

## The Board of Retirement

of the San Mateo County Employees' Retirement Association  
will meet in

***SamCERA's* Board Room, 100 Marine Parkway, Suite 125, Redwood Shores**

**Tuesday, June 21, 2011, at 8:00 a.m.**

**PUBLIC SESSION** – The Board will meet in Public Session at 8 a.m.

1. Call to Order, Roll Call and Miscellaneous Business
  - 1.1 Welcome and Introduction of New Board Member
  - 1.2 Appointment of Ad Hoc Board Officers Nominating Committee
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 **(Time Certain at 1:00 p.m.)**  
**(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)**
  - Disability Retirements
    - Rose Kao (*Per Board of Retirement Resolution 5.2 Active Death*)
  - Service Retirements
    - Edward Lusnich (*Per Board of Retirement Resolution 5.2 Active Death*)
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers
5. Benefit & Actuarial Services
  - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
6. Investment Services **(No Investment Committee Meeting is scheduled in June.)**
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Interview Finalist for Commodities Mandate
    - 6.2 a Cargill Risk Management – ProAlpha Index
    - 6.2.b Gresham Investment Management – Tangible Asset Program
    - 6.2.c Invesco - Balanced-Risk Commodities
    - 6.2 d State Street Global Advisors – Multisource Active Commodity Strategy
  - 6.3 Adopt Criteria for International Developed Markets Equity Growth Manager
  - 6.4 Approve Criteria and Timeline for an International Small Cap Equity Manager Search
  - 6.5 Approve Criteria and Timeline for an Emerging Market Equity Manager Search
  - 6.6 Approval of Alternative Asset Manager Resolutions
7. Board & Management Support Services
  - 7.1 Monthly Financial Report
  - 7.2 Approval to Cancel the November 2011 Board Meeting and Reschedule the December 2011 Board Meeting
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 County Counsel's Report

**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

***[Continued on page 2 – Printed 06/15/11]***

**\*Matters Set for a Time Certain:** *Times listed are approximate. In no case will any item be heard before it is scheduled.*

# Notice of Public Meeting

## Page 2 of 2



9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Wright, Dortha	April 28, 2011	District Attorney
Bohlen, Edward	May 1, 2011	Engineers Dept.
Okamura, Miki	May 6, 2011	Human Services Agency
MacLennan, Barbara	May 7, 2011	General Services
Einhoff, Lucille	May 9, 2011	Social Services
Tacorda, Gracia	May 9, 2011	Human Services Agency
Moore, Beatrice	May 14, 2011	Social Services
Fabbro, Sylveen	May 15, 2011	Ben of Fabbro, Bruno
Czellecz, Joyce	May 18, 2011	Social Services
Vassalle, Lucille	May 18, 2011	Ben of Vasalle, Lino
Rehanek, Lillian	May 19, 2011	Ben of Rehanek, Edward
hendrickson, Vivian	May 22, 2011	Social Services
Stepp, Jo Anne	May 24, 2011	Ben of Stepp, John Paul
Yee, Robert	May 24, 2011	Ben of Yee, Vivian
Derner, Leland	May 28, 2011	Sheriff's Office
Kimlinger, Patsy	May 28, 2011	Recorder's Office
Smith, Bojan	May 29, 2011	Ben of Smith, Rue

David Bailey, Chief Executive Officer

Printed: 6/15/11

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 *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.

**THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 125,**  
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](http://www.samcera.org)  
*Free Parking is available in all lots in the vicinity of the building.*

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

June 21, 2011

Agenda Item 1.1

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Welcome and Introduction of New Board Member

On June 7, the Board of Supervisors appointed Michal Settles to the 9<sup>th</sup> Member position on the Board of Retirement.

On June 13, Ms. Settles is scheduled to be given her oath of office by Brenda Carlson, Chief Deputy County Counsel. At that same time, Gary Clifton, Brenda and I will provide an orientation about *SamCERA*.

Ms. Settles will serve out the unexpired term of former trustee Margaret Jadallah. The term will expire June 30, 2013.

I look forward to introducing Ms. Settles at the June 21 board meeting.

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

June 21, 2011

Agenda Item 1.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer



SUBJECT: Appointment of Ad Hoc Board Officers Nominating Committee

**Issue**

At this time each year the board chair appoints an ad hoc committee to nominate officers for the following fiscal year.

**Background**

Article 1 of the *Regulations of the Board of Retirement* provides for the election of three board officers: Chair, Vice Chair and Secretary, as follows:

**1.1. Election Of Chair:** At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, shall appoint all committees and shall perform all duties incidental to that office.

**1.2. Election Of Vice Chair:** At the first regular meeting in July, the Board of Retirement shall elect one of its members vice chair for a term of one year or until his or her successor is duly elected and qualified. In the Chair's absence or inability to act, the Vice Chair shall take the place and perform the duties of that office.

**1.3. Election Of Secretary:** At the first regular meeting in July, the Board of Retirement shall elect one of its members secretary for a term of one year or until his or her successor is duly elected and qualified. The Secretary shall attest to Resolutions and other such documents for the Board. In the Chair's and Vice Chair's absence or inability to act, the Secretary shall take the place and perform the duties of the Chair.

*SamCERA's* board officers traditionally serve one-year terms. Also by tradition, the board attempts to alternate appointed and elected trustees in each position. The officers tend to move up "through the steps" to eventually become Board Chair. These traditions cannot always be adhered to since trustees come and go



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

and don't always begin or end their terms on the scheduled dates. (See the table below.)

In the case of the current officers, only a partial year has been served. Because the prior board chair and ninth member determined to end her term on the board early, the current officers began their terms in October 2010.

<b>10-Year SamCERA Board Officer History</b>			
	<b><u>Chair</u></b>	<b><u>Vice-Chair</u></b>	<b><u>Secretary</u></b>
2001-02	Bill Cottle	Tom Bryan	Bette Stuart
2002-03	Tom Bryan	Donna Colson	Alma Salas
2003-04	Donna Colson	Alma Salas	Bette Stuart
2004-05	Alma Salas	Ken Lewis	Tom Bryan
2005-06	Ken Lewis	Tom Bryan	Emily Tashman
2006-07	Tom Bryan	Emily Tashman	Bette Stuart
2007-08	Tom Bryan	Emily Tashman	Jim Hooley
2008-09	Emily Tashman	David Wozniak	Sandie Arnott
2009-10	Margaret Jadallah	Al David	Sandie Arnott
2010-11	Al David	Sandie Arnott	Natalie Kwan Lloyd

**Staff Recommendation**

Staff recommends that:

- the board members share their thoughts regarding officers for the next fiscal year, and
- the chair appoint an ad hoc committee to nominate officers for the 2011-12 fiscal year, the committee to place its recommended trustees' names in nomination at the July 26 meeting.

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

June 21, 2011

Agenda Item 3.0

**May 24, 2011 – Investment Committee Agenda**

**PUBLIC SESSION**

- 1.0 Call to Order
- 2.0 Roll Call
- 3.0 Approval of the Minutes
- 4.0 Oral Communications From the Committee
- 5.0 Oral Communications From the Public
- 6.0 Investment Management Services - The Investment Committee Shall Review & Discuss
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Quarterly Investment Performance Analysis for Period Ended March 31, 2011
  - 6.3 Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement
  - 6.4 Selection of Investment Manager Finalists for *SamCERA*'s Commodities Mandate
  - 6.5 Approval of Action Regarding *SamCERA*'s International Equity Structure
  - 6.6 Review of *SamCERA*'s Private Equity Program and Most Current Investment
  - 6.7 Approval of Board Chair to Execute Alternative Investment Documentation
- 7.0 Other Business
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

**MINUTES OF SAMCERA'S Investment Committee**

- 1.0 **Call to Order:** Mr. Bowler called the Public Session of the Investment Committee of the Board of Retirement to order at 9:07 a.m, May 24, 2011, in *SamCERA*'s Board Room, Suite 125, 100 Marine Parkway, Redwood Shores, California.
- 2.0 **Roll Call:** Ms. Agnew (arr. 9:10 a.m.), Mr. Bowler, Mr. David, and Mr. Murphy for Mr. Hackleman. *Other Board Members In Attendance:* Ms. Kwan Lloyd, Ms. Salas and Mr. Spinello. *Staff:* Mr. Bailey, Mr. Hood, Ms. Dames and Mr. Clifton. *Consultants:* Mr. Brody, Mr. Thomas and Mr. Nicolini, Strategic Investment Solutions. *Public:* None. *Retirees:* None.
- 3.0 **Approval of the Minutes: Motion** by David, second by Murphy, carried unanimously to approve the committee minutes from the March 29, 2011, meeting, as submitted.
- 4.0 **Oral Communications From the Committee:** Mr. David reported that he attended the SACRS Spring 2011 Conference and highlighted an educational panel on alternative investments. Ms. Agnew also attended the SACRS conference and found the event worthwhile.
- 5.0 **Oral Communications From the Public:** Ms. Salas reported that she attended the SACRS Spring 2011 Conference.
- 6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA*'s 2.72% Total Fund Return for the month slightly underperformed the Total Plan Policy Benchmark return of 2.85%. The fund's return for the trailing twelve months and twenty-four months are 16.00% and 21.68% respectively. The twelve-month period is 825 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 72 basis points behind *SamCERA*'s Total Plan Policy Benchmark of 16.72%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the

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

Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, the aforementioned numbers do not reflect the performance of all portfolios in April. Performance for Angelo Gordon's PPIP and AQR's risk parity were unavailable as of the day of the board meeting.

The table below shows the composite returns:

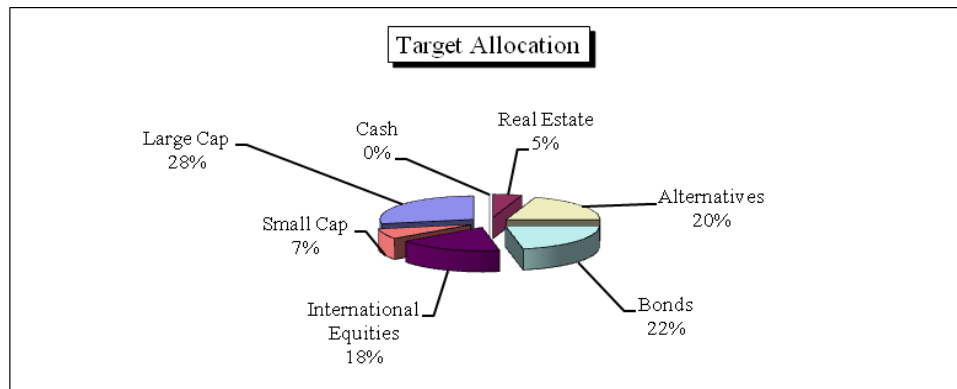
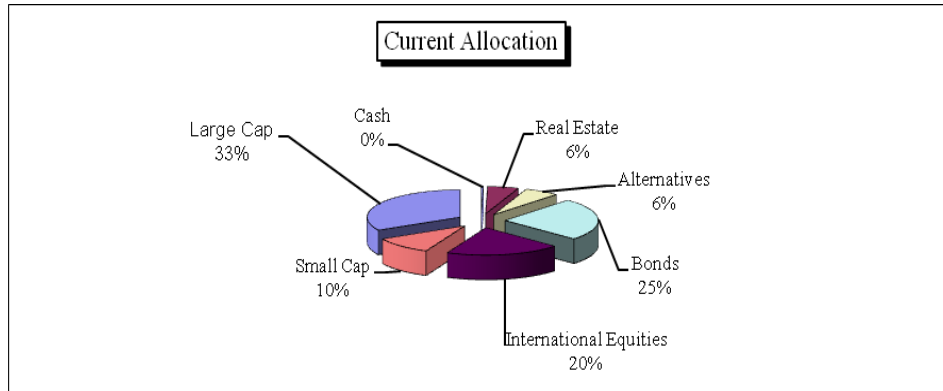
	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
Equity Aggregate	\$1,492,943,267	3.62%	7.74%	16.26%	18.89%
Equity Composite Benchmark		3.62%	7.74%	16.60%	19.36%
<b>Variance</b>		<b>0.00%</b>	<b>0.00%</b>	<b>-0.34%</b>	<b>-0.47%</b>
Private Equity Aggregate	\$1,555,000	0.00%	-53.69%	-53.69%	N/A
Private Equity Composite		3.22%	7.98%	19.36%	N/A
<b>Variance</b>		<b>-3.22%</b>	<b>-61.67%</b>	<b>-73.05%</b>	<b>N/A</b>
Fixed Income Aggregate	\$592,111,480	1.75%	3.51%	3.31%	10.00%
Fixed Income Composite		1.91%	2.71%	0.78%	6.72%
<b>Variance</b>		<b>-0.16%</b>	<b>0.80%</b>	<b>2.53%</b>	<b>3.28%</b>
Real Estate Aggregate	\$126,673,968	0.00%	3.83%	8.62%	20.84%
NCREIF (one quarter lag)		0.00%	4.01%	9.07%	19.95%
<b>Variance</b>		<b>0.00%</b>	<b>0.00%</b>	<b>-0.45%</b>	<b>0.89%</b>
Cash Aggregate	\$8,331,320	0.08%	0.18%	0.41%	1.07%
91 Day Treasury Bill		0.02%	0.06%	0.09%	0.17%
<b>Variance</b>		<b>0.06%</b>	<b>0.12%</b>	<b>0.32%</b>	<b>0.90%</b>
Total Fund Returns	\$140,894,740	0.00%	N/A	N/A	N/A
Total Plan Policy Benchmark		2.29%	N/A	N/A	N/A
<b>Variance</b>		<b>-2.29%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,362,509,77	2.72%	6.06%	11.66%	16.00%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%
<b>Variance</b>		<b>2.10%</b>	<b>4.18%</b>	<b>7.86%</b>	<b>8.25%</b>

SamCERA's current asset allocation is summarized as follows:

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



**Action: No action was required. The Monthly Portfolio Performance Report is an informational report.**

6.2 **Quarterly Investment Performance Analysis for Period Ended March 31, 2011:** Mr. Thomas and Mr. Brody performed a thorough presentation of SIS' quarterly investment performance report for the period ended March 31, 2011. The composite fund returned 4.5% in the first quarter of 2011 and ranked 23<sup>rd</sup> among other public funds greater than \$100 million (median of 4.1%). It beat the policy index return of 4.3%. The one-year return of 14.5% was behind the policy index return of 15.0% and ranked in the 37<sup>th</sup> percentile of the universe. Longer term, the three- and five-year returns of 2.6% (81<sup>st</sup> percentile) and 3.1% (94<sup>th</sup> percentile), respectively, were below median among large public plans (3.7% and 4.4%). As a reminder, Mr. Clifton said that *SamCERA* should expect the underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented.

The BlackRock Russell 1000 Index Fund, 6.2%, ranked in the 36<sup>th</sup> percentile among large cap core managers (median of 6.0%) and matched its benchmark. Mr. Brody reported that the association's small cap managers enhanced the portfolio's quarterly results. Chartwell gained more value, 14.1%, than the Russell 2000 Growth Index, 9.2%. Chartwell ranked in the 6<sup>th</sup> percentile among small cap growth managers (median of 9.2%). *SamCERA*'s fixed income managers also performed well in the quarter. Aberdeen Asset (1.5%) led the Barclays Aggregate Index (0.4%) and ranked above the median core bond manager (0.7%). The Pyramis Broad Market Duration Fund gained 1.0% and ranked in the 32<sup>nd</sup> percentile among the core bond managers. Western Asset Management's quarter was also above par, returning 1.4%. The Angelo Gordon GECC PPIP Fund appreciated 5.6% while the Barclays Aggregate was 0.4%. The Fund carries approximately 50% RMBS and 50% CMBS assets. The

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

intermediate high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (4.4% vs. 1.3%). In its first full quarter, Franklin Templeton appreciated 3.3% and ranked in the top quartile among global bond managers and outperformed the Barclays Multiverse Index return of 1.4%.

First quarter results were hindered by several factors, including the association's international equity managers. Artio Global's quarterly return of 2.2% was just below the MSCI ACWI –ex US Growth Index (2.3%) and ranked in the 78<sup>th</sup> percentile among international equity managers. Mondrian returned 3.8% and lagged the MSCI AC World –ex US Value Index (4.7%) and ranked in the 31<sup>st</sup> percentile among its peers. DE Shaw's return of 5.3% ranked in the bottom quartile among large cap core managers (median 6.0%), and was behind its benchmark, the Russell 1000 Index (6.2%). Mr. Brody said that he discussed the portfolio's underperformance with DE Shaw. Although the fund has been struggling, DE Shaw has been proactive in adjusting their model to the market environment as part of its investment process. Mr. Thomas said that DE Shaw's unique investment strategy adds diversification to the portfolio. SIS and SamCERA will continue to monitor DE Shaw's performance. BlackRock-US Equity (4.4%) lagged the Russell 1000 Growth Index (6.0%), and the median large cap growth manager (5.8%). It ranked in the bottom quartile among its peers.

Private equity was funded mid-October 2010. In its first full quarter, investments depreciated 111.5%. The Russell 3000 +3% Index was up 7.2%. Risk parity manager AQR was funded March 1<sup>st</sup>. Month-to-date performance was 0.7%.

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<b>Composite Fund</b>	4.47%	23	14.46%	37	2.56%	81
<i>Policy Index</i>	<i>4.34%</i>	<i>33</i>	<i>14.97%</i>	<i>27</i>	<i>3.67%</i>	<i>50</i>
BlackRock Russell 1000 Index Fund	6.25%	36	16.77%	23	3.06%	37
D.E. Shaw	5.25%	85	13.93%	77	N/A	N/A
<i>Russell 1000 Index</i>	<i>6.24%</i>	<i>36</i>	<i>16.69%</i>	<i>25</i>	<i>2.98%</i>	<i>39</i>
T. Rowe Price	5.82%	77	14.61%	69	N/A	N/A
<i>S&amp;P 500 Index</i>	<i>5.92%</i>	<i>69</i>	<i>15.65%</i>	<i>52</i>	<i>N/A</i>	<i>N/A</i>
Barrow Hanley	7.72%	28	16.54%	34	N/A	N/A
<i>Russell 1000 Value Index</i>	<i>6.46%</i>	<i>62</i>	<i>15.15%</i>	<i>54</i>	<i>N/A</i>	<i>N/A</i>
BlackRock	4.40%	84	20.84%	31	N/A	N/A
<i>Russell 1000 Growth Index</i>	<i>6.03%</i>	<i>42</i>	<i>18.26%</i>	<i>56</i>	<i>N/A</i>	<i>N/A</i>
<i>Large Cap Composite</i>	<i>5.96%</i>	<i>54</i>	<i>16.08%</i>	<i>44</i>	<i>2.62%</i>	<i>55</i>
<i>Russell 1000 Index</i>	<i>6.24%</i>	<i>41</i>	<i>16.69%</i>	<i>39</i>	<i>2.98%</i>	<i>48</i>
Jennison Associates	9.15%	32	30.41%	13	11.10%	30
<i>Russell 2000 Index</i>	<i>7.94%</i>	<i>65</i>	<i>25.79%</i>	<i>66</i>	<i>8.56%</i>	<i>73</i>
The Boston Company	7.71%	43	18.50%	82	N/A	N/A
<i>Russell 2000 Value Index</i>	<i>6.60%</i>	<i>73</i>	<i>20.63%</i>	<i>67</i>	<i>N/A</i>	<i>N/A</i>
Chartwell Investment Partners	14.11%	6	36.82%	22	7.80%	83
<i>Russell 2000 Growth Index</i>	<i>9.24%</i>	<i>48</i>	<i>31.04%</i>	<i>52</i>	<i>10.16%</i>	<i>65</i>
<i>Small Cap Composite</i>	<i>10.06%</i>	<i>22</i>	<i>29.13%</i>	<i>39</i>	<i>6.61%</i>	<i>91</i>
<i>Russell 2000 Index</i>	<i>7.94%</i>	<i>65</i>	<i>25.79%</i>	<i>66</i>	<i>8.56%</i>	<i>73</i>
<i>U.S. Equity Composite</i>	<i>6.88%</i>	<i>46</i>	<i>18.80%</i>	<i>51</i>	<i>3.51%</i>	<i>62</i>
Artio Global Investors	2.19%	78	11.00%	69	-5.68%	96
<i>MSCI ACWI-ex US Growth Index</i>	<i>2.35%</i>	<i>76</i>	<i>15.06%</i>	<i>29</i>	<i>-0.75%</i>	<i>48</i>
Mondrian Investment Partners	3.79%	31	10.55%	77	-1.90%	66

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

<i>MSCI ACWI-ex US Value Index</i>	4.65%	13	12.10%	62	-0.06%	39
<i>International Equity Composite</i>	2.98%	61	10.77%	73	-3.78%	85
<i>MSCI ACWI-ex US Index Free</i>	3.49%	44	13.61%	43	-.038%	43
<i>Total Equity Composite</i>	5.69%	N/A	16.27%	N/A	1.26%	N/A

6.3 **Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement:** Mr. Clifton said that INVESCO is requesting approval for two amendments to the INVESCO Core Real Estate – U.S.A. Operating Agreement. The member consent form would approve (1) the conversion of the fund from a limited liability company to a limited partnership and (2) shorten the redemption period from 90 days to 45 days. If approved, the name of the fund would be changed from “INVESCO Core Real Estate – U.S.A., LLC” to “INVESCO Core Real Estate – U.S.A., LP”. INVESCO believes the changes will have no impact on current existing investors but will be beneficial to a category of potential investors to the fund, particularly non-U.S. clients. INVESCO Real Estate will be responsible for all costs related to the conversion of the fund.

**Motion** by Agnew, second by David, carried unanimously to recommend that the board authorize the board chair to execute the member consent form regarding the proposed changes.

Mr. Clifton introduced *SamCERA*'s newest employee, Colin Bishop, Retirement Communications Specialist, to the committee.

6.4 **Selection of Investment Manager Finalists for *SamCERA*'s Commodities Mandate:** John Nicolini of Strategic Investment Solutions presented SIS' recommended semi-finalists for the commodities manager search. Mr. Nicolini said that SIS received nine RFP responses for the commodities mandate. He then highlighted the main evaluation criteria of the responses. After SIS' review of the qualifications of the nine firms, Mr. Nicolini recommended that four of them be invited to present their capabilities at a future board meeting: (1) Gresham Investment Management: Enhanced Tangible Asset Program, (2) Cargill Risk Management: ProAlpha Index, (3) INVESCO: Balanced Risk Commodities and (4) State Street Global Advisors: Multisource Active Commodity Strategy. Mr. Nicolini then provided in-depth information on each of the four finalists and also briefly discussed the reasons the other firms should be removed from consideration. He then addressed trustees' questions and concerns.

**Motion** by Agnew, second by David, carried unanimously to recommend that the board select (1) Gresham Investment Management: Enhanced Tangible Asset Program, (2) Cargill Risk Management: ProAlpha Index, (3) INVESCO: Balanced Risk Commodities and (4) State Street Global Advisors: Multisource Active Commodity Strategy, as finalists for *SamCERA*'s Commodities mandate. The interviews will take place at *SamCERA*'s June board meeting.

6.5 **Approval of Action Regarding *SamCERA*'s International Equity Structure:** Mr. Clifton said that at the last board meeting, the trustees initiated a high level review of *SamCERA*'s international equity structure as a result of the board's concern regarding the performance of the fund's international equity manager and more specifically its international growth manager, Artio Global Investors. During the discussion, SIS noted that there would be a limited number of qualified international growth managers. Upon further discussion, staff determined that a more detailed review of the international structure may be warranted.

SIS provided a draft proposal for restructuring *SamCERA*'s international equity portfolio. Mr. Brody discussed SIS' proposed international equity structure. He said that an ACWI ex US manager may lack breadth and diversification in emerging markets and in many cases likely to hold mainly large cap names from larger markets. He discussed the pros and cons of implementing a pure emerging markets

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

strategy in addition to *SamCERA's* international growth and value equity structure. Mr. Brody reminded the board that *SamCERA's* international value manager, Mondrian, also has emerging markets exposure. SIS opined that the potential benefits of a dedicated emerging markets manager outweigh the disadvantages.

Mr. Brody also said that some SIS clients have changed their international benchmark from the ACWI ex US to the ACWI ex US IMI ("Investable Market Index"). SIS' recommends switching to the ACWI ex US IMI and making an explicit allocation to international small cap. SIS' proposed international equity structure would consist of 44% international value, 33% international growth, 10% international small cap and 13% dedicated emerging markets. The international value portfolio will also have emerging markets exposure.

**Motion** by David, second by Agnew, carried unanimously to recommend that the board adopt SIS's recommended international equity structure of 44% international value, 33% international growth, 10% international small cap and 13% emerging markets and adopting ACWI ex US IMI, an index inclusive of small cap, as the asset class benchmark.

6.6 **Review of *SamCERA's* Private Equity Program and Most Current Investment:** Mr. Clifton said that Faraz Shooshani of SIS will be present at the board meeting to review *SamCERA's* private equity program, including a new investment that focuses on Cleantech and IT startups. Documentation was executed and submitted prior to the fund's closing last week. However, Mr. Clifton reported that staff and SIS were notified that *SamCERA* was not included in the closing due to the fund's concern regarding a new SEC regulation limit on their ability to make political contributions. The private equity firm is located in San Mateo County. Further discussion regarding *SamCERA's* private equity program and this particular fund will be taken up at the full board meeting.

6.7 **Approval of Board Chair to Execute Alternative Investment Documentation:** Mr. Clifton said that this agenda item was a housekeeping measure and memorializes the board's actions. The board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved within the board's meeting schedule. The board opined that it is in the best interest of the fund for documents on alternative investment opportunities to be executed in a timely manner. Therefore, the board has routinely authorized the board chair to execute alternative investment documentation based upon review and approval of staff and counsel.

**Motion** by David, second by Agnew, carried unanimously to recommend that the board adopt the following resolution, formally delegating the authority required to facilitate the board's desire to timely execute documentation and take advantage of investment opportunities:

**"WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**"WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund."*; and

**"WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *"... in connection with administration of the Board's investment program ..."*; and

**"WHEREAS**, in August, 2010, the Board completed an asset-liability study, which designated 20.0% of the total portfolio to be allocated to alternative investments; and

**"WHEREAS**, the Board's agreement with Strategic Investment Solutions (SIS) delegates to SIS

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

discretion to source private equity investments; and

“**WHEREAS**, the Board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved in the Board’s meeting schedule and often would not allow for the board to notice a meeting and approve the documentation and further that it is in the best interest of the fund for such documents to be executed in a timely manner; Therefore, be it

“**RESOLVED** that the Board hereby delegates to staff and legal counsel full discretionary authority for all tasks relevant to the approval of documents necessary to effectuate the alternative investment. Be it further

“**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the chief executive officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

“**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.”

7.0 **Other Business:** None.

8.0 **Chief Investment Officer’s Report:** Mr. Clifton reported that BlackRock will buy out the remaining stake that Bank of America Corp. holds in the firm. As a founding investor and member of the Invesco advisory committee for the Invesco Core Fund, Mr. Clifton provided an update on a matter regarding a potential real estate co-investment with one of Invesco’s sovereign fund investors.

9.0 **Adjournment:** There being no further business, Mr. Bowler adjourned the committee at 11:23 a.m.

BENEDICT J. BOWLER, INVESTMENT COMMITTEE CHAIR



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

June 21, 2011

Agenda Item 3.0

**May 24, 2011 – Board Agenda**

**PUBLIC SESSION** – The Board will meet in Public Session at 1 p.m.

1. Call to Order and Roll Call
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

(Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)

  - Disability Retirements
    - Liz Cervantes
    - Cathleen O'Brien
    - Neal Ferguson
  - Service Retirements
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers
5. Benefit & Actuarial Services
  - 5.1 Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda
6. Investment Services
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Quarterly Investment Performance Analysis for Period Ended March 31, 2011
  - 6.3 Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement
  - 6.4 Selection of Investment Manager Finalists for *SamCERA*'s Commodities Mandate
  - 6.5 Approval of Action Regarding *SamCERA*'s International Equity Structure
  - 6.6 Review of *SamCERA*'s Private Equity Program and Most Current Investment
  - 6.7 Approval of Board Chair to Execute Alternative Investment Documentation
7. Board & Management Support Services
  - 7.1 Monthly Financial Report
  - 7.2 Approval of Contribution Rates for Newly Adopted Tiers
  - 7.3 Approval of Actuarial Audit Services Provider and Contract for Actuarial Audit Services
  - 7.4 Educational Presentation - Actuarial Audit Process
  - 7.5 Consideration and Adoption of Assumptions for June 30, 2011, Actuarial Valuation
  - 7.6 Acceptance of Report Regarding the Acquisition of Fiduciary Insurance Policy
  - 7.7 Approval of *SamCERA*'s Strategic Plan
  - 7.8 Approval of *SamCERA*'s Sources, Uses & Budget for Fiscal Year 2011/2012
  - 7.9 Approval to Reschedule the June 28<sup>th</sup> Board Meeting to June 21<sup>st</sup>
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 County Counsel's Report

**CLOSED SESSION** – The board will meet in closed session prior to adjournment

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
9. Report on Actions Taken in Closed Session
10. Adjournment

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

**May 24, 2011 – Board Minutes**

1105.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m., May 24, 2011, in SamCERA's Board Room, 100 Marine Parkway, Suite 125, Redwood Shores, California.

**Roll Call:** Ms. Arnott, Ms. Agnew, Mr. Bowler, Mr. David, Mr. Murphy for Mr. Hackleman, Ms. Kwan Lloyd, Mr. Spinello and Mr. Tashman. *Other Board Members in Attendance:* Ms. Salas. *Staff:* Mr. Bailey, Mr. Hood, Ms. Dames, Mr. Clifton, Ms. Wong, Ms. LeBlanc, Ms. Smith and Mr. Bishop. *Consultants:* Ms. Carlson, Dr. Fracchia, Mr. Brody, Mr. Nicolini and Mr. Thomas. *Retirees:* 0, *Public:* 2.

1105.2.1 **Oral Communications From the Board:** Ms. Arnott reported that she attended the SACRS Spring 2011 Conference and found it informative. Ms. Agnew also attended the SACRS conference and found the event worthwhile. Mr. Spinello reported that he attended the Wharton Investment Strategies and Portfolio Management program. He said the course was very educational and informative.

1105.2.2 **Oral Communications From the Public:** None.

Mr. David then took up agenda item 7.4.

1105.3 **Approval of the Minutes: Motion** by Spinello, second by Kwan Lloyd, carried unanimously to approve the minutes from the April 25 and 26, 2011, board meetings, as submitted.

Mr. David then took up agenda item 6.6

1105.4 **Approval of the Consent Agenda:** Mr. David pulled the disability application of Neal Ferguson from the day's consent agenda to be taken into consideration at a future board meeting per the member's request. Mr. David also pulled the disability application of Liz Cervantes from the day's consent agenda to be taken under consideration under agenda item 5.1 in closed session.

**Motion** by Tashman, second by Spinello, carried unanimously to adopt the day's consent agenda, as amended, as follows:

**Disability Retirements:**

The board approved and adopted the proposed findings and the recommendation of the Hearing Officer, George Carmerlengo, found **Cathleen O'Brien** disabled from performing her usual and customary duties as a Deputy Public Administrator, found that her disability is service-connected and **granted** her application for a service-connected disability retirement.

**Service Retirements:**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Choy, Eugene	March 3, 2011	TNV from Health Services
Werner, Hans	March 3, 2011	Deferred from Human Services Agency
Patla, Robert	March 12, 2011	Behavioral Health
Kerrigan, Kelly	March 14, 2011	QDRO of John Beall
Stone, Louisa	March 15, 2011	Deferred from Behavioral Health

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

Botha-Harvey, Gillian	March 17, 2011	Deferred from San Mateo Medical
Dragonryder, Mary Lou	March 19, 2011	Superior Court
Gomes, John	March 19, 2011	Public Works
Gray, Irene	March 19, 2011	Superior Court
Murphy, Michael	March 20, 2011	County Counsel
Sugano, Brian	March 21, 2011	Deferred from Information Services
Paulin, Thomas	March 26, 2011	District Attorney
Spangler, Linda	March 26, 2011	San Mateo Medical Center
Calderhead, Charles	March 29, 2011	Sheriff's Office
McGlynn, Debora	March 29, 2011	Public Safety Commission
Belmont, Robert	March 30, 2011	Sheriff's Office
Burkhart, Timothy	March 31, 2011	Parks Department
Burkhart, Vilma	March 31, 2011	Superior Court
Charbakshi, Stella	March 31, 2011	Information Services
Colombet, Janet	March 31, 2011	Sheriff's Office
Dupre, Steve	March 31, 2011	Information Services
Gallant, Sharon	March 31, 2011	Superior Court
Li, Maria	March 31, 2011	Public Health
Loo, Rebecca	March 31, 2011	Superior Court
Luisotti, Kathleen	March 31, 2011	Information Services
MacDonald, Joanne	March 31, 2011	Public Health
Webb, Mary	March 31, 2011	San Mateo Medical Center
Bean, Roderick	April 1, 2011	Behavioral Health
Brown, Catherine	April 1, 2011	Behavioral Health
Butts, Georganna	April 1, 2011	Assessor
Cruz, Mel	April 1, 2011	Retirement
Estrada, Luz	April 1, 2011	San Mateo Medical Center
Good, Richard	April 1, 2011	District Attorney
Guidotti, Michael	April 1, 2011	Sheriff's Office
Lawson, Paula	April 1, 2011	San Mateo Medical Center
Lilles, Leonardo	April 1, 2011	Treasurer
Martin, Virginia	April 1, 2011	San Mateo Medical Center
Mills, Virginia	April 1, 2011	San Mateo Medical Center
Ratcliffe, James	April 1, 2011	Sheriff's Office
Swanson, Ruth	April 1, 2011	Human Services Agency
Tremaine, Laurel	April 1, 2011	Aging & Adult Services
Ventura, Shirley	April 1, 2011	Public Health
Weaver-Fritz, Lynn	April 1, 2011	Deferred from Parks Dept.
Wise, John	April 1, 2011	Public Works

**Continuance of Benefits:**

**Member Name**

Brumm, Judith  
 Ferrando, Orlene  
 Gagliani, Clarence  
 Gomes, Donald  
 Lamb, Marguerite  
 Llantino, Jovita  
 Lombardo, Joseph

**Beneficiary of:**

Brumm, Brian  
 Ferrando, Richard  
 Gagliani, Josephine  
 Gomes, Eltha  
 Lamb, Richard  
 Llantino, Adriano  
 Lombardo, Grace

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

Unger, William

Unger, Elsa

**Deferred Retirements:**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Orbeta, Jorge	G4-vested
Slone, Fred	G4-vested
Lopez, Visnja	G4 Non-vested Reciprocity
Wiggins, Vanessa	G4 Non-vested Reciprocity

**Member Account Refunds:**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Garcia, Kristoffer	G4 Non-vested
Sandoval, Lilia	G2 Non-vested

**Member Account Rollovers:**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Carlsen, Erika	Ben of Reeves, Claire
Joaquin, John	G4 Non-vested
Robles, Erwin	G2 Non-vested
Stevens, Gary	G4 Non-vested
Talkoff, Karla	G2 Vested

1105.5 **Benefit & Actuarial Services**

1105.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:** See agenda item 9.0.

1105.6 **Investment Services**

1105.6.1 **Monthly Portfolio Performance Report:** Mr. Clifton reported that *SamCERA's* 2.72% Total Fund Return for the month slightly underperformed the Total Plan Policy Benchmark return of 2.85%. The fund's return for the trailing twelve months and twenty-four months are 16.00% and 21.68% respectively. The twelve-month period is 825 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 72 basis points behind *SamCERA's* Total Plan Policy Benchmark of 16.72%. As a reminder, Mr. Clifton said that *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, the aforementioned numbers do not reflect the performance of all portfolios in April. Performance for Angelo Gordon's PPIP and AQR's risk parity were unavailable as of the day of the board meeting.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
<i>Domestic Equity</i>	<i>\$1,021,740,323</i>	2.89%	19.47%	1.95%
<i>International Equity</i>	<u><i>471,202,944</i></u>	5.26%	17.59%	2.16%
Total Equity	1,492,943,267	3.62%	18.89%	1.98%
Private Equity	1,555,000	0.00%	N/A	N/A
Risk Parity	140,894,740	0.00%	N/A	N/A

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

Fixed Income	592,111,480	1.75%	10.00%	6.60%
Real Estate Aggregate	126,673,968	0.00%	20.84%	0.15%
Cash Equivalents	8,331,320	0.08%	1.07%	1.62%
<b>TOTAL FUND</b>	<b>\$2,362,509,775</b>	<b>2.72%</b>	<b>16.00%</b>	<b>3.33%</b>
<i>Benchmark</i>		2.85%	16.72%	4.77%

\* Total Time-Weighted Rate of Return

1105.6.2 **Quarterly Investment Performance Analysis for Period Ended March 31, 2011:** Mr. Thomas and Mr. Brody of Strategic Investment Solutions performed a brief overview of the quarterly investment performance report for the period ended March 31, 2011. Mr. Clifton said that SIS performed a thorough presentation of the report at the investment committee meeting. The composite fund returned 4.5% in the first quarter of 2011 and ranked 23<sup>rd</sup> among other public funds greater than \$100 million (median of 4.1%). It beat the policy index return of 4.3%. The one year return of 14.5% was behind the policy index return of 15.0% and ranked in the 37<sup>th</sup> percentile of the universe. Longer term, the three- and five-year returns of 2.6% (81<sup>st</sup> percentile) and 3.1% (94<sup>th</sup> percentile), respectively, were below median among large public plans (3.7% and 4.4%).

1105.6.3 **Proposed Changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement:** Mr. Clifton said that INVESCO is requesting approval for two amendments to the INVESCO Core Real Estate – U.S.A. Operating Agreement. The member consent form would approve (1) the conversion of the fund from a limited liability company to a limited partnership and (2) shorten the redemption period from 90 days to 45 days. If approved, the name of the fund would be changed from “INVESCO Core Real Estate – U.S.A., LLC” to “INVESCO Core Real Estate – U.S.A., LP”. INVESCO believes the changes will have no impact on current existing investors but will be beneficial to a category of potential investors to the fund, particularly non-U.S. clients. INVESCO Real Estate will be responsible for all costs related to the conversion of the fund.

**Motion** by Bowler, second by Arnott, carried unanimously to authorize the board chair to execute the member consent form regarding the proposed changes to the INVESCO Core Real Estate – U.S.A. Operating Agreement.

Mr. David then took up agenda item 8.4.

1105.6.4 **Selection of Investment Manager Finalists for SamCERA’s Commodities Mandate:** John Nicolini of Strategic Investment Solutions presented SIS’ recommended semi-finalists for the commodities manager search. Mr. Nicolini said that SIS received nine RFP responses for the commodities mandate. He then highlighted the main evaluation criteria of the responses. After SIS’ review of the qualifications of the nine firms, Mr. Nicolini recommended that four of them be invited to present their capabilities at the board meeting: (1) Gresham Investment Management: Enhanced Tangible Asset Program, (2) Cargill Risk Management: ProAlpha Index, (3) INVESCO: Balanced Risk Commodities and (4) State Street Global Advisors: Multisource Active Commodity Strategy. Mr. Nicolini then gave a brief overview of the four finalists.

A detailed discussion regarding the commodities search criteria and SIS’ evaluation of all nine responses was conducted at the investment committee meeting. Mr. Clifton reported that the committee unanimously recommended that the board approve SIS’ recommended list of finalists.

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

**Motion** by Murphy, second by Kwan Lloyd, carried unanimously to accept the investment committee's recommendation and select (1) Gresham Investment Management: Enhanced Tangible Asset Program, (2) Cargill Risk Management: ProAlpha Index, (3) INVESCO: Balanced Risk Commodities and (4) State Street Global Advisors: Multisource Active Commodity Strategy, as finalists for *SamCERA's* Commodities mandate. The interviews will take place at *SamCERA's* June board meeting.

1105.6.5 **Approval of Action Regarding *SamCERA's* International Equity Structure:** Mr. Clifton said that at the last board meeting, the trustees initiated a high level review of *SamCERA's* international equity structure as a result of the board's concern regarding the performance of the fund's international equity portfolio and more specifically its international growth manager, Artio Global Investors. During the discussion, SIS noted that there would be a limited number of qualified international growth managers. Upon further discussion, staff determined that a more detailed review of the international structure may be warranted.

SIS provided a draft proposal for restructuring *SamCERA's* international equity portfolio. Mr. Brody discussed SIS' proposed international equity structure. He said that an ACWI ex US manager may lack breadth and diversification in emerging markets and in many cases is likely to hold mainly large cap names from larger markets. He discussed the pros and cons of implementing a pure emerging markets strategy in addition to *SamCERA's* international growth and value equity structure. Mr. Brody reminded the board that *SamCERA's* international value manager, Mondrian, also has emerging markets exposure. SIS opined that the potential benefits of a dedicated emerging markets manager outweigh the disadvantages. In response to a question from Ms. Agnew, Mr. Brody said that the pure emerging markets manager will also include frontier markets.

Mr. Brody also said that some SIS clients have changed their international benchmark from the ACWI ex US to the ACWI ex US IMI ("Investable Market Index"). SIS' recommends switching to the ACWI ex US IMI and making an explicit allocation to international small cap. SIS' proposed international equity structure would consist of 44% international value, 33% international growth, 10% international small cap and 13% dedicated emerging markets. The international value portfolio will also have emerging markets exposure.

Mr. Thomas said that the recommended change to *SamCERA's* international structure is irrespective of Artio Global's underperformance. He said it is a structure that SIS is also recommending to its other clients. Mr. Clifton reported that the investment committee unanimously recommended that the board adopt SIS' proposed international structure and to direct staff and consultant to initiate the required searches. In response to a question from Ms. Agnew, Mr. Thomas said that Artio Global Investors should be reconsidered at the finals of the international growth manager search.

**Motion** by Murphy, second by Spinello, carried unanimously to adopt SIS' recommended international equity structure of 44% international value, 33% international growth, 10% international small cap and 13% emerging markets and adopting ACWI ex US IMI, an index inclusive of small cap, as the asset class benchmark, and to initiate the required manager searches.

1105.6.6 **Review of *SamCERA's* Private Equity Program and Most Current Investment:** Mr.

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

Shooshani of Strategic Investment Solutions was present to review *SamCERA*'s private equity program. He reminded the board of the original implementation strategy and road map schedule. He then discussed each of *SamCERA*'s three current private equity investments (Sheridan Production Partners II, ABRY Partners VII, and ABRY Advanced Securities Fund II) and each firm's fit in *SamCERA*'s overall private equity structure. Mr. Shooshani then said that SIS recommended a fourth private equity fund opportunity to *SamCERA* and that the documentation had been executed and submitted for the fund's closing the previous week. The private equity fund focuses on CleanTech and IT startups. He then discussed the fund's investment thesis, management, and pros and cons of the strategy.

Mr. Shooshani notified the board that three days before, the fund's lawyers notified staff and SIS that *SamCERA* was not included in the fund's closing. They cite that the issue is with the new SEC regulations limit on their firm's ability to make political contributions if they accept monies from public entities where public officials they may directly or indirectly support could have influence. The private equity firm is located in San Mateo County. The fund's lawyers said they will attempt to find an acceptable solution to the issue.

Mr. David then took up agenda item 7.6.

1105.6.7 **Approval of Board Chair to Execute Alternative Investment Documentation:** Mr. Clifton said that this agenda item was a housekeeping measure and memorializes the board's actions. The board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved within the board's meeting schedule. The board opined that it is in the best interest of the fund for documents on alternative investment opportunities to be executed in a timely manner. Therefore, the board has routinely authorized the board chair to execute alternative investment documentation based upon review and approval of staff and counsel.

**Motion** by Murphy, second by Agnew, carried unanimously to adopt **Resolution 10-11-21**, formally delegating the authorities required to facilitate the board's desire to timely execute documentation and take advantage of investment opportunities, as follows:

**"WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**"WHEREAS**, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

**"WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and

**"WHEREAS**, in August, 2010, the Board completed an asset-liability study, which designated 20.0% of the total portfolio to be allocated to alternative investments; and

**"WHEREAS**, the Board's agreement with Strategic Investment Solutions (SIS) delegates to SIS discretion to source private equity investments; and

**"WHEREAS**, the Board has determined that the time between sourcing alternative investments and the need to execute a commitment, including all documentation, cannot be achieved in the Board's meeting schedule and often would not allow for the board to notice a meeting and approve the documentation and further that it is in the best

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

interest of the fund for such documents to be executed in a timely manner; Therefore, be it

“**RESOLVED** that the Board hereby delegates to staff and legal counsel full discretionary authority for all tasks relevant to the approval of documents necessary to effectuate the alternative investment. Be it further

“**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the chief executive officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

“**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.”

1105.7 **Board & Management Support Services**

1105.7.1 **Monthly Financial Report:** Mr. Clifton reported that *SamCERA*'s Net Assets Held in Trust for Pension Benefits as of April 30, 2011, totaled \$2,359,079,088. Net assets held in trust for pension benefits increased by approximately \$50.5 million, month over month. The increase is primarily due to an appreciation in assets.

1105.7.2 **Approval of Contribution Rates for Newly Adopted Tiers:** Mr. Bailey reported that the county has approved agreements with bargaining units representing the vast majority of its employees. These agreements include changes to benefit formulas and place additional contribution requirements on employees. Nearly all the retirement benefit and contribution changes will be only for those employees hired on or after July 10, 2011.

Mr. Bailey said that the board accepted the Fiscal Year 2011-2012 contribution rates for current employees at its September 2010 meeting. He then presented a memo from Milliman, detailing the recommended contribution rates to be applied for members of the new plans.

Mr. Bailey reported that some unions representing smaller groups of employees have yet to reach agreement. In the event that inconsistent benefit formulas or other changes are negotiated, staff will return to the board for acceptance of additional contribution rates.

**Motion** by Spinello, second by Bowler, carried unanimously to adopt **Resolution 10-11-23**, approving the Fiscal Year 2011-2012 contribution rates for the newly adopted benefit plans, as follows:

“**WHEREAS**, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board shall "... *recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...*;" and

“**WHEREAS**, the County of San Mateo and its bargaining units have entered into agreements to make certain benefit formulas and contribution options of the 1937 Act effective



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

for new employees hired on or after June 10, 2011, or when administratively feasible if later, and

“**WHEREAS**, these agreements create additional plans of benefits and contributions that differ from the benefit and contribution plans in effect for the County and its employees hired prior to the effective hiring date of these new plans, and

“**WHEREAS**, contribution rates should be consistent with the actuarial assumptions regarding the accrual of benefits and assets, and

“**WHEREAS**, the Board has received the recommended employer and employee contribution rates for members hired on or after the effective date of the new plans from its actuarial firm, Milliman, Inc., and

“**WHEREAS**, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund.

*Therefore, be it*

“**RESOLVED** that the Board hereby accepts the employer and employee contribution rates as set forth below for the specified plans and entry ages for the fiscal year 2011-2012;

*Be it further*

“**RESOLVED** that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended contribution rates for the county of San Mateo and the member contribution rates for members of General Member Plan 5, Safety/non-PDA Plan 5, PDA Plan 5 and PDA Plan 6 for employee members of the County of San Mateo hired on or after July 10, 2011, or the date administratively feasible if later, in accordance with tables and exhibits set forth in the attached letter dated May 18, 2011, from Nick Collier, Consulting Actuary, Milliman, Inc., to David Bailey, Chief Executive Officer, San Mateo County Employees Retirement Association;

*Be it further*

“**RESOLVED** that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation.”

1105.7.3 **Approval of Actuarial Audit Services Provider and Contract for Actuarial Audit Services:** Mr. Clifton said that staff issued a Request of Proposal to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the board’s actuary. The last actuarial audit was performed in 2005. The RFP was sent to seven actuarial firms. Mr. Clifton reported that *SamCERA* received five responses and that the Audit Committee evaluated these responses on May 5<sup>th</sup>. He said the committee decided unanimously to recommend to the board that *SamCERA* engage The Segal Company for actuarial audit services.

**Motion** by Spinello, second by Agnew, carried unanimously to adopt **Resolution 10-11-22**, approving selecting The Segal Company to perform an actuarial audit of the June 30, 2011, Triennial Experience Study and Actuarial Valuation Report compiled by Milliman, as follows:

“**WHEREAS**, Article XVI, §17 (e) of the Constitution of the State of California vests the Board with “*The sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the...system*”; and

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

“**WHEREAS**, Government Code §31453 requires periodic valuations of *SamCERA*'s actuarial soundness and §31596.1(a) provides for the payment of “*the costs, as approved by the Board, of actuarial valuations and services rendered pursuant to §31453*”; and

“**WHEREAS**, on March 29, 2011, the Board opined it is prudent to issue a Request for Proposal to conduct an independent audit to validate the appropriateness of the actuarial assumptions and methodologies employed by the Board's actuary; and.

“**WHEREAS**, CHEIRON, EFI Actuaries, Gabriel, Roeder, Smith & Co. and The Segal Company responded to the RFP; and

“**WHEREAS**, the Board opined that The Segal Company best met the criteria of the Request for Proposal. Now, therefore, be it

“**RESOLVED**, that the Board hereby approves the fees as specified in the contract and authorizes the disbursement of funds as provided for in GC§31596.1 in accordance with *SamCERA*'s internal controls. Be it further

“**RESOLVED**, that the Board hereby authorizes the Chair, to execute the contract on behalf of the Board. Be it further

“**RESOLVED**, that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the contract and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the contract.”

1105.7.4 **Educational Presentation - Actuarial Audit Process:** Mr. Clifton introduced Paul Angelo and Andy Yeung of The Segal Company. Mr. Angelo and Mr. Yeung provided an educational presentation on the actuarial audit process. They discussed the Segal team members that will be engaged in the audit, the firm's 1937 Act experience, the services they will perform for *SamCERA* and an outline of the audit process. Mr. Angelo also discussed variations in actuarial methods and results that the firm has encountered when performing actuarial audits for other systems. Mr. Angelo then reviewed the possible actions the board may make once the audit has been completed and dependent on audit findings.

Mr. Bailey then introduced *SamCERA*'s newest employee, Colin Bishop, Retirement Communications Specialist.

Mr. David then took up agenda item 4.0.

1105.7.5 **Consideration and Adoption of Assumptions for June 30, 2011, Actuarial Valuation:** Mr. Bailey presented a memo from Nick Collier of Milliman, Inc. previewing the assumptions to be used in the June 30, 2011, actuarial valuation and experience study. Mr. Collier had presented these assumptions to the board at *SamCERA*'s board/staff retreat in April. In the memo, Mr. Collier provided a brief summary of his discussion with the board regarding economic assumptions from that meeting. The final assumptions will come before the board for adoption at the July board meeting. This report was informational.

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

- 1105.7.6 **Acceptance of Report Regarding the Acquisition of Fiduciary Insurance Policy:** Scott Johnson, County Risk Manager, was present to conduct a presentation on fiduciary liability insurance and its role in indemnifying the retirement fund from bearing the cost of potential litigation. Staff, with the assistance from Mr. Johnson, solicited a proposed renewal of *SamCERA's* current fiduciary liability insurance. Staff accepted the proposed insurance coverage with the holder of its current policy with a resultant savings of approximately \$5,000. The insurance will be in effect from May 27, 2011, until May 27, 2012. Mr. Clifton said that in order to purchase a fiduciary liability insurance waiver of recourse, trustees must submit a check in the amount of twenty-five dollars to *SamCERA*.

Mr. David then took up agenda item 6.1.

- 1105.7.7 **Approval of *SamCERA's* Strategic Plan:** Mr. Bailey reviewed *SamCERA's* Fiscal Year 2011-2012 Strategic Plan with trustees. The Strategic Plan is a result of *SamCERA's* strategic planning process in which each *SamCERA* staff member helps develop the plan through his or her input at its annual retreat. Staff identifies, prioritizes and plans for projects in order to achieve the board-established mission and goals for the association. Mr. Bailey then discussed the major projects for the upcoming fiscal year, including building out the fund's alternatives portfolio, taking the next steps to upgrade *SamCERA's* core technologies, and developing a Comprehensive Communications Plan. He said that *SamCERA* management discusses and monitors the status of projects listed on the Strategic Plan on a regular basis.

**Motion** by Tashman, second by Kwan Lloyd, carried unanimously to approve *SamCERA's* Fiscal Year 2011-2012 Strategic Plan.

- 1105.7.8 **Approval of *SamCERA's* Sources, Uses & Budget for Fiscal Year 2011/2012:** Mr. Clifton presented *SamCERA's* Budgets for Fiscal Year 2011/2012. He said that there are four independent components to next fiscal year's budget: (1) an administrative budget and (2) an information technology budget authorized by Government Code §31580.2, and (3) an asset management budget and (4) a professional services budget authorized by Government Code §31596.1. Recently approved state legislation states that administrative expenses should not exceed twenty-one basis points of the accrued actuarial liability of the retirement system and excludes information technology expenses from the administrative cap. He discussed the line items of all four budgets and answered trustees questions and concerns.

**Motion** by Spinello, second by Arnott, carried unanimously to adopt **Resolution 10-11-24**, *SamCERA's* FY2011-2012 Administrative Budget, **Resolution 10-11-25**, *SamCERA's* FY2011-2012 Information Technology Budget, and **Resolution 10-11-26**, *SamCERA's* FY2011-2012 Asset Management Budget, as follows:

**Fiscal Year 2011-2012 Administrative Budget**

**“WHEREAS**, Government Code §31580.2 vests authority in the Board of Retirement to *...annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund*; and

**“WHEREAS**, Government Code §31580.2 requires that ... (a) *In counties in which the board of retirement, or the board of retirement and the board of investment, have appointed personnel pursuant to Section 31522.1, 31522.5, or 31522.7, the respective board or*

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

*boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed the greater of either of the following: (1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system. (2) Two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5 (commencing with Section 31870). (b) Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of this section.*

“**WHEREAS**, the retirement fund had Actuarial Accrued Liabilities of \$3,098,453,000 on June 30, 2010; and

“**WHEREAS**, the Chief Executive Officer has recommended an administrative budget for the next fiscal year, which the board has reviewed and revised as necessary. Therefore, be it

“**RESOLVED**, that the Board hereby adopts the following Budget to cover the entire expense of the administration of the retirement system for the period specified, which expenses shall be charged against the earnings of the retirement fund:

<u>Budget Item</u>	<u>Fiscal 2011-2012</u> (000)	<u>Basis Points</u>
Salaries & Benefits	\$2,897.0	
Services & Supplies	1,062.0	
Capital Assets	0.0	
<b>Total</b>	<b>\$3,959.0</b>	<b>~12.8 bps Estimate</b>

“**RESOLVED**, that the Chief Executive Officer is hereby authorized to implement the expenditure of funds authorized by this approved budget in accordance with his Delegation of Authority; be it further

“**RESOLVED**, that, his Delegation of Authority notwithstanding, the Chief Executive Officer is hereby specifically authorized to approve the expenditure of funds from this budget for the purchase of fiduciary liability insurance coverage with the assistance of the County’s Risk Manager; be it further

“**RESOLVED**, that the Controller or the Custodian is hereby authorized to disburse funds on behalf of the Board for expenditures which are in accordance with this adopted budget.”

**Fiscal Year 2011-2012 Information Technology Budget**

“**WHEREAS**, Government Code §31580.2 vests authority in the Board of Retirement to *...annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund*; and

“**WHEREAS**, Government Code §31580.2 requires that ... (a) *In counties in which the board of retirement, or the board of retirement and the board of investment, have appointed*

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

*personnel pursuant to Section 31522.1, 31522.5, or 31522.7, the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed the greater of either of the following: (1) Twenty-one hundredths of 1 percent of the accrued actuarial liability of the retirement system. (2) Two million dollars (\$2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5 (commencing with Section 31870). (b) Expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of this section.*

“**WHEREAS**, the retirement fund had Actuarial Accrued Liabilities of \$3,098,453,000 on June 30, 2010; and

“**WHEREAS**, the Chief Executive Officer has recommended an administrative budget for the next fiscal year, which the board has reviewed and revised as necessary. Therefore, be it

“**RESOLVED**, that the Board hereby adopts the following Budget to cover the entire expense of computer software, computer hardware, and computer technology consulting services in support of these computer products for the retirement system for the period specified, which expenses shall be charged against the earnings of the retirement fund:

<u><b>Budget Item</b></u>	<u><b>Fiscal 2011-2012</b></u> (000)	<u><b>Basis Points</b></u>
<b>Salaries &amp; Benefits</b>	<b>\$000.0</b>	
<b>Services &amp; Supplies</b>	<b>1,866.0</b>	
<b>Capital Assets</b>	<b>0.0</b>	
<b>Total</b>	<b>\$1,866.0</b>	<b>~6.0 bps Estimate</b>

“**RESOLVED**, that the Chief Executive Officer is hereby authorized to implement the expenditure of funds authorized by this approved budget in accordance with his Delegation of Authority; be it further

“**RESOLVED**, that, his Delegation of Authority notwithstanding, the Chief Executive Officer is hereby specifically authorized to approve the expenditure of funds from this budget for the annual maintenance and enhancement of PensionGold Version 1; be it further

“**RESOLVED**, that, his Delegation of Authority notwithstanding, the Chief Executive Officer is hereby specifically authorized to approve the expenditure of funds from this budget for the purchase of fiduciary liability insurance coverage with the assistance of the County’s Risk Manager; be it further

“**RESOLVED**, that the Controller or the Custodian is hereby authorized to disburse funds on behalf of the Board for expenditures which are in accordance with this adopted Budget.”

**Fiscal Year 2011-2012 Asset Management Budget**

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

“**WHEREAS**, Government Code §31595 vests authority in the Board of Retirement to . . . *exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board. The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. (b) With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims. (c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so; and*

“**WHEREAS**, Government Code §31596.1 requires that . . . *The expenses of investing its moneys shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board: (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to Section 31453. (b) The compensation of any bank or trust company performing custodial services. (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages. (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties. (e) The compensation to an attorney for services rendered pursuant to Section 31607 or legal representation rendered pursuant to Section 31529.1.; and*

“**WHEREAS**, the retirement fund had Actuarial Accrued Liabilities of \$3,098,453,000 on June 30, 2010; and

“**WHEREAS**, the Chief Executive Officer has recommended a budget for the next fiscal year, which the board has reviewed and revised as necessary. Therefore, be it

“**RESOLVED**, that the Board hereby adopts the following Budget to cover the expense of asset management of the retirement system for the period specified, which expenses shall be charged against the earnings of the retirement fund:

<u>Budget Item</u>	<u>Fiscal 2011-2012</u>	<u>Basis Points</u>
	(000)	
Salaries & Benefits	\$564.0	

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

Services & Supplies	211.2	
Capital Assets	<u>0.0</u>	
<b>Total</b>	<b>\$775.2</b>	<b>~2.5 bps Estimate</b>

“**RESOLVED**, that the Chief Executive Officer is hereby authorized to implement the expenditure of funds authorized by this approved budget in accordance with his Delegation of Authority; be it further

“**RESOLVED**, that the Controller or the Custodian is hereby authorized to disburse funds on behalf of the Board for expenditures which are in accordance with this adopted Budget.”

1105.7.9 **Approval to Reschedule the June 28<sup>th</sup> Board Meeting to June 21<sup>st</sup>:** Mr. Bailey said that staff is asking that the board change the date of the June 2011 meeting of the Board of Retirement to June 21<sup>st</sup>. The change is requested because of a scheduling conflict. **Motion** by Spinello, second by Agnew, carried unanimously to change the date of the June 2011 board meeting from June 28<sup>th</sup> to June 21<sup>st</sup>.

1105.8 **Management Reports**

1105.8.1 **Chief Executive Officer’s Report:** Mr. Bailey said that he was notified that the Board of Supervisors has recommended a candidate for the vacant seat on the Board of Retirement. She is anticipated to be able to attend the June board meeting. Mr. Bailey said there is a new reimbursement form uploaded to Dropbox now available for trustees to download.

1105.8.2 **Assistant Executive Officer’s Report:** Mr. Hood said that *SamCERA* needs to make programming changes to PensionGold as a result of the retirement structure changes approved with recent union negotiations. Some union negotiations are still ongoing. Mr. Hood then said that the construction of the new *SamCERA* board room has been delayed slightly but should be ready by the July board meeting.

1105.8.3 **Chief Investment Officer’s Report:** Mr. Clifton reported that BlackRock will buy out the remaining stake that Bank of America Corp. holds in the firm. As a founding investor and member of the INVESCO advisory committee for the INVESCO Core Fund, Mr. Clifton provided an update on a matter regarding a potential real estate co-investment with one of INVESCO’s sovereign fund investors.

1105.8.4 **County Counsel's Report:** Ms. Carlson provided an update on a previous public records request for names of retirees and their pension amounts, which *SamCERA* complied with. She said that in cases involving other counties, courts have consistently ruled that the information requested is, in fact, a matter of public record and must be released. Ventura and San Bernardino counties were affected by this as part of the litigation.

Ms. Carlson then distributed the language from the Brown Act that authorizes the use of teleconferences for public meetings. She discussed the requirements for teleconferencing set forth by the government section code. She said the restrictions and requirements apply to all standing committees.

Mr. David then took up agenda item 6.4

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

1105.9 **Report on Actions Taken in Closed Session:** Dan Maguire of Spector Roseman Kodroff & Willis reported that Mr. David took the board meeting into closed session, with all trustees present for roll call in attendance. The disability applicant, Ms. Cervantes, and her attorney, were also present. Ms. Carlson, Chief Deputy County Counsel, was not present for the consideration of this disability application.

The board unanimously found that **Liz Cervantes** is not disabled from performing her usual and customary duties as a Legal Secretary II and **denied** her application for a service-connected disability retirement.

Mr. David then adjourned the closed session and took up agenda item 7.4.

1105.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 4:34 p.m., in memory of the following deceased members:

Llantino, Adriano	April 1, 2011	Aging & Adult Services
Unger, Elsa	April 1, 2011	Superior Court
Ferrando, Richard	April 3, 2011	Superior Court
Brumm, Brian	April 6, 2011	Environmental Health Services
Pizarro, Dorothy	April 6, 2011	General Services
Darrough, Mary	April 16, 2011	District Attorney's Office
Irwin, Winifred	April 16, 2011	Probation Dept.
Leija, Dolores	April 20, 2011	San Mateo Medical Center
Corning, Melba	April 22, 2011	Beneficiary of Corning, Betram
Mendiola, Guadalupe	April 22, 2011	Beneficiary of Mendiola, Lorenzo
Crenshaw, Barbara	April 23, 2011	Probation Dept.
Birchess, Bernice	April 28, 2011	Mental Health
Newton, Mildred	April 30, 2011	San Mateo Medical Center

AL DAVID, CHAIR



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

June 21, 2011

Agenda Item 4.0 (a)

To: Board of Retirement  
From: Gladys Smith, Retirement Benefits Manager  
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**

Staff recommends that the Board grant the request for non-service connected disability retirement (**per Regulation 5.2 Death of member prior to completion of application process**) for the purpose of establishing a continuance to Shen Kao, spouse of deceased member, **Rose Kao**.

**Service Retirements**

1. Staff recommends that the Board grant the request for a service retirement (**per Regulation 5.2 Death of member prior to completion of the application process**) for the purpose of establishing a continuance to Susan Beaulien, spouse of deceased Plan 3 member, **Edward Lusnich**.
2. The Board ratifies the actions as listed below for the following members regarding service retirements:

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Lima, Samuel	January 20, 2011	Def'd from Probation
Jensen, Anne	April 6, 2011	Def'd from Environmental Health
Gutierrez, Jorge	April 10, 2011	Def'd from Plan 3
Fleishman, Mark	April 12, 2011	Sheriff's Office
Jower, Bruce	April 22, 2011	Def'd from Superior Court
Janatpour, Danna	April 23, 2011	Def'd from San Mateo Medical Center
Enberg, Mary	April 29, 2011	Human Services Agency
Nicholas, Deborah	April 29, 2011	Def'd from Assessor
Bush, Henry	April 30, 2011	Probation
Bussani, Carol	April 30, 2011	Human Services Agency
Cabatic, Serafin	April 30, 2011	Assessor

Cachuela, Angelita	April 30, 2011	Controller
Contreras, Prima	April 30, 2011	Human Services Agency
Cortopassi, Margaret	April 30, 2011	Human Services Agency
Hiraki, Kenneth	April 30, 2011	Probation
Kennon, Leon	April 30, 2011	Probation
Livingstone, Virginia	April 30, 2011	Human Services Agency
Lopes, Michael	April 30, 2011	Human Services Agency
Ojeda, Raymond	April 30, 2011	Probation
Redington, Guy	April 30, 2011	Probation
Seetho, Jeff	April 30, 2011	Assessor
Vasquez, Daniel	April 30, 2011	Probation
Villaluna, Miguel	April 30, 2011	Controller
Kissoon, Sandra	May 1, 2011	San Mateo Medical Center

### **Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Beaulien, Susan	Lusnich, Edward
Concepcion, Antonio	Concepcion, Louella
Derner, Donna	Derner, Leland
Kao, Shen	Kao, Rose
Tacorda, Jose	Tacorda, Gracia

### **Deferred Retirements**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Nofield, Keith	G4 - Reciprocity

### **Member Account Refunds**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Sydnor, Mallory	G4 Non-vested

### **Member Account Rollovers**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Arecelo, Agripino	G4 Vested
Bland, Jeanette	G4 Non-vested
Chu, Frances	G4 Non-vested
DeBord, Amalia	G4 Non-vested
Glenn, Camila	G4 Non-vested
Koziol, Maria	Beneficiary of Koziol, Mary
Smith, Troy	G4 Non-vested
Sweeney, Travis	G4 Non-vested

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

June 21, 2011

Agenda Item 6.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Monthly Portfolio Performance Report for the Period Ending **May 31, 2011**

COMMENT: *SamCERA's* -0.92% Total Fund Return for the month slightly outperformed the Total Plan Policy Benchmark return of -0.96%.

The fund's return for the trailing twelve months and twenty-four months are 22.18% and 18.14% respectively. The twelve-month period is 1443 basis points (bps) above the Actuarial Discount Rate of 7.75%. However, for the same period the total fund return is 25 basis points behind *SamCERA's* Total Plan Policy Benchmark of 22.43%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark for some time while its alternative allocation, specifically private equity, is being fully implemented. In addition, the above numbers do not reflect the performance of all portfolios in May. As of this writing, performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, ABRY private equity Advanced Securities Fund II and Invesco's core real estate portfolios have not been reported.

Market indexes reversed course and slumped sharply in May over fears of a slowdown in the U.S. economy and pressure by global events. The European debt crisis raised its head again as rating agency Fitch downgraded Greece's credit rating to "highly speculative," while Standard & Poor's cut Italy's outlook from "stable" to "negative." Equity shares also traded lower as US home prices fell to their lowest levels since the housing bubble burst; the housing market continued to be pressured by the increasing foreclosure rate. Additionally, investors focused their attention on the near conclusion of the Federal Reserve's bond buying program (QE2), which many believe has significantly contributed to the stock market's gains since August 2010. While corporate earnings largely exceeded expectations throughout the period, markets were overshadowed by weak economic data and macro concerns described above, causing equities to mostly finish out the month in negative territory.

As stated above, ongoing debate and uncertainty over the path of global monetary and fiscal policy continued to drive financial markets during the month. The Federal Reserve and Bank of Japan largely maintained accommodative policies and the European Central Bank (ECB) and Bank of England held interest rates steady, while a number of emerging-market central banks—including China's—tightened policy measures further in an ongoing effort to cool growth and contain inflation. Fiscal problems and concerns also remained in the headlines during the month. A clear plan for resolving the sovereign debt crisis in Europe remained elusive, Japan's sovereign credit rating was threatened with possible downgrades from rating agencies, and there was little progress made on plans to address long-term fiscal imbalances in the U.S. These uncertainties in the bond market caused investors to seek the safety of U.S. Treasuries. The Barclays Capital U.S. Aggregate Bond Index posted a total return of 1.31%.

	<u>Report Details</u>	<u>Page</u>
Executive Summary		1
Return Flash Report		2
State Street Performance Report		3-6
Portfolio Summary		7
Change in Portfolio & Asset Allocation		8
Aggregate Performance		9
Manager Performance		10
Realized & Unrealized Gain / (Loss)		11
Cash Flows		12
Professional Services Fees		13
Blended Benchmark Detail		14

Below is an overview of the investment manager performance for selected periods:

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	-1.07%	2.19%	15.52%	-1.07%
D.E. Shaw Investment Management, LLC	-6.37%	-56.64%	-56.64%	-6.37%
T. Rowe Price Associates	-0.89%	3.01%	17.32%	-0.89%
Barrow, Hanley, Mewhinney & Strauss	-0.61%	3.45%	18.96%	-0.61%
BlackRock Capital Management, Inc.	-1.73%	1.34%	10.57%	-1.73%
Large Cap Aggregate	-0.99%	2.32%	15.10%	-0.99%
The Boston Company	-2.21%	1.44%	15.61%	-2.21%
Chartwell Investment Partners	-2.72%	5.43%	21.95%	-2.72%
Jennison Associates	-1.05%	4.66%	19.40%	-1.05%
Small Cap Aggregate	-1.73%	4.14%	19.20%	-1.73%
Artio Global Investors	-3.96%	1.76%	8.33%	-3.96%
Mondrian Investment Partners	-1.65%	3.47%	15.38%	-1.65%
International Aggregate	-2.80%	2.62%	11.79%	-2.80%
Total Equity	-1.69%	2.69%	14.71%	-1.69%
Aberdeen Asset Management	1.25%	2.94%	3.42%	1.25%
Angelo Gordon	0.00%	-0.97%	11.01%	0.00%
Brigade Capital Management	0.44%	2.20%	7.64%	0.44%
Brown Brothers Harriman	0.54%	3.84%	3.12%	0.54%
Franklin Templeton	-0.38%	4.75%	N/A	-0.38%
Pyramis Global Advisors	1.26%	2.92%	3.16%	1.26%
Western Asset Management	1.22%	2.71%	3.78%	1.22%
Total Fixed Income	0.74%	2.94%	4.50%	0.74%
Private Equity (1)	-6.37%	-56.64%	-56.64%	-6.37%
AQR's Risk Parity	0.00%	5.18%	N/A	0.00%
Hedge Funds (2)	N/A	N/A	N/A	N/A
Commodities	N/A	N/A	N/A	N/A
Total Alternative Investments	-6.37%	-56.64%	-56.64%	-6.37%
Invesco Realty Advisors	0.00%	3.83%	8.62%	0.00%
Cash	0.08%	0.24%	0.40%	0.08%
Total Portfolio	-0.92%	2.91%	11.31%	-0.92%

(1) As of May month end, SamCERA has committed to three private equity investments. Performance data was incomplete as of the second mailing.

(2) As of May month end, SamCERA has invested into one hedge fund portfolio. Performance data was unavailable as of the second mailing.

# San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending May 31, 2011



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>DOMESTIC EQUITY</b>													
BLACKROCK RUSSELL 1000 INDEX FUND	151,875,989	-1.07	2.19	15.52	34.34	26.89	24.63	1.40	-0.55	3.77	3.20	8.56	04/01/1995
DE SHAW INVESTMENT MGT, LLC	114,170,409	-0.18	3.01	15.64	32.98	24.93						21.57	08/01/2009
<i>RUSSELL 1000</i>		-1.07	2.17	15.49	34.28	26.81	24.55	1.32	-0.63	3.69	3.16		
T. ROWE PRICE ASSOCIATES	112,097,732	-1.14	1.65	15.06	32.59	25.15						20.17	08/01/2009
<i>S&amp;P 500</i>		-1.13	1.84	15.03	32.91	25.95						20.80	
BARROW HANLEY	175,496,164	-0.61	3.45	18.96	36.22	27.50						22.77	08/01/2009
<i>RUSSELL 1000 VALUE</i>		-1.06	1.98	16.67	31.64	24.23						21.21	
BLACKROCK	175,790,247	-1.73	1.34	10.57	37.36	29.36						23.02	08/01/2009
<i>RUSSELL 1000 GROWTH</i>		-1.09	2.35	14.36	36.97	29.43						22.61	
LARGE CAP AGGREGATE	729,430,541	-0.99	2.32	15.10	34.92	27.02	23.97	0.82	-1.75	2.57	2.87	8.37	04/01/1995
<i>RUSSELL 1000</i>		-1.07	2.17	15.49	34.28	26.81	24.55	1.32	-0.63	3.69	3.16	8.54	
BOSTON COMPANY ASSET MGT, LLC	51,476,253	-2.21	1.44	15.61	30.33	18.94						23.43	08/01/2009
<i>RUSSELL 2000 VALUE</i>		-1.79	1.19	15.23	34.66	22.91						25.20	
CHARTWELL INVESTMENT MGMT	61,546,960	-2.72	5.43	21.95	52.37	43.32	37.90	4.97	2.75	5.49		7.57	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		-1.95	5.39	19.39	46.63	36.79	33.63	6.92	3.61	6.27		6.98	
JENNISON ASSOCIATES	126,366,314	-1.05	4.66	19.40	45.79	36.64	37.18	7.87				11.06	04/01/2008
SMALL CAP AGGREGATE	239,389,527	-1.73	4.14	19.20	43.72	33.96	35.71	4.09	-1.57	1.59	5.20	5.67	07/01/1999
<i>RUSSELL 2000</i>		-1.87	3.33	17.34	40.65	29.75	31.67	5.75	1.42	4.70	6.88	6.68	
DOMESTIC EQUITY AGGREGATE	968,820,068	-1.17	2.72	16.00	36.79	28.51	26.26	1.55	-1.64	2.46	3.39	7.60	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		-1.26	2.44	15.89	35.60	27.46	26.02	2.27	-0.16	3.95	3.97		

# San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending May 31, 2011



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>INTERNATIONAL EQUITY</b>													
ARTIO GLOBAL INVESTOR	205,805,127	-3.96	1.76	8.33	26.00	24.96	15.56	-7.43	-5.46	1.11		6.09	12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		-2.34	3.20	13.22	33.32	32.39	21.54	-2.64	-0.18	4.83		8.35	
MONDRIAN INVESTMENT PARTNERS	212,236,204	-1.65	3.47	15.38	30.21	29.66	17.88	-2.25	-1.92	3.99		7.63	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		-3.21	0.52	14.59	30.90	28.50	19.18	-1.88	-1.77	3.94		8.01	
TOTAL INTERNATIONAL EQUITY	418,041,331	-2.80	2.62	11.79	28.10	27.30	16.73	-4.84	-3.67	2.57	5.39	6.51	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		-2.77	1.86	13.90	32.14	30.48	20.39	-2.24	-0.95	4.41	7.66	6.41	
TOTAL EQUITY AGGREGATE	1,386,861,399	-1.69	2.69	14.71	34.06	28.11	23.14	-0.39	-2.17	2.44	3.83	7.50	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		-1.77	2.25	15.25	34.43	28.37	24.23	0.91	-0.32	4.07	4.84		
<b>PRIVATE EQUITY</b>													
SHERIDAN PRODUCTION PARTNERS	1,456,001	-6.37	-56.64	-56.64								-56.64	11/01/2010
TOTAL PRIVATE EQUITY	1,456,001	-6.37	-56.64	-56.64								-56.64	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		-0.89	3.01	17.32									
<b>RISK PARITY</b>													
AQR GLOBAL RISK PREM III LP	147,250,040	0.00	5.18									5.18	03/01/2011
TOTAL RISK PARITY	147,250,040	0.00	5.18									5.18	03/01/2011
<i>RISK PARITY BENCHMARK</i>		-0.16	2.43	10.05									

# San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending May 31, 2011



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>DOMESTIC FIXED INCOME</b>													
ABERDEEN ASSET MANAGEMENT	123,203,855	1.25	2.94	3.42	7.34	8.93	13.43	5.42	4.62	5.11	5.45	6.09	06/01/2000
WESTERN ASSET MGMT	116,906,862	1.22	2.71	3.78	8.43	10.31	14.24	8.52	6.78	6.88		5.84	11/01/2004
PYRAMIS GLOBAL ADVISORS	113,561,200	1.26	2.92	3.16	6.49	8.14	11.24	8.60	7.08	7.01		6.43	02/01/2006
ANGELO GORDON GECC PPI FUND	41,717,569	0.00	-0.97	11.01	33.37	34.58						33.13	12/01/2009
<i>BC AGGREGATE</i>		1.31	2.65	1.91	4.21	5.84	7.12	6.53	6.62	6.63	5.82		
BROWN BROTHERS HARRIMAN & CO	48,135,995	0.54	3.84	3.12								6.47	08/01/2010
<i>BARCLAYS US TIPS INDEX</i>		0.28	3.91	3.33								6.75	
BRIGADE CAPITAL MANAGEMENT	50,176,575	0.44	2.20	7.64								11.50	08/01/2010
<i>BC BA INTERMEDIATE HIGH YIELD INDEX</i>		0.70	2.44	6.39								10.48	
<b>INTERNATIONAL FIXED INCOME</b>													
FRANKLIN TEMPLETON INVESTMENTS	106,444,220	-0.38	4.75									6.48	01/01/2011
<i>BC MULTIVERSE</i>		-0.08	3.49									4.39	
<b>TOTAL FIXED INCOME</b>													
TOTAL FIXED INCOME AGGREGATE	600,146,276	0.74	2.94	4.50	9.47	11.18	14.11	8.25	6.71	6.78	6.15	6.20	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		0.93	3.15	3.18	5.16	6.81	7.61	6.86	6.87	6.82	5.91	5.89	
<b>REAL ESTATE</b>													
INVESCO REAL ESTATE	126,673,968	0.00	3.83	8.62	16.71	20.84	-4.54	-8.20	-3.80	0.15		4.62	10/01/2004
TOTAL REAL ESTATE AGGREGATE	126,673,968	0.00	3.83	8.62	16.71	20.84	-4.54	-8.20	-3.80	0.15	6.42	7.07	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	4.01	9.07	15.10	19.95	-2.16	-8.30	-3.25	0.43	5.90	7.08	



# San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending May 31, 2011



STATE STREET

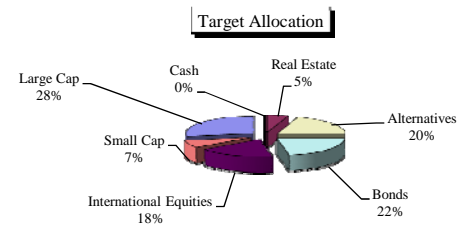
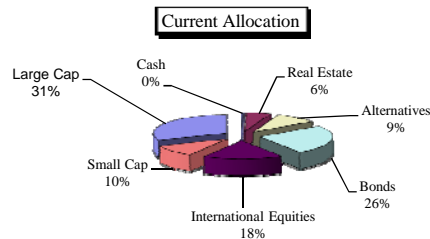
	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>CASH EQUIVALENTS</b>													
SAMCERA GENERAL ACCOUNT	3,768,100	0.25	0.30	0.35	0.45	0.46	0.35	0.73	1.65	2.41	2.33	2.88	07/01/1999
SAMCERA TREASURY & LAIF	4,515,850	0.08	0.24	0.48	1.02	1.14	1.11	-0.49	0.68	1.33	2.28	3.49	07/01/1994
TOTAL CASH AGGREGATE	8,283,950	0.08	0.24	0.40	0.95	1.06	1.03	-0.20	0.81	1.56	2.23	2.75	07/01/1999
<i>91 DAY T-BILL</i>		<i>0.01</i>	<i>0.05</i>	<i>0.10</i>	<i>0.15</i>	<i>0.16</i>	<i>0.16</i>	<i>0.48</i>	<i>1.31</i>	<i>2.08</i>	<i>2.15</i>	<i>2.73</i>	
<b>TOTAL FUND</b>													
TOTAL FUND	2,270,671,634	-0.92	2.91	11.31	25.02	22.18	18.14	1.82	0.44	3.74	5.06	6.59	01/01/1996
<i>SAMCERA TOTAL PLAN POLICY BENCHM</i>		<i>-0.96</i>	<i>2.53</i>	<i>11.64</i>	<i>25.37</i>	<i>22.43</i>	<i>18.41</i>	<i>2.70</i>	<i>2.05</i>	<i>5.09</i>	<i>5.59</i>	<i>6.83</i>	
<i>ACTUARIAL DISCOUNT RATE</i>		<i>0.62</i>	<i>1.88</i>	<i>3.80</i>	<i>7.08</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.75</i>	<i>7.93</i>		

San Mateo County Employees' Retirement Association  
 Monthly Performance Review  
 Period Ending May 31, 2011

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$151,875,989	6.49%	6.50%	-0.01%	±3%
D.E. Shaw Investment Management, LLC	\$114,170,410	4.88%	4.25%	0.63%	±3%
T. Rowe Price Associates	\$112,097,732	4.79%	4.25%	0.54%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$175,496,164	7.50%	6.50%	1.00%	±3%
BlackRock Capital Management, Inc.	\$175,790,247	7.51%	6.50%	1.01%	±3%
<b>Large Cap Aggregate</b>	<b>\$729,430,542</b>	<b>31.15%</b>	<b>28.00%</b>	<b>3.15%</b>	
The Boston Company	\$51,476,253	2.20%	1.75%	0.45%	±3%
Chartwell Investment Partners	\$61,546,960	2.63%	1.75%	0.88%	±3%
Jennison Associates	\$126,366,314	5.40%	3.50%	1.90%	±3%
<b>Small Cap Aggregate</b>	<b>\$239,389,527</b>	<b>10.22%</b>	<b>7.00%</b>	<b>3.22%</b>	
Artio Global Investors	\$205,805,127	8.79%	9.00%	-0.21%	±3%
Mondrian Investment Partners	\$212,236,204	9.06%	9.00%	0.06%	±3%
<b>International Aggregate</b>	<b>\$418,041,331</b>	<b>17.85%</b>	<b>18.00%</b>	<b>-0.15%</b>	±3%
<b>Total Equity</b>	<b>\$1,386,861,400</b>	<b>59.23%</b>	<b>53.00%</b>	<b>6.23%</b>	
Aberdeen Asset Management	\$123,203,855	5.26%	3.75%	1.51%	±2%
Angelo Gordon	\$41,164,528	1.76%	1.63%	0.13%	±2%
Brigade Capital Management	\$50,176,575	2.14%	1.63%	0.52%	±2%
Brown Brothers Harriman	\$48,135,995	2.06%	3.00%	-0.94%	±2%
Franklin Templeton	\$106,444,220	4.55%	4.50%	0.05%	±2%
Pyramis Global Advisors	\$113,561,200	4.85%	3.75%	1.10%	±2%
Western Asset Management Company	\$116,906,862	4.99%	3.75%	1.24%	±2%
<b>Total Fixed Income</b>	<b>\$599,593,235</b>	<b>25.61%</b>	<b>22.00%</b>	<b>3.61%</b>	
Private Equity	\$2,776,631	0.12%	8.00%	-7.88%	N/A
AQR Global Risk Premium	\$147,250,040	6.29%	6.00%	0.29%	N/A
AQR Delta Fund (hedge fund)	\$70,000,000	2.99%	3.00%	-0.01%	N/A
Comodities	\$0	0.00%	3.00%	-3.00%	N/A
<b>Alternative Investments</b>	<b>\$220,026,671</b>	<b>9.40%</b>	<b>20.00%</b>	<b>-10.60%</b>	
INVESCO Realty Advisors	\$126,673,968	5.41%	5.00%	0.41%	±2%
Cash	\$8,283,950	0.35%	0.00%	0.35%	
<b>Total</b>	<b>\$2,341,439,223</b>	<b>100.00%</b>	<b>100.00%</b>		

\* SamCERA is in the process of implementing alternative asset allocations. As the allocation is being implemented, the actual versus target returns and target allocations will be impacted.



San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending May 31, 2011

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	\$151,875,989	\$194,909,636	-22.1%	\$222,615,058	-31.8%
AXA Rosenberg Investment Management, LLC	\$0	\$0	0.0%	\$53,478	-100.0%
D.E. Shaw Investment Management, LLC	\$114,170,410	\$114,376,732	-0.2%	\$91,389,720	24.9%
T. Rowe Price Associates	\$112,097,732	\$113,386,965	-1.1%	\$89,572,964	25.1%
Barrow, Hanley, Mewhinney & Strauss	\$175,496,164	\$176,570,445	-0.6%	\$137,648,908	27.5%
BlackRock Capital Management, Inc.	\$175,790,247	\$178,886,408	-1.7%	\$135,897,429	29.4%
<b>Large Cap Aggregate</b>	<b>\$729,430,542</b>	<b>\$778,130,185</b>	<b>-6.3%</b>	<b>\$677,177,557</b>	<b>7.7%</b>
The Boston Company	\$51,476,253	\$52,638,880	-2.2%	\$43,278,532	18.9%
Chartwell Investment Partners	\$61,546,960	\$63,270,085	-2.7%	\$42,943,567	43.3%
Jennison Associates	\$126,366,314	\$127,701,172	-1.0%	\$92,483,138	36.6%
<b>Small Cap Aggregate</b>	<b>\$239,389,527</b>	<b>\$243,610,138</b>	<b>-1.7%</b>	<b>\$178,705,237</b>	<b>34.0%</b>
Artio Global Investors	\$205,805,127	\$235,083,338	-12.5%	\$180,704,456	13.9%
Mondrian Investment Partners	\$212,236,204	\$236,119,607	-10.1%	\$179,099,774	18.5%
<b>International Aggregate</b>	<b>\$418,041,331</b>	<b>\$471,202,944</b>	<b>-11.3%</b>	<b>\$359,804,230</b>	<b>16.2%</b>
<b>Total Equity</b>	<b>\$1,386,861,400</b>	<b>\$1,492,943,267</b>	<b>-7.1%</b>	<b>\$1,215,687,024</b>	<b>14.1%</b>
Aberdeen Asset Management	\$123,203,855	\$121,688,806	1.2%	\$164,401,843	-25.1%
Angelo Gordon	\$41,164,528	\$38,088,842	8.1%	\$22,731,832	N/A
Brigade Capital Management	\$50,176,575	\$49,958,730	N/A	\$0	N/A
Brown Brothers Harriman	\$48,135,995	\$47,877,297	N/A	\$0	N/A
Franklin Templeton	\$106,444,220	\$106,852,299	N/A	\$0	N/A
Pyramis Global Advisors	\$113,561,200	\$112,151,864	1.3%	\$162,630,168	-30.2%
Western Asset Management Company	\$116,906,862	\$115,493,642	1.2%	\$167,486,834	-30.2%
<b>Total Fixed Income</b>	<b>\$599,593,235</b>	<b>\$592,111,480</b>	<b>1.3%</b>	<b>\$517,250,677</b>	<b>15.9%</b>
Private Equity	\$2,776,631	\$1,555,000	78.6%	\$0	N/A
Risk Parity	\$147,250,040	\$140,894,740	4.5%	\$0	N/A
Hedge Funds	\$70,000,000	\$0	N/A	\$0	N/A
Comodities	\$0	\$0	N/A	\$0	N/A
<b>Alternative Investments</b>	<b>\$220,026,671</b>	<b>\$142,449,740</b>	<b>N/A</b>	<b>\$0</b>	<b>N/A</b>
INVESCO Realty Advisors	\$126,673,968	\$126,673,968	0.0%	\$105,602,228	N/A
Cash	\$8,283,950	\$8,331,320	-0.6%	\$22,028,447	-62.4%
<b>Total</b>	<b>\$2,341,439,223</b>	<b>\$2,362,509,775</b>	<b>-0.9%</b>	<b>\$1,860,568,376</b>	<b>25.8%</b>

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	59.2%	63.2%	-4.0%	65.3%	-6.1%
Total Fixed Income	25.6%	25.1%	0.5%	27.8%	-2.2%
Alternative Investments	9.4%	6.0%	3.4%	0.0%	9.4%
Real Estate	5.4%	5.4%	0.0%	5.7%	-0.3%
Cash	0.4%	0.4%	0.0%	1.2%	-0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending May 31, 2011

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) <i>Eleven Months</i>	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	\$1,386,861,400	-1.69%	2.69%	14.71%	28.11%	34.06%	23.14%	-0.39%	2.44%	3.83%
Equity Composite Benchmark		-1.77%	2.25%	15.25%	28.37%	34.43%	24.23%	0.91%	4.07%	4.84%
<b>Variance</b>		<b>0.08%</b>	<b>0.44%</b>	<b>-0.54%</b>	<b>-0.26%</b>	<b>-0.37%</b>	<b>-1.09%</b>	<b>-1.30%</b>	<b>-1.63%</b>	<b>-1.01%</b>
Private Equity Aggregate (3)	\$2,776,631	-6.37%	-56.64%	-56.64%	N/A	N/A	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		-0.89%	3.01%	17.32%	N/A	N/A	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-5.48%</b>	<b>-59.65%</b>	<b>-73.96%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Fixed Income Aggregate	\$599,593,235	0.74%	2.94%	4.50%	11.18%	9.47%	14.11%	8.25%	6.78%	6.15%
Fixed Income Composite Benchmark		0.93%	3.15%	3.18%	6.81%	5.16%	7.61%	6.86%	6.82%	5.91%
<b>Variance</b>		<b>-0.19%</b>	<b>-0.21%</b>	<b>1.32%</b>	<b>4.37%</b>	<b>4.31%</b>	<b>6.50%</b>	<b>1.39%</b>	<b>-0.04%</b>	<b>0.24%</b>
Real Estate Aggregate (2)	\$126,673,968	0.00%	3.83%	8.62%	20.84%	16.71%	-4.54%	-8.20%	0.15%	6.42%
NCREIF NFI ODCE EW (Gross)		0.00%	4.01%	9.07%	19.95%	15.10%	-2.16%	-8.30%	0.43%	5.90%
<b>Variance</b>		<b>0.00%</b>	<b>0.00%</b>	<b>-0.45%</b>	<b>0.89%</b>	<b>1.61%</b>	<b>-2.38%</b>	<b>0.10%</b>	<b>-0.28%</b>	<b>0.52%</b>
Cash Aggregate	\$8,283,950	0.08%	0.24%	0.40%	1.06%	0.95%	1.03%	-0.20%	1.56%	2.23%
91 Day Treasury Bill		0.01%	0.05%	0.10%	0.16%	0.15%	0.16%	0.48%	2.08%	2.15%
<b>Variance</b>		<b>0.07%</b>	<b>0.19%</b>	<b>0.30%</b>	<b>0.90%</b>	<b>0.80%</b>	<b>0.87%</b>	<b>-0.68%</b>	<b>-0.52%</b>	<b>0.08%</b>
Risk Parity Aggregate	\$147,250,040	0.00%	5.18%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity Composite Benchmark		-0.16%	2.43%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>0.16%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Hedge Fund Aggregate (4)	\$70,000,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Fund Composite Benchmark		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Total Fund Returns	\$2,341,439,223	-0.92%	2.91%	11.31%	22.18%	25.02%	18.14%	1.82%	3.74%	5.06%
Total Plan Policy Benchmark		-0.96%	2.53%	11.64%	22.43%	25.37%	18.41%	2.70%	5.09%	5.59%
<b>Variance</b>		<b>0.04%</b>	<b>0.38%</b>	<b>-0.33%</b>	<b>-0.25%</b>	<b>-0.35%</b>	<b>-0.27%</b>	<b>-0.88%</b>	<b>-1.35%</b>	<b>-0.53%</b>

**-6.37%    -56.64%    -56.64%**

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,341,439,223	-0.92%	2.91%	11.31%	22.18%	25.02%	18.14%	1.82%	3.74%	5.06%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	7.08%	7.75%	7.75%	7.76%	7.93%
<b>Variance</b>		<b>-1.54%</b>	<b>1.03%</b>	<b>7.51%</b>	<b>14.43%</b>	<b>17.94%</b>	<b>10.39%</b>	<b>-5.93%</b>	<b>-4.02%</b>	<b>-2.87%</b>

(1) SamCERA's Fiscal Year is 7/1 through 6/30

(2) The Real Estate Aggregate prior to 12/99 includes REIT returns

(4) Performance Data for the Hedge Fund Aggregate was unavailable as of the second mailing.

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending May 31, 2011

Manager & Benchmark Performance

Manager Performance (1)

Portfolio	Fiscal Year to Date					One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Eleven Months						
BlackRock Russell 1000	-1.07%	2.19%	15.52%	26.89%	34.34%	26.89%	24.63%	1.40%	-0.55%	3.77%	3.20%
D.E. Shaw Investment Management, LLC	-6.37%	-56.64%	-56.64%	24.93%	32.98%	24.93%	N/A	N/A	N/A	N/A	N/A
T. Rowe Price Associates	-0.89%	3.01%	17.32%	25.15%	32.59%	25.15%	N/A	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	-0.61%	3.45%	18.96%	27.50%	36.22%	27.50%	N/A	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	-1.73%	1.34%	10.57%	29.36%	37.36%	29.36%	N/A	N/A	N/A	N/A	N/A
Large Cap Aggregate	-0.99%	2.32%	15.10%	27.02%	34.92%	27.02%	23.97%	0.82%	-1.75%	2.57%	2.87%
The Boston Company	-2.21%	1.44%	15.61%	18.94%	30.33%	18.94%	N/A	N/A	N/A	N/A	N/A
Chartwell Investment Partners	-2.72%	5.43%	21.95%	43.32%	52.37%	43.32%	37.90%	4.97%	2.75%	5.49%	N/A
Jemison Associates	-1.05%	4.66%	19.40%	36.64%	45.79%	36.64%	37.18%	7.87%	N/A	N/A	N/A
Small Cap Aggregate	-1.73%	4.14%	19.20%	33.96%	43.72%	33.96%	35.71%	4.09%	-1.57%	1.59%	5.20%
Artio Global Investors	-3.96%	1.76%	8.33%	24.96%	26.00%	24.96%	15.56%	-7.43%	-5.46%	1.11%	N/A
Mondrian Investment Partners	-1.65%	3.47%	15.38%	29.66%	30.21%	29.66%	17.88%	-2.25%	-1.92%	3.99%	N/A
International Aggregate	-2.80%	2.62%	11.79%	27.30%	28.10%	27.30%	16.73%	-4.84%	-3.67%	2.57%	5.39%
Total Equity	-1.69%	2.69%	14.71%	28.11%	34.06%	28.11%	23.14%	-0.39%	-2.17%	2.44%	3.83%
Aberdeen Asset Management	1.25%	2.94%	3.42%	8.93%	7.34%	8.93%	13.43%	5.42%	4.62%	5.11%	5.45%
Angelo Gordon	0.00%	-0.97%	11.01%	34.58%	33.37%	34.58%	N/A	N/A	N/A	N/A	N/A
Brigade Capital Management	0.44%	2.20%	7.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	0.54%	3.84%	3.12%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	-0.38%	4.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	1.26%	2.92%	3.16%	8.14%	6.49%	8.14%	11.24%	8.60%	7.08%	7.01%	N/A
Western Asset Management Company	1.22%	2.71%	3.78%	10.31%	8.43%	10.31%	14.24%	8.52%	6.78%	6.88%	N/A
Total Fixed Income	0.74%	2.94%	4.50%	11.18%	9.47%	11.18%	14.11%	8.25%	6.71%	6.78%	6.15%
Private Equity	-6.37%	-56.64%	-56.64%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	5.18%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Comodities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alternative Investments	-6.37%	-56.64%	-56.64%	N/A	7.08%	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Realty Advisors	0.00%	3.83%	8.62%	20.84%	16.71%	20.84%	-4.54%	-8.20%	-3.80%	0.15%	6.42%
Cash	0.08%	0.24%	0.40%	1.06%	0.95%	1.06%	1.03%	-0.20%	0.81%	1.56%	2.23%
Total	-0.92%	2.91%	11.31%	22.18%	25.02%	22.18%	18.14%	1.82%	7.75%	3.74%	5.06%

Benchmark Performance

Russell 1000	-1.07%	2.17%	15.49%	26.81%	34.28%	26.81%	24.55%	1.32%	-0.63%	3.69%	3.16%
S&P 500	-1.13%	1.84%	15.03%	25.95%	32.91%	25.95%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Value	-1.06%	1.98%	16.67%	24.23%	31.64%	24.23%	N/A	N/A	N/A	N/A	N/A
Russell 1000 Growth	-1.09%	2.35%	14.36%	29.43%	36.97%	29.43%	N/A	N/A	N/A	N/A	N/A
Russell 2000	-1.87%	3.33%	17.34%	29.75%	40.65%	29.75%	31.67%	5.75%	1.42%	4.70%	6.88%
Russell 2000 Value	-1.79%	1.19%	15.23%	22.91%	34.66%	22.91%	N/A	N/A	N/A	N/A	N/A
Russell 2000 Growth	-1.95%	5.39%	19.39%	36.79%	46.63%	36.79%	33.63%	6.92%	3.61%	6.27%	N/A
MSCI ACWI ex US (Gross)	-2.77%	1.86%	13.90%	30.48%	32.14%	30.48%	20.39%	-2.24%	-0.95%	4.41%	7.66%
MSCI ACWI ex US Growth (Gross)	-2.34%	3.20%	13.22%	32.39%	33.32%	32.39%	21.54%	-2.64%	-0.18%	4.83%	N/A
MSCI ACWI ex US Value (Gross)	-3.21%	0.52%	14.59%	28.50%	30.90%	28.50%	19.18%	-1.88%	-1.77%	3.94%	N/A
Barclays Capital Aggregate	1.31%	2.65%	1.91%	5.84%	4.21%	5.84%	7.12%	6.53%	6.62%	6.63%	5.82%
Barclays U.S. TIPS Index	0.28%	3.91%	3.33%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	0.70%	2.44%	6.39%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	-0.08%	3.49%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	4.01%	9.07%	19.95%	15.10%	19.95%	-2.16%	-8.30%	-3.25%	0.43%	5.90%
91 Day Treasury Bill	0.01%	0.05%	0.10%	0.16%	0.15%	0.16%	0.16%	0.48%	1.31%	2.08%	2.15%
SamCERA Plan Policy Benchmark	-0.96%	2.53%	11.64%	22.43%	25.37%	22.43%	18.41%	2.70%	2.05%	5.09%	5.59%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	7.08%	7.75%	7.75%	7.75%	7.75%	7.75%	7.93%

(1) SamCERA's Fiscal Year is 7/1 through 6/30

(2) Refer to page 13 for benchmark details

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending May 31, 2011

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2010	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 05/31/2011	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 05/31/2011
BlackRock Russell 1000	\$227,158,749.62	19,972,567	(125,000,000)	\$122,131,316.13	(\$12,322,638)	\$42,067,311	\$151,875,989
D.E. Shaw Investment Management LLC	\$91,382,477.76	12,167,099		\$103,549,577.21	(\$5,529,724)	\$16,150,556	\$114,170,410
T. Rowe Price Associates	\$84,410,628.27	5,963,687		\$90,374,315.70	\$133,920	\$21,589,496	\$112,097,732
Barrow Hanley	\$125,717,857.93	10,612,272		\$136,330,130.37	\$3,115,310	\$36,050,723	\$175,496,164
BlackRock	\$120,628,030.67	15,612,254		\$136,240,284.80	\$7,352,352	\$32,197,610	\$175,790,247
The Boston Company	\$39,782,574.05	2,807,117		\$42,589,690.69	(\$285,918)	\$9,172,481	\$51,476,253
Chartwell Investment Partners	\$37,328,257.20	11,173,246		\$48,501,503.12	\$3,063,778	\$9,981,679	\$61,546,960
Jennison Associates	\$81,047,582.79	14,282,467		\$95,330,049.35	\$5,626,624	\$25,409,641	\$126,366,314
Artio Global Investors	\$185,960,389.43	9,443,130	(20,000,000)	\$175,403,519.85	(\$6,744,297)	\$37,145,904	\$205,805,127
Mondrian Investment Partners	\$213,442,132.16	5,511,673	(20,000,000)	\$198,953,805.18	(\$35,099,468)	\$48,381,866	\$212,236,204
Aberdeen Asset Management	\$163,766,449.61	9,684,567	(53,000,000)	\$120,451,016.97	\$3,066,904	(\$314,066)	\$123,203,855
Angelo Gordon	\$21,875,000.00		8,181,249	\$30,056,249.00	\$1,478,466	\$9,629,813	\$41,164,528
Bridage Capital Management	\$0.00	5,176,575	45,000,000	\$50,176,575.00			\$50,176,575
Brown Brothers Harriman	\$0.00	2,097,255	45,000,000	\$47,097,254.67	\$0	\$1,038,740	\$48,135,995
Franklin Templeton Investments	\$0.00	1,956,362	100,000,000	\$101,956,362.21		\$4,487,858	\$106,444,220
Pyramis Global Advisors	\$126,598,323.37	15,146,935	(60,000,000)	\$81,745,258.37	\$38,553,995	(\$6,738,053)	\$113,561,200
Western Asset Management Company	\$174,036,705.22	7,516,111	(65,000,000)	\$116,552,816.24	(\$3,645,689)	\$3,999,735	\$116,906,862
Private Equity (Sheridan & ABRY)	\$0.00		3,020,630	\$3,020,630.00	\$0	(\$243,999)	\$2,776,631
AQR's Global Risk Premium	\$0.00		140,000,000	\$140,000,000.00	\$0	\$7,250,040	\$147,250,040
AQR's Delta Fund (Hedge Fund)	\$0.00		70,000,000	\$70,000,000.00	\$0	\$0	\$70,000,000
Comodities	\$0.00			\$0.00	\$0	\$0	\$0
INVESCO Core US Real Estate Fund	\$132,755,678.60	2,801,797		\$135,557,476.00	\$0	(\$8,883,508)	\$126,673,968
Cash	\$13,670,765.68			\$8,283,949.87	\$0	\$0	\$8,283,950
<b>Total</b>	<b>\$1,839,561,602.36</b>	<b>\$151,925,115.18</b>	<b>\$68,201,879.00</b>	<b>\$2,054,301,780.73</b>	<b>-\$1,236,384.30</b>	<b>\$288,373,826.63</b>	<b>\$2,341,439,223.06</b>

(1) SamCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending May 31, 2011

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2010	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 05/31/2011	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$227,158,750	\$19,972,567	-\$125,000,000	\$122,131,316	34.34%	34.28%
D.E. Shaw Investment Management, LLC	\$91,382,478	\$12,167,099	\$0	\$103,549,577	32.98%	34.28%
T. Rowe Price Associates	\$84,410,628	\$5,963,687	\$0	\$90,374,316	32.59%	32.91%
Barrow, Hanley, Mewhinney & Strauss	\$125,717,858	\$10,612,272	\$0	\$136,330,130	36.22%	31.64%
BlackRock Capital Management, Inc.	\$120,628,031	\$15,612,254	\$0	\$136,240,285	37.36%	36.97%
The Boston Company	\$39,782,574	\$2,807,117	\$0	\$42,589,691	30.33%	34.66%
Chartwell Investment Partners	\$37,328,257	\$11,173,246	\$0	\$48,501,503	52.37%	46.63%
Jennison Associates	\$81,047,583	\$14,282,467	\$0	\$95,330,049	45.79%	40.65%
Artio Global Investors	\$185,960,389	\$9,443,130	-\$20,000,000	\$175,403,520	26.00%	33.32%
Mondrian Investment Partners	\$213,442,132	\$5,511,673	-\$20,000,000	\$198,953,805	30.21%	30.90%
Aberdeen Asset Management	\$163,766,450	\$9,684,567	-\$53,000,000	\$120,451,017	7.34%	4.21%
Angelo Gordon	\$21,875,000	\$0	\$8,181,249	\$30,056,249	33.37%	N/A
Brigade Capital Management	\$0	\$5,176,575	\$45,000,000	\$50,176,575	N/A	N/A
Brown Brothers Harriman	\$0	\$2,097,255	\$45,000,000	\$47,097,255	N/A	N/A
Franklin Templeton	\$0	\$1,956,362	\$100,000,000	\$101,956,362	N/A	N/A
Pyramis Global Advisors	\$126,598,323	\$15,146,935	-\$60,000,000	\$81,745,258	6.49%	4.21%
Western Asset Management Company	\$174,036,705	\$7,516,111	-\$65,000,000	\$116,552,816	8.43%	4.21%
Private Equity	\$0	\$0	\$3,020,630	\$3,020,630	N/A	N/A
AQR Global Risk Premium	\$0	\$0	\$140,000,000	\$140,000,000	N/A	N/A
AQR Delta Fund (hedge fund)	\$0	\$0	\$70,000,000	\$70,000,000	N/A	N/A
Comodities	\$0	\$0	\$0	\$0	N/A	N/A
INVESCO Realty Advisors	\$132,755,679	\$2,801,797	\$0	\$135,557,476	16.71%	15.10%
Cash	\$13,670,766	\$0	\$0	\$13,670,766	0.95%	0.15%
<b>Total</b>	<b>\$1,839,561,602</b>	<b>\$151,925,115</b>	<b>\$68,201,879</b>	<b>\$2,059,688,597</b>	<b>25.02%</b>	<b>25.37%</b>

(1) SamCERA's Fiscal Year is 7/1 through 6/30

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending May 31, 2011

Professional Services Fees

Investment Management Fees	Market Value As of 05/31/2011	For the Quarter Ending				Fiscal Year 2010 / 2011	Estimated Annual Fee (1)
		Estimated 9/30/2010	12/31/2010	3/31/2011	6/30/2011		
BlackRock Russell 1000	\$ 151,875,989.33	\$22,800	\$23,400	\$31,500	\$16,200	\$93,900	\$95,000
D.E. Shaw Investment Management, LLC	\$ 114,170,409.79	\$115,900	\$128,400	\$138,700	\$96,000	\$479,000	\$475,000
T. Rowe Price Associates	\$ 112,097,732.06	\$84,900	\$93,300	\$89,600	\$66,200	\$334,000	\$350,000
Barrow, Hanley, Mewhinney & Strauss	\$ 175,496,163.75	\$158,900	\$170,100	\$186,800	\$128,800	\$644,600	\$650,000
BlackRock Capital Management, Inc.	\$ 175,790,247.10	\$162,600	\$185,500	\$197,200	\$136,000	\$681,300	\$675,000
The Boston Company	\$ 51,476,252.93	\$88,400	\$97,300	\$106,900	\$74,400	\$367,000	\$375,000
Chartwell Investment Partners	\$ 61,546,959.76	\$82,600	\$95,800	\$108,400	\$79,200	\$366,000	\$350,000
Jennison Associates	\$ 126,366,313.89	\$185,600	\$207,600	\$232,800	\$161,000	\$787,000	\$775,000
Artio Global Investors	\$ 205,805,127.24	\$242,100	\$263,200	\$263,000	\$186,200	\$954,500	\$975,000
Mondrian Investment Partners	\$ 212,236,203.97	\$136,700	\$118,700	\$88,600	\$81,000	\$425,000	\$50,000
Aberdeen Asset Management	\$ 123,203,855.00	\$90,800	\$90,800	\$80,400	\$54,400	\$316,400	\$375,000
Angelo Gordon	\$ 41,164,527.67	\$58,300	\$58,300	\$58,300		\$174,900	\$350,000
Brigade Capital Management	\$ 50,176,575.00	\$49,700	\$51,200	\$54,700	\$34,400	\$190,000	\$225,000
Brown Brothers Harriman	\$ 48,135,994.74	\$17,200	\$12,500	\$17,400	\$12,000	\$59,100	\$75,000
Franklin Templeton	\$ 106,444,220.47	\$0	\$5,400	\$100,300	\$70,000	\$175,700	N/A
Pyramis Global Advisors	\$ 113,561,200.24	\$64,200	\$61,000	\$53,400	\$33,200	\$211,800	\$275,000
Western Asset Management Company	\$ 116,906,861.81	\$103,400	\$98,500	\$82,600	\$54,000	\$338,500	\$425,000
Private Equity	\$ 2,776,630.70	\$0	\$0	\$0		\$0	N/A
Risk Parity	\$ 147,250,040.00	\$0	\$0	\$0		\$0	N/A
Hedge Funds	\$ 70,000,000.00	\$0	\$0	\$0		\$0	N/A
Commodities	\$ -	\$0	\$0	\$0		\$0	N/A
INVESCO Realty Advisors	\$ 126,673,968.00	\$161,100	\$155,100	\$136,000	\$71,400	\$523,600	\$650,000
Sub-Total	\$2,333,155,273	\$1,825,200	\$1,916,100	\$2,026,600	\$1,354,400	\$7,122,300	\$7,145,000
<b>Investment Consultant Fees</b>							
Strategic Investment Solutions		\$50,000	\$116,600	\$100,100	\$33,200	\$299,900	\$400,000
<b>Global Custodian Fees</b>							
State Street Bank & Trust		\$35,700	\$81,600	\$75,400	\$36,000	\$228,700	\$125,000
<b>Actuarial Consultant Fees</b>							
Milliman, Inc.		\$35,900	\$4,200	\$2,600	\$1,600	\$44,300	\$60,000
Sub-Total		\$121,600	\$202,400	\$178,100	\$70,800	\$572,900	\$585,000
<b>Total</b>							
		\$1,946,800	\$2,118,500	\$2,204,700	\$1,425,200	\$7,695,200	\$7,730,000



**San Mateo County  
Benchmark History**

	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
<b>Total Plan Policy</b>								
Russell 1000	27.0%	28.0%	37%	37%	40%	22%	20%	20%
Russell 2000	8.0%	7.0%	9%	9%	10%	15%	15%	15%
S&P 500								5%
Russell 1000 Value						5%	5%	
MSCI ACWI -ex US	18.0%	18.0%	21%	21%	15%			
MSCI EAFE						20%	20%	20%
Barclays Aggregate	11.0%	12.9%	27%	27%	29%	25%	21%	21%
Barclays BBB	3.3%	1.6%						
Barclays TIPS	3.3%	3.0%						
Barclays Multiverse	4.4%	4.5%						
Citigroup Non-US WGBI unhedged						5%	9%	9%
NCREIF ODCE	5.0%	5.0%	6%					
NCREIF Property				6%	6%			
Citigroup 10 Yr Treasury + 2%						8%	10%	10%
Russell 3000 + 3%	8.0%	8.0%						
60% Russell 3000/40% Barclays Agg	6.0%	6.0%						
LIBOR + 4%	3.0%	3.0%						
DJ UBS Commodity	3.0%	3.0%						
	100.0%	100.0%	100%	100%	100%	100%	100%	100%
<b>US Equity</b>	<b>1/1/2011</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>7/1/1996</b>	<b>1/1/1995</b>		
Russell 1000	77%	80%	52%	50.0%	50.0%	69%		
Russell 2000	23%	20%	36%	37.5%	37.5%	14%		
S&P 500					12.5%	17%		
Russell 1000 Value			12%	12.5%				
	100%	100%	100%	100.0%	100.0%	100%		
<b>International Equity</b>	<b>6/1/2000</b>	<b>1/1/1996</b>						
MSCI ACWI -ex US	100%							
MSCI EAFE		100%						
	100%	100%						
<b>Total Equity</b>	<b>10/1/2010</b>	<b>5/1/2007</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>1/1/1996</b>		
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%		
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%		
S&P 500						8.4%		
Russell 1000 Value				8.0%	8.4%			
MSCI ACWI -ex US	34.0%	31.3%	23.1%					
MSCI EAFE				32.3%	33.3%	33.3%		
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
<b>US Fixed Income</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>7/1/1996</b>					
Barclays Aggregate	62.4%	73.7%	100%					
Barclays BBB	18.8%	9.1%						
Barclays TIPS	18.8%	17.2%						
	100.0%	100.0%	100%					
<b>Global Fixed Income</b>	<b>10/1/2010</b>							
Barclays Multiverse	100%							
<b>Total Fixed Income</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>7/1/1996</b>			
Barclays Aggregate	50%	58.6%	100%	83.3%	70%			
Barclays BBB	15%	7.3%						
Barclays TIPS	15%	13.6%						
Barclays Multiverse	20%	20.5%						
Citigroup Non-US WGBI unhedged				16.7%	30%			
	100%	100.0%	100%	100.0%	100%			
<b>Real Estate</b>	<b>1/1/2009</b>	<b>6/1/2000</b>	<b>7/1/1996</b>					
NCREIF ODCE	100%							
NCREIF Property		100%						
Citigroup 10 Yr Treasury + 2%			100%					
<b>Private Equity</b>	<b>10/1/2010</b>							
Russell 3000 + 3%	100%							
<b>Risk Parity</b>	<b>10/1/2010</b>							
Russell 3000	60%							
Barclays Aggregate	40%							
	100%							
<b>Hedge Fund</b>	<b>10/1/2010</b>							
LIBOR + 4%	100%							
<b>Commodities</b>	<b>10/1/2010</b>							
DJ UBS Commodity	100%							

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

June 21, 2011

Agenda Item 6.2 a

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Commodities Manager Interview: Cargill Risk Management – ProAlpha Index

COMMENT: Attached to this agenda item is the manager presentation booklet.

Below are the presenters:

**8:15 a.m. Interview      Cargill Risk Management – ProAlpha Index**

**Thomas King, Commercial Manager**  
**Andrew Brodbeck, Institutional Marketer**

The following is brief overview of the firm and product.

**Cargill Risk Management – ProAlpha Index**

**Investment Philosophy & Approach**

The ProAlpha Index® Swap (“ProAlpha Index”) is an actively managed index derivative product that includes both a beta and alpha component. The overall objective of the ProAlpha Index is to generate a return that exceeds the return of the benchmark index within a target of 3-5% per annum primarily on the back of Cargill’s extensive fundamental trading expertise principally expressed through the alpha component. The ProAlpha Index level is determined on a daily basis and is calculated via an objective method that incorporates the daily settlement prices of the underlying futures contracts to which the index components are exposed. The ProAlpha Index resets on a monthly basis, investors receive a daily statement of positions, and liquidity is available on a daily basis.

The beta component is based on a passive, rules-based commodity index (“Underlying Index”), such as the S&P Goldman Sachs Commodity Index (“SPGSCI”) or Dow Jones UBS Commodity Index (“DJUBSCI”). At the investor’s discretion and subsequent approval, Cargill will implement and manage a proprietary beta index enhancement (“enhanced beta strategy”) to add incremental value through various techniques designed to mitigate the negative roll yield that exists in a market with a steep contango. The enhanced beta strategy utilized will generally involve the following techniques: modified roll schedules that differs from the traditional index roll schedule of the 5th through the 9th business day of the applicable month, modified roll weights that differ from the traditional index roll weight of 20% per roll day, and curve optimization strategies that may place the long only exposure

to different contract month(s) on the curve based on the current contango being experienced at different points on the curve.

The alpha component (“Alpha Strategy”) consists of a basket of relative value spread trades and directional trades (“alpha trades”) that are actively managed by the IBP team, specifically the members of the Alpha Investment Committee (“AIC”). The Alpha Strategy will consist of, but is not limited to, up to 10 trades at any one time that are based on Cargill’s proprietary and fundamental insight on the commodity markets. The eligible universe of alpha trade styles consists of: intra-market (time spreads), inter-market (spreads across related markets), and outright long or short flat price exposure as well as the purchase of options via buying of outright calls/puts and call/put spreads (directional themes).

All alpha trade ideas originate from the various commercial trading desks embedded within Cargill’s physical trading Business Units (BU). The trade ideas are communicated directly to the AIC by the trading desks, and the AIC is then responsible for evaluating trade ideas, sizing the trade appropriate to risk, and handling all aspects of execution and monitoring. The alpha trades typically mimic similar trades/themes that the BU executes in the physical and/or futures markets for either hedging or proprietary trading purposes. Cargill’s investment philosophy is driven on fundamental analysis of the physical and derivative commodity markets. The company’s BUs are well positioned to gather real-time intelligence on both supply and demand conditions in many different markets via Cargill’s global relationships with commodity producers and commercial users.

The BUs generally identify market inefficiencies by comparing in-house proprietary supply and demand forecasts for the underlying commodity with USDA data or other public agencies. Whenever there is a significant discrepancy, traders seek out market inefficiencies and exploit them when they exist. The information used in building Cargill’s proprietary supply and demand forecasts include planted acreage estimates, crop yields, private farm surveys, weather forecasts, industry production data, trade/export data, and other input. Cargill employs a wide network of assets including agronomists, economists, satellite technology, meteorologists, and field agents to gather information. The environment in which the Alpha Strategy may outperform or underperform depends on the specific fundamentals of each market. The performance outcome of the strategy is not limited to any single factor and other general undisclosed risks may apply.

## **Research & Screening Process**

Cargill’s investment philosophy is driven on fundamental analysis of the physical and derivative commodity markets. The company is well positioned to gather real-time intelligence on both supply and demand conditions in many different markets via the company’s relationships with commodity producers and commercial users throughout the world. All of this intelligence is carefully analyzed and used to hedge Cargill’s significant exposure to physical commodity price risk.

Generally speaking, Cargill’s investment process will pursue opportunities in which there is a material disconnect between the futures market and the cash market prices, on our belief that at some point futures and cash will converge at expiration in the presence of arbitrage. Cargill recognize that not all dislocations are an attractive opportunity, and they will also pursue direction views based on our forward S&D outlook that we feel is more accurate than the public data digested by the market

## **Portfolio Construction & Risk Control Methodology**

In managing the ProAlpha product from a trading perspective, Cargill separates out the functions of replicating the beta component and managing the alpha component. The beta component will be replicated alongside Cargill Risk Management's (CRM) larger index book using CRM's index model program known as iRep. The enhanced beta strategy selected for our customers is researched by CRM staff with assistance from our enhanced beta analytics models. With respect to the alpha component, CRM's Alpha Investment Committee ("AIC") follows a general process to screen each alpha trade idea submitted by a particular BU to make an overall decision:

1. Discuss the trade rationale, warning flags, and overall theme with the BU that is recommending the trade.
2. Assign a general loss tolerance level between 5 to 50 bps of the beta notional for the proposed alpha trade and convert into an equivalent dollar loss amount.
3. Determine an appropriate stop loss level and profit taking level. Verify the profit-to-loss ratio meets a reasonable target.
4. Calculate the quantity for the alpha trade as a function of the dollar loss amount and the stop loss level. [i.e.  $\text{Dollar Loss} = (\text{Entry level} - \text{Stop Loss level}) * \text{Quantity}$  ]
5. Adjust the quantity to ensure a reasonable risk tolerance with respect to dVaR, intra-day volatility, and/or potential upcoming market events (i.e. weather forecast, USDA crop report, etc).
6. Evaluate the alpha trade with the other alpha trades already in the Alpha Strategy to ensure they are not all highly correlated with one another.

ProAlpha's fundamentally driven trade ideas are sourced from six different internal Cargill Business Units. There are over twenty-five commercial traders across these six BUs that are responsible for fundamentally driven trade themes that ProAlpha may draw upon.

## **Buy/Sell Discipline & Trading Strategy**

Specifically for ProAlpha, all alpha trade ideas included in the portfolio originate from the trading desks embedded within physical trading business units who are responsible for endorsing ideas to buy/sell a commodity. The trade ideas are first communicated to CRM's Alpha Investment Committee ("AIC"), which is responsible for evaluating trade ideas for inclusion in the strategy based on the criteria of risk, sizing the trade appropriate to risk, and handling all aspects of execution and monitoring. The BUs will guide the investment decisions with respect to fundamental views for the alpha trades idea, with the AIC having ultimate control over all execution and risk decisions. Decisions do not have to be unanimous, but comments/concerns are discussed and trade rationale is reviewed prior to execution.

The firm does not engage in soft dollar arrangements in managing this product.

The firm does not trade through any affiliated broker/dealers for managing this product.

## **Additional Comments**

ProAlpha's fundamentally driven trade ideas are sourced from six different internal Cargill business units. There are over twenty-five commercial traders across these six BUs that are responsible for developing fundamentally driven trade themes that may be eligible for ProAlpha. Those BUs are responsible for recommending the trades for ProAlpha and will principally guide the trading decisions through the life of the trade.

The risk and execution decisions for ProAlpha's alpha strategy trading is overseen by CRM's Alpha Investment Committee ("AIC"). The AIC is responsible for making the ultimate decision on whether or not a business unit recommended alpha trade and/or enhanced beta strategy is suitable for inclusion in ProAlpha. The AIC will screen all trade ideas with respect to volatility risk, correlation to existing themes, and may require further explanation from the BU regarding fundamental rationale prior to execution. Once a trade is executed, the AIC will rely heavily on the BU that recommended the trade for guidance on profit taking/unwind decisions, as the BU has the best grasp on changes to the underlying fundamentals. The BU traders will conduct all research and trade formation. Currently, there are four members of the AIC, consisting of: Joel Welliver, Joe Lardy, Rob Blue, and Tom King.



## Commodity Strategies







# San Mateo County Employees Retirement Association

***Prepared By:***

Cargill Risk Management

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# Who Is Cargill

## •Overview

- International provider of food, agriculture, and risk management products and services.
- One of the world's largest privately owned corporations
  - 131,000 employees in 66 countries
  - Over \$115 billion in annual sales with over \$20 billion net worth
- Operates globally across 5 major business segments:
  - Agricultural Services
  - Food Ingredients and Applications
  - Origination and Processing
  - Risk Management & Financial
  - Industrial



## Cargill's Focus

### •Cargill's core focus is commodities

- Cargill has over 140 years of dedicated experience in the commodity industry
- We are the global leader in origination, processing, and trading/exporting of physical commodities

### •Highlights

- Diversification of product lines
- Breath of expertise – presence across the value chain
- Market leadership – generally a top 3 market player in every industry we serve
- Cargill has an intrinsic focus on pursuing growth and significant investments in global commodity markets



## Cargill Risk Management (CRM) Overview

- Founded in 1994 as a dedicated provider of risk management and financial solutions
  - Farming community
  - Corporate end users
  - Institutional investors
- Service a diverse client base of pensions, endowments, and foundations throughout North America, Europe, and Asia
- Delivering commodity index swaps and notes for nearly 15 years
- 11 professionals with 14 years average industry experience
- Leverage market data from 6 commercial business units and more than 25 traders
- Multiple global trading desks



# CRM Investor Product Progression



CRM founded to service the needs of producers, end users and institutional investors

Cargill one of the first to provide vanilla index replication on GSCI/DJUBS

Developed and optimized beta enhancement strategies to mitigate roll yield

Launched first actively managed beta product "ProAlpha Index"

Continually develop unique and innovative solutions to meet the demands of the changing market environment



## ProAlpha Index® Overview

- Portfolio Inception March 31, 2008
- Actively managed index derivative with beta and alpha component
- Investor selects benchmark (S&P GSCI or DJUBS)
- Seeks to outperform benchmark by 3-5% per annum gross of fees
- Index value calculated daily through transparent, objective method
- Provides monthly reset and daily liquidity depending on delivery vehicle
- Delivered through segregated, separately managed swaps or notes





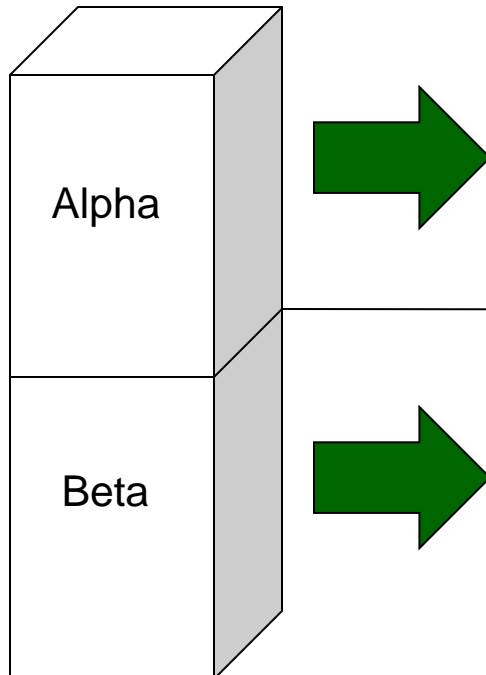
## ProAlpha Index® Investment Philosophy

- Alpha strategy driven by fundamental analysis of the physical and derivative commodity markets
- Gather real-time supply and demand flow intelligence through relationships with commodity producers and commercial users throughout the world
- Compare in house proprietary supply demand forecasts for underlying commodities with USDA or other public data
  - Planted acreage estimates
  - Crop yields
  - Private farm surveys
  - Weather forecasts
  - Industry production data and other input
- Pursue opportunities with material disconnect between the futures market and the cash market



## ProAlpha Index® Investment Process

2 drivers of  
outperformance



- Continuous portfolio of  $\approx 10 - 15$  fundamentally driven trade ideas
- Trade ideas actively managed by Cargill traders
- Derived from grain & oilseed, energy, softs, and livestock

- Passive rules based approach designed to mitigate roll yield
- Proprietary optimizer used to model returns and engineer enhancement strategies
- Modified roll schedules and curve optimization
- Approach can be static or dynamic



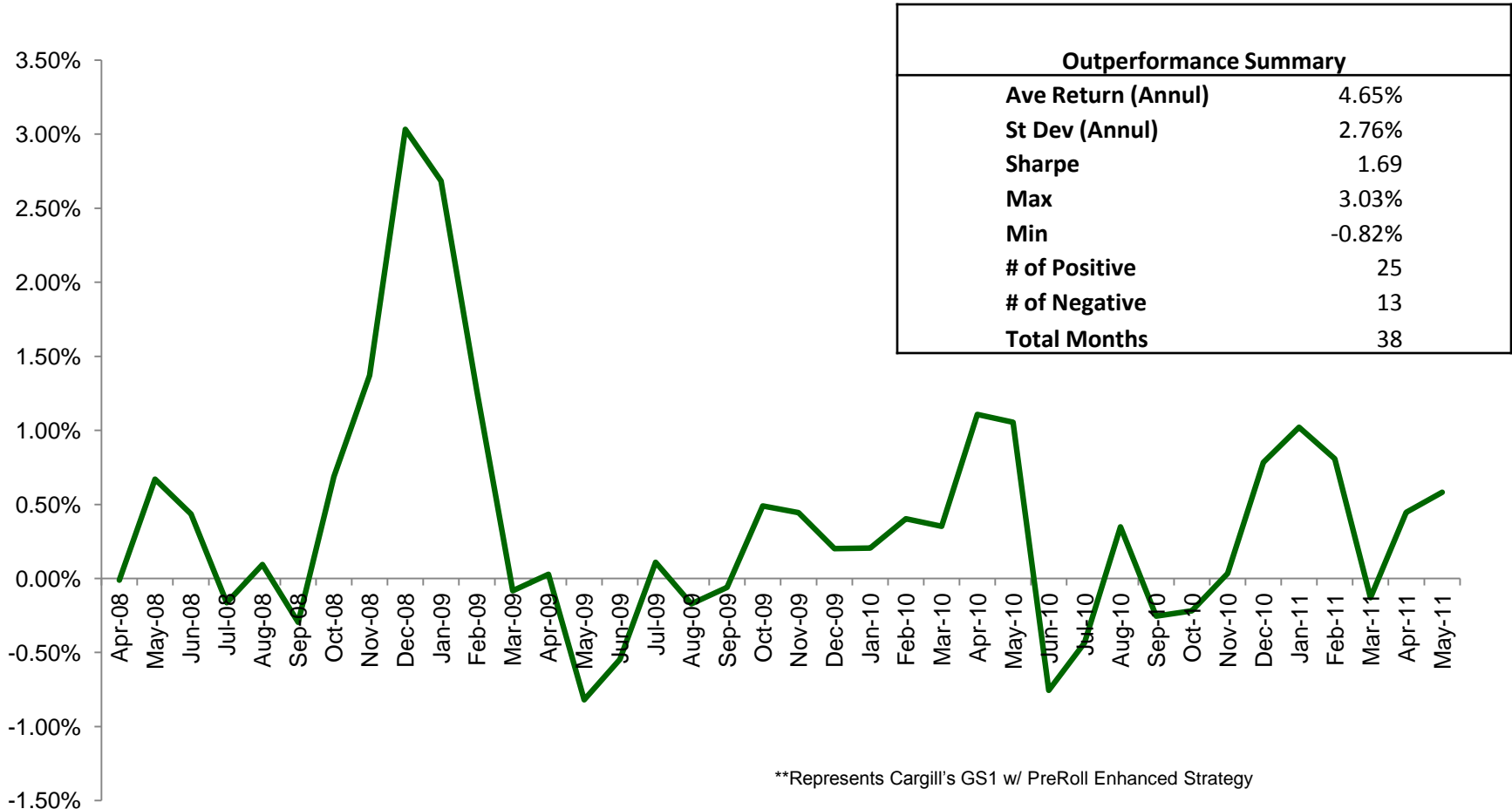
## ProAlpha Index® Investment Process

- Alpha trade themes originate from approximately 6 Cargill business units
- Trade ideas are communicated to Alpha Investment Committee (AIC), screened for risk appetite and approval
- Inclusion of trade theme depends on market fundamentals and risk/reward profile
- Quantitative and qualitative factors considered by AIC include:
  - Underlying beta notional exposure
  - Entry/Exit levels
  - Strength of fundamental rationale
  - Downside risk
- Establish “game plan” including size and risk management parameters
- AIC responsible for all aspects of trade approval and performance monitoring





# ProAlpha Index® Monthly Outperformance





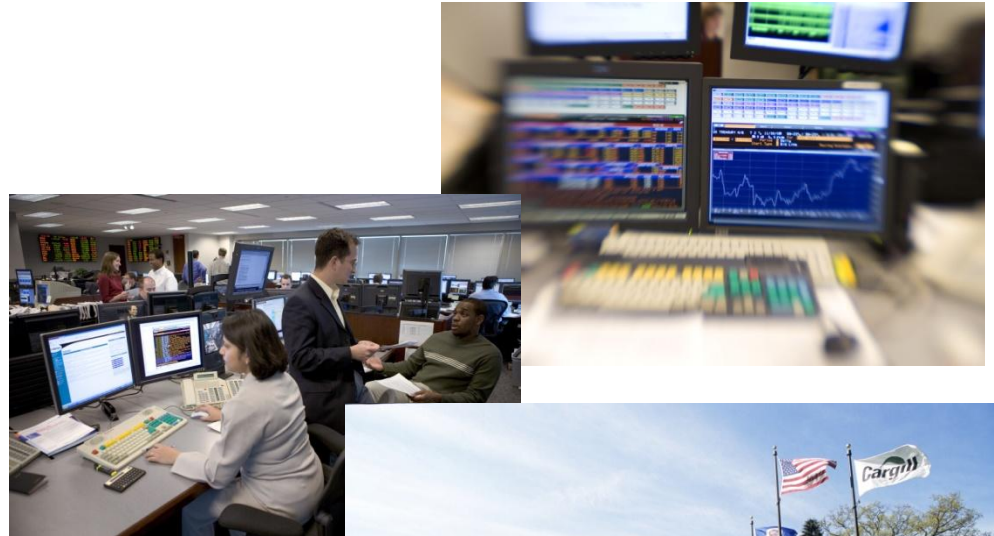
## Why Cargill

- Rich history, operating in the commodity sector for 146 years
- Deep breadth of experience in interpreting information relative to our competitors in the commodity investment space
- Total transparency of underlying investments
- Objective calculation methodology
- Daily liquidity
- Aligned incentives



## CRM Office Locations

- **Minneapolis, MN**  
Cargill Risk Management  
9350 Excelsior Boulevard #150  
Hopkins, MN 55343  
(952) 984-3864
- **Chicago, IL**  
Cargill Risk Management  
311 S. Wacker Drive  
Suite 5410  
Chicago, IL 60606  
(312) 789-9505
- **Geneva, Switzerland**  
Cargill Risk Management  
Case Postale 383  
CH-1211 Geneva 12  
Geneva, Switzerland  
Loc: 14, chemin De Normandie  
+41 22 703 2722





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***Cargill***<sup>TM</sup>

**collaborate > create >  
succeed**



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

June 21, 2011

Agenda Item 6.2 b

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Commodities Manager Interview: Gresham Investment Management – Tangible Asset Program

COMMENT: Attached to this agenda item is the manager presentation booklet.

Below are the presenters:

**9:15 a.m. Interview      Gresham Investment Management – Tangible Asset Program**

**Jonathan Berland, Managing Director**

Below is a brief overview of the investment philosophy and approach.

**Gresham Investment Management – Tangible Asset Program**

**Investment Philosophy and Approach**

Gresham's twenty-two year running Tangible Asset Program (TAP) combines fundamental and quantitative approaches to the investment philosophy. A systematic rules-based active approach is implemented, and the methodology is designed to maximize investability, scalability, and transparency. Strict portfolio construction guidelines are combined with market-driven implementation strategies to create a liquid and diversified commodity product. For TAP, rules-based commodity weightings ensure relevancy and adequate liquidity. Commodity constraint rules and consistent exposure through rebalancing are the foundation for TAP's low volatility levels. However, market-driven roll implementations using the fund manager's more than 22-years' expertise and discretion have historically added significantly to returns. TAP has a longer history and better risk-adjusted performance than both of the most commonly used commodity futures indices, S&P GSCI and DJ-AIGCI. Gresham does not pursue inter-commodity spreads. Their focus remains the management of a pre-determined, long-only portfolio of commodity futures contracts. This has proven to provide the most efficient and purest exposure to commodities as an asset class and its ensuing benefits of portfolio diversification through low correlation to traditional asset classes while acting as a successful hedge against inflation, geopolitical concerns and periods of financial stress.



# Gresham Investment Management LLC

21 June 2011  
Redwood Shores, CA



**GRESHAM INVESTMENT MANAGEMENT LLC**

We Know Commodities.<sup>SM</sup>



# Gresham Investment Management

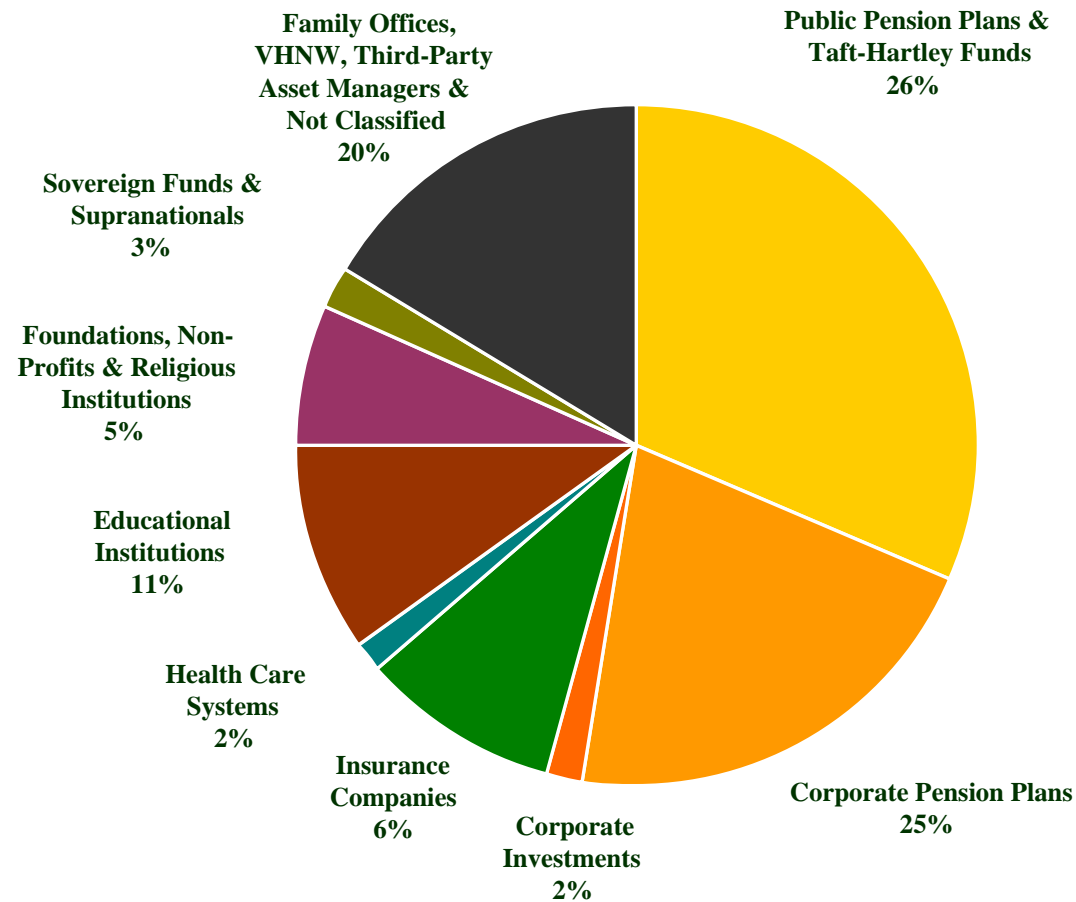
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- ◆ **24-Year Track Record for Longest-Running Commodity Program.**
- ◆ **\$13 Billion under Management, Entirely in Commodities.**
- ◆ **46 Employees and 21 Dedicated Commodities Investment Professionals.**
- ◆ **7 State Retirement Systems as Investors.**



# Gresham Investment Management

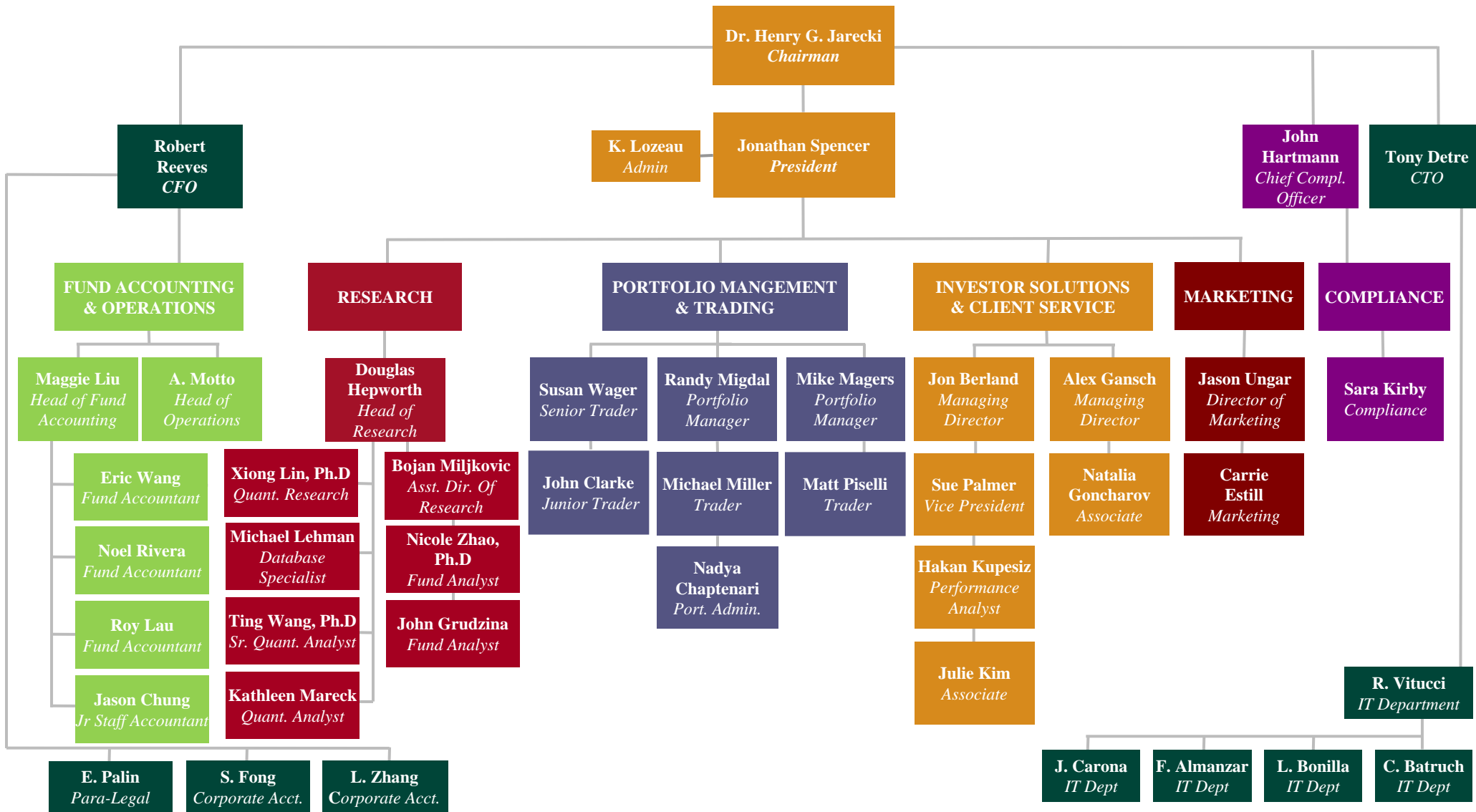
**Gresham manages and/or sub-advises in excess of \$13.0 Billion in commodities investments for a broad and diverse investor base.**



*Note: Client segmentation as of 12/31/09.*



# Gresham Organization Chart



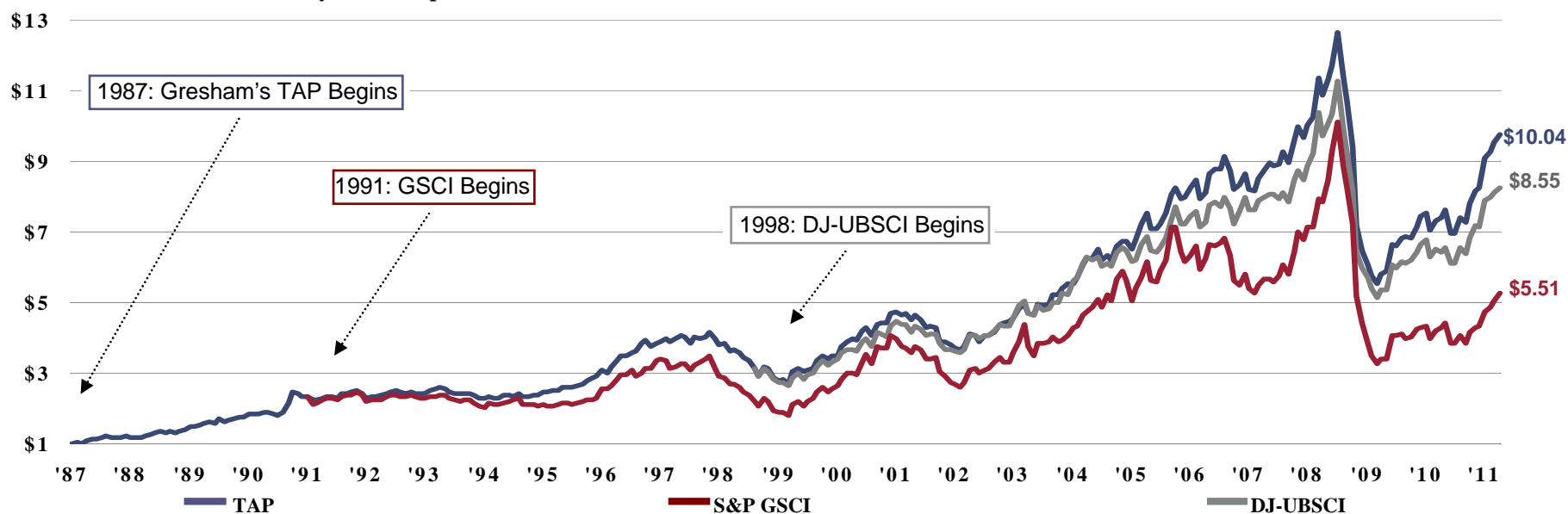
# Gresham has a 24-Year Track Record of Commodity Investing

Gresham's first commodities program, the Tangible Asset Program ("TAP"), was launched in 1987, several years before the two most commonly referenced commodity futures indices were created.

Comparative Performance: August 1998 to April 2011 common period

	TAP	DJ-UBSCI (Inception 8/98)	S&P GSCI (Inception 1/91)
Return	9.61%	8.24%	7.45%
Standard Deviation	17.12%	17.35%	24.70%
Sharpe Ratio	0.39	0.31	0.18

Growth of \$1 Invested: January 1987 to April 2011



Source: Gresham Investment Management LLC. Bloomberg Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index. Performance data prior to 2005 represents the largest and longest-standing Gresham account following the TAP methodology. From 2005 to fund inception, performance represents a composite of all Gresham client accounts. All data assumes US 90d T-Bill collateral and is net of commissions, but does not reflect the impact of any management fees and direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower returns. For an illustration of the effect investment advisory fees, compounded over a period of years, could have on the total value of a client's portfolio, please see "Important Information about the Effect of Fees on Returns" in Disclaimer & Risk Disclosures. April 2011 Returns for TAP are estimated.



# Anticipatory Assets vs. Immediate Assets

---

## Anticipatory Assets (e.g. Stocks, Bonds, Private Equity)

$$\diamond PV = \sum_t \frac{CF_t}{(1 + r_t)^t}$$

*Value is based on future cash flows and interest rates.*

## Immediate Assets (e.g. Commodities)

- ◆ Supply/Demand

*Value is based on here & now.*



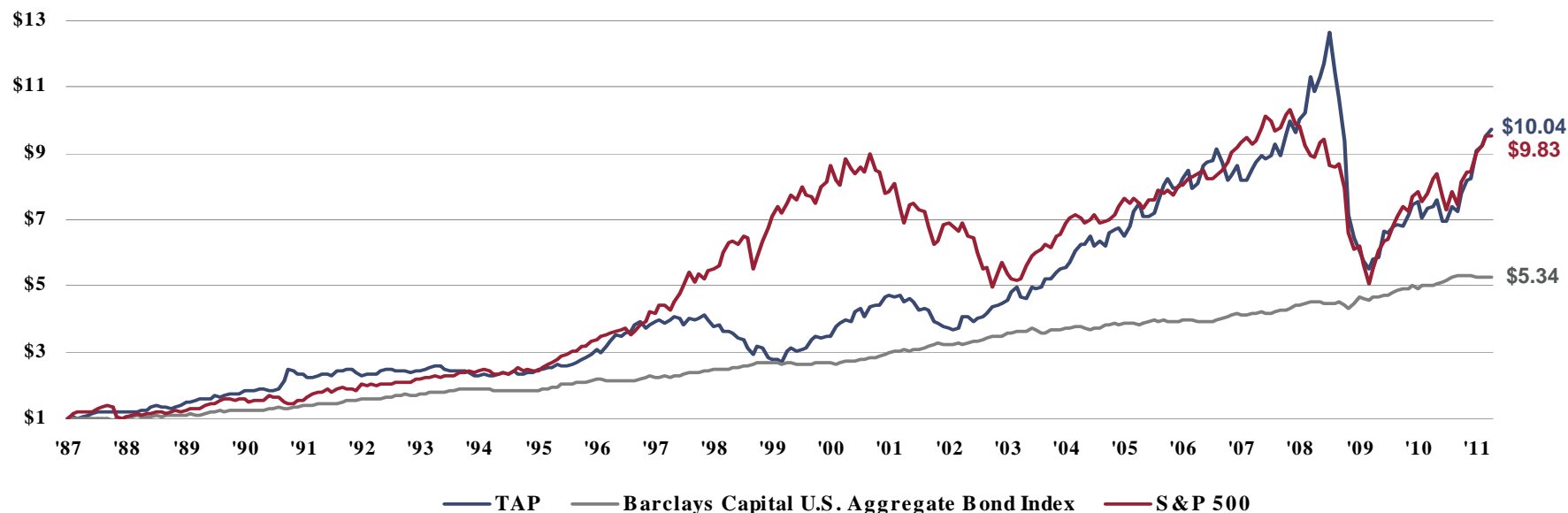
# Long-Term Capital Growth & Favorable Risk

Historically, diversified commodity investments have produced a return that is comparable to that of equities, with lower risk.

January 1987 to April 2011

	Commodities (Gresham's TAP)	Equities (S&P 500)	Bonds (BarCap US Bond Agg)
Annualized Return	9.94%	9.84%	7.12%
Standard Deviation	14.65%	15.70%	4.02%
Sharpe Ratio	0.37	0.34	0.69

## Growth of \$1 Invested

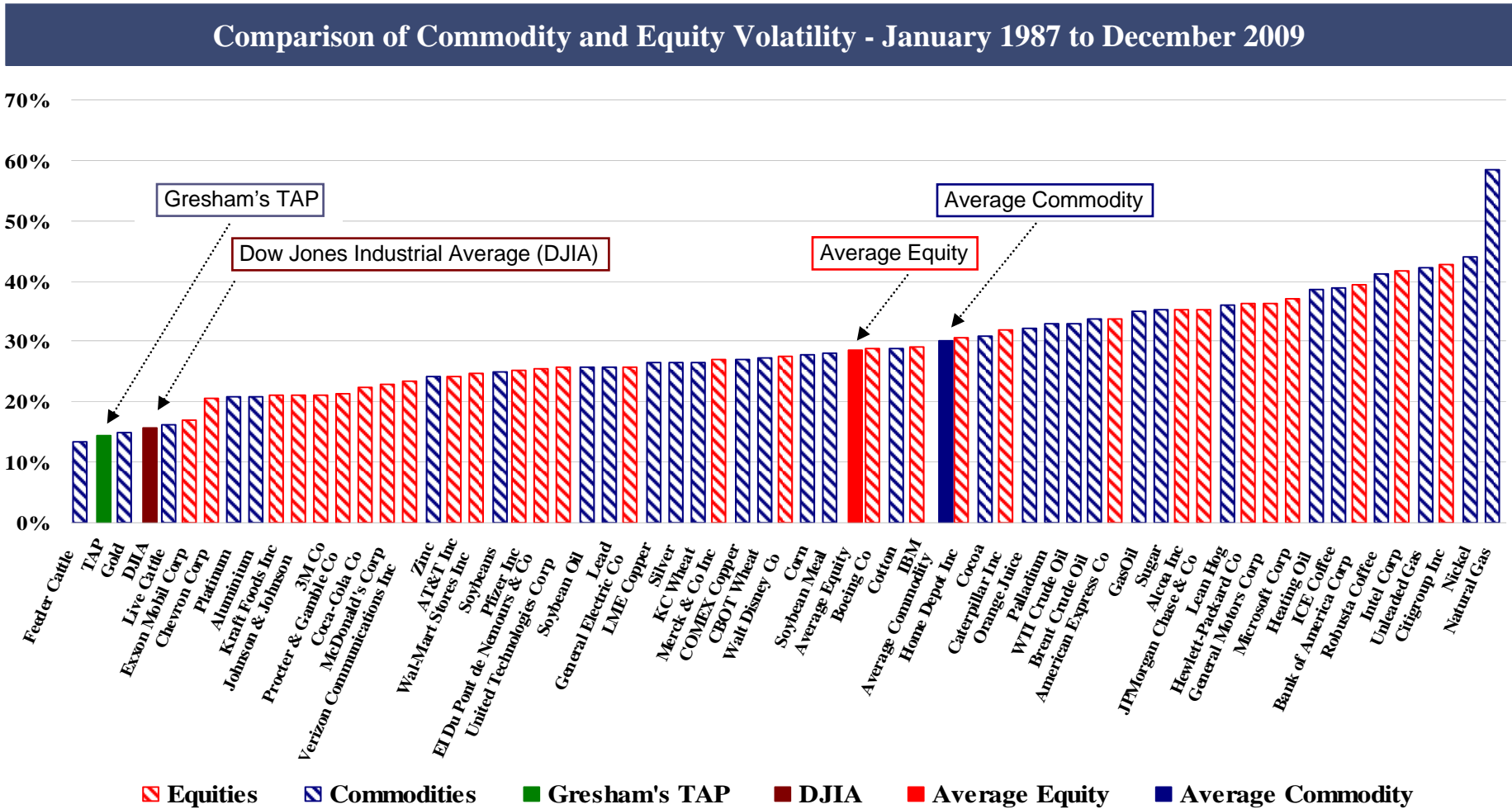


Source: Gresham Investment Management LLC, Bloomberg Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index. Performance data prior to 2005 represents the largest and longest-standing Gresham account following the TAP methodology. From 2005 to fund inception, performance represents a composite of all Gresham client accounts. All data assumes US 90d T-Bill collateral and is net of commissions, but does not reflect the impact of any management fees and direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower returns. For an illustration of the effect investment advisory fees, compounded over a period of years, could have on the total value of a client's portfolio, please see "Important Information about the Effect of Fees on Returns" slide in Disclaimer & Risk Disclosures. April 2011 Return for TAP is estimated.



# Commodity Volatility is Comparable to Equities

A diversified commodity program can demonstrate a lower overall volatility than equities by adhering to strict sector and individual commodity weightings.



Source: Gresham Investment Management.

Note: Volatility is measured by Standard Deviation. Past performance is not necessarily indicative of future results.



# Commodity-Related Stocks $\neq$ Commodities

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**Any investor with exposure to an equity index already has significant exposure to the equity of commodity producers.**

- ◆ **Commodity Stocks are priced like all other stocks.**

$$Price = EPS * Price/Earnings Multiple$$

- ◆ **EPS may be correlated to prices of commodities (unless output is hedged)**
- ◆ **However, commodity stocks also have an equity market beta (through the P/E multiple)**
- ◆ **And significant idiosyncratic risk, i.e. firm-specific risk**
  - **Project/Political Risk**
  - **Capital Structure**
  - **Performance of Unrelated Businesses**



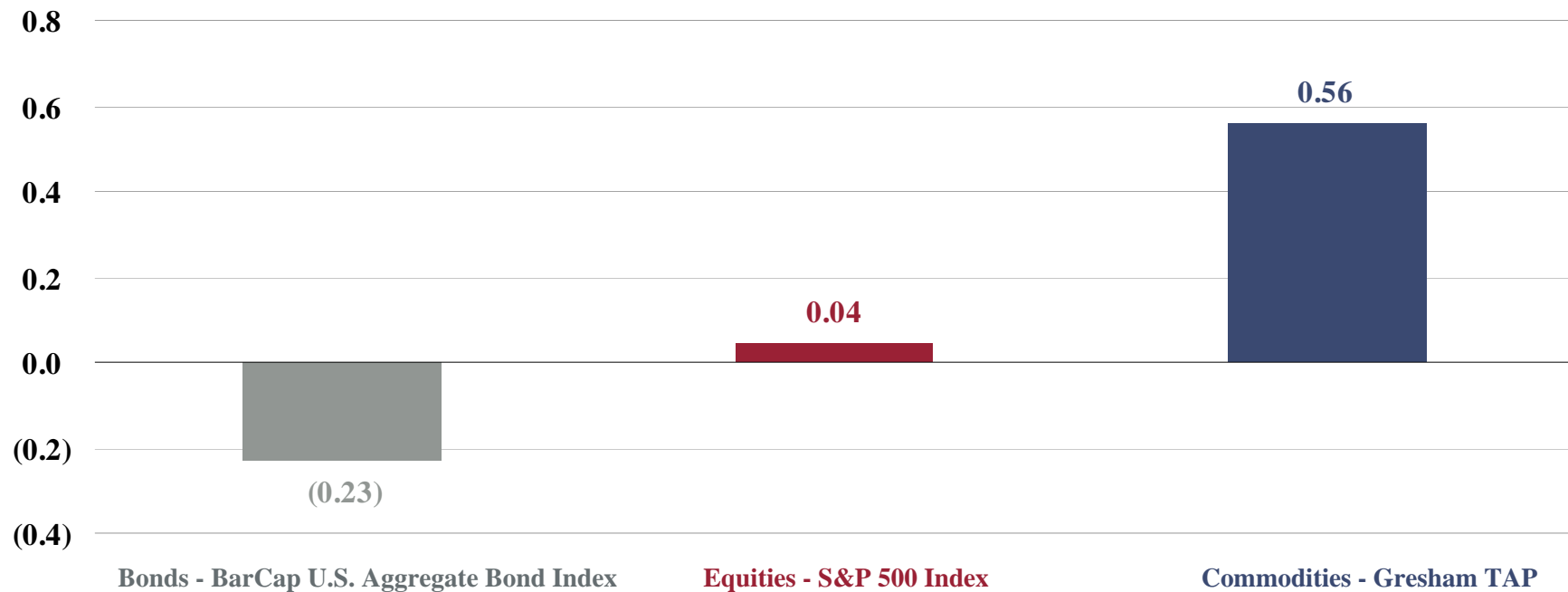


# Inflation Protection

**Commodities may be an effective inflation hedge. Generally, commodity prices rise ahead of inflation. By contrast, bonds are negatively correlated to inflation and equities have close to zero correlation and a negative correlation to unexpected inflation – when inflation is rising, bond and stock returns may suffer.**

**CPI Correlation Comparison - January 1987 to December 2010**

Quarterly Correlation



Sources: Gresham Investment Management LLC, U.S. Bureau of Labor Statistics

Notes: There is no guarantee that TAP will achieve the same degree of correlation in the future. It is not possible to invest directly in an index..



# Three Criteria for Effective Inflation Hedges

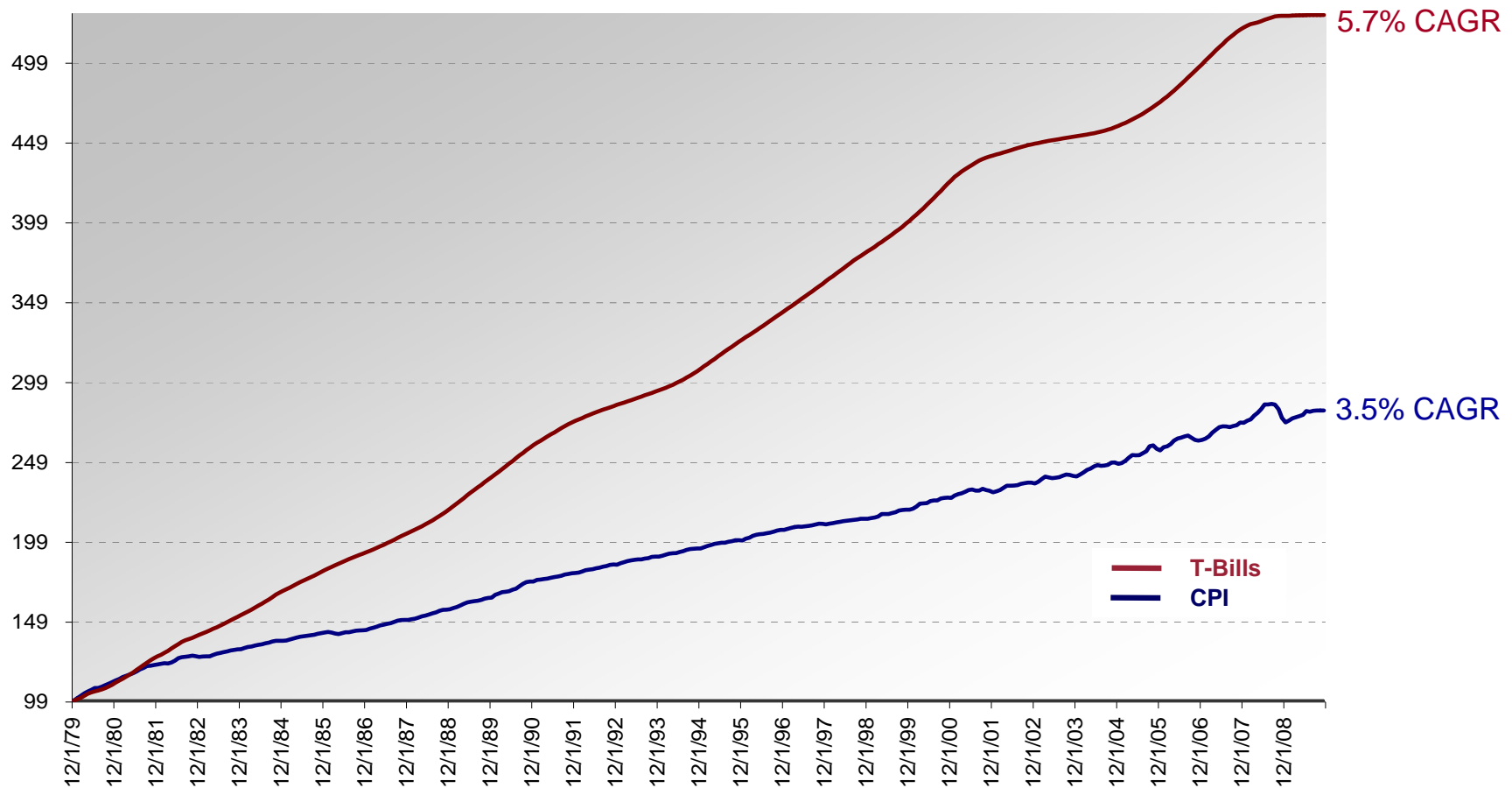
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1. **Beta**
2. **Timing**
3. **Liquidity**



# CPI May Underestimate Inflation

Revisions to the CPI methodology may have led it to understate actual inflation.

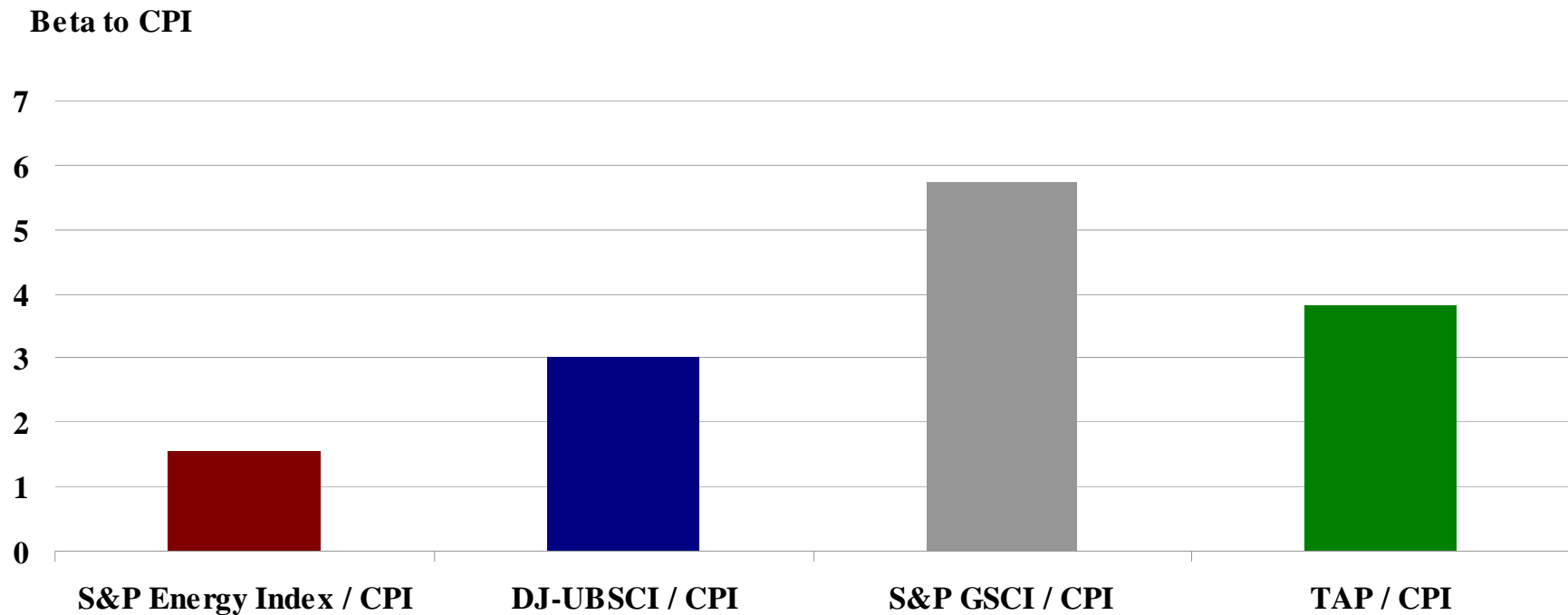


Sources: Gresham Investment Management LLC, Bloomberg



# Higher Beta to Inflation than Commodity-Related Equities

## Beta to CPI Comparison – January 1991 to September 2010



Source: Gresham Investment Management LLC, Bloomberg

Notes: There is no guarantee that TAP will achieve the same degree of correlation in the future. It is not possible to invest directly in an index.



# Commodities as a Leading Indicator

**Monthly Correlations are greatest for commodities as a leading indicator of Inflation.**

## Monthly Correlations

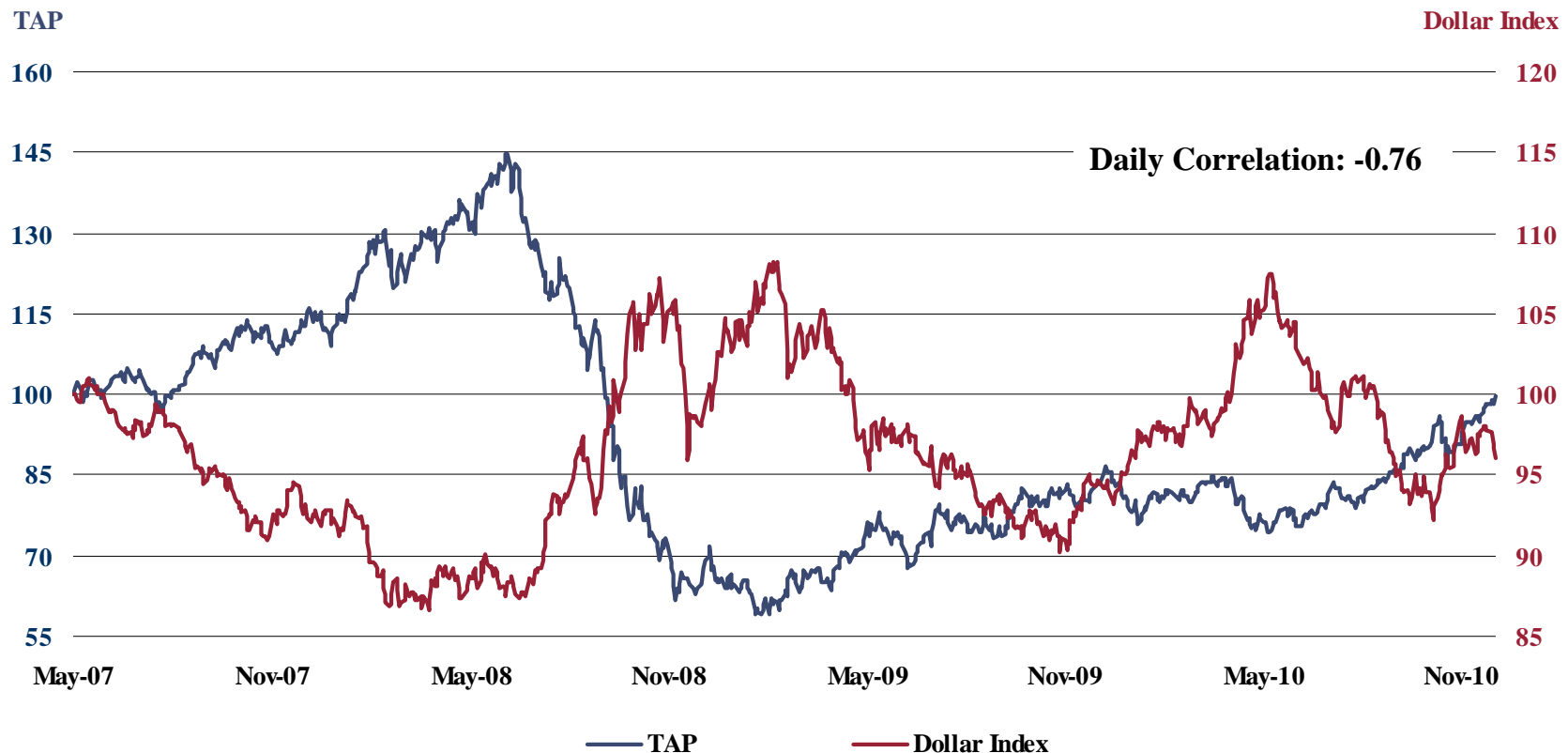
Since 1987	CPI SA	CPI NSA	PPI SA	PPI NSA
Coincidental	0.29	0.34	0.37	0.33
TAP as lagging	0.06	0.11	0.04	0.03
TAP as Leading	0.64	0.60	0.60	0.61



# Commodities are a US Dollar Hedge

## Commodities can help protect against US Dollar weakness

TAP vs. Dollar Index - May 2007 to December 2010

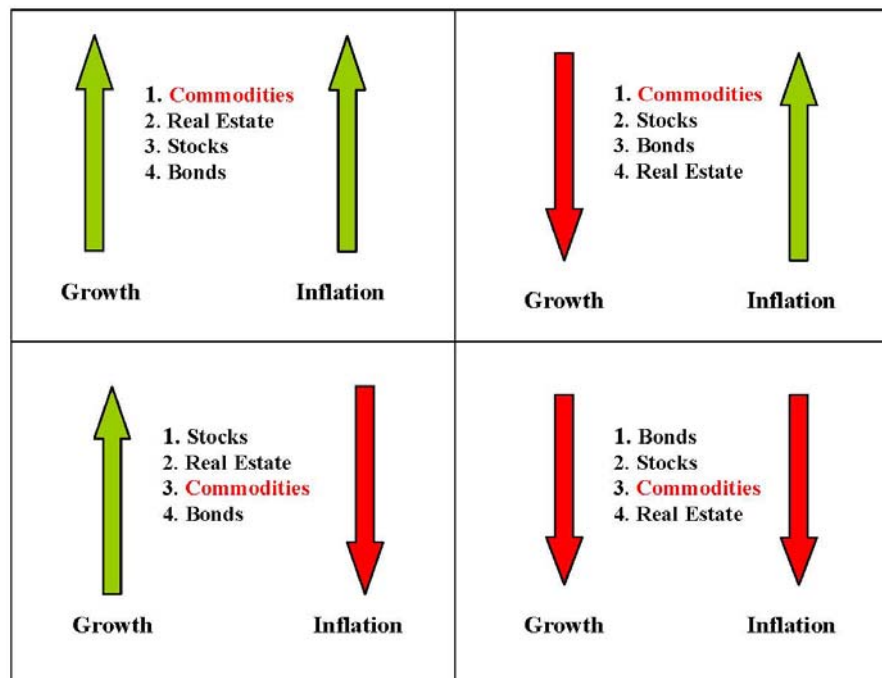


Source: Gresham Investment Management LLC, Bloomberg. Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index. Performance data prior to 2005 represents the largest and longest-standing Gresham account following the TAP methodology. From 2005 to fund inception, performance represents a composite of all Gresham client accounts. All data assumes US 90d T-Bill collateral. **Returns are comprised of the futures trading returns of the respective accounts plus the historical returns on 90 day US Treasury bills for the relevant periods.** All data is net of commissions, but does not reflect the impact of any management fees and direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower returns. For an illustration of the effect investment advisory fees, compounded over a period of years, could have on the total value of a client's portfolio, please see "Important Information about the Effect of Fees on Returns" in Disclaimer & Risk Disclosures. **There is no guarantee that TAP will achieve the same degree of correlation in the future. Past performance is not necessarily indicative of future results.**



# Asset Class Returns in Various Economic Environments

**Commodities provide valuable portfolio diversification and higher returns in most economic environments, excluding deflationary recessions, when bonds are most valuable as a deflation hedge.**



↑ = above median, ↓ = below median: Jan. 1960 – December 2009

Source: Gresham Investment Management, S&P, US Census Bureau, Case Schiller, SBBI

Notes: Actual TAP returns start in January 1987. For the time period prior to 1987 this chart shows hypothetical performance results based on TAP methodology. Hypothetical results may not reflect material economic and market factors. No representation is made that any client will or is likely to achieve the hypothetical returns represented above. All data are net of commissions and gross of fees. Clients' returns will be reduced by the advisory fees and any other expenses they may incur in the management of an account. Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index.

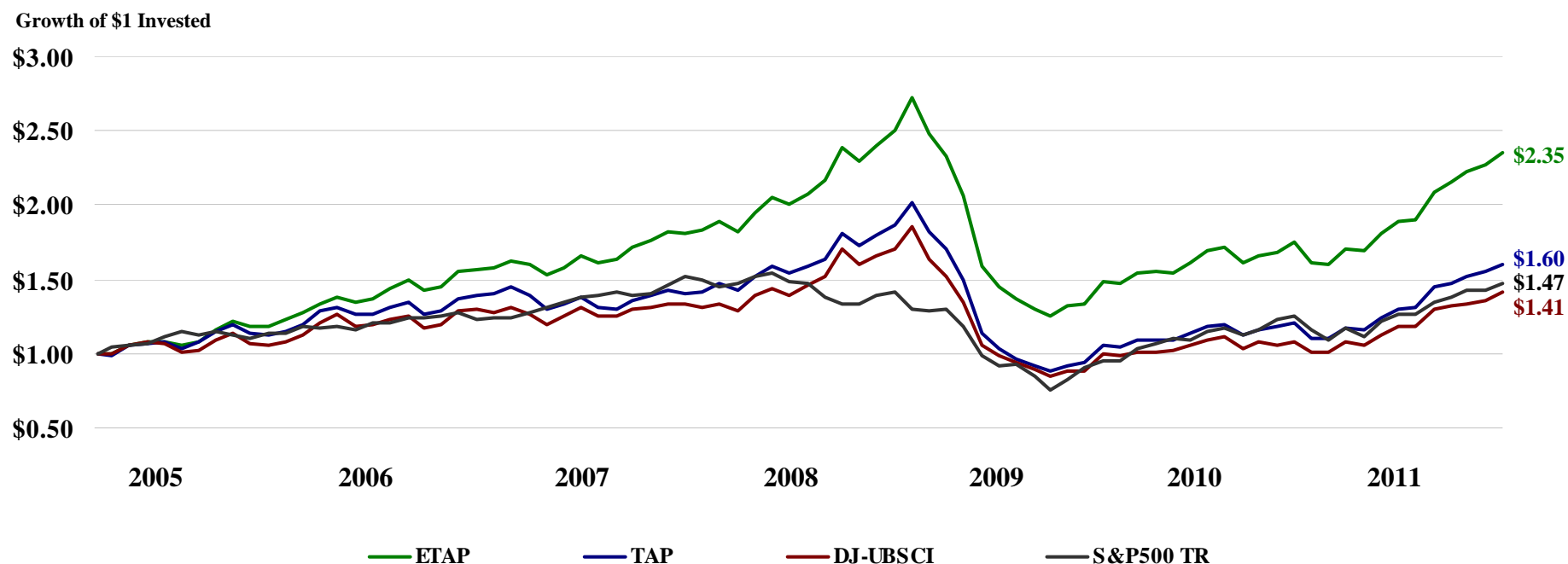


# Gresham Adds Value with Active Implementation

**Prudent active management of diversified commodity investments can deliver the portfolio benefits of commodities beta exposure and produce superior returns.**

August 2004 (Start of ETAP) to April 2011

	ETAP	TAP	DJ-UBS	S&P 500
Annualized Return	13.5%	7.2%	5.2%	5.9%
Standard Deviation	18.3%	19.3%	19.3%	15.8%
Sharpe Ratio	0.60	0.25	0.15	0.22



*Note: Past performance is not necessarily indicative of future results. Total Returns assume US 90d T-Bill Collateral. From August 2004 to February 2008, ETAP data reflects the performance of the largest and longest-standing Gresham account following the ETAP program. From March 2008 to the present, ETAP data reflects the performance of a composite of all Gresham client accounts following the ETAP program. All data are net of commissions and do not reflect the impact of management fees, performance fees and direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower performance results. See Disclaimer and Risk Disclosures. It is not possible to invest directly in the DJ-UBS or S&P 500 Index.*





# Gresham Program Characteristics

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- 1. Unleveraged**
- 2. Excellent Liquidity**
- 3. Conservative Collateral Management: T-Bills or TIPS**

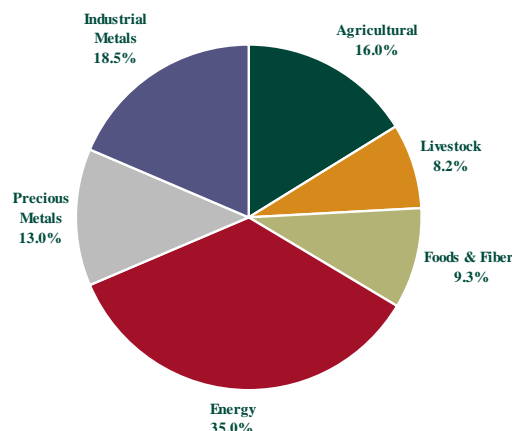


# Gresham's TAP & Commodity Index Benchmarks

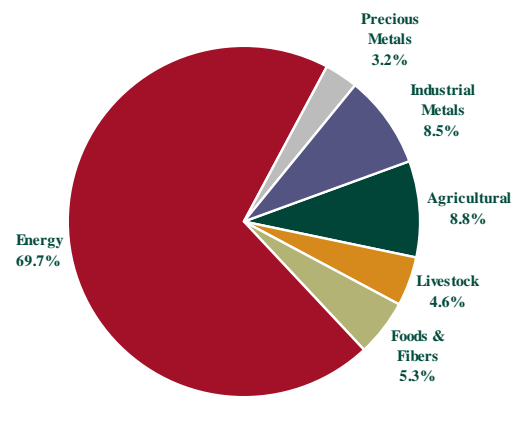
Each represents one expression of a long-only, diversified commodities basket.

Systematic portfolio construction ensures consistent commodities beta exposure.

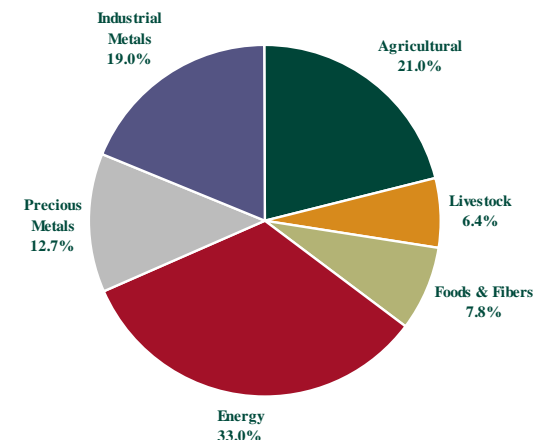
Tangible Asset Program (TAP)



S&P GSCI



DJ-UBSCI



<b># of Commodities</b>	31	24	19
<b>Inception Date</b>	January 1987	January 1991	August 1998
<b>Weighting Factors</b>	Global Trade Global Production Futures Liquidity	Global Production	Futures Liquidity Global Production
<b>Weighting Constraints</b>	Sector & Commodity	None	Sector & Commodity



# TAP Portfolio Construction Guidelines

**The TAP portfolio construction process is designed to produce broad and liquid exposure to world commodities.**

## Included Commodities and Eligibility

**Gresham segments commodities into the following sectors based on commonalities of production, use and trading:**

1. Energy - Petroleum-sector commodities and Natural Gas.
2. Agricultural - Grains and the byproducts of grains.
3. Livestock - Meats and animals at various stages of development.
4. Industrial Metals - Such as Copper, Aluminum, Zinc, and Lead.
5. Precious Metals - Gold, Silver and the Platinum complex.
6. Foods & Fibers - Soft commodities including Coffee, Sugar, Cocoa, Orange Juice, Cotton and Lumber.

**To be eligible for inclusion in TAP, commodities must have \$US denominated futures with annual trading volume > 300K contracts.**

## Additional Constraints

**Three general rules further ensure broad diversification of the TAP portfolio:**

1. No single sector can represent more than 35% of TAP.
2. No two sectors can collectively represent more than 60% of TAP.
3. No single commodity can represent more than 70% of a sector.

## Sector & Individual Commodity Weightings

**Gresham ranks commodities within sectors based on their historical Global Production, Global Trade and Futures Liquidity values.**

- Global Production values are calculated by multiplying global units produced over the last 5 years by the average price over the last year.
- Global Trade values are calculated by multiplying the average of global export and import units for each commodity over the last 5 years by the average price over the last year.
- Futures Liquidity values are calculated by multiplying contracts traded over the last 5 years by the average price over the last year.

**Apportioning of each commodity sector within TAP is based on a weighting formula of 1/3 Global Production value + 1/3 Global Trade value + 1/3 Futures Liquidity value.**

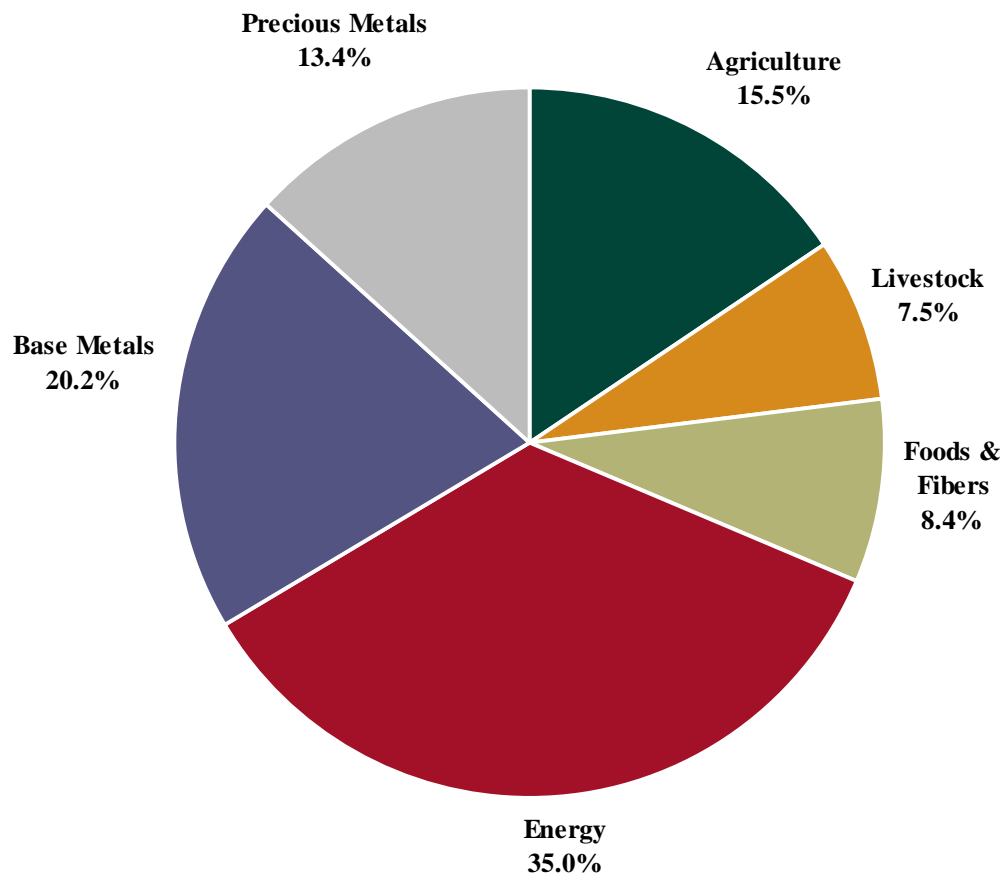
- The top five eligible commodities in each sector are selected.

**Individual commodities are then weighted within each commodity sector based on the formula of 1/3 Global Production + 1/3 Global Trade + 1/3 Futures Liquidity.**

- For commodities that trade on multiple exchanges, e.g. Crude Oil, Copper, Wheat, etc., TAP will use more than one exchange to obtain exposure provided that trading of the commodity on each exchange has an annual trading volume greater than 300,000 contracts.



# TAP Portfolio Composition - Allocations by Commodity



TAP Allocations				
Group	Commodity	2011 Weight (%)	2010 Weight (%)	
<b>Energy</b>		<b>35.0</b>	<b>35.0</b>	
	Crude Oil	NYMEX - WTI	17.0	17.6
		ICE-Brent	5.7	5.9
	Natural Gas		4.5	3.6
	Heating Oil	NYMEX - No. 2	3.5	3.5
		ICE-Gas Oil	1.2	1.2
	Unleaded Gas		3.2	3.4
<b>Industrial Metals</b>		<b>20.2</b>	<b>18.5</b>	
	Copper	LME	5.0	4.3
		COMEX	5.0	4.3
	Aluminum		5.8	5.7
	Nickel		2.0	1.8
	Zinc		1.6	1.5
	Lead		0.9	0.9
<b>Agricultural</b>		<b>15.5</b>	<b>16.0</b>	
	Wheat	CBOT	-	1.0
		Kansas City	2.4	1.8
		Minneapolis	1.6	1.2
	Corn		3.8	3.6
	Soybeans		4.8	5.1
	Soybean Meal		1.7	2.2
	Soybean Oil		1.3	1.2
<b>Livestock</b>		<b>7.5</b>	<b>8.2</b>	
	Live Cattle		4.4	5.0
	Lean Hogs		2.1	2.1
	Feeder Cattle		1.0	1.1
<b>Precious Metals</b>		<b>13.4</b>	<b>13.0</b>	
	Gold		9.4	9.1
	Silver		2.6	2.6
	Platinum		1.0	1.0
	Palladium		0.4	0.3
<b>Foods &amp; Fibers</b>		<b>8.4</b>	<b>9.3</b>	
	Sugar		3.5	4.0
	Cotton		2.0	1.9
	Coffee	ICE	1.7	1.8
		LIFFE	0.4	0.6
	Cocoa		0.8	1.0

Source: Gresham Investment Management LLC

Note: Commodity weights are reset annually and without investor notification.



# Passive vs. Active Implementation in Commodity Investing

Commodity investments are highly “implementation-oriented” – an investment manager must regularly purchase and subsequently sell, i.e. “roll”, individual commodity futures contracts throughout the year.

## Three Problems with Passive Implementation:

### 1) Index Transparency

Indices follow passive, pre-defined (fixed or algorithmic) conventions for rolling, i.e. re-referencing, underlying futures contracts. Rules are completely transparent and governed by easily obtained rule-books.

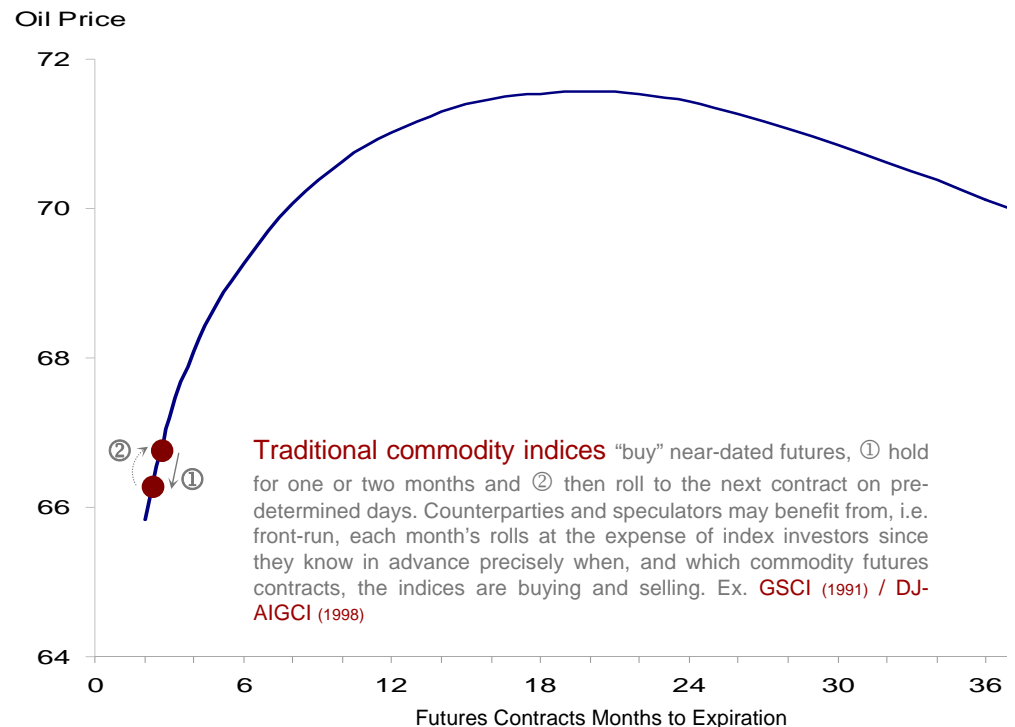
### 2) High Turnover

500%+/year; 100x equity index turnover.

### 3) Conflicting Incentives

Bank counterparties' (index providers') profit not based on index performance; may earn more if index underperforms.

⇒ This allows, and encourages, market participants to trade against passive commodity products, multiple times during the year, for profit.



# Why Not Just Use a Commodity ETF/ETN?

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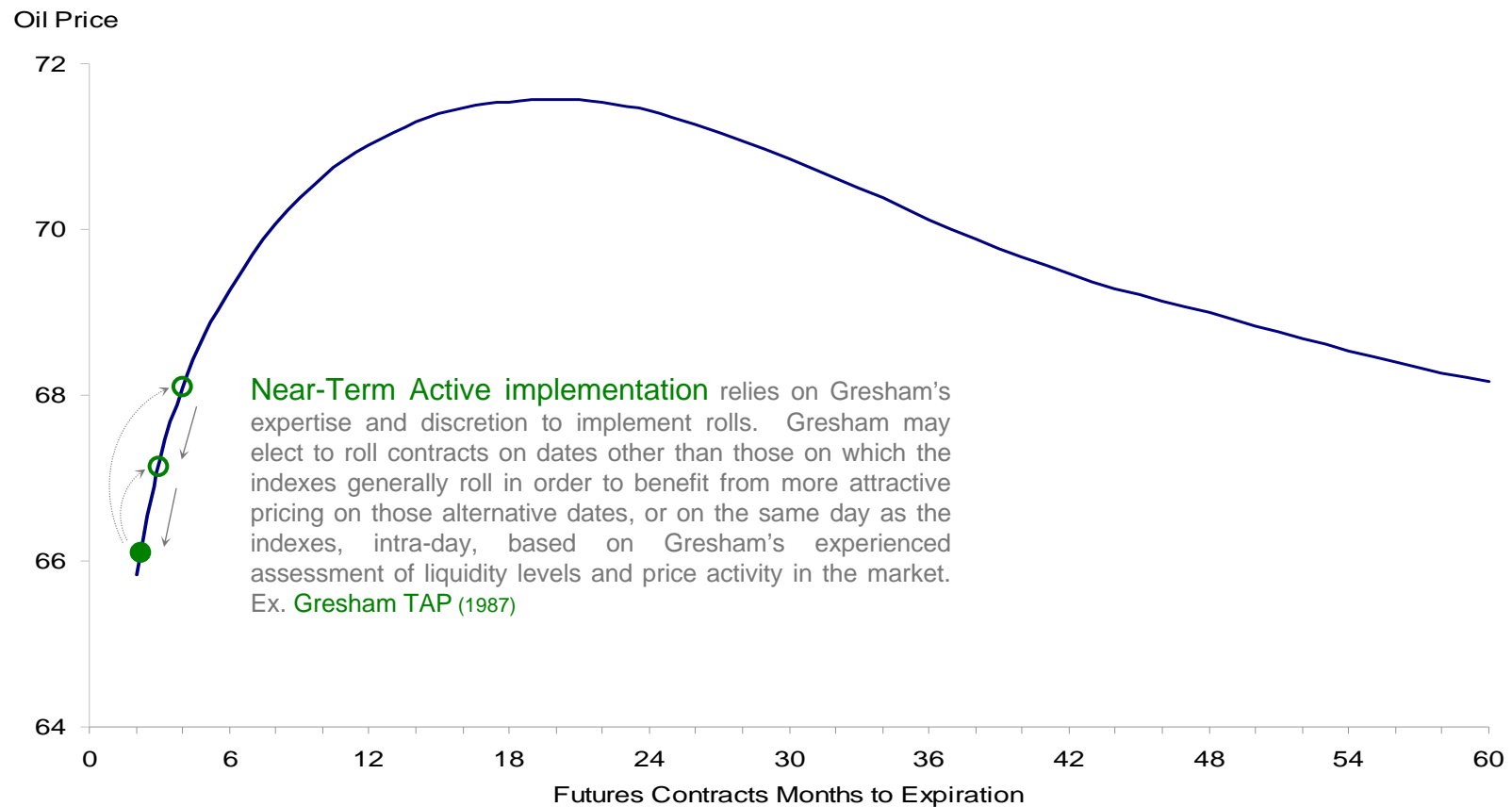
- 1. Commodity Exchange Traded Funds/Notes are typically linked to an index and suffer from sub-optimal implementation.**
  - ⇒ **Exposure to certain indexed asset classes (e.g., equities) may be effectively gained through Exchange Traded Funds/Notes, but this is not true of commodities.**
- 2. Exchange Traded Notes are guaranteed by their issuers. ETN's were introduced in 2006; the first default occurred in 2008.**
  - ⇒ **Commodity futures trades are settled through clearinghouses that guarantee all executed transactions. Futures trading in the U.S. began in the mid-1800's; the first default has yet to occur.**



# Gresham TAP Investment Process

**Gresham's expertise creates possibility to generate alpha over commodity index benchmarks with distinct active implementation strategies.**

◆ **Near-Term Active (NTA) Implementation:**  
Avoiding "High Cost" of Index Transparency



# Tangible Asset Program

## Net Monthly Returns

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FY
1987	4.5%	-3.3%	5.7%	4.7%	2.6%	1.9%	3.0%	-2.1%	-0.7%	0.0%	1.9%	-2.1%	16.8%
1988	1.1%	-1.5%	5.8%	1.8%	5.2%	3.0%	-2.9%	0.1%	-2.4%	4.5%	3.8%	6.6%	27.3%
1989	-0.4%	2.4%	3.1%	0.5%	-0.7%	6.2%	-4.2%	3.3%	3.3%	0.8%	1.2%	3.5%	20.4%
1990	-0.2%	0.7%	1.5%	0.0%	-2.4%	-0.5%	4.8%	12.3%	15.8%	-2.1%	-4.2%	0.0%	26.7%
1991	-4.9%	0.3%	3.1%	1.9%	-0.1%	-2.7%	6.2%	0.3%	1.4%	1.0%	-3.8%	-5.1%	-2.9%
1992	1.7%	-0.4%	1.5%	2.5%	2.5%	0.5%	-1.9%	-1.0%	1.0%	-1.6%	0.2%	0.2%	5.3%
1993	2.9%	1.6%	2.2%	-1.4%	-3.1%	-2.0%	-0.6%	0.0%	0.6%	-3.0%	-3.4%	-0.8%	-7.0%
1994	3.0%	-1.6%	-0.5%	2.5%	1.5%	-1.8%	3.0%	-3.8%	0.8%	1.8%	-0.4%	4.1%	8.6%
1995	-0.1%	1.3%	0.0%	3.6%	-1.1%	0.5%	2.0%	1.9%	2.5%	2.5%	2.3%	5.6%	22.9%
1996	-2.6%	5.5%	5.7%	4.6%	-0.2%	2.4%	0.9%	6.1%	2.1%	-4.7%	2.7%	1.6%	25.8%
1997	1.5%	-2.2%	2.9%	1.8%	-1.3%	-4.3%	4.4%	-0.6%	0.9%	2.6%	-3.5%	-5.2%	-3.6%
1998	1.1%	-5.1%	0.1%	-2.0%	-4.0%	-2.1%	-7.6%	-6.0%	8.9%	-1.9%	-9.2%	-2.2%	-27.0%
1999	0.7%	-4.1%	12.6%	3.4%	-3.1%	1.4%	1.8%	6.6%	4.2%	-2.4%	1.6%	0.7%	24.7%
2000	7.1%	3.6%	2.0%	-0.8%	6.9%	2.0%	-5.4%	7.2%	1.2%	-0.5%	6.6%	0.7%	33.9%
2001	-1.7%	1.0%	-3.7%	2.4%	-2.3%	-5.4%	1.0%	-1.6%	-8.4%	-1.0%	-2.2%	-1.7%	-21.8%
2002	-1.9%	2.5%	9.0%	-1.0%	-3.7%	3.5%	0.6%	2.5%	4.4%	1.2%	1.0%	2.1%	21.4%
2003	6.1%	2.3%	-5.4%	-1.1%	6.7%	-1.2%	1.5%	5.0%	-0.5%	3.5%	2.4%	0.5%	20.8%
2004	2.7%	6.4%	3.1%	-0.3%	4.3%	-4.8%	2.2%	-2.3%	6.4%	1.6%	0.5%	-3.6%	16.4%
2005	4.3%	6.5%	3.8%	-5.5%	-0.5%	2.0%	4.3%	6.8%	2.5%	-4.1%	0.6%	3.3%	25.8%
2006	2.8%	-6.4%	1.9%	6.5%	1.5%	0.3%	3.6%	-4.1%	-6.5%	1.8%	3.5%	-5.1%	-1.0%
2007	-0.5%	4.4%	2.4%	2.3%	-1.1%	0.7%	4.0%	-3.6%	6.9%	4.2%	-3.3%	3.6%	21.3%
2008	2.2%	10.7%	-4.2%	4.0%	3.8%	7.8%	-9.8%	-6.4%	-12.3%	-23.8%	-9.8%	-6.4%	-39.9%
2009	-4.8%	-4.1%	4.7%	1.3%	13.0%	-1.0%	3.7%	0.3%	-0.5%	4.5%	4.0%	1.4%	23.6%
2010	-6.5%	3.9%	1.1%	2.6%	-8.6%	-0.1%	6.1%	-1.8%	7.7%	4.5%	0.6%	10.2%	19.6%
2011	2.0%	2.8%	2.3%	3.1%									10.5%

TAP returns from 1987 to 2004

TAP Composite returns from 2005

Source: Gresham Investment Management LLC. Past performance is not necessarily indicative of future results. Performance data prior to 2005 represents the largest and longest-standing Gresham account following the TAP methodology. From 2005 performance represents a composite of all Gresham TAP accounts. Total Returns assume 90d T-bill collateral and are net of commissions and management fees, but do not reflect the impact of any direct expenses associated with a commingled fund structure or a managed account. Such expenses would result in lower returns. Fees calculated for an initial investment of \$10MM. Investments of less than \$10M may incur a higher management fee, which could materially reduce the net returns depicted.

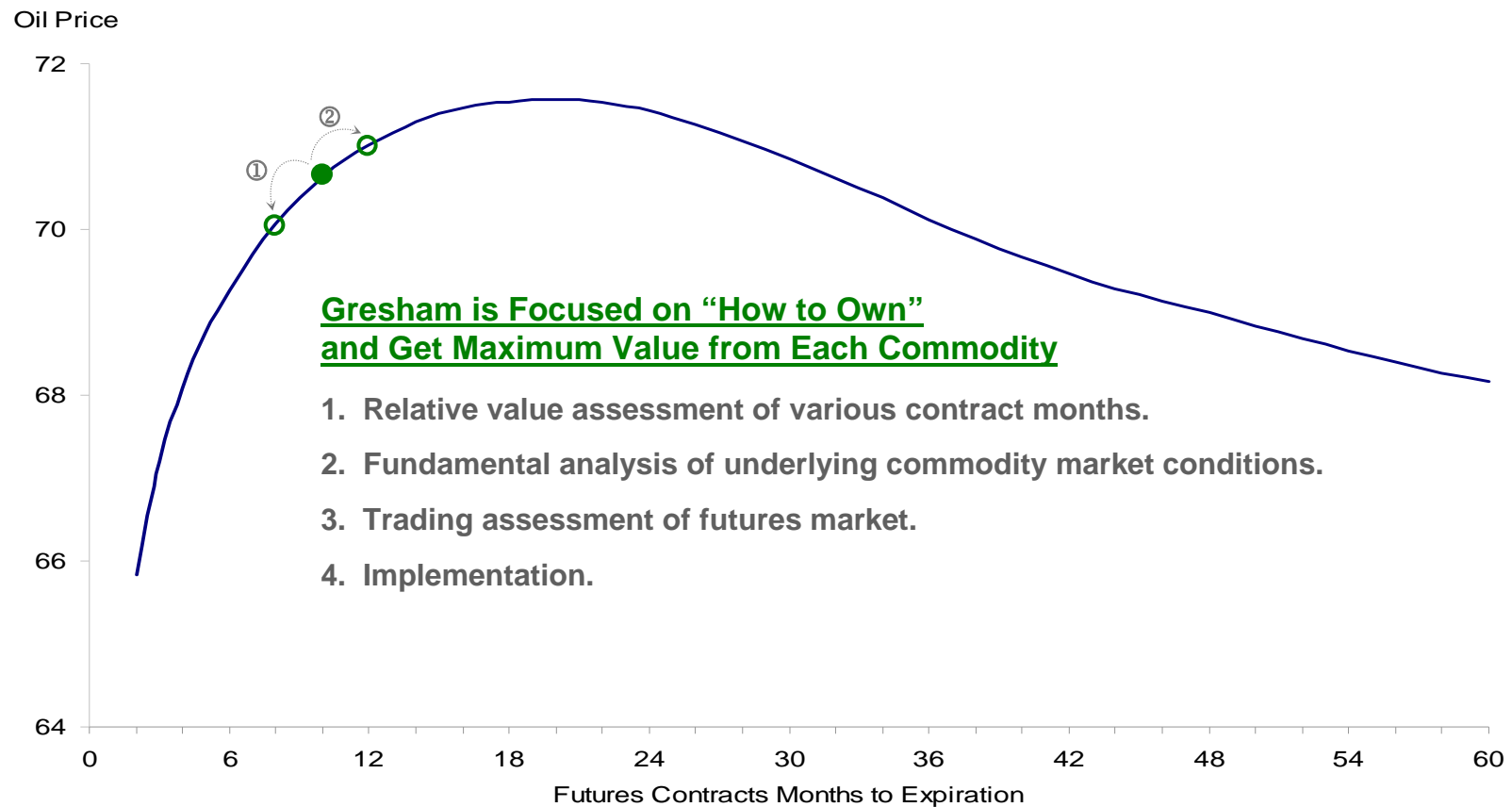




# Gresham ETAP Investment Process

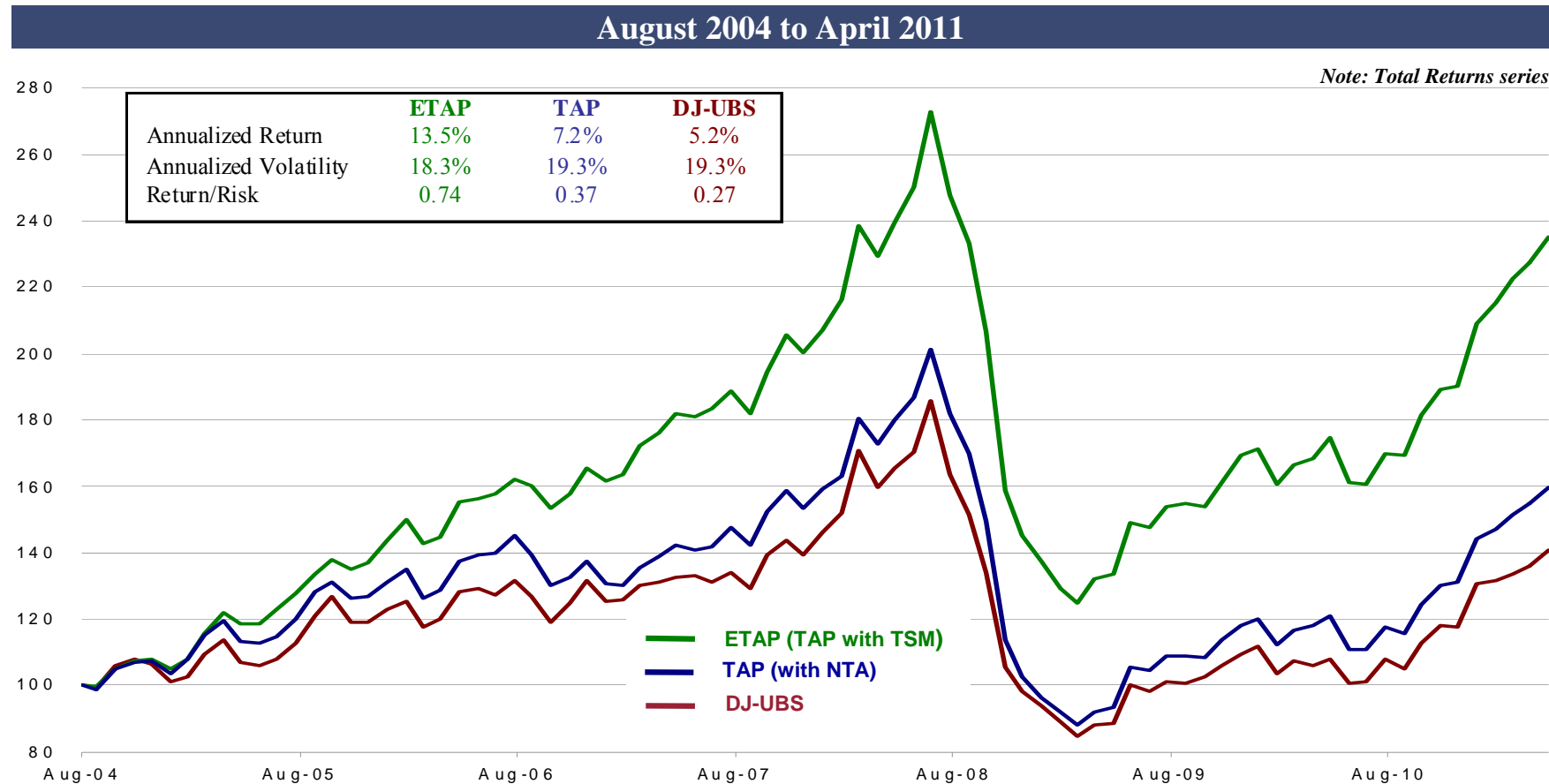
Term structure for commodities is rarely static or persistent. Gresham exploits dislocations in the relative pricing of various contract months to generate alpha.

◆ **Term Structure Monetization (TSM) Implementation:**  
Creating Value as an Intelligent Owner



# Added Alpha with ETAP

The Enhanced Tangible Asset Program (ETAP) extends Gresham's active implementation advantage. Since launch in 2004, ETAP has significantly outperformed both the original TAP and the DJ-UBS Index.



*Source: Gresham Investment Management LLC, Bloomberg. Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index. All data assumes US 90d T-Bill collateral, and is net of commissions, but does not reflect the impact of any management fees and direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower returns. For an illustration of the effect investment advisory fees, compounded over a period of years, could have on the total value of client's portfolio, please see "Important Information about the Effect of Fees on Returns" slide in Disclaimer & Risk Disclosures. April 2011 composite return is estimated.*



# Enhanced Tangible Asset Program

## Net Outperformance vs. DJ-UBS (bps)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FY
2004								15	-122	54	116	163	246
2005	127	4	125	207	42	160	-70	-303	-148	413	107	115	1033
2006	159	100	-66	44	-18	164	-33	176	124	-214	-39	212	677
2007	63	135	101	146	-58	199	42	9	-89	169	36	-79	802
2008	1	-196	217	61	115	-9	192	95	-3	-192	-158	-86	14
2009	-48	96	193	61	-179	113	88	115	-209	131	144	-81	516
2010	99	-25	166	137	-64	-52	-94	168	-6	-63	69	-79	325
2011	169	126	15	-17									315

## Net Monthly Returns (Total Returns)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FY
2004								-0.6%	5.6%	2.2%	0.0%	-3.3%	3.8%
2005	2.3%	7.1%	4.8%	-3.8%	-0.4%	3.3%	3.8%	4.5%	3.2%	-2.2%	1.3%	4.3%	31.7%
2006	3.4%	-5.3%	1.6%	7.2%	0.8%	0.1%	2.9%	-1.8%	-4.8%	2.6%	5.1%	-2.5%	8.8%
2007	0.8%	4.7%	2.0%	2.6%	-0.5%	0.6%	2.5%	-3.5%	7.1%	5.0%	-2.8%	3.8%	24.3%
2008	4.2%	10.3%	-4.2%	4.2%	3.9%	9.0%	-9.9%	-6.3%	-11.6%	-23.2%	-8.5%	-5.3%	-35.5%
2009	-5.9%	-3.5%	5.5%	1.3%	11.2%	-0.8%	4.1%	0.6%	-0.5%	4.6%	5.0%	1.2%	24.1%
2010	-6.3%	3.5%	0.4%	3.3%	-7.6%	-0.2%	5.8%	-0.9%	7.2%	4.4%	0.3%	9.9%	20.1%
2011	2.7%	2.6%	2.2%	3.3%									11.2%

Sources: Gresham Investment Management LLC, Bloomberg

Note: Past performance is not necessarily indicative of future results. Total Returns assume US 90d T-Bill Collateral. From August 2004 to February 2008, ETAP data reflects the performance of the largest and longest-standing Gresham account following the ETAP program. From March 2008 to the present, ETAP data reflects the performance of a composite of all Gresham client accounts following the ETAP program. All data are net of commissions, management fees and performance fees and do not reflect the impact of any direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower performance results. See Disclaimer and Risk Disclosures. Net returns calculated for an initial investment of \$10MM at the rates set forth in the Summary of Vehicles and Terms presented below. Individual investor returns will depend on the timing, amount, and collateralization of investments and may differ from the composite returns presented here. April 2011 returns are estimates.



# Gresham Bases Decisions on Market-Specific Analysis

## Ex. Factors in Crude Oil Analyses

### Oil Demand

- **Macro economy**
- **Weather/Seasonality**  
*- Cooling/heating demand, holidays, travel trends*
- **Substitution**  
*- Natural Gas, Coal, Nuclear*
- **Tax & subsidy regimes**

### Oil Supply

- **Upstream investment**
- **OPEC dynamics**  
*- Internal politics, consumer relations, spare capacity*
- **Geopolitics**
- **Weather**
- **Unplanned outages**

### Oil Inventories

- **Levels relative to long term trend and normal seasonality**
- **Level relative to demand**
- **Regional distribution (potential for distortion)**
- **Crude vs. refined product levels**

### Oil Refining

- **Refining economics; run rates**
- **Planned outages; unplanned outages**
- **Refinery capacity/investment**
- **Refined product yields**

### Distribution

- **Tanker rates**
- **Seaborne disruptions**  
*- Weather, traffic, accidents*
- **Port capacity**
- **Pipeline capacity**

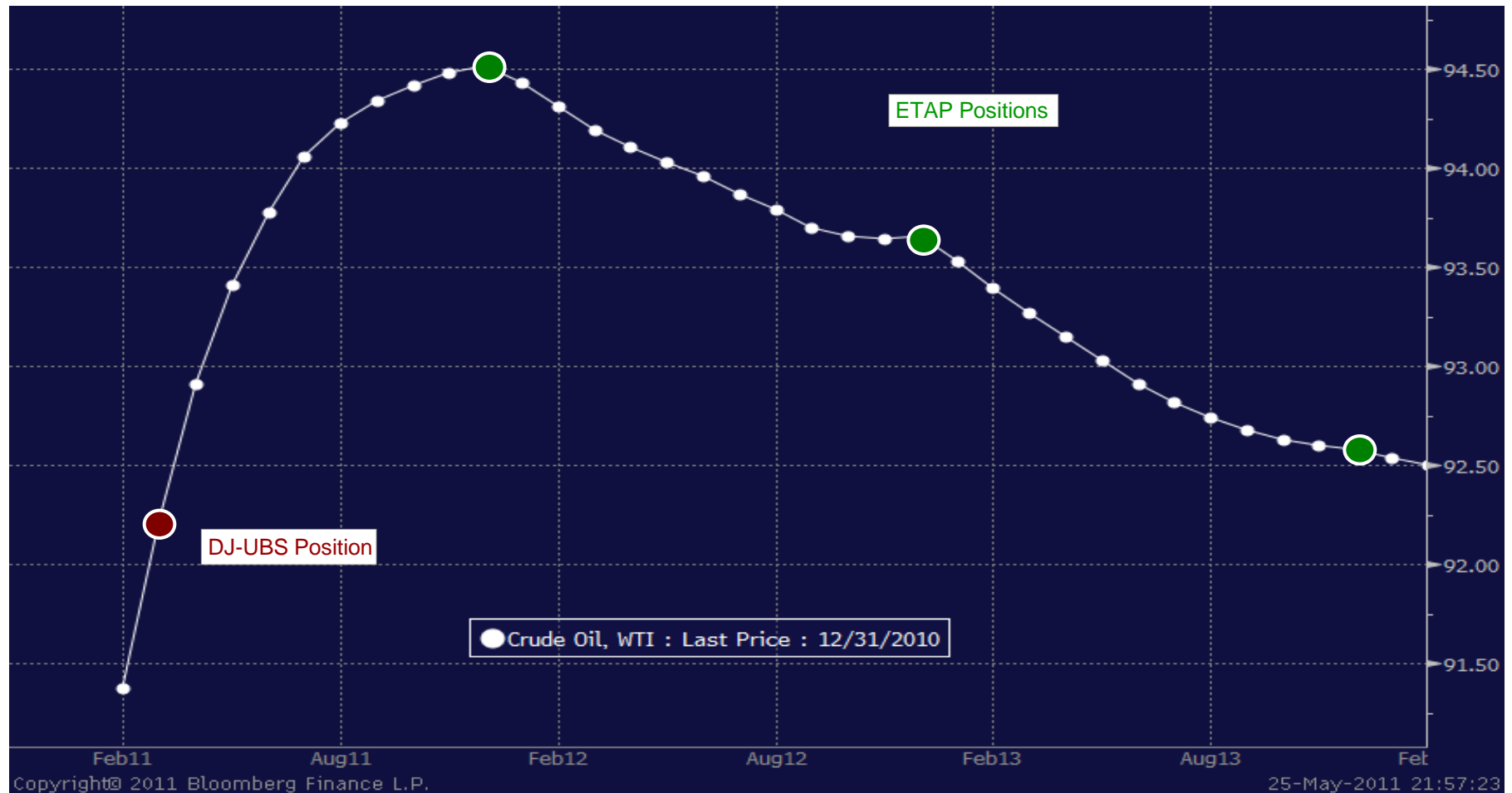
### Other Factors

- **Producer hedging**
- **Miscellaneous events**  
*- SARS, 9/11, Offshore drilling ban*
- **Speculative flows**



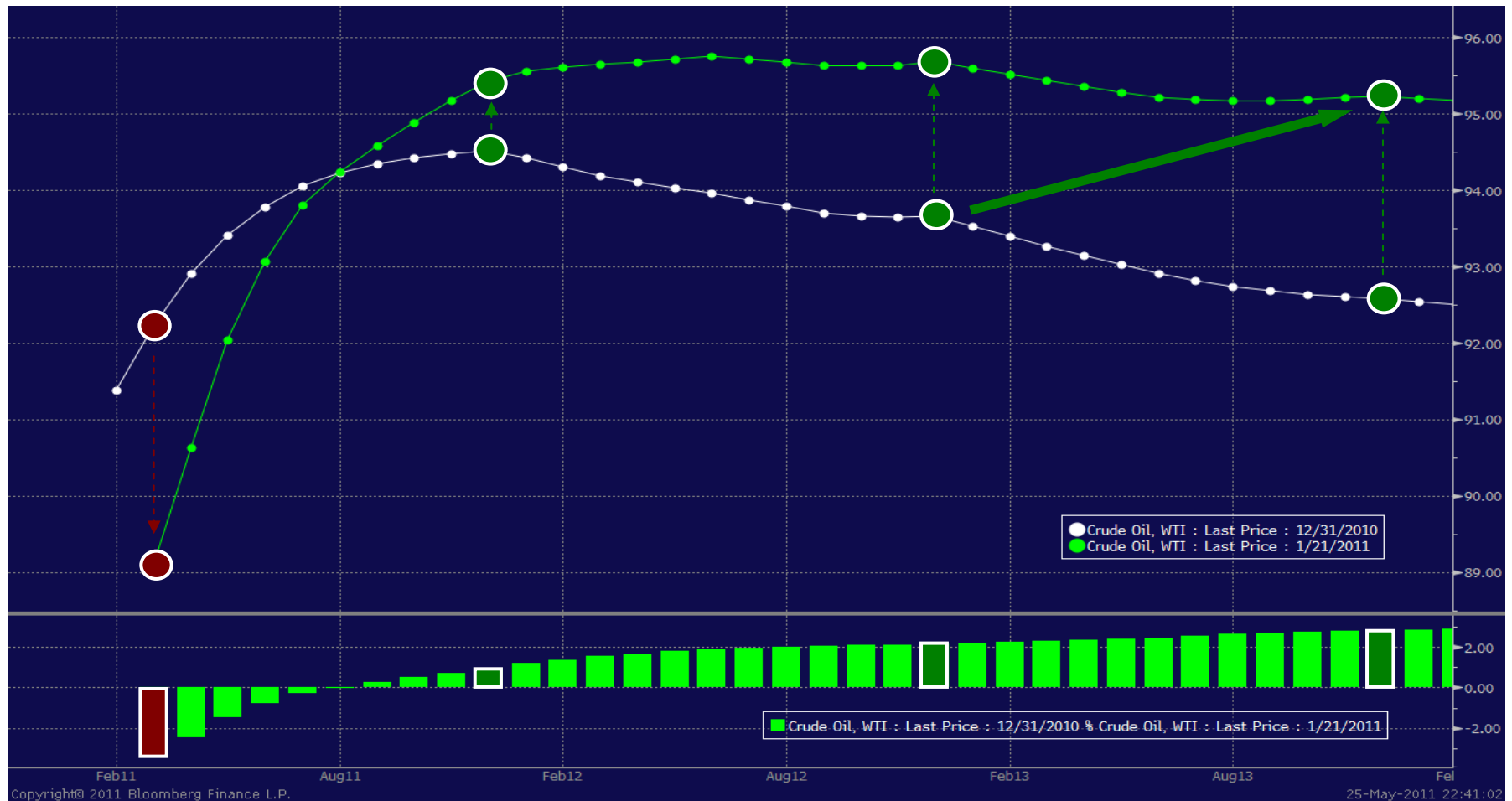
# Investment & Risk Management Illustration

Gresham begins 2011 with WTI Crude Oil positioned in December 2011-2013. Gresham believes these contracts are significantly undervalued relative to near-month WTI futures based on market fundamentals.



# Investment & Risk Management Illustration

In the first three weeks of January, all of Gresham's WTI positions gain in value. Gresham shifts additional exposure to 2013 while positions held by the DJ-UBS benchmark decline by more than 2%.

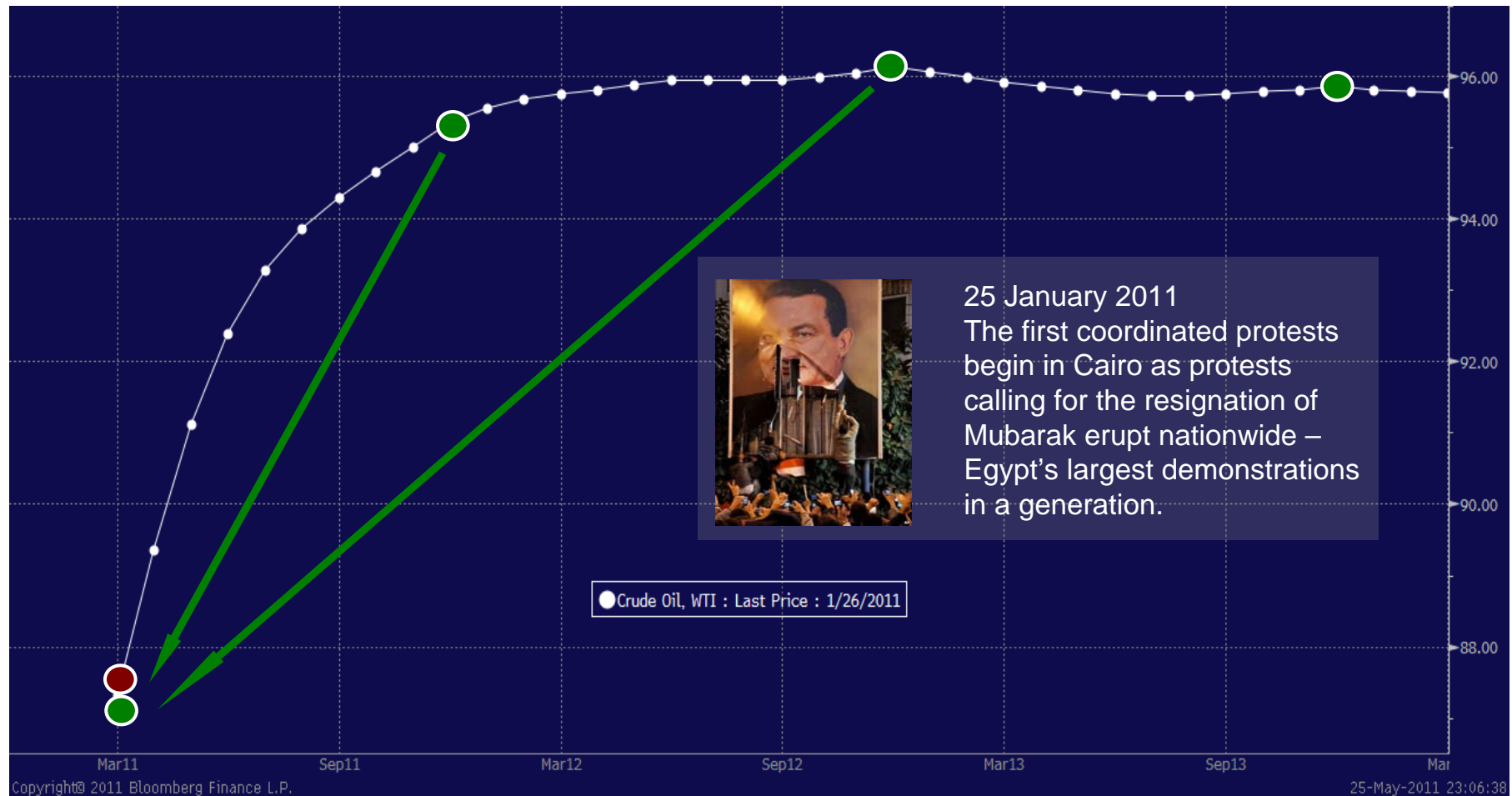


Note: Past performance is not necessarily indicative of future results.



# Investment & Risk Management Illustration

On January 26<sup>th</sup>, Gresham begins to reduce risk in the WTI Crude Oil position and take profits. Gresham moves holdings in December 2011 and 2012 back into March 2011, the benchmark position.

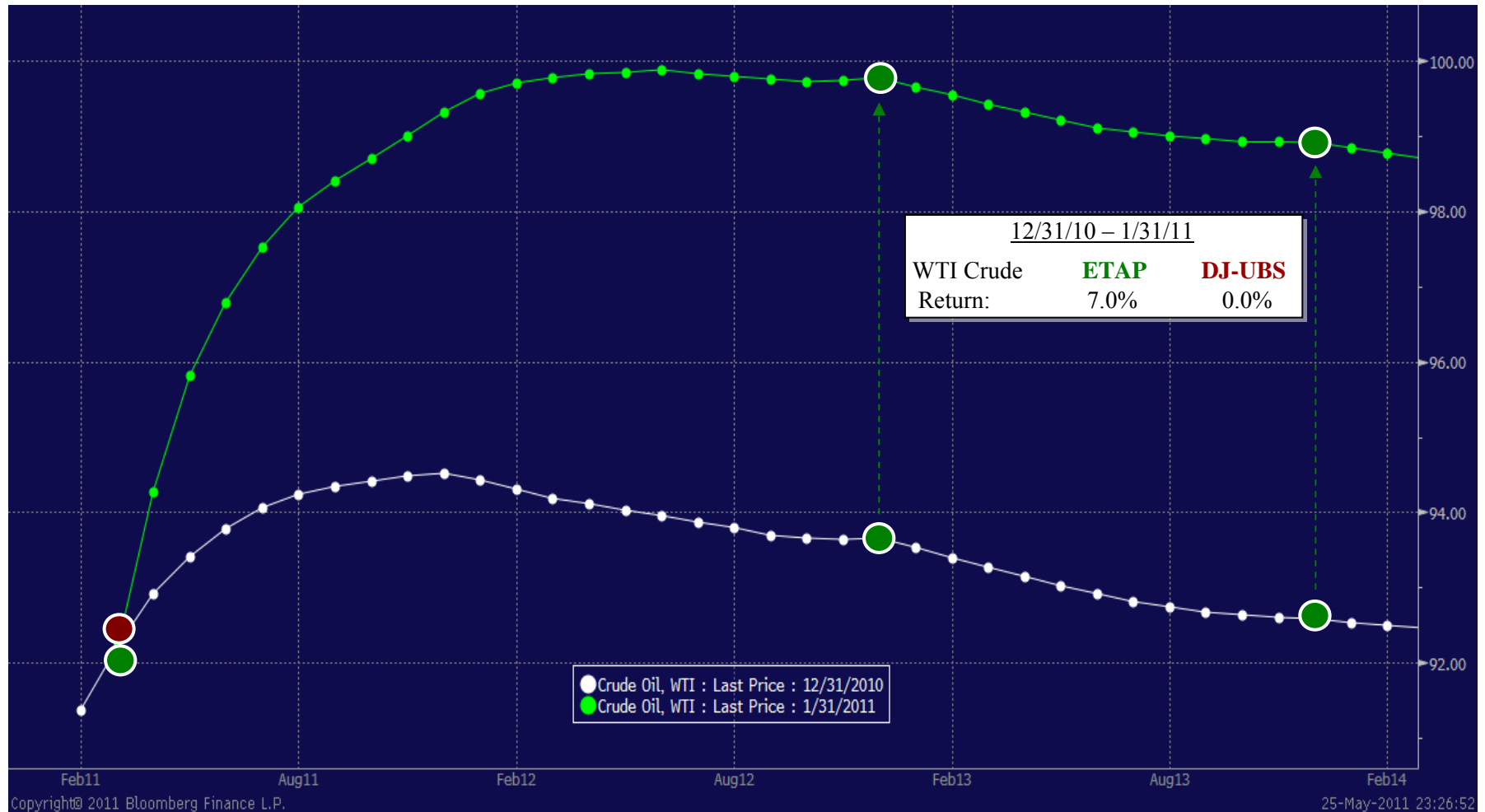


*Note: Past performance is not necessarily indicative of future results.*



# Investment & Risk Management Illustration

Gresham's investment management of the ETAP portfolio's WTI Crude Oil position outperforms the DJ-UBS benchmark by 702 bps in January.



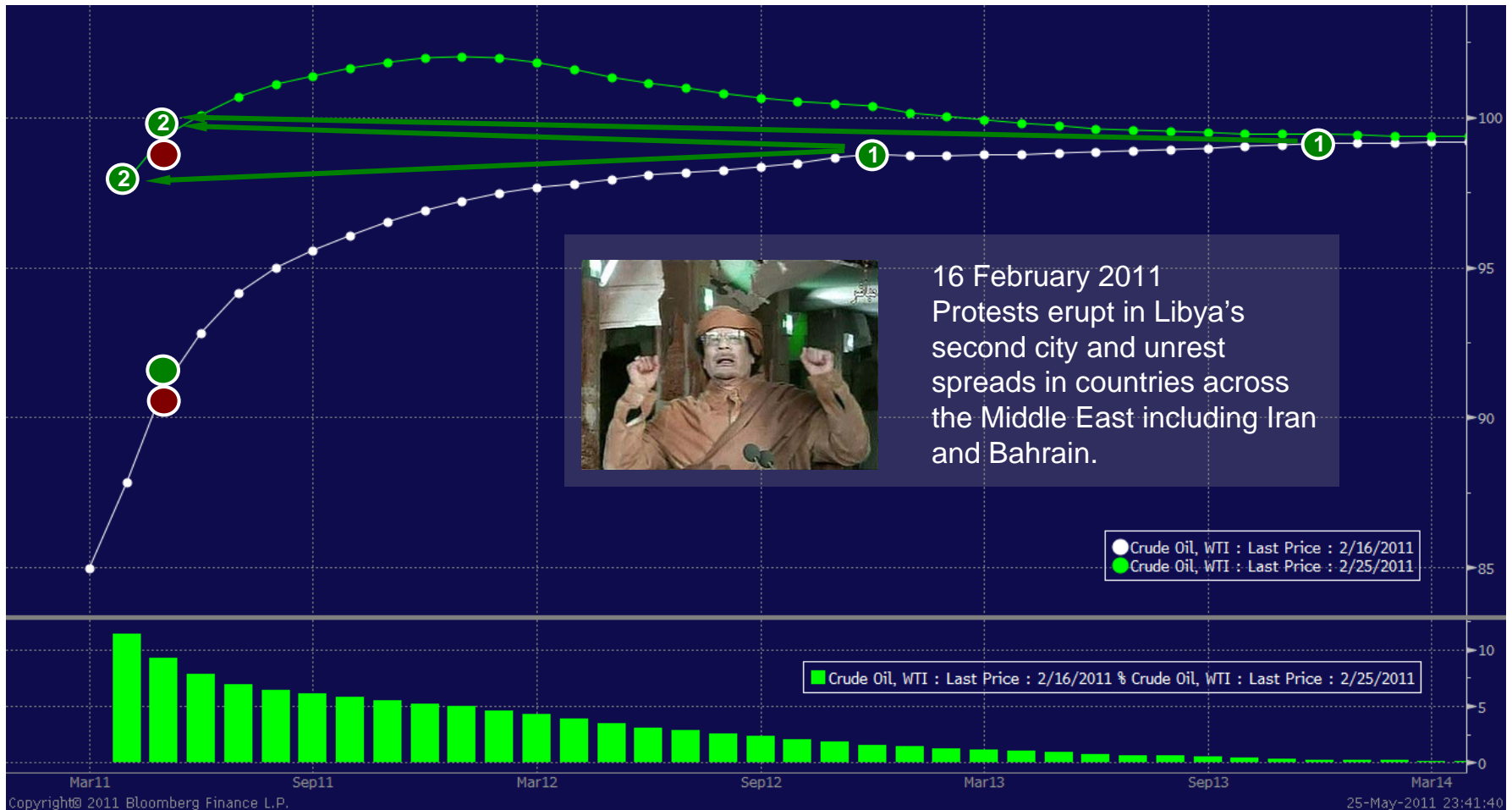
*Note: Past performance is not necessarily indicative of future results. ETAP WTI Crude Oil returns are net of commissions and gross of management fees. A client's return will be reduced by the advisory fees and other expenses that may be incurred in the management of an account. The DJ-UBS WTI Crude Oil Index is not directly investable.*





# Investment & Risk Management Illustration

As geopolitical risks increase during February, Gresham continues to actively manage the WTI Crude Oil position. By February 25th, the entire position has been moved into April and May 2011, the front of the curve.

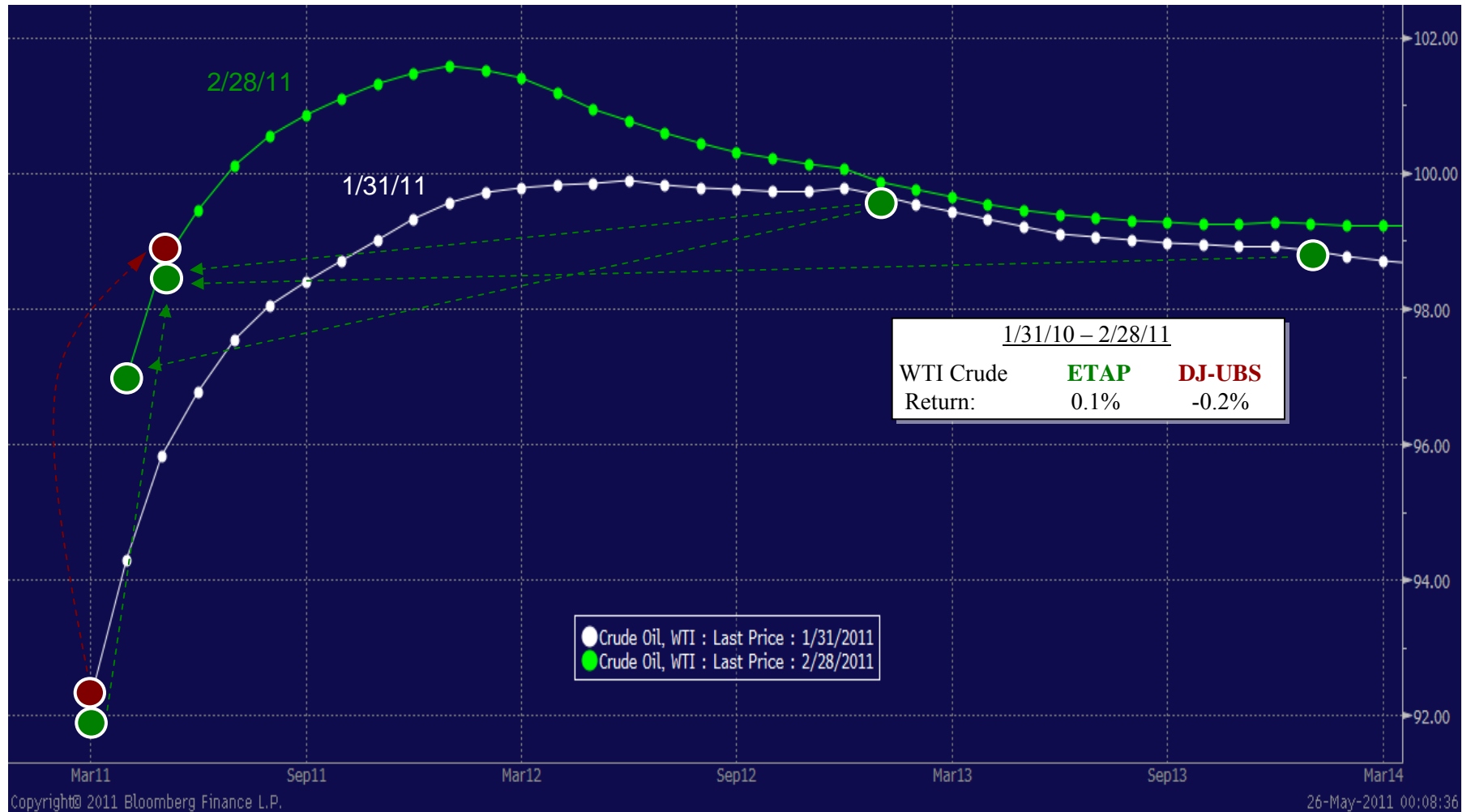


Note: Past performance is not necessarily indicative of future results.



# Investment & Risk Management Illustration

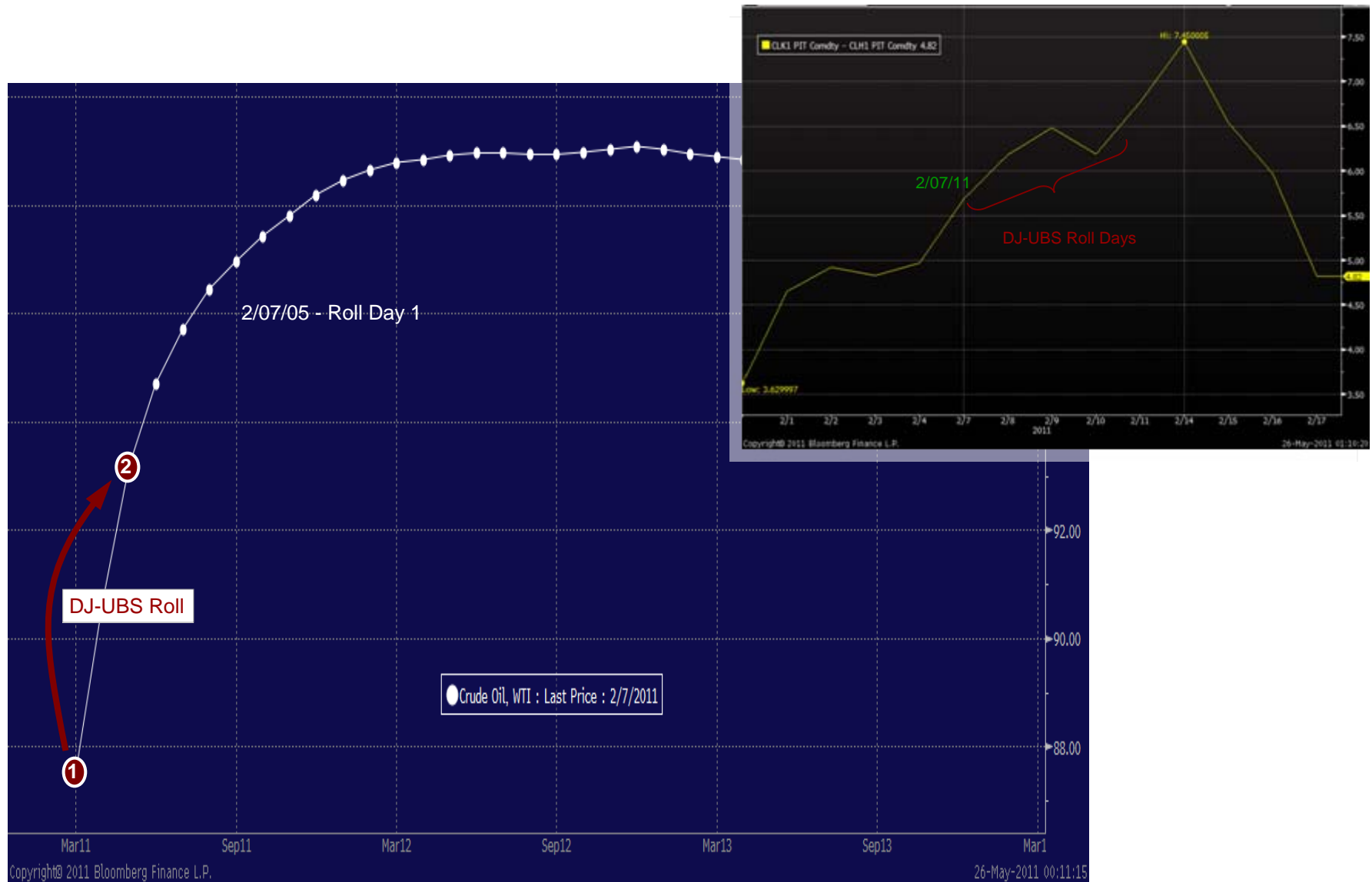
In February, Gresham again achieves a positive return compared to a loss for the benchmark.



Note: Past performance is not necessarily indicative of future results. ETAP WTI Crude Oil returns are net of commissions and gross of management fees. A client's return will be reduced by the advisory fees and other expenses that may be incurred in the management of an account. The DJ-UBS WTI Crude Oil Index is not directly investable.



# Investment & Risk Management Illustration

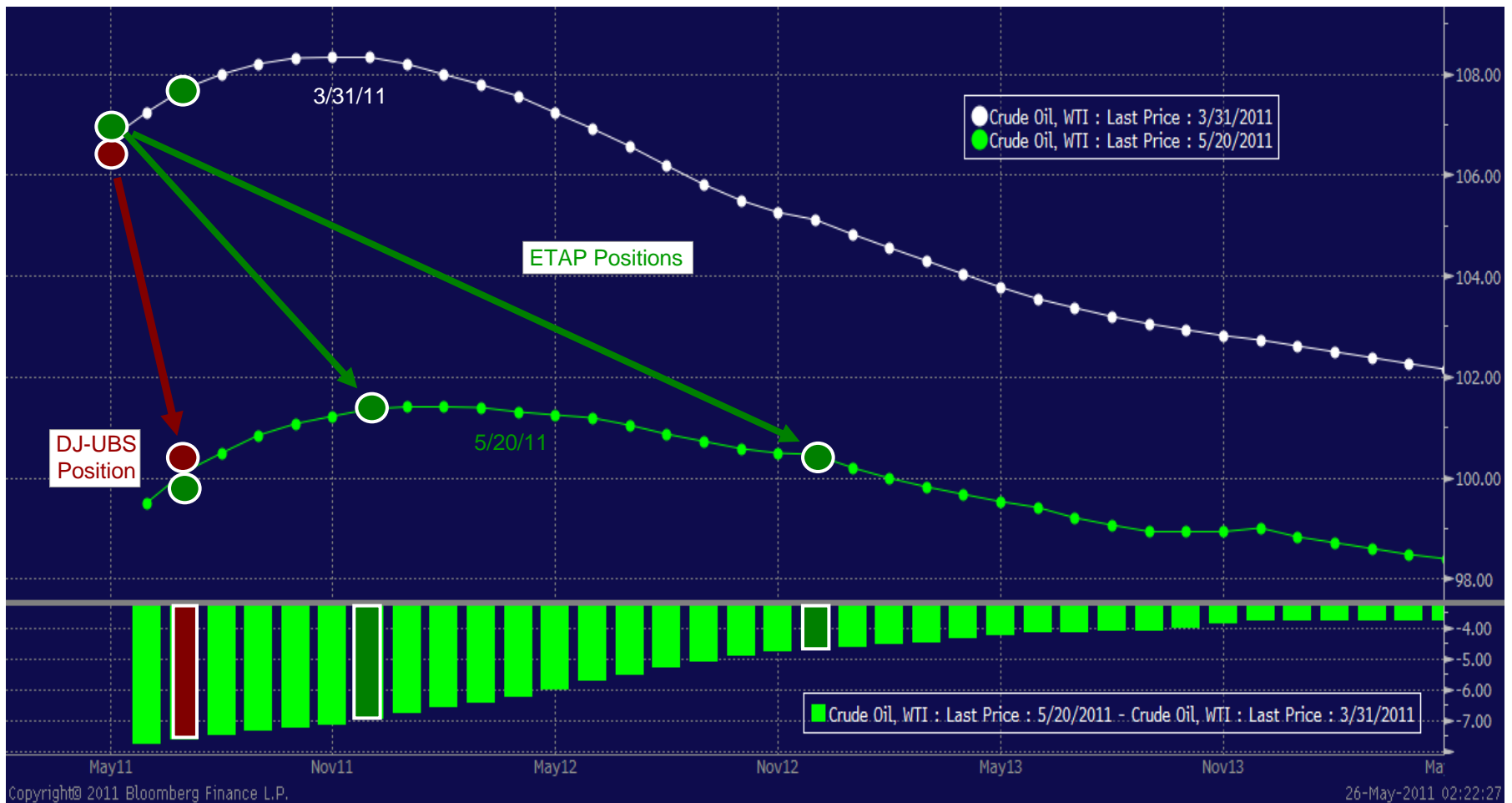


*Note: Past performance is not necessarily indicative of future results.*



# Investment & Risk Management Illustration

As geopolitical risk premia begin to fade, Gresham reenters the fundamental trade in deferred WTI Crude Oil contracts and moves the portfolio forward into December 2011 and 2012 again.



Note: Past performance is not necessarily indicative of future results.



# Gresham is Immersed in the Commodity Markets

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## Gresham continuously sources information from:

- **Discussions with industry professionals and floor traders**
- **Data releases from government and non-governmental agencies**
  - **EIA data**
  - **IEA data**
  - **USDA data**
  - **US Geological Survey**
  - **Commodity Research Bureau data**
  - **International Copper Study Group data**
  - **Johnson Matthey data**
- **Bank research on individual markets**
- **Gresham's proprietary database with Gresham's 24+ years of commodity trading history plus additional market data back to 1960.**



# With a Lower Risk Investment Methodology

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**Gresham's longevity & success is attributable to a disciplined investment methodology that adds alpha and mitigates or entirely avoids other risks in commodity investing.**

- 1. Highly Diversified Portfolio Construction; No Punting**
- 2. No Leverage**
- 3. Excellent Liquidity**
- 4. Minimal Credit Risk on Collateral**



# A Note on Collateral Management

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**Gresham offers US Treasury Bill and TIPS 1-5 collateral options in its funds.**

**Some commodities managers collateralize their commodities investments by investing in more aggressively managed portfolios of fixed-income securities.**

- ◆ **May include investments in high-yield securities (“junk bonds”), securities denominated in foreign currencies and U.S. dollar denominated securities of foreign issuers.**
- ◆ **Credit risk**
- ◆ **Duration risk**
- ◆ **FX Risk**

**The inclusion and active management of these securities in the collateral backing a commodities investment tends to “muddy the waters”; it may increase the overall investment’s volatility and significantly diminish returns over certain periods.**



# Gresham's Advantages

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- ◆ **Highly Experienced Investment Team in Commodities**
- ◆ **Longest Track Record & Best Risk-Adjusted Returns**
- ◆ **Proven Ability to Generate Alpha**
- ◆ **Lower Risk Investment Process**
- ◆ **Proven Capacity for Continued Innovation**





# Outlook for Commodities

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- ◆ **Dollar Weakness & Asian Currency Revaluation**
- ◆ **Rising World Population and Industrialization of Emerging Markets**
- ◆ **Higher Living Standards & Expectations**
- ◆ **Increased Politicization of Commodity Production and Environmental Concerns**
- ◆ **Global Financial Stimulus (“the Dismount”) & Inflation**



# Summary of Vehicles & Terms

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## The TAP Fund

*TAP Weightings with  
Gresham Near-Term Active (NTA) Implementation in  
Monthly Liquidity Commingled Fund format.*

<b>Net Asset Value</b>	<b>Fee</b>
First \$50MM	0.75%
Next \$50MM	0.35%
On add'l balance	0.25%

Master-Feeder (onshore/offshore) Funds, monthly liquidity, \$250k minimum, no lock-up. Money market, T-bill, munis & TIPS options for onshore collateral. USD, EUR, GBP, CHF, AUD, JPY share classes offshore.



# Summary of Vehicles & Terms

## The ETAP Fund

*TAP Weightings with Gresham  
Term Structure Monetization (TSM) Implementation  
in Commingled Fund format.*

Net Asset Value	Fees
Less than \$10MM	0.55% + 30% of Outperformance
\$10MM - \$49MM	0.45% + "
\$50MM - \$74MM	0.40% + "
\$75MM - \$99MM	0.35% + "
\$100MM - \$149MM	0.30% + "
\$150MM - \$249MM	0.25% + "
\$250MM - \$499MM	0.20% + "
\$500MM +	0.15% + "

Master-Feeder (onshore/offshore), monthly liquidity, \$100k minimum, no lock-up, high-water mark. Money market, T-bill, munis & TIPS options for onshore collateral. USD, EUR, GBP, CHF, AUD, JPY share classes offshore.



# For Additional Information

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**Gresham Investment Management LLC**  
**67 Irving Place, 12<sup>th</sup> Floor**  
**New York, NY 10003**

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Managing Director  
Tel +1 (212) 984-1418  
Mob +1 (917) 379-7747  
jberland@greshamllc.com



## About the Mocat – “Be disciplined and prosper.”



Both Gresham’s logo, the “Mocat,” and motto, “Adhere and Prosper,” date back to Mocatta & Goldsmid, bullion dealers to the Bank of England and British East India Company, and Mocatta Metals Corp., a company Henry Jarecki founded with Mocatta & Goldsmid in 1969 and later sold to Standard Chartered Bank. Mocatta pioneered the trading of options on commodities and, in 1970, was the first commodity trading firm to introduce computer-supported trading. “Adhere and Prosper,” meaning “Be disciplined and prosper,” continues to accurately reflect Gresham’s investment philosophy today.



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## Appendix

# The Investment Team

## A wealth of commodity and investment experience.

### ◆ **Dr. Henry Jarecki, *Founder & Chairman***

Dr. Henry G. Jarecki, Chairman of Gresham Investment Management LLC, is one of the pioneers of commodity futures investing in the United States. He is a past Governor of the Commodity Exchange, Inc. (COMEX) and has served as a Director of the Chicago Board of Trade (CBOT), the Chicago Mercantile Exchange (CME), the National Futures Association (NFA) and the Futures Industry Association (FIA). He has over 40 years of experience in commodities investing and is a world-renowned entrepreneur and investor who has founded successful enterprises in metals and commodities trading, biotechnology, and telecommunications.

Dr. Jarecki is known in the precious metals business for his work with Mocatta & Goldsmid, bullion dealers to the Bank of England since the 17th century, and with Mocatta Metals Corporation., a company he founded and later sold to Standard Chartered Bank in 1986. He also founded the international commodity futures trading and brokerage firms, Brody White & Co., Inc. and Brody White (UK) Ltd., which he sold to the FIMAT arm of Société Générale in 1995.

Dr. Jarecki has been on the faculty of the Yale University School of Medicine, where he remains Professor of Psychiatry and a member of the Advisory Council of the Department of Psychiatry. With Dr. Thomas Detre, he was author of the textbook “Modern Psychiatric Treatment.” In 1998 he started PsychoGenics, a biotechnology firm that has become a leader in preclinical neurobiology and central nervous system (CNS) drug discovery solutions. Dr. Jarecki is a graduate of the University of Heidelberg and a practicing MD.

### ◆ **Jonathan Spencer, *President***

Jonathan S. Spencer is the President of Gresham Investment Management LLC. Mr. Spencer is responsible for the day-to-day investment and operational activities of Gresham. In addition, he has been the Lead Portfolio Manager for Gresham’s Tangible Asset Program® since its inception in 1987 and for Gresham’s Term Structure Monetization programs since their inception in 2004. Mr. Spencer received a B.S. degree in M.I.S. from the State University of New York at Buffalo. He is a member of the Family Office Exchange and the New York Society of Security Analysts. Recently, he published a chapter in the book *Wealthy & Wise (Secrets About Money)* entitled “Balancing Act – The Art of Asset Allocation.”



# The Investment Team (cont.)

## A wealth of commodity and investment experience.

### ◆ Jonathan Berland, *Managing Director*

Jonathan D. Berland is Managing Director of Gresham Investment Management LLC and the creator of several of the firm's investment programs representing \$4+ Billion in assets under management. He advises public pension funds, supranationals, sovereign wealth funds and endowments on their investments. Prior to joining Gresham, Mr. Berland was a Vice President at Jefferies Group, Inc., and prior to that Mr. Berland was a Director at American Express Co. He holds a B.S. in Economics from the Wharton School, University of Pennsylvania.

### ◆ Michael Magers, *Portfolio Manager/Trader*

Michael P. Magers is the Portfolio Manager/Trader for accounts employing Gresham's Term Structure Monetization (TSM) strategy. Prior to joining Gresham, Mr. Magers was a portfolio manager at Barclays Global Investors where he managed all aspects of an enhanced commodities index fund benchmarked to the S&P GSCI. He also helped develop exchange-traded products benchmarked to various commodity indices and individual commodities. Before BGI, Mr. Magers worked at ED&F Man, the world's largest trader of coffee, sugar, and cocoa, as a commodities trader and analyst responsible for US futures trading and Latin American and African physical cocoa markets. His other experiences include coffee trading at Atlantic (USA), Inc. Mr. Magers holds an M.B.A. from Thunderbird, The Garvin School of International Management, an M.A. from the University of Texas, and a B.A. from Trinity University. He recently published a chapter entitled "Enhanced Commodity Indexing" in the book *Intelligent Commodity Investing* edited by Hilary Till and Joseph Eagleeye.

### ◆ Randy Migdal, *Portfolio Manager/Head Trader*

Randy Migdal is the Portfolio Manager/Head Trader for accounts employing Gresham's Near Month Active Implementation strategy including Gresham's Tangible Asset Program®. Mr. Migdal has worked for Gresham for 12 of the past 16 years. From 2003 to 2006, he was on a secondment with Lehman Brother's Investment Management Division. Mr. Migdal received a B.A. from Hofstra University.



# The Investment Team (cont.)

## A wealth of commodity and investment experience.

### ◆ **Douglas Hepworth, CFA, *Director of Research***

Douglas J. Hepworth is the Director of Research for Gresham Investment Management LLC. He has worked for Gresham for 11 of the past 16 years. His 25 years of Wall Street experience includes running an option market-making operation on the floors of the New York Cotton Exchange and the Coffee, Sugar, and Cocoa Exchange. His other experiences include convertible bond research, option financial analysis, quantitative research, and real estate investments. Mr. Hepworth received a B.A. in Economics from Columbia University in 1982 and holds the Chartered Financial Analyst (CFA) designation.

### ◆ **Robert Reeves, *Chief Financial Officer***

Mr. Robert J. Reeves is the Chief Financial Officer of Gresham Investment Management LLC and is responsible for Finance, Accounting and Administration. From 2002 to 2008, Mr. Reeves was Chief Financial Officer and Executive Vice President of FIMAT USA. Prior to that he was Chief Financial Officer and Senior Vice President of ABN AMRO Inc. Prior to that he was Chief Financial Officer of ING Barings Securities. Mr. Reeves has over 20 years of experience in financial management. He began his career as at Pricewaterhouse Coopers LLP as a Certified Public Accountant. Mr. Reeves received a B.S. in Accounting from Fairfield University.

### ◆ **John Hartmann, *Chief Compliance Officer***

John F. Hartmann is the Chief Compliance Officer of Gresham Investment Management. LLC. Previously, he was a compliance officer and internal auditor for Brody, White & Co. He joined The Mocatta Corporation in 1987, as Director of Operations. Previously, Mr. Hartmann worked in the foreign exchange and precious metals industry in New York, Toronto and Montreal, and was Regional Vice President of Guardian Trust Company, directing their operations in Quebec. He graduated summa cum laude from Saint Lawrence University in Canton, NY.





# The Investment Team (cont.)

## A wealth of commodity and investment experience.

### ◆ **Alexander Gansch, *Managing Director, Sales and Client Service***

Alexander Gansch is the Managing Director of Sales and Client Service for Gresham Investment Management LLC. Mr. Gansch began his career in Switzerland in 1987 with Paul Reinhart AG, one of the world's largest, privately owned cotton merchants, working in all areas of the commodities' arena within the firm's offices in Europe, the Far East, Central Asia and the US before being named President & Managing Director of the Group's US headquarters in Memphis, Tennessee in 1997. After restructuring the various US companies under the Swiss Holding, he joined Balmac International, Inc. in New York in 2001 as its President & COO before moving to Gresham in February of 2006. Mr. Gansch holds a Masters degree in Foreign Trade from the German University in Hamburg and the School for Foreign Trade in Bremen, Germany.

### ◆ **Susan Wager, *Senior Trader/Analyst***

Susan Wager is a Senior Trader/Analyst at Gresham Investment Management. She has worked for the company for 15 of the past 22 years. She has also worked as an options market maker on the NYMEX / COMEX exchanges, trading copper, platinum, aluminum, and gold. Her extensive option experience includes analysis and strategy implementation as well as the management of option portfolio risks. Her non-exchange experience includes spot, future, forward and investor product metals trading. Ms. Wager's other experiences include the development and support of hedge fund internal and external risk management, alert, and trading systems.

### ◆ **Susan Palmer, *Vice President***

Susan Palmer is a Vice President at Gresham Investment Management. Prior to joining Gresham, Ms. Palmer was a Vice President at Societe Generale Institutional Commodity Investor Group. At SG Ms. Palmer was in charge of commodity investor product development in the Americas for hedge funds, pension funds, asset managers, private banking and family offices. She developed beta, enhanced beta and alpha commodity index strategies as well as exotic commodity-linked derivatives. Her prior work includes market risk management at SG and consulting on financial derivatives valuation at Deloitte. Ms. Palmer holds a Masters degree in Mathematical Finance from Columbia University and a B.S. in Mathematics from Villanova University.



# Comparative Weightings as of January 2010

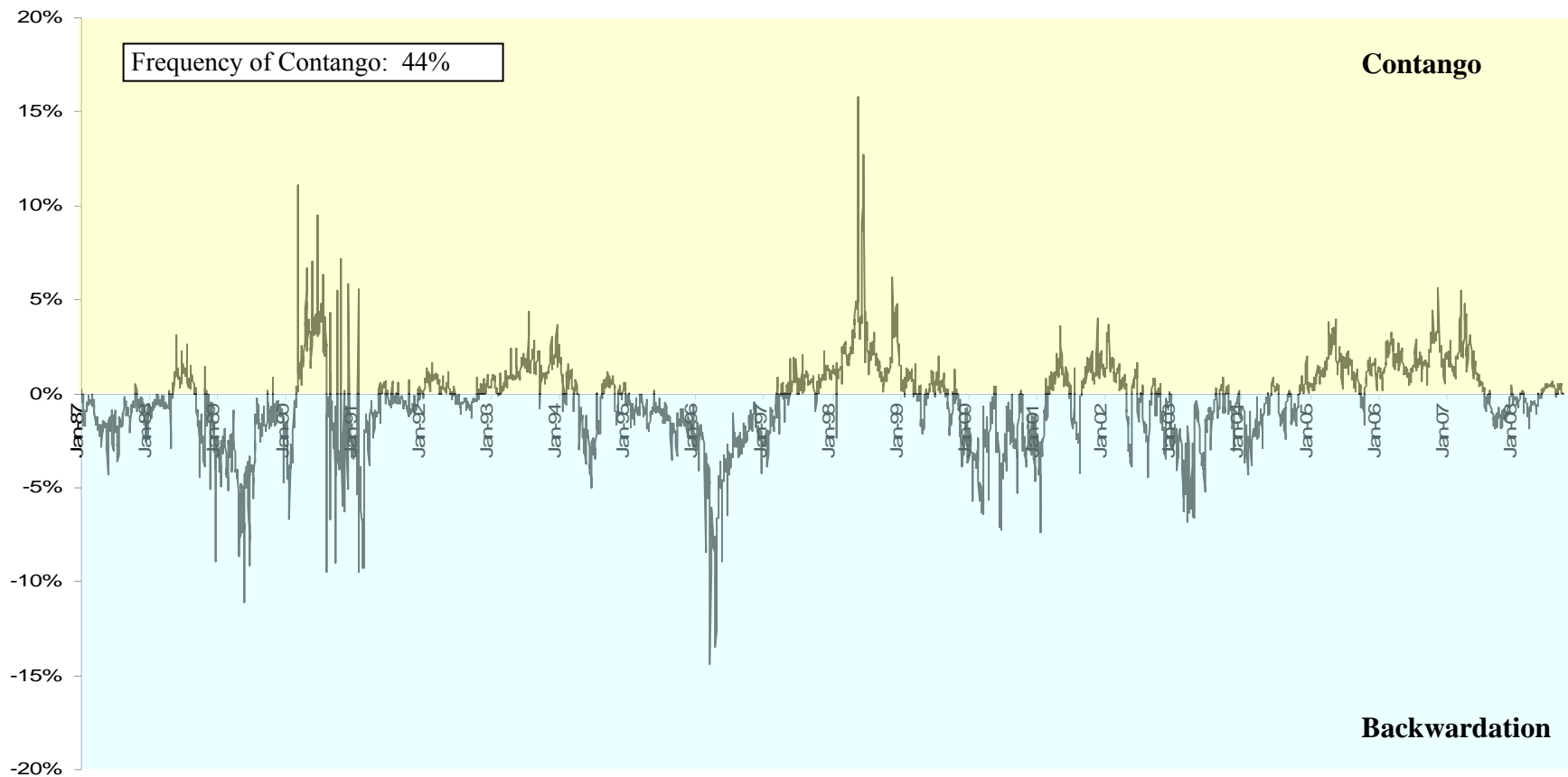
	Start Date	TAP Jan 1987	DJUBSCI Aug 1998	S&P GSCI Jan 1991	S&P GSCI-LE Jan 1991	RICI Jul 1998	DBLCI 2003
<b>Energy</b>	Brent Crude Oil	5.7	0.0	14.2	7.5	14.0	
	Gas Oil	1.1	0.0	5.4	2.9	1.2	
	Heating Oil	3.3	3.5	4.6	2.3	1.8	19.5
	Natural Gas	3.8	11.5	5.0	2.6	2.9	
	Unl. Gasoline	3.4	3.5	4.4	2.3	3.1	
	WTI Crude Oil	17.1	14.0	36.3	18.9	21.0	33.7
<b>Sector Total</b>		<b>34.3</b>	<b>32.5</b>	<b>69.8</b>	<b>36.5</b>	<b>44.0</b>	<b>53.2</b>
<b>Ind. Metals</b>	Aluminum	5.8	5.9	2.8	5.7	4.1	14.8
	Copper - LME	4.4	0.0	4.0	7.9	4.2	
	Copper - COMEX	4.4	7.8	0.0	0.0	0.0	
	Lead	0.9	0.0	0.4	1.1	1.9	
	Nickel	2.0	2.5	0.8	1.6	1.0	
	Tin	0.0	0.0	0.0	0.0	1.1	
	Zinc	1.5	3.0	0.7	1.7	2.0	
<b>Sector Total</b>		<b>18.8</b>	<b>19.2</b>	<b>8.7</b>	<b>17.9</b>	<b>14.2</b>	<b>14.8</b>
<b>Livestock</b>	Feeder Cattle	1.2	0.0	0.4	0.9	0.0	
	Lean Hogs	2.2	2.4	1.4	3.2	1.1	
	Live Cattle	5.3	3.9	2.4	5.5	2.1	
<b>Sector Total</b>		<b>8.7</b>	<b>6.3</b>	<b>4.2</b>	<b>9.6</b>	<b>3.2</b>	<b>0.0</b>
<b>Agricultural</b>	Azuki Beans	0.0	0.0	0.0	0.0	0.2	
	Barley	0.0	0.0	0.0	0.0	0.0	
	Canola	0.0	0.0	0.0	0.0	0.7	
	Corn	3.3	6.5	3.2	6.5	4.3	10.8
	Oats	0.0	0.0	0.0	0.0	0.4	
	Rice	0.0	0.0	0.0	0.0	0.5	
	Soybean Meal	2.2	0.0	0.0	0.0	0.7	
	Soybean Oil	1.1	2.8	0.0	0.0	2.0	
	Soybeans	5.0	7.7	2.2	4.7	3.1	
	Wheat - CBOT	0.9	4.4	2.9	6.1	6.6	11.0
	Wheat - KC	1.6	0.0	0.6	1.2	0.0	
Wheat - Minn	1.1	0.0	0.0	0.0	0.0		
<b>Sector Total</b>		<b>15.2</b>	<b>21.4</b>	<b>8.9</b>	<b>18.4</b>	<b>18.6</b>	<b>21.7</b>
<b>Prec. Metals</b>	Gold	9.1	9.4	2.8	5.9	3.1	10.4
	Silver	2.6	3.4	0.3	0.7	2.1	
	Platinum	1.1	0.0	0.0	0.0	2.0	
	Palladium	0.3	0.0	0.0	0.0	0.4	
<b>Sector Total</b>		<b>13.1</b>	<b>12.7</b>	<b>3.2</b>	<b>6.6</b>	<b>7.7</b>	<b>10.4</b>
<b>Foods &amp; Fibers</b>	Cocoa	1.1	0.0	0.4	0.9	1.1	
	Coffee - ICE	1.8	2.6	0.8	1.5	2.1	
	Coffee - LIFFE	0.6	0.0	0.0	0.0	0.0	
	Cotton	1.9	2.0	1.1	2.3	4.1	
	Orange Juice	0.0	0.0	0.0	0.0	0.7	
	Sugar - NYBOT	4.5	3.1	3.0	6.4	2.2	
	Sugar - LIFFE	0.0	0.0	0.0	0.0	0.0	
	Lumber	0.0	0.0	0.0	0.0	1.1	
	Rubber	0.0	0.0	0.0	0.0	1.1	
	Silk	0.0	0.0	0.0	0.0	0.0	
	Wool	0.0	0.0	0.0	0.0	0.1	
	<b>Sector Total</b>		<b>9.9</b>	<b>7.8</b>	<b>5.2</b>	<b>11.1</b>	<b>12.5</b>
<b>TOTALS</b>		<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>



# Contango is Not a New or Unusual Phenomenon

Notwithstanding the increased attention paid to contango recently, it is not a new phenomenon. Commodity markets have traded in contango often and more steeply in the past.

CL2/CL1 – January 1987 to September 2008



Sources: Bloomberg, Gresham Investment Management.

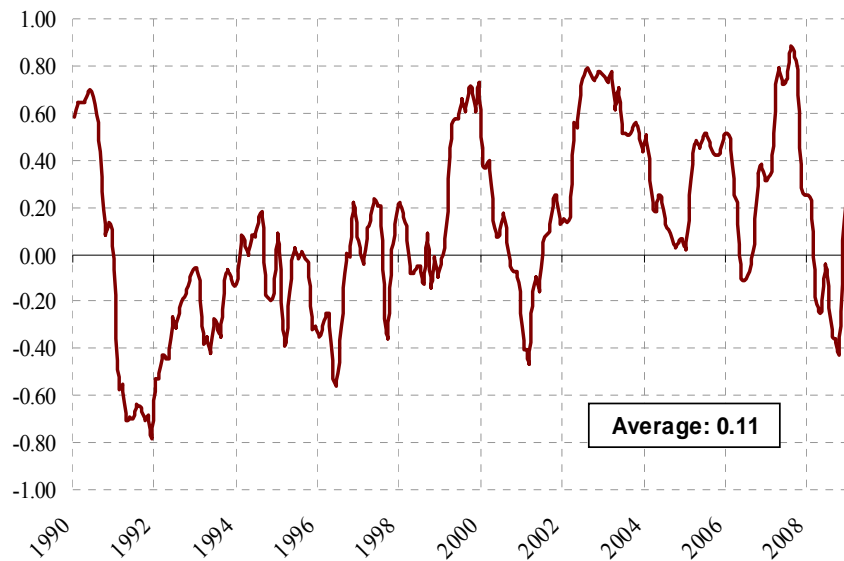


# Low Correlation to CTAs and Hedge Funds

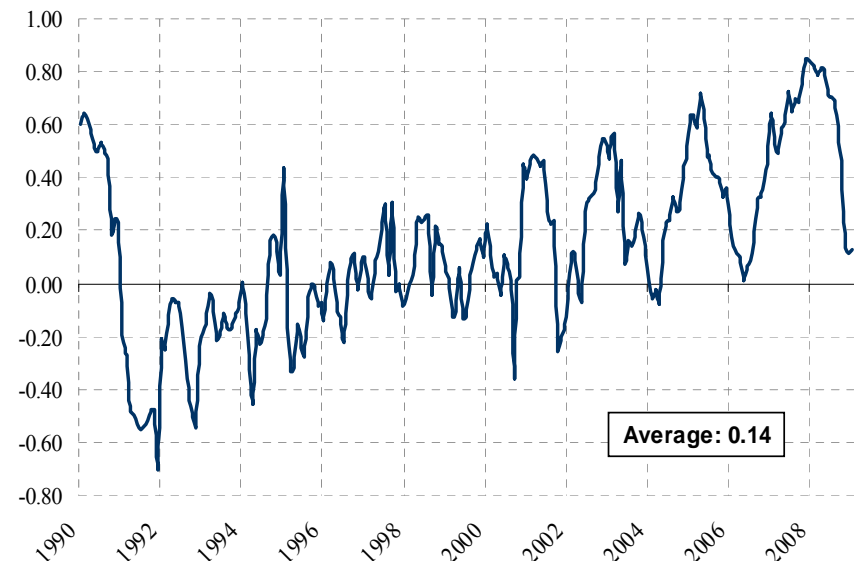
Gresham's returns are not correlated with those of CTAs or Hedge Funds.

## Trailing 12-Month Correlation, 1990 to 2009

TAP vs Barclays CTA Index



TAP vs HFR FoF Index



\* HFR FoF Index – Hedge Fund Research Fund of Funds Index.

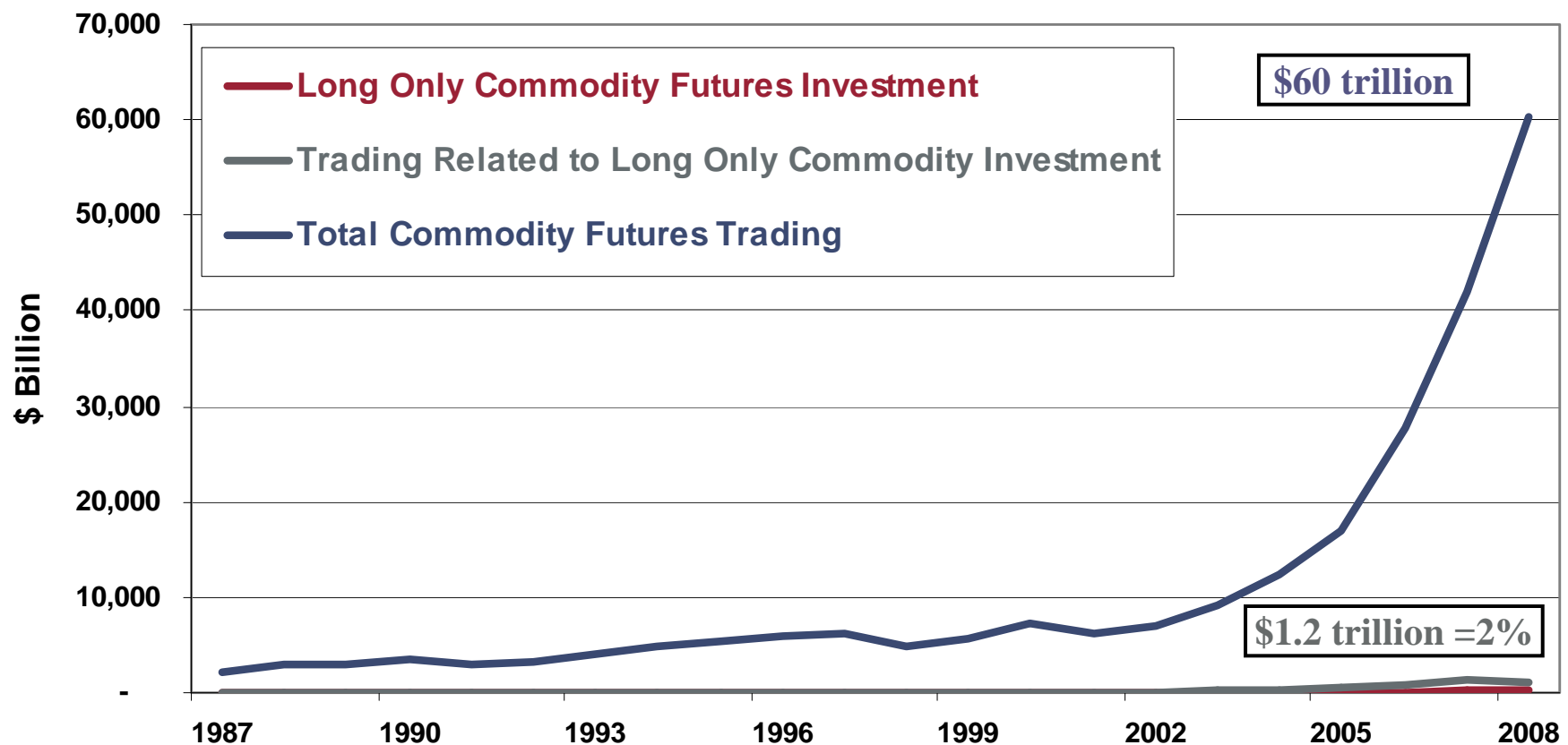
Note: There is no guarantee that TAP will achieve the same degree of correlation in the future. It is not possible to invest directly in an index. Past performance is not necessarily indicative of future results.



# Commodity Asset Class Capacity & Liquidity

Even \$1.2 Trillion of trading represents a small portion of the total trading volume of commodity futures.

Nearby Month Open Interest and Long Only Commodity Investment at year-end 1987-2008



Sources: Bloomberg, Gresham Investment Management.



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## **Disclaimer & Risk Disclosures**

# Disclaimer & Risk Disclosure

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**THIS PRESENTATION IS INTENDED ONLY FOR THE PERSON TO WHOM IT HAS BEEN DISTRIBUTED. THIS PRESENTATION IS NOT AN OFFER OR SOLICITATION WITH RESPECT TO THE PURCHASE OR SALE OF ANY SECURITY. THIS PRESENTATION IS STRICTLY CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED IN WHOLE OR IN PART NOR MAY ITS CONTENTS BE DISCLOSED TO ANY OTHER PERSON UNDER ANY CIRCUMSTANCES.**

**No Tax or Legal Advice Rendered.** Investing in commodities may not be suitable for all investors. Gresham Investment Management LLC (“Gresham”), nor its employees render tax or legal advice. Please consult with your accountant, tax adviser and/or attorney for advice concerning your particular circumstances.

**Absence of Regulatory Oversight.** The commingled investment vehicles which Gresham manages are not registered as investment companies under the Investment Company Act, and, accordingly, the provisions of the Investment Company Act (which provide certain regulatory safeguards to investors) will not be applicable. Furthermore, pursuant to exemptions available under rules of the CFTC, Gresham is not registered as a Commodity Pool Operator (“CPO”) with respect to the commingled investment vehicles it manages, nor is it required to comply with the CFTC’s CPO rules with respect to such investment vehicles.

**Trading in Commodity Futures, Forward and Over-The-Counter Commodity Contracts is Speculative and Volatile.** Prices for commodity futures, forward and over-the-counter commodity contracts are highly volatile. Price movements of commodity interests are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, climate and national and international political and economic events. Gresham cannot control any of these factors, and therefore can give no assurances that its strategies will be profitable or will not incur substantial losses. For these reasons and others, one should consider an investment in Gresham's strategies as long-term and speculative.

**Trading in Commodity Interests Can be Highly Leveraged; Gresham Strategies Intend to be Unleveraged.** The low margin deposits required in commodity futures and forward trading (typically between 2% and 15% of the value of the contracts traded) allow for a high degree of leverage. For example, if at the time of purchase one deposits 10% of the price of a contract as margin, a 10% decrease in the price of the contract would, if one then closes out the contract, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses. Similar risks apply to over-the-counter commodity contract trading. Notwithstanding the highly leveraged nature of futures, forward and over-the-counter commodity contract trading, Gresham will trade futures, forward and over-the-counter commodity contracts on an overall unleveraged basis. That is, the underlying notional value of a Gresham portfolio's futures, forward and over-the-counter commodity contract positions usually will not exceed the portfolio’s NAV, although it may slightly exceed NAV from time to time.

**Futures Markets May be Illiquid.** Certain commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day one may not execute trades at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, one cannot take or liquidate positions in the commodity unless both a buyer and seller are willing to effect trades at or within the limit. In the past, commodity futures prices have moved the daily limit for several consecutive days with little or no trading. Similar occurrences, or regulatory interventions in the commodity markets, could prevent Gresham from promptly liquidating unfavorable positions and adversely affect trading and profitability.



# Disclaimer & Risk Disclosure

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**Possible Effects of Speculative Position Limits.** The CFTC and certain exchanges have established limits referred to as “speculative position limits” on the maximum net long or short futures position which any person may hold or control in particular commodities. All commodity accounts controlled by Gresham and its principals and all proprietary trading accounts will be combined for position limit purposes. There are no limits on the amount of funds which Gresham and its affiliates may manage or proprietary assets it may trade. Also, there are proposals to apply new position limits to commodity interest contracts where limits currently do not exist. It is possible, therefore, that Gresham may have to modify its trading decisions and strategies and that it may have to liquidate commodity interest positions it manages for its clients or it may have to effect a portion of its clients' portfolios through over-the-counter derivative contracts in order to avoid exceeding such limits.

**Trading on Non-U.S. Exchanges.** Gresham engages in trading on non-U.S. exchanges and other markets located outside of the U.S.. Neither CFTC regulations nor regulations of any other U.S. governmental agency apply to the execution of transactions on or the regulation of such non-U.S. markets.

**Failure of the Commodity Broker.** CFTC regulations require that commodity brokers maintain a client's assets in a segregated account. If the commodity broker holding a client's portfolio fails to do so, the client may be subject to a risk of loss of funds on deposit with the commodity broker in the event of its bankruptcy. In addition, under certain circumstances, such as the inability of another client of the commodity broker or the commodity broker itself to satisfy substantial deficiencies in such other client's account, a client may be subject to a risk of loss of those funds on deposit with the commodity broker, even if such funds are properly segregated. In the case of any such bankruptcy or client loss, a client might recover, even in respect of property specifically traceable to its portfolio, only a pro rata share of all property available for distribution to all of the commodity broker's clients.

**Trading of Swap and Similar Derivative Contracts.** Gresham may enter into swap and similar derivative transactions involving or relating to commodities interests. Such swap contracts are not traded on exchanges, and as a consequence investors in such contracts do not benefit from the regulatory protections of such exchanges or the CFTC, or other governmental or regulatory authorities in any jurisdiction; rather, commodity brokers and dealers act as principals in these markets. The performance with respect to a swap or similar derivative contract is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearinghouse. As a result, to the extent the a client's portfolio participates in swaps or other similar derivatives, it will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which Gresham trades. Any failure or refusal of a swap counterparty, whether due to insolvency, bankruptcy, default, or other cause, could subject a client's portfolio to substantial losses. However, in respect of any swap and similar derivative contract entered into with a client's portfolio's commodity broker, the commodity broker will hold the margin required in a segregated customer account and will mark-to-market such contracts on a daily basis with any profits or interest earned for such day credited to the benefit of the client's portfolio's segregated customer account.

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# Disclaimer & Risk Disclosure

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## **NATIONAL FUTURES ASSOCIATION (NFA) SIMULATED AND HYPOTHETICAL PERFORMANCE DISCLOSURE**

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL OR SIMULATED TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL OR SIMULATED TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.



# Important Information about the Effect of Fees on Returns

Returns are presented as gross returns, including interest earned on collateral in the period, and are calculated on a trade date basis after transaction charges (brokerage commissions), but before taxes, management fees, and incentive fees, if any. Performance would have been reduced by such fees and any other applicable expenses and the effect of such fees and expenses on performance compounds over time. Gresham's current advisory fee structures are described in Part II of Gresham's Form ADV.

As an illustration see the table below. The value of \$100 would be reduced by the amounts depicted below due to the compound effect of management fees alone or management plus incentive fees. For a strategy such as TAP, which has a management fee only, the table shows the difference a 0.75% management fee would make, assuming purely for the sake of this example, constant annual returns of 10%. For Gresham's TSM strategies, which have both a management and incentive fee, the table shows the difference a 0.55% management fee plus a 30% above-the-benchmark incentive fee would make, assuming purely for the sake of this example, 10% annual returns on the investment and 5% annual returns for the benchmark.

	Annualized Returns		Cumulative Returns		Growth of \$100		Fees Paid on \$100 Investment
	GROSS	NET OF 0.55% MGMT & 30% INCENTIVE FEES	GROSS	NET OF 0.55% MGMT & 30% INCENTIVE FEES	GROSS	NET OF 0.55% MGMT & 30% INCENTIVE FEES	0.55% MGMT & 30% INCENTIVE FEES
1 YEAR	10.0%	8.1%	10.0%	8.1%	\$ 110.0	\$ 108.1	\$ 1.9
3 YEARS	10.0%	8.1%	33.1%	26.3%	\$ 133.1	\$ 126.3	\$ 6.8
5 YEARS	10.0%	8.1%	61.1%	47.5%	\$ 161.1	\$ 147.5	\$ 13.6
10 YEARS	10.0%	8.1%	159.4%	117.5%	\$ 259.4	\$ 217.5	\$ 41.9
20 YEARS	10.0%	8.1%	572.7%	373.1%	\$ 672.7	\$ 473.1	\$ 199.6
30 YEARS	10.0%	8.1%	1644.9%	929.1%	\$1,744.9	\$ 1,029.1	\$ 715.8

The table above is for illustration only. The assumed 10% annual returns are hypothetical and should not be considered a representation of past or future returns. The actual effect of fees on the value of an account over time will vary with actual future returns, which cannot be predicted, and may be more or less than the amount assumed in this illustration, and with the level of the applicable fees. Actual fees may differ from the assumed rate presented above.



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

June 21, 2011

Agenda Item 6.2 c

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Commodities Manager Interview: Invesco - Balanced-Risk Commodities

COMMENT: Attached to this agenda item is the manager presentation booklet.

Below are the presenters:

**10:15 a.m. Interview     Invesco – Balanced-Risk Commodities**

**Scott Hixon, Portfolio Manager and Head of Research**  
**Greg Murphy, Managing Director**

The following is brief overview of the firm and strategy

**Invesco - Balanced-Risk Commodities**

**Investment Philosophy & Approach**

Invesco's Global Asset Allocation team (GAA) finds that there are four key drivers of commodity returns: 1) the difficulty and expense of storing a commodity, 2) rebalancing return, 3) optimal roll yield, and 4) tactical allocation. These four drivers are absent in common commodity indices so the team has taken a benchmark agnostic approach. In order to take advantage of the four drivers of commodity returns, the team applies a three-step investment approach that includes asset selection, portfolio construction, and active positioning.

**Research & Screening Process**

The team conducts research in each of the three main areas of its investment process. Screening is covered in the team's asset selection process. The team's research in this area has led it to use three sets of criteria in selecting assets.

The first covers diversification, where the team estimates the covariance matrix in order to determine each asset's potential contribution to portfolio risk. On-going research efforts in this area focus on enhancing the accuracy of the covariance matrix.

The second set of criteria cover long-term expected returns. The team has invested substantial research into this area to better understand the properties that lead certain commodities to generate excess returns. The results of this research culminated in the focus on commodities that

are difficult to store and in combination with the first set of criteria can add to the rebalancing return of the portfolio.

The final set of criteria relate to liquidity metrics intended to ensure that the portfolio has ample capacity and liquidity.

### **Portfolio Construction & Risk Control Methodology**

The team has long applied a balanced-risk approach to combining assets. This process has particular benefit with commodities due to the math of rebalancing returns. Rebalancing returns are driven by the number of assets, the average volatility of the assets, and the average correlation of the assets. As a result, the portfolio construction process creates the strategic allocation by balancing the amount of risk contributed by each of the four major commodity complexes based on the estimated covariance matrix. Due to the long-term nature of the estimated matrix, the strategic allocation changes slowly over time.

The active positioning process generates overweight and underweight positions relative to each asset's strategic weight. The team will overweight or underweight assets based on considerations of supply / demand balance, the economic environment, and investor positioning. The tactical positions are generated on a monthly basis and are designed to have a 3% tracking error relative to the strategic allocation.

### **Buy/Sell Discipline**

Purchases and sales of assets are driven entirely by quantitatively-derived shifts in the strategic and tactical allocation of the fund. As mentioned above, the strategic allocation tends to evolve slowly over time and the overall turnover is expected to be 60% or less.

### **Trading Strategy**

The members of the investment management team are authorized to create or approve trade instructions which are submitted via ecos (a portfolio management system) and then electronically communicated to the Invesco trade desk via the order management system (Charles River). Both systems will run compliance rules on the portfolio prior to sending a trade. Each trade must be signed by two investment team members.

The IGAA team does not utilize soft dollar arrangements.

### **Additional Comments**

The strategy is based on principles that best take advantage of the return opportunities in commodities. These principles are based on long-term rather than transitory phenomena. Specifically, the strategy takes advantage of:

Rebalancing return: the rebalancing return of a portfolio is a function of the number of assets, the average correlation of the assets, and the average volatility of the assets. By balancing the risk among the commodity complexes, the return potential from rebalancing is maximized.

Asset selection: following an adaptation of the theory of storage, Invesco places their strategic allocation in commodities that are difficult or costly to store. This raises the likelihood that the assets will have higher excess returns than is the case for commodities that are easy to store.

Contract selection: seeks to maximize the roll yield of the commodities used by using contracts other than the front month.

Tactical allocation: the weights of each commodity are altered based on its likelihood of outperformance. The factors used reflect fundamental drivers of commodity returns.



# Invesco

## Balanced-Risk Commodity Strategy

San Mateo County

Employees' Retirement Association

June 21, 2011

**For one-on-one U.S. institutional investor use only.**

All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. This does not constitute a recommendation of the suitability of any investment strategy for a particular investor. The opinions expressed herein are based on current market conditions and are subject to change without notice. Past performance does not guarantee future results.

Investment products offered are Not FDIC Insured, May Lose Value, and are Not Bank Guaranteed.

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# Presenters



## **Greg Murphy**

### *Managing Director — U.S. Institutional Sales & Service*

Greg Murphy is a Managing Director responsible for client service and marketing of Invesco's institutional strategies to corporate, foundation and endowment plans in the western United States.

Before joining Invesco, Greg was a Managing Director at AllianceBernstein for nine years. Prior to AllianceBernstein, Greg worked for Mellon Institutional Investment Management.

Greg graduated from the University of Bridgeport with a marketing and finance degree in 1990. He received his M.B.A. from St. Johns University in 1996.



## **Scott Hixon, CFA®**

### *Portfolio Manager and Head of Research — Global Asset Allocation*

Scott is the Head of Research and a Portfolio Manager for Invesco's Global Asset Allocation (GAA) investment team. The GAA team is responsible for managing risk parity, market selection and commodity allocation strategies. He oversees and helps steer the research initiatives of the GAA team in the areas of model and strategy development as well as portfolio construction.

Scott has been responsible for Invesco's tactical allocation strategies since joining the firm in 1994. Prior to joining Invesco, he served as a Trust Officer with SunTrust Bank as part of its Master Trust Division.

Scott earned a Bachelors of Business Administration in Finance, graduating Magna Cum Laude, from Georgia Southern University and a Masters of Business Administration from Georgia State University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and the Atlanta Society of Financial Analysts.





# Table of Contents

1. Invesco Organizational Structure
2. Balanced-Risk Commodity Strategy Summary
3. Balanced-Risk Commodity Strategy Process
4. Balanced-Risk Commodity Composite Performance
5. Additional Information





# 1

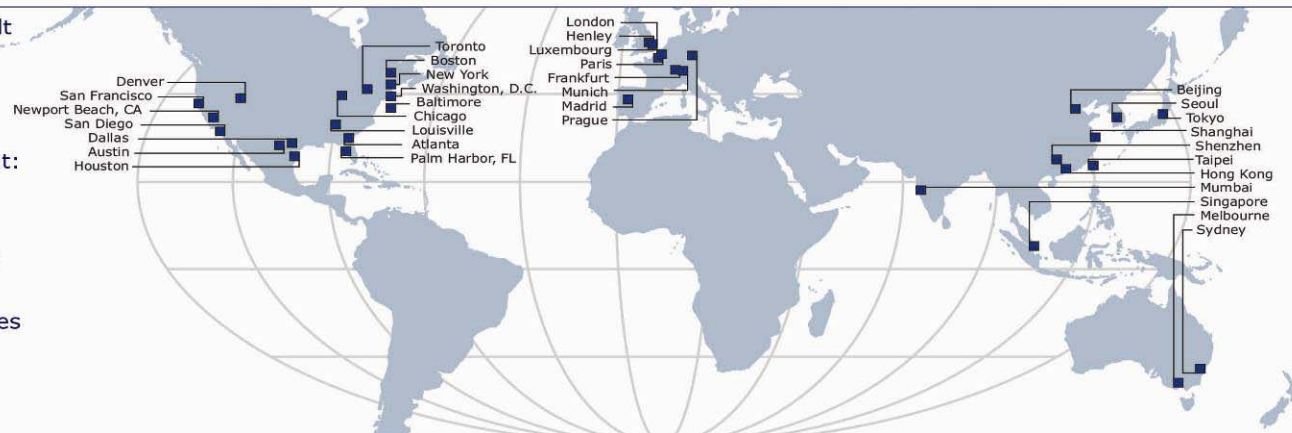
## Invesco Organizational Structure

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# Invesco Investment Capabilities

Our “investors first” approach is built on our commitment to investment excellence, depth of investment capabilities and organizational strength. We dedicate all of our resources to investment management:

- More than 600 investment professionals
- Global assets under management of \$641.9 billion
- Investment expertise in 11 countries
- More than 6,000 employees worldwide



## Invesco Asia-Pacific

### Investment Focus:

- Asia ex-Japan
- Greater China
- Japan
- Australia

**Locations:** Beijing, Hong Kong, Melbourne, Shenzhen, Sydney, Taipei, Tokyo

## Invesco Fundamental Equities

### Investment Focus:

- U.S. growth equity
- U.S. core equity
- U.S. value equity
- International and global growth equity
- Sector equity
- Balanced portfolios

**Locations:** Austin, Houston, San Francisco

## Invesco Perpetual

### Investment Focus:

- Global and regional equities, including U.K., European, Asian, Japanese and emerging markets
- Fixed income

**Location:** Henley, U.K.

## Invesco Private Capital

### Investment Focus:

- Private equity funds of funds
- Customized portfolios

**Locations:** London, New York, San Francisco

## Invesco Trimark

### Investment Focus:

- Canadian, regional, sector and global equity
- Canadian and global fixed income
- Balanced portfolios

**Location:** Toronto

## Atlantic Trust

### Investment Focus:

- High-net-worth wealth management
- U.S. equities; master limited partnerships (MLPs)
- Multi-manager investment program

**Locations:** Atlanta, Austin, Baltimore, Boston, Chicago, Denver, Houston, New York, Newport Beach, CA, San Francisco, Washington, D.C.

## Invesco Fixed Income

### Investment Focus:

- Global money markets and cash management
- Stable value
- Global and U.S. broad fixed income
- Global alternatives and bank loans

**Locations:** Chicago, Hong Kong, Houston, London, Louisville, Melbourne, New York, Palm Harbor, FL, San Diego, Tokyo

## Invesco Global Strategies

### Investment Focus:

- Global equity (global, non-U.S. and emerging market equities)
- Canadian equities
- Global quantitative equity (quantitative active, enhanced and long/short strategies)
- Global asset allocation (global macro, risk parity, commodities and active balanced solutions)

**Locations:** Atlanta, Boston, Frankfurt, Melbourne, New York, Tokyo, Toronto

## Invesco PowerShares

### Investment Focus:

- Index-based ETFs and ETNs and actively managed ETFs
- Domestic and international equity
- Taxable and tax-free fixed income
- Commodities and currencies

**Location:** Chicago

## Invesco Real Estate

### Investment Focus:

- Global direct real estate investing
- Global public real estate investing

**Locations:** Atlanta, Dallas, Hong Kong, London, Luxembourg, Madrid, Munich, New York, Newport Beach, CA, Paris, Prague, San Francisco, Seoul, Shanghai, Singapore, Tokyo

## Invesco Unit Investment Trusts

### Investment Focus:

- Equity trusts
- Closed-end trusts
- Tax-free fixed-income trusts
- Taxable fixed-income trusts

**Location:** Chicago

## WL Ross & Co.

### Investment Focus:

- Distressed and restructuring private equities
- Energy private equities

**Locations:** Beijing, Mumbai, New York, Tokyo

Source: Invesco. Client related data, investment professional and employee data as of 3/31/2011. Invesco Ltd. AUM is as of 3/31/2011, and includes all assets under advisement, distributed and overseen by Invesco, including those of its affiliates Invesco Distributors, Inc. and Invesco PowerShares Capital Management LLC, which have an agreement with Deutsche Bank to provide certain marketing services for the PowerShares DB products. Invesco PowerShares Capital Management LLC is the sponsor for the PowerShares QQQ and BLDRS products and unit investment trusts. ALPS Distributors, Inc. is the distributor of PowerShares QQQ, BLDRS Funds and the PowerShares DB Funds. Invesco PowerShares Capital Management LLC and Invesco Distributors, Inc. are wholly-owned, indirect subsidiaries of Invesco Ltd. Invesco Distributors, Inc. is the U.S. distributor for Invesco Ltd.'s retail products. Invesco Ltd. is not affiliated with ALPS Distributors, Inc. or Deutsche Bank. The listed centers do not all provide products or services that are available in all jurisdictions, nor are their products and services available on all platforms. The entities listed are each wholly owned, indirect subsidiaries of Invesco Ltd., except ALPS Distributors, Inc., Deutsche Bank and Invesco Great Wall in Shenzhen, which is a joint venture between Invesco and Great Wall Securities, and the Huaneng Invesco WLR Investment Consulting Company Ltd. in Beijing, which is a joint venture between Huaneng Capital Services and WL Ross & Co. Please consult your Invesco representative for more information.



# Invesco Global Asset Allocation

## CAPABILITIES

### Global Asset Allocation

#### Risk Parity Strategies

- Premia Plus Strategy
- Balanced-Risk Allocation Strategy
- Balanced-Risk Retirement Strategy

#### Commodity Strategies

- Balanced-Risk Commodity Strategy
- Enhanced Index Strategy

#### Market Selection Strategies

- Active Balanced
- Macro Overlay
- Capital Protection

- \$10 billion in assets
- 10-year team history
- 8 team members with over 15 years average experience

Source: Invesco. As of 03/31/11.



# 2

## Balanced-Risk Commodity Strategy Summary

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# Balanced-Risk Commodity Strategy

INVESTMENT OBJECTIVE

## Strategy objectives

- Outperform the Dow Jones-UBS Commodity Index by 5% per year over a full market cycle
- Smaller drawdowns than the benchmark

## Additional benefits

- Better diversification than the index
- Competitive pricing
- No lock-up
- Daily liquidity
- Transparency
- Cash collateral invested in 3-month US Treasury Bills

Please see the derivatives and leverage risk disclosures on page 29 of this document.



# Balanced-Risk Commodity Strategy

INVESTMENT UNIVERSE

	Energy	Agriculture/Livestock	Precious Metals	Industrial Metals
Strategic Assets	WTI Crude	Soy Meal	Gold	Copper
Tactical Assets	Brent Crude Gasoline Heating Oil Gas Oil Natural Gas	Soybeans Soybean Oil Sugar Corn Wheat Cotton Coffee Live Cattle	Silver	Aluminum

- Tactical allocation targets 3% tracking error relative to the strategic allocation.
- Each complex will always have a net long position.

Source: Invesco. As of 05/31/11.



# Balanced-Risk Commodity Strategy

DRIVERS OF RETURN: FOUR KEY SOURCES

## Structural Sources

### Storage Difficulty

Long-term returns driven by average term structure which is determined by difficulty and cost of storage

### Rebalancing

Potential rebalancing return is higher than that available for most other asset classes; most indices ignore this

## Tactical Sources

### Optimal Roll

Term structure of commodity futures creates opportunity to achieve higher returns than available through front-month investments

### Tactical Allocation

Alter exposure to commodities based on three considerations:

- Supply and demand balance
- Economic environment
- Price trends

Source: Invesco. As of 05/31/11.



# 3

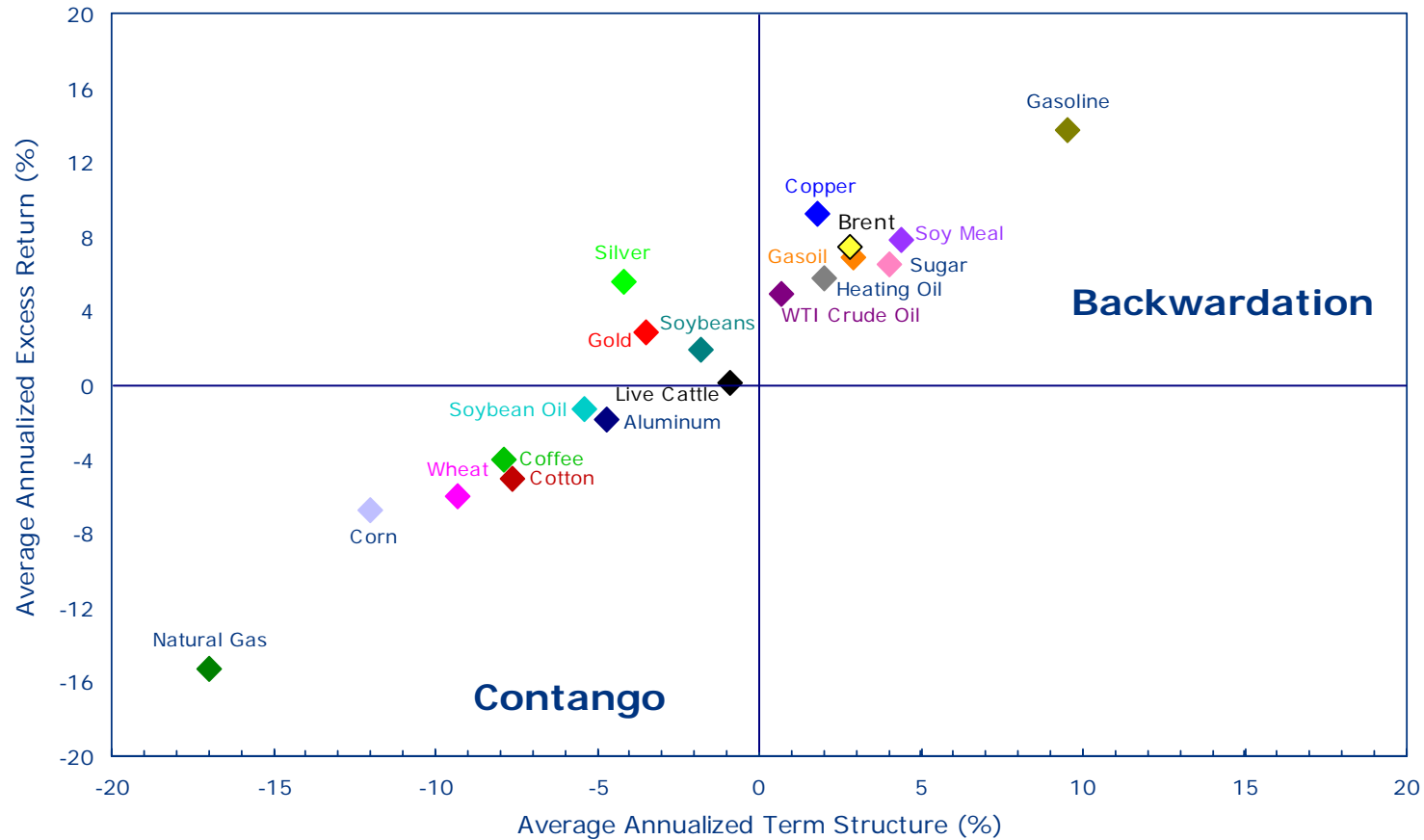
## Balanced-Risk Commodity Strategy Process

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# Structural Sources of Return

FOCUS ON DIFFICULT TO STORE COMMODITIES

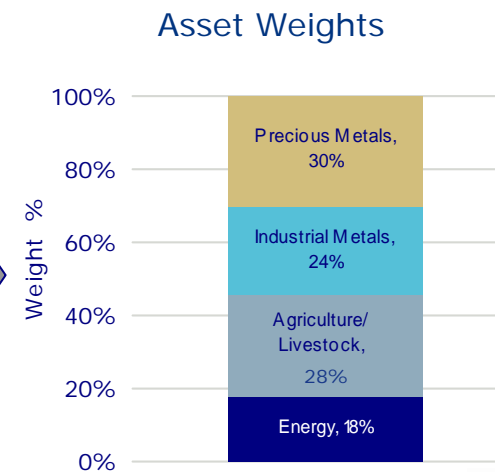
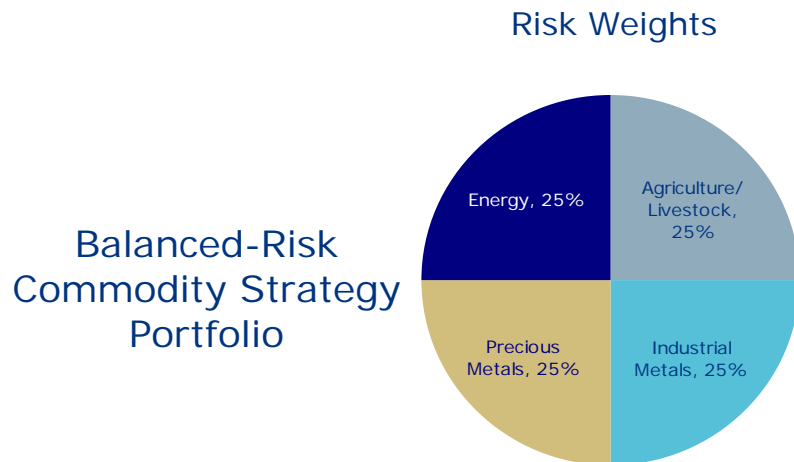
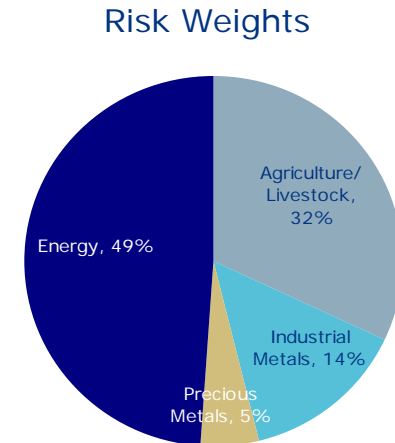
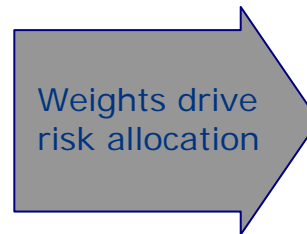
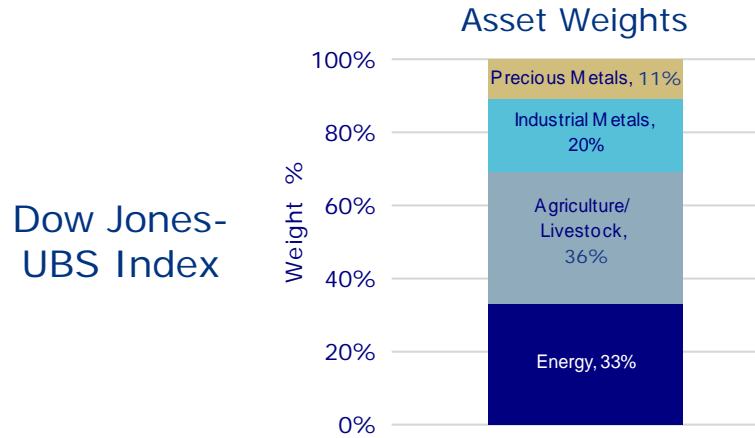


Sources: Invesco analysis and DataStream. Time period represented: 10/90 – 12/10. For illustrative purposes only.



# Structural Sources of Return

THE BENEFITS OF DIVERSIFICATION



Sources: Invesco analysis and DataStream.

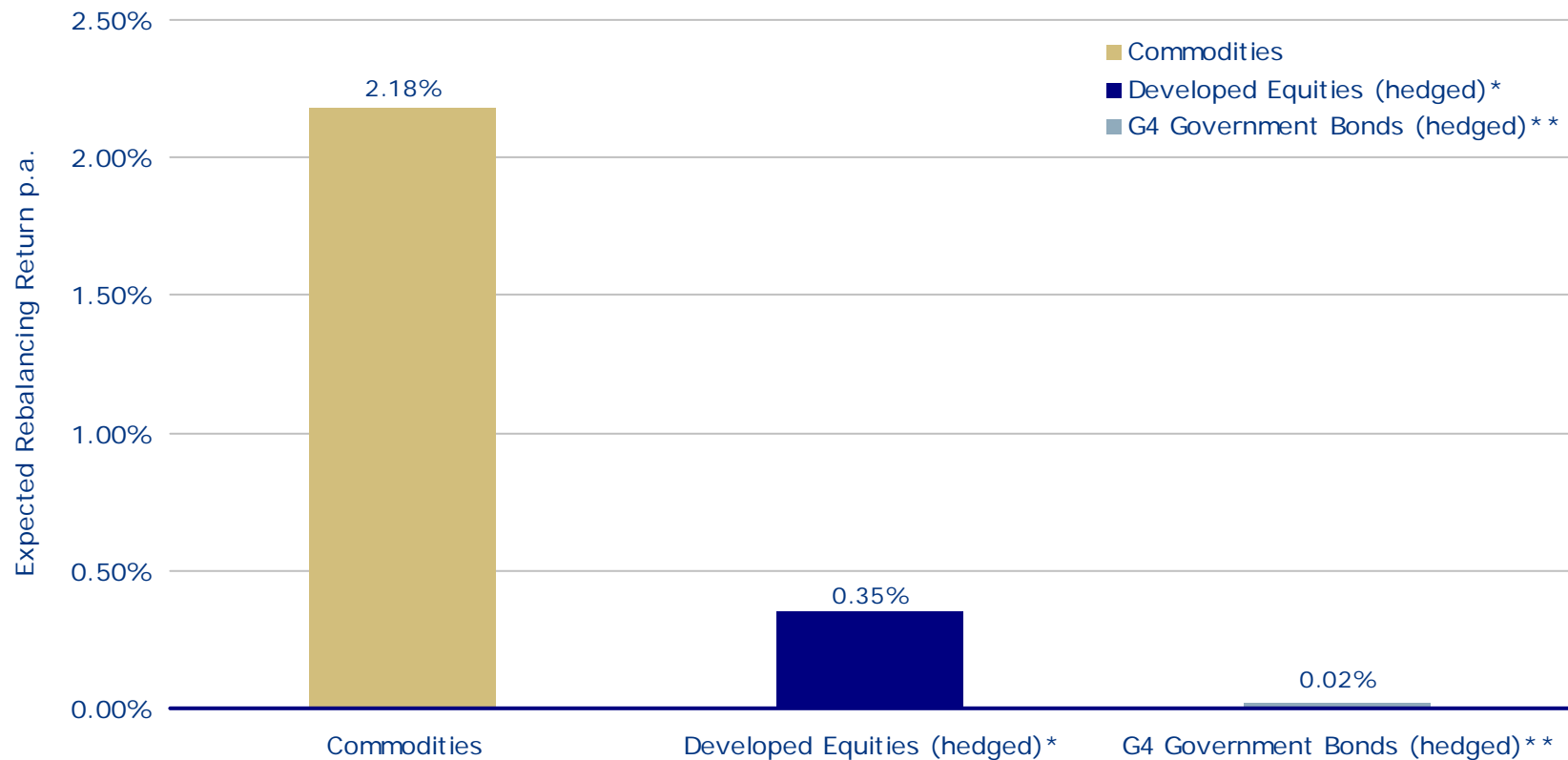


# Structural Sources of Return

THE BENEFITS OF VOLATILITY AND CORRELATION



- Commodities may offer much higher rebalancing return than other assets
- This is due to their high volatility and low correlation across commodity complexes

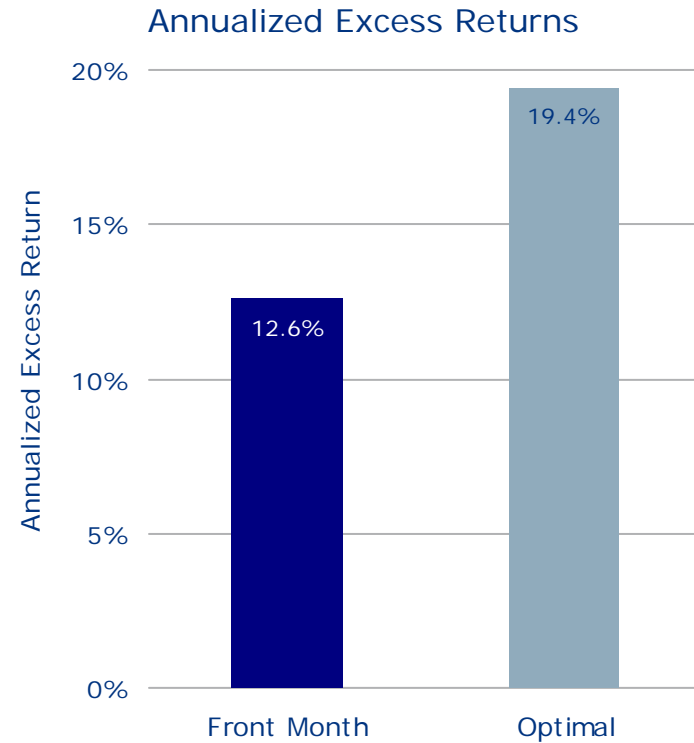
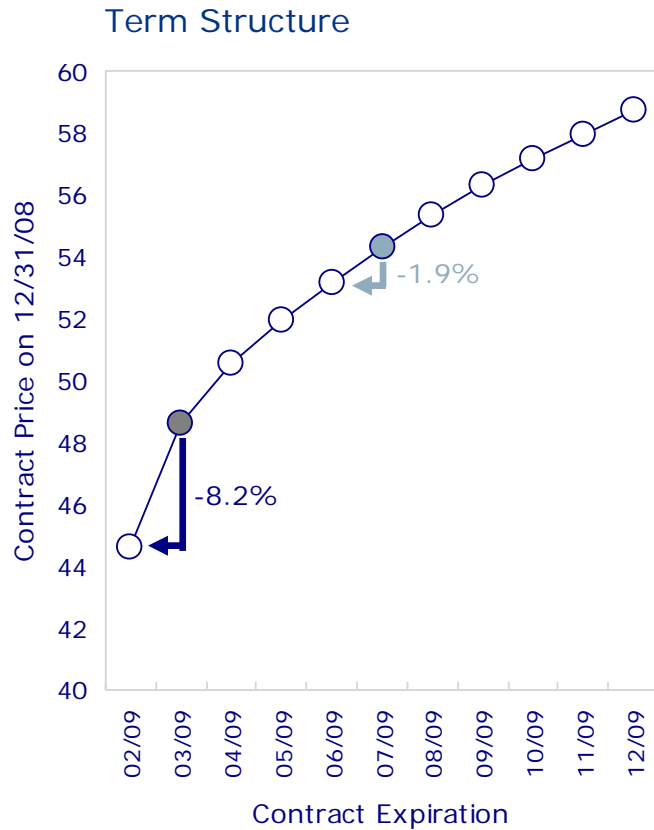


Source: Invesco analysis. \*Includes six markets: S&P 500, Russell 2000, FTSE 100, EuroStoxx 50, Topix and Hang Seng.  
\*\*Includes four markets: US, UK, Germany and Japan.



# Tactical Sources of Return

POSITIONING ALONG THE TERM STRUCTURE CURVE



Sources: Invesco analysis and DataStream. Data from 11/30/88 to 12/31/10. For illustrative purposes only. Front Month return is the GSCI Crude Oil excess return. Optimal Roll return is the Deutsche Bank Optimum Yield Light Crude Oil excess return. Past performance is not a guarantee of future results.



# Tactical Sources of Return

FACTOR CONCEPTS



## Supply and Demand

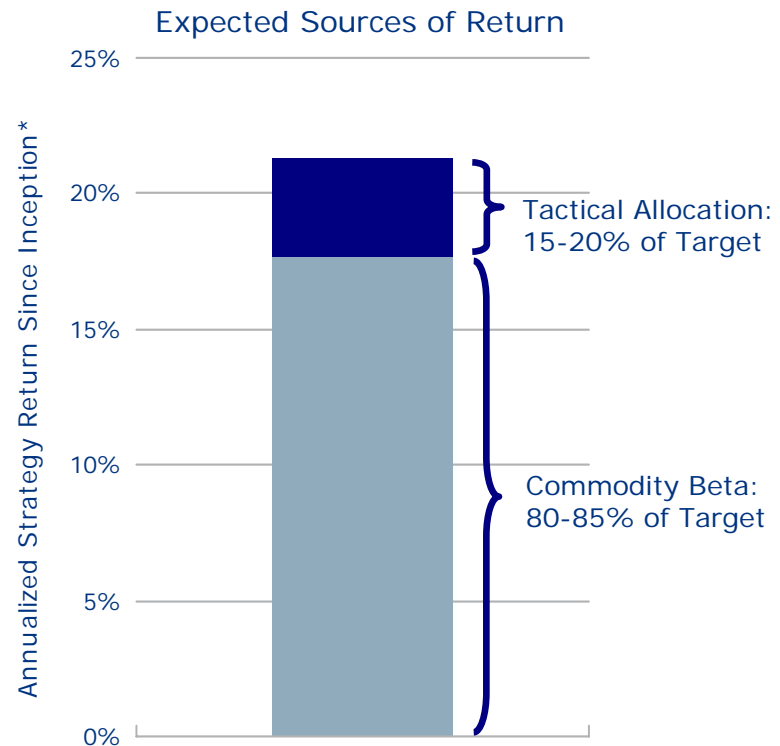
Objectively determine the supply/demand balance and understand the impact on future prices.

## Economic Environment

Measure the impact of the economic environment on commodity prices.

## Trend and Reversal

Take advantage of behavioral biases expressed in short- and intermediate-term price movements.



Source: Invesco analysis. For illustrative purposes only. Although every effort will be made, it cannot be guaranteed that the stated targets will be reached. \*Strategy inception: 09/30/08.

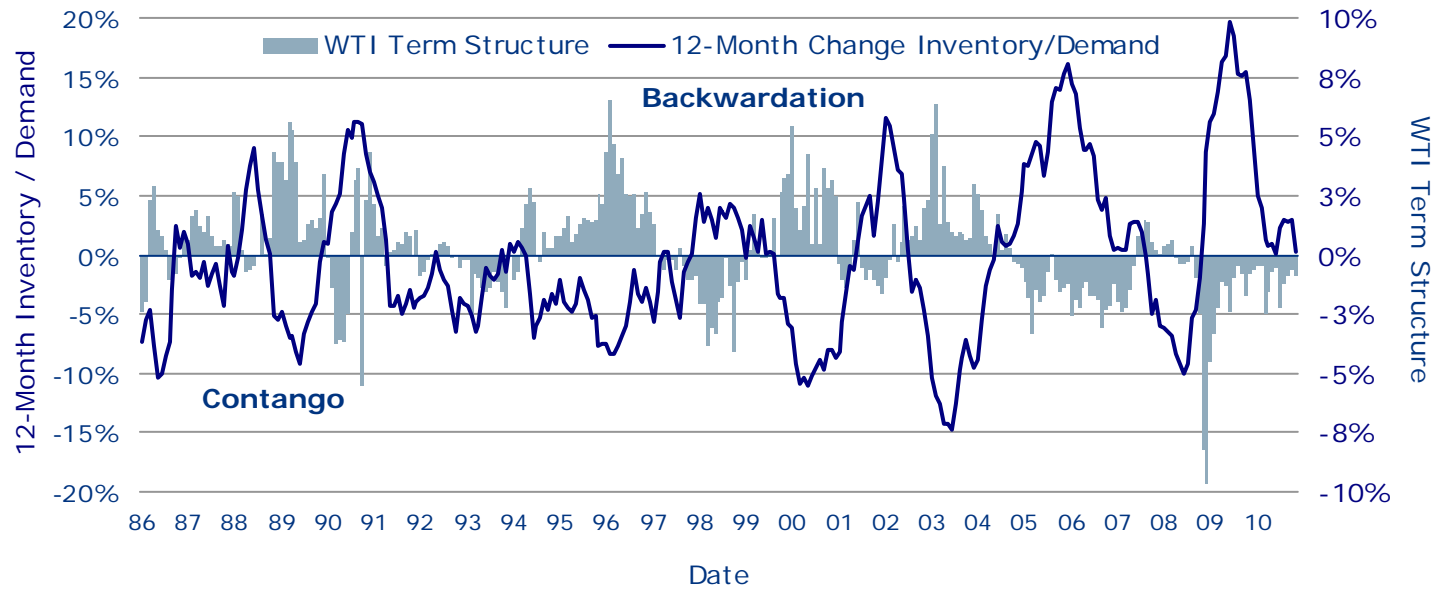


# Tactical Sources of Return



## Supply and Demand

Example:  
Crude Oil term structure



Sharpe ratio by Term Structure	
Contango	Backwardation
-0.21	+0.88

Sources: DataStream and Invesco analysis. Period considered: 02/28/86 – 12/31/10.

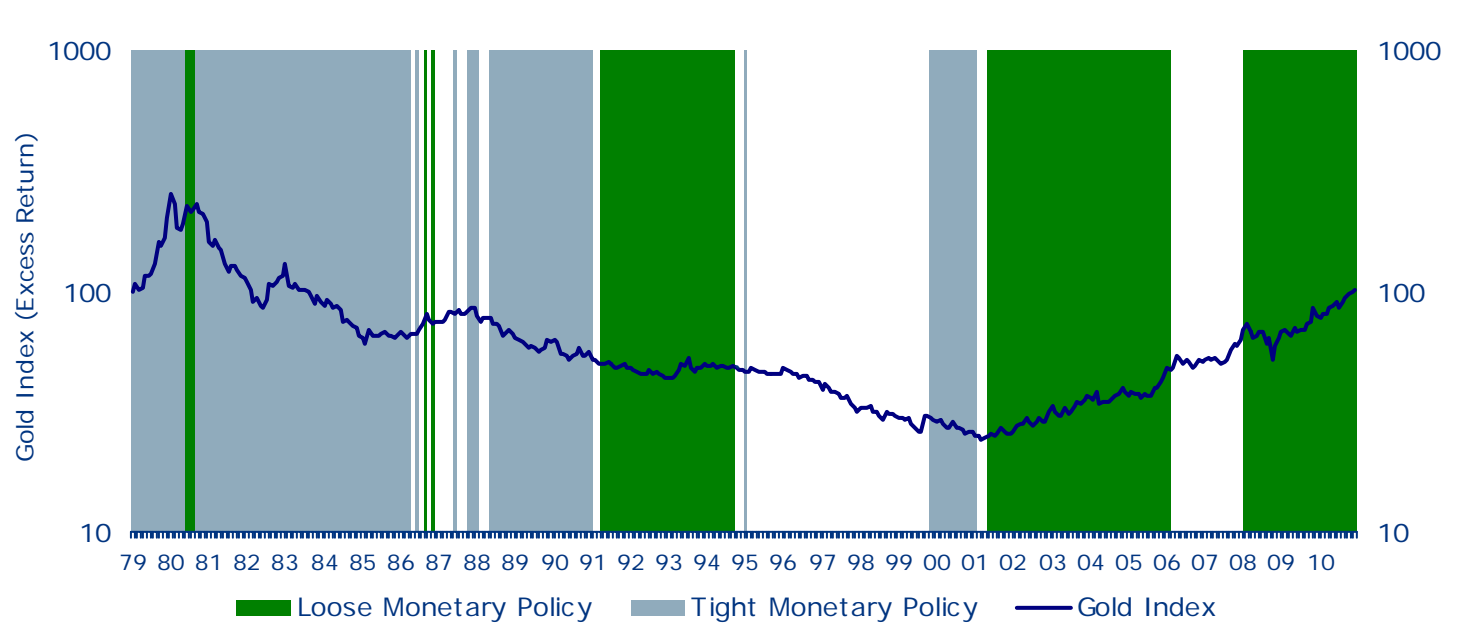


# Tactical Sources of Return



## Economic Environment

Example:  
Gold and real interest rates



Sharpe ratio by Monetary Policy		
Tight Monetary Policy	Neutral Monetary Policy	Loose Monetary Policy
-0.66	+0.13	+0.63

Sources: DataStream and Invesco analysis. Period considered: 01/31/79 – 12/31/10. Neutral monetary policy indicates real interest rates between 2 – 3%, tight monetary policy is higher than neutral interest rates while loose monetary policy is lower than neutral interest rates.

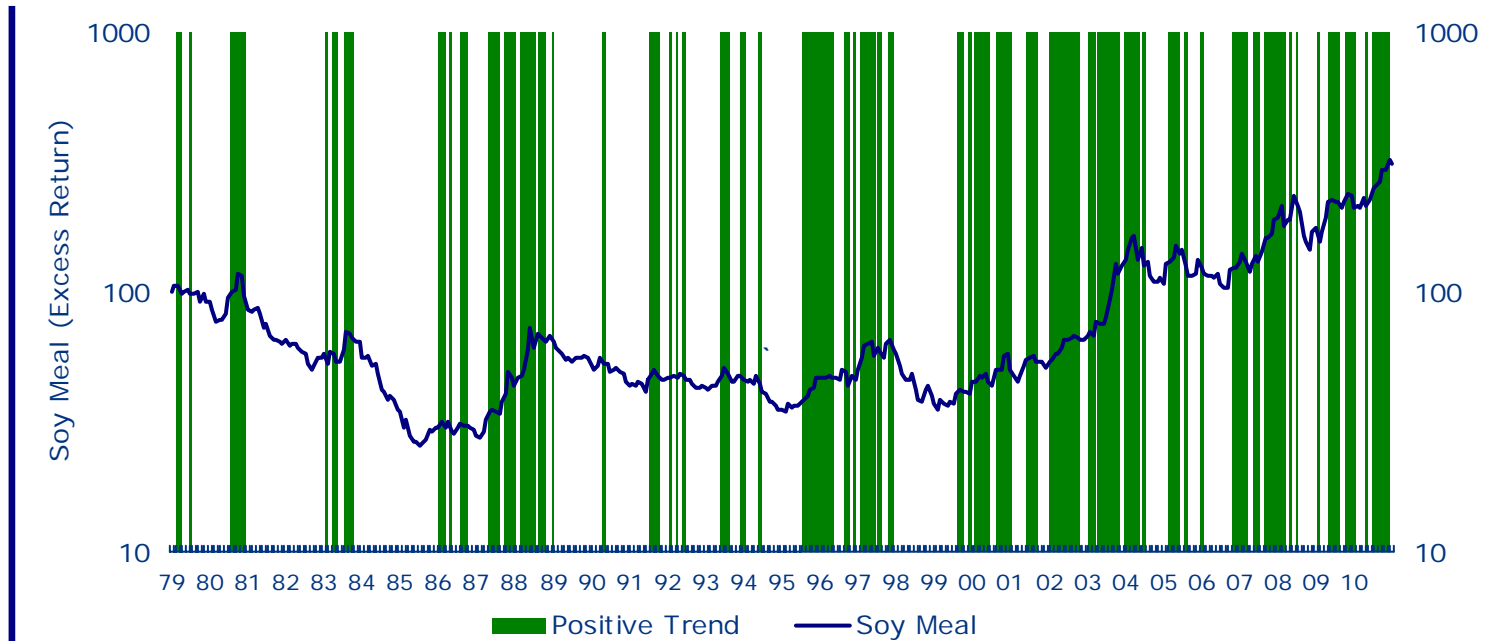


# Tactical Sources of Return



## Trend and Reversal

Example:  
Soy Meal  
Trend and  
Reversal



Negative Trend	Neutral	Positive Trend
+0.07	+0.22	+0.45

Sources: DataStream and Invesco analysis. Period considered: 01/31/79 – 12/31/10.

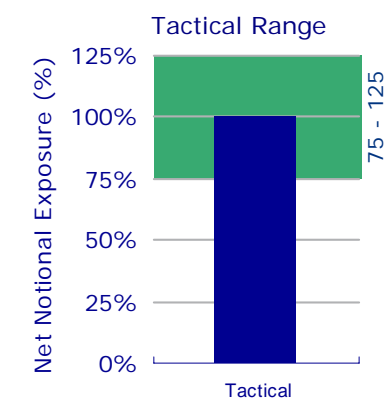
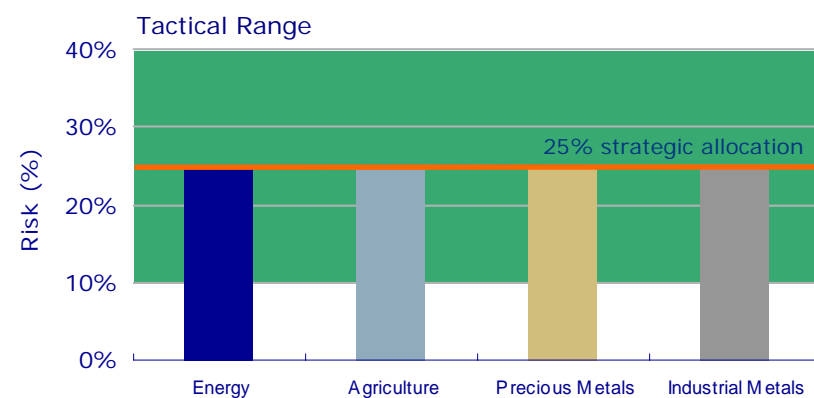
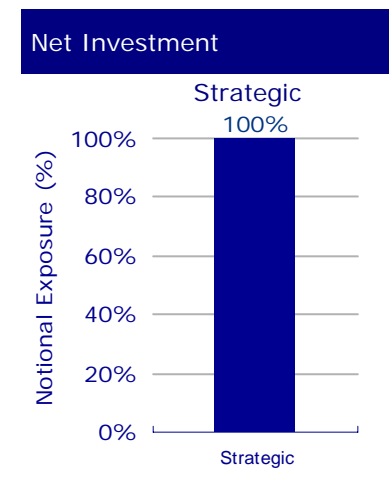
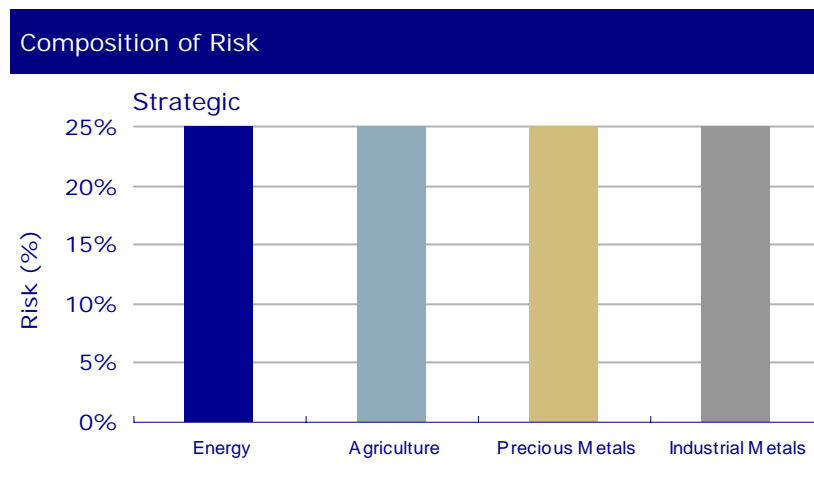




# Tactical Sources of Return

## TACTICAL RISK MANAGEMENT

- Strategic Allocation is calculated through volatility and correlation estimates and re-set monthly
- Active positioning allows the asset weights to deviate from the long-term strategic allocation and is adjusted monthly
- Depending on the tactical indicators, the portfolio can be positioned within the pre-determined risk ranges
- Tracking error target of 3% relative to strategic allocation



Source: Invesco analysis. Above figures do not represent specific time periods or actual portfolio results. For illustrative purposes only. Asset classes are subject to change and are not buy/sell recommendations.



# 4

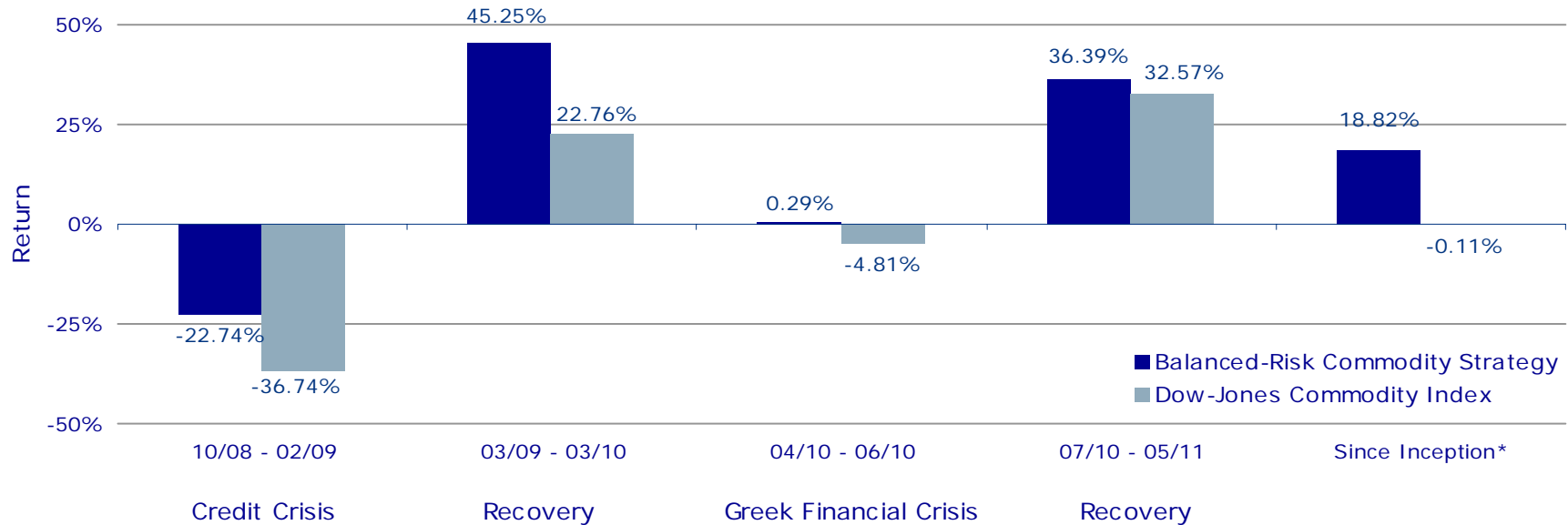
## Balanced-Risk Commodity Composite Performance

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# Balanced-Risk Commodity Strategy

SUPPLEMENTAL INFORMATION

COMPOSITE PERFORMANCE HISTORY AS OF 05/31/11



Performance %	May 2011	YTD 2011	2010	2009	4Q 2008	Since Inception annualized	Since Inception Risk %
Balanced-Risk Commodity Strategy (gross)	-3.86	2.93	31.10	52.29	-22.93	18.82	22.30
Dow Jones-UBS Index	-5.06	2.60	16.83	18.91	-30.04	-0.11	21.59
GSCI Index	-6.89	8.46	9.03	13.50	-46.87	-11.99	30.26
Excess vs. Dow Jones-UBS Index	1.20	0.33	14.27	33.38	7.11	18.93	

Sources: Invesco analysis and Dow Jones UBS. Strategy inception: 09/30/08. Past performance is not a guarantee of future results. Data as of 05/31/11. Information is supplemental to the Balanced-Risk Commodity Strategy GIPS® performance. For complete GIPS® disclosure, see pages 23-24.



# Balanced-Risk Commodity Strategy

PERFORMANCE ATTRIBUTION AS OF MAY 31, 2011

	Collateral	Storage		Rebalancing	Optimal Roll	Tactical	Total
		Spot	Front Month Roll				
Invesco	0.19	16.41	-4.29	1.44	1.94	3.13	18.82
Dow Jones-UBS	0.17	12.96	-13.23				-0.11
Difference	0.02	3.45	8.94	1.44	1.94	3.13	18.93

Sources: Invesco analysis, Merrill Lynch and Dow Jones UBS. Strategy inception: 09/30/08. Past performance is not a guarantee of future results. Data as of 05/31/11. Information is supplemental to the Balanced-Risk Commodity Strategy GIPS® performance. For complete GIPS® disclosure, see pages 23-24. Figures may not add due to rounding.



# Balanced-Risk Commodity Strategy Composite

GIPS® COMPLIANT SCHEDULE OF INVESTMENT PERFORMANCE

Period	Gross Rate of Return	Net Rate of Return	Benchmark Return	Number of Portfolios	Composite Assets (USD Millions)	Total Firm Assets (Billions)	Composite Dispersion
2010	31.10 %	30.19 %	16.83 %	2	\$ 351	\$ 475.3	N/A %
2009	52.29	51.23	18.91	2	161	298.2	N/A
2008 (3 months)	-22.93	-23.06	-30.04	1	8	254.6	N/A
<i>Annual Compound Rates of Return Ended December 31, 2010</i>							
1 Year	31.10 %	30.19 %	16.83 %				
2 Years	41.30	40.32	17.86				
Since Inception*	21.11	20.27	-1.26				

Currency: US dollar. \*Inception date: 09/30/08. Invesco Worldwide has prepared and presented this report in compliance with the US and Canadian version of the Global Investments Performance Standards (GIPS®). For complete GIPS® disclosure, see the following page.



# Balanced-Risk Commodity Strategy Composite

## GIPS® COMPLIANT PERFORMANCE NOTES

Invesco Worldwide claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Invesco Worldwide has been independently verified for the periods 1st January 2003 thru 31st December 2009. The legacy firms that constitute Invesco Worldwide have been verified since 2001 or earlier. The verification reports are 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.

### Notes:

- 1 *Invesco Worldwide ("The Firm") manages a broad array of investment strategies around the world. The Firm comprises U.S.-based Invesco Advisers, Inc. and all wholly owned Invesco firms outside of North America. All entities within the Firm are directly or indirectly owned by Invesco Ltd. GIPS-compliant firms whose assets are managed by subsidiaries of Invesco Ltd. are Invesco Trimark Ltd. and Atlantic Trust. Invesco Senior Secured Management, Inc. Invesco Private Capital, Inc. and Invesco PowerShares Capital Management LLC are also affiliates of the Firm. Each is an SEC-registered investment adviser and is marketed as a separate entity. Invesco Great Wall Fund Management Co. Ltd (IGW) is a fund management company established under China Securities Regulatory Commission's approval. Their assets are excluded from total Firm assets. On Dec. 31, 2009, Invesco Aim Advisors, Inc. (AIM), Invesco AIM Capital Management, Inc. (ACM), Invesco Aim Private Asset Management, Inc. (APAM) and Invesco Global Asset Management (N.A.), Inc. merged into Invesco Institutional (N.A.), Inc., which was then renamed Invesco Advisers, Inc. Prior to 2010, AIM, ACM and APAM were part of separate GIPS firms and not included in the Firm. All Firm verifications have been completed through Dec. 31, 2009. On June 1, 2010, Invesco acquired Morgan Stanley Investment Management's (MSIM) retail asset business, including Van Kampen Investments. Through this transaction, Invesco acquired approximately \$119 billion in assets under management. Prior to the acquisition, MSIM was GIPS compliant and verified by an independent verifier through Dec. 31, 2008. Assets under management prior to 2010 have not been restated to reflect either the above-referenced investment adviser merger or the MSIM acquisition. Composite history and Firm assets prior to Jan. 1, 2010, are those of its respective components.*
- 2 *The objective of the Balanced-Risk Commodity investment strategy is to outperform the index, Dow Jones-UBS Commodities Index, by 5% per annum over a rolling three to five year investment horizon. The strategy will strive to achieve this objective with a proprietary risk parity strategy that targets lower portfolio risk than the benchmark and seeks to minimize the risk of large draw downs with a risk-balanced investment process. Portfolio risk is defined as the annualized standard deviation of the strategy's returns.*
- 3 *The Composite returns are benchmarked to Dow Jones-UBS Commodity Index. The benchmark is used for comparative purposes only. Investments made by the Firm for the portfolios it manages according to respective strategies may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark. Accordingly, investment results and volatility will differ from those of the benchmark.*
- 4 *The Balanced Risk Commodities Strategy invests primarily in derivatives including commodity futures, exchange traded funds, and commodity linked notes. The composite notional value will generally not exceed 1.5 times capital.*
- 5 *Valuations and portfolio total returns are computed and stated in U.S. Dollars. The firm consistently values all portfolios each day on a trade date basis. Portfolio level returns are calculated as time-weighted total returns on daily basis. Accrual accounting is used for all interest and dividend income. Past performance is not an indication of future results.*
- 6 *Carve-outs from multi-asset class portfolios are included within this composite. Cash is allocated to the constituent commodities segment carve-out returns to arrive at a total return for each portfolio. Carve-out returns are calculated by allocating cash according to the strategic target cash position for the strategy. As of 31 December 2009, carve-outs comprised 57% of the composite.*
- 7 *Composite dispersion is measured by the standard deviation across asset-weighted portfolio returns represented within the composite for the full year.*
- 8 *Gross-of-fee performance results are presented before management and custodial fees but after all trading commissions and withholding taxes on dividends, interest and capital gains, when applicable. Net-of-fee performance results are calculated by subtracting the highest tier of our published fee schedule for the product from the monthly returns.*  
*The management fee schedule is as follows:*  

*70 basis points on the first \$100 million  
60 basis points thereafter.*
- 9 *The minimum portfolio size for the Composite is \$5,000,000.*
- 10 *The composite creation date is April 29, 2010.*
- 11 *A complete list of composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations is available upon request.*



# 5

## Additional Information

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# Balanced-Risk Commodity Strategy

## SUMMARY








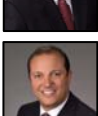
Balanced-Risk Commodity Strategy	
Objective	Target return of 5% above benchmark over full market cycle Benchmark: Dow Jones – UBS Commodity Index Smaller drawdowns than the benchmark
Institutional Account Fees	<u>Fixed Fee</u> 70 bp on first \$100 million 60 bp thereafter
Other Vehicles	Collective Trust Fund Mutual Fund Separate Account
Lock-Up	None
Pricing	Daily
Liquidity	Daily
Transparency of holdings	Full

Source: Invesco. As of 05/31/11.





# Invesco Global Asset Allocation Team

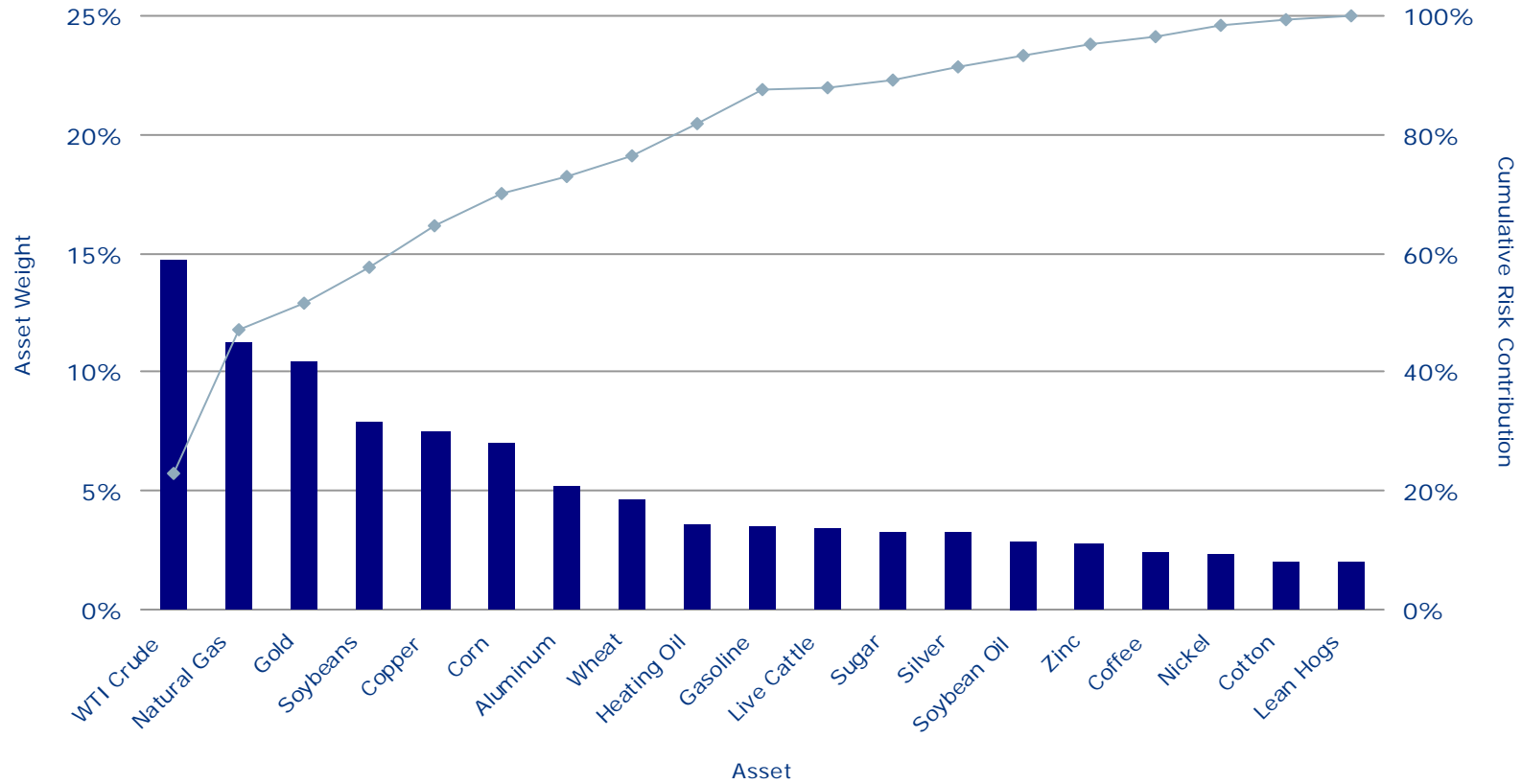
	Team Member	Responsibility	In the Industry Since	With the Firm Since	Education
	Scott Wolle, CFA®	Chief Investment Officer	1991	1999	Virginia Polytechnic Institute and State University, B.S. Duke University, M.B.A.
	Mark Ahnrud, CFA®	Portfolio Manager	1985	2000	Babson College, B.S. Duke University, M.B.A.
	Chris Devine, CFA®	Portfolio Manager	1996	1998	Wake Forest University, B.A. University of Georgia, M.B.A.
	Raymond Fu	Quantitative Analyst	2007	2007	Georgia Institute of Technology, B.S. Georgia State University, M.S.
	Scott Hixon, CFA®	Portfolio Manager, Head of Investment Research	1992	1994	Georgia Southern University, B.B.A. Georgia State University, M.B.A.
	Mike McHugh, CFA®	Client Portfolio Manager	1996	1998	Bellevue University, B.S.
	Dr. Bernhard Pfaff	Portfolio Manager	1998	2005	University of Freiburg i. Br. University of Freiburg i. Br., Doctorate Degree
	Christian Ulrich, CFA®	Portfolio Manager	1987	2000	KV Zurich Business School, Switzerland

As of 05/11. The CFA® designation is globally recognized and attests to a charterholder's success in a rigorous and comprehensive study program in the field of investment management and research analysis.



# Dow Jones - UBS Commodity Index

## ASSET WEIGHT AND CUMULATIVE RISK CONTRIBUTION



Sources: DataStream and Invesco analysis. Data as of 12/31/10.



# Invesco Disclaimer

For one-one-one Institutional Investor use only. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision. As with all investments there are associated inherent risks. Please obtain and review all financial material carefully before investing. Past performance is not indicative of future results. This does not constitute a recommendation of the suitability of any investment strategy for a particular investor. The opinions expressed herein are based on current market conditions and are subject to change without notice.

## Derivatives Risk

The Balanced-Risk Commodity Strategy invests (directly or indirectly) a substantial portion of its assets in "derivatives"—so-called because their value "derives" from the value of an underlying asset (including an underlying security), reference rate or index—the value of which may rise or fall more rapidly than other investments. The strategy invests principally in exchange-traded futures across different commodity complexes. For some derivatives, it is possible to lose more than the amount invested in the derivative. If the portfolio uses derivatives to "hedge" a portfolio risk, it is possible that the hedge may not succeed. This may happen for various reasons, including unexpected changes in the value of the rest of the portfolio. Over the counter derivatives are also subject to counterparty risk, which is the risk that the other party to the contract will not fulfill its contractual obligation to complete the transaction with the Fund.

## Leverage Risk

The Balanced-Risk Commodity Strategy employs leverage as a fundamental element within the investment strategy. The implementation of a risk parity strategy requires the use of leverage. The use of derivatives facilitates the ability to create the desired level of leverage in the portfolio. Leverage may cause the portfolio to be more volatile than if the portfolio had not been leveraged because leverage can exaggerate the effect of any increase or decrease in the value of securities held by the portfolio.

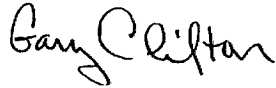


SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

June 21, 2011

Agenda Item 6.2 d

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Commodities Manager Interview: State Street Global Advisors – Multisource Active Commodity Strategy

COMMENT: Attached to this agenda item is the manager presentation booklet.

Below are the presenters:

**11:15 a.m. Interview     State Street Global Advisors- Multisource Active Commodity Strategy**

Paul Lucek, Director of Research, Senior Portfolio Manager  
Christopher Hawkins, Vice President Client Service, CFP

The following is an overview of the product and the firm.

**State Street Global Advisors- Multisource Active Commodity Strategy**

**Investment Philosophy & Approach**

**Overview**

The Multisource Active Commodity Strategy combines the strengths of two long standing organizations – State Street Global Advisors and SSARIS Advisors, LLC. By combining SSgA's expertise in quantitative research with SSARIS' twenty plus years of experience modeling and dealing in commodity futures contracts, the Multisource Active Commodity is able to efficiently exploit the mis-pricings that occur within the commodity markets.

The Multisource Active Commodity's use of distinct sources of alpha enables it to add value when commodities are in backwardation as well as contango. While the strategy has been constructed to capture the rising prices associated with increasing demand, its ability to selectively short individual contracts provides capital protection during market drawdowns. The Strategy is overseen by a strong and independent risk management function and offers transparency of positions and stop loss provisions. SSARIS Advisors, LLC is the sub-advisor for the Multisource Active Commodity strategy and is responsible for all day-to-day activities associated with managing and trading the strategy.

## **Investment Strategy**

The firm believes that the commodities markets are not fully efficient, and that a disciplined, quantitative investment process can identify and exploit futures contract mis-pricings. The firm believes in taking many small active positions while maintaining a risk profile similar to the benchmark. The firm uses systematic processes to evaluate commodity market prices, to process this information objectively, to build investment models, and to construct efficient portfolios.

The firm's belief is manifested in the construction of the Multisource Active Commodity strategy. The strategy's three quantitative models each seek to capture distinct inefficiencies prevalent in the commodity markets: mean reversion, structural imbalances and price dislocations.

Backwardation: This model establishes a medium-term view on individual commodity price movement by observing the futures prices associated with a particular commodity. Backwardation (contango) occurs when the commodity futures contract is priced at a discount (premium) to the spot price. Over time the futures price will converge to the spot price. Backwardation and contango conditions arise as a result of hedging activity employed by commodities producers and consumers. Commodities in backwardation (contango) are expected to yield a short-term positive (negative) roll return.

Regime Switching: Price cycles for a given commodity market tend to be persistent in duration yet also change from time to time (and often quite abruptly). This model ascertains the most probable regime in which an individual commodity resides, how likely this regime is to change, and the expected short-term price impact for a given level of price change.

Trend Following: This model uses an annual commodity market selection and risk budgeting process to analyze medium-term and long-term trend following and momentum signals. It then utilizes trend following and momentum algorithms that are based upon price series analysis ranging over time periods from several weeks to months to enter and exit specific markets. The model's parameters include signal filters to avoid whipsaw market moves and stop-loss targets for risk control.

## **Research & Screening Process**

The strategy achieves its goals through the active management of a core and tactical pool of positions. These two pools are constructed from the output generated by three robust models that capture price inefficiencies and trends that are prevalent in the commodity futures market. The core portfolio starts with DJ-UBS Index weights and utilizes output from backwardation and regime switching models to over- or under-weight individual commodity markets versus their DJ-AIG Index weights. The tactical pool starts with an equal volatility weighting of commodity markets and then adjusts the positions according to a trend following model.

The core pool of positions is derived from the backwardation and regime switching models. These models were developed within SSgA and are combined to determine an expected return on all commodity markets. These expected returns are used in a quadratic optimization process under a specified set of portfolio construction rules to generate relative over-weights and under-weights of a market versus their DJ-UBS Index weighting. This core pool of positions may have some short exposure, but any short exposure is counter-balanced by a corresponding overweight position in a more favorable market, maintaining a net 100% long strategy.

The tactical pool of positions is constructed from the output of the trend following model. This model is long-only and relies on mature trend following algorithms to participate in appreciating commodity markets. All 'long' signals will generate a long position in an individual market, equivalent to the individual market's assigned risk budget, or a percentage thereof. Any 'short' or 'neutral' signals generated will move that individual market's risk budget to cash until an upward price trend re-appears. The risk budget for each market is calculated by normalizing market volatilities and then over- or under-weighting by a quantitative market selection metric. These algorithms have been used by SSARIS' principals to trade commodities since 1983.

By combining the core and tactical pools of positions, the strategy seeks to track the DJ-UBS Index (beta) while generating excess return (alpha). The strategy is implemented through the use of liquid exchanged traded futures contracts and OTC swaps. Futures trades may be executed on the CBOT, NYMEX, LIFFE, LME and CME exchanges, depending on market liquidity. All excess cash is invested in SSgA's suite of cash vehicles

### **Portfolio Construction & Risk Control Methodology**

The two pools of positions, core and tactical, are equally allocated to the overall strategy. Each pool is managed independently until the next monthly risk budgeting rebalance is accomplished. Trading is executed through an automated order generation platform, with execution implemented through long-established SSARIS brokerage relationships that seek efficient and cost effective execution. Trade and position reconciliations are performed daily and commodity futures contracts are rolled periodically at the lowest possible trading cost.

### **Buy/Sell Discipline**

Position weightings by market for the core pool are generated on a monthly basis by the portfolio management team and communicated prior to month end to the SSARIS trading desk for implementation. The core portfolio positions may be implemented either through exchange traded futures contracts or OTC swaps.

Trading signals for the tactical pool are generated daily employing an interface with the trend following model's database. Trading signals are entered into a proprietary front office platform that then generates the number of contracts to be bought or sold. Trades are either executed by calling a designated execution broker on the floor of an exchange, or through an electronic execution system with an interface to the respective exchanges.

Trading signals for the tactical pool are generated each night and are executed the following trading day by the close of each market's trading session. SSARIS's traders utilize discretion in the timing, size and execution venue for each day's trades. The traders possess deep experience in trading commodity markets, and have developed substantial information networks of brokers and investors. These contacts provide unique insights behind the forces driving a particular market on any given day.

## **Trading Strategy**

SSARIS (and its predecessor firm) have been trading commodity futures markets since 1983 and have developed longstanding execution relationships at the major commodity futures exchanges. As SSARIS' traders are monitored by their ability to add positive slippage to the portfolio through timely position execution, the brokers they select are evaluated by their ability to provide insights into the markets that will help to generate this value.

The volume executed with each broker can change dramatically from month to month. The guidelines SSARIS generally adheres to with regard to their counterparties are:

- Do not leave defined stop orders open with brokers
- Should the firm use a particular broker to open a trade, SSARIS would use a different broker to close the trade

Each swap counterparty employed by the strategy is evaluated for financial strength and integrity prior to being selected and on an ongoing basis. SSgA's credit research group conducts the research to determine eligible counterparties and maintains an approved counterparty database.

STATE STREET GLOBAL ADVISORS.

# San Mateo County Employees' Retirement Association

June 21, 2011

Christopher A. Hawkins, CFP  
Paul R. Lucek





# Contents

- 1. SSgA Firm Overview**
  - 2. Multisource Active Commodity Strategy**
- Appendix A:** Additional Information
- Appendix B:** Important Disclosures
- Appendix C:** GIPS® Presentation
- Appendix D:** Biographies

STATE STREET GLOBAL ADVISORS.

## SSgA Firm Overview



# A Leading Provider of Financial Services to Institutional Investors



**STATE STREET**

***SSgA is a global leader  
in asset management relied  
on by sophisticated  
institutions worldwide for  
their investment needs***

- Subsidiary of State Street Corporation, one of the world's leading providers of financial services to institutional investors, with a heritage dating back over two centuries
- Entrusted with over \$2.1 trillion\* in assets worldwide
- Clients include governmental entities, corporations, endowments and foundations, third party asset gatherers, multi employer plans, pension funds and sovereign wealth funds
- ETF industry pioneer and leader since 1993 with \$260.2 billion\* in AUM

**State Street  
Global Services**

A global leader in  
asset servicing



**State Street  
Global Advisors**

A global leader in  
asset management

**State Street  
Global Markets**

A global leader in  
research and trading

As of March 31, 2011

\* This AUM includes the assets of the SPDR Gold Trust (approx. \$56 billion as of March 31, 2010), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent.

# Introduction and Firm Summary

- Majority owned by State Street Global Alliance and minority owned by SSARIS' Executive Management
- State Street Global Alliance is a wholly owned subsidiary of State Street Corporation



- Approximately \$1.8 billion\* in assets under management
- Clients include pensions, endowments, institutional and other types of investors



- \$2.1 trillion\*† in assets under management
- The investment management division of State Street Corporation



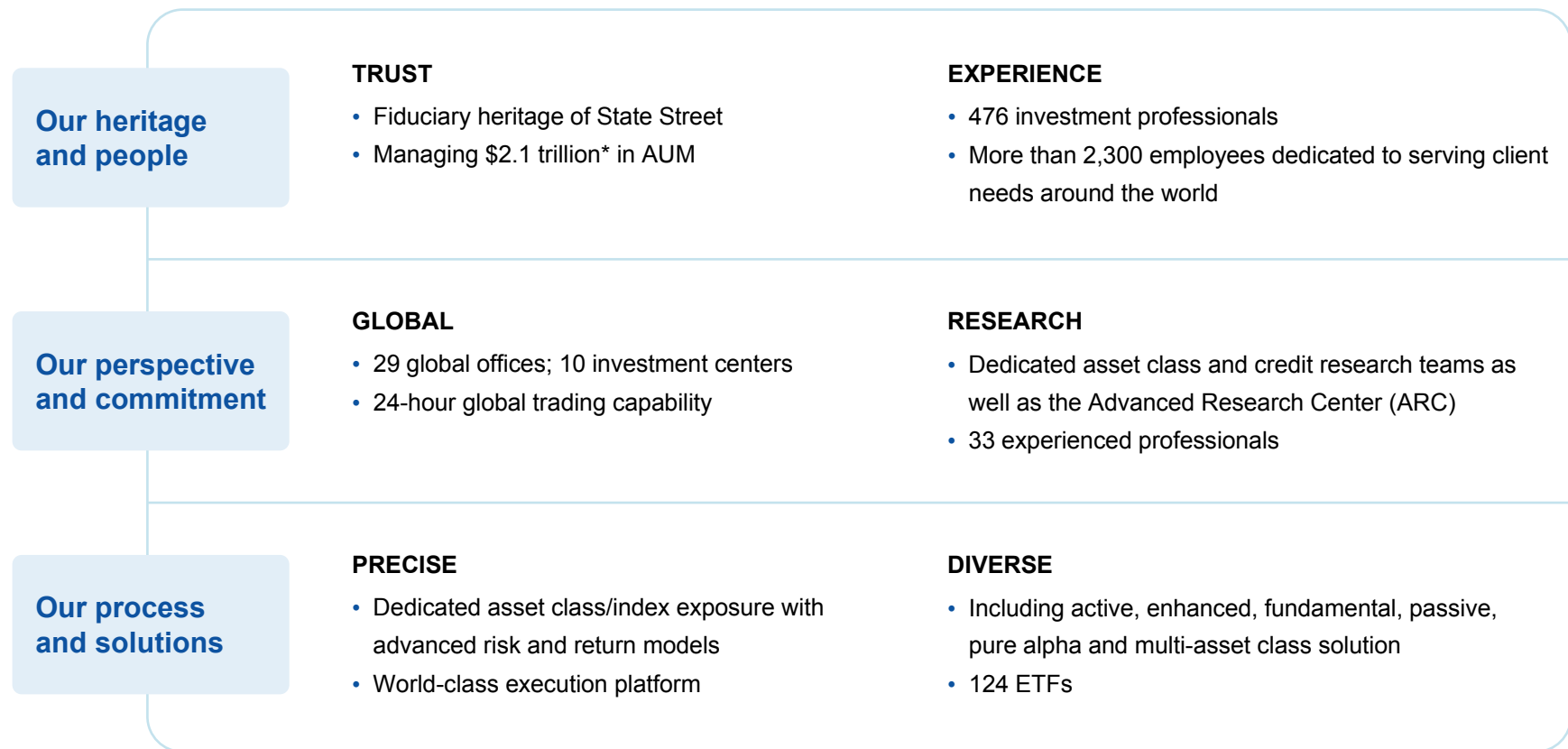
- \$22.6 trillion\* in assets under custody (State Street Bank and Trust Company)
- Leading hedge fund service provider with front-to-back office administration and risk solutions

\* As of March 31, 2011. All values expressed in USD unless otherwise noted.

† This AUM includes the assets of the SPDR Gold Trust (approx. \$56 billion as of March 31, 2011), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent.

# SSgA Advantage

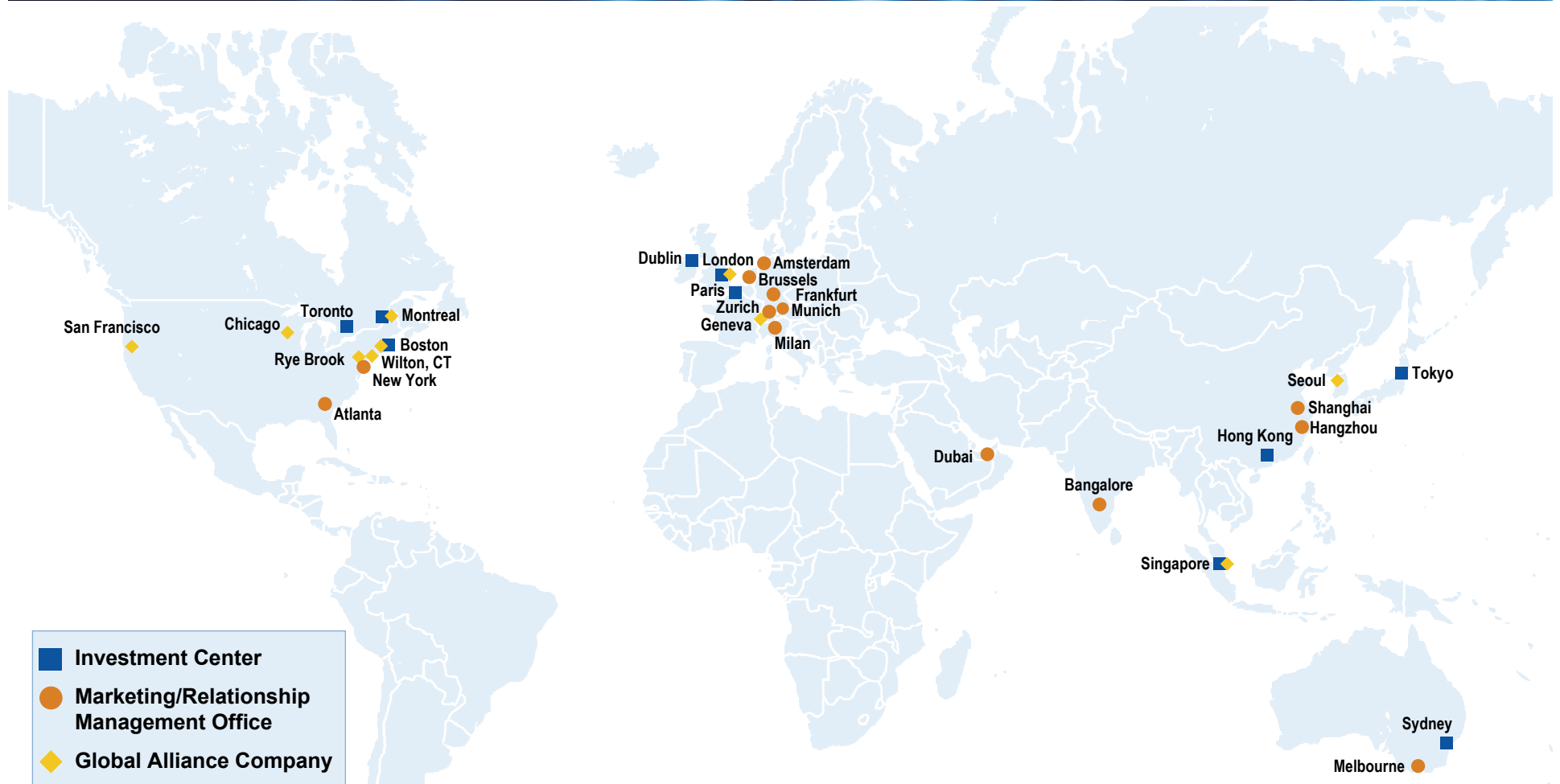
## Continual investment in our asset management and client service platform results in a client-focused, solutions-driven orientation



As of March 31, 2011

\* This AUM includes the assets of the SPDR Gold Trust (approx. \$56 billion as of March 31, 2011), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent.

# A Global Perspective with Local Expertise



- 29 local offices, bringing a global perspective to managing client needs
- 10 investment centers, promoting diversity of ideas

- 24 hour global trading capability with trading desks in Boston, London and Hong Kong
- Acquired Bank of Ireland Asset Management in Q1 2011

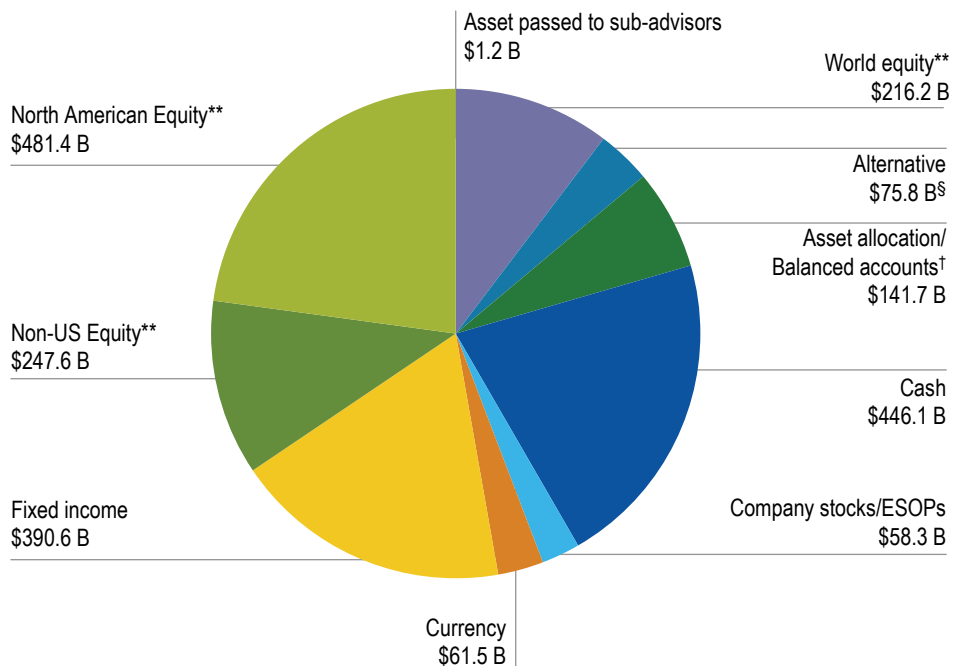
As of March 31, 2011

CMINST-4345

# An Investment Manager That Institutions Rely On

**58% of clients have two or more strategies\***  
**85% of new business comes from existing clients\***

## \$2.1 Trillion<sup>§</sup> in Assets Under Management\*



\* As of March 31, 2011

\*\* Includes Enhanced assets

† Assets in Asset Allocation are not counted in the underlying asset class

‡ Includes TAA and GAA with Active Underlying

§ This AUM includes the assets of the SPDR Gold Trust (approx. \$56 billion as of March 31, 2011), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors, serves as the marketing agent.

§§ Does not include SPDR GLD ETF AUM, for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors serves as the marketing agent.

## Assets Under Management\*

**\$119.0 Billion of Active/Enhanced**  
**\$1,498.0 Billion of Passive<sup>§§</sup>**  
**\$446.1 Billion of Cash**

Asset Class	Active Assets (US\$ Billions)	Passive Assets (US\$ Billions)
Equity	36.1	889.1
Fixed Income	19.3	371.3
Hedge Funds/Private Equity	5.4	0.8
Real Estate	1.5	8.0
Currency	8.2	53.3
Multi Asset Class Solutions <sup>‡</sup>	28.5	113.2
Commodities	—	4.0
Company Stock	—	58.3
<b>Total Assets</b>	<b>99.0</b>	<b>1,498.0</b>
<b>Total Enhanced</b>	<b>20.0</b>	<b>—</b>
<b>Total Cash</b>	<b>446.1</b>	<b>—</b>
<b>Grand Total</b>	<b>565.1</b>	<b>1,498.0<sup>§§</sup></b>

**ETFs account for \$260.2 billion<sup>§</sup> of total assets (Global)**

# A Broad Range of Investment Solutions

**We offer broad-based market exposure, highly specialized active and passive strategies across the risk return spectrum**

## **Equity**

- Indexed
- Quant
- Enhanced
- Fundamental

## **Fixed Income**

- Active
- Passive

## **Cash**

- Constant NAV
- Enhanced

## **SSgA Multi Asset Class Solutions**

- Target Retirement
- Exposure Management
- Liability-Driven Investing
- Asset Allocation

## **Fiduciary Services**

- Office of Fiduciary Advisor (OFA)
- Charitable Asset Management (CAM)

## **Alternatives**

- Absolute Return
- Private Equity
- Commodities
- Real Estate
- Hedge Fund of Funds

## **Currency**

- Active
- Passive

## **ETFs**

- Industry leader
- Core, sector, industry, style, international and fixed income funds



# Our Investment Philosophy and Approach

## Our Investment Philosophy

- **Markets are increasingly efficient and allow investors to capture opportunities** by gaining access through passive strategies at a low cost
- **Inefficiencies in markets represent an additional opportunity for return**, best captured by a rigorous, disciplined investment process that evolves as market conditions change
- **Effective active investment processes are grounded in a profound understanding of market behavior** and developed by skilled investors using sophisticated analytical techniques and experience

## Our Investment Approach

- **We offer targeted exposure** to benchmarks, asset classes and investment opportunities
- **We construct advanced quantitative models** designed to help investors understand and measure risk
- **We develop strategies** that help meet diverse investment objectives, across the risk return spectrum
- **We implement our ideas with precision** through a global portfolio management, operations and trade execution platform

# Advanced Research behind Every Portfolio

## Advanced Research Center

### **Combination of strong academic experience with practical, real-world applications**

- Includes 33 professionals who work with portfolio teams, over half hold PhD degrees
  - ARC identifies and captures new alpha sources derived from behavioral finance, asset pricing, other social and physical sciences
  - Proprietary models continuously evolve with research-based process improvements
- 

## Dedicated Asset Class Research

### **Dedicated asset allocation, equity, fixed income research teams**

- Active approaches aim to capitalize on inefficiencies in the market
  - Passive approach aims to match key risk/return characteristics
  - Insightful, top-down and bottom-up proprietary fixed income investment process that analyzes macro-economic, sector, industry, issuer and security risk and return drivers
- 

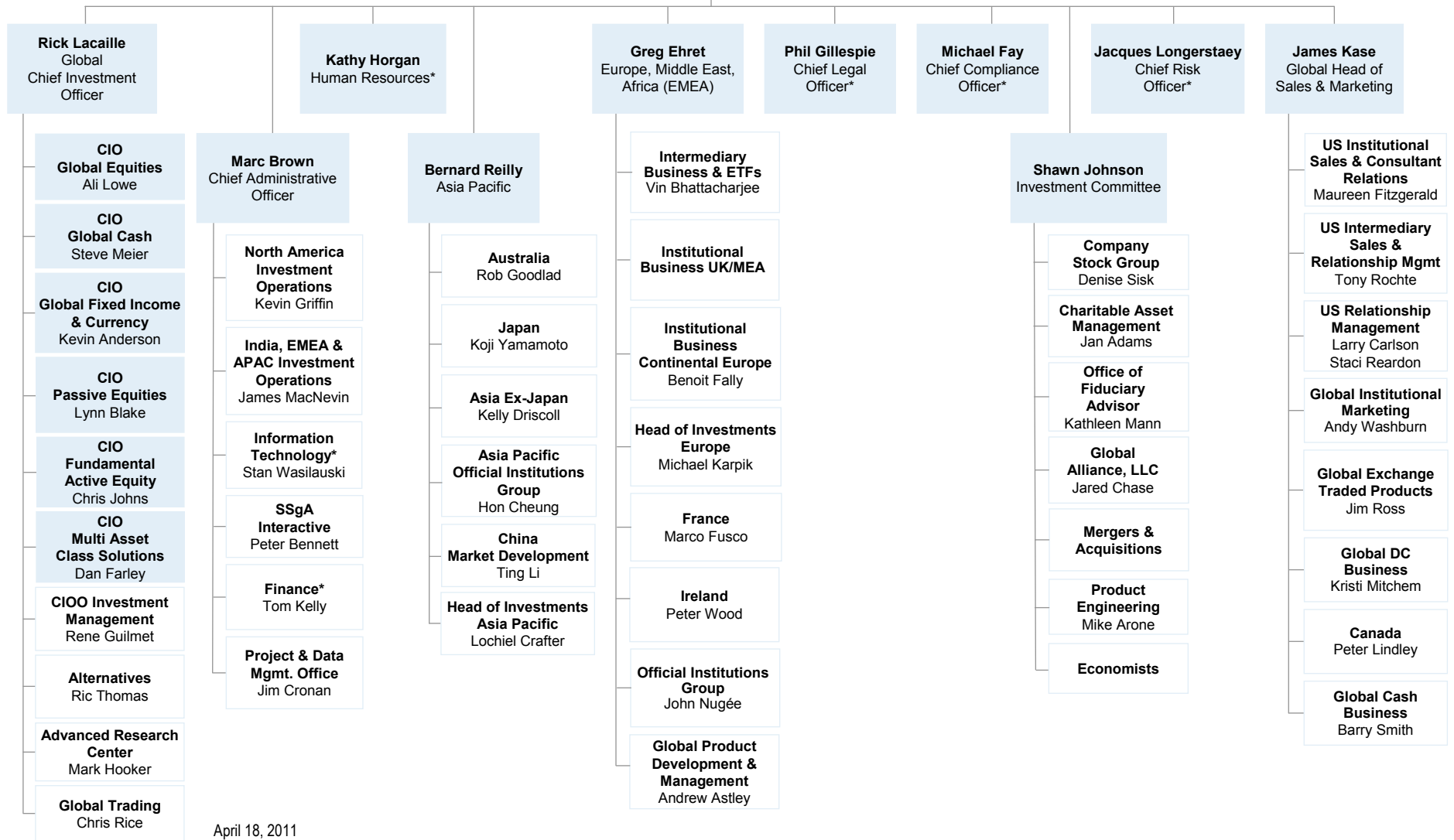
## Specialized Cash Credit Research

### **Among the largest and most experienced dedicated cash credit research teams**

- Features an independent, fundamental research process
- Fundamental credit analysis incorporates quantitative tools to ensure discipline
- Includes a structure that separates portfolio and risk management to ensure robust controls

# State Street Global Advisors

**Scott Powers**  
President and  
Chief Executive Officer

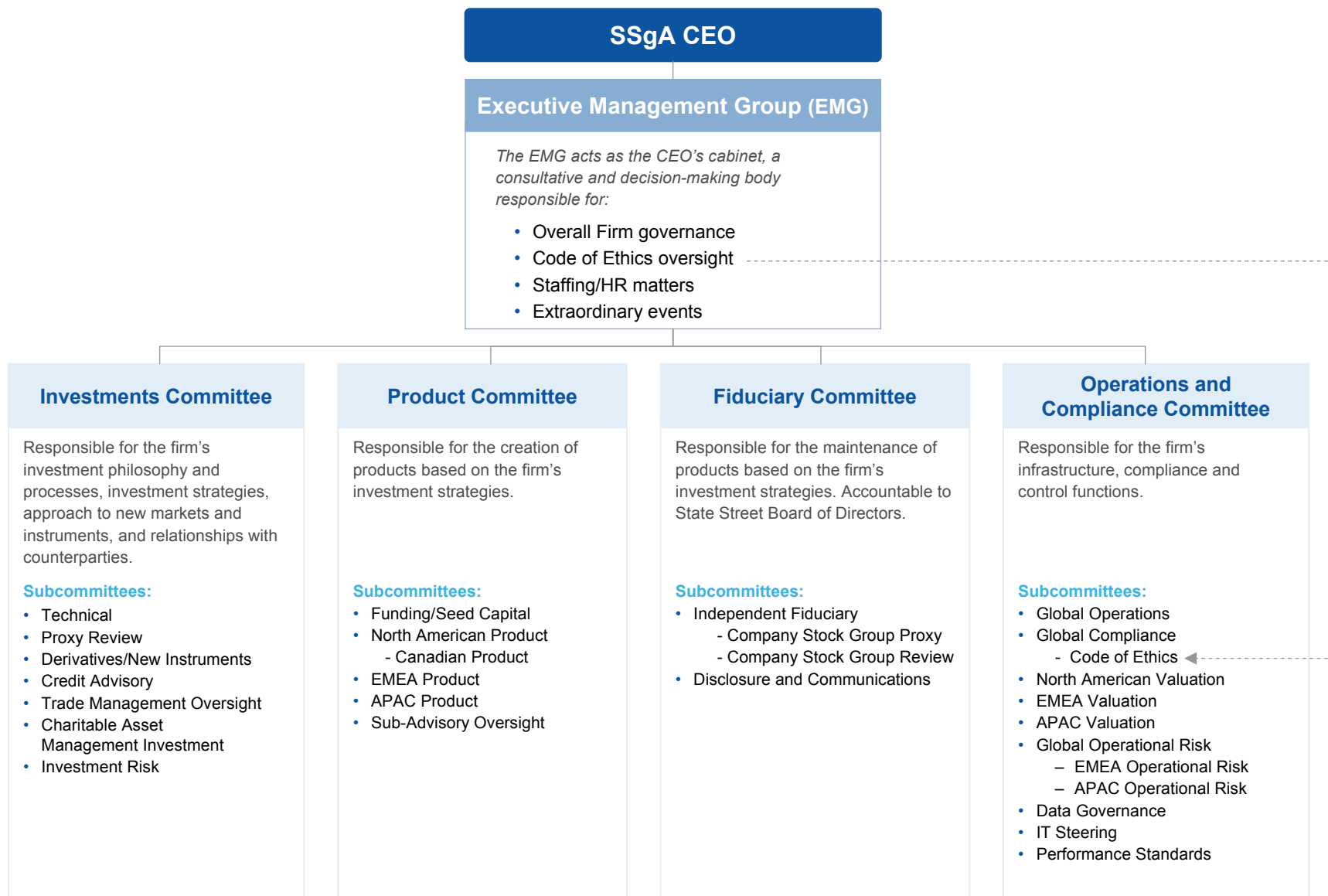


April 18, 2011

Notes member of the Executive Management Group

\* Functions also report into corporate competency centers

# SSgA Committees and Governance



STATE STREET GLOBAL ADVISORS.

# Multisource Active Commodity Strategy

Investing involves risk including the risk of loss of principal.



# Multisource Active Commodity Strategy Overview

**Actively managed strategy that seeks to outperform the DJ-UBS Commodity Index by 5-7% while minimizing the magnitude of drawdowns**

- Quantitative and systematic approach to trading commodity markets employs:
  - High conviction overweights or underweights
  - Dynamic beta adjustments
  - Tactical exposure to non-benchmark markets
- Beta and volatility in line with Dow Jones-UBS Commodity Index
- Deeply experienced portfolio management, research and trading teams
  - Managing commodity futures since 1983\*
  - Traded a total of \$14.4 billion of commodities from 2008-2010\*\*

\*Executive management team of SSARIS Advisors. SSARIS Advisors, LLC ("SSARIS") is a Delaware limited liability company that is majority owned by State Street Global Alliance LLC ("Global Alliance") and minority owned by RTH Partners LLC, a limited liability company owned by the executive management team of SSARIS. SSARIS is an SEC registered investment adviser under the Investment Advisers Act of 1940, is registered as a commodity trading advisor under the Commodity Exchange Act, and is a member of the National Futures Association. SSARIS serves as sub-advisor to SSgA, responsible for the day-to-day investment management of the Multisource Active Commodity Strategy. Such registrations are not an approval of SSARIS's abilities or qualifications.

\*\*As of December 31, 2010, updated annually

The above targets are estimates based on certain assumptions and analysis made by SSgA. There is no guarantee that the estimates will be achieved.

# Multisource Active Commodity Portfolio Characteristics

**Multisource Active Commodity is implemented by taking calculated risk around the benchmark**

<b>Benchmark</b>	<ul style="list-style-type: none"><li>• Dow Jones-UBS Commodity Index</li></ul>
<b>Universe</b>	<ul style="list-style-type: none"><li>• Over 25 commodity markets</li></ul>
<b>Performance Target*</b>	<ul style="list-style-type: none"><li>• 5 – 7% excess return above benchmark</li></ul>
<b>Tracking Error Target*</b>	<ul style="list-style-type: none"><li>• 8 – 10% versus DJ-UBS</li></ul>
<b>Total Volatility</b>	<ul style="list-style-type: none"><li>• In line with DJ-UBS</li></ul>
<b>Expected Turnover Target</b>	<ul style="list-style-type: none"><li>• 150 – 200% per annum</li></ul>
<b>Market Exposure/Leverage Target</b>	<ul style="list-style-type: none"><li>• Range from 50% to 200% of invested capital</li></ul>
<b>Constraints</b>	<ul style="list-style-type: none"><li>• Short selling permitted: maximum 10% per commodity</li><li>• Maximum relative exposure at the sector level: +/- 55%</li></ul>

\* The above targets are estimates based on certain assumptions and analysis made by SSgA. There is no guarantee that the estimates will be achieved.

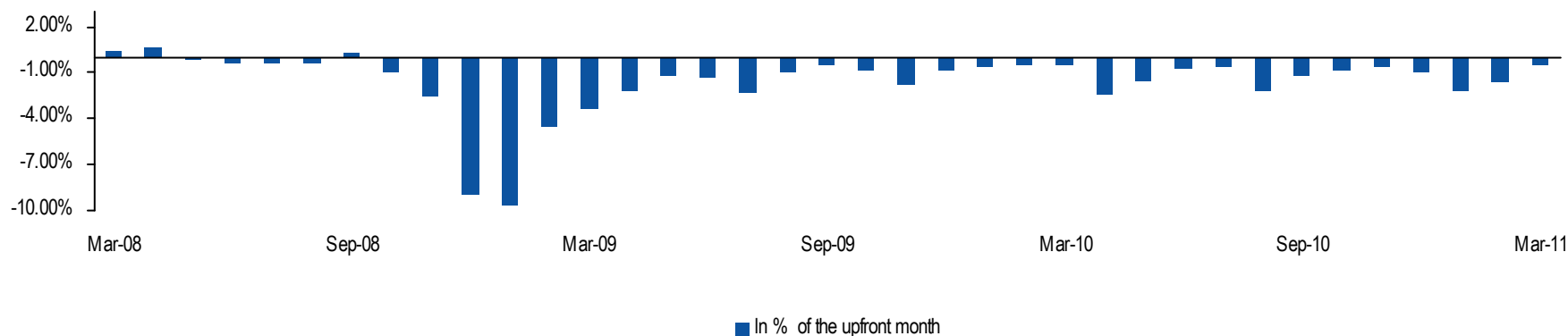


# Why Active Commodities?

**Active management within the commodities markets generally affords investors the potential to:**

- Capture price inefficiencies resulting from persistent structural imbalances
  - Adding and removing supply in commodity markets takes a long time
- Mitigate downside volatility
  - Passive, long only strategies have no ability to exit or sell short in downward trending markets
  - June 1997 – Drawdown: 21 months; Peak-to-trough loss: -36.2%; Recovery: 18 months
  - July 2008 – Drawdown: 33 months and ongoing; current peak-to-trough loss: -54.2%
- Earn positive returns when commodities are in contango
  - Negative roll yields punished passive investors in 2006 and 2008

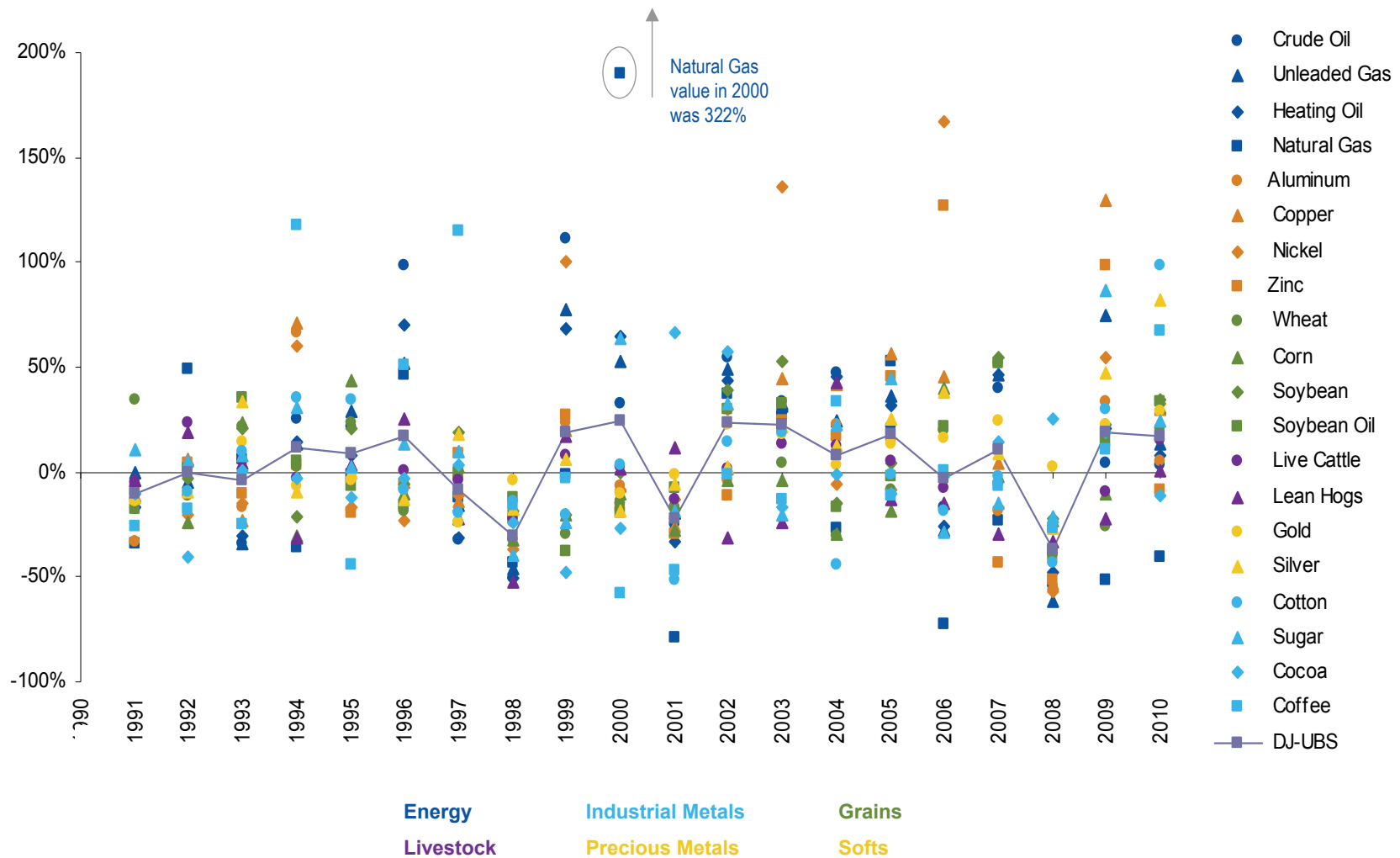
## West Texas Intermediate Crude Roll Returns



Commodities trading entails significant risk and is not appropriate for all investors. Prior to trading commodities, you must learn about the risks associated with this type of trading. Please contact your SSgA representative to learn more.



# Annual Commodity Market Dispersion

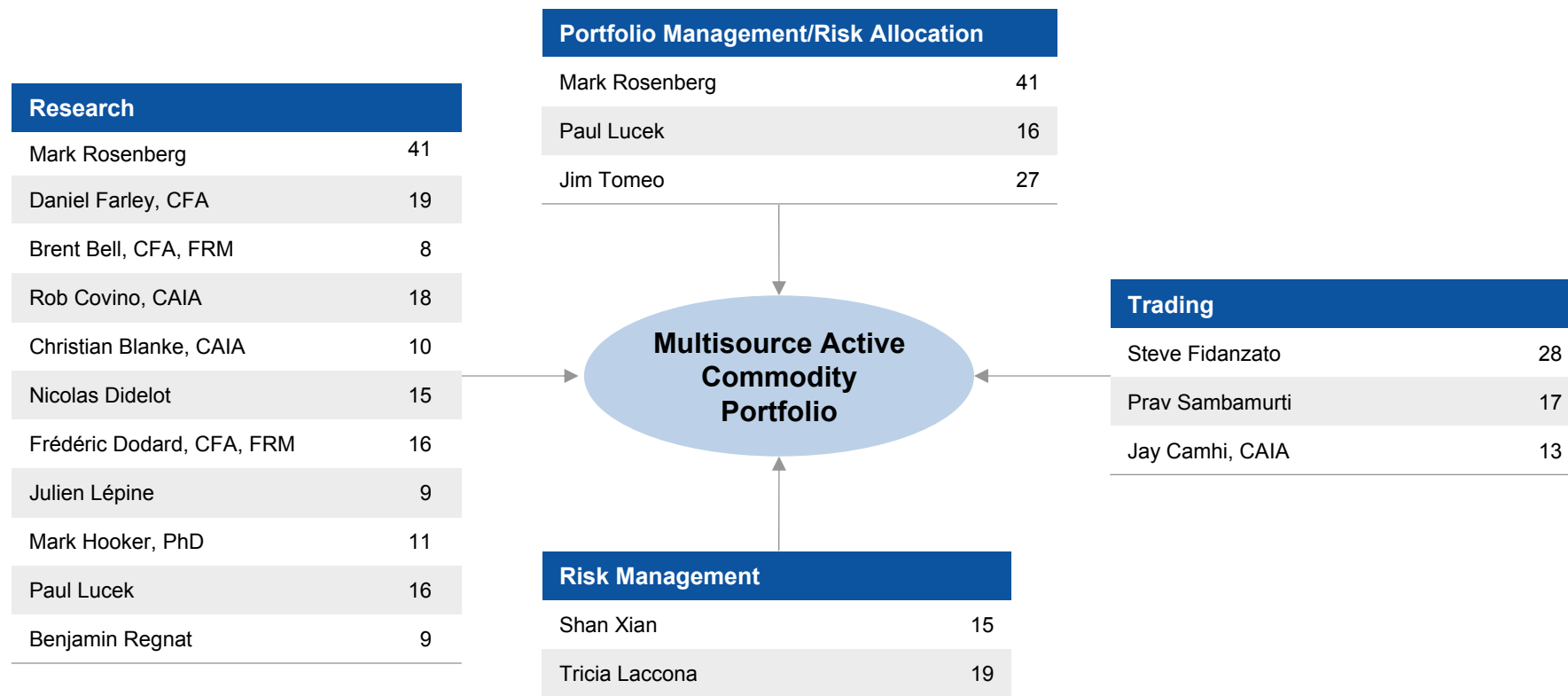


Source: SSgA, SSARIS, Bloomberg.

The information contained above is for illustrative purposes only. None of the information contained herein constitutes a recommendation by SSgA or a solicitation of any other offer to buy or sell any commodity shown. The information is not intended to provide investment advice. SSgA does not guarantee the suitability or potential value of any particular investment.

# The Multisource Active Commodity Strategy Team

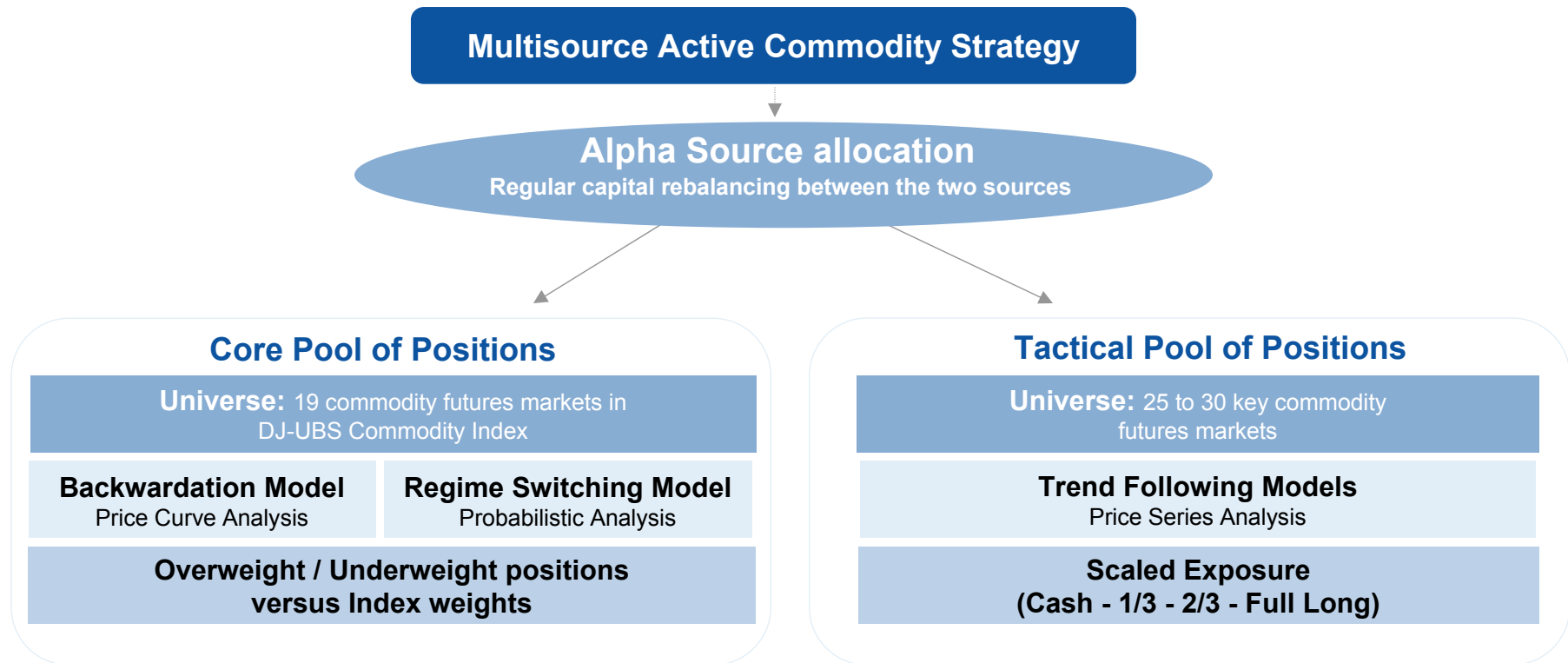
An experienced group of investment professionals combined from research and portfolio management teams of SSARIS and SSgA



As of January 26, 2011  
Numbers indicate years of investment experience

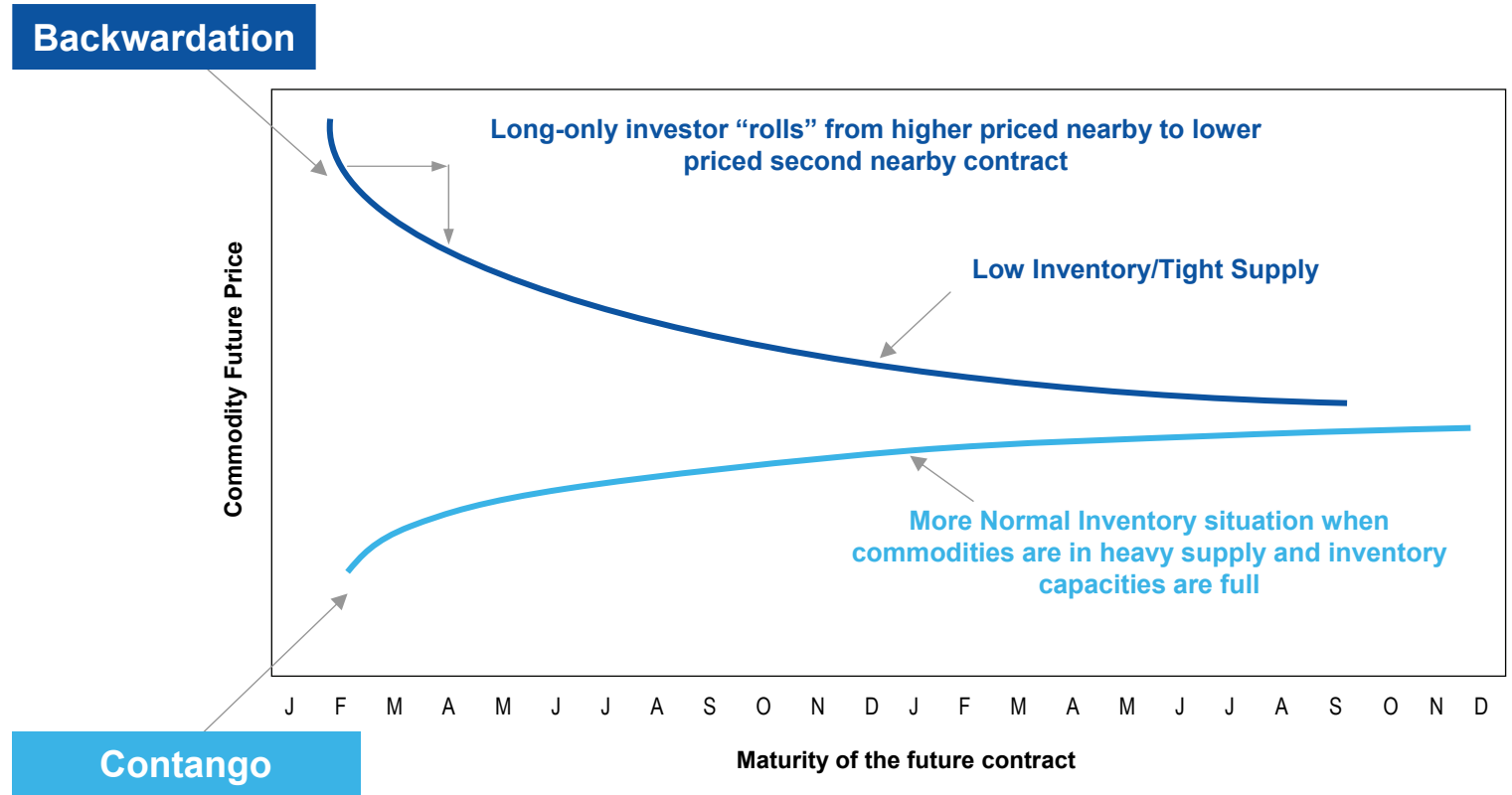
# Investment Process

Utilizing three approaches, we quantitatively assess commodity markets from two distinct and uncorrelated perspectives



Core Pool		Tactical Pool
No	<b>Non-Benchmark Markets</b>	Yes
Yes	<b>Short Positions</b>	No
No	<b>Leverage (Net Basis)</b>	Yes

# Core Pool: Backwardation Model

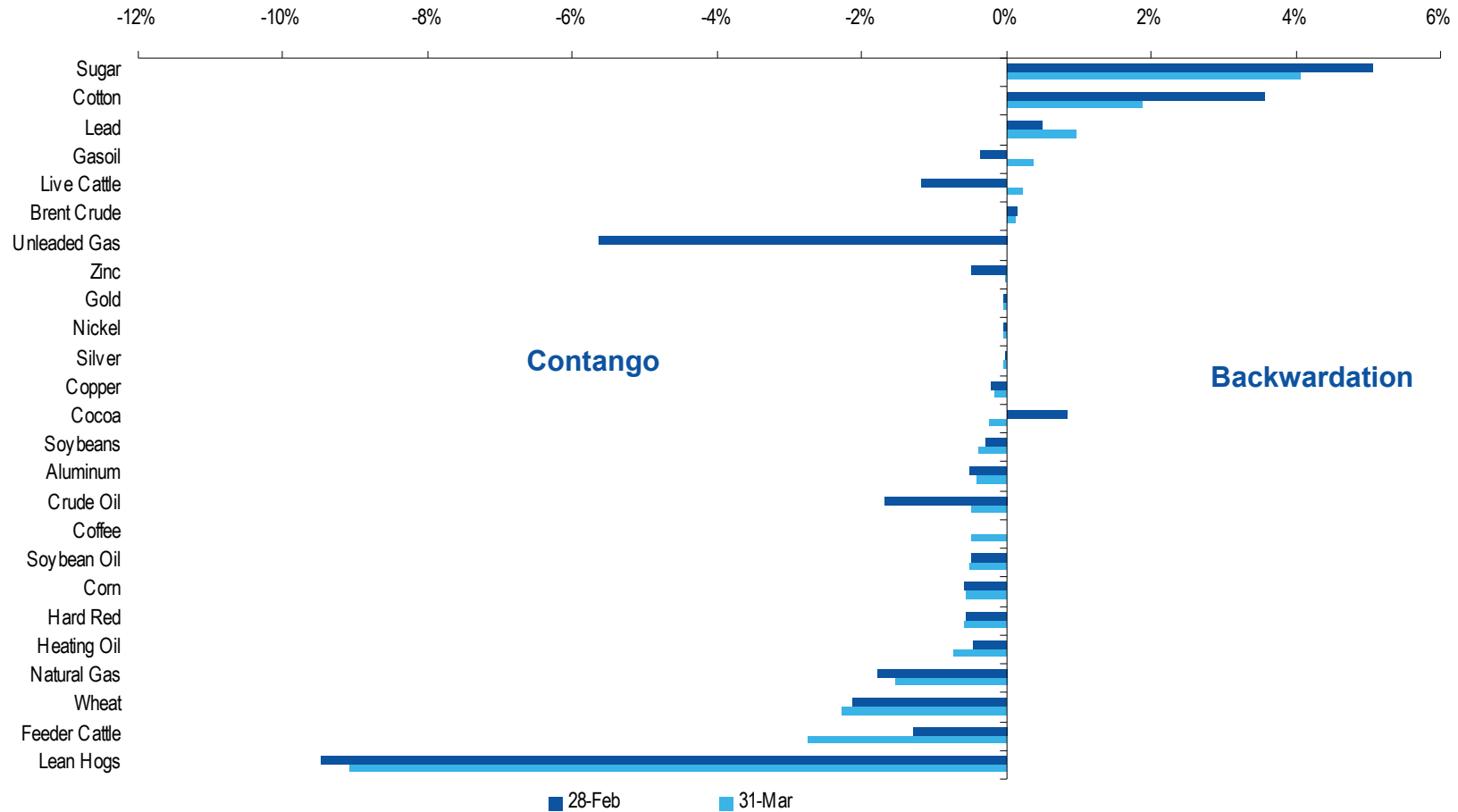


- Rollover yield is an important component of commodities' rates of return through time
- Commodities in backwardation yield excess return over commodities in contango
- Backwardation and contango patterns constantly evolve through time

# Core Pool: Backwardation Model Output

Alpha estimates derived from the term structure at the front of the futures curves where liquidity is most abundant

Roll Yield for Selected Commodities



Source: SSgA, Bloomberg  
 Monthly data as of March 31, 2011  
 Past performance is not a guarantee of future results.

# Core Pool: Regime Switching Model

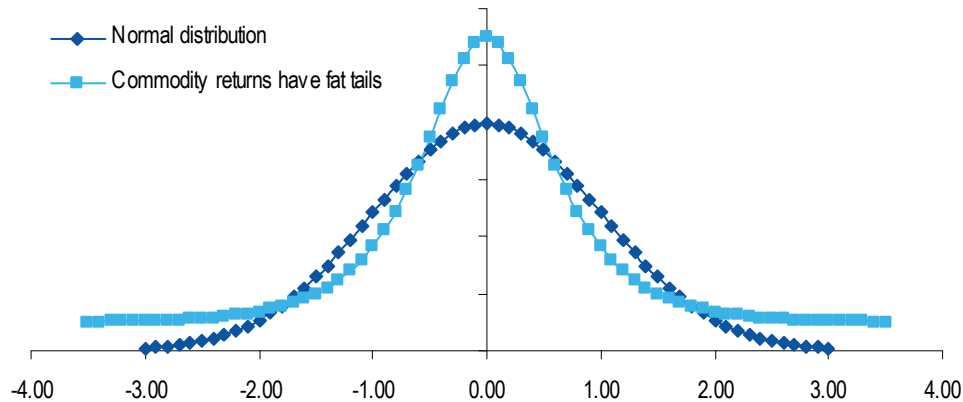
## Approach relies on identifying persistence and structural shifts

- Commodity market returns historically leptokurtic, or “fat tailed”
- “Fat tailed” distributions may be closely approximated by multiple, normal distributions

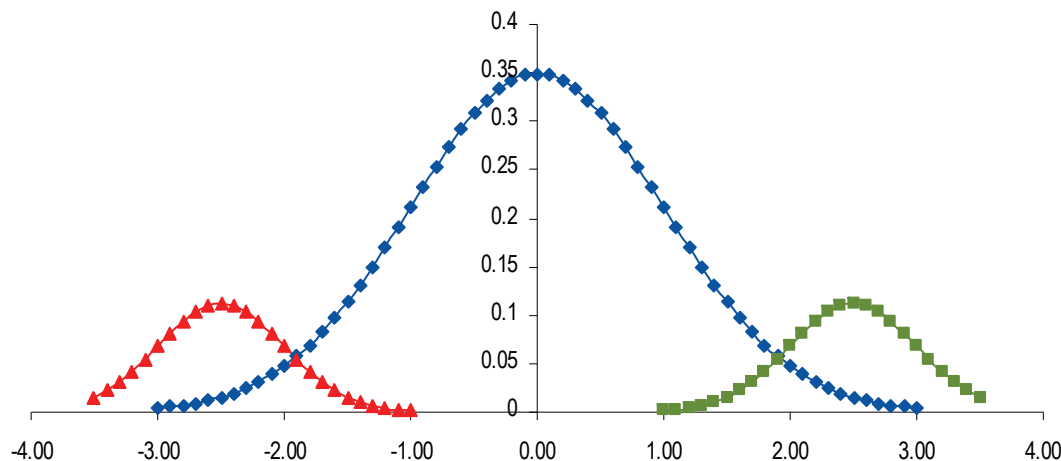
## Regime Switching Model

- Three regimes are modeled, each with its own mean and variance
- State probability: probability of latest data residing in one or more of these regimes
- Transition probability: odds of persisting in current regime or migrating to another regime in the next period

# Core Pool: Regime Switching Model — How to Deal with Fat Tails



**Fact: Commodity return distributions exhibit leptokurtosis, or fat tails**



**Regime Switching Model uses three regimes to model commodity return distributions with fat tails**

Monthly individual commodity returns assumed to be drawn from three normal distributions (“regimes”), each with its own mean and variance

The sum of the three normal distributions to the left approximate the non-normal commodity distribution above

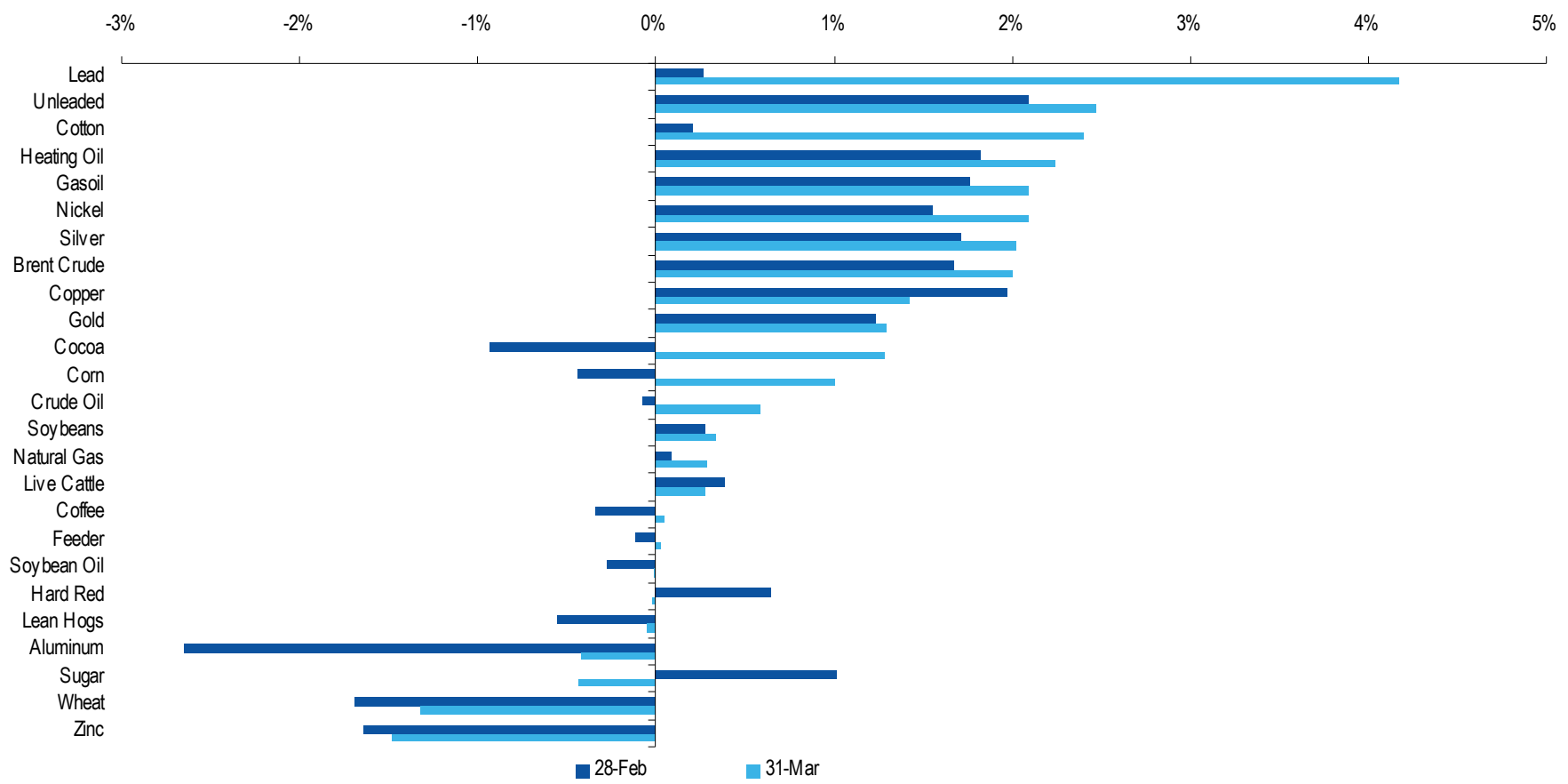
Model calculations based on Maximum Likelihood Estimation method

This information is for illustrative purposes only and does not constitute investment advice.

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# Core Pool: Regime Switching Model Output

## 1-Month forward return expectations



Source: SSgA, Bloomberg  
 Monthly data as of March 31, 2011  
 Past performance is not a guarantee of future results.



# Tactical Pool: Trend-Following Model

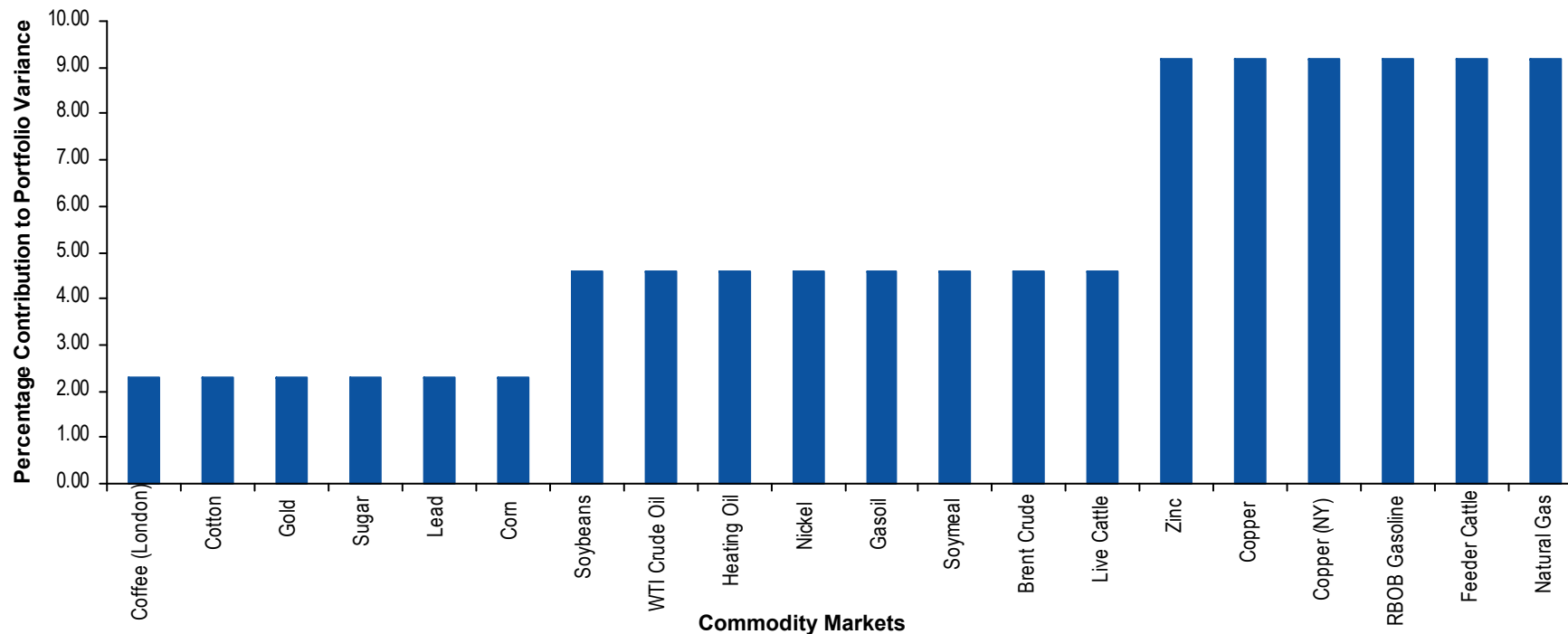
**Pool is long or neutral only. Seeks to enter, or increase exposure, to markets rising in price. Attempts to decrease exposure, or exit markets falling in price.**

- Pool Composition and Market Weights
  - Liquidity screen creates starting universe of 25-30 commodity markets
  - Markets ranked according to proprietary metric within Tactical pool system
  - Top 20 markets weighted by volatility
- Position Adjustments
  - Over or under-weights based on market rankings
  - Quantitative trend-following models based on technical analysis
  - The algorithms are run independently within three systems:
    - Long-term trend following
    - Intermediate-term trend following
    - Intermediate-term momentum
  - The aggregate position is determined by the cumulative signals for each system

	Long Term Trend	Intermediate Trend	Intermediate Momentum	Net Score	Allocation
Sample Trade A	+1	0	+1	+2	Long position representing 2/3 of assigned equal volatility weighting
Sample Trade B	+	-1	-1	-1	Cash; no short positions allowed

# Tactical Pool: Trend-Following Market Selection

- Markets are ranked according to their system's trend following trading performance scores
  - Lower drawdowns and lower standard deviation score highest
  - Highest-ranked markets are overweighted
  - Lowest-ranked markets are disqualified (removed from portfolio for one year)



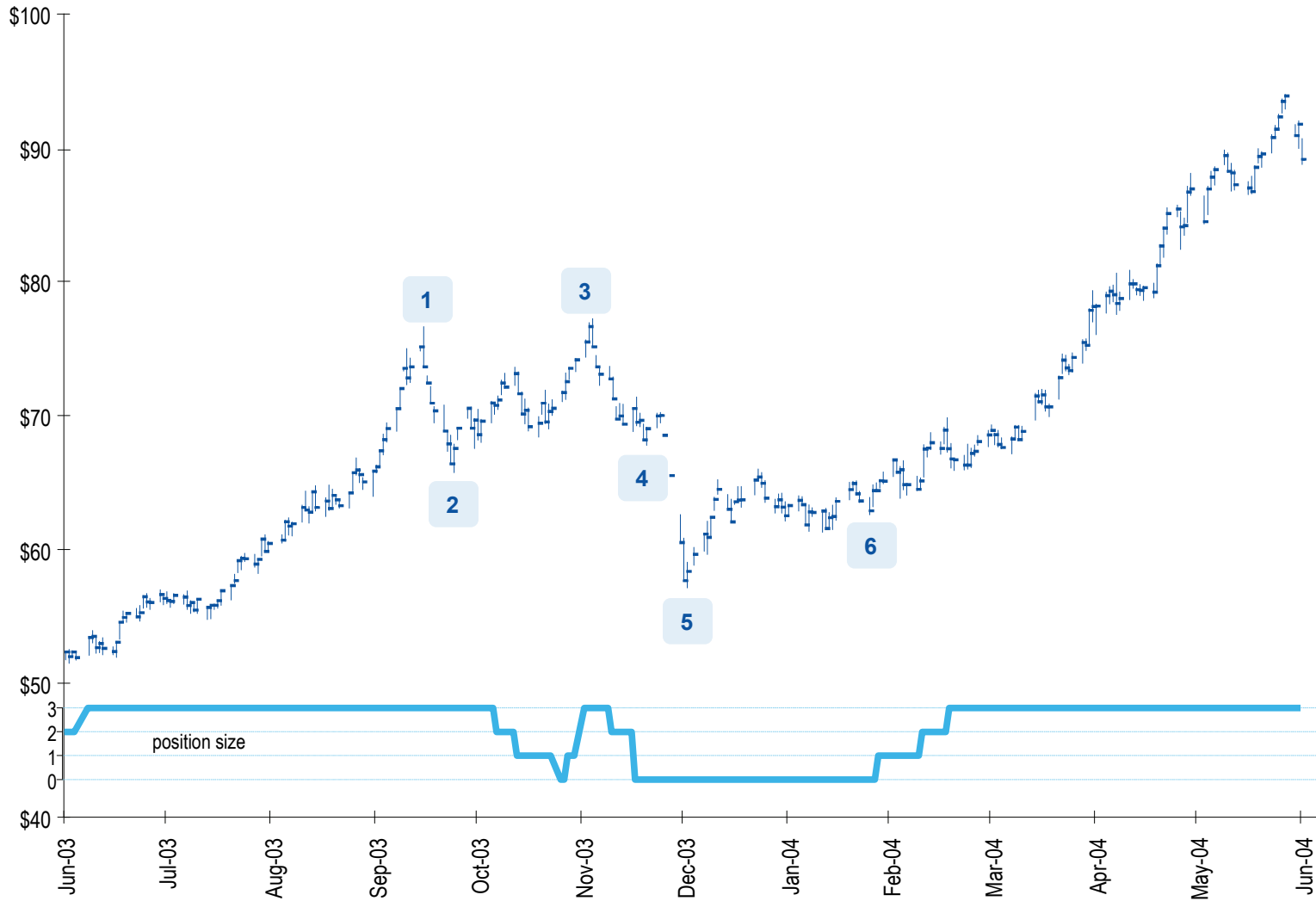
As of January 1, 2011 updated annually

All commodities are scored by their four year historical performance using SSARIS' trend-following models. Specifically, the daily system returns are calculated and a proprietary metric is generated for each commodity. The metric includes the standard deviation and average drawdown measurements of the system's daily returns. The commodities are ranked by this metric. After the lowest scoring markets are excluded from the portfolio (weighted at zero), the remaining markets are divided into three groups. The highest scoring markets are over-weighted, the middle group is equally weighted, and the bottom group is underweighted.

This information is for illustrative purposes only and does not constitute investment advice.

# Tactical Pool: Trend-Following Sample Trade

## Feeder Cattle



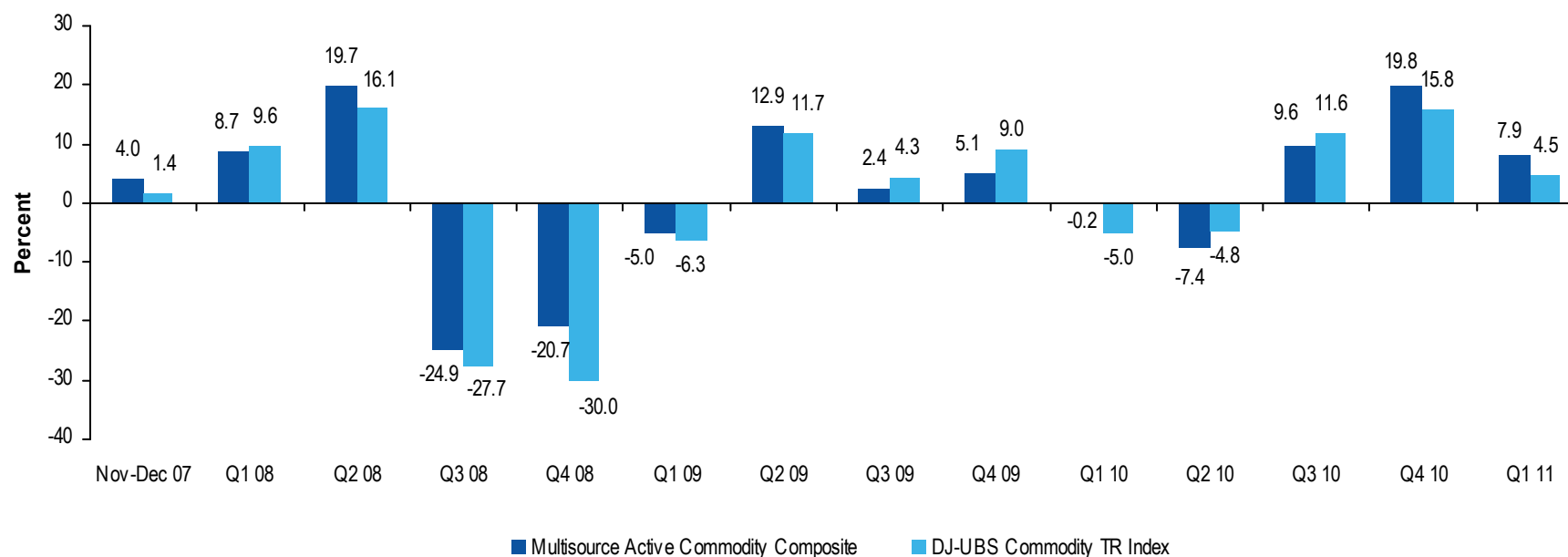
As of July 2004  
Source: Bloomberg  
This information is for illustrative purposes only and does not constitute investment advice.

# Composite Performance

## Gross annualized returns for the period ending March 31, 2011 (USD)

	Qtr	YTD	1 Year	3 Years	Since Inception <sup>†</sup>
Multisource Active Commodity Composite	7.90%	7.90%	31.12%	2.51%	5.94%
DJ-UBS Commodity Index	4.45	4.45	28.49	-5.20	-1.60
Difference*	3.45	3.45	2.63	7.71	7.54

## November 2007 through March 2011



<sup>†</sup> Inception date: November 2007

\* The value added returns may show rounding differences.

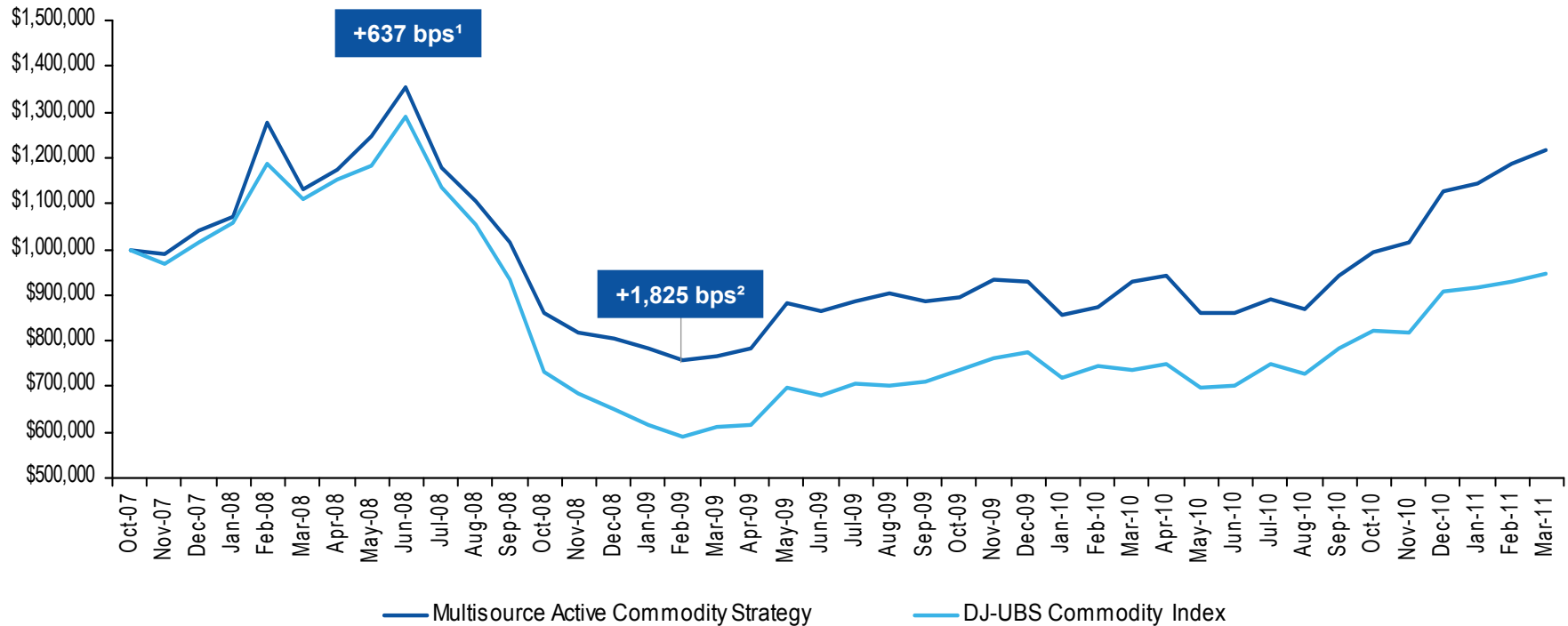
The performance shown is of a composite created 01/01/09 consisting of all discretionary accounts using this investment strategy. There is no minimum account size required for inclusion in the composite. New funds or accounts are added to the composite upon the first full month of operation and closed funds or accounts are removed from the composite upon the last full month of operation. The above information is considered supplemental. A complete description of this composite as well as a complete presentation that complies with the requirements of the GIPS standards is provided in the Appendix or was previously presented. A GIPS presentation is also available upon request. Past performance is no guarantee of future results. Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided on a gross of fees basis and do not reflect the deduction of advisory or other fees which could reduce the return. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars.

The index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income.

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# Growth of \$1 Million

## Historical Outperformance in Both Up and Down Commodity Markets



<sup>1</sup> Inception date: November 2007

<sup>1</sup> Cumulative outperformance since inception through June 2008

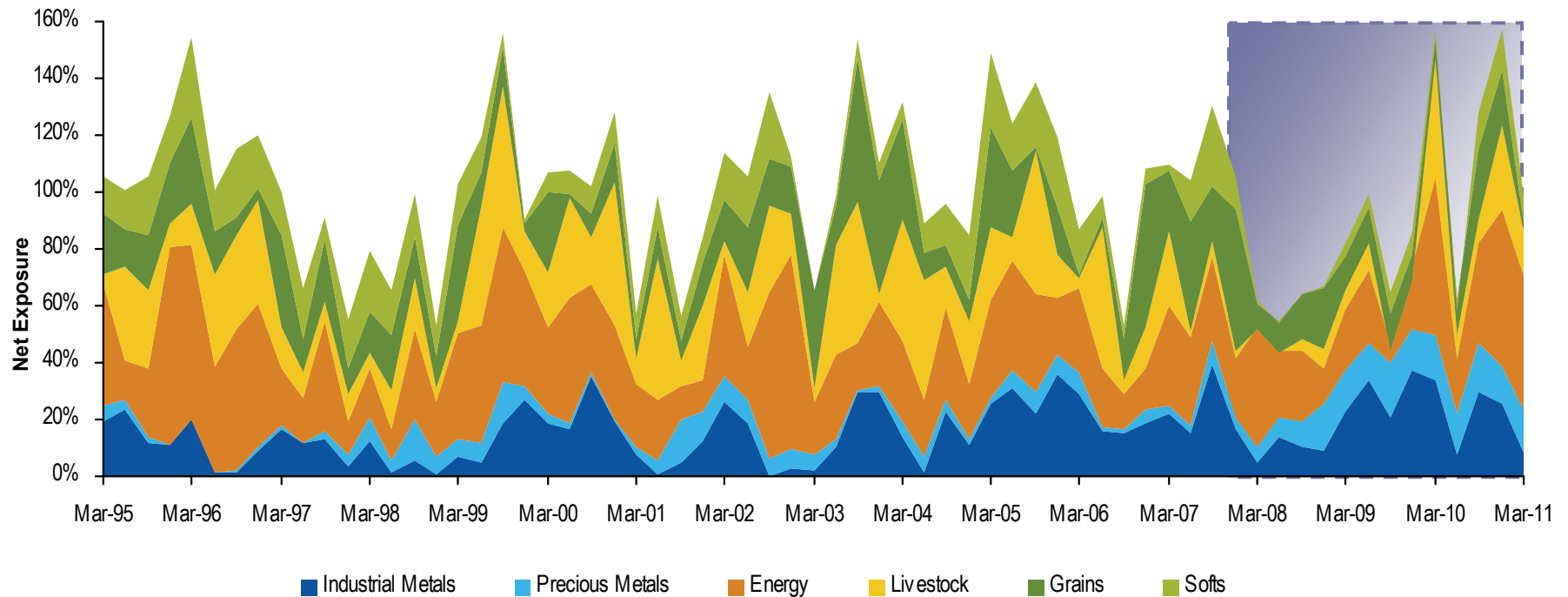
<sup>2</sup> Cumulative outperformance since July 2008 through February 2009


Past performance is not a guarantee of future results. Performance returns for periods of less than one year are not annualized.

The above information is considered supplemental to the GIPS presentation for this Composite, which can be found in the Appendix or was previously presented. A GIPS presentation is also available upon request.

# Sector Net Exposures Vary over Time

Net exposure to range from 50% to 200%

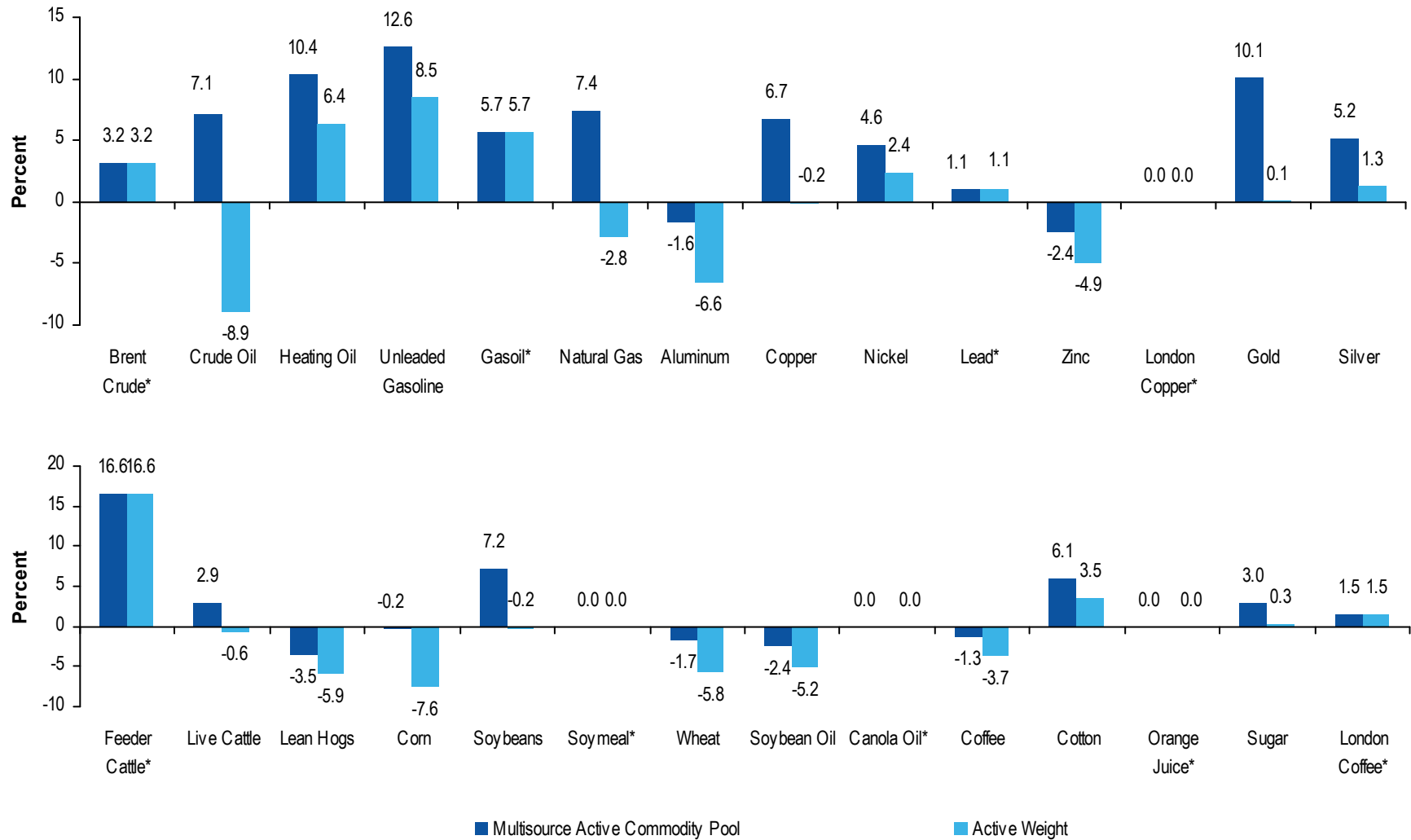


 Indicates live exposures  
 The above Sector Net Exposure chart is used for illustrative purposes only.  
 The exposure data is derived from simulated quarter end values: January 1995 — September 2007  
 Live quarter end values: December 2007 — March 2011  
 Please see the Appendix for additional Simulation Disclosure.

# Sample Portfolio Net Exposures — March 31, 2011

Net Exposure: 98.4%

Active Weight: -1.6%

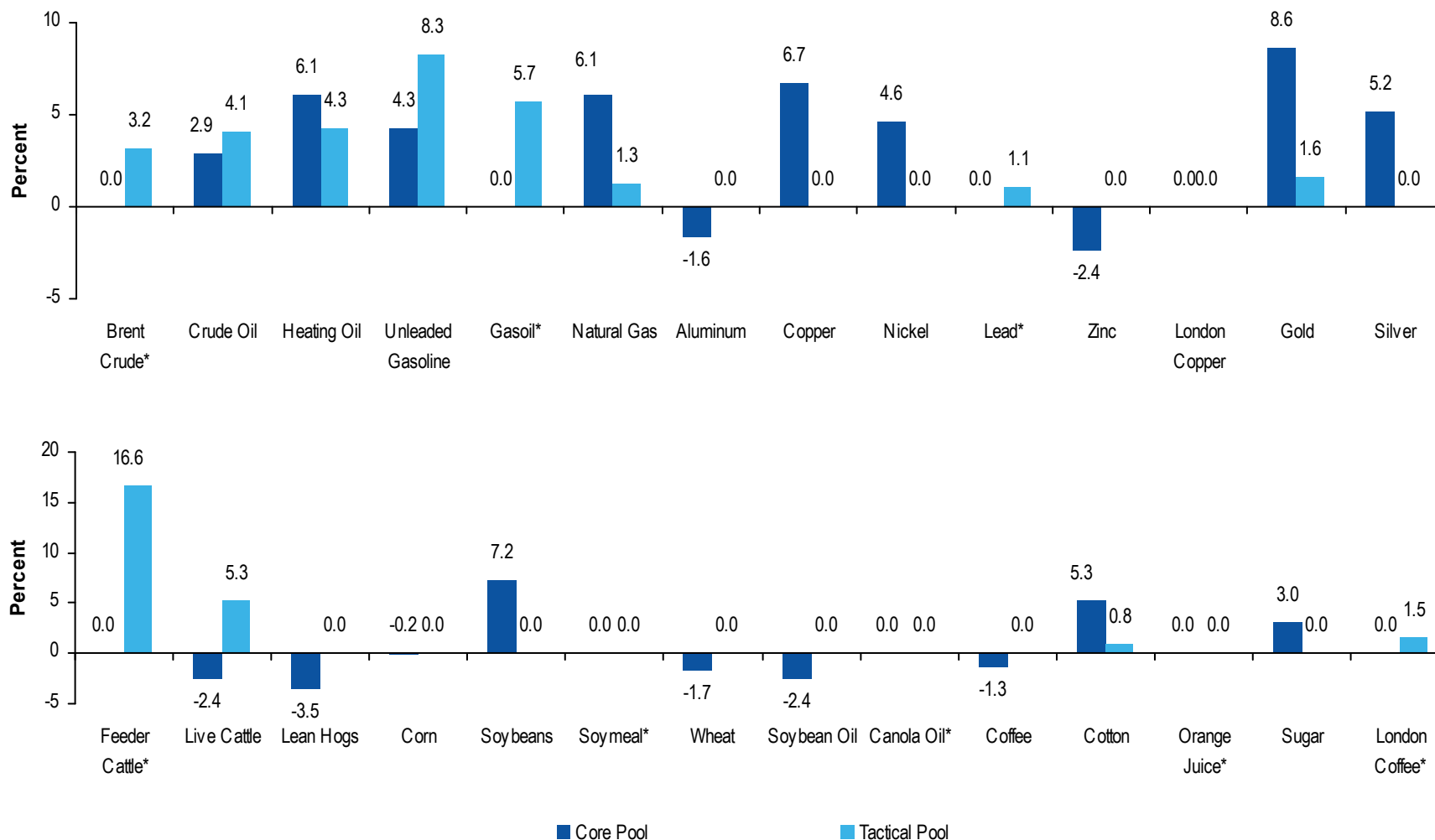


\* Non-benchmark contracts

This information is for illustrative purposes only and does not constitute investment advice. Numbers may not sum due to rounding. Holdings and sectors shown are as of the date indicated and are subject to change. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.

# Sample Portfolio Allocations — March 31, 2011

**Total Net Exposure**    **Core Pool: +44.6%**    **Tactical Pool: +53.8%**    **Multisource Active Commodity: +98.4%**



\* Non-benchmark contracts

This information is for illustrative purposes only and does not constitute investment advice. Numbers may not sum due to rounding. Holdings and sectors shown are as of the date indicated and are subject to change. This information should not be considered a recommendation to invest in a particular sector or to buy or sell any security shown. It is not known whether the sectors or securities shown will be profitable in the future.



# Trading and Risk Management

## Trading

- SSARIS is a SEC registered Investment Advisor and ERISA fiduciary
- Manager of futures-based strategies since 1983
- Traded a total of \$14.4 billion\* of commodities from 2008-2010
- Long-standing relationships on the major global commodity futures exchanges
- Implementation through a centralized trading desk

## Risk Management

- Proprietary risk platform incorporates real time price discovery (e.g. Bloomberg)
- Daily monitoring of portfolio leverage and concentration risk
- Value at Risk measure calculated and reviewed regularly by dedicated Risk Management team
- Counterparty reviews conducted by separate Credit Research team

\*As of December 31, 2010, updated annually

## Appendix A: Additional Information

# DJ-UBS Sector Correlations and Performance

## Correlations Based On Monthly Total Returns — January 1995 through December 2010

	DJ-UBS Index	Energy	Grains	Industrial Metals	Livestock	Precious Metals	Softs
DJ-UBS Index	1.00						
Energy	0.84	1.00					
Grains	0.57	0.20	1.00				
Industrial Metals	0.61	0.29	0.28	1.00			
Livestock	0.20	0.10	0.11	0.12	1.00		
Precious Metals	0.42	0.19	0.22	0.31	0.00	1.00	
Softs	0.39	0.09	0.38	0.32	-0.06	0.25	1.00

## Performance Ending December 2010

	DJ-UBS Index	Energy	Grains	Industrial Metals	Livestock	Precious Metals	Softs
1 month	2.06%	7.28%	-2.33%	-3.80%	5.31%	4.65%	-2.36%
2 months	3.41	5.80	-2.10	-1.44	2.37	14.15	1.40
3 months	4.45	6.92	1.24	0.22	7.17	6.03	8.63
6 months	20.94	16.06	22.68	12.70	9.17	24.42	49.45
12 months	28.49	4.28	57.03	9.77	10.35	47.79	98.79

Source: Dow Jones Indexes and UBS International, Inc.

Past performance is not a guarantee of future results.

Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. Investors cannot invest directly in an index.

# Core Pool: Regime-Switching Model

## Approach relies on identifying structural shifts

- Adding and removing supply takes a long time in commodities markets
- Markov regime-switching models are used to identify those switches
  - Monthly individual commodity spot returns assumed to be drawn from one of three normal distributions, each with its own mean and variance
  - Process switches between these distributions, or regimes
  - Model parameters — means, variances and transition probabilities — estimated using maximum likelihood with expanding samples
- Model estimates on March 2009 for Brent Crude Oil

	High	Medium	Low
Mean Month Return	2.00	-0.47	-6.32
Volatility	8.23	0.02	17.42
Persistence*	97.91	97.96	75.80
Regime Probability**	59.20	0.00	40.80

- High regime is by far the most attractive in terms of expected return; all regimes quite persistent
- Process estimated to be in High regime with slightly more confidence than Low regime
- Oil is at a crossroads in the near-term with a marginally positive expected return yet moderate volatility

\* Probability of staying in regime for an additional period

\*\* Probability that process is in regime at most recent observation

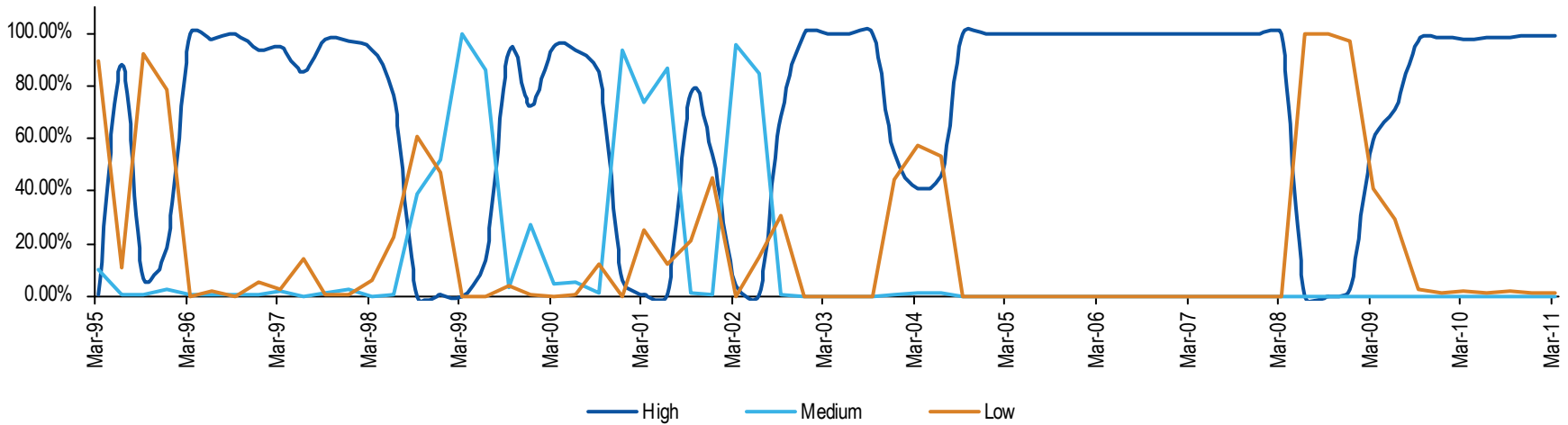
This information is for illustrative purposes only and does not constitute investment advice.

The model portfolio performance does not reflect actual trading and does not reflect the impact that material economic and market factors may have had on SSgA decision-making. The results shown were achieved by means of a mathematical formula. The model performance shown is not indicative of actual future performance, which could differ substantially.

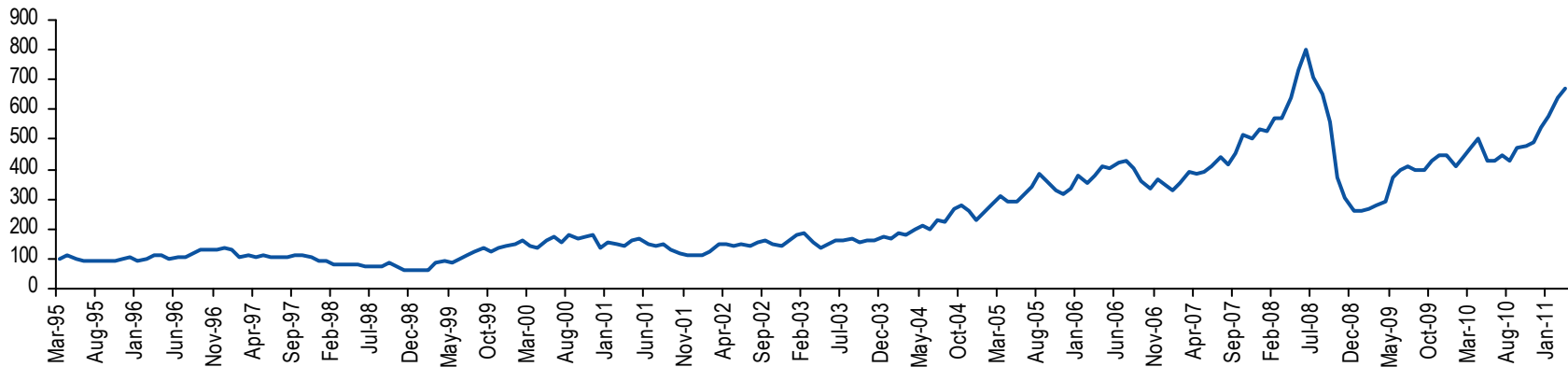
See appendix for additional model information.

# Core Pool: Regime-Switching Model Output

## Estimated Regime Probabilities and Price changes for Brent Crude from March 1995



## Brent Crude Priced in USD, Indexed at 100



Source: SSgA, Bloomberg  
As of March 31, 2011

The model portfolio performance does not reflect actual trading and does not reflect the impact that material economic and market factors may have had on SSgA decision-making. The results shown were achieved by means of a mathematical formula. The model performance shown is not indicative of actual future performance, which could differ substantially. Please see appendix for additional model information.

## Appendix B: Important Disclosures

# Simulation and Model Methodology

The simulated positions shown were created by using non-financial commodity futures, priced at the exchange listed settlement price at the end of each trading session and combined using the Multisource Active Commodity strategy's current market selection methodology. Positions are hypothetical from January 1995 – October 2007.

The results shown do not represent the results of actual trading using client assets but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The simulated positions were compiled after the end of the period depicted and does not represent the actual investment decisions of the advisor. These results do not reflect the effect of material economic and market factors on decision-making.



STATE STREET GLOBAL ADVISORS.

## Appendix C: GIPS® Presentation

SSGA.



# GIPS® Report: Multisource Active Commodity Composite

As of December 31, 2010

## Gross Returns

	Quarter	YTD	1 Year	3 Years	5 Years	10 Years	Inception Nov 2007
Multisource Active Commodity Composite	19.78	21.30	21.30	2.75	N/A	N/A	3.90
Dow Jones UBS Commodity Custom Index	15.79	16.83	16.83	-3.67	N/A	N/A	-3.07

Year	Multisource Active Commodity Composite	Dow Jones UBS Commodity Custom Index
2010	21.30	16.83
2009	15.43	18.91
2008	-22.52	-35.65
2007 (Nov-Dec)	4.04	1.35
2006	—	—
2005	—	—
2004	—	—
2003	—	—
2002	—	—
2001	—	—

Year	No. of Portfolios	Composite Dispersion	Total Assets at End of Period	% of Firm's Assets	Total Firm Assets (\$ mil)
2010	*	N/A	35,524,852	0.00	1,429,437
2009	*	N/A	35,477,133	0.00	1,360,125
2008	*	N/A	10,436,988	0.00	949,988
2007 (Nov-Dec)	*	N/A	17,253,261	0.00	1,246,382
2006	—	—	—	—	—
2005	—	—	—	—	—
2004	—	—	—	—	—
2003	—	—	—	—	—
2002	—	—	—	—	—
2001	—	—	—	—	—

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 \* Less than 5 accounts  
 Quarterly and YTD returns are not annualized

## Footnotes

**Composite Description:** The Multisource Active Commodity Composite seeks to outperform the DJ-UBS Commodity Total Return Index on an annualized basis while maintaining a volatility level, as defined by standard deviation, similar to the historical levels of the DJ-UBS Index.

**Firm Definition:** For the purpose of complying with the Global Investment Performance Standards (GIPS®), the firm ("SSgA-Global") here is defined as all portfolios managed across the global offices of State Street Global Advisors (SSgA) and SSgA Funds Management, Inc., with the exception of the following: • Business units which are held out to the market place as distinct business entities – wrap-fee business (Intermediary Business Group (IBG)), the Office of the Fiduciary Advisor (OFA), and Charitable Asset Management (CAM) • Assets accounted for on a book value basis – global cash and stable value assets.

**List Available:** A complete list of the firm's composites and their descriptions is available upon request.

**Compliance Statement:** SSgA-Global has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®). The period prior to January 1, 2000 is not in compliance, as not all actual fee paying portfolios are in a composite.

**Creation Date:** The composite was created on 1 Jan 09.

**Benchmark Description:** The benchmark for the composite is the Dow Jones UBS Commodity Custom Index. The index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss.

**Currency:** Performance is presented in USD.

**Use of Subadvisors:** The strategy is jointly managed by SSgA's Multi Asset Class Solutions (MACS) team and State Street's affiliate SSARIS Advisors, LLC ("SSARIS"). SSARIS serves as the sub-advisor, conducting all the day to day trading activities of the strategy.

**Fees:** Returns are expressed gross of management fees. Some members of this composite may accrue administration fees.

**Fee Schedule:** For commingled funds, management fees are 0.65% plus 20% of the outperformance over the DJ-UBS Commodity Total Return Index. The annual minimum management fee for commingled accounts is \$25,000. For separately managed accounts, management fees are 0.65% plus 20% of the outperformance over the DJ-UBS Commodity Total Return Index. The minimum annual management fee for separately managed accounts is \$200,000.

**Derivatives Use:** The strategy uses commodity futures and swaps to adjust the strategy's exposure to various commodity markets. The strategy may employ leverage, which will not exceed 200% of the invested capital.

**Calculation Methodology:** Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request.

**Annualized Returns:** All returns for periods greater than one year have been annualized.

**Withholding Taxes Differences:** None.

**Exchange Rates Differences Between Composite & Benchmark:** None.

**Minimum Asset Level for Inclusion:** 0.

**Dispersion:** Asset-Weighted standard deviation is calculated using the annual returns of the accounts that were included in the composite for all periods of the year.

**Significant Events:** None.

**Past and Future Performance:** Historic performance is not necessarily indicative of actual future investment performance, which could differ substantially.

STATE STREET GLOBAL ADVISORS.

## Appendix D: Biographies

SSGA.

# Biographies



**Christopher A. Hawkins, CFP**

Chris is a Vice President at State Street Global Advisors, covering Public Funds and Taft Hartley plans in the 13 Western United States. Prior to joining SSgA, Chris was a Senior Vice President in the Private Wealth Management Group at Lehman Brothers.

Prior to Lehman Brothers, Chris was a Senior Relationship Manager at US Trust Company. Chris began his career at Arthur Andersen & Co. in San Francisco.

Chris holds a BA in Economics and Communication from Stanford University and a Master's Degree in Education from the University of California at Berkeley. He is a Certified Financial Planner (CFP) and holds NASD Series 7 and 63 licenses.



**Paul R. Lucek**

Paul R. Lucek is Director of Research, Senior Portfolio Manager, and a member of the Hedge Fund Investment Committee at SSARIS Advisors, LLC. Mr. Lucek's responsibilities include development and improvement of quantitative investment strategies including trading systems, portfolio allocation and risk control.

Prior to joining SSARIS, Mr. Lucek developed quantitative algorithms for trading stock index futures, and in 1996 he co-founded SITE Capital Management LLC, a hedge fund manager, CTA and CPO. While at SITE, Mr. Lucek specialized in trading both directional and delta-neutral strategies using stock index futures, options and stock baskets.

Mr. Lucek made the transition to money management from the MD.PhD program at the Columbia University, College of Physicians and Surgeons, where, as a researcher funded by the Human Genome Project, he pioneered the use of neural networks in the analysis of complex genetic inheritance in humans. He has earned both Bachelor's and Master's degrees in Biology from Harvard University, and a Master's degree in Genetics from Columbia University.

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

June 21, 2011

Agenda Item 6.3

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Strategic Investment Solutions' (SIS) Criteria and Schedule for *SamCERA*'s Developed Markets Equity Growth Manager Search.

STAFF RECOMMENDATION: Staff recommends that the board review and approve Strategic Investment Solutions' criteria and schedule for *SamCERA*'s manager search.

COMMENT: Staff will discuss the following proposed schedule and criteria for the manager search. The initial criteria will be used to screen SIS' data base for available managers.

***SamCERA*: Developed Markets Equity Growth Manager Search**

**TIMELINE:**

- June 2011:** SIS performs screening, develops draft of Request for information (RFI) and sends out RFI after the meeting.  
*Deliverables:* Review of screening criteria and search timeline. Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.  
*Desired Output from the Meeting:* Reaffirm criteria and process. Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.
- July 2011:** SIS will receive and begin reading RFI responses.  
*Deliverables:* None from SIS, managers deliver completed RFI responses to SIS.  
*Desired Output from the Meeting:* No official agenda related to this search.
- August 2011:** Finish reading RFI responses and prepare summary material.  
*Deliverables:* SIS produces statistics sheet and pros and cons (bullet points) for semi finalists based on RFI responses.  
*Desired Output from the Meeting:* Select finalists for interviews.
- September 2010:** Prepare for interviews  
*Deliverables:* Search book with comparative analysis and statistics for finalist candidates.  
*Desired Output from the Meeting:* Interview finalists in San Mateo. Select manager.

## **INITIAL SCREENING CRITERIA:**

1. Starting Universe: It is the union of the eVestment Alliance EAFE Large Cap Growth Equity, EAFE All Cap Growth Equity, ACWI ex-US Large Cap Growth Equity and ACWI ex-US All Cap Growth Equity universes. (We are looking for EAFE and EAFE plus type strategies, but in some cases these may be classified in an ACWI ex-US universe.)
2. Product must be open to new accounts.
3. Product must have minimum assets of \$600 million as of the end of Q1 2011.
4. Product must be suitable for EAFE or EAFE plus mandate and not have ACWI ex US as stated preferred benchmark or maximum emerging market exposure above 20%.
5. Product's track record must have a minimum length of five years.
6. Performance: Product must outperform EAFE Growth index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the custom International Growth universe median in at least 50% of available time periods (3, 5, 7 and 10 years).
7. Products may be eliminated for a range of other reasons including, but not limited to, the following: recent loss of a portfolio manager, predominantly retail assets, extreme tracking error. Products that do not pass one or more of the screens may be included on the long list.

## International Growth Screening Results

17 strategies passed the screens

SIS proposes to send RFIs to the below 11 managers

9 of these strategies passed all of the formal screens

2 of these strategies, Artisan and Echo Point, did not pass the median performance screen

Firm Name	Product Name	Firm:	Product:	Product:	Product:	Product:	Product:	Product:
		Total AUM (3/2011)	Total AUM (3/2011)	Returns - 1 Years (3/2011)	Returns - 3 Years (3/2011)	Returns - 5 Years (3/2011)	Returns - 7 Years (3/2011)	Returns - 10 Years (3/2011)
Artisan Partners Limited Partnership	Artisan Non-U.S. Growth	62,665	18,556	13.67	-1.57	3.25	7.98	6.63
Baillie Gifford & Co	EAFE Plus Focus	119,366	3,168	14.43	0.10	4.15	8.42	6.80
Baring Asset Management Limited	Focused International Plus Equity	52,414	3,835	12.78	-0.52	5.72	10.53	9.60
Echo Point Investment Management	International Growth Equity	1,684	1,338	10.39	-4.19	1.86	7.89	6.63
Franklin Templeton Investments	Franklin Non-US Equity	703,515	1,246	14.94	2.77	6.90	10.48	7.68
Grantham, Mayo, Van Otterloo & Co. LLC	GMO International Growth Strategy	108,277	3,764	14.64	-0.56	3.71	8.16	---
Gryphon International Investment Corporation	EAFE Equities	6,539	5,758	13.26	3.87	5.47	8.97	9.92
Henderson Global Investors	International All Cap	96,457	1,353	14.04	-0.54	4.96	9.47	8.72
Johnston Asset Management Corp	International	2,255	1,545	6.92	4.51	8.79	12.50	11.54
Schroders	International Alpha	322,794	1,707	19.62	1.66	4.58	9.70	---
Walter Scott & Partners Limited	EAFE / International	47,381	15,606	12.27	4.53	5.55	8.99	8.02

MSCI Index	MSCI EAFE Growth-GD			12.88	-2.16	2.50	6.66	5.15
Custom International Growth Universe	Median Return			13.96	-0.66	3.25	7.98	6.75

### Current Manager

Artio Global Management LLC	Artio International Equity Strategy	51,328	17,299	10.89	-5.35	1.09	7.33	8.42
MSCI Index	MSCI ACWI ex-US Growth-GD			15.06	-0.75	4.18	8.44	6.88

<b>12 Quarter Rolling Annualized Return, % Excess vs. EAFE Growth Index</b>	<b>Apr 08 - Mar 11</b>	<b>Apr 07 - Mar 10</b>	<b>Apr 06 - Mar 09</b>	<b>Apr 05 - Mar 08</b>	<b>Apr 04 - Mar 07</b>	<b>Apr 03 - Mar 06</b>	<b>Apr 02 - Mar 05</b>	<b>Apr 01 - Mar 04</b>	<b>Apr 00 - Mar 03</b>	<b>Apr 99 - Mar 02</b>	<b>Apr 98 - Mar 01</b>
Artisan Partners: Non-U.S. Growth	0.59	0.41	0.56	2.38	2.63	5.38	-0.99	1.85	1.57	17.60	20.99
Baillie Gifford: EAFE Plus Focus	2.26	2.06	-0.57	1.40	1.46	1.76	0.56	1.44	3.50	6.61	5.33
Barings: Foc Intl Plus	1.63	3.30	4.78	5.72	5.92	7.78	5.98	5.76	NA	NA	NA
Echo Point Investment Management: Intl Growth Equity	-2.03	-0.93	-2.10	3.20	5.30	5.83	3.28	2.07	5.99	8.76	7.94
Franklin Templeton: Frk Non-US Equity	4.92	3.97	1.21	3.60	4.21	2.74	-1.02	-0.26	-0.81	3.16	0.29
GMO: Intl. Growth	1.59	1.45	2.64	0.07	1.42	0.55	3.77	NA	NA	NA	NA
Gryphon Intl: EAFE Equities	6.03	4.94	0.47	-3.42	-0.22	0.22	5.88	10.46	16.07	21.92	12.23
Henderson: Intl All Cap	1.62	3.30	0.44	5.00	2.75	7.96	4.56	5.30	5.58	8.07	6.87
Johnston Asset: International	6.68	9.74	8.29	6.55	5.39	6.59	3.15	7.64	13.50	17.27	9.54
Schroders: Intl Alpha	3.81	1.66	-0.49	1.26	3.46	NA	NA	NA	NA	NA	NA
Walter Scott: International	6.74	6.79	5.95	-0.30	-1.13	0.65	2.35	4.10	8.91	11.92	11.96
<b>12 Quarter Rolling Annualized Return, % Excess vs. ACWI ex-US Growth Index</b>	<b>Apr 08 - Mar 11</b>	<b>Apr 07 - Mar 10</b>	<b>Apr 06 - Mar 09</b>	<b>Apr 05 - Mar 08</b>	<b>Apr 04 - Mar 07</b>	<b>Apr 03 - Mar 06</b>	<b>Apr 02 - Mar 05</b>	<b>Apr 01 - Mar 04</b>	<b>Apr 00 - Mar 03</b>	<b>Apr 99 - Mar 02</b>	<b>Apr 98 - Mar 01</b>
Artio Global: International Equity	-4.59	-4.53	-1.75	1.02	4.45	4.87	6.72	7.66	9.57	18.79	18.90

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

June 21, 2011

Agenda Item 6.4

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Strategic Investment Solutions' (SIS) Criteria and Schedule for *SamCERA*'s International Small Cap Equity Manager Search.

STAFF RECOMMENDATION: Staff recommends that the board review and approve Strategic Investment Solutions' criteria and schedule for *SamCERA*'s manager search.

COMMENT: Staff will discuss the following proposed schedule and criteria for the manager search. The initial criteria will be used to screen SIS' data base for available managers.

***SamCERA: International Small Cap Equity Manager Search***

**TIMELINE:**

**June 2011:** SIS develops search criteria and timeline.

*Deliverables:* Screening criteria and search timeline.

*Desired Output from the Meeting:* Approve criteria and process.

**July 2011:** SIS conducts screening and compiles a long list of semi-finalists, develops draft of the Request for information (RFI) and sends out RFI after the meeting.

*Deliverables:* Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

*Desired Output from the Meeting:* Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.

**August 2011:** SIS will receive and begin reading RFI responses.

*Deliverables:* None from SIS, managers deliver completed RFI responses to SIS.

*Desired Output from the Meeting:* No official agenda related to this search.

**September 2011:** Finish reading RFI responses and prepare summary material.

*Deliverables:* SIS produces statistics sheet and pros and cons (bullet points) for semi-finalists based on RFI responses.

*Desired Output from the Meeting:* Select finalists for interviews.

**October 2010:** Prepare for interviews

*Deliverables:* Search book with comparative analysis and statistics for finalist candidates.

*Desired Output from the Meeting:* Interview finalists in San Mateo. Select manager.



### **INITIAL SCREENING CRITERIA:**

1. Starting Universe: eVestment Alliance Non-US Diversified Small Cap Equity universe.
2. Product must be open to new accounts.
3. Product must have minimum assets of \$200 million as of the end of Q1 2011.
4. Product's track record must have a minimum length of three years as of the end of Q1 2011.
5. Performance: Product must outperform EAFE Small Cap index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the universe median in at least 50% of available time periods (3, 5, 7 and 10 years). If the strategy is benchmarked to the MSCI ACWI ex-US Small Cap index, which is preferred, it should also have outperformed that index in half the available periods.
6. Product should be core, or have a moderate growth or value tilt. Products with extreme style biases will be excluded.
7. Products may be eliminated for a range of other reasons including, but not limited to, the following: excessive assets, recent loss of a portfolio manager, predominantly retail assets, extreme tracking error or volatility.

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

June 21, 2011

Agenda Item 6.5

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Strategic Investment Solutions' (SIS) Criteria and Schedule for *SamCERA's* Emerging Markets Equity Manager Search.

STAFF RECOMMENDATION: Staff recommends that the board review and approve Strategic Investment Solutions' criteria and schedule for *SamCERA's* manager search.

COMMENT: Staff will discuss the following proposed schedule and criteria for the manager search. The initial criteria will be used to screen SIS' data base for available managers.

***SamCERA: Emerging Markets Manager Search***

**TIMELINE:**

- June 2011:** SIS develops search criteria and timeline.  
*Deliverables:* Screening criteria and search timeline.  
*Desired Output from the Meeting:* Approve criteria and process.
- July 2011:** SIS performs screening, develops draft of Request for information (RFI) and sends out RFI after the meeting.  
*Deliverables:* Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.  
*Desired Output from the Meeting:* Identify semi-finalist candidates to receive RFI and make any necessary adjustments to the RFI.
- August 2011:** SIS will receive and begin reading RFI responses.  
*Deliverables:* None from SIS, managers deliver completed RFI responses to SIS.  
*Desired Output from the Meeting:* No official agenda related to this search.
- September 2011:** Finish reading RFI responses and prepare summary material.  
*Deliverables:* SIS produces statistics sheet and pros and cons (bullet points) for semi-finalists based on RFI responses.  
*Desired Output from the Meeting:* Select finalists for interviews.
- October 2010:** Prepare for interviews  
*Deliverables:* Search book with comparative analysis and statistics for finalist candidates.  
*Desired Output from the Meeting:* Interview finalists in San Mateo. Select manager.

### **INITIAL SCREENING CRITERIA:**

1. Starting Universe: eVestment Alliance Emerging Markets Equity universe.
2. Product must be open to new accounts.
3. Product must have minimum assets of \$250 million as of the end of Q1 2011.
4. Product's track record must have a minimum length of three years as of the end of Q1 2011.
5. Performance: Product must outperform MSCI Emerging Market index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the universe median in at least 50% of available time periods (3, 5, 7, and 10 years).
6. Product should be core, or have a moderate growth or value tilt. Products with extreme style biases will be excluded. Small cap products will also be eliminated.
7. Products may be eliminated for a range of other reasons including, but not limited to, the following: excessive assets, recent loss of a portfolio manager, predominantly retail assets, extreme tracking error or volatility.

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

June 21, 2011

Agenda Item 6.6

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Approval of Alternative Asset Manager Resolutions

**STAFF RECOMMENDATION:** Staff recommends that the board approve the attached resolutions that memorialize actions previously sanctioned by the board.

**COMMENT:** Staff wishes to inform the board that this agenda item is a house keeping measure. The board previously approved and authorized the chair to execute documentation for the investments mentioned in the resolutions that follow.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Contract for Private Equity Investment Management Services  
With a Strategy to Buyout Income Producing Oil & Gas Properties**

**Sheridan Production Partners II**

RESOLUTION 10-11-08

*THIS RESOLUTION, adopted by the Board of Retirement ("Board")  
of the San Mateo County Employees' Retirement Association ("SamCERA"), approves  
the contract between the Board and Sheridan Production Partners ("Sheridan")*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund."*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *"... in connection with administration of the Board's investment program ..."*; and

**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

**WHEREAS**, the Board's agreement with Strategic Investment Solutions ("*SIS*") delegates to *SIS* discretion to source and perform due diligence for private equity investment opportunities; and

**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

**WHEREAS**, the board approved a multi-year private equity implementation plan and charged *SIS* and staff to begin executing that plan; and

**WHEREAS**, in August 2010, *SIS* presented to the Board their due diligence for the Sheridan Production Partners II Fund and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Contract for an Alternative Investment Opportunity  
With a Risk Parity Strategy**

**AQR Global Risk Premium Fund III**

RESOLUTION 10-11-15

*THIS RESOLUTION, adopted by the Board of Retirement ("Board")  
of the San Mateo County Employees' Retirement Association ("SamCERA"), approves  
the contract between the Board and AQR Capital Management ("AQR")*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund."*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *"... in connection with administration of the Board's investment program ..."*; and

**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 6.0% of the total portfolio to be allocated to risk parity investments opportunities; and

**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

**WHEREAS**, in October, 2010, the Board reviewed the following five candidates to manage a risk parity strategy: AQR Capital Management: Global Risk Premium Strategy 10% Volatility, BlackRock: Market Advantage, Bridgewater: All Weather Strategy, First Quadrant: Essential Beta and PanAgora: Risk Parity; and

**WHEREAS**, on December 14, 2010, the Board interviewed AQR Capital Management, Bridgewater and PanAgora as finalists before selecting AQR Global Risk Premium Fund III with a 10% volatility as the firm to implement the risk parity mandate; and

**WHEREAS**, staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Contract for Private Equity Investment Management Services  
With a Strategy to Buyout Companies in Media, Communications and Business Services**

**ABRY Partners VII**

RESOLUTION 10-11-16

*THIS RESOLUTION, adopted by the Board of Retirement ("Board")  
of the San Mateo County Employees' Retirement Association ("SamCERA"), approves  
the contract between the Board and ABRY Partners VII, L.P. ("ABRY VII")*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund."*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *"... in connection with administration of the Board's investment program ..."*; and

**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

**WHEREAS**, the Board's agreement with Strategic Investment Solutions ("*SIS*") delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

**WHEREAS**, on February 22, 2011, SIS presented to the Board their due diligence for the ABRY Partners VII Fund and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Contract for Private Equity Investment Management Services  
With a Strategy to Acquire Leveraged Sr. Bank Loans  
For Companies in Media, Communications and Business Services**

**ABRY Advanced Securities Fund II**

RESOLUTION 10-11-17

*THIS RESOLUTION, adopted by the Board of Retirement ("Board")  
of the San Mateo County Employees' Retirement Association ("SamCERA"), approves  
the contract between the Board and ABRY Advanced Securities Fund II, L.P. ("ASF II")*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**WHEREAS**, Government Code §31595 vests in the Board *"... exclusive control of the investment of the employees retirement fund."*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *"... in connection with administration of the Board's investment program..."*; and

**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 8.0% of the total portfolio to be allocated to private equity investments opportunities; and

**WHEREAS**, the Board's agreement with Strategic Investment Solutions ("*SIS*") delegates to SIS discretion to source and perform due diligence for private equity investment opportunities; and

**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

**WHEREAS**, the board approved a multi-year private equity implementation plan and charged SIS and staff to begin executing that plan; and

**WHEREAS**, on February 22, 2011, SIS presented to the Board their due diligence for the ABRY Advanced Securities Fund II and staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Contract for an Alternative Investment Opportunity  
With a Hedge Fund Strategy**

**AQR DELTA FUND II**

RESOLUTION 10-11-20

*THIS RESOLUTION, adopted by the Board of Retirement (Board)  
of the San Mateo County Employees' Retirement Association (SamCERA), approves  
the contract between the Board and AQR Capital Management ("AQR")*

**WHEREAS**, Article XVI, §17 of the Constitution of the State of California vests the Board with *"plenary authority and fiduciary responsibility for the investment of moneys and the administration of the system"*; and

**WHEREAS**, Government Code §31595 vests in the Board *" . . . exclusive control of the investment of the employees retirement fund."*; and

**WHEREAS**, Government Code §31596.1 (d) authorizes the Board to retain investment managers *" . . . in connection with administration of the Board's investment program . . . "*; and

**WHEREAS**, in August 2010, the Board completed an asset-liability study, which designated 3.0% of the total portfolio to be allocated to hedge fund investments opportunities; and

**WHEREAS**, the Board delegated to staff and legal counsel full discretionary authority for all tasks required in the preparation of documentation necessary to effectuate an alternative investment; and

**WHEREAS**, beginning in January 2011, the Board vetted five different methods for implementing *SamCERA's* hedge fund mandate before selecting one. The board eliminated index replication strategies as not providing an adequate alpha. Multi-strategy managers, and direct investment managers were also eliminated as a first step in implementing the mandate. Those two were dismissed primarily because *SamCERA* lacks adequate experience with the various hedge funds strategies. Either of those strategies may be considered at a future date as an augmentation to *SamCERA's* hedge fund program. The methodologies that the board believed were most promising for a first step in implementing a hedge fund mandate were a fund of hedge funds manager or a hedge fund beta product; and

**WHEREAS**, In April 14, 2010, the Board selected AQR Capital Management's Delta Fund II as the firm and product as *SamCERA's* first step in implementing a hedge fund strategy; and

**WHEREAS**, staff reviewed and prepared the required documentation to subscribe to the investment. Therefore, be it

**RESOLVED** that the Board hereby authorizes the board chair, vice-chair or if neither is available, the Chief Executive Officer to execute all required alternative investment documentation on behalf of the Board that has been approved by staff and counsel. Be it further

**RESOLVED** that the Board hereby designates the Chief Investment Officer as its designee to perform those functions so identified in the investment documentation and hereby authorizes the Chief Investment Officer to take all actions necessary to initiate, implement and monitor assignments, approve payments and provide the Board with timely reports regarding the progress and satisfactory completion of the assignments authorized pursuant to the investment agreement and this resolution.

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

June 21, 2011

Agenda Item 7.1

To: Board of Retirement



From: Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Financial Report for the Period Ending May 31, 2011

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

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 \$2,338,577,029.

**Statement of Changes in Fiduciary Net Assets**

Net assets held in trust for pension benefits decreased by approximately \$26.9 million, month over month. The decrease is primarily due to market depreciation in 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**  
**May 2011**  
**PRELIMINARY**

	May 2011	May 2010
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	58,109,162	78,206,955
SECURITIES LENDING CASH COLLATERAL	172,187,097	248,184,566
<b>TOTAL CASH</b>	<b>230,296,258</b>	<b>326,391,521</b>
<b>RECEIVABLES</b>		
Contributions	0	0
Due from Broker for Investments Sold	161,740,564	114,300,049
Investment Income	6,799,542	5,530,644
Securities Lending Income	149,408	196,565
Other Receivable	112,921	113,866
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>168,802,435</b>	<b>120,141,123</b>
PREPAID EXPENSE	7,669	7,669
<b>INVESTMENTS AT FAIR VALUE</b>		
Domestic Fixed Income Securities	591,852,459	510,267,280
Domestic Equities	955,599,842	849,186,263
International Equities	402,658,448	346,257,602
Real Estate	126,673,968	105,602,228
Private Equities	2,776,631	0
Risk Parity	147,250,040	0
Hedge Funds	70,000,000	0
	<b>2,296,811,387</b>	<b>1,811,313,373</b>
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,695,917,749</b>	<b>2,257,853,686</b>
<b>LIABILITIES</b>		
Investment Management Fees	2,355,769	1,124,862
Due to Broker for Investments Purchased	182,117,977	149,025,693
Collateral Payable for Securities Lending	172,187,097	248,184,566
Other	679,878	574,871
<b>TOTAL LIABILITIES</b>	<b>357,340,720</b>	<b>398,909,993</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,338,577,029</b>	<b>1,858,943,693</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - YTD Comparative**  
**May 2011**  
**Preliminary**

	May 2011	May 2010	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	144,082,832	99,955,312	44,127,519
Employee Contribution	42,792,725	43,958,726	(1,166,001)
<b>TOTAL CONTRIBUTIONS</b>	<b>186,875,557</b>	<b>143,914,039</b>	<b>42,961,518</b>
INVESTMENT INCOME			
Interest and Dividends	37,864,306	35,762,994	2,101,312
Net Appreciation (Depreciation) in fair value of investments	431,816,618	211,847,390	219,969,228
Less Investment Expense	(9,951,922)	(6,934,415)	(3,017,507)
Less Asset Management Expense	(581,705)	(450,678)	(131,027)
<b>NET INVESTMENT INCOME</b>	<b>459,147,297</b>	<b>240,225,292</b>	<b>218,922,006</b>
SECURITIES LENDING INCOME			
Earnings	517,715	840,637	(322,922)
Less: Securities Lending Expenses	(62,384)	(222,393)	160,009
<b>NET SECURITIES LENDING INCOME</b>	<b>455,331</b>	<b>618,245</b>	<b>(162,914)</b>
OTHER ADDITIONS	71,442	40,988	30,454
<b>TOTAL ADDITIONS</b>	<b>646,549,627</b>	<b>384,798,563</b>	<b>261,751,064</b>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	104,494,195	97,448,008	7,046,187
Disability Retirement Allowance	13,326,012	13,380,782	(54,770)
Survivor, Death and Other Benefits	719,458	882,450	(162,992)
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>118,539,665</b>	<b>111,711,240</b>	<b>6,828,425</b>
REFUND OF MEMBER CONTRIBUTIONS	2,253,660	2,649,956	(396,297)
ADMINISTRATIVE EXPENSE	3,080,759	2,869,639	211,120
OTHER EXPENSE	(5,031)	23,591	(28,622)
<b>TOTAL DEDUCTIONS</b>	<b>123,869,053</b>	<b>117,254,427</b>	<b>6,614,625</b>
<b>NET INCREASE</b>	<b>522,680,574</b>	<b>267,544,136</b>	<b>255,136,439</b>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	1,815,896,455	1,591,399,558	
End of Period	2,338,577,029	1,858,943,693	

**San Mateo County Employees' Retirement Association**  
**CHANGES IN FIDUCIARY NET ASSETS - TRAILING ELEVEN MONTHS**  
**For the Month Ending May 31, 2011**  
**PRELIMINARY**

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	YTD
<b>ADDITIONS</b>							
<b>CONTRIBUTIONS</b>							
Employee Contribution	3,019,936	3,655,943	3,594,335	3,642,307	3,931,107	5,744,046	23,587,673
Employer Contributions - Regular	5,407,157	7,251,548	7,302,907	7,314,517	7,373,448	11,260,294	45,909,870
Employer Contributions - COLA	3,047,757	4,080,356	4,106,941	4,109,218	4,138,857	6,315,925	25,799,055
Employer Prefunded Contribution	68,411,230	(11,274,407)	(11,390,665)	(11,385,369)	(11,454,658)	(15,713,522)	7,192,610
<b>TOTAL CONTRIBUTIONS</b>	<b>79,886,080</b>	<b>3,713,440</b>	<b>3,613,518</b>	<b>3,680,673</b>	<b>3,988,754</b>	<b>7,606,743</b>	<b>102,489,208</b>
<b>INVESTMENT INCOME</b>							
Interest and Dividends	2,228,528	3,312,853	3,275,168	2,196,872	2,999,996	4,821,615	18,835,032
Net Appreciation (Depreciation) in fair value of investments	87,400,814	(43,766,849)	127,340,342	56,496,595	(9,582,182)	85,376,887	303,265,608
Securities Lending Income	45,487	50,647	58,657	56,343	55,461	56,056	322,650
Other Additions	0	0	0	0	0	0	0
Asset Management Expense	(34,874)	(48,180)	(45,105)	(56,665)	(69,170)	(68,573)	(322,568)
Other Investment Related Expense	(54,893)	(21,994)	(28,660)	(16,428)	(60,565)	(50,291)	(232,830)
Securities Lending Expense	(18,072)	(17,797)	(6,250)	(20,480)	(1,432)	(14,372)	(78,403)
<b>TOTAL ADDITIONS</b>	<b>169,453,071</b>	<b>(36,777,881)</b>	<b>134,207,670</b>	<b>62,336,911</b>	<b>(2,669,137)</b>	<b>97,728,065</b>	<b>424,278,699</b>
<b>DEDUCTIONS</b>							
<b>ASSOCIATION BENEFITS</b>							
Retiree Annuity	2,369,716	2,389,206	2,405,091	2,402,821	2,430,529	2,422,802	14,420,165
Retiree Pension	5,649,275	5,673,987	5,713,621	5,694,015	5,746,049	5,743,755	34,220,701
Retiree COLA	2,514,530	2,506,061	2,503,348	2,492,815	2,488,067	2,481,293	14,986,114
Retiree Death and Modified Work Benefit	3,579	3,579	3,579	3,579	3,579	3,579	21,475
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissue	492	0	0	0	0	0	492
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>10,537,591</b>	<b>10,572,833</b>	<b>10,625,639</b>	<b>10,593,230</b>	<b>10,668,223</b>	<b>10,651,429</b>	<b>63,648,946</b>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	<b>110,411</b>	<b>290,928</b>	<b>163,314</b>	<b>170,084</b>	<b>414,929</b>	<b>26,231</b>	<b>1,175,896</b>
<b>ACTUARIAL FEES</b>	<b>16,083</b>	<b>19,083</b>	<b>750</b>	<b>750</b>	<b>2,667</b>	<b>833</b>	<b>40,167</b>
CONSULTANT FEES - INVESTMENT (SIS)	16,667	16,667	16,667	33,333	33,333	50,000	166,667
CUSTODIAN FEES - STATE STREET	11,800	12,057	11,800	11,705	11,800	58,136	117,298
INVESTMENT MANAGEMENT FEE - R1000 INDEX	7,601	7,361	7,835	7,939	7,601	7,953	46,291
INVESTMENT MANAGEMENT FEE - ABERDEEN	29,975	30,448	30,368	30,622	30,622	28,031	180,066
INVESTMENT MANAGEMENT FEE - PYRAMIS	21,220	21,489	21,411	21,572	21,475	18,080	125,248
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	5,651	5,814	5,770	5,935	744	5,770	29,683
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	18,265	18,265	13,122	17,156	16,987	17,071	100,865
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	0	0	0	0	0	5,407	5,407
INVESTMENT MANAGEMENT FEE - CHARTWELL	27,285	25,486	29,832	30,634	31,847	33,350	178,434
INVESTMENT MANAGEMENT FEE - D E SHAW	38,742	36,395	40,770	41,744	42,032	44,604	244,287
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	28,364	26,801	29,807	30,424	30,525	32,394	178,315
INVESTMENT MANAGEMENT FEE - BLACKROCK	53,979	50,802	57,819	60,137	61,723	63,563	348,022
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	53,239	50,247	55,417	55,847	54,720	59,454	328,924
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	29,952	26,946	31,460	31,259	31,937	34,136	185,690
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	61,867	57,824	65,932	67,596	70,895	72,168	396,283
INVESTMENT MANAGEMENT FEE - MONDRIAN	53,376	40,166	43,103	43,995	26,437	48,337	255,414
INVESTMENT MANAGEMENT FEE - ARTIO	81,045	76,961	84,099	86,442	87,385	89,412	505,344
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	34,141	34,643	34,573	34,846	34,723	29,035	201,962
INVESTMENT MANAGEMENT FEE - INVESCO CORE	53,711	53,711	50,725	52,715	52,715	41,566	305,143
<b>TOTAL PROFESSIONAL FEE</b>	<b>642,963</b>	<b>611,167</b>	<b>631,257</b>	<b>664,651</b>	<b>650,168</b>	<b>739,303</b>	<b>3,939,509</b>
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>	<b>99,487</b>	<b>168,819</b>	<b>170,584</b>	<b>171,415</b>	<b>174,710</b>	<b>258,847</b>	<b>1,043,860</b>
ADMIN EXPENSE - SERVICES & SUPPLIES	33,996	55,862	124,612	150,416	105,433	112,074	582,393
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>133,483</b>	<b>224,680</b>	<b>295,196</b>	<b>321,830</b>	<b>280,143</b>	<b>370,920</b>	<b>1,626,253</b>
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0	0	1,804,884	1,804,884
OTHER DEDUCTIONS	919	4,096	4,593	12,505	7,962	10,075	40,149
<b>TOTAL DEDUCTIONS</b>	<b>11,425,368</b>	<b>11,703,704</b>	<b>11,719,999</b>	<b>11,762,300</b>	<b>12,021,425</b>	<b>13,602,843</b>	<b>72,235,638</b>
<b>NET INCREASE</b>	<b>158,027,703</b>	<b>(48,481,584)</b>	<b>122,487,671</b>	<b>50,574,610</b>	<b>(14,690,562)</b>	<b>84,125,222</b>	<b>352,043,061</b>

**San Mateo County Employees' Retirement Association**  
**CHANGES IN FIDUCIARY NET ASSETS - TRAILING ELEVEN MONTHS**  
**For the Month Ending May 31, 2011**  
**PRELIMINARY**

	December YTD 2010	January 2011	February 2011	March 2011	April 2011	May 2011	YTD
<b>ADDITIONS</b>							
<b>CONTRIBUTIONS</b>							
Employee Contribution	23,587,673	3,734,419	3,948,453	3,601,493	3,925,374	3,995,313	42,792,725
Employer Contributions - Regular	45,909,870	7,652,176	7,460,233	7,390,652	7,825,727	7,281,630	83,520,287
Employer Contributions - COLA	25,799,055	4,292,459	4,173,675	4,131,189	4,397,122	4,062,716	46,856,215
Employer Prefunded Contribution	7,192,610	53,074,415	(11,595,294)	(11,503,337)	(12,152,773)	(11,309,292)	13,706,329
<b>TOTAL CONTRIBUTIONS</b>	<b>102,489,208</b>	<b>68,753,468</b>	<b>3,987,066</b>	<b>3,619,996</b>	<b>3,995,449</b>	<b>4,030,368</b>	<b>186,875,557</b>
<b>INVESTMENT INCOME</b>							
Interest and Dividends	18,835,032	1,999,124	3,622,609	4,346,612	3,380,857	5,680,071	37,864,306
Net Appreciation (Depreciation) in fair value of investments	303,265,608	22,650,174	51,815,603	16,355,785	61,910,894	(24,110,004)	431,888,060
Securities Lending Income	322,650	43,061	33,846	40,392	37,048	40,717	517,715
Other Additions	0	0	0	0	0	0	0
Asset Management Expense	(322,568)	(44,618)	(46,577)	(56,564)	(71,466)	(39,912)	(581,705)
Other Investment Related Expense	(232,830)	(38,041)	(3,683)	(19,886)	(76,258)	(257,983)	(628,683)
Securities Lending Expense	(78,403)	(16,677)	(12,252)	(16,499)	(1,902)	63,349	(62,384)
<b>TOTAL ADDITIONS</b>	<b>424,278,699</b>	<b>93,346,492</b>	<b>59,396,612</b>	<b>24,269,836</b>	<b>69,174,622</b>	<b>(14,593,395)</b>	<b>655,872,866</b>
<b>DEDUCTIONS</b>							
<b>ASSOCIATION BENEFITS</b>							
Retiree Annuity	14,420,165	2,455,713	2,477,318	2,487,046	2,539,302	2,558,539	26,938,082
Retiree Pension	34,220,701	5,825,447	5,869,498	5,904,613	6,054,657	6,047,121	63,922,038
Retiree COLA	14,986,114	2,474,478	2,471,993	2,458,332	2,615,219	2,605,638	27,611,775
Retiree Death and Modified Work Benefit	21,475	3,579	31,487	3,579	3,579	3,579	67,278
Active Member Death Benefit	0	0	0	0	0	0	0
Voids and Reissue	492	(6,887)	6,887	0	0	0	492
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>63,648,946</b>	<b>10,752,331</b>	<b>10,857,183</b>	<b>10,853,570</b>	<b>11,212,758</b>	<b>11,214,878</b>	<b>118,539,665</b>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	<b>1,175,896</b>	<b>170,704</b>	<b>521,840</b>	<b>181,415</b>	<b>122,188</b>	<b>81,616</b>	<b>2,253,660</b>
<b>ACTUARIAL FEES</b>							
CONSULTANT FEES - INVESTMENT (SIS)	166,667	16,667	50,000	33,333	16,667	50,000	333,333
CUSTODIAN FEES - STATE STREET	117,298	28,689	31,302	15,355	18,000	13,221	223,865
INVESTMENT MANAGEMENT FEE - R1000 INDEX	46,291	7,972	9,371	5,988	7,064	6,036	82,722
INVESTMENT MANAGEMENT FEE - ABERDEEN	180,066	28,231	26,401	27,351	27,160	27,463	316,670
INVESTMENT MANAGEMENT FEE - PYRAMIS	125,248	18,093	15,951	19,290	16,638	18,223	213,443
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	29,683	5,747	6,644	5,002	5,985	6,028	59,088
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	100,865	17,694	18,015	17,968	18,250	18,356	191,148
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	5,407	81,162	(14,815)	33,931	35,046	35,160	175,892
INVESTMENT MANAGEMENT FEE - CHARTWELL	178,434	34,224	37,239	36,927	39,544	38,108	364,476
INVESTMENT MANAGEMENT FEE - D E SHAW	244,287	45,429	47,062	46,259	48,011	47,906	478,953
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	178,315	31,080	32,526	25,898	33,071	32,570	333,459
INVESTMENT MANAGEMENT FEE - BLACKROCK	348,022	64,716	66,636	65,929	67,962	66,586	679,852
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	328,924	60,782	62,936	63,145	64,416	63,999	644,202
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	185,690	34,280	36,460	36,244	37,176	36,142	365,992
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	396,283	73,876	78,093	77,766	80,517	79,627	786,163
INVESTMENT MANAGEMENT FEE - MONDRIAN	255,414	38,236	42,018	8,327	40,503	30,736	415,235
INVESTMENT MANAGEMENT FEE - ARTIO	505,344	86,562	88,141	88,239	93,105	80,128	941,520
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	201,962	29,125	25,929	27,530	26,937	27,172	338,654
INVESTMENT MANAGEMENT FEE - INVESCO CORE	305,143	48,999	48,999	39,079	45,692	45,692	533,605
<b>TOTAL PROFESSIONAL FEE</b>	<b>3,939,509</b>	<b>752,399</b>	<b>709,739</b>	<b>674,393</b>	<b>722,578</b>	<b>719,737</b>	<b>7,518,356</b>
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>							
ADMIN EXPENSE - SERVICES & SUPPLIES	1,043,860	184,241	182,148	180,989	249,190	169,483	2,009,911
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>582,393</b>	<b>79,118</b>	<b>98,096</b>	<b>145,419</b>	<b>92,549</b>	<b>73,273</b>	<b>1,070,848</b>
<b>TOTAL DEDUCTIONS</b>	<b>1,626,253</b>	<b>263,359</b>	<b>280,245</b>	<b>326,408</b>	<b>341,739</b>	<b>242,755</b>	<b>3,080,759</b>
<b>INTEREST FOR PREPAID CONTRIBUTION</b>	<b>1,804,884</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,804,884</b>
<b>OTHER DEDUCTIONS</b>	<b>40,149</b>	<b>2,780</b>	<b>9,298</b>	<b>2,071</b>	<b>(64,307)</b>	<b>4,977</b>	<b>(5,031)</b>
<b>TOTAL DEDUCTIONS</b>	<b>72,235,638</b>	<b>11,941,573</b>	<b>12,378,305</b>	<b>12,037,857</b>	<b>12,334,955</b>	<b>12,263,963</b>	<b>133,192,292</b>
<b>NET INCREASE</b>	<b>352,043,061</b>	<b>81,404,919</b>	<b>47,018,307</b>	<b>12,231,979</b>	<b>56,839,666</b>	<b>(26,857,358)</b>	<b>522,680,574</b>

**San Mateo County Employees' Retirement Association  
Statement of Fiduciary Net Assets - Monthly Comparative  
For the Month Ending May 31, 2011**

	May 2011	April 2011	Increase/(Decrease)	% of Incr/Decr
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	58,109,162	57,920,302	188,859	0.33%
SECURITIES LENDING CASH COLLATERAL	172,187,097	152,331,041	19,856,055	13.03%
<b>TOTAL CASH</b>	<b>230,296,258</b>	<b>210,251,344</b>	<b>20,044,915</b>	<b>0</b>
<b>RECEIVABLES</b>				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	161,740,564	133,047,238	28,693,326	21.57%
Investment Income	6,799,542	5,716,693	1,082,848	18.94%
Securities Lending Income	149,408	80,487	68,921	85.63%
Other Receivable	112,921	113,000	(79)	-0.07%
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>168,802,435</b>	<b>138,957,418</b>	<b>29,845,017</b>	<b>21.48%</b>
PREPAID EXPENSE	7,669	7,669	0	0.00%
<b>INVESTMENTS AT FAIR VALUE</b>				
Domestic Fixed Income Securities	591,852,459	587,733,576	4,118,883	0.70%
Domestic Equities	955,599,842	1,010,950,642	(55,350,800)	-5.48%
International Equities	402,658,448	459,651,018	(56,992,570)	-12.40%
Real Estate	126,673,968	126,673,968	0	0.00%
Private Equity	2,776,631	1,555,000	1,221,631	78.56%
Risk Parity	147,250,040	147,250,040	0	N/A
Hedge Funds	70,000,000	0	70,000,000	N/A
	<b>2,296,811,387</b>	<b>2,333,814,244</b>	<b>(37,002,857)</b>	<b>-1.59%</b>
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>TOTAL ASSETS</b>	<b>2,695,917,749</b>	<b>2,683,030,675</b>	<b>12,887,074</b>	<b>0.48%</b>
<b>LIABILITIES</b>				
Investment Management Fees	2,355,769	2,913,042	(557,274)	-19.13%
Due to Broker for Investments Purchased	182,117,977	161,699,170	20,418,807	12.63%
Collateral Payable for Securities Lending	172,187,097	152,331,041	19,856,055	13.03%
Other	679,878	653,034	26,844	4.11%
<b>TOTAL LIABILITIES</b>	<b>357,340,720</b>	<b>317,596,287</b>	<b>39,744,433</b>	<b>12.51%</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,338,577,029</b>	<b>2,365,434,388</b>	<b>(26,857,358)</b>	<b>-1.14%</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending May 2011**  
**Preliminary**

	May 2011	April 2011	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer Contribution	144,082,832	144,047,777	35,055
Employee Contribution	42,792,725	38,797,412	3,995,313
<b>TOTAL CONTRIBUTIONS</b>	<u>186,875,557</u>	<u>182,845,189</u>	<u>4,030,368</u>
<b>INVESTMENT INCOME</b>			
Interest and Dividends	37,864,306	32,184,235	5,680,071
Net Appreciation (Depreciation) in fair value of investments	431,816,618	455,937,230	(24,120,612)
Less Investment Expense	(9,951,922)	(8,974,201)	(977,721)
Less Asset Management Expense	(581,705)	(541,793)	(39,912)
<b>NET INVESTMENT INCOME</b>	<u>459,147,297</u>	<u>478,605,471</u>	<u>(19,458,174)</u>
<b>SECURITIES LENDING INCOME</b>			
Earnings	517,715	476,998	40,717
Less: Securities Lending Expenses	(62,384)	(125,733)	63,349
<b>NET SECURITIES LENDING INCOME</b>	<u>455,331</u>	<u>351,265</u>	<u>104,066</u>
<b>OTHER ADDITIONS</b>			
	71,442	60,834	10,608
<b>TOTAL ADDITIONS</b>	<u>646,549,627</u>	<u>661,862,759</u>	<u>(15,313,132)</u>
<b>DEDUCTIONS</b>			
<b>ASSOCIATION BENEFITS</b>			
Service Retirement Allowance	104,494,195	94,570,945	9,923,250
Disability Retirement Allowance	13,326,012	12,097,932	1,228,079
Survivor, Death and Other Benefits	719,458	655,910	63,549
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>118,539,665</u>	<u>107,324,787</u>	<u>11,214,878</u>
REFUND OF MEMBER CONTRIBUTIONS	2,253,660	2,172,044	81,616
ADMINISTRATIVE EXPENSE	3,080,759	2,838,004	242,755
OTHER EXPENSE	(5,031)	(10,008)	4,977
<b>TOTAL DEDUCTIONS</b>	<u>123,869,053</u>	<u>112,324,827</u>	<u>11,544,226</u>
<b>NET INCREASE</b>	<b>522,680,574</b>	<b>549,537,933</b>	<b>(26,857,358)</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>			
Beginning of Period	2,365,434,388	2,308,594,721	
End of Period	2,338,577,029	2,365,434,388	



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

June 21, 2011

Agenda Item 7.2

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Approval to Cancel the November 2011 Board Meeting and Reschedule the December 2011 Meeting to December 13

**Issue**

Whether or not to adjust the board's meeting schedule in consideration of the holidays occurring at the end of the calendar year.

**Background**

The board approves a calendar of meetings for each year, which includes a board meeting in each month. However, it is common to cancel the June and December meetings. Last year, the board chose to cancel the November meeting and hold the December meeting earlier in the month, essentially combining the business of both meetings to avoid dates that were close to the holidays during those months. Staff recommends the board reschedule in the same way for 2011.

Staff recommends canceling the previously scheduled November meeting and rescheduling the previously planned December meeting to a new date on Tuesday, December 13.

If the meeting dates are not changed from the fourth Tuesdays of November and December, the board will meet on November 22, two days before Thanksgiving, and on December 27, two days after Christmas and in the middle of Hanukkah.

The board has the authority to schedule meetings other than on the fourth Tuesday of each month. Per the Regulations of the Board of Retirement:

2.4 Regular Meetings: ...The Board may cancel and or approve a change in the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting.

**Staff Recommendation**

Staff recommends that the board:

- cancel the November 22, 2011, meeting of the Board of Retirement,
- reschedule the December 27, 2011, meeting of the Board of Retirement to a new date of December 13, 2011,
- direct the Chief Executive Officer to make all appropriate communications to notify the public and all interested parties of these changes.