety arrangement of eight carriers, with the Chubb Group (Federal Insurance Company) as the lead. The policy, which is renewable annually, carries no deductible per law. For accounts investing with Wellington Trust Company, NA, please note that as a national trust bank regulated by the US Office of the Comptroller of the Currency, Wellington Trust is exempt from the bonding requirements of ERISA and has not obtained a bond meeting ERISA's special requirements.

General/Umbrella Liability

Wellington Management maintains general and excess liability insurance coverage for its worldwide operations. General liability coverage has at a minimum, a US\$1 million general aggregate limit, and a US\$1 million per-occurrence limit. Excess liability coverage exceeds US\$25 million per occurrence and in the aggregate. The firm also maintains a US\$1 million combined-single-limit hired and non-owned automobile liability policy. These coverages are currently insured under a one-year policy term.

Other

Additional insurance is maintained in certain jurisdictions where Wellington Management has operations. Examples include workers compensation/employers liability coverage.

A Certificate of Insurance summarizing key policy coverage limits and insurers is available upon request. While copies of individual insurance policies are not available outside the firm, they are available for inspection in our offices by prior arrangement, and additional information regarding coverage terms and limits is available upon request as well.

Insurance levels have not changed materially in the past twelve months.

Question F.

Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

Our firm has not filed any insurance claim that rises to a level of materiality that would approach coverage limits or constitute a financial burden on our normal operations.

Question G.

Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.

No.

Question H.**What is your firm's soft dollar policy?**

Our Policy and Procedures on Order Execution, attached as Appendix 9, discusses our practices with respect to the receipt of research from brokers with whom Wellington Management places trades.

Wellington Management receives internally generated broker research and third-party research services from brokers with whom we execute trades. Trades are placed with brokers who, in the judgment of Global Trading, can provide best available price and most favorable execution at a commission rate based on the execution requirements of the trade. The selection responsibility lies with the individual trader and these selections are reviewed regularly by the director of Equity Trading. In selecting a broker or dealer to execute a transaction, Wellington Management may consider the research services provided by a broker or dealer only when we reasonably determine that more than one broker or dealer can offer the brokerage and execution services needed to seek best available price and most favorable execution on that transaction. The research services we obtain through commission arrangements may include written research material and access to industry analysts and other experts in a variety of fields, such as corporate management, government officials, doctors, medical researchers, and scientists. The commission rate paid is based on the execution requirements of the trade without regard to research. Roughly 6% of Wellington Management's firmwide equity commissions are used for the payment of qualified third-party research services.

Wellington Management uses our largest broker counterparties for the bulk of our third-party research services. In addition, Wellington Management receives proprietary broker research as part of an overall bundled relationship with certain brokerage firms.

All services obtained on a commission basis qualify as research or execution under the provisions of applicable regulation including Section 28(e) of the United States Securities Exchange Act of 1934 and the requirements of the FSA Rules and Guidance as set forth in Policy Statement 05/9 on bundled brokerage and soft commission arrangements. All research commission services are reviewed by the firm's Research Services Committee.

Wellington Management does not have any soft commission arrangements for the referral of new business.

VIII. Miscellaneous

Question A.

What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as Appendix G – Sample Client Report.

Please refer to Appendix 1 for Appendix G – Sample Client Report.

Question B.

Attach a list of institutional clients invested in the proposed strategy as Appendix H – Representative Institutional Clients.

Please refer to Appendix 1 for Appendix H – Representative Institutional Clients.

Question C.

Provide references for five current institutional clients invested in the proposed strategy.

As requested, we have identified references for Wellington Management. As a courtesy to our clients, it is our practice to notify each individual prior to them being contacted as a reference. Please let us know in advance of a call to any clients on the list. In addition, it is our policy when disclosing client contact information that we do not disclose specific information about a client's account.

Anchorage Police and Fire Retirement System
3600 Dr. Martin Luther King Jr. Ave, Suite 207
Anchorage, AK 99507
Chuck Laird
Director
(p): 907-343-8400

Arkansas Judicial Retirement System
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201
Carlos Borromeo
Chief Investment Officer
(p): 501-682-7864

Hartland & Co. (OBO Highway Patrol Retirement System)
1100 Superior Avenue East, Suite 1616
Cleveland, OH 44114-2650
Adam Blake
Associate Consultant
(p): 216-621-1090

St. Joseph Health System
500 South Main Street, Suite 700
Orange, CA 92868
Lisa M. Laird, CFA
VP, Investments and Cash Management
(p): 714-347-7552

The Vanguard Group, Inc.
100 Vanguard Boulevard
Malvern, PA 19355
Daniel Newhall
Principal, Portfolio Review Department
(p): 610-669-1596

The organizations listed above were selected as a sample of our clients. This listing should not be considered an endorsement by these clients of Wellington Management.

Question D.

Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

We have identified terminated references for the Diversified Growth strategy. Please note we only had three client terminations over the past two years in the Diversified Growth approach. As a courtesy to our clients, it is our practice to notify each individual prior to them being contacted as a reference. Please let us know in advance of a call to any clients on the list. In addition, it is our policy when disclosing client contact information that we do not disclose specific information about a client's account.

Industry and Local 338
1 Executive Boulevard
Yonkers, NY 10701-6822
Theresa Sotelo
Fund Manager
(p): 914-375-0591

United Technologies Corporation (OBO Goodrich Corporation)
755 Main Street
Hartford, CT 06101
Kevin Hanney
Senior Investment Analyst
(p): 860-728-7689

Sun Life Financial
One Sun Life Executive Park
P.O. Box 9133
Wellesley Hills, MA 02481
Bill Weimer
Assistant Vice President, Relationship Management
(p): 781-446-1848

Possible reasons for client losses or account closures include changes in corporate structure due to internal organizational changes or merger or acquisition; decision to index or manage assets in-house; a change to a bundled service provider; performance; or a change in strategic asset allocation.

Question E.**Does your firm have a policy that incorporates Environmental, Social and Governance (ESG) issues into the investment decision making process?**

At Wellington Management our portfolio management and corporate governance teams view ESG (environmental, social, and corporate governance) analysis and integration as both return enhancing and risk mitigating. Each of our portfolio managers and investment teams develops their own investment approach or approaches, respectively, whereby ESG considerations are integrated into their research and decision-making processes to the extent that these issues may affect the long-term success of a company and investment returns. This can manifest itself within the investment thesis or portfolio weighting for a particular security, as well as within our proxy voting and company engagement efforts. Through a centralized hub, known as Global Research Services (GRS), Wellington Management provides investors with tailored ESG resources and information more broadly in order to support ESG integration and company engagement activities across the firm.

Examples:

- Carbon pricing and environmental regulation risk are core factors within our sector analysts' positive long-term view of natural gas and nuclear power.
- Sustainable access to fresh water is a relevant consideration for our beverages and packaged foods analyst.
- Confidence in management and boards is a central consideration for many investment approaches. Evidence of excessive equity awards to executives, entrenched boards, or related party dealings can erode confidence, increase risk premiums, and reduce portfolio weightings.

Please refer to Appendix 10 for a copy of our recent white paper, *Mainstreaming ESG Integration*, which outlines key industry forces and our approach for ESG integration.

Question F.

If ESG issues are considered, are they considered separate and apart from traditional financial criteria, or are ESG issues integrated into a company assessment? Are the sources of ESG research internal, external, or both?

ESG criteria have the same relevance to investment analysis as traditional financial criteria, and are incorporated into the investment decision to the extent that an investor believes that they will have an impact on financial returns. Where appropriate, our investment professionals integrate analysis on both “fields” simultaneously.

The Global Research Services (GRS) group at Wellington Management is a central hub for ESG resources and information more broadly. This includes coordinating access to external data and research from over 400 providers globally, and distributing this content in a targeted fashion amongst our investors across a variety of data service platforms. The GRS group is also responsible for providing Corporate Governance research and analytical support to our investors. This includes developing and executing proxy voting policies, creating comparative security analysis that identifies ‘governance’ outliers and anomalies, and coordinating specific ESG company engagement efforts.

Question G.

Does your firm regard ESG factors as risk factors which can have a material impact on investment performance? Does your firm support the concept that companies can enhance value and long-term profitability by incorporating ESG factors into their strategic plans? If so, briefly discuss.

As stated, our portfolio management and corporate governance teams view ESG analysis and integration as both return enhancing and risk mitigating. Each of our portfolio managers and investment teams develops their own investment approach or approaches, respectively, whereby ESG considerations are integrated into their research and decision-making processes to the extent that these issues may affect the long-term success of a company and investment returns. Specific performance attribution analysis or the relative importance of any E, S, or G issue can vary with the industry sector, geography, investment style, and time horizon against which the factor is judged or applied.

Question H.

What is your firm's proxy voting policy? Does the firm vote its own proxies, or is this done by a third party provider? What principles or policies guide the voting?

Upon written request, Wellington Management will vote proxies on client accounts based on the firm's Global Proxy Policy and Procedures and Global Proxy Voting Guidelines. The policy is written to support the best economic interest of the client, in accordance with regulatory and fiduciary requirements.

The firm examines each proxy proposal and votes against issues that we believe would have a negative effect on shareholder rights or the current or future market value of the company's securities. The analyst who covers the stock or the portfolio manager who owns the stock may be consulted for company specific recommendations, particularly when the policies do not address the issues to be voted.

A formal record of proxy votes is maintained, including the following information:

- name of the security
- meeting date
- number of shares voted
- client account number
- vote
- special notes (for example, a late proxy where the vote was called in)

Wellington Management voted at over 4,500 meetings on behalf of clients in 2012, in 65 different countries.

Please refer to Appendix 11 for a copy of the firm's Global Proxy Policy and Procedures and Global Proxy Voting Guidelines.

Disclosures

The above characteristics are sought during the portfolio management process. Actual experience may not reflect all of these characteristics, or may be outside of stated ranges.

Information shown is for a representative account which was selected by the firm because it was deemed to best represent this investment approach. As the designated representative account may change over time, different accounts may be reflected for the time period shown. Each client account is individually managed; actual holdings will vary for each client and there is no guarantee that a particular client's account will have the same characteristics as described above. Representative account information is supplemental to the GIPS® compliant presentation for the Diversified Growth Composite which is provided in the attachment.

Gross performance results are net of commissions and other direct expenses, but before (gross of) advisory fees, custody charges, withholding taxes, and other indirect expenses and include reinvestment of dividends. Net performance results are based on the highest published US advisory fee for this product, include reinvestment of dividends, and are net of advisory fees, commissions, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses. Composite returns have the potential to be adjusted until reviewed and finalized 30 days following each calendar quarter end period. Past performance is no guarantee of future results. This supplemental information complements the GIPS® compliant presentation provided in the attachment.

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.6

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

SUBJECT: Approval of Changes to Fixed Income Benchmark



Staff Recommendation:

Staff recommends that the Board approve the proposed fixed income benchmark.

Background:

To correspond with the recent changes that the Board approved to the SamCERA fixed income manager structure (removing Aberdeen in September 2012 and allocating \$35 million to the new Angelo Gordon STAR Fund in October 2012), the policy benchmark for the fixed income program also should be updated.

Discussion:

The attached file compares the 'current' fixed income manager structure to the new proposed manager structure. The changes to the new manager structure include allocating the Aberdeen proceeds 60% to Pyramis and 40% to Western, and slightly increasing the allocation to Opportunistic Credit. As can be seen, the expected return and risk profile between the two manager structures are very similar.

Currently, SamCERA's total fixed income benchmark consists of 50% Barclays Aggregate, 15% Barclays BBB, 15% Barclays TIPS and 20% Barclays Multiverse. Upon the Board's approval, the new fixed income policy benchmark will change to 50% Barclays Aggregate, 16% Barclays BBB, 14% Barclays TIPS and 20% Barclays Multiverse.

Attachments:

- A. *Fixed Income Policy Benchmark Comparison*

Current Target

	Weights	\$
Aberdeen	16.7%	\$ 100
Pyramis	16.7%	\$ 100
Western	16.7%	\$ 100
Brown	15.0%	\$ 90
Angelo Gordon	7.5%	\$ 45
Brigade	7.5%	\$ 45
Templeton	20.0%	\$ 120
Total	100.0%	\$ 600

Proposed New Target

	Weights	\$
Pyramis	30%	\$ 180
Western	20%	\$ 120
Brown	14%	\$ 84
Angelo Gordon	8%	\$ 48
Brigade	8%	\$ 48
Templeton	20%	\$ 120
Total	100%	\$ 600

Style Risk	1.1%
Active Risk	3.2%
Risk to Bench	3.3%
Alpha	1.3%
IR	0.38
Total Risk	5.4%
Total Return	3.9%

Style Risk	1.2%
Active Risk	3.1%
Risk to Bench	3.3%
Alpha	1.2%
IR	0.37
Total Risk	5.4%
Total Return	3.9%

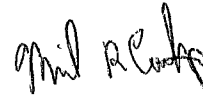
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 6.7

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Discussion on Proposed Changes to the Investment Policy

Staff Recommendation:

Review the attached Investment Beliefs document and provide comments during this agenda item, which is intended to be a free-form discussion.

Background:

The Investment Committee's work plan calls for an annual review of *SamCERA's* Investment Policy Statement (IPS). That annual review was suspended due to multiple changes to the portfolio structure that the Board has undertaken. *SamCERA's* IPS was last reviewed in January 2012. The Board discussed the goals and investment objective sections of the IPS at the September meeting, and instructed Staff and Consultant to lead the effort in revising the policy.

Discussion:

During the January 2013 Board meeting, members of the Board suggested formulating a set of investment beliefs, which in turn would form the Board's investment philosophy. The investment philosophy will then help frame the investment policy discussion. To assist in this process, a preliminary set of investment beliefs, categorized into "Financial Market Beliefs", "Investment Process Beliefs", and "Sustainability / Corporate Governance Beliefs" are provided for your review and comments to help guide the discussion.

Attachments:

- A. *SamCERA Preliminary Investment Beliefs Draft*

Proposed Investment Beliefs

Financial Market Beliefs

- The equity risk premium will continue to exist, but may be smaller going forward than the long-term historical numbers suggest.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.

Investment Process Beliefs

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure will favor the employment of passive strategies.
- Diversity, balance, and patience are key across many dimensions.
- The portfolio should be balanced across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

Sustainability / Corporate Governance Beliefs

- While strong corporate governance practices should help maximize shareholder value, SamCERA will always act in the best economic interest of its plan beneficiaries.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 7.1

To: Board of Retirement



From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending January 31, 2013

Comment: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end totaled \$2,701,961,982.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits increased by approximately \$145.5 million, month over month. The increase is due to the semi-annual pre-payment of contributions of \$71.5 million received from the county in January 2013 as well as the increased in market appreciation of assets.

The following reports are attached to this agenda item:

Table of Contents	Page
Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
Statement of Changes in Fiduciary Net Assets (Year to Year YTD Comparative)	3
Cash Flow Statements	4-5
Statement of Fiduciary Net Assets (YTD Monthly Comparative)	6
Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	7

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
January 2013
PRELIMINARY

	January 2013	January 2012
ASSETS		
CASH AND CASH EQUIVALENTS	105,500,865	91,219,571
SECURITIES LENDING CASH COLLATERAL	130,973,788	125,826,436
TOTAL CASH	236,474,653	217,046,007
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	580,099,190	169,358,278
Investment Income	4,074,678	4,540,984
Securities Lending Income	34,180	58,083
Other Receivable	113,237	113,812
TOTAL ACCOUNTS RECEIVABLES	584,321,285	174,071,156
PREPAID EXPENSE	7,669	169,565
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	442,951,302	488,462,132
International Fixed Income Securities	107,829,221	95,997,914
Domestic Equities	1,028,215,229	905,081,509
International Equities	506,022,009	352,942,057
Real Estate	153,983,862	142,552,672
Private Equities	44,644,318	12,275,323
Risk Parity	167,743,631	151,726,627
Hedge Funds	71,327,120	69,270,565
Commodities	77,101,576	68,801,601
Held for Securities Lending	0	0
Other Investment	0	0
	2,599,818,268	2,287,110,400
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	3,420,621,875	2,678,397,129
LIABILITIES		
Investment Management Fees	2,233,838	2,156,041
Due to Broker for Investments Purchased	584,727,635	191,020,792
Collateral Payable for Securities Lending	130,973,788	125,826,436
Other	724,633	719,970
TOTAL LIABILITIES	718,659,894	319,723,239
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,701,961,982	2,358,673,890

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
January 2013
Preliminary

	January 2013	January 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	144,567,329	149,048,992	(4,481,663)
Employee Contribution	32,706,760	26,597,640	6,109,121
TOTAL CONTRIBUTIONS	<u>177,274,090</u>	<u>175,646,632</u>	<u>1,627,458</u>
INVESTMENT INCOME			
Interest and Dividends	36,766,026	32,902,652	3,863,374
Net Appreciation (Depreciation) in fair value of investments	232,277,060	(73,823,601)	306,100,661
Less Investment Expense	(13,062,356)	(10,177,463)	(2,884,893)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>255,980,731</u>	<u>(51,098,411)</u>	<u>307,079,142</u>
SECURITIES LENDING INCOME			
Earnings	278,134	240,286	37,848
Less: Securities Lending Expenses	117,203	148,751	(31,548)
NET SECURITIES LENDING INCOME	<u>395,337</u>	<u>389,037</u>	<u>6,300</u>
OTHER ADDITIONS	57,738	1,768	55,970
TOTAL ADDITIONS	<u>433,707,895</u>	<u>124,939,026</u>	<u>308,768,869</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	75,577,964	70,007,084	5,570,880
Disability Retirement Allowance	9,531,669	8,877,001	654,667
Survivor, Death and Other Benefits	400,247	417,875	(17,628)
TOTAL ASSOCIATION BENEFITS	<u>85,509,880</u>	<u>79,301,961</u>	<u>6,207,920</u>
REFUND OF MEMBER CONTRIBUTIONS	3,867,125	1,836,072	2,031,053
ADMINISTRATIVE EXPENSE	2,621,179	2,826,872	(205,694)
OTHER EXPENSE	51,383	76,060	(24,677)
TOTAL DEDUCTIONS	<u>92,049,567</u>	<u>84,040,965</u>	<u>8,008,603</u>
NET INCREASE	341,658,328	40,898,061	300,760,267
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,360,303,654	2,317,775,829	
End of Period	2,701,961,982	2,358,673,890	

2/26/2013

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING SEVEN MONTHS
 For the Month Ending January 31, 2013
 PRELIMINARY

	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	YTD
ADDITIONS							
CONTRIBUTIONS							
Employee Contribution	2,820,513	4,100,889	3,467,750	4,916,326	7,120,469	4,621,415	27,047,362
Employer Contributions - Regular	5,227,912	6,787,153	6,846,971	6,826,372	10,356,330	6,786,582	42,831,320
Employer Contributions - COLA	3,066,756	4,108,293	4,143,138	4,134,035	6,264,565	4,101,038	25,817,824
Employer Prefunded Contribution	63,167,221	(10,867,076)	(10,947,830)	(10,933,964)	(16,578,687)	(9,451,316)	4,388,348
TOTAL CONTRIBUTIONS	74,282,402	4,129,259	3,510,029	4,942,769	7,162,677	6,057,719	100,084,854
INVESTMENT INCOME							
Interest and Dividends	3,439,690	5,715,491	4,884,033	5,951,485	3,875,252	7,924,991	31,790,942
Net Appreciation (Depreciation) in fair value of investments	31,115,382	43,176,516	47,969,515	(6,552,825)	21,817,462	17,267,789	154,793,840
Securities Lending Income	46,312	41,612	47,442	42,561	35,489	33,057	246,473
Other Additions							
Other Investment Related Expense	(705,036)	(291,493)	(408,480)	(1,358,210)	(477,837)	(618,751)	(3,859,807)
Securities Lending Expense	13,766	11,940	50,541	15,602	6,219	14,341	112,409
TOTAL ADDITIONS	108,192,516	52,783,324	56,053,080	3,041,382	32,419,262	30,679,146	283,168,711
DEDUCTIONS							
ASSOCIATION BENEFITS							
Retiree Annuity	2,806,579	2,818,038	2,832,552	2,825,523	2,831,978	2,845,850	16,960,550
Retiree Pension	6,585,517	6,630,640	6,644,559	6,627,254	6,635,446	6,652,992	39,782,408
Retiree COLA	2,764,110	2,755,009	2,753,454	2,739,947	2,727,935	2,717,032	16,457,486
Retiree Death and Modified Work Benefit	3,579	3,579	3,579	3,579	3,371	2,886	20,573
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissue	0	0	0	0	0	0	0
TOTAL ASSOCIATION BENEFITS	12,159,785	12,213,266	12,234,174	12,196,303	12,198,730	12,218,759	73,221,017
REFUND OF MEMBER CONTRIBUTIONS							
	360,892	630,225	1,329,046	204,720	198,893	555,853	3,279,629
ACTUARIAL FEES							
CONSULTANT FEES - INVESTMENT (SIS)	1,250	1,250	11,250	50,850	1,250	1,250	67,100
CUSTODIAN FEES - STATE STREET	33,333	33,333	33,333	33,333	36,425	33,333	203,092
OTHER PROFESSIONAL FEES	14,968	18,000	18,000	11,297	14,014	9,799	60,777
INVESTMENT MANAGEMENT FEE - R1000 INDEX	0	0	0	0	0	22,500	22,500
INVESTMENT MANAGEMENT FEE - ABERDEEN	6,182	6,631	6,482	6,984	7,093	7,082	40,453
INVESTMENT MANAGEMENT FEE - PYRAMIS	25,974	26,091	26,147	16,316	(2,405)	6,087	98,210
INVESTMENT MANAGEMENT FEE - ANGELO GORDON STAR	14,584	14,611	14,645	21,233	16,426	18,829	100,327
INVESTMENT MANAGEMENT FEE - ANGELO GORDON PPIP	116,667	29,167	29,167	(58,333)	29,167	29,167	175,000
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	0	0	0	0	0	43,750	43,750
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	10,342	10,319	10,391	10,473	10,555	10,454	62,534
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,844	35,844	35,844	37,542	37,542	34,236	216,853
INVESTMENT MANAGEMENT FEE - CHARTWELL	35,509	36,313	36,730	37,238	37,813	38,054	221,658
INVESTMENT MANAGEMENT FEE - D E SHAW	37,402	39,705	39,747	39,644	40,547	41,133	238,179
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	50,916	52,172	52,644	52,212	53,080	53,009	314,032
INVESTMENT MANAGEMENT FEE - BLACKROCK	34,450	35,590	35,947	35,546	35,896	36,026	213,455
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	63,847	66,697	66,900	110	(86)	(25)	197,444
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	60,540	62,216	62,695	62,995	63,393	63,933	375,771
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	36,320	38,004	38,374	38,297	39,158	40,091	230,245
INVESTMENT MANAGEMENT FEE - MONDRIAN	57,011	58,841	59,498	59,405	60,789	61,450	356,994
INVESTMENT MANAGEMENT FEE - ARTIO	28,186	28,792	27,214	22,849	26,376	25,455	158,872
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT	(369)	0	0	0	0	0	(369)
INVESTMENT MANAGEMENT FEE - EATON VANCE	24,396	37,770	36,108	37,856	37,894	39,689	213,713
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	45,207	50,619	50,627	53,150	50,800	54,569	304,973
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	57,923	61,928	61,660	62,960	64,287	64,894	373,452
INVESTMENT MANAGEMENT FEE - INVESCO CORE	22,985	23,094	23,217	23,358	32,022	27,730	152,405
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTION	51,345	51,345	51,345	64,580	52,344	51,937	322,896
INVESTMENT MANAGEMENT FEE - ABRYS ADVANCED	25,008	25,000	25,000	25,000	25,000	25,000	150,008
INVESTMENT MANAGEMENT FEE - ABRYS PARTNERS	72,320	0	51,514	0	100,000	0	223,834
INVESTMENT MANAGEMENT FEE - REGIMENT	98,470	0	34,461	11,487	11,487	20,986	176,891
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	0	0	73,551	0	75,000	0	148,551
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	37,500	37,500	37,500	37,500	37,500	43,500	231,000
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARIT	31,250	31,250	31,250	31,250	31,250	31,250	187,500
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	171	171	171	171	171	171	1,025
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	50,876	53,213	53,930	54,985	54,365	55,606	322,975
TOTAL PROFESSIONAL FEE	58,053	59,396	58,058	57,730	58,588	59,095	350,920
ADMIN EXPENSE - SALARIES & BENEFITS	32,976	37,445	36,158	37,943	16,881	56,328	217,730
ADMIN EXPENSE - SERVICES & SUPPLIES	1,271,436	1,062,307	1,229,556	975,961	1,154,621	1,106,168	6,800,049
TOTAL ADMINISTRATIVE EXPENSES	166,062	221,855	228,953	236,156	344,149	231,462	1,428,637
INTEREST FOR PREPAID CONTRIBUTION	148,663	106,051	149,640	142,041	140,926	136,250	823,570
OTHER DEDUCTIONS	314,724	327,906	378,593	378,196	485,075	367,712	2,252,207
TOTAL DEDUCTIONS	14,112,905	14,235,294	15,181,987	13,776,597	14,049,479	15,659,849	87,016,110
NET INCREASE	94,079,611	38,548,031	40,871,093	(10,735,214)	18,369,783	15,019,297	196,152,601

2/26/2013

San Mateo County Employees' Retirement Association
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING SEVEN MONTHS
 For the Month Ending January 31, 2013
 PRELIMINARY

	December YTD 2011	January 2012	YTD
ADDITIONS			
CONTRIBUTIONS			
Employee Contribution	27,047,362	5,659,399	32,706,760
Employer Contributions - Regular	42,831,320	7,113,810	49,945,130
Employer Contributions - COLA	25,817,824	4,287,832	30,105,656
Employer Prefunded Contribution	4,388,348	60,128,195	64,516,543
TOTAL CONTRIBUTIONS	100,084,854	77,189,235	177,274,090
INVESTMENT INCOME			
Interest and Dividends	31,790,942	4,975,084	36,766,026
Net Appreciation (Depreciation) in fair value of investments	154,793,840	77,540,958	232,334,798
Securities Lending Income	246,473	31,661	278,134
Other Additions	0	0	0
Other Investment Related Expense	(3,859,807)	(39,152)	(3,898,959)
Securities Lending Expense	112,409	4,794	117,203
TOTAL ADDITIONS	283,168,711	159,702,581	442,871,292
DEDUCTIONS			
ASSOCIATION BENEFITS			
Retiree Annuity	16,960,550	2,865,592	19,826,142
Retiree Pension	39,782,408	6,710,872	46,493,280
Retiree COLA	16,457,486	2,709,513	19,167,000
Retiree Death and Modified Work Benefit	20,573	2,886	23,459
Active Member Death Benefit	0	0	0
VOIDS and REISSUE	0	0	0
TOTAL ASSOCIATION BENEFITS	73,221,017	12,288,863	85,509,880
REFUND OF MEMBER CONTRIBUTIONS	3,279,629	587,496	3,867,125
ACTUARIAL FEES	67,100	1,250	68,350
CONSULTANT FEES - INVESTMENT (SIS)	203,092	33,333	236,425
CUSTODIAN FEES - STATE STREET	86,077	14,740	100,817
OTHER PROFESSIONAL FEES	22,500	7,500	30,000
INVESTMENT MANAGEMENT FEE - R1000 INDEX	40,453	618	41,071
INVESTMENT MANAGEMENT FEE - ABERDEEN	98,210	0	98,210
INVESTMENT MANAGEMENT FEE - PYRAMIS	100,327	19,643	119,971
INVESTMENT MANAGEMENT FEE - ANGELO GORDON PPIP	175,000	29,167	204,167
INVESTMENT MANAGEMENT FEE - ANGELO GORDON STAR	43,750	43,750	87,500
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	62,534	10,395	72,929
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	216,853	38,883	255,736
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	221,658	38,785	260,443
INVESTMENT MANAGEMENT FEE - CHARTWELL	238,179	44,111	282,289
INVESTMENT MANAGEMENT FEE - D E SHAW	314,032	55,888	369,920
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	213,455	105	213,560
INVESTMENT MANAGEMENT FEE - BLACKROCK	197,444	0	197,444
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	375,771	53,230	429,001
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	230,245	42,734	272,979
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	356,994	214	357,207
INVESTMENT MANAGEMENT FEE - MONDRIAN	158,872	26,381	185,253
INVESTMENT MANAGEMENT FEE - ARTIO	(369)	0	(369)
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT INTL	213,713	41,103	254,815
INVESTMENT MANAGEMENT FEE - EATON VANCE	304,973	54,569	359,542
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	373,452	67,776	441,228
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	152,405	25,728	178,133
INVESTMENT MANAGEMENT FEE - INVESCO CORE	322,896	49,855	372,750
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	150,008	25,000	175,008
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	223,834	0	223,834
INVESTMENT MANAGEMENT FEE - ABRY PARTNERS	176,891	11,487	188,378
INVESTMENT MANAGEMENT FEE - REGIMENT CAPITAL	148,551	0	148,551
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	231,000	37,500	268,500
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	187,500	31,250	218,750
INVESTMENT MANAGEMENT FEE - SYCAMORE SIDECAR	1,025	171	1,196
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	322,975	55,606	378,581
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	350,920	59,095	410,015
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	217,730	36,604	254,334
TOTAL PROFESSIONAL FEE	6,800,049	956,469	7,756,518
ADMIN EXPENSE - SALARIES & BENEFITS	1,428,637	248,335	1,676,972
ADMIN EXPENSE - SERVICES & SUPPLIES	823,570	120,637	944,207
TOTAL ADMINISTRATIVE EXPENSES	2,252,207	368,972	2,621,179
INTEREST FOR PREPAID CONTRIBUTION	1,406,879	0	1,406,879
OTHER DEDUCTIONS	56,330	(4,946)	51,383
TOTAL DEDUCTIONS	87,016,110	14,196,854	101,212,964
NET INCREASE	196,152,601	145,505,727	341,658,328

2/26/2013

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending January 31, 2013

	January 2013	December 2012	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	105,500,865	58,920,952	46,579,914	79.05%
SECURITIES LENDING CASH COLLATERAL	130,973,788	130,973,788	0	0.00%
TOTAL CASH	236,474,653	189,894,740	46,579,914	24.53%
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	580,099,190	141,865,342	438,233,848	308.91%
Investment Income	4,074,678	4,295,463	(220,785)	-5.14%
Securities Lending Income	34,180	45,123	(10,943)	-24.25%
Other Receivable	113,237	113,287	(50)	-0.04%
TOTAL ACCOUNTS RECEIVABLES	584,321,285	146,319,214	438,002,071	299.35%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	442,951,302	431,594,345	11,356,957	2.63%
International Fixed Income Securities	107,829,221	106,264,777	1,564,444	1.47%
Domestic Equities	1,028,215,229	970,077,722	58,137,508	5.99%
International Equities	506,022,009	485,478,876	20,543,133	4.23%
Real Estate	153,983,862	150,954,465	3,029,397	2.01%
Private Equity	44,644,318	43,785,316	859,002	1.96%
Risk Parity	167,743,631	167,743,631	0	0.00%
Hedge Funds	71,327,120	71,327,120	0	0.00%
Commodities	77,101,576	74,824,869	2,276,707	3.04%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,599,818,268	2,502,051,119	97,767,148	3.91%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	3,420,621,875	2,838,272,742	582,349,133	20.52%
LIABILITIES				
Investment Management Fees	2,233,838	2,034,042	199,796	9.82%
Due to Broker for Investments Purchased	584,727,635	147,991,311	436,736,324	295.11%
Collateral Payable for Securities Lending	130,973,788	130,973,788	0	0.00%
Other	724,633	817,347	(92,714)	-11.34%
TOTAL LIABILITIES	718,659,894	281,816,488	436,843,406	155.01%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	2,701,961,982	2,556,456,255	145,505,727	5.69%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending January 31, 2013

	January 2013	December 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	144,567,329	73,037,493	71,529,837
Employee Contribution	32,706,760	27,047,362	5,659,399
TOTAL CONTRIBUTIONS	<u>177,274,090</u>	<u>100,084,854</u>	<u>77,189,235</u>
INVESTMENT INCOME			
Interest and Dividends	36,766,026	31,790,942	4,975,084
Net Appreciation (Depreciation) in fair value of investments	232,277,060	154,740,198	77,536,863
Less Investment Expense	(13,062,356)	(12,066,735)	(995,621)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	<u>255,980,731</u>	<u>174,464,405</u>	<u>81,516,326</u>
SECURITIES LENDING INCOME			
Earnings	278,134	246,473	31,661
Less: Securities Lending Expenses	117,203	112,409	4,794
NET SECURITIES LENDING INCOME	<u>395,337</u>	<u>358,882</u>	<u>36,455</u>
OTHER ADDITIONS			
	57,738	53,642	4,096
TOTAL ADDITIONS	<u>433,707,895</u>	<u>274,961,783</u>	<u>158,746,112</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	75,577,964	64,718,598	10,859,366
Disability Retirement Allowance	9,531,669	8,158,884	1,372,784
Survivor, Death and Other Benefits	400,247	343,535	56,713
TOTAL ASSOCIATION BENEFITS	<u>85,509,880</u>	<u>73,221,017</u>	<u>12,288,863</u>
REFUND OF MEMBER CONTRIBUTIONS	3,867,125	3,279,629	587,496
ADMINISTRATIVE EXPENSE	2,621,179	2,252,207	368,972
OTHER EXPENSE	51,383	56,330	(4,946)
TOTAL DEDUCTIONS	<u>92,049,567</u>	<u>78,809,183</u>	<u>13,240,385</u>
NET INCREASE	341,658,328	196,152,601	145,505,727
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,556,456,255	2,360,303,654	
End of Period	2,701,961,982	2,556,456,255	

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 7.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Update on Board/Staff Retreat Agenda



During this agenda item Staff will provide an update to the Board on preparations for the Board/Staff Retreat, set for April 23 and 24.

A copy of the draft agenda will be distributed at the meeting.

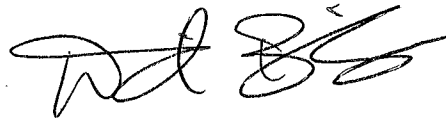
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 7.3

To: Board of Retirement

From: David Bailey, Chief Executive Officer



Subject: Annual Review and Approval of SamCERA's Mission and Goals Statements

Staff Recommendation:

Review and approve SamCERA's Mission and Goals statements by approving the attached resolution. No changes are recommended to the statements.

Background:

Resolution 95-96-05 as amended, incorporates language first submitted to the Board on April 14, 1994, as part of SamCERA's first independent budget. The resolution is an integral part of SamCERA's Policies and Procedures Manual; Trustee's Manual; Sources, Uses and Budget Report; and SamCERA's Strategic Plan. The mission and goals statement should, at a minimum, capture the purpose of SamCERA as defined in the California State Constitution and the County Employees Retirement Law of 1937. The statements should also express the Board's vision of the fundamental principles guiding Board and staff actions.

The resolution was amended on February 27, 2007, to correct the statement's grammar, spelling, and capitalization. It was amended on February 26, 2008, for clarity and to put phrases in the proper priority. It was last amended on January 27, 2009, when it was shortened to remove redundancies and define all categories of SamCERA membership as members.

Review of SamCERA's Mission and Goals Statements is an integral part of the staff strategic planning retreat and the Board's budget process. This year there are no recommended amendments.

Attachment:

SamCERA Mission and Goals, Resolution 95-96-05

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Mission and Goals
RESOLUTION 95-96-05 as amended

THIS RESOLUTION, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth SamCERA's Mission and Goals.

WHEREAS, Article XVI, '17(a) of the Constitution of the State of California states in part that "the retirement board...shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system...;" and

WHEREAS, Article XVI, '17(b) of the Constitution of the State of California states in part that "the members of the retirement board...shall discharge their duties...solely in the interest of, and for the exclusive purpose of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty...;" and

WHEREAS, Article XVI, '17(c) of the Constitution of the State of California states in part that "the members of the retirement board...shall discharge their duties with respect to the system with the care, skill, prudence, and diligence...a prudent person acting in like capacity and familiar with these matters would use in the conduct of an enterprise of like character and with like aims;" and

WHEREAS, Government Code '31520 vests the management of *SamCERA* in the Board; and

WHEREAS, the Board wishes to define its mission and goals so as to direct its efforts and the efforts of its staff in concert with the spirit of the law. Now, therefore, be it

RESOLVED, that the Board hereby adopts the following:

Mission

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

GOALS

Provide caring, fair, accurate, timely and knowledgeable professional service to clients and the public.

Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to assure the ability to pay all earned benefits while minimizing the costs to employers.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

Be it further

RESOLVED, that the Board hereby agrees, and directs the Chief Executive Officer, to adhere to the principles set forth herein in the management of the resources of the Association.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

ADOPTED by unanimous vote August 25, 1995

AMENDED February 26, 2002

AMENDED February 27, 2007

AMENDED February 26, 2008

AMENDED January 27, 2009

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

February 26, 2013

Agenda Item 7.4

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Procedures for Auditing of Employer Data and Information to Determine Correctness of Members' Retirement Benefits, Compensation and Enrollment.

Summary: This is the second of two procedures that Staff has developed to govern implementation of the Board's audit powers and responsibilities under the Public Employees' Pension Reform Act of 2013 ("PEPRA") and related legislation. Last month the Board adopted a procedure to audit members' compensation earnable and pensionable compensation for the purpose of preventing inappropriate "spiking" of benefits. This second procedure is for the audit of employer data and information to determine correctness of members' retirement benefits, reportable compensation, enrollment in and reinstatement to, the retirement system.

Recommendation: Adopt a resolution establishing "Board of Retirement Procedures for Auditing of Employer Data and Information to Determine Correctness of Member's Retirement Benefits, Reportable Compensation, Enrollment In and Reinstatement to, the Retirement System."

Background: In order to ensure that the employers provide accurate data to SamCERA, the Board is authorized to audit the "books, papers, data or records, including, but not limited to, personnel and payroll records" of SamCERA employers for the purpose of determining "the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system." (Gov. Code Sections 31542.5, 31543, 7522.72 and 7522.74.) In addition, the Board may assess the employer costs of the audit, as well as the costs of any adjustment or correction, if the Board determines that the employer "knowingly failed" to comply with its legal responsibilities under the new law by (a) reporting compensation to SamCERA that the employer knew or should have known was not "compensation earnable" as defined in the 1937 Act, or (b) failed to identify to SamCERA the pay period in which compensation earnable was earned. Additionally, employers are now required to report to SamCERA if a member is convicted of certain felonies.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Discussion: Staff may utilize one or more of several approaches, as it deems appropriate, to accomplish the audit under the proposed procedure. These approaches include:

- **Annual Audit Approach.** Staff may, from time to time, request SamCERA's independent auditor as part of, or in addition to its annual financial audit activities, to review employer data and reporting that may impact member's eligibility, contributions, membership, records, benefits, and/or compliance with applicable state or federal law.
- **Informal Requests.** Staff may make informal requests of the employer so as to resolve any issues related to individual or multiple member records, retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the retirement system and/or compliance with applicable state or federal law.
- **Request for Special Audit Report.** If Staff believes that reason exists, in addition to or as a follow up to the annual audit activities, to have a Special Audit of information, it may request the Board to authorize a Special Audit.

It is anticipated that Staff will make informal requests to the employer so as to resolve any issues without a Specific Audit. However, if Staff believes that a Specific Audit is necessary, it shall request the Board to initiate one. Staff's request would contain the purpose of the Specific Audit, the records needed, the audit procedures, the estimated cost, and a description of the specific action requested of the Board. A copy of Staff's request would be provided to the employer prior to being presented to the Board, and the employer would be allowed to submit a response and/or address the Board. If an audit is approved, Staff is required to present to the Board with a copy to the employer and any directly effected members, a report on the results of the audit so that the Board will be aware of the results and may determine whether any further action is required.

Staff and the employer would take appropriate steps to protect the confidentiality of information, if any, produced in or related to the audits.

Attachments:

Resolution and proposed "Board of Retirement Procedure for Auditing of Employer Data and Information to Determine Correctness of Members' Retirement Benefits, Reportable Compensation, Enrollment in, and Reinstatement to, the Retirement System".

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 12-13-__

RESOLUTION ESTABLISHING THE BOARD OF RETIREMENT PROCEDURES FOR AUDITING OF EMPLOYER DATA AND INFORMATION TO DETERMINE CORRECTNESS OF MEMBERS' RETIREMENT BENEFITS, REPORTABLE COMPENSATION, ENROLLMENT IN, AND REINSTATEMENT TO, THE RETIREMENT SYSTEM AUDIT OF COMPENSATION AND RETIREMENT INFORMATION

WHEREAS, the California Public Employees' Pension Reform Act of 2013 (PEPRA), became effective January 1, 2013 and PEPRA sets forth certain rights and responsibilities for the Board of Retirement; and

WHEREAS, pursuant to PEPRA, the Board is authorized to audit the "books, papers, data or records, including, but not limited to, personnel and payroll records" of SamCERA employers for the purpose of determining "the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system."(Government Code Sections 31542.5, 31543, 7522.72 and 7522.74); and

WHEREAS, the Board may also assess the employer the costs of the audit as well as the costs of any adjustment or correction if the Board determines that the employer "knowingly failed" to comply with its legal responsibilities by reporting compensation to SamCERA that the employer knew or should have known was not "compensation earnable" as defined in the 1937 Act, or (b) failed to identify to SamCERA the pay period in which compensable earnable was earned. (Government Code section 31542.5); and

WHEREAS, the attached "Board of Retirement Procedures For Audit Of Employer Data And Information To Determine Correctness Of Members' Retirement Benefits, Reportable Compensation, Enrollment In, And Reinstatement To, The Retirement System Audit Of Compensation And Retirement Information" sets forth the steps to be taken by SamCERA staff, SamCERA employers and the Board in regards to the audit process; and

WHEREAS, the Board has reviewed the procedure and desires to adopt such procedure;

THEREFORE BE IT RESOLVED, that the Board hereby adopts the attached Board of Retirement Procedures for Audit of Employer Data and Information to Determine Correctness of Members' Retirement Benefits, Reportable Compensation, Enrollment In, And Reinstatement To, The Retirement System.

* * * * *

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on February 26, 2013.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

*Lauryn Agnew, Board Secretary
SamCERA*

**SAN MATEO COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT PROCEDURES FOR AUDITING OF EMPLOYER DATA AND INFORMATION TO
DETERMINE CORRECTNESS OF MEMBERS' RETIREMENT BENEFITS, REPORTABLE COMPENSATION,
ENROLLMENT IN, AND REINSTATEMENT TO, THE RETIREMENT SYSTEM**

I. Purpose.

By statute, the Board of Retirement is authorized to audit SamCERA employers to determine the correctness of member's retirement benefits, reportable compensation, enrollment in, and reinstatement to, the retirement system. (Government Code Sections 31542.5, 31543, 7522.72 and 7522.74.)

II. Procedures.

- A. **Alternative Audit Approaches.** Staff may utilize one or more of the following approaches, as it deems appropriate, in order to determine the correctness of members' records, retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the retirement system and/or compliance with applicable state or federal law. Verification of employer information and data may be periodically checked or performed on an as need basis. Similarly, issues concerning a specific member's compensation or specific compensation issues that may arise from time to time, Staff may conduct or cause to be conducted by an independent auditor, a specific audit of that issue. Issues regarding whether an element of compensation was paid to enhance a member's benefit will be handled in accordance with the "Board of Retirement Procedure for Assessment and Determination of Whether an Element of Compensation Was Paid to Enhance a Member's Benefit."
- B. **Confidentiality.** To the extent that any confidential member or employer personnel information is presented, appropriate steps, in accordance with applicable law, will be taken by staff and the Board and the employer throughout the process to protect the confidentiality of information produced in any audit, staff reports, and discussion by or with the Board.
- C. **Annual Audit Approach.** SamCERA may, from time to time, request SamCERA's independent auditor as part of, or in addition to its annual financial audit activities, to review employer data and reporting that may impact a member's eligibility, contributions, membership, records, benefits, and and/or compliance with applicable state or federal law.
- D. **Informal Requests.** Staff may make informal requests of the employer so as to resolve any issues related to individual or multiple member records, retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the retirement system and/or compliance with applicable state or federal law.
- E. **Request For Special Audit Report.** If staff believes that reason exists, in addition to or as a follow up to the annual audit activities described in paragraph B, to have a Special

Audit of information, it may request that the Board authorize a Special Audit in accordance with Section III.

III. Special Audit Procedure.

- A. Request to the Board.** If Staff believes that a Special Audit is needed regarding information submitted by the employer with respect to member records, retirement benefits, reportable compensation, or enrollment in, and reinstatement to, the retirement system and/or compliance with applicable state or federal law, staff shall submit a written report to the Board setting forth the:
- (1) Reasons for the Special Audit, including a report as to prior informal requests of the employer so as to resolve any issues without a Special Audit.
 - (2) Books, papers, data, or records that should be provided by the employer in connection with the Special Audit, including but not limited to personnel and payroll records.
 - (3) Protocol that staff wishes to follow in conducting the Special Audit, including but not limited to who will conduct the audit and a proposed time and place.
 - (4) Estimated cost of the Special Audit, adjustment, and correction.
 - (5) Requested action by the Board in authorizing a Special Audit
 - (6) Any planned or potential follow on requests relating to adjustments or corrections by the employer that may be required as a result of such audit.
- B. Copy of Special Audit Request and Employer Response.** Staff shall send a copy of its Special Audit request to the employer at least 15 days prior to the Board meeting. Any response to the report should be submitted by the employer at least 5 days prior to the meeting.
- C. Opportunity to address the Board.** Staff and the employer will both be given an opportunity at the meeting to address the Board with respect to Staff's request.
- D. Approval of Special Audit Request.** If the Board approves staff's request for an audit, the employer will be informed of the Board's decision. The audit will then be conducted in accordance with the parameters established by the Board.
- E. Written Report of Special Audit Result.** Upon completion of the audit, staff will provide to the Board a written report of the audit results and the conclusions of the auditor and staff. A copy of the report will be provided to the employer at least 15 days prior to any Board discussion or action. Any response to the report should be submitted by the employer at least 5 days prior to the meeting.
- F. Cost of Special Audit and Corrective Action.** The Board may thereafter determine whether, and if so, in what amount the costs of the audit and any adjustment or correction may or will be charged to the employer under applicable law and if other Board action should be taken as a result of the audit.