

## The Board of Retirement

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

**Tuesday, December 11, 2012, at 10:00 A.M.**

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

**1. Call to Order, Roll Call and Miscellaneous Business**

**2. Oral Communications**

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

**3. Approval of the Minutes**

- 3.1 Audit Committee Minutes
- 3.2 Board Meeting Minutes

**4. Approval of the Consent Agenda**

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

- Disability Retirement Applications
  - Penni Pavis
  - Christine Pepe
  - Anthony Torrey
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Approval to Reinstate Retired Member to Active Service
- Approval of Amendment to LPA Alternative Investment

**5. Benefit & Actuarial Services**

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda *(Set for time certain at 1 p.m.)\**
- 5.2 Approval of Resolution Adopting Member and Employer Contribution Rates for PEPR Members
- 5.3 Approval of Resolution Defining Compensation Earnable (\$31461) for Applicable San Mateo County Mosquito & Vector Control District Members
- 5.4 Approval of Resolution Defining Pensionable Compensation (\$7522.34) for Applicable San Mateo County Mosquito & Vector Control District Members

**6. Investment Services**

- 6.1 Preliminary Monthly Portfolio Performance Report
- 6.2 Presentation Regarding 130/30 Investing with D.E. Shaw
- 6.3 Discussion and Approval of Changes to Domestic Equity Manager Structure
- 6.4 Quarterly Investment Performance Report for the Period Ending September 30, 2012
- 6.5 Report on the Annual Review of SamCERA's Private Equity Program
- 6.6 Large-Cap Growth Manager Search – Update
- 6.7 Discussion on Proposed Changes to the Investment Policy
- 6.8 Annual Review of Investment Consultant, Strategic Investment Solutions
- 6.9 Summary of Action Regarding Private Equity Opportunity (to be heard in Closed Session, see item C2)

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

*[Continued on page 2 – Printed 12/04/12]*

**7. Board & Management Support Services**

- 7.1 Monthly Financial Report
- 7.2 Approval of Resolution Authorizing Contract with BCS Systems, Inc. for Imaging Services
- 7.3 Approval of Resolution Authorizing Contract Extension for Brown Armstrong Inc.
- 7.4 Update on Audit Research Regarding Final Average Compensation Calculations

**8. Management Reports**

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

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

- C1 Consideration of Disability Items, if any, Removed from the Consent Agenda
- C2 Summary of Action Regarding Private Equity Opportunity
- C3 Conference with Legal Counsel - Existing Litigation: Pursuant to subdivision (a) of Government Code Section 54956.9, *In re: Dendreon Corporation Class Action Litigation*, United States District Court Western District of Washington at Seattle, Master Docket No. C11-1291 JLR

**9. Report on Actions Taken in Closed Session**

**10. Adjournment in Memory of the Following Deceased Members:**

Smithson, Kathleen	September 16, 2012	Library
Ferraro, Catherine	September 25, 2012	Courts
Perroset, Marjorie	September 29, 2012	Courts
Outzen, Phyllis	October 9, 2012	Courts
Young, Sandra	October 11, 2012	Health Services
Flinn, Phillis	October 13, 2012	Ben of George Flinn
South, Betty	October 14, 2012	Ben of Richard South
Wang-Yip, Yuen	October 15, 2012	Medical Center
Keller, Joan	October 16, 2012	Ben of Billy Keller
Stoll, Joanne	October 19, 2012	Def'd from DAO
Carlson, Louise E	October 20, 2012	Courts
Kimble, Joseph	October 20, 2012	Def'd from Sheriff's
Hukill, Edwin	October 22, 2012	Mental Health
Johnson, Elaine	October 22, 2012	Public Health
Perez, Ventura	October 29, 2012	Ben of Raymond Brown
Marsden, Cynthia	October 31, 2012	General Services
Perez, Alma	October 31, 2012	Central Services



David Bailey, Chief Executive Officer

Printed: 12/4/12

**THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,**

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

Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org)

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

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

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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.

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

December 11, 2012

Agenda Item 3.0

**October 23, 2012 – Board Agenda**

**PUBLIC SESSION** – The Board will meet in Public Session at 1:00 P.M.

**1. Call to Order, Roll Call and Miscellaneous Business**

- 1.1 Appointment of Ad Hoc CEO Annual Performance Review 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**

(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 Retirement Applications
  - Robert Belmont
  - Liz Cervantes
  - Rosemary Grady
  - Dhurup Maharaj
  - Louis Williams
- Service Retirements
- Continuances Deferred Retirements
- Member Account Refunds
- Member Account Rollovers
- Approval of Addendum to June 30, 2012, Actuarial Valuation – Probation Rates

**5. Benefit & Actuarial Services**

- 5.1 Consideration of Agenda Items, if any, Removed From the Consent Agenda  
5.2 Approval of Amendment to Regulation 4.14 Required Break in Service Prior to Post Retirement Employment  
5.3 Approval of a Resolution Defining Compensation Earnable Pursuant to Government Code § 31461  
5.4 Approval of a Resolution Defining Pensionable Compensation Pursuant to Government Code § 7522.34

**6. Investment Services**

- 6.1 Monthly Portfolio Performance Report  
6.2 Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco)  
6.3 Approval of Angelo Gordon Securitized Asset Recovery Fund L.P. (Presentation at Investment Committee Meeting)  
6.4 Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search  
6.5 Discussion Regarding Real Rate Hedging Within TIPS Portfolio

**7. Board & Management Support Services**

- 7.1 Monthly Financial Report  
7.2 Quarterly Budget Report  
7.3 Report on Meeting of the Audit Committee of the Board of Retirement  
(The Audit Committee will meet at 12 noon, October 23, in the SamCERA Conference Room.)

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

- 7.4 Approval of the Auditor's Report on the Financial Audit for the Period Ended June 30, 2012
- 7.5 Approval of the Comprehensive Annual Financial Report (CAFR)
- 7.6 Annual Review of Independent Auditor—Brown Armstrong
- 7.7 Update on Technology Modernization Project
- 7.8 Approval to Establish Retirement Information Technology Position
- 7.9 Approval of Amendments to the SamCERA Education Policy
- 7.10 Discussion of Issues to be Considered at the SACRS Fall 2012 Business Meeting
- 7.11 Approval to Cancel the November Meeting and Reschedule the December Meeting of the Board of Retirement

**8. Management Reports**

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

**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

**9. Report on Actions Taken in Closed Session**

**10. Adjournment in Memory of the Following Deceased Members:**

McVay, Helen	August 30, 2012	Public Works
Hart, Travis	September 1, 2012	Public Works
Odenheimer, John	September 1, 2012	Behavioral Health
Waldron, Russell	September 2, 2012	San Mateo Medical Center
Warner, Walter	September 2, 2012	General Services
Weston, John	September 4, 2012	Ben of Weston, Elaine
Sorensen, Robert	September 7, 2012	General Services
Harrigan, Helen	September 9, 2012	Public Health
Redmond, Carmen	September 11, 2012	Def'd from General Services

*David Bailey, Chief Executive Officer*

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

**October 23, 2012– Board Minutes**

1012.1 **Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Ms. Sandie Arnott, Chair, called the Public Session of the Board of Retirement to order at 1:06 p.m.

**Roll Call:**

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

*Alternates Present:* Christopher Miller, John Murphy

*Staff:* David Bailey, Michael Coultrip, Brenda Carlson, Gladys Smith, Mabel Wong, Lilibeth Dames and Kristina Perez.

1012.1.1 **Appointment of Ad Hoc CEO Annual Performance Review Committee:** Ms. Arnott appointed Ms. Settles as Chair, and Mr. Spinello and Mr. David as members of the Ad Hoc CEO Annual Performance Review Committee.

1012.2.1 **Oral Communications From the Board:** Ms. Settles gave a report regarding her attendance at the IFEBP training in Washington, D.C., and Mr. Spinello reported his attendance at the CALAPRS Trustees' roundtable in Burbank.

1012.2.2 **Oral Communications From the Public:** Mr. Miller reported on his first time attendance at the CALAPRS Trustees' roundtable.

1012.3 **Approval of the Minutes:** Ms. Arnott asked if there were any corrections to the minutes. Ms. Arnott stated that the requested clarification changes to agenda item 0812.5.1 in the September regular meeting minutes should be reflected accordingly. There were no changes to the special meeting minutes.

**Action:** Mr. David moved to approve the minutes from the regular meeting held on September 25, 2012, with the corrections as discussed. The motion was seconded by Ms. Agnew, and carried unanimously.

**Action:** Mr. David moved to approve the minutes from the special meeting held on September 25, 2012. The motion was seconded by Ms. Agnew, and carried unanimously.

1012.4 **Approval of the Consent Agenda:** Ms. Arnott asked if there were any items to be taken off the Consent Agenda. The service-connected disability applications for Liz Cervantes and Robert Belmont were removed, and were heard in closed session.

**Action:** Mr. Hackleman moved to approve the remaining items on the Consent Agenda, as listed below. The motion was seconded by Ms. Kwan Lloyd and carried unanimously.

1012.4 **Consent Agenda**

**Disability Retirements**

The Board found that **Rosemary Grady** is (1) disabled from performing her usual and customary duties as a Lead Health Benefits Analyst II, (2) found that her disability is service-connected and (3) granted her application for a service-connected disability retirement.

The Board found that **Dhurup Maharaj** is (1) not permanently incapacitated for the performance of his duties as a Financial Services Manager I and (2) denied his application for a service-connected disability retirement.

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

1012.4 **Disability Retirements** (con't)

The Board found that **Louis Williams** is (1) disabled from performing his usual and customary duties as a Utility Worker II, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

1012.4 **Service Retirements**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Fernandez, Jose	July 28, 2012	San Mateo Medical Center
Alexander, Susan	August 6, 2012	QDRO of Dean Johnson
Reed, Edward	August 6, 2012	Def'd from Behavioral Health
Mah, Rita	August 7, 2012	Def'd from Superior Court
Klein, Janice	August 8, 2012	Def'd from Behavioral Health
Carey, Betsi	August 9, 2012	Def'd from Correctional Health
Baert, Gwendolyn	August 11, 2012	Def'd from Environmental Health
Onate, Joseph	August 14, 2012	Def'd from Family Health
Levy, Cheroyal	August 20, 2012	Def'd from Social Services
Gershan, David	August 28, 2012	Public Health
Brown, William	August 31, 2012	Library
Cuadra, Manuel	August 31, 2012	Public Health
Gibson, Dayna	September 1, 2012	Human Services Agency

**Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of</b>
Cookson, Florence	Cookson, Paul
Gaddini, Lona	Gaddini, John
Remedios, Beatrice	Remedios, Roy
Smith, Margaret	Smith, Roderick

**Deferred Retirements**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Saludes, Marissa	G4 Vested
Navarro, Christian	G4 Vested
Prehn Despota, Cara N.	G4 Vested
Swaroop, Asha	G4 Vested
Clipper, Marguerite	G4 Vested
Leong, Ligi	G4 Vested
Lavilla, Florentino	G4 Vested
Estipona, Lino	G4 Vested
Garcia, Myla	G4 Vested - Reciprocity

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

1012.4 **Member Account Refunds**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Gotinga, Rosa	G4 Vested
Kanaga, Gregory	G4 Non-vested
Marelich, Jessica	G4 Non-vested
Soto, Rubi	G4 Non-vested
Torres, Sandra	G4 Non-vested
Vakaliwaliwa, Ruci	G4 Non-Vested
Vunipola, Ana	G4 Vested
Walker, David	G5
Woods-Williams, Catherine	G4 Vested

**Member Account Rollovers**

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

<b>Member Name</b>	<b>Retirement Plan Type</b>
Blackmer, Alexis	G5 Non-vested

1012.4 **Approval of Addendum to June 30, 2012, Actuarial Valuation – Probation Rates**

The Board approved the addendum to the June 30, 2012, actuarial valuation, which included the negotiated rates for the probation department employees.

Ms. Arnott adjourned the board meeting into closed session at 1:14 p.m.

1012.5.1 **Consideration of Agenda Items, if any, Removed From the Consent Agenda:**

The Board adjourned into closed session at 1:14 p.m. to consider the disability application of Robert Belmont. Mr. Belmont was present. The Board reconvened in open session at 1:30 p.m., and Ms. Carlson reported the Board approved a motion to continue the consideration of Robert Belmont's application for 60 days, by a unanimous vote.

In closed session, the Board also considered the disability application of Liz Cervantes, which was continued from the August meeting. Ms. Carlson recused herself and Mr. Dan McGuire served as Board counsel for this matter. Mr. Patrick Richardson represented the Fund. When the Board reconvened in open session at 1:30 p.m., Mr. McGuire reported the Board voted unanimously against continuing this matter, and unanimously approved a motion to accept the hearing officer's recommendation to deny the service-connected disability application of Liz Cervantes.

1012.5.2 **Approval of Amendment to Regulation 4.14 Required Break in Service Prior to Post Retirement Employment:**

Mr. Bailey described the changes proposed for Regulation 4.14, in accordance with pension reform legislation. He explained that the required break in service for general retirees returning to work would now be 180 days, as opposed to the 90 days currently necessary.

**Action:** Mr. Hackleman moved to adopt a resolution approving an amendment to Regulation 4.14 of Article IV of the Board of Retirement regulations regarding the required break in service prior to post retirement employment (Resolution 12-13-06). The motion was seconded by Mr. David and carried unanimously.



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

- 1012.5.3 **Approval of a Resolution Defining Compensation Earnable Pursuant to Government Code §31461:** Mr. Bailey discussed the necessity for the Board to review and re-adopt the pay codes that SamCERA accepts as “compensation earnable” for current members, a requirement related to pension reform legislation. Ms. Carlson explained the current resolution is rescinded as of January 1, 2013, and this will keep SamCERA in compliance. Board members confirmed that additional pay codes added in the future would require an amendment.  
**Action:** Mr. Hackleman moved to adopt a resolution defining compensation earnable pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 (Resolution 12-13-07). The motion was seconded by Mr. David and carried unanimously.
- 1012.5.4 **Approval of a Resolution Defining Pensionable Compensation Pursuant to Government Code § 7522.34:** Mr. Bailey presented the staff report and explained this was applicable to new employees hired after January 1, 2013, under PEPRA. He noted there are slightly different pay codes and a listing of “non-pensionable” pay codes detailed in the resolution.  
**Action:** Mr. Tashman moved to adopt a resolution defining pensionable compensation pursuant to Government Code §7522.34 for members who are not subject to Government Code §31461 (Resolution 12-13-08). The motion was seconded by Mr. Hackleman and carried unanimously.
- 1012.6 **Investment Services**
- 1012.6.1 **Monthly Portfolio Performance Report:** Mr. Coultrip presented the monthly report, and discussed the portfolio’s performance with the Board. He also handed out a sample report compiled by State Street. With no objection noted, the report was accepted.
- 1012.6.2 **Annual Review of Commodities, Hedge Fund, Risk Parity and Real Estate Managers (SSGA Multisource Commodities, AQR Delta Fund II, AQR Risk Parity, Invesco):** Mr. Thomas from SIS and Mr. Coultrip summarized the annual review meetings with the four managers, and stated they were all meeting expectations and there were no large concerns.
- 1012.6.3 **Approval of Angelo Gordon Securitized Asset Recovery Fund L.P. (Presentation at Investment Committee Meeting):** Mr. David reported that the Investment Committee had interviewed Angelo Gordon and recommended Board approval for this investment in the amount of \$35 million. Patrick Thomas stated that SIS has also recommended this investment. Board members discussed fees, market strategy and the past history with Angelo Gordon.  
**Action:** Ms. Agnew moved to adopt a resolution approving an investment in the Angelo Gordon Securitized Recovery Fund, L.P. in the amount of \$35 million (Resolution 12-13-09). The motion was seconded by Mr. David and approved unanimously.
- 1012.6.4 **Approval of Screening Criteria and Schedule for Large Cap Growth Fund Search:** Jonathan Brody discussed the proposed screening criteria and timeline for selection of a replacement large-capitalization growth manager for BlackRock, with the Board. The Investment Committee recommended Board approval of the screening criteria submitted with a request for flexibility within the conditions.  
**Action:** Mr. David moved to accept the screening criteria and schedule, granting flexibility within the conditions. The motion was seconded by Ms. Kwan Lloyd and approved unanimously.
- 1012.6.5 **Discussion Regarding Real Rate Hedging Within TIPS Portfolio:** Mr. Coultrip presented information about TIPS bonds and discussed the risks and benefits of hedging with Board members. This item

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

was for discussion only.

1012.7 **Board & Management Support Services**

1012.7.1 **Monthly Financial Report:** Ms. Wong presented the preliminary monthly report to the Board; this item was informational and no action was taken.

1012.7.2 **Quarterly Budget Report:** Ms. Wong reviewed the quarterly budget report with the Board, and discussed the current status of the three budget areas of technology, administration and professional fees. This item was for discussion only and no action was taken.

At 2:15 p.m., the Chair adjourned the meeting for a break, and the Board reconvened at 2:21 pm.

1012.7.3 **Report on Meeting of the Audit Committee of the Board of Retirement:** (The Audit Committee met at 12 noon, October 23, in the SamCERA Conference Room.) Mr. Tashman reviewed the discussion from the Audit Committee meeting with the full Board. He reported the Audit Committee reviewed and discussed the audit findings, and went over the 2011 audit recommendations to affirm compliance. This item was informational only and no action was taken.

1012.7.4 **Approval of the Auditor's Report on the Financial Audit for the Period Ended June 30, 2012:** Andy Paulden, Partner at Brown Armstrong, reviewed the audit report with the Board. Mr. Paulden discussed the process and procedure involved in SamCERA's audit, and continued in detail about specific findings and recommendations provided in the audit report. He concluded his presentation by stating SamCERA has a clean report, and there were no instances of non-compliance or weaknesses in internal controls.

**Action:** Mr. Bowler moved to approve the auditor's report on the financial audit for the period ended June 30, 2012. Mr. Spinello seconded the motion and it carried unanimously.

1012.7.5 **Approval of the Comprehensive Annual Financial Report (CAFR):** Ms. Wong presented the draft CAFR to the Board, and noted there was a new format and bound copies would be printed pending Board approval.

**Action:** Mr. Hackleman moved to approve the Comprehensive Annual Financial Report; the motion was seconded by Mr. David and carried unanimously.

1012.7.6 **Annual Review of Independent Auditor—Brown Armstrong:** Ms. Wong discussed the review of the auditor with the Board. She went over the areas where Brown Armstrong scored very well, noting they have expert knowledge of issues that affect 37 Act funds. Lower scoring parts of the review were also discussed. Mr. Paulden explained the peer review process undertaken by Brown Armstrong. This agenda item was for discussion only and no action was taken.

1012.7.7 **Update on Technology Modernization Project:** Will Morrow, from LRWL, reviewed the current status and discussed recent work performed for the technology modernization project with Board members. He noted the project is on schedule, within budget and within the scope of the original contract. This item was informational only and no action was taken.

1012.7.8 **Approval to Establish Retirement Information Technology Position:** Mr. Bailey presented the staff report and gave an overview of the workload in the technology division. He discussed the need for an additional position with the Board. Mr. Bailey detailed specific tasks and projects that require more staff. It was noted that PEPRA initiatives would require new programming.

**Action:** Mr. David moved to approve the establishment of an additional retirement information technology position. The motion was seconded by Mr. Tashman and carried unanimously.

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

1012.7.9 **Approval of Amendments to the SamCERA Education Policy:** Mr. Bailey reviewed the proposed amendments to the Education Policy with the Board, and summarized the recent changes in the law. He noted that the new requirement, 24 hours of education for Trustees every two years, would become effective on January 1, 2013.

**Action:** Mr. Hackleman moved to approve the amendments to the SamCERA Education Policy. The motion was seconded by Ms. Settles and carried unanimously.

1012.7.10 **Discussion of Issues to be Considered at the SACRS Fall 2012 Business Meeting:** Mr. Bailey stated SamCERA's voting delegate for SACRS is Ms. Kwan Lloyd; noting Ms. Agnew serves as the alternate and Mr. Bailey serves as the second alternate. He said there were no issues of particular significance to SamCERA on this ballot, and explained the voting delegate casts the ballot on behalf of SamCERA. Mr. Bailey gave the SACRS voting packet to Ms. Kwan Lloyd. This item was informational only.

1012.7.11 **Approval to Cancel the November Meeting and Reschedule the December Meeting of the Board of Retirement:** Mr. Bailey discussed changes in the Board meeting schedule for November and December, to avoid conflict with the holidays. He requested the Board approve cancelling the November meeting and rescheduling the December meeting to occur on December 11, rather than December 25.

**Action:** Mr. David moved to approve the changes in the Board meeting schedule. The motion was seconded by Ms. Settles and carried unanimously.

1012.8 **Management Reports**

1012.8.1 **Chief Executive Officer's Report:** Mr. Bailey reported he and Ms. Smith met with representatives of the Shores Center to discuss office space, and concluded there is no need at this time for expansion. He informed the Board members that CALAPRS is offering a new class for advanced trustee training at UCLA. Mr. Bailey reported that staff would be meeting with HR and bargaining units to discuss the changes resulting from the PEPRA legislation.

1012.8.2 **Assistant Executive Officer's Report:** None.

1012.8.3 **Chief Investment Officer's Report:** Mr. Coultrip reminded the Board members to look for the performance review survey for SIS in their email. He reported that Steve Siegel would be leaving SamCERA at the end of this month and thanked him for his help.

1012.8.4 **Chief Legal Counsel's Report:** None.

1012.9 **Report on Actions Taken in Closed Session:** None.

1012.10 **Adjournment:** With no further business Ms. Arnott adjourned the meeting at 3:53 p.m. in memory of the following deceased members:

McVay, Helen	August 30, 2012	Public Works
Hart, Travis	September 1, 2012	Public Works
Odenheimer, John	September 1, 2012	Behavioral Health
Waldron, Russell	September 2, 2012	San Mateo Medical Center
Warner, Walter	September 2, 2012	General Services
Weston, John	September 4, 2012	Ben of Weston, Elaine
Sorensen, Robert	September 7, 2012	General Services
Harrigan, Helen	September 9, 2012	Public Health
Redmond, Carmen	September 11, 2012	Def'd from General Services

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

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David Bailey  
Chief Executive Officer

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Kristina Perez  
Retirement Executive Secretary

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

December 11, 2012

Agenda Item 3.1

**TO:** Board of Retirement  
**FROM:** Eric Tashman, Chair, Audit Committee  
**SUBJECT:** Acceptance of Audit Committee Minutes

**Recommendation:**

The Chair of the Audit Committee recommends that the Board accept the minutes of the Audit Committee meetings held on May 4, 2011 and October 23, 2012.

**Background:**

The Audit Committee keeps minutes of its meetings and approves those minutes at the following Committee meeting. However, because no additional Audit Committee meetings are currently planned, the minutes are being brought to the full Board of Retirement for approval. Once approved, the minutes will be posted to SamCERA's website. Waiting for a subsequent Audit Committee meeting to be held before approval would delay this posting.

**Discussion:**

While there is no legal requirement for either the Audit Committee or the Board to maintain and approve the minutes, it is a best practice and ensures transparency of the Board and Committees' activities.

Submitted to the Board for review and acceptance are the attached minutes of the last two Audit Committee meetings, which have been reviewed and approved by the Chair. Upon acceptance by the Board, and pending any corrections, the minutes will be posted to the SamCERA website.

**Attachments:**

- A. *Audit Committee Meeting Minutes, May 4, 2011*
- B. *Audit Committee Meeting Minutes, October 23, 2012*

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

December 2012

Agenda Item 3.1A

**May 4, 2011 – Audit Committee Agenda**

- 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 Other Business
- 7.0 Board & Management Support Services
  - 7.1 Review & Recommendation of Finalists for Actuarial Audit Services
- 8.0 Chief Investment Officer's Report
- 9.0 Adjournment

**May 4, 2011 – Audit Committee Minutes**

- 1.0 **Call to Order:** Ms. Kwan Lloyd called the Public Session of the Audit Committee of the Board of Retirement to order at 9:11 a.m., May 4, 2011, in *SamCERA's* Conference Room, Suite 125, 100 Marine Parkway, Redwood Shores.
- 2.0 **Roll Call:** Ms. Arnott (arr. 9:13 a.m.), Ms. Kwan Lloyd, Mr. Spinello and Mr. Tashman. *Other Board Members in Attendance:* None. *Staff:* Mr. Bailey, Mr. Clifton, Ms. Dames, Ms. Wong and Mr. Hood. *Retirees:* 0, *Actives:* 0.
- 3.0 **Approval of the Minutes:** None.
- 4.0 **Oral Communications From the Committee:** None.
- 5.0 **Oral Communications From the Public:** None.
- 6.0 **Other Business:** None.
- 7.0 **Board & Management Support Services**
- 7.1 **Review & Recommendation of Finalists for Actuarial Audit Services:** Ms. Wong and Mr. Clifton were present to discuss the responses to *SamCERA's* RFP for actuarial audit services. *SamCERA* received responses from the following four actuarial firms: (1) Cheiron, (2) EFI Actuaries, (3), Gabriel Roeder Smith & Company, and (4) The Segal Company. Ms. Wong highlighted each firm's organizational structure, experience, errors & omissions insurance coverage, fees and other relevant information. She also answered trustees' questions and concerns.

Following extensive discussion of the pros and cons of each firm, trustees opined that The Segal Company would provide the experience, knowledge and expertise *SamCERA* is seeking for actuarial audit services. Mr. Clifton said that Ms. Carlson will review the draft contract and that staff would attempt to negotiate fees per the trustees' request.

Mr. Tashman then requested that staff ask The Segal Company to present an educational

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

workshop on the actuarial audit process at the May board meeting.

**Motion** by Tashman, second by Arnott, carried unanimously to recommend that the board select The Segal Company for actuarial audit services and request that the firm conduct an educational presentation on the actuarial audit process at the May board meeting.

8.0 **Chief Investment Officer's Report:** None.

9.0 **Adjournment:** There being no further business, Ms. Kwan Lloyd adjourned the meeting at 9:40 a.m.

NATALIE KWAN LLOYD, AUDIT COMMITTEE CHAIR

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

December 11, 2012

Agenda Item 3.1B

**October 23, 2012 – Audit Committee Agenda**

- 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 Other Business
- 7.0 Board & Management Support Services
  - 7.1 Review & Discussion of Financial Audit Findings
  - 7.2 Review & Discussion of Interest Crediting Policy for Members
  - 7.3 Review of Independent Auditor, Brown Armstrong, & Discussion of Contract
- 8.0 Finance Officer's Report
- 9.0 Adjournment

**October 23, 2012 – Audit Committee Minutes**

- 1.0 **Call to Order:** Mr. Tashman called the Public Session of the Audit Committee of the Board of Retirement to order at 12:02 p.m., October 23, 2012, in *SamCERA's* Conference Room, Suite 125, 100 Marine Parkway, Redwood City.
- 2.0 **Roll Call:** Mr. Tashman, Mr. Hackleman, Ms. Arnott, and Ms. Kwan Lloyd. *Other Board Members in Attendance:* None. *Staff:* Mr. Bailey, Ms. Carlson, Ms. Wong and Ms. Smith. *Retirees:* 0, *Actives:* 0.
- 3.0 **Approval of the Minutes:** None. Mr. Tashman directed staff to submit minutes of the last Audit Committee with the current meeting minutes for Board approval.
- 4.0 **Oral Communications From the Committee:** None.
- 5.0 **Oral Communications From the Public:** None.
- 6.0 **Other Business:** None.
- 7.0 **Board & Management Support Services**
  - 7.1 **Review & Discussion of Financial Audit Findings:** Ms. Wong discussed the three findings from the 2012 financial audit. The issue regarding the requirement that retirement applications be filed no more than 60 days before retirement has been addressed by adding the 60-day limit to retirement application forms and member communication booklets, as well as updating the retirement checklist and supervisor review process. The issue with journal entries missing approval is addressed by changing the process of approval of individual journal entries to approval of the monthly edit listing report where all journal entries are listed, and individual journal entries are listed if added subsequently. Staff began research on the last issue regarding final average compensation. Preliminary results show that there are potentially other retirees with inaccurate final average comp in certain work classes with special pay codes. Staff requested additional time to continue research and is



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

scheduled to report back to the Board in December.

7.2 **Review & Discussion of Interest Crediting Policy for Members:** Mr. Bailey reviewed the current Interest Crediting Policy for member accounts, which sets the interest crediting rate to be the lower of half of the assumed rate or the actuarial return rate for the previous six-month period, whichever is lower. He discussed issues concerning the timing of the investment returns for some alternative investment assets. Mr. Bailey told the committee that staff will work on an amendment of the Interest Crediting Policy for members' accounts and present it at a future meeting for Board approval.

7.3 **Review of Independent Auditor, Brown Armstrong, & Discussion of Contract:** Ms. Wong discussed the results of the annual review of Brown Armstrong. Mr. Hackleman noted the average staff rating was below the trustees' rating. Ms. Wong commented that staff works well with Brown Armstrong and appreciates their services. They are very knowledgeable with the 1937 act and GASB accounting and reporting guidelines. Mr. Bailey stated that the audit contract is expiring soon and would recommend extending the contract for three years.

**Motion** by Hacklemen, second by Arnott, carried unanimously to recommend that the Board extend the Brown Armstrong Accountancy Corporation Independent Auditor contract for three additional years. Staff will bring the contract extension to the December board meeting for approval.

8.0 **Finance Officer's Report:** None

9.0 **Adjournment:** There being no further business, Mr. Tashman adjourned the meeting at 12:58 p.m.

ERIC TASHMAN, AUDIT COMMITTEE CHAIR

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

December 11, 2012

Agenda Item 4.0 (a)

To: Board of Retirement

From: Gladys Smith, Acting Assistant Executive Officer



Subject: Approval of Consent Agenda

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

**Disability Retirements**

1. The Board find that **Penni Pavis** is (1) disabled from performing her usual and customary duties as an Advisory System Engineer, (2) find that her disability was not a result of an illness/injury arising out of and in the course of her employment and (3) grant her application for a non-service-connected disability retirement.
2. The Board (1) approve and adopt the proposed findings and recommendations of the Hearing Officer, Roy Abrams and (2) deny **Christine Pepe's** application for a service-connected disability retirement.
3. The Board find that **Anthony Torrey** is (1) disabled from performing his usual and customary duties as a Deputy Probation Officer III, (2) find that his disability is service-connected and (3) grant his application for a service-connected disability retirement.

**Service Retirements**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Bacon, Alia	September 2, 2012	Sheriff's Office
Dubois, Richard	September 4, 2012	Superior Court
Winkelstein, Judith	September 6, 2012	Medical Center
Marin, John	September 21, 2012	Behavioral Health
Taylor, Francis	September 27, 2012	Sheriff's Office
Yuen, Wang	September 29, 2012	Medical Center
Bang, Hee	September 30, 2012	Medical Center

Ishikawa, Eiko	September 30, 2012	Medical Center
Dea, Liza	October 4, 2012	Medical Center
Haynes-Tucker, Lynne	October 6, 2012	Behavioral Health
Pijuan-Tugadi, Alana	October 10, 2012	Controller's Office
Hamilton, Michael	October 13, 2012	Def'd from Human Services Agency
Rosine, Jacqueline	October 13, 2012	Public Works
Verbelli, Sylvia	October 23, 2012	Def'd Plan 3
Ebersold, Donna	October 31, 2012	Def'd from Mental Health
Cooper, Judy	November 1, 2012	Aging and Adult Services
Loya-Flores, Carmencita	November 1, 2012	Public Health

### **Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Hart, Luz	Hart, Travis
Odenheimer, Edith	Odenheimer, John
Perez-Sorensen, Phyllis	Sorensen, Robert
Waldron, Merilee	Waldron Russell
Yuen, Winnie	Yuen, Wang-Yip
Stoll, Michael	Stoll, Joanne
Kimble, Marilyn	Kimble, Joseph

### **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>
Warner, Roberts	G4 Vested
Mendoza, Grace	G4 Vested
Villarina, Raquel	G4 Vested
Macedo, Brenda	G4 Vested
Lagula, Michelle	G4 Vested

Morales, Roina	G4 Vested
Alvarez, Cynthia	G4 Vested
Hickman, Julia	G4 Vested
Carr, Katherine	G4 Vested – Auto Defer
Goodenough, Marshall	G2 Vested – Auto Defer
Javillonar, Myles	G4 Vested – Auto Defer
Navarro, Michael	G4 Vested – Auto Defer
Reichbach, Marci	G4 Vested – Auto Defer
Judd, Teri	G4 Vested – Auto Defer
Valdez, Alicia	G4 – Auto Defer w/ Incoming Reciprocity
Tran, Luong	G4 – Reciprocity
Yano, Elizabeth	G4 – Reciprocity
Vilchez-Ruiz, Anna	G4 Vested – Incoming 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>
Rowland, April	QDRO
Etman, Shariff	G4 Non-vested
Krasowski, Michelle	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>
Ara England, Ara	G4 Non-vested
Nevares, Stacie	G4 Non-vested
Smallwood, Deborah	G4 Non-vested
Corforme, Teresita	G4 Vested
Jaramillo, Patricia	G4 Non-vested

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

December 11, 2012

Agenda Item 4.0

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Approval of Reinstatement of Retired Member to Active Status

**Staff Recommendation:**

Staff recommends that the Board reinstate John Maltbie as an active member under the provisions of Government code sections 31680.4 and 31680.5.

**Background:**

Government code section 31680.4 provides that a member retired for service and reemployed in a county or district shall become again an active member of the retirement association upon (a) his or her application to the board for reinstatement, (b) the determination of the board, based upon medical examination, that he or she is not incapacitated for the duties assigned to him or her; and (c) meeting the conditions for membership in Article 4 (commencing with Section 31550) are met.

Upon reinstatement, Mr. Maltbie's pension will be suspended during the time period that he is an active employee.

**Discussion:**


Mr. Maltbie retired for service from his position as County Manager on December 30, 2008. The County intends to reemploy him as the County Manager in a full time capacity effective December 23, 2013. Mr. Maltbie has submitted a statement from his doctor dated November 24, 2012, stating that, based upon a medical examination, Mr. Maltbie is able to perform his County Manager job duties. All other conditions for membership have been met.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

December 11, 2012

Agenda Item 5.2

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer 

**SUBJECT:** Approval of Resolution Adopting Member and Employer Contribution Rates for PEPRA Members

**Staff Recommendation:**

Staff recommends the Board adopt the attached resolution accepting single member contribution rates per plan and employer contribution rates, as calculated by Milliman, Inc., to be recommended to the Board of Supervisors and take effect January 1, 2013, for members who are subject to the benefit plans required by the California Public Employees' Pension Reform Act (PEPRA) of 2013.

**Background:**

The Board has already adopted rates for current members and those members who will not be subject to PEPRA. Commencing January 1, 2013, however, members will be hired who are either not already members of SamCERA or are not eligible for incoming reciprocity; and those members will be subject to PEPRA. PEPRA members will earn benefits under new retirement formulas and will pay contributions on "pensionable compensation" rather than "compensation earnable" as do current members.

In the attached letter from Milliman, Inc., rates are calculated for a PEPRA-modified Plan 3, as well as PEPRA plans for County General, Safety and Probation members. Rates are also provided for employees of the San Mateo County Superior Court and the San Mateo County Mosquito & Vector Control District.

Please note that San Mateo County may close Plan 3 for members hired after Dec. 31, 2012. In such case, the Plan 3 rates would not be put into effect. They are provided and available if needed.

Milliman has also provided member rates under both the age of entry and single rate calculation methods. Staff believes that, in order to comply with the requirements of PEPRA, and in order to appropriately administer the PEPRA requirements, there must be single rates for each PEPRA plan, rather than rates based on each individual member's age of entry.

Current members' contributions are calculated under "age of entry" pursuant to CERL. Under this method, each member pays a contribution rate based on their plan and the age at which they entered the system. Members entering at younger ages pay lower rates than members

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

entering at older ages on the assumption that the system will have longer to invest and earn sufficient amounts to pay for the benefits of younger entrants. Single rates have no age component. All members of a plan pay the same rate. The single rate method is the most common rate calculation approach used for U.S. pension plans.

PEPRA mandates SamCERA to "modify its plan or plans to comply with the requirements of this section..." This means that the PEPRA law takes precedence and any plan elements that don't comply with PEPRA must be modified to do so.

PEPRA mandates "an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest quarter of 1 percent..." (GC §§7522.10 (a), 7522.30 (c)). PEPRA defines "normal cost rate" as the normal cost for "the defined benefit plan of an employer." (GC §7522.30(b)). SamCERA is mandated by PEPRA to implement new plans for general members and safety members. There is no requirement or authority to implement a separate plan for each entry age in each member category. Therefore, SamCERA is directed to implement single rates for these plans in order to calculate what is 50% of the normal contribution rate of each plan.

PEPRA contains other requirements regarding the calculation of normal cost rates. It is difficult to conceive methods under which these requirements could be accurately fulfilled if a separate calculation was required for each plan by entry age. For instance, each calculation of 50 percent of the normal cost rate is to be rounded to the nearest quarter of 1 percent, but not increased or decreased, after once established, unless the increase or decrease is more than 1% of the first established rate, and can only increase by a certain percentage. While such requirements could potentially be programmed, the complexity of the calculations would add a high risk of inaccuracy to such programming and its results.

Adopting single rates per plan would be consistent with the administrative actions of nearly all other California pension systems. Both CalPERS and CalSTRS, to which PEPRA also applies, currently charge single rates. They will charge single rates for their PEPRA plans.

The actuaries on the California Actuarial Advisory Panel, including Milliman, Inc., are unanimously recommending single rates to their 1937 Act system clients for PEPRA member plans.



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December 4, 2012

Board of Retirement  
San Mateo County Employees' Retirement Association

Re: Analysis of Assembly Bill 340 and Assembly Bill 197

Dear Members of the Board:

As requested, we are providing an actuarial analysis of Assembly Bill 340 (AB 340), which includes the California Public Employees' Pension Reform Act of 2013 (PEPRA). This legislation, which was recently signed into law, revises the benefits available to any member of a California public retirement system (with a few exceptions) who enters the system on or after January 1, 2013. Under the provisions of this legislation, post-2012 new entrants will be placed into "new" plans with PEPRA-compliant benefit formulas, compensation limitations and specific employee cost-sharing provisions. Assembly Bill 197 (AB 197) contains additional information regarding the definition of compensation earnable applied in AB 340.

The purpose of this analysis is to calculate the member and employer contribution rates effective January 1, 2013 for new entrants. Note that in certain cases, such as when a new hire has reciprocity, the member may be eligible to enter the applicable current plan and not be subject to PEPRA.

Our analysis is based on our review of the legislation and conversations with *SamCERA* staff. We strongly recommend that our understanding, as presented in this letter, is reviewed by *SamCERA* staff and legal counsel for consistency with the legislation.

### **Summary Results**

The following chart shows the recommended contribution rates for the new plans effective January 1, 2013. Note that the contribution rate for the Unfunded Actuarial Accrued Liability is consistent with the rate being paid for the current fiscal year (see our September 26, 2011 letter for details). A comparison of the normal cost and contribution rates is shown later in this letter in the section titled Comparison of New Plan Costs with Current Open Plans.



Contribution Rates Effective January 1, 2013 for New Entrants					
	General County & Courts		General		
	PEPRA Formula	Plan 3 Formula	SMCM&VCD	Safety	Probation
Basic Normal Cost Rate	12.86%	7.00%	13.07%	21.27%	19.93%
COLA Normal Cost Rate	2.54%	0.00%	2.58%	4.95%	4.63%
Total Normal Cost Rate	15.40%	7.00%	15.65%	26.22%	24.56%
<b>Member Contribution Rate</b>	<b>(7.75)%</b>	<b>(3.50)%</b>	<b>(7.75)%</b>	<b>(13.00)%</b>	<b>(12.25)%</b>
Employer Normal Cost Rate	7.65%	3.50%	7.90%	13.22%	12.31%
UAAL Contribution Rate*	16.41%	16.41%	16.41%	40.16%	21.62%
<b>Employer Contribution Rate</b>	<b>24.06%</b>	<b>19.91%</b>	<b>24.31%</b>	<b>53.38%</b>	<b>33.93%</b>

\* UAAL Contribution Rates shown are the recommended rates based on the June 30, 2011 actuarial valuation report.

The following chart shows the recommended contribution rates for the new plans for the fiscal year 2013 - 2014.

Contribution Rates Effective July 1, 2013 for New Entrants					
	General County & Courts		General		
	PEPRA Formula	Plan 3 Formula	SMCM&VCD	Safety	Probation
Basic Normal Cost Rate	12.86%	7.00%	13.07%	21.27%	19.93%
COLA Normal Cost Rate	2.54%	0.00%	2.58%	4.95%	4.63%
Total Normal Cost Rate	15.40%	7.00%	15.65%	26.22%	24.56%
<b>Member Contribution Rate</b>	<b>(7.75)%</b>	<b>(3.50)%</b>	<b>(7.75)%</b>	<b>(13.00)%</b>	<b>(12.25)%</b>
Employer Normal Cost Rate	7.65%	3.50%	7.90%	13.22%	12.31%
UAAL Contribution Rate*	20.17%	20.17%	20.17%	48.51%	26.71%
<b>Employer Contribution Rate</b>	<b>27.82%</b>	<b>23.67%</b>	<b>28.07%</b>	<b>61.73%</b>	<b>39.02%</b>

\* UAAL Contribution Rates shown are the recommended rates based on the June 30, 2012 actuarial valuation report.

Note that the General Plan 3 Formula reflects the current General Plan 3 formula with revisions required by PEPRA. We will refer to this plan as General Plan 3 (PEPRA). As allowed under PEPRA, since the total normal cost rate of the existing General Plan 3 formula is less than the comparable plan with the PEPRA formula, it may be offered to new entrants with certain modifications required by PEPRA. All other new plans reflect all applicable PEPRA provisions and the PEPRA formula. For new Safety and Probation members, this is the formula referred to as the "Option 2" formula for Safety members in AB 340.

Also, our analysis found that except for General Plan 3, all the current SamCERA formulas have a higher normal cost rate than the PEPRA formulas. Therefore, these formulas are not allowed for new members under PEPRA.

### Member Contribution Rates

For new members, we have calculated the applicable member contribution rate for each new plan equal to one half of the total normal cost rate as specified in the Section 7522.30(c) of the legislation. Note that we have rounded the member rate to the “nearest quarter of 1 percent” as also required by the legislation. In some cases, rounding the rates will result in member rates that are slightly less than 50% of the total normal cost rate. The calculated values are single rates (shown previously in contribution rate chart) payable by all new entrant members of the respective plan. The legislation is silent regarding the issue of whether all new entrant members must pay a single rate, or if member contribution rates may vary by entry age as they do for current members; however, it seems to imply that the single rate would apply. To address both possible interpretations, we have also provided alternative member rates which vary by entry age, rounded to the nearest one-quarter percent, in Exhibit 1.

These rates are the normal member rates used for the corresponding General and Safety plans increased by a common factor, so the total expected member contributions are equivalent to the single rate (i.e., the member pays half the total normal cost rate). There is no guidance in PEPRA on how member rates by entry age should be determined, so we have attempted to maintain consistency with the current '37 Act requirements. Note that since the current General Plan 3 is non-contributory, there is no corresponding formula for member contribution rates; therefore, for Plan 3 Formula (with PEPRA adjustments) we have used the same formula for member contribution rates as the Current General Plan 5. The specific formulas used, along with the corresponding adjustment factors (to achieve equivalence with the single rate), are:

Plan	'37 Act Reference	Formula for Normal Member Rate	Adjustment Factor
Plan 3 Formula	31621	1/120th of FAC at age 60	0.5487
General (County & Courts)	31621	1/120th of FAC at age 60	1.2112
General (SMCM&VCD)	31621	1/120th of FAC at age 60	1.2297
Safety	31639.25	1/100th of FAC at age 50	1.4462
Probation	31639.25	1/100th of FAC at age 50	1.3932

### Impact of Legislation on Current Members

There are a number of provisions in AB 340 that apply to existing members. These include limitations on members returning to work after retirement, the prohibition of nonqualified service purchases, and the prohibition of retroactive benefit increases, among others. Although these changes could ultimately affect *SamCERA*'s costs, there are no assumptions for these events in the valuation, so **there will be no impact on the current valuation based on the assumptions used in our analysis.** Our understanding is that there are two potential changes to current members that could impact the valuation. However, as discussed below, we are not presently recommending any changes to the valuation.

1. Employers may require current members to pay half of the normal cost effective January 1, 2018. Since it is not known whether this will occur, we have assumed there will be no change in current member contribution rates for purposes of this analysis.

2. The definition of “compensation earnable” is restricted to limit additional payments over what would normally be paid over each 12-month period. Our understanding is that this is not expected to affect current member compensation earnable for *SamCERA* due to current compensation practices.

### **Comparison of Current Formulas with PEPRA Formulas**

Under Section 7522.02(d) of the legislation, a public employer may continue to offer their current plan formula, without a compensation cap, as described later, if the following criteria hold:

1. The employer’s current benefit formula has a lower benefit factor at normal retirement age than the PEPRA benefit formula, and;
2. It is determined that the current formula with certain partial required PEPRA revisions has a “lower normal cost” than the PEPRA benefit formula.

Based on our analysis, the only current *SamCERA* formula that satisfies the above conditions is General Plan 3. Therefore, the General Plan 3 formula could be offered to new entrants; however, certain modifications would still be required by PEPRA. We will refer to this plan as General Plan 3 (PEPRA) to distinguish it from the current General Plan 3. The changes that would apply for General Plan 3 (PEPRA) are listed below under “Changes Applying for All New Plans (New Entrants Only)”.

The other option for new members is to create entirely new *SamCERA* Plans which contain all of the PEPRA modifications, including new benefit formulas. For these new PEPRA plans, all changes listed below apply.

Note that we have assumed there are no changes to death and disability benefits (except where noted) or Cost-of-Living Adjustments (COLAs) for this study. We have also assumed that the members with an eligible spouse or domestic partner would continue to be eligible for the standard beneficiary continuance at no cost.

### **Description of AB340 Provisions Applicable to New Members (PEPRA)**

The following changes in plan provisions would be required by PEPRA:

#### **Changes Applying for All New Plans (New Entrants Only)**

- The member contribution rate is set equal to one-half the normal cost rate. Pensionable compensation is restricted under PEPRA. Specific pay elements to be included in compensation earnable have been adopted by the *SamCERA* Board of Retirement. Based on current compensation data, *SamCERA* estimates the impact of this change as approximately a 1.5% decrease in pensionable compensation for General and Safety members and a 0.5% decrease for Probation members.
- Compensation for purposes of determining retirement benefit amounts is limited to either 100% or 120% of the Social Security Taxable Wage Base (SSTWB) in 2013, depending on whether the plan is covered by Social Security. This limit is subject to annual indexing based on changes in the Consumer Price Index for All Urban Consumers. For County and Court General members, the 100% SSTWB limit applies, since these

members are covered by Social Security; for Safety, Probation and Mosquito & Vector Control District members, 120% of the limit is used, as these members are not covered by Social Security. Note that this limit does not apply to the General Plan 3 (PEPRA) formula.

- No benefits in excess of the Internal Revenue Code (IRC) Section 415 limits would be paid. Currently, these benefits may be paid via a replacement benefit plan. Note that the 100%/120% of SSTWB compensation limit makes it unlikely that new entrants will be subject to the 415 limit. Similarly, the lower benefit formula and the \$250,000 compensation limit under IRC Section 401(a)(17) make it unlikely that future members subject to the Plan 3 formula would be subject to the 415 limit. For purposes of this analysis, we have assumed there is no cost or savings due to these provisions.
- PEPRA requires that the calculation of final compensation be averaged over the highest consecutive 36-month period for all new members. Currently, all new hires have a three-year highest final average period, although the three years do not have to be consecutive. For purposes of this analysis, we have assumed there is no cost or savings due to these provisions.
- Additional provisions apply to retroactive benefits, retired members who return to work, service purchases, pension contribution holidays, and public officials convicted of a felony. For purpose of this analysis, we have assumed there is no cost or savings due to these provisions.

### **Changes for the New General Plan**

- The earliest eligibility for retirement is at age 52 with 5 years of service. Currently, Plan 5 members are eligible for service retirement with 30 years of service or age 50 with 10 years of membership. Note that there is no change in eligibility for new Plan 3 (PEPRA) plan.
- New retirement age factors replace the current formula factors. These factors are lower than the current Plan 5 factors at all ages less than age 67. A comparison is shown following this section. Note that there is no change in factors for the Plan 3 (PEPRA) plan.

### **Changes for the New Safety and Probation Plans**

- The earliest eligibility for retirement is at age 50 with 5 years of service. Currently, Safety and Probation members are eligible for service retirement with 20 years of service or age 50 with 10 years of membership.
- New retirement age factors replace the current formula factors. These factors are lower than the current Plan 5 factors at all ages and lower than or equal to the current Plan 6 factors at all ages less than age 57. A comparison is shown following this section.

### Revised Age Factors

As mentioned above, the legislation will result in a revised set of age factors for new members hired after January 1, 2013 for at least some of the *SamCERA* plans. The following chart shows a comparison of the new age factors with the age factors in place under the current plans.

Comparison of Formula Percentages (General)					
Retirement at Age	PEPRA	General Plan 3		General Plan 5	
		Percent	Compare	Percent	Compare
52	1.00%	na	na	1.30%	Higher
53	1.10%	na	na	1.36%	Higher
54	1.20%	na	na	1.43%	Higher
55	1.30%	0.78%	Lower	1.49%	Higher
56	1.40%	0.86%	Lower	1.56%	Higher
57	1.50%	0.94%	Lower	1.64%	Higher
58	1.60%	1.02%	Lower	1.73%	Higher
59	1.70%	1.12%	Lower	1.82%	Higher
60	1.80%	1.22%	Lower	1.92%	Higher
61	1.90%	1.34%	Lower	1.99%	Higher
62	2.00%	1.48%	Lower	2.09%	Higher
63	2.10%	1.64%	Lower	2.20%	Higher
64	2.20%	1.80%	Lower	2.31%	Higher
65	2.30%	2.00%	Lower	2.43%	Higher
66	2.40%	2.00%	Lower	2.43%	Higher
67	2.50%	2.00%	Lower	2.43%	Lower

Note that we have not shown separate benefit factors for new members of the Mosquito & Vector Control District. For the district formula, all current benefit factors are greater than those specified under PEPRA; therefore, new members of the district will only be eligible for the PEPRA factors.

For Safety plans (including Probation), the legislation provides for three separate benefit formulas – a base formula and two options. We have used Option 2 for new Safety and Probation members as it has the percentage factor that is closest and provides a lower benefit factor at age 55, consistent with the guidance in the legislation.

Comparison of Formula Percentages (Safety & Probation)					
Retirement at Age	PEPRA Option 2	Plan 5		Plan 6	
		Percent	Compare	Percent	Compare
50	2.00%	2.29%	Higher	2.00%	Same
51	2.10%	2.41%	Higher	2.10%	Higher
52	2.20%	2.54%	Higher	2.22%	Higher
53	2.30%	2.68%	Higher	2.34%	Higher
54	2.40%	2.83%	Higher	2.47%	Higher
55	2.50%	3.00%	Higher	2.62%	Higher
56	2.60%	3.00%	Higher	2.62%	Higher
57	2.70%	3.00%	Higher	2.62%	Lower

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## Plan Options

Our understanding is that new entrants may have the following potential options of plans to enter.

Group	Current Plan Options	Potential PEPRA Options
General Members (County & Courts)	General Plan 3 or Plan 5	Plan 3 Formula with PEPRA Revisions, or PEPRA General Formula with 100% Limit*
General SMCM&VCD	General Plan 5	PEPRA General Formula with 120% Limit*
Safety Members	Safety Plan 5 or Plan 6	PEPRA Option 2 Safety Formula with 120% Limit*
Probation Members	Probation Plan 5 or Plan 6	PEPRA Option 2 Safety Formula with 120% Limit*

\*Pensionable compensation limit based on Social Security Taxable Wage Base.

## Comparison of New Plan Costs with Current Open Plans

The new plans using the PEPRA formulas are expected to result in lower total costs than the current open plan that corresponds with each group. These cost savings are primarily due to the lower benefit formula. Note the one exception is that the total normal cost rate for PEPRA version of Plan 3 is higher than the current Plan 3 due to the addition of member contributions which can be refunded and are therefore included as part of the cost of the benefits; however, the employer's share of the normal cost is still less. The following chart shows a comparison of the total normal cost rate for each group. Note that decreases are indicated by negative values (those in parentheses) in the "Increase" column.

NOTE: We have shown a comparison to the current plans, which have active populations ranging from a relatively small number of active members down to no active members for Safety Plan 6. We based our analysis on larger groups, as described in the Actuarial Certification section, to provide a more stable estimate of the future population. Therefore, the measurements shown are based on different populations which may cause some additional differences.

	Total Normal Cost Rate		
	Current Plan	PEPRA Version	Increase / (Decrease)
General County & Courts (Current Plan = 3)	7.94%	7.00%	(0.94)%
General County & Courts (Current Plan = 5)	17.50%	15.40%	(2.10)%
General SMCM&VCD	17.69%	15.65%	(2.04)%
Safety (Current Plan = 5)	33.00%	26.22%	(6.78)%
Safety (Current Plan = 6)	28.48%	26.22%	(2.26)%
Probation (Current Plan = 5)	28.38%	24.56%	(3.82)%
Probation (Current Plan = 6)	26.02%	24.56%	(1.46)%

The average member contribution rate may be more or less under PEPRA than the current open plan depending on the specific plan. In particular, for new employees who would have otherwise entered a plan which currently has cost-sharing, the average member contribution rate will likely be less under PEPRA.

	Average Member Contribution Rate		
	Current Plan	PEPRA Version	Increase / (Decrease)
General County & Courts (Current Plan = 3)	0.00%	3.50%	3.50%
General County & Courts (Current Plan = 5)	8.15%	7.65%	(0.50)%
General SMCM&VCD	6.79%	7.90%	1.11%
Safety (Current Plan = 5)	16.52%	13.22%	(3.30)%
Safety (Current Plan = 6)	12.50%	13.22%	0.72%
Probation (Current Plan = 5)	13.46%	12.31%	(1.15)%
Probation (Current Plan = 6)	9.98%	12.31%	2.33%

The employer's share of the total normal cost rate is lower for all plans under PEPRA as shown in the following chart. Note that this comparison is for the rates effective July 1, 2013.

	Employer Normal Cost Rate		
	Current Plan	PEPRA Version	Increase / (Decrease)
General County & Courts (Current Plan = 3)	7.94%	3.50%	(4.44)%
General County & Courts (Current Plan = 5)	9.35%	7.65%	(1.70)%
General SMCM&VCD	10.90%	7.90%	(3.00)%
Safety (Current Plan = 5)	16.48%	13.22%	(3.26)%
Safety (Current Plan = 6)	15.98%	13.22%	(2.76)%
Probation (Current Plan = 5)	14.92%	12.31%	(2.61)%
Probation (Current Plan = 6)	16.04%	12.31%	(3.73)%

### Use of Percentage of Pay in this Analysis

Limiting pensionable pay, whether by applying the definition of pensionable compensation or by directly limiting pay for benefit calculation purposes to 100% or 120% of the SSTWB, would result in lower dollar costs; however, each change would also reduce the payroll on which future contributions could be collected. Our understanding is that future contributions would only be collected on the reduced payroll. Since these provisions would change the value of the benefits earned (the numerator in the calculation of the normal cost rate), as well as alter the pensionable compensation (the denominator in the calculation), these compensation-limiting provisions should have a relatively small impact on the Normal Cost rate as a percentage of pay, because both the numerator and the denominator in the calculation decrease by

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approximately the same amount. For this analysis, we have shown the new normal cost rates as a percent of the new (limited) payroll, since this will be the ultimate rate for new members.

### **Potential Adjustment to Employer Contribution Rates**

In the Summary Results section we show the recommended employer contribution rates. It should be noted that these are theoretical contribution rates assuming that all new members pay the recommended member rate immediately and that future pensionable payroll increases 3.75% per year. Given certain provisions of PEPRA as detailed below, we expect the actual contributions will fall short of the calculated actuarial rate even if all assumptions are met in the future. These shortfalls are expected to be small, but we recommend the Board consider approaches to address this difference.

The definition of pensionable compensation for PEPRA members is more restrictive than the definition of compensation earnable for current members. This is expected to reduce the total pensionable payroll. Additionally, pensionable payroll will be reduced to the extent individual members' compensation exceeds the PEPRA SSTWB-based limit. If employer contributions to pay off the UAAL are based on this more restrictive pensionable compensation, the contributions received will be less than under the current plans, since the UAAL contribution rates are the same and pensionable compensation is less. The short-term impact of this should not be material to the overall funding of *SamCERA*. Per discussions with *SamCERA* staff, this issue will be studied with the next investigation of experience.

There is one other issue that potentially could impact the employer rates. The recommended Employer Normal Cost rate assumes that the calculated member rate is paid by all members. Note that new members covered by an existing MOU may still have negotiated County "pick-ups" applied to their rates, which would result in reduced member contributions. It is our understanding the County will continue to make the payments for these pick-ups, if required by the MOU. Therefore, no adjustment to the Employer rate should be necessary.

### **Sensitivity to Assumptions**

The assumptions used have a material impact on the anticipated cost of the benefits. For the demographic (relating to member behavior) and economic assumptions, we have used the June 30, 2012 valuation assumptions in our comparison of the value of benefits. The following are some of the key assumptions that were made in this analysis and our comments on their potential impact:

- **Investment Return:** The cost analysis assumes that *SamCERA*'s current and future assets earn 7.50%. If the actual returns in the future are greater, this would reduce the ultimate cost of PEPRA benefits. Conversely, if actual returns are less than 7.50%, it would increase the ultimate cost of PEPRA benefits.
- **Rates of Retirement:** The age at which members retire can have a material impact on costs. Under the legislation, the retirement behavior of future *SamCERA* members will likely change. In particular, the change in retirement eligibility and the new percentage factors will likely impact members' retirement choices. Note that we have used the retirement rates used in the June 30, 2012 actuarial valuation for the lower cost plans (e.g., Safety Plan 5 retirement rates for the new Safety PEPRA plan). Since the PEPRA



benefit factors are fairly close to the factors for the current lower cost plans, we believe these retirement rates are reasonable to use for this analysis. As described below, we have made one modification to the certain retirement age to be consistent with the new PEPRA formulas.

### **Assumptions Specific to this Analysis**

The data, assumptions and methods used in this analysis are based on the June 30, 2012 actuarial valuation. We have made the following additions to and modifications of the current valuation assumptions to reflect the provisions of PEPRA:

- **Refund of Contributions upon Termination:** Currently all Plan 3 members are assumed to elect a deferred service retirement benefit upon vested termination, as current Plan 3 members do not make contributions. Therefore, a deferred retirement is always more valuable than a refund of contributions. Since under PEPRA all members would contribute, the refund of contributions benefit may be more valuable in many cases than the deferred service retirement benefit. Therefore, for vested members who terminate in the future, we have assumed that if the value of the deferred vested benefit is less than the value of the contributions with interest, the member elects a refund. 100% of non-vested terminations are assumed to elect a refund. This applies to General Plan 3 (PEPRA).
- **Death Benefit:** Currently there is no benefit available at death to Plan 3 members. However, because General Plan 3 (PEPRA) would be a contributory plan, members would have a contribution balance at death. We have assumed that the beneficiaries of members who die before retirement would receive a refund of these contributions at death.
- **Termination Rate Assumptions:** Currently, there is no termination assumed after 30 years of service for General Plan 5 members (20 years for Safety and Probation members), as active members would be eligible for service retirement. Under the new PEPRA formulas, active members would no longer be automatically eligible for service retirement at these thresholds. Therefore, we believe it is more likely that a member may terminate while not being eligible to retire at these service levels. We have proposed new termination assumptions for service greater than or equal to 30 years of service for General members (1.0% probability of termination each year) and greater than or equal to 20 years for Safety and Probation members (0.4% probability of termination each year). We have used our actuarial judgment to propose these rates based on our experience working with *SamCERA* and other large retirement systems.
- **Safety Disability Benefit:** PEPRA provides for an “industrial” disability benefit for Safety members (50% of final compensation plus an annuity based on the members contribution account) that would be greater in many cases than *SamCERA*'s current service-connected disability benefit. However, it is our understanding is that this benefit is not intended to apply to '37 Act county retirement systems. Therefore, we have retained the current Safety disability benefit for both Safety and Probation members for this analysis.

- **Certain Retirement Age:** Currently, General members are assumed to have 100% probability of retirement at age 70, and Safety members at age 60, unless the members reach an age/service combination at which the benefit amount is approximately equal to 100% of Final Compensation. For the new PEPPRA formulas, these thresholds are reached at a different age/service combination than under the previous '37 act applicable formulas. Therefore, for the new General PEPPRA plan, we have assumed certain retirement at age 67 with 40 years of service (or age 70 if earlier), and for the new Safety and Probation PEPPRA plans we have assumed certain retirement at age 57 with 37 years of service (or age 60 if earlier).

### **Actuarial Certification**

All data, methods, and assumptions are the same as those used in our June 30, 2012 actuarial valuation for *SamCERA*, except where noted. It should be noted that member behavior may change as a result of plan changes. We have not anticipated any changes in member behavior in the assumptions used in our analysis (except where noted).

In determining the normal cost rate for new members, we have used the following populations.

- General Plan 3 (PEPPRA) – Current full-time General Plan 3, 4 and 5 members.
- New General PEPPRA Plan – Current full-time General Plan 3, 4 and 5 members.
- New Safety PEPPRA Plan – Current full-time Safety Plan 4, 5 and 6 members.
- New Probation PEPPRA Plan – Current full-time Probation Plan 4, 5 and 6 members.

The cost estimates presented in this letter reflect changes in the benefits provided to *SamCERA* members, as described in this letter and in Assembly Bills 340 and 197. These cost estimates are subject to the uncertainties of a regular actuarial valuation; the costs are inexact because they are based on assumptions that are themselves necessarily inexact, even though we consider them reasonable.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. These possible changes should be reviewed by counsel. Note that we have not explored these or any other legal issues with respect to the proposed plan changes.

In preparing the valuation upon which this letter was based, we relied without audit, on information (some oral and some in writing) supplied by *SamCERA* staff. This information includes, but is not limited to, statutory provisions, employee data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. It should be noted that if any data or other information is materially inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for *SamCERA* have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of *SamCERA* and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting *SamCERA*.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted as shown in Appendix B of the June 30, 2012 actuarial valuation report.

Actuarial computations presented in this letter are for purposes of determining the member and employer contribution rates for new members. The calculations in this letter have been made on a basis consistent with our understanding of *SamCERA*'s current funding requirements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this letter. Accordingly, additional determinations may be needed for other purposes.

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- (a) *SamCERA* may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) *SamCERA* may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this cost study letter is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



We respectfully submit this analysis and we look forward to discussing it with you.

If you have any questions, please contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Nick Collier".

Nick J. Collier, ASA, EA, MAAA  
Principal and Consulting Actuary

NJC/nlo

cc: Mr. David Bailey

## Exhibit 1 Member Contribution Rates by Entry Age

Entry Age	General Members				
	Plan 3 (PEPRA)	County & Courts	SMCM&VCD	Safety	Probation
16	2.50%	5.25%	5.25%	10.00%	9.50%
17	2.50%	5.25%	5.50%	10.00%	9.75%
18	2.50%	5.50%	5.50%	10.25%	10.00%
19	2.50%	5.50%	5.75%	10.50%	10.00%
20	2.50%	5.75%	5.75%	10.75%	10.25%
21	2.50%	5.75%	5.75%	10.75%	10.50%
22	2.75%	5.75%	6.00%	11.00%	10.75%
23	2.75%	6.00%	6.00%	11.25%	10.75%
24	2.75%	6.00%	6.25%	11.50%	11.00%
25	2.75%	6.25%	6.25%	11.75%	11.25%
26	2.75%	6.25%	6.50%	12.00%	11.50%
27	3.00%	6.50%	6.50%	12.00%	11.75%
28	3.00%	6.50%	6.75%	12.25%	11.75%
29	3.00%	6.75%	6.75%	12.50%	12.00%
30	3.00%	6.75%	7.00%	12.75%	12.25%
31	3.25%	7.00%	7.00%	13.00%	12.50%
32	3.25%	7.00%	7.25%	13.25%	12.75%
33	3.25%	7.25%	7.25%	13.50%	13.00%
34	3.25%	7.25%	7.50%	13.75%	13.25%
35	3.25%	7.50%	7.50%	14.00%	13.50%
36	3.50%	7.50%	7.75%	14.25%	13.75%
37	3.50%	7.75%	7.75%	14.50%	14.00%
38	3.50%	7.75%	8.00%	14.75%	14.25%
39	3.50%	8.00%	8.00%	15.00%	14.50%
40	3.75%	8.25%	8.25%	15.25%	14.75%
41	3.75%	8.25%	8.50%	15.50%	15.00%
42	3.75%	8.50%	8.50%	15.75%	15.25%
43	4.00%	8.50%	8.75%	16.00%	15.25%
44	4.00%	8.75%	9.00%	16.00%	15.50%
45	4.00%	9.00%	9.00%	16.25%	15.50%
46	4.00%	9.00%	9.25%	16.25%	15.75%
47	4.25%	9.25%	9.50%	16.25%	15.75%
48	4.25%	9.50%	9.50%	16.75%	16.25%
49	4.25%	9.50%	9.75%	17.50%	16.75%
50	4.50%	9.75%	10.00%	17.50%	16.75%
51	4.50%	10.00%	10.00%	17.50%	16.75%
52	4.50%	10.00%	10.25%	17.50%	16.75%
53	4.50%	10.25%	10.25%	17.50%	16.75%
54	4.75%	10.25%	10.50%	17.50%	16.75%
55	4.75%	10.25%	10.50%	17.50%	16.75%
56	4.75%	10.25%	10.50%	17.50%	16.75%
57	4.75%	10.25%	10.50%	17.50%	16.75%
58	4.75%	10.75%	11.00%	17.50%	16.75%
59	5.00%	11.00%	11.25%	17.50%	16.75%
60 & Up	5.00%	11.00%	11.25%	17.50%	16.75%

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

RESOLUTION 12-13-\_\_

***RESOLUTION ADOPTING SINGLE MEMBER CONTRIBUTION RATES AND EMPLOYER CONTRIBUTION RATES FOR EACH PLAN FOR MEMBERS WHO ARE SUBJECT TO THE BENEFIT PLANS CONTAINED IN THE CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 AND ACCEPTING CONTRIBUTION RATES FOR THESE MEMBERS TO RECOMMEND TO THE BOARD OF SUPERVISORS EFFECTIVE JANUARY 1, 2013.***

**WHEREAS**, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board..." 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**, on October 23, 2012, the Board received and accepted the June 30, 2012, valuation report from its actuarial firm, Milliman, Inc., and accepted the recommended contribution rates necessary to assure the actuarial soundness of the Retirement Fund for members who are not subject to the benefit plan contained in the California Public Employees' Pension Reform Act of 2013 (PEPRA); and

**WHEREAS**, the Board has now received recommended contribution rates necessary to assure the actuarial soundness of the Retirement Fund for members who are subject to the benefit plans contained in PEPRA; and

**WHEREAS**, for those members who are subject to the benefit plans set forth in PEPRA, the Board must set the required member contribution pursuant to Government Code section 7522.04(b); and

**WHEREAS**, Government Code section 7522.10 (a) mandates SamCERA to "modify its plan or plans to comply with the requirements of this section..." and Government Code section 7522.30 (c) mandates "an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest quarter of 1 percent..."; and

**WHEREAS**, Government Code section 7522.30(b) defines "normal cost rate" as the normal cost for "the defined benefit plan of an employer"; and

**WHEREAS**, this Board has determined, based on the recommendation of the Chief Executive Officer and Milliman, Inc., that in order to comply with the requirements of PEPRA and in order to appropriately administer the PEPRA requirements, there must be a single member contribution rate for each plan rather than a rate based on the individual member's age of entry.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

RESOLUTION 12-13-\_\_

**THEREFORE, BE IT RESOLVED** that the Board of Retirement hereby recommends that the Board of Supervisors adopt a single member contribution rate for each plan for those members who are subject to the benefit plans contained in California Public Employees' Pension Reform Act of 2013; and be it further

**RESOLVED** that the Board hereby accepts the employer and member contribution rates as recommended by Milliman, Inc. for members who are subject to the benefit plans contained in the California Public Employees' Pension Reform Act of 2013; and 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 effective January 1, 2013.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on December 11, 2012.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

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*Lauryn Agnew, Board Secretary*

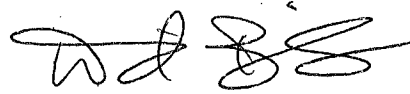
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

December 11, 2012

Agenda Item 5.3

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Approval of Resolution Defining Compensation Earnable Pursuant to Government Code §31461 for Applicable San Mateo County Mosquito and Vector Control District Members

**Staff Recommendation:**

Staff recommends the Board approve a resolution defining compensation earnable to be effective January 1, 2013, pursuant to Government Code §31461 for San Mateo County Mosquito and Vector Control District ("District") members who are not subject to Government Code §7522.34.

**Background:**

Under CERL, "compensation earnable" is used to: (1) calculate final compensation for a non-PEPRA member in order to determine the member's pension benefit and (2) to calculate the ongoing contributions to be paid by the member and the employer. Pursuant to Government Code §31461, the Board determines which elements of compensation are to be included in compensation earnable and which elements are not.

From time to time it is necessary for the Board to amend its determination of compensation earnable due to changes in the compensation schedules of SamCERA employers or changes in the law.

**Discussion:**

At the last meeting the Board adopted a resolution setting forth those items of compensation that are included and excluded from compensation earnable as defined in newly amended Government Code §31461. Because the District uses different pay codes than the County and the Superior Court, staff recommends that the Board adopt a separate resolution that is applicable to just the District and its members.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
RESOLUTION 12-13-\_\_

**RESOLUTION DEFINING COMPENSATION EARNABLE  
PURSUANT TO GOVERNMENT CODE §31461 FOR SAN MATEO COUNTY  
MOSQUITO AND VECTOR CONTROL DISTRICT MEMBERS  
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §7522.34.**

**WHEREAS**, for those current San Mateo County Mosquito and Vector Control District (“District”) members who became active members prior to January 1, 2013, and those members who became active members on or after January 1, 2013, but who are not subject to Government Code §7522.34 of the California Public Employees’ Pension Reform Act, the determination of compensation earnable for remuneration earned by those members is governed by Government Code §31461; and

**WHEREAS**, Government Code §31461 provides that compensation earnable by a member means the average compensation as determined by the Board, for the period under consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay; and

**WHEREAS**, Government Code §31461 provides that this Board determine which items of remuneration earned by District members shall constitute “compensation earnable,” and

**WHEREAS**, the Board has reviewed the current pay items and has determined which of those items are to be included in “compensation earnable” and which items are not to be included; and

**WHEREAS**, it is necessary for this Board from time to time to amend its determinations of compensation earnable due to changes in the compensation schedules of SamCERA employers or changes in the law; Therefore, be it

**RESOLVED** that effective January 1, 2013, resolution number 03-04-07 as amended is rescinded, and pursuant to Government Code §31461 as interpreted by the courts, the Board hereby makes the following determinations to be effective January 1, 2013, for District members as to what is included in “compensation earnable” and items of remuneration that are not included:

1. Compensation earnable shall include:

Regular hours worked
Sick leave with pay
Vacation with pay
Personal leave with pay
Comp time hours used as straight time

2. Compensation earnable, at a minimum, shall not include, in any case, the following pay items.

A. The following pay items are not included:

Overtime paid
Accrued comp earned at time and one-half (OT)
Leave without pay
Accrued sick time paid out upon termination
Accrued vacation time paid out upon termination
Accrued comp time paid out upon termination

B. Payments associated with the provision of insurance benefits, or other third party payments such as professional membership dues, that are not received in cash by a member.

C. Payments by a SamCERA employer of member-required contributions to the retirement system under Government Code sections 31581.1, 31630, 31639.85 or under a memorandum of understanding (MOU) between members (or their representatives) and the SamCERA employer.

3. Pursuant to Government Code §31461(b) compensation earnable, shall not include in any case the following:

A. Any compensation determined by the Board to have been paid to enhance a member's retirement benefit under that system. That compensation may include:

(1) Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member, and which was converted to and received by the member in the form of a cash payment in the final average salary period.

(2) Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member's grade or class.

(3) Any payment that is made solely due to the termination of the member's employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid.

B. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

C. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.

D. Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.

4. Pursuant to Government Code §31641(c), the determinations listed above are intended to be consistent with and not in conflict with the holdings in *Salus v. San Diego County Employees Retirement Association* (2004) 117 Cal.App.4th 734 and *In re Retirement Cases* (2003)110 Cal.App.4th 426.

**FURTHER RESOLVED** that the above listed determinations by the Board of what is included or not included in compensation earnable, shall be in effect until such time as action taken by the Board or action by the Legislature or the Courts as a matter of law requires a different determination.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on December 11, 2012.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

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*Lauryn Agnew, Board Secretary*

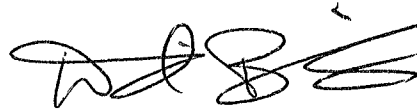
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

December 11, 2012

Agenda Item 5.4

**TO:** Board of Retirement

**FROM:** David Bailey, Chief Executive Officer



**SUBJECT:** Approval of Resolution Defining Pensionable Compensation Pursuant to Government Code §7522.34 for Applicable San Mateo County Mosquito and Vector Control District Members.

**Staff Recommendation:**

Staff recommends the Board approve a resolution defining pensionable compensation to be effective January 1, 2013, pursuant to Government Code §7522.34 for San Mateo County Mosquito and Vector Control District ("District") members who are not subject to Government Code §31461.

**Background:**

Like "compensation earnable," under the new California Public Employees' Pension Reform Act ("PEPRA"), "pensionable compensation" will be used to: (1) calculate a PEPRA member's final compensation in order to determine the member's pension benefit and (2) calculate the ongoing contributions to be paid by the member and the employer. Pursuant to Government Code §7522.34, the Board determines which elements of compensation are to be included in pensionable compensation and which elements are not.

**Discussion:**

At its last meeting the Board adopted a resolution setting forth those items of compensation that will be included and excluded from pensionable compensation as defined in Government Code §7522.34. Because the District uses different pay codes than the County and the Superior Court, staff recommends that the Board adopt a separate resolution that is applicable to just the new District members hired on or after January 1, 2013, and who will be subject to the calculation of pensionable compensation contained in PEPRA.

Staff has reviewed §7522.34 and has determined that, due to the current payment methodology used by the District, there are no differences between what pay items are included in "compensation earnable" (for current members) as compared to "pensionable compensation" (for PEPRA members). This could change if the payment methodology changes. That being said, certain language provisions in the proposed resolution differ from the resolution setting compensation earnable. The language differences stem from and are consistent with the language contained in §7522.34 (PEPRA) and §31461 (CERL).

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
RESOLUTION 12-13-\_\_

**RESOLUTION DEFINING PENSIONABLE COMPENSATION  
PURSUANT TO GOVERNMENT CODE §7522.34 FOR SAN MATEO COUNTY  
MOSQUITO AND VECTOR CONTROL DISTRICT MEMBERS  
WHO ARE NOT SUBJECT TO GOVERNMENT CODE §31461**

**WHEREAS**, for those San Mateo County Mosquito and Vector Control District (“District”) members who became active members on or after January 1, 2013, and who are subject to the California Public Employees’ Pension Reform Act contained in Government Code §7522 et seq., the determination of their pensionable compensation is governed by Government Code §7522.34; and

**WHEREAS**, the pensionable compensation for those District members who are subject to Government Code §7522.34 shall be the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to publicly available pay schedules; and

**WHEREAS**, the Board has reviewed the current pay items and has determined which of those items are to be included in “pensionable compensation” and which items are not to be included; and

**WHEREAS**, it will be necessary for this Board, from time to time, to amend its determinations of pensionable compensation due to changes made by SamCERA employers in their compensation schedules as well as changes in the law; Therefore, be it

**RESOLVED**, that pursuant to Government Code §7522.34, the Board hereby makes the following determinations for District members to be effective January 1, 2013, as to what is included in “pensionable compensation” and items of remuneration that are not included:

1. Pensionable compensation shall include:

Regular hours worked
Sick leave with pay
Vacation with pay
Personal leave with pay
Comp time hours used as straight time

2. Pensionable compensation, at a minimum, shall not include, in any case, the following pay items.

A. The following pay codes are not included:

Overtime paid
Accrued comp earned at time and one-half (OT)
Leave without pay
Accrued sick time paid out upon termination
Accrued vacation time paid out upon termination
Accrued comp time paid out upon termination

B. Pursuant to Government Code §7522.34, pensionable compensation does not include the following:

1. Any compensation determined by the Board to have been paid to increase a member's retirement benefit.
2. Compensation that had previously been provided in kind to the member by the employer or paid directly by the employer to a third party other than the retirement system for the benefit of the member and which was converted to and received by the member in the form of a cash payment.
3. Any one-time or ad hoc payments made to a member.
4. Severance or any other payment that is granted or awarded to a member in connection with or in anticipation of a separation from employment, but is received by the member while employed.
5. Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid.
6. Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise.
7. Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniforms.
8. Compensation for overtime work, other than as defined in Section 207(k) of Title 29 of the United States Code.

9. Employer contributions to deferred compensation or defined contribution plans.
  10. Any bonus paid in addition to the compensation described in subdivision (a) of Government Code §7522.34.
  11. Any other form of compensation the Board determines is inconsistent with the requirements of subdivision (a).
  12. Any other form of compensation that this Board determines should not be pensionable compensation.
3. Pursuant to Government Code §7522.10, whenever pensionable compensation, as defined in §7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the monetary limitations set forth in subdivision §7522.10.

**FURTHER RESOLVED** that the above listed determinations by the Board of what is included or not included in pensionable compensation, shall be in effect until such time as this Board, the Legislature or the Courts take action that as a matter of law requires a different determination.

\* \* \* \* \*

*Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on December 11, 2012.*

*Ayes, Trustees:*

*Noes, Trustees:*

*Absent, Trustees:*

*Abstain, Trustees:*

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*Lauryn Agnew, Board Secretary*

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

December 11, 2012

Agenda Item 6.1

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer 

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ending  
**October 31, 2012**

**Staff Recommendation:**

Staff recommends the Board accept the preliminary performance report dated October 2012.

**Background:**

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

**Discussion:**

The fund's preliminary return for the trailing twelve months is 10.3%. The twelve-month return is above both the Actuarial Discount Rate of 7.50% and SamCERA's Total Plan Policy Benchmark rate of 10.09%. As a reminder, SamCERA should expect performance to vary substantially from that of the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

After a strong summer rally in risky assets, October saw some retrenchment with U.S. equities down across the board, generally down between -0.75% to -3.0%, with growth stocks substantially underperforming value stocks across the market capitalization spectrum. Concern about weaker than expected revenue and earnings growth and the 'fiscal cliff' headlines cast a shadow on the market during the month. Developed international equity indices were up slightly during the month (+0.40%), while emerging markets were down -0.60%. The search for yield continued in fixed income markets, with credit generally outperforming Treasuries. Long-term interest rates were slightly higher, with the 10-year note now yielding 1.72%, an increase of 35 bps from the end of June. The BC Aggregate Index was up 0.20% with high yield and emerging market debt indices providing higher returns as credit outperformed in the risk rally.

**Attachments:**

	<u>Report Details</u>	<u>Page</u>
Executive Summary		1-2
SIS Market Update		3-6
State Street Performance Report		7-11
Portfolio Summary		12
Change in Portfolio & Asset Allocation		13



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

Aggregate Performance	14
Manager Performance	15
Realized & Unrealized Gain / (Loss)	16
Cash Flows	17
Professional Services Fees	18
Blended Benchmark Detail	19

Below is an overview of investment manager performance for period ending **October 31, 2012**:

<i>Portfolio</i>	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	-1.69%	3.29%	1.86%	15.02%
D.E. Shaw Investment Management, LLC	-1.53%	2.77%	1.30%	18.48%
T. Rowe Price Associates	-1.89%	3.18%	1.88%	15.37%
Barrow, Hanley, Mewhinney & Strauss	-0.24%	5.16%	3.29%	15.26%
BlackRock R1000 Growth Index	N/A	N/A	N/A	N/A
<b>Large Cap Aggregate</b>	<b>-1.77%</b>	<b>3.56%</b>	<b>1.07%</b>	<b>14.16%</b>
The Boston Company	-1.36%	5.77%	1.45%	17.74%
Chartwell Investment Partners	-1.68%	5.99%	-1.62%	14.61%
Jennison Associates	-1.07%	4.92%	0.15%	9.20%
<b>Small Cap Aggregate</b>	<b>-1.33%</b>	<b>5.48%</b>	<b>-0.07%</b>	<b>12.76%</b>
Baillie Gifford	0.78%	7.08%	2.52%	N/A
Eaton Vance – Parametric Emerging Equity	-0.22%	5.92%	-0.48%	N/A
Mondrian Investment Partners	0.23%	5.77%	2.20%	2.92%
Pyramis Global Advisors – Int’l Small-Cap	0.20%	8.90%	0.51%	N/A
<b>International Aggregate</b>	<b>0.35%</b>	<b>6.52%</b>	<b>1.81%</b>	<b>3.82%</b>
<b>Total Equity</b>	<b>-1.02%</b>	<b>4.80%</b>	<b>1.17%</b>	<b>10.85%</b>
Aberdeen Asset Management	0.46%	1.65%	4.50%	9.07%
Angelo Gordon	1.85%	10.86%	18.47%	38.22%
Brigade Capital Management	1.01%	4.06%	6.46%	13.93%
Brown Brothers Harriman	0.85%	1.26%	4.55%	8.85%
Franklin Templeton	1.07%	6.36%	6.46%	11.77%
Pyramis Global Advisors	0.21%	0.71%	3.69%	7.19%
Western Asset Management	0.49%	1.62%	5.03%	9.45%
<b>Fixed Income Aggregate</b>	<b>0.72%</b>	<b>3.02%</b>	<b>5.73%</b>	<b>11.18%</b>
Private Equity	N/A	N/A	N/A	N/A
AQR’s Global Risk Premium (Risk Parity)	-1.08%	2.28%	5.96%	13.31%
AQR’s Delta Fund (Hedge Fund)	1.43%	-1.27%	2.04%	4.81%
SSgA/SSARIS Commodity	-3.98%	2.27%	5.08%	9.92%
<b>Alternative Investments Aggregate</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Invesco Realty Advisors	N/A	2.80%	4.55%	9.70%
Cash	0.03%	0.15%	0.30%	0.66%
<b>Total Portfolio</b>	<b>-0.40%</b>	<b>3.74%</b>	<b>2.85%</b>	<b>10.30%</b>

## U.S. EQUITY

U.S. equity markets pulled back a bit in October. Within the U.S. markets, Value outperformed Growth and Large caps outperformed Small caps. The Russell 1000 Growth Index was down -2.9% for the month and the Russell 1000 Value Index was down -0.5%. The Russell 2000 Growth Index was down -3.1% and the Russell 2000 Value was down -1.3%. The S&P 500 Index ended the month down -1.9%.

The S&P 500 Index has a trailing P/E ratio of 16.4 and a forward 12-month estimate P/E ratio of 13.7.

With about half of the S&P 500 companies having reported third-quarter earnings a trend of weak revenue and earnings growth year-over-year is being seen. The EPS growth rate for the S&P 500 reporting companies (240 out of 500) is at 2.25% and the revenue growth rate is only 1.57%. Concern over revenue and earnings growth rates had an effect on the market correction that occurred in the second-half of the month of October.

Corporate merger highlights for the month included:

3M will acquire ceramic armor maker Ceradyne for about \$860 million; Softbank, Japan's 3<sup>rd</sup> largest mobile phone company, will pay \$2.3 billion to acquire rival eAccess; French hotel group Accor completed the sale of Motel 6 in North America to Blackstone Real Estate for \$1.9 billion; UnitedHealth is buying a 90% stake in Amil Participacoes SA, Brazil's largest health insurer and hospital operator, for \$4.9 billion; Marathon will buy BP's Texas City refinery, one of the largest in the country, for up to \$2.5 billion; Chemical coating maker Cytec Industries has agreed to sell its coating resins business to private equity firm Advent International for \$1.0 billion; Ecolab will buy privately-held Champion Technologies, a provider of energy specialty products and services, in a deal valued at \$2.2 billion; Spain's telecommunications giant Telefonica will sell Atento, a call-center firm, to Bain Capital for \$1.34 billion; Softbank, a Japanese wireless carrier, will acquire 70% of Sprint Nextel for \$20.1 billion; Advent International made a \$1.94 billion takeover offer for German perfume and jewelry retailer Douglas Holding; Exxon Mobil will buy Canadian oil and gas producer Celtic Exploration in a deal worth about \$3.1 billion; ASML launched a \$2.6 billion offer for Cymer, a developer of new ways to pattern semiconductor chips; ING Groep is close to selling its Hong Kong and Thailand insurance assets to Hong Kong businessman Richard Li for over \$2 billion;

Indian Hotels made a \$1.86 billion offer to acquire international luxury hotels operator Orient-Express Hotels; Cooper Industries agreed to an \$11.8 billion acquisition by industrial conglomerate Eaton; Carrefour will sell its operations in Columbia to Cencosud of Chile at an enterprise value of \$2.6 billion; Russian oil company Rosneft struck a 2-part deal worth about \$55 billion to buy TNK-BP and make BP a nearly 20% Rosneft shareholder; Canada blocked a \$5.2 billion acquisition of Progress Energy by Malaysia's state oil company Petronas; Ancestry.com agree to be acquired in a deal valued at about \$1.6 billion; McKesson will acquire PSS World Medical for roughly \$1.46 billion; Bayer will buy U.S. vitamins maker Schiff Nutrition for \$1.2 billion; Walt Disney will acquire George Lucas's Lucasfilm for \$4.05 billion; and, PVH Corp. will acquire Warnaco Group for about \$2.9 billion.

## FIXED INCOME

The U.S. gross domestic product grew at a 2.0% pace in the 3<sup>rd</sup> quarter, fueled by higher consumer and government spending and more home building.

The IMF warned that the global economic slowdown is worsening as it cut its growth forecasts for the second time since April; estimating global growth for 2012 at 3.3%. A Reuters poll of hundreds of economists worldwide forecasts world economic growth at 3.4% in 2013.

Employers added 114,000 jobs in September, about what economists expected and the unemployment rate fell to 7.8% from 8.1% as health care, transportation and warehousing led job gains.

Long-term interest rates rose slightly in the month of October. The bellwether 10-year Treasury note ended the month yielding 1.72% up from 1.65% at the close of September. At month-end, the 30-year bond yield was 2.85% with the 3-month T-bill at 0.11%. The Barclays Capital US Aggregate Index was up by +0.2% in October. Long Credit was the best performing sector up +2.1% for the month.

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

## THE GOOD

\*The Institute of Supply Management reported that its index of national factory activity rose in September to 51.5 from 49.6 in August. The ISM services index rose to 55.1 from 53.7 in August.

\*GM's vehicle sales rose 1.5% in September versus a year ago, Ford 4%, Chrysler 12%, Volkswagen jumped 34% and Toyota 42%.

\*The ADP National Employment Report showed private employers added 162,000 jobs in September. Average hourly wages rose 7 cents, or 0.4%, to \$23.58 in September.

\*The Commerce Dept. reported that retail sales rose 1.1% in September, following a revised 1.2% increase in August.

\*The Empire State manufacturing activity index rose to negative 6.2 in October from negative 10.4 in September.

\*The Labor Dept. reported that the core Consumer Price Index, which excludes food and energy prices, increased a slight 0.1% in September. U.S. inflation has been stable at around 2.0% the last two years.

\*The Commerce Dept. reported that September housing starts increased 15% to a seasonally adjusted annual rate of 872,000, the fastest pace since July 2008.

\*The Conference Board reported that its index of leading economic indicators rose a better-than-expected 0.6% in September.

\*The Commerce Dept. reported that new home sales rose 5.7% in September to a seasonally adjusted 389,000 annual rate.

\*The Commerce Dept. reported that durable goods orders increased 9.9% in September, marking the biggest gain in more than a year and a half.

\*Personal incomes rose 0.8% in the third quarter, after inflation and taxes, following a 3.1% pace the prior quarter.

\*The S&P's/Case Shiller index reported that national home prices increased 2% in August compared with the same month a year ago.

Consumer confidence continued to improve in October. The University of Michigan-Thomson Reuters' consumer sentiment gauge final reading rose to 82.6 in October from 78.3 in September and its highest level in five years.

## THE NOT SO GOOD

\*The Commerce Dept. reported that construction spending fell 0.6% to an annual rate of \$837.1 billion, the largest drop since July last year.

\*The National Retail Federation expects retail sales during the holiday shopping period in November and December to rise 4.1% this year, the smallest increase since 2009.

\*The Commerce Dept. reported that factory orders dropped 5.2% in August after a 2.6% decrease in July.

\*Wholesale inventories grew 0.5% in August to a seasonally adjusted \$487.5 billion, or a 5.3% gain from a year-ago.

\*The Commerce Dept. reported that the U.S. trade deficit increased to \$44.2 billion in August from \$42.5 billion in July.

\*The Labor Dept. reported that its seasonally adjusted Producer Price Index increased 1.1% in September.

\*The National Association of Realtors reported that sales of existing homes fell 1.7% to a seasonally adjusted annual rate of 4.75 million in September.

\*The Dept. of Agriculture sees food price increases of 3.5 to 4.0% next year.

## NON-U.S. MARKETS

The Bank of England left its policy rate unchanged in October at 0.5% and also kept the size of the asset-purchase program unchanged at £375 billion. Industrial production fell 0.5% in August. Retail sales rose by a better than expected 0.6% in September, the strongest print since May. Inflation continues to slow at the consumer level as CPI fell in September to 2.2% year-over-year.

The European Commission's Eurostat statistics agency reported that unemployment in the eurozone rose in September to a record high of 11.6%.

The European Central Bank left its policy rates unchanged in October as the key minimum bid rate remains at 0.75% and the deposit rate at 0.0%. President Mario Draghi struck a notably downbeat tone about the economy, acknowledging the persisting weakness in economic conditions across the eurozone with risks to growth still skewed to the downside.

German industrial production appears on track to improve significantly in Q3 relative to the previous

quarter, by about 1.3%. In France, industrial production unexpectedly jumped 1.5% in August.

The Bank of Japan also made no changes to policy, leaving rates at 0.0-0.1%, its credit lending facility at ¥25 trillion, and its asset purchase program at ¥55 trillion. Industrial production is now heading lower as output fell by 1.6% in August which is the third decline in the last four months.

Non-U.S. equities were up slightly for the month of October. The MSCI ACWI Ex-U.S. was up +0.4% (US dollars) in October. Developed stocks (EAFE) were up +0.8% while Emerging Markets fell by -0.6% for the month.

## CONCLUSION

U.S. economic growth has improved these past few months from 1.0% to about 2.0-2.5%. The improvement in growth has been driven by:

1. A bounce in housing from very weak levels
2. A decline in the household savings rate
3. A stabilization in energy prices

The U.S. fiscal cliff, a combination of tax increases and spending cuts totaling about \$600 billion are scheduled to take effect in 2013. If these scheduled cuts do take place next year, the fiscal drag on the economy could be almost 3% of GDP. If so, that could put the economy in a recessionary environment. In addition, the three factors listed above may be transitory in nature contributing to a slowdown in growth.

## Monthly Market Update

### US Equity Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
Russell 3000 Index	-1.72	3.37	14.12	14.75	11.27	13.58	0.59	4.62	7.47
Russell TOP 200 Index	-1.96	2.89	14.92	16.15	12.05	12.66	0.09	4.20	6.17
Russell TOP 200 Growth Index	-3.16	1.11	14.24	14.64	12.35	13.77	2.17	5.50	6.39
Russell TOP 200 Value Index	-0.75	4.71	15.58	17.67	11.80	11.55	-2.04	2.90	5.97
S&P 500 Index	-1.85	2.96	14.29	15.21	11.59	13.21	0.36	4.46	6.91
Russell 1000 Index	-1.69	3.29	14.32	14.97	11.44	13.48	0.53	4.61	7.31
Russell 1000 Growth Index	-2.92	1.65	13.39	13.02	11.46	14.12	1.95	5.50	7.15
Russell 1000 Value Index	-0.49	4.90	15.18	16.89	11.40	12.81	-1.00	3.59	7.34
Russell Mid-Cap Index	-1.01	4.28	12.85	12.15	9.97	15.59	1.70	5.68	10.52
Russell Mid-Cap Growth Index	-2.28	3.08	11.29	9.09	9.58	15.42	1.55	5.77	10.03
Russell Mid-Cap Value Index	0.11	5.33	14.16	14.99	10.32	15.77	1.68	5.32	10.63
Russell 2000 Index	-2.17	4.41	11.75	12.08	9.36	14.82	1.19	4.83	9.58
Russell 2000 Growth Index	-3.11	3.38	10.53	9.70	9.77	15.74	1.41	5.61	9.66
Russell 2000 Value Index	-1.25	5.42	12.93	14.47	8.87	13.83	0.87	3.93	9.38
DJ US REIT Index	-0.91	-3.13	13.43	14.09	12.87	22.03	1.19	5.53	11.79
DJ-UBS US Commodity Index TR	-3.87	-0.96	1.54	-4.44	-1.47	2.77	-4.43	-0.50	4.89
DJ-UBS US Gold Index TR	-3.08	6.50	8.95	-1.19	11.75	17.40	15.57	19.31	17.40

### Non-US Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
MSCI AC World Index ex USA	0.40	6.39	11.30	4.48	0.02	4.20	-4.63	4.40	9.79
MSCI AC World Index	-0.64	4.81	12.66	9.17	4.97	8.10	-2.42	4.44	8.32
MSCI EAFE Index	0.84	6.66	11.52	5.15	0.66	3.31	-5.35	2.88	8.21
MSCI Emerging Markets index	-0.60	5.12	11.66	2.98	-2.37	5.70	-3.17	9.93	16.56
ML Global Government Bond Ex. U.S. Index	-1.58	-0.06	1.05	0.96	3.21	5.62	7.65	7.30	7.28
Euro	0.72	5.22	-0.18	-7.10	-3.44	-4.24	-2.18	1.13	2.73
Japanese Yen	-2.66	-2.29	-3.74	-2.45	0.39	4.23	7.60	5.52	4.36
UK Pound Sterling	-0.23	2.82	3.67	-0.19	0.38	-0.76	-4.96	-1.34	0.29

### US Fixed Income Indices Trailing Performance

Annualized Performance to Date: Ending Oct-12	1 Month	3 Months	YTD	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
ML 3-month T-bill Total Return Index	0.01	0.03	0.08	0.08	0.10	0.11	0.66	1.85	1.81
BarCap Aggregate Bond Index	0.20	0.40	4.20	5.25	5.13	6.08	6.38	6.07	5.39
ML U.S. Corp/Govt Master Index	0.34	0.49	5.00	6.09	5.62	6.62	6.50	6.11	5.51
ML U.S. Corporate Master Index	1.32	2.47	10.48	10.51	8.00	9.31	7.92	7.04	6.79
BarCap Mortgage Backed Securities Index	-0.17	0.15	2.63	3.54	4.03	4.68	6.10	5.98	5.18
ML U.S. High Yield Master Index	0.83	3.45	12.84	13.15	8.90	12.23	9.02	8.87	10.79
JPM EMBI Global	0.82	3.49	15.65	16.32	10.02	12.52	9.98	9.94	11.94

# San Mateo County

Summary of Fund Performance

Rates of Return Total

Periods Ending October 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>DOMESTIC EQUITY</b>												
BLACKROCK RUSSELL 1000 INDEX FUND	165,834,240	-1.69	3.29	1.86	4.52	15.02	11.49	13.54	0.60	7.35	8.27	04/01/1995
DE SHAW INVESTMENT MGT, LLC	125,335,196	-1.53	2.77	1.30	4.51	18.48	12.96	14.29			14.89	08/01/2009
<i>RUSSELL 1000</i>		-1.69	3.29	1.85	4.51	14.97	11.44	13.48	0.53	7.31		
T. ROWE PRICE ASSOCIATES	121,872,795	-1.89	3.18	1.88	4.57	15.37	11.99	13.13			13.80	08/01/2009
<i>S&amp;P 500</i>		-1.85	2.96	2.16	4.39	15.21	11.59	13.21			13.98	
BARROW HANLEY	171,695,673	-0.24	5.16	3.29	5.88	15.26	11.50	13.43			13.71	08/01/2009
<i>Russell 1000 Value Index</i>		-0.49	4.90	4.72	5.98	16.89	11.40	12.81			13.77	
BLACKROCK	80,196											08/01/2009
<i>Russell 1000 Growth Index</i>		-2.92	1.65	-0.98	3.01	13.02	11.46	14.12			14.66	
BLACKROCK LARGE GROWTH	168,440,792											10/01/2012
<i>Russell 1000 Growth Index</i>		-2.92									-2.92	
LARGE CAP AGGREGATE	753,258,894	-1.77	3.56	1.07	4.76	14.16	10.21	12.61	-0.29	6.76	7.95	04/01/1995
<i>RUSSELL 1000</i>		-1.69	3.29	1.85	4.51	14.97	11.44	13.48	0.53	7.31	8.25	
BOSTON COMPANY ASSET MGT, LLC	54,321,011	-1.36	5.77	1.45	4.27	17.74	11.41	14.63			14.47	08/01/2009
<i>RUSSELL 2000 VALUE</i>		-1.25	5.42	2.69	4.34	14.47	8.87	13.83			13.61	
CHARTWELL INVESTMENT MGMT	63,431,022	-1.68	5.99	-1.62	3.87	14.61	13.76	21.08	1.39		6.58	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		-3.11	3.38	-0.80	1.58	9.70	9.77	15.74	1.41		5.25	
JENNISON ASSOCIATES	87,551,793	-1.07	4.92	0.15	3.39	9.20	10.45	16.91			7.06	04/01/2008
SMALL CAP AGGREGATE	205,303,826	-1.33	5.48	-0.07	3.77	12.76	11.69	17.53	0.60	8.12	5.15	07/01/1999
<i>RUSSELL 2000</i>		-2.17	4.41	0.95	2.97	12.08	9.36	14.82	1.19	9.58	5.83	
DOMESTIC EQUITY AGGREGATE	958,562,720	-1.68	3.97	0.82	4.54	13.89	10.50	13.58	-0.08	7.07	7.20	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		-1.78	3.51	1.68	4.21	14.41	11.06	13.79	0.72	7.82		

# San Mateo County

Summary of Fund Performance

Rates of Return Total

Periods Ending October 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>INTERNATIONAL EQUITY</b>												
ARTIO GLOBAL INVESTOR	2,780,273											12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		0.13	5.40	0.07	7.36	4.34	0.19	5.17	-4.47		5.55	
BAILLIE GIFFORD OVERSEAS LIMITED	157,953,734	0.78	7.08	2.52	9.49						2.52	05/01/2012
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		0.13	5.40	0.07	7.36						0.07	
EATON VANCE MANAGEMENT	59,409,700	-0.22	5.92	-0.48	6.14						-1.89	04/01/2012
<i>MSCI Em Markets (USD) GDR</i>		-0.60	5.12	-1.01	7.24						-2.16	
MONDRIAN INVESTMENT PARTNERS	204,400,833	0.23	5.77	2.20	5.96	2.92	1.23	4.28	-3.93		5.46	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		0.67	7.38	2.88	8.49	4.59	-0.18	3.19	-4.84		5.35	
PYRAMIS	50,474,305	0.20	8.90	0.51	9.87						0.41	04/01/2012
<i>MSCI ACWI ex US Small Cap Gross</i>		0.05	8.06	-0.05	8.70						-0.84	
TOTAL INTERNATIONAL EQUITY	475,018,846	0.35	6.52	1.81	7.52	3.82	-0.75	2.88	-6.07	7.38	5.35	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		0.40	6.39	1.47	7.92	4.48	0.02	4.20	-4.63	9.79	5.24	
TOTAL EQUITY AGGREGATE	1,433,581,566	-1.02	4.80	1.17	5.50	10.85	6.96	10.16	-1.90	7.04	6.88	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		-1.05	4.51	1.64	5.44	10.99	7.23	10.55	-1.01	8.12		
<b>PRIVATE EQUITY</b>												
ABRY ADVANCED SEC II LP	8,083,854	0.00	1.90	14.87	1.90	8.48					-3.32	06/01/2011
ABRY PARTNERS VII LP	4,401,523	-0.00	4.33	11.35	4.33	5.38					14.46	09/01/2011
EMERGENCE CAPITAL PARTNERS III, LP	128,265	-26.59	-26.59		-46.56						-46.56	07/01/2012
GENERAL CATALYST GROUP	627,809	-9.57	-9.57	-28.50	-28.50						-93.66	02/01/2012
NEW ENTERPRISE ASSOCIATES 14, LP	1,572,451	0.00	-3.03		-3.03						-3.03	06/01/2012
REGIMENT CAPITAL FUND	4,917,299	2.16	2.16	3.25	3.25	4.87					5.73	08/01/2011
SYCAMORE PARTNERS LP	8,257,234	0.00	-0.00								-0.00	08/01/2012
SHERIDAN PRODUCTION PARTNERS	3,526,998	0.00	-13.46	-5.32	-13.46	-24.03	-71.51				-71.51	11/01/2010

# San Mateo County

Summary of Fund Performance

Rates of Return Total

Periods Ending October 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
WARBURG PINCUS	6,135,967											10/01/2012
WARBURG PINCUS (E&P) XI-A LP	649,249											10/01/2012
<i>RUSSELL 3000 + 3%</i>		-1.48									-1.48	
TOTAL PRIVATE EQUITY	38,300,650	-0.03	-0.35	7.15	-0.63	-0.26	-69.68				-69.68	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		-1.48	4.13	3.29	5.42	18.15	14.59					
<b>RISK PARITY</b>												
AQR GLOBAL RISK PREM III LP	164,953,614	-1.08	2.28	5.96	7.01	13.31					10.02	03/01/2011
TOTAL RISK PARITY	164,953,614	-1.08	2.28	5.96	7.01	13.31					10.02	03/01/2011
<i>RISK PARITY BENCHMARK</i>		-0.96	2.19	2.27	3.36	11.03						
<b>HEDGE FUND</b>												
AQR DELTA FUND II, L.P.	69,213,711	1.43	-1.27	2.04	2.01	4.81					1.15	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.04	2.10	1.39	4.25					4.24	
HEDGE FUND COMPOSITE	69,213,711	1.43	-1.27	2.04	2.01	4.81					1.15	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.04	2.10	1.39	4.25					4.24	
<b>COMMODITIES</b>												
SSGA MULTISOURCE ACT COMM NL	76,207,155	-3.98	2.27	5.08	9.02	9.92					1.28	08/01/2011
TOTAL COMMODITIES	76,207,155	-3.98	2.27	5.08	9.02	9.92					1.28	08/01/2011
<i>DJ-UBS COMMODITY</i>		-3.88	-0.99	1.03	5.41	-4.51					-9.98	
<b>DOMESTIC FIXED INCOME</b>												
ABERDEEN ASSET MANAGEMENT	66,264,100	0.46	1.65	4.50	3.34	9.07	7.31	8.78	5.40	5.17	6.32	06/01/2000
ANGELO GORDON GECC PPI FUND	21,714,508	1.85	10.86	18.47	15.23	38.22	14.86				21.44	12/01/2009



# San Mateo County

Summary of Fund Performance

Rates of Return Total

Periods Ending October 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	5 Years	10 Years	ITD	INCEPT. DATE
PYRAMIS GLOBAL ADVISORS	138,452,426	0.21	0.71	3.69	2.39	7.19	6.41	7.81	7.45		6.59	02/01/2006
WESTERN ASSET MGMT	93,430,063	0.49	1.62	5.03	3.71	9.45	7.69	9.37	7.37		6.30	11/01/2004
<i>Barclays Aggregate Bond</i>		0.20	0.40	2.75	1.78	5.25	5.13	6.08	6.38	5.39		
BRIGADE CAPITAL MANAGEMENT	56,881,620	1.01	4.06	6.46	5.79	13.93	10.05				10.97	08/01/2010
<i>Barclays BA Intermediate HY Index</i>		0.96	3.10	6.29	5.15	12.69	8.93				10.44	
BROWN BROTHERS HARRIMAN & CO	83,782,738	0.85	1.26	4.55	3.34	8.85	9.06				10.38	08/01/2010
<i>Barclays US TIPS Index</i>		0.95	1.11	4.45	3.16	8.45	8.88				10.27	
<b>INTERNATIONAL FIXED INCOME</b>												
FRANKLIN TEMPLETON INVESTMENTS	115,620,208	1.07	6.36	6.46	9.00	11.77					8.27	01/01/2011
<i>Barclays Multiverse</i>		-0.09	2.08	2.72	3.29	3.91					5.80	
<b>TOTAL FIXED INCOME</b>												
TOTAL FIXED INCOME AGGREGATE	576,145,664	0.72	3.02	5.73	5.14	11.18	7.88	9.48	7.24	5.93	6.36	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		0.46	1.22	3.63	2.93	6.42	6.11	6.93	6.89	5.64	6.02	
<b>REAL ESTATE</b>												
INVESCO REAL ESTATE	150,954,465	0.00	2.80	4.55	2.80	9.70	14.07	11.73	-0.84		6.14	10/01/2004
TOTAL REAL ESTATE AGGREGATE	150,954,465	0.00	2.80	4.55	2.80	9.70	14.07	11.73	-0.84	7.67	7.64	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	2.79	5.52	2.79	11.77	14.40	11.58	-0.59	6.82	7.66	
<b>CASH EQUIVALENTS</b>												
SAMCERA GENERAL ACCOUNT	8,617,881	0.01	0.06	0.11	0.08	0.19	0.30	0.26	0.93	1.99	2.59	07/01/1999
SAMCERA TREASURY & LAIF	2,813,673	0.06	0.18	0.38	0.23	0.82	0.94	0.99	0.43	1.85	3.29	07/01/1994

**San Mateo County**

Summary of Fund Performance

Rates of Return Total

Periods Ending October 31, 2012



STATE STREET

	<b>MKT VAL</b>	<b>1 Month</b>	<b>QTR</b>	<b>6 Months</b>	<b>FYTD</b>	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>	<b>ITD</b>	<b>INCEPT. DATE</b>
TOTAL CASH AGGREGATE	11,431,554	0.03	0.15	0.30	0.20	0.66	0.73	0.84	0.51	1.88	2.53	07/01/1999
91 DAY T-BILL		0.01	0.03	0.06	0.04	0.08	0.10	0.11	0.67	1.83	2.46	
<b>TOTAL FUND</b>												
TOTAL FUND	2,520,788,380	-0.40	3.74	2.85	5.33	10.30	7.60	9.98	0.88	6.84	6.29	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		-0.73	3.25	2.56	4.53	10.09	7.98	10.24	1.78	7.69	6.55	
ACTUARIAL DISCOUNT RATE		0.60	1.82	3.72	2.44	7.67	7.71	7.72	7.73	7.85		

San Mateo County Employees' Retirement Association

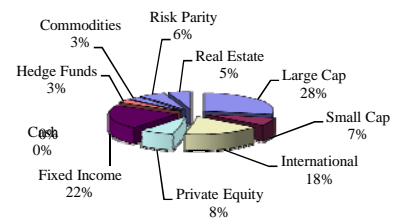
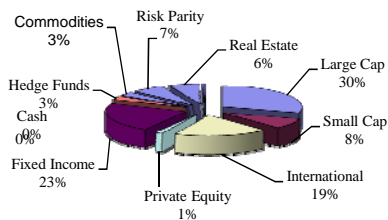
Monthly Performance Review

Period Ending October 31, 2012

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$165,834,240	6.58%	6.50%	0.08%	±3%
D.E. Shaw Investment Management, LLC	\$125,335,196	4.97%	4.25%	0.72%	±3%
T. Rowe Price Associates	\$121,872,795	4.83%	4.25%	0.58%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$171,695,673	6.81%	6.50%	0.31%	±3%
BlackRock Large Cap Growth	\$168,440,792	6.68%	6.50%	0.18%	±3%
BlackRock Capital Management, Inc.	\$80,196	0.00%	0.00%	0.00%	±3%
<b>Large Cap Aggregate</b>	<b>\$753,258,892</b>	<b>29.88%</b>	<b>28.00%</b>	<b>1.88%</b>	
The Boston Company	\$54,321,011	2.15%	1.75%	0.40%	±3%
Chartwell Investment Partners	\$63,431,022	2.52%	1.75%	0.77%	±3%
Jennison Associates	\$87,551,793	3.47%	3.50%	-0.03%	±3%
<b>Small Cap Aggregate</b>	<b>\$205,303,826</b>	<b>8.14%</b>	<b>7.00%</b>	<b>1.14%</b>	
Artio Global	\$2,780,273	0.11%	0.00%	0.11%	±3%
Baillie Gifford	\$157,953,734	6.27%	6.00%	0.27%	±3%
Eaton Vance - Parametrics Emerging Markets	\$59,409,700	2.36%	2.25%	0.11%	±3%
Mondrian Investment Partners	\$204,400,833	8.11%	8.00%	0.11%	±3%
Pyramis Global Advisors - Int'l. Small Cap	\$50,474,305	2.00%	1.75%	0.25%	±3%
<b>International Aggregate</b>	<b>\$475,018,845</b>	<b>18.84%</b>	<b>18.00%</b>	<b>0.84%</b>	<b>±3%</b>
<b>Total Equity</b>	<b>\$1,433,581,563</b>	<b>56.87%</b>	<b>53.00%</b>	<b>3.87%</b>	
Aberdeen Asset Management	\$66,264,100	2.63%	3.75%	-1.12%	±2%
Angelo Gordon	\$21,714,508	0.86%	1.63%	-0.76%	±2%
Brigade Capital Management	\$56,881,620	2.26%	1.63%	0.63%	±2%
Brown Brothers Harriman	\$83,782,738	3.32%	3.00%	0.32%	±2%
Franklin Templeton	\$115,620,208	4.59%	4.50%	0.09%	±2%
Pyramis Global Advisors	\$138,452,426	5.49%	3.75%	1.74%	±2%
Western Asset Management Company	\$93,430,063	3.71%	3.75%	-0.04%	±2%
<b>Total Fixed Income</b>	<b>\$576,145,663</b>	<b>22.86%</b>	<b>22.00%</b>	<b>0.86%</b>	
Private Equity	\$38,300,650	1.52%	8.00%	-6.48%	N/A
AQR Global Risk Premium	\$164,953,614	6.54%	6.00%	0.54%	N/A
AQR Delta Fund (Hedge Fund)	\$69,213,711	2.75%	3.00%	-0.25%	N/A
SSGA/SSARIS Multisource Commodities	\$76,207,155	3.02%	3.00%	0.02%	N/A
<b>Alternative Investments</b>	<b>\$348,675,130</b>	<b>13.83%</b>	<b>20.00%</b>	<b>-6.17%</b>	
INVESCO Realty Advisors	\$150,954,465	5.99%	5.00%	0.99%	±2%
Cash	\$11,431,554	0.45%	0.00%	0.45%	
<b>Total</b>	<b>\$2,520,788,375</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 October 31, 2012

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change One Month	Prior Year	% Change One Year
BlackRock Russell 1000	\$165,834,240	\$164,448,083	0.8%	\$111,297,366	49.0%
D.E. Shaw Investment Management, LLC	\$125,335,196	\$124,411,363	0.7%	\$105,784,260	18.5%
T. Rowe Price Associates	\$121,872,795	\$121,045,111	0.7%	\$105,635,359	15.4%
Barrow, Hanley, Mewhinney & Strauss	\$171,695,673	\$167,589,011	2.5%	\$148,961,302	15.3%
BlackRock Large Cap Growth	\$168,440,792	\$0	N/A	\$0	N/A
BlackRock Capital Management, Inc.	\$80,196	\$172,952,669	-100.0%	\$157,873,452	-99.9%
<b>Large Cap Aggregate</b>	<b>\$753,258,892</b>	<b>\$750,446,237</b>	<b>0.4%</b>	<b>\$629,551,739</b>	<b>19.7%</b>
The Boston Company	\$54,321,011	\$53,249,947	2.0%	\$46,135,616	17.7%
Chartwell Investment Partners	\$63,431,022	\$62,607,388	1.3%	\$55,343,982	14.6%
Jennison Associates	\$87,551,793	\$85,800,128	2.0%	\$96,368,673	-9.1%
<b>Small Cap Aggregate</b>	<b>\$205,303,826</b>	<b>\$201,657,463</b>	<b>1.8%</b>	<b>\$197,848,271</b>	<b>3.8%</b>
Baillie Gifford - Funded on April 3rd	\$157,953,734	\$151,530,120	4.2%	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$59,409,700	\$56,691,830	4.8%	\$0	N/A
Mondrian Investment Partners	\$204,400,833	\$199,176,410	2.6%	\$194,870,116	4.9%
Artio Global Investor- Mgr Terminated 3-20-2012	\$2,780,273	\$2,713,445	2.5%	\$174,345,668	-98.4%
Pyramis Global Advisors - Int'l. Small Cap	\$50,474,305	\$48,131,401	4.9%	\$0	N/A
<b>International Aggregate</b>	<b>\$475,018,845</b>	<b>\$458,243,206</b>	<b>3.7%</b>	<b>\$369,215,784</b>	<b>28.7%</b>
<b>Total Equity</b>	<b>\$1,433,581,563</b>	<b>\$1,410,346,906</b>	<b>1.6%</b>	<b>\$1,196,615,794</b>	<b>19.8%</b>
Aberdeen Asset Management	\$66,264,100	\$114,371,538	-42.1%	\$106,046,892	-37.5%
Angelo Gordon	\$21,714,508	\$30,930,579	-29.8%	\$33,389,147	-35.0%
Brigade Capital Management	\$56,881,620	\$55,456,200	2.6%	\$49,928,940	13.9%
Brown Brothers Harriman	\$83,782,738	\$82,598,511	1.4%	\$76,973,634	8.8%
Franklin Templeton	\$115,620,208	\$111,115,672	4.1%	\$103,440,666	11.8%
Pyramis Global Advisors	\$138,452,426	\$92,998,671	48.9%	\$106,843,316	29.6%
Western Asset Management Company	\$93,430,063	\$92,266,889	1.3%	\$104,782,324	-10.8%
<b>Total Fixed Income</b>	<b>\$576,145,663</b>	<b>\$579,738,060</b>	<b>-0.6%</b>	<b>\$581,404,919</b>	<b>-0.9%</b>
Private Equity	\$38,300,650	\$29,499,336	29.8%	\$11,955,259	220.4%
Risk Parity	\$164,953,614	\$161,788,872	2.0%	\$138,950,280	18.7%
Hedge Funds	\$69,213,711	\$70,421,831	-1.7%	\$66,445,750	4.2%
Commodities	\$76,207,155	\$78,377,533	-2.8%	\$69,326,995	9.9%
<b>Alternative Investments</b>	<b>\$348,675,130</b>	<b>\$340,087,572</b>	<b>2.5%</b>	<b>\$286,678,284</b>	<b>21.6%</b>
<b>INVESCO Realty Advisors</b>	<b>\$150,954,465</b>	<b>\$146,917,122</b>	<b>2.7%</b>	<b>\$138,282,516</b>	<b>9.2%</b>
<b>Cash</b>	<b>\$11,431,554</b>	<b>\$21,973,282</b>	<b>-48.0%</b>	<b>\$35,208,146</b>	<b>-67.5%</b>
<b>Total</b>	<b>\$2,520,788,375</b>	<b>\$2,499,062,942</b>	<b>0.9%</b>	<b>\$2,238,189,659</b>	<b>12.6%</b>

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	56.9%	56.4%	0.4%	53.5%	3.4%
Total Fixed Income	22.9%	23.2%	-0.3%	26.0%	-3.1%
Alternative Investments	13.8%	13.6%	0.2%	12.8%	1.0%
Real Estate	6.0%	5.9%	0.1%	6.2%	-0.2%
Cash	0.5%	0.9%	-0.4%	1.6%	-1.1%
<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 October 31, 2012

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1)	Two Years	Three Years	Five Years	Ten Years
						Three Months				
Equity Aggregate	\$1,433,581,563	-1.02%	4.80%	1.17%	10.85%	5.50%	6.96%	10.16%	-1.90%	7.04%
Equity Composite Benchmark		-1.05%	4.51%	1.64%	10.99%	5.44%	7.23%	10.55%	-1.01%	8.12%
<b>Variance</b>		<b>0.03%</b>	<b>0.29%</b>	<b>-0.47%</b>	<b>-0.14%</b>	<b>0.06%</b>	<b>-0.27%</b>	<b>-0.39%</b>	<b>-0.89%</b>	<b>-1.08%</b>
Private Equity Aggregate	\$38,300,650	-0.03%	-0.35%	7.15%	-0.26%	-0.63%	-69.68%	N/A	N/A	N/A
Private Equity Composite Benchmark		-1.48%	4.13%	3.29%	18.15%	5.42%	14.59%	N/A	N/A	N/A
<b>Variance</b>		<b>1.45%</b>	<b>-4.48%</b>	<b>3.86%</b>	<b>-18.41%</b>	<b>-6.05%</b>	<b>-84.27%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Risk Parity Aggregate	\$164,953,614	-1.08%	2.28%	5.96%	13.31%	7.01%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		-0.96%	2.19%	2.27%	11.03%	3.36%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-0.12%</b>	<b>0.09%</b>	<b>3.69%</b>	<b>2.28%</b>	<b>3.65%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Hedge Fund Aggregate	\$69,213,711	1.43%	-1.27%	2.04%	4.81%	2.01%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.04%	2.10%	4.25%	1.39%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>1.08%</b>	<b>-2.31%</b>	<b>-0.06%</b>	<b>0.56%</b>	<b>0.62%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Commodities	\$76,207,155	-3.98%	2.27%	5.08%	9.02%	9.92%	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		-3.88%	-0.99%	1.03%	5.41%	-4.51%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-0.10%</b>	<b>3.26%</b>	<b>4.05%</b>	<b>3.61%</b>	<b>14.43%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Fixed Income Aggregate	\$576,145,663	0.72%	3.02%	5.73%	11.18%	5.14%	7.88%	9.48%	7.24%	6.36%
Fixed Income Composite Benchmark		0.46%	1.22%	3.63%	6.42%	2.93%	6.11%	6.93%	6.89%	6.02%
<b>Variance</b>		<b>0.26%</b>	<b>1.80%</b>	<b>2.10%</b>	<b>4.76%</b>	<b>2.21%</b>	<b>1.77%</b>	<b>2.55%</b>	<b>0.35%</b>	<b>0.34%</b>
Real Estate Aggregate (2)	\$150,954,465	N/A	2.80%	4.55%	9.70%	2.80%	14.07%	11.73%	-0.84%	7.67%
NCREIF NFI ODCE EW (Gross)		N/A	2.79%	5.52%	11.77%	2.79%	14.40%	11.58%	-0.59%	6.82%
<b>Variance</b>		<b>N/A</b>	<b>0.01%</b>	<b>-0.97%</b>	<b>-2.07%</b>	<b>0.01%</b>	<b>-0.33%</b>	<b>0.15%</b>	<b>-0.25%</b>	<b>0.85%</b>
Cash Aggregate	\$11,431,554	0.03%	0.15%	0.30%	0.66%	0.20%	0.73%	0.84%	0.51%	1.88%
91 Day Treasury Bill		0.01%	0.03%	0.06%	0.08%	0.04%	0.10%	0.11%	0.67%	1.83%
<b>Variance</b>		<b>0.02%</b>	<b>0.12%</b>	<b>0.24%</b>	<b>0.58%</b>	<b>0.16%</b>	<b>0.63%</b>	<b>0.73%</b>	<b>-0.16%</b>	<b>0.05%</b>
Total Fund Returns	\$2,520,788,375	-0.40%	3.74%	2.85%	10.30%	5.33%	7.60%	9.98%	0.88%	6.84%
Total Plan Policy Benchmark		-0.73%	3.25%	2.56%	10.09%	4.53%	7.98%	10.24%	1.78%	7.69%
<b>Variance</b>		<b>0.33%</b>	<b>0.49%</b>	<b>0.29%</b>	<b>0.21%</b>	<b>0.80%</b>	<b>-0.38%</b>	<b>-0.26%</b>	<b>-0.90%</b>	<b>-0.85%</b>

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,520,788,375	-0.40%	3.74%	2.85%	10.30%	5.33%	7.60%	9.98%	0.88%	6.84%
Actuarial Discount Rate		0.60%	1.82%	3.72%	7.67%	2.44%	7.71%	7.72%	7.73%	7.85%
<b>Variance</b>		<b>-1.00%</b>	<b>1.92%</b>	<b>-0.87%</b>	<b>2.63%</b>	<b>2.89%</b>	<b>-0.11%</b>	<b>2.26%</b>	<b>-6.85%</b>	<b>-1.01%</b>

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

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

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending October 31, 2012

Manager & Benchmark Performance

Portfolio	Manager Performance (1)									
	One Month	Trailing Three Months	Trailing Six Months	Fiscal Year to Date Three Months	One Year	Two Years	Three Years	Five Years	Ten Years	
BlackRock Russell 1000	-1.69%	3.29%	1.86%	4.52%	15.02%	11.49%	13.54%	0.60%	7.35%	
D.E. Shaw Investment Management, LLC	-1.53%	2.77%	1.30%	4.51%	18.48%	12.96%	14.29%	N/A	N/A	
T. Rowe Price Associates	-1.89%	3.18%	1.88%	4.57%	15.37%	11.99%	13.13%	N/A	N/A	
Barrow, Hanley, Mewhinney & Strauss	-0.24%	5.16%	3.29%	5.88%	15.26%	11.50%	13.43%	N/A	N/A	
BlackRock Large Cap Growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b>Large Cap Aggregate</b>	<b>-1.77%</b>	<b>3.56%</b>	<b>1.07%</b>	<b>4.76%</b>	<b>14.16%</b>	<b>10.21%</b>	<b>12.61%</b>	<b>-0.29%</b>	<b>6.76%</b>	
The Boston Company	-1.36%	5.77%	1.45%	4.27%	17.74%	11.41%	14.63%	N/A	N/A	
Chartwell Investment Partners	-1.68%	5.99%	-1.62%	3.87%	14.61%	13.76%	21.08%	1.39%	N/A	
Jennison Associates	-1.07%	4.92%	0.15%	3.39%	9.20%	10.45%	16.91%	N/A	N/A	
<b>Small Cap Aggregate</b>	<b>-1.33%</b>	<b>5.48%</b>	<b>-0.07%</b>	<b>3.77%</b>	<b>12.76%</b>	<b>11.69%</b>	<b>17.53%</b>	<b>0.60%</b>	<b>8.12%</b>	
Baillie Gifford	0.78%	7.08%	2.52%	9.49%	N/A	N/A	N/A	N/A	N/A	
Eaton Vance - Parametrics Emerging Markets	-0.22%	5.92%	-0.48%	6.14%	N/A	N/A	N/A	N/A	N/A	
Mondrian Investment Partners	0.23%	5.77%	2.20%	5.96%	1.23%	4.28%	-3.93%	N/A	N/A	
Pyramis Global Advisors - Int'l. Small Cap	0.20%	8.90%	0.51%	9.87%	N/A	N/A	N/A	N/A	N/A	
<b>International Aggregate</b>	<b>0.35%</b>	<b>6.52%</b>	<b>1.81%</b>	<b>7.52%</b>	<b>3.82%</b>	<b>-0.75%</b>	<b>2.88%</b>	<b>-6.07%</b>	<b>7.38%</b>	
<b>Total Equity</b>	<b>-1.02%</b>	<b>4.80%</b>	<b>1.17%</b>	<b>5.50%</b>	<b>10.85%</b>	<b>6.96%</b>	<b>10.16%</b>	<b>-1.90%</b>	<b>7.04%</b>	
Aberdeen Asset Management	0.46%	1.65%	4.50%	3.34%	9.07%	7.31%	8.78%	5.40%	5.17%	
Angelo Gordon	1.85%	10.86%	18.47%	15.23%	38.22%	14.86%	N/A	N/A	N/A	
Brigade Capital Management	1.01%	4.06%	6.46%	5.79%	13.93%	10.05%	N/A	N/A	N/A	
Brown Brothers Harriman	0.85%	1.26%	4.55%	3.34%	8.85%	9.06%	N/A	N/A	N/A	
Franklin Templeton	1.07%	6.36%	6.46%	9.00%	11.77%	N/A	N/A	N/A	N/A	
Pyramis Global Advisors	0.21%	0.71%	3.69%	2.39%	7.19%	6.41%	7.81%	7.45%	N/A	
Western Asset Management Company	0.49%	1.62%	5.03%	3.71%	9.45%	7.69%	9.37%	7.37%	N/A	
<b>Total Fixed Income</b>	<b>0.72%</b>	<b>3.02%</b>	<b>5.73%</b>	<b>5.14%</b>	<b>11.18%</b>	<b>7.88%</b>	<b>9.48%</b>	<b>7.24%</b>	<b>6.36%</b>	
Private Equity	-0.03%	-0.35%	7.15%	-0.63%	-0.26%	-69.68%	N/A	N/A	N/A	
Risk Parity	-1.08%	2.28%	5.96%	7.01%	13.31%	N/A	N/A	N/A	N/A	
Hedge Funds	1.43%	-1.27%	2.04%	2.01%	4.81%	N/A	N/A	N/A	N/A	
Commodities	-3.98%	2.27%	5.08%	9.02%	9.92%	N/A	N/A	N/A	N/A	
Alternative Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
<b>INVESTCO Realty Advisors</b>	<b>N/A</b>	<b>N/A</b>	<b>1.70%</b>	<b>2.80%</b>	<b>6.71%</b>	<b>12.51%</b>	<b>10.71%</b>	<b>-1.39%</b>	<b>N/A</b>	
<b>Cash</b>	<b>0.03%</b>	<b>0.15%</b>	<b>0.30%</b>	<b>0.16%</b>	<b>0.64%</b>	<b>0.78%</b>	<b>0.84%</b>	<b>0.51%</b>	<b>1.88%</b>	
<b>Total</b>	<b>-0.40%</b>	<b>3.74%</b>	<b>2.85%</b>	<b>5.33%</b>	<b>10.30%</b>	<b>7.60%</b>	<b>9.98%</b>	<b>0.88%</b>	<b>6.84%</b>	

Russell 1000	-1.69%	3.29%	1.85%	4.51%	14.97%	11.44%	13.48%	0.53%	7.31%
S&P 500	-1.85%	2.96%	2.16%	4.39%	15.21%	11.59%	13.21%	N/A	N/A
Russell 1000 Value	-0.49%	4.90%	4.72%	5.98%	16.89%	11.40%	12.81%	N/A	N/A
Russell 1000 Growth	-2.92%	1.65%	-0.98%	3.01%	13.02%	11.46%	14.12%	N/A	N/A
Russell 2000	-2.17%	4.41%	0.95%	2.97%	12.08%	9.36%	14.82%	1.19%	9.58%
Russell 2000 Value	-1.25%	5.42%	2.69%	4.34%	14.47%	8.87%	13.83%	N/A	N/A
Russell 2000 Growth	-3.11%	3.38%	-0.80%	1.58%	9.70%	9.77%	15.74%	1.41%	N/A
MSCI ACWI ex US (Gross)	0.40%	6.39%	1.47%	7.92%	4.48%	0.02%	4.20%	-4.63%	9.79%
MSCI ACWI ex US Growth (Gross)	0.13%	5.40%	0.07%	7.36%	4.34%	0.19%	5.17%	-4.47%	N/A
MSCI ACWI ex US Value (Gross)	0.67%	7.38%	2.88%	8.49%	4.59%	-0.18%	3.19%	-4.84%	N/A
MSCI Em Markets (USD)	-0.60%	5.12%	-1.01%	7.24%	N/A	N/A	N/A	N/A	N/A
MSCI ACWI ex US Small Cap Gross	0.05%	8.06%	-0.05%	8.70%	N/A	N/A	N/A	N/A	N/A
Russell 3000 + 3% (Private Equity)	-1.48%	4.13%	3.29%	5.42%	18.15%	14.59%	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	-0.96%	2.19%	2.27%	3.36%	11.03%	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.04%	2.10%	1.39%	4.25%	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	-3.88%	-0.99%	1.03%	5.41%	-4.51%	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	0.20%	0.40%	2.75%	1.78%	5.25%	5.13%	6.08%	6.38%	5.39%
Barclays U.S. TIPS Index	0.95%	1.11%	4.45%	3.16%	8.45%	8.88%	N/A	N/A	N/A
BC BA Intermediate High Yield Index	0.96%	3.10%	6.29%	5.15%	12.69%	8.93%	N/A	N/A	N/A
Barclays Capital Multiverse Index	-0.09%	2.08%	2.72%	3.29%	3.91%	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	N/A	2.79%	5.52%	2.79%	11.77%	14.40%	11.58%	-0.59%	6.82%
91 Day Treasury Bill	0.01%	0.03%	0.06%	0.04%	0.08%	0.10%	0.11%	0.67%	1.83%
SamCERA Plan Policy Benchmark	-0.73%	3.25%	2.56%	4.53%	10.09%	7.98%	10.24%	1.78%	7.69%
SamCERA Actuarial Discount Rate	0.60%	1.82%	3.72%	2.44%	7.67%	7.71%	7.72%	7.73%	7.85%

(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 October 31, 2012

Realized & Unrealized Gain / (Loss)

Portfolio	Beginning	(1) Realized	Contributions/ (Withdrawals)	Ending	Prior Years	FYTD	Ending
	Book Balance As of 07/01/2012	Gain / (Loss) for the FYTD	for the FYTD	Book Balance As of 10/31/2012	Accumulated Unrealized Gains / (Loss)	Unrealized Gains / (Loss)	Market Value As of 10/31/2012
BlackRock Russell 1000	\$127,522,003.00	1,716,998	5,000,000	\$134,239,000.80	\$34,440,361	(\$2,845,121)	\$165,834,240
D.E. Shaw Investment Management LLC	\$111,596,763.76	4,259,486		\$115,856,249.32	\$12,286,665	(\$2,807,718)	\$125,335,196
T. Rowe Price Associates	\$96,280,828.30	1,957,521		\$98,238,349.41	\$26,282,490	(\$2,648,045)	\$121,872,795
Barrow Hanley	\$132,934,814.16	3,202,091		\$136,136,904.72	\$36,826,376	(\$1,267,607)	\$171,695,673
BlackRock Large Cap Growth	\$0.00	0	168,124,076	\$168,124,075.96	\$0	\$316,716	\$168,440,792
BlackRock Capital Management	\$140,210,523.86	31,238,940	(171,369,267)	\$80,196.43	\$37,243,954	(\$37,243,954)	\$80,196
The Boston Company	\$47,157,390.99	775,786		\$47,933,177.18	\$7,575,432	(\$1,187,598)	\$54,321,011
Chartwell Investment Partners	\$53,353,681.05	3,436,702		\$56,790,382.75	\$8,156,794	(\$1,516,154)	\$63,431,022
Jennison Associates	\$73,442,059.06	2,516,251		\$75,958,310.16	\$13,574,107	(\$1,980,624)	\$87,551,793
Artio Global Investors	\$3,881,475.33	(21,095)	(1,119,627)	\$2,740,753.65	\$29,065	\$10,455	\$2,780,273
Baillie Gifford	\$150,718,166.74	(804,773)	5,000,000	\$154,913,394.13	\$1,887,262	\$1,153,078	\$157,953,734
Eaton Vance - Parametrics	\$55,000,000.00		5,000,000	\$60,000,000.00	(\$457,834)	(\$132,466)	\$59,409,700
Mondrian Investment Partners	\$204,956,669.00	(504,334)	10,002,069	\$214,454,403.61	(\$10,559,337)	\$505,767	\$204,400,833
Pyramis Global Advisors - Int'l Small Cap	\$45,000,000.00		5,000,000	\$50,000,000.00	\$372,439	\$101,865	\$50,474,305
Aberdeen Asset Management	\$110,872,478.55	2,838,146	(49,253,215)	\$64,457,410.45	\$2,351,846	(\$545,157)	\$66,264,100
Angelo Gordon	\$20,805,749.00		(13,328,000)	\$7,477,749.00	\$13,063,906	\$1,172,853	\$21,714,508
Bridage Capital Management	\$45,000,000.00			\$45,000,000.00	\$11,313,270	\$568,350	\$56,881,620
Brown Brothers Harriman	\$77,611,879.07	1,101,441		\$78,713,319.97	\$4,969,783	\$99,635	\$83,782,738
Franklin Templeton Investments	\$107,284,238.06	3,309,321		\$110,593,559.04	\$3,012,213	\$2,014,437	\$115,620,208
Pyramis Global Advisors - Core Bond	\$61,020,021.70		44,842,418	\$105,862,439.58	\$32,305,944	\$284,042	\$138,452,426
Western Asset Management Company	\$88,241,048.16	1,797,953		\$90,039,001.02	\$3,142,189	\$248,874	\$93,430,063
Private Equity	\$18,717,962.60	(38,942)	19,185,992	\$37,865,011.85	\$0	\$435,638	\$38,300,650
AQR's Global Risk Premium	\$151,925,153.00	4,562,332		\$156,487,485.00	\$7,483,796	\$982,333	\$164,953,614
AQR's Delta Fund (Hedge Fund)	\$70,577,270.00	(1,487,713)		\$69,089,557.00	\$1,445,537	(\$1,321,383)	\$69,213,711
SSGA/SSARIS Multisource Commodities	\$75,000,000.00			\$75,000,000.00	4,365,774	-\$3,158,618.97	\$76,207,155
INVESCO Core US Real Estate Fund	\$140,195,340.86	2,643,447		\$142,838,787.51	\$5,457,031	\$2,658,646	\$150,954,465
Cash	\$5,986,311.18	(2,213,368)	7,658,251	\$11,431,193.76	\$0	\$360	\$11,431,554
<b>Total</b>	<b>\$2,215,291,827.43</b>	<b>\$60,286,188.36</b>	<b>\$34,742,696.51</b>	<b>\$2,310,320,712.30</b>	<b>\$256,569,064.12</b>	<b>-\$46,101,397.11</b>	<b>\$2,520,788,379.31</b>

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

San Mateo County Employees' Retirement Association  
Monthly Performance Review  
Period Ending October 31, 2012

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2012	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 10/31/2012	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$127,522,003	\$1,716,998	\$5,000,000	\$165,834,240	4.52%	4.51%
D.E. Shaw Investment Management, LLC	\$111,596,764	\$4,259,486	\$0	\$125,335,196	4.51%	4.51%
T. Rowe Price Associates	\$96,280,828	\$1,957,521	\$0	\$121,872,795	4.57%	4.39%
Barrow, Hanley, Mewhinney & Strauss	\$132,934,814	\$3,202,091	\$0	\$171,695,673	5.88%	5.98%
BlackRock Large Cap Growth	\$0	\$0	\$168,124,076	\$168,440,792	N/A	N/A
BlackRock Capital Management, Inc.	\$140,210,524	\$31,238,940	-\$171,369,267	\$80,196	N/A	N/A
The Boston Company	\$47,157,391	\$775,786	\$0	\$54,321,011	4.27%	4.34%
Chartwell Investment Partners	\$53,353,681	\$3,436,702	\$0	\$63,431,022	3.87%	1.58%
Jennison Associates	\$73,442,059	\$2,516,251	\$0	\$87,551,793	3.39%	2.97%
Artio Global	\$3,881,475	-\$21,095	-\$1,119,627	\$2,780,273	N/A	N/A
Baillie Gifford	\$150,718,167	-\$804,773	\$5,000,000	\$157,953,734	9.49%	7.36%
Eaton Vance - Parametrics Emerging Markets	\$55,000,000	\$0	\$5,000,000	\$59,409,700	6.14%	7.24%
Mondrian Investment Partners	\$204,956,669	-\$504,334	\$10,002,069	\$204,400,833	5.96%	8.49%
Pyramis Global Advisors - Int'l. Small Cap	\$45,000,000	\$0	\$5,000,000	\$50,474,305	9.87%	8.70%
Aberdeen Asset Management	\$110,872,479	\$2,838,146	-\$49,253,215	\$66,264,100	3.34%	1.78%
Angelo Gordon	\$20,805,749	\$0	-\$13,328,000	\$21,714,508	15.23%	1.78%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$56,881,620	5.79%	5.15%
Brown Brothers Harriman	\$77,611,879	\$1,101,441	\$0	\$83,782,738	3.34%	3.16%
Franklin Templeton	\$107,284,238	\$3,309,321	\$0	\$115,620,208	9.00%	3.29%
Pyramis Global Advisors	\$61,020,022	\$0	\$44,842,418	\$138,452,426	2.39%	1.78%
Western Asset Management Company	\$88,241,048	\$1,797,953	\$0	\$93,430,063	3.71%	1.78%
Private Equity	\$18,717,963	-\$38,942	\$19,185,992	\$38,300,650	-0.63%	5.42%
AQR Global Risk Premium	\$151,925,153	\$4,562,332	\$0	\$164,953,614	7.01%	3.36%
AQR Delta Fund (Hedge Fund)	\$70,577,270	-\$1,487,713	\$0	\$69,213,711	2.01%	1.39%
SSGA/SSARIS Multisource Commodities	\$75,000,000	\$0	\$0	\$76,207,155	9.02%	5.41%
INVESCO Realty Advisors	\$140,195,341	\$2,643,447	\$0	\$150,954,465	2.80%	2.79%
Cash	\$5,986,311	-\$2,213,368	\$7,658,251	\$11,431,554	0.16%	0.04%
<b>Total</b>	<b>\$2,215,291,827</b>	<b>\$60,286,188</b>	<b>\$34,742,697</b>	<b>\$2,520,788,379</b>	<b>5.33%</b>	<b>4.53%</b>

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



San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending October 31, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 10/31/2012	Quarters Ending				Actual Fiscal Year 2012/2013	Estimated Annual Fee
		9/30/2012	12/31/2012	3/31/2013	6/30/2013		
BlackRock Russell 1000	\$ 165,834,240.00	\$19,294	\$6,431			\$19,294	\$80,000
D.E. Shaw Investment Management, LLC	\$ 125,335,196.00	\$155,731	\$51,910			\$155,731	\$700,000
T. Rowe Price Associates	\$ 121,872,795.00	\$105,987	\$35,329			\$105,987	\$480,000
Barrow, Hanley, Mewhinney & Strauss	\$ 171,695,673.00	\$185,450	\$61,817			\$185,450	\$820,000
BlackRock Capital Management, Inc.	\$ 80,196.00	\$197,444	\$65,815			\$197,444	\$880,000
The Boston Company	\$ 54,321,011.00	\$112,699	\$37,566			\$112,699	\$500,000
Chartwell Investment Partners	\$ 63,431,022.00	\$116,855	\$38,952			\$116,855	\$540,000
Jennison Associates	\$ 87,551,793.00	\$175,349	\$58,450			\$175,349	\$800,000
Baillie Gifford	\$ 157,953,734.00	\$181,511	\$60,504			\$181,511	\$800,000
Eaton Vance - Parametrics Emerging Markets	\$ 59,409,700.00	\$146,453	\$48,818			\$146,453	\$640,000
Mondrian Investment Partners	\$ 204,400,833.00	\$84,192	\$28,064			\$84,192	\$400,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 50,474,305.00	\$98,274	\$32,758			\$98,274	\$440,000
Aberdeen Asset Management	\$ 66,264,100.00	\$78,212	\$26,071			\$78,212	\$360,000
Angelo Gordon	\$ 21,714,508.00	\$87,500	\$29,167			\$87,500	\$340,000
Brigade Capital Management	\$ 56,881,620.00	\$107,533	\$35,844			\$107,533	\$460,000
Brown Brothers Harriman	\$ 83,782,738.00	\$31,052	\$10,351			\$31,052	\$120,000
Franklin Templeton	\$ 115,620,208.00	\$108,552	\$36,184			\$108,552	\$440,000
Pyramis Global Advisors	\$ 138,452,426.00	\$43,839	\$14,613			\$43,839	\$180,000
Western Asset Management Company	\$ 93,430,063.00	\$69,296	\$23,099			\$69,296	\$280,000
Private Equity	\$ 38,300,650.00	\$526,111	\$175,370			\$526,111	N/A
AQR Global Risk Premium (Risk Parity)	\$ 164,953,614.00	\$157,302	\$52,434			\$157,302	\$600,000
AQR Delta Fund (Hedge Fund)	\$ 69,213,711.00	\$176,845	\$58,948			\$176,845	\$800,000
Ssga/SSARIS Commodities	\$ 76,207,155.00	\$106,578	\$35,526			\$106,578	\$400,000
INVESCO Realty Advisors	\$ 150,954,465.00	\$154,035	\$51,345			\$154,035	\$700,000
<b>Sub-Total</b>	<b>\$2,338,135,756</b>	<b>\$3,226,096</b>	<b>\$1,075,365</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,226,096</b>	<b>\$11,760,000</b>
<b>Investment Consultant Fees</b>							
Strategic Investment Solutions		\$100,000	\$100,000			\$100,000	\$400,000
<b>Global Custodian Fees</b>							
State Street Bank & Trust		\$50,968	\$50,968			\$50,968	\$200,000
<b>Actuarial Consultant Fees</b>							
Milliman, Inc.		\$13,750	\$13,750			\$13,750	\$74,000
<b>Sub-Total</b>		<b>\$164,718</b>	<b>\$164,718</b>	<b>\$0</b>	<b>\$0</b>	<b>\$164,718</b>	<b>\$674,000</b>
<b>Total</b>		<b>\$3,390,445</b>	<b>\$1,239,715</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,390,445</b>	<b>\$12,434,000</b>

**Total Plan Policy Benchmark**

	As of:							
	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	28.0%	28.0%	37.0%	37.0%	40.0%	22.0%	20.0%	20.0%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	7.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	4.4%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	9.0%	9.0%
NCREIF NFI ODCE	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	6.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 200 basis points	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Libor + 400 basis points	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%

**Total Equity Benchmark**

	As of:					
	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
Russell 1000 Value	0.0%	0.0%	0.0%	8.0%	8.3%	0.0%
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%
MSCI AC World ex-US	34.0%	31.3%	23.1%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	32.3%	33.3%	33.3%
	100%	100%	100%	100%	100%	100%

**Domestic Equity Benchmark**

	As of:				
	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
Russell 1000	80.00%	52.00%	50.00%	50.00%	69.00%
S & P 500	0.00%	0.00%	0.00%	12.50%	17.00%
Russell 1000 Value	0.00%	12.00%	12.50%	0.00%	0.00%
Russell 2000	20.00%	36.00%	37.50%	37.50%	14.00%
	100%	100%	100%	100%	100%

**International Equity Benchmark**

	As of:	
	6/1/2000	1/1/1996
MSCI AC World ex-US	100%	0%
MSCI EAFE	0%	100%

**Total Fixed Income Benchmark**

	As of:				
	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
Barclays Aggregate	50.00%	58.60%	100.00%	83.33%	70.00%
Barclays BBB	15.00%	7.30%	0.00%	0.00%	0.00%
Barclays Tips	15.00%	13.60%	0.00%	0.00%	0.00%
Barclays Multiverse	20.00%	20.50%	0.00%	0.00%	0.00%
Citigroup Non-US WGBI unhedged	0.00%	0.00%	0.00%	16.67%	30.00%
	100.0%	100.0%	100.0%	100.0%	100.0%

**Domestic Fixed Income Benchmark**

	As of:		
	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.40%	73.70%	100.00%
Barclays BBB	18.80%	9.10%	0.00%
Barclays Tips	18.80%	17.20%	0.00%
	100.0%	100.0%	100.0%

**International Fixed Income Benchmark**

	As of:
	10/1/2010
Barclays Multiverse	100.00%

**SamCERA's Real Estate Benchmark**

	As of:		
	1/1/2009	6/1/2000	7/1/1996
NCREIF NFI ODCE (Gross)	100%	0%	0%
NCREIF Property Index	0%	100%	0%
10 YR Treasury plus 200 basis points	0%	0%	100%

**Alternative Investment Benchmark**

	As of:
	10/1/2010
Russell 3000 + 300 basis points	100%
60% Russell 3000/40% BC Aggregate	100%
Libor + 400 basis points	100%
Dow Jones UBS Commodity	100%

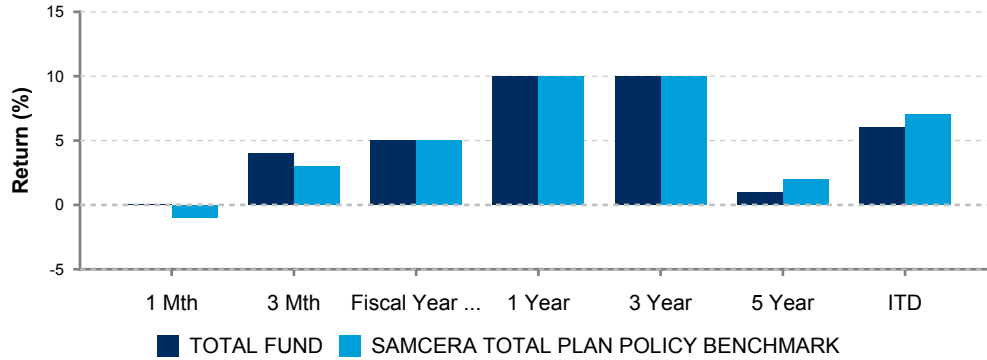
# San Mateo County Total Fund Characteristics

Agenda Item 6.1



October 31, 2012

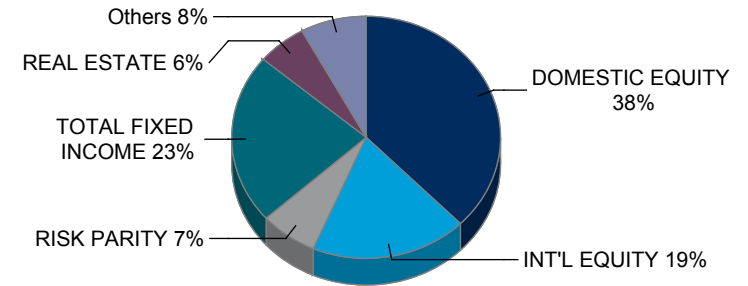
## Performance



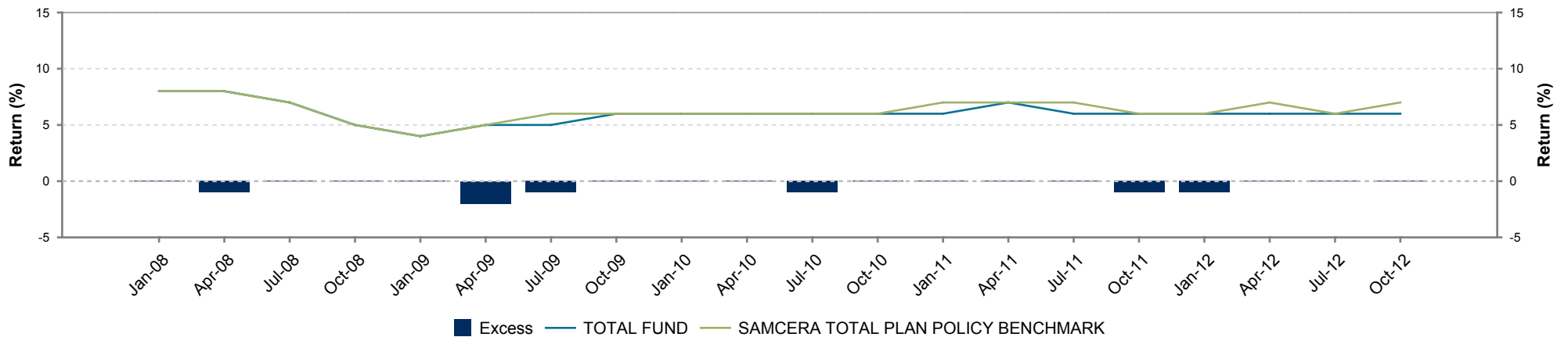
## Asset Allocation

	Ending Market Value (\$)	Allocation (%)
DOMESTIC EQUITY	958,562,720	38.0
INTERNATIONAL EQUITY	475,018,846	18.8
PRIVATE EQUITY	38,300,650	1.5
RISK PARITY	164,953,614	6.5
HEDGE FUND	69,213,711	2.7
COMMODITIES	76,207,155	3.0
FIXED INCOME	576,145,664	22.9
REAL ESTATE	150,954,465	6.0
CASH	11,431,554	0.5
<b>TOTAL FUND</b>	<b>2,520,788,380</b>	<b>100.0</b>

	1-Mth	3-Mth	Fiscal YTD	1-Yr	3-Yr	5-Yr	10-Yr	ITD
TOTAL FUND	-0.40	3.63	5.21	9.85	9.62	0.65	6.72	6.21
SAMCERA TOTAL PLAN POLICY BENCHMARK	-0.73	3.25	4.53	10.09	10.24	1.78	7.69	6.55
Excess	0.33	0.38	0.68	-0.24	-0.63	-1.13	-0.97	-0.34

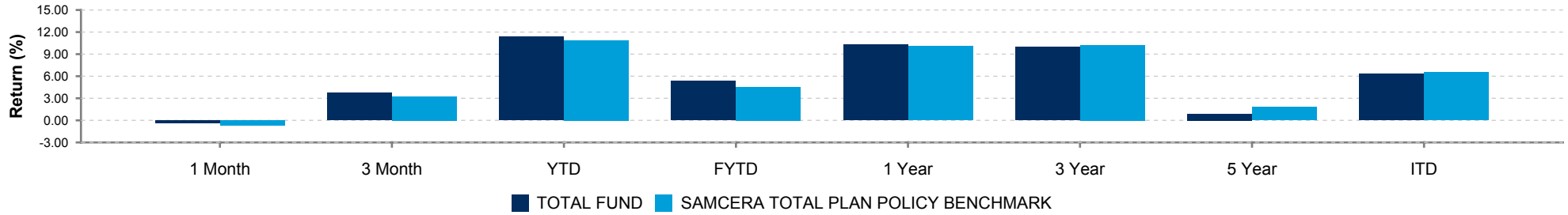


## Cumulative Returns



October 31, 2012

Return Comparison



Composite Total Returns (Gross)

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	ITD
Total Fund	2,520,788,380	-0.40	3.74	11.35	5.33	10.30	9.98	0.88	6.29
SAMCERA TOTAL PLAN POLICY BENCHMARK		-0.73	3.25	10.87	4.53	10.09	10.24	1.78	6.55
Excess		0.34	0.48	0.48	0.80	0.21	-0.26	-0.90	-0.26
Total Equity	1,433,581,566	-1.02	4.80	12.56	5.50	10.85	10.16	-1.90	6.88
SAMCERA TOTAL EQUITY BENCHMARK		-1.05	4.51	12.99	5.44	10.99	10.55	-1.01	7.16
Excess		0.03	0.29	-0.43	0.07	-0.14	-0.38	-0.89	-0.28
Total Fixed Income	576,145,664	0.72	3.02	11.16	5.14	11.18	9.48	7.24	6.36
SAMCERA TOTAL FIXED INCOME BENCHMARK		0.46	1.22	5.91	2.93	6.42	6.93	6.89	6.02
Excess		0.26	1.81	5.25	2.22	4.75	2.55	0.35	0.34
Total Risk Parity	164,953,614	-1.08	2.28	12.52	7.01	13.31			10.02
RISK PARITY BENCHMARK		-0.96	2.19	10.22	3.36	11.03			6.24
Excess		-0.12	0.09	2.30	3.65	2.28			3.78
Hedge Funds	69,213,711	1.43	-1.27	4.07	2.01	4.81			1.15
LIBOR + 4%		0.35	1.04	3.53	1.39	4.25			4.24
Excess		1.08	-2.31	0.54	0.61	0.56			-3.09
Private Equity	38,300,650	-0.03	-0.35	11.52	-0.63	-0.26			-69.68
PRIVATE EQUITY BENCHMARK		-1.48	4.13	16.93		18.15			
Excess		1.45	-4.49	-5.41		-18.41			

October 31, 2012

**Composite Total Returns (Gross)**

	Market Value (\$)	1 Mth	3 Mth	YTD	FYTD	1 Year	3 Year	5 Year	ITD
Commodities	76,207,155	-3.98	2.27	15.62	9.02	9.92			1.28
DJ-UBS COMMODITY		-3.88	-0.99	1.47	5.41	-4.51			-9.98
Excess		-0.10	3.26	14.15	3.61	14.43			11.26
Total Real Estate	150,954,465	0.00	2.80	6.40	2.80	9.70	11.73	-0.84	7.64
SAMCERA NCREIF NFI ODCE EW (Gross)		0.00	2.79	8.50	2.79	11.77	11.58	-0.59	7.66
Excess		0.00	0.01	-2.10	0.01	-2.07	0.15	-0.25	-0.02
Total Cash	11,431,554	0.03	0.15	0.57	0.20	0.66	0.84	0.51	2.53
91 DAY TREASURY BILL		0.01	0.03	0.08	0.04	0.08	0.11	0.67	2.46
Excess		0.02	0.11	0.49	0.15	0.59	0.73	-0.16	0.07

# San Mateo County Manager Return Summary

Agenda Item 6.1



October 31, 2012

<b>Manager Returns (Gross)</b>								
	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>ITD</b>
TOTAL EQUITY	-1.02	4.80	5.50	12.56	10.85	10.16	-1.90	6.88
SAMCERA TOTAL EQUITY BENCHMARK	-1.05	4.51	5.44	12.99	10.99	10.55	-1.01	7.16
Excess	0.03	0.29	0.07	-0.43	-0.14	-0.38	-0.89	-0.28
TOTAL DOMESTIC EQUITY	-1.68	3.97	4.54	13.49	13.89	13.58	-0.08	7.20
SAMCERA DOMESTIC EQUITY BENCHMARK	-1.78	3.51	4.21	13.82	14.41	13.79	0.72	7.37
Excess	0.10	0.45	0.33	-0.32	-0.51	-0.21	-0.80	-0.17
LARGE CAP COMPOSITE	-1.77	3.56	4.76	14.16	14.16	12.61	-0.29	7.95
RUSSELL 1000 INDEX	-1.69	3.29	4.51	14.32	14.97	13.48	0.53	8.25
Excess	-0.09	0.27	0.25	-0.16	-0.81	-0.86	-0.83	-0.30
BLACKROCK RUSSELL 1000 IN	-1.69	3.29	4.52	14.36	15.02	13.54	0.60	8.27
RUSSELL 1000 INDEX	-1.69	3.29	4.51	14.32	14.97	13.48	0.53	8.25
Excess	0.00	0.00	0.01	0.04	0.05	0.07	0.07	0.02
DE SHAW INVESTMENT MGT, LLC	-1.53	2.77	4.51	16.86	18.48	14.29		14.89
RUSSELL 1000 INDEX	-1.69	3.29	4.51	14.32	14.97	13.48		14.22
Excess	0.16	-0.52	0.00	2.54	3.51	0.81		0.67
T. ROWE PRICE ASSOCIATES	-1.89	3.18	4.57	14.88	15.37	13.13		13.80
S&P 500	-1.85	2.96	4.39	14.29	15.21	13.21		13.98
Excess	-0.04	0.22	0.18	0.59	0.16	-0.08		-0.18
BARROW HANLEY	-0.24	5.16	5.88	13.66	15.26	13.43		13.71
Russell 1000 Value Index	-0.49	4.90	5.98	15.18	16.89	12.81		13.77
Excess	0.25	0.26	-0.11	-1.52	-1.63	0.62		-0.06
BLACKROCK LARGE GROWTH								
Russell 1000 Growth Index				-2.92				

# San Mateo County Manager Return Summary

October 31, 2012

Agenda Item 6.1



Manager Returns (Gross)	1 Mth	3 Mth	FYTD	Cal YTD	1 Year	3 Year	5 Year	ITD
Excess								
SMALL CAP COMPOSITE	-1.33	5.48	3.77	11.16	12.76	17.53	0.60	5.15
RUSSELL 2000 INDEX	-2.17	4.41	2.97	11.75	12.08	14.82	1.19	5.83
Excess	0.84	1.06	0.80	-0.60	0.68	2.70	-0.59	-0.68
BOSTON COMPANY ASSET MGT, LLC	-1.36	5.77	4.27	13.37	17.74	14.63		14.47
RUSSELL 2000 VALUE INDEX	-1.25	5.42	4.34	12.93	14.47	13.83		13.61
Excess	-0.10	0.36	-0.07	0.43	3.27	0.80		0.86
CHARTWELL INVESTMENT MGMT	-1.68	5.99	3.87	12.81	14.61	21.08	1.39	6.58
RUSSELL 2000 GROWTH	-3.11	3.38	1.58	10.53	9.70	15.74	1.41	5.25
Excess	1.43	2.62	2.30	2.28	4.91	5.34	-0.02	1.34
JENNISON ASSOCIATES	-1.07	4.92	3.39	8.98	9.20	16.91		7.06
RUSSELL 2000 INDEX	-2.17	4.41	2.97	11.75	12.08	14.82		5.34
Excess	1.10	0.51	0.42	-2.77	-2.88	2.09		1.72
TOTAL INTERNATIONAL EQUITY	0.35	6.52	7.52	10.10	3.82	2.88	-6.07	5.35
MSCI AC WORLD ex US (GROSS)	0.40	6.39	7.92	11.30	4.48	4.20	-4.63	5.24
Excess	-0.05	0.14	-0.40	-1.20	-0.66	-1.32	-1.44	0.11
BAILLIE GIFFORD OVERSEAS LIMITED	0.78	7.08	9.49					2.52
MSCI ACWI ex US GROWTH (GROSS)	0.13	5.40	7.36					0.07
Excess	0.65	1.68	2.13					2.45
EATON VANCE MANAGEMENT	-0.22	5.92	6.14					-1.89
MSCI Em Markets (USD) GDR	-0.60	5.12	7.24					-2.16
Excess	0.37	0.80	-1.10					0.27

# San Mateo County Manager Return Summary

Agenda Item 6.1



October 31, 2012

<b>Manager Returns (Gross)</b>								
	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>ITD</b>
MONDRIAN INVESTMENT PARTNERS	0.23	5.77	5.96	7.25	2.92	4.28	-3.93	5.46
MSCI ACWI EX US VALUE (GROSS)	0.67	7.38	8.49	11.24	4.59	3.19	-4.84	5.35
Excess	-0.44	-1.61	-2.53	-3.99	-1.67	1.09	0.90	0.11
PYRAMIS	0.20	8.90	9.87					0.41
MSCI ACWI ex US Small Cap Gross	0.05	8.06	8.70					-0.84
Excess	0.15	0.84	1.17					1.26
TOTAL FIXED INCOME	0.72	3.02	5.14	11.16	11.18	9.48	7.24	6.36
SAMCERA TOTAL FIXED INCOME BENCHMARK	0.46	1.22	2.93	5.91	6.42	6.93	6.89	6.02
Excess	0.26	1.81	2.22	5.25	4.75	2.55	0.35	0.34
ABERDEEN ASSET MANAGEMENT	0.46	1.65	3.34	7.86	9.07	8.78	5.40	6.32
Barclays Aggregate Bond	0.20	0.40	1.78	4.20	5.25	6.08	6.38	6.44
Excess	0.26	1.25	1.56	3.66	3.81	2.70	-0.98	-0.12
ANGELO GORDON GECC PPI FUND	1.85	10.86	15.23	35.42	38.22			21.44
Barclays Aggregate Bond	0.20	0.40	1.78	4.20	5.25			5.79
Excess	1.65	10.46	13.44	31.22	32.97			15.65
PYRAMIS GLOBAL ADVISORS	0.21	0.71	2.39	6.16	7.19	7.81	7.45	6.59
Barclays Aggregate Bond	0.20	0.40	1.78	4.20	5.25	6.08	6.38	6.08
Excess	0.01	0.31	0.60	1.96	1.93	1.73	1.07	0.50
WESTERN ASSET MGMT	0.49	1.62	3.71	8.70	9.45	9.37	7.37	6.30
Barclays Aggregate Bond	0.20	0.40	1.78	4.20	5.25	6.08	6.38	5.44
Excess	0.29	1.22	1.92	4.50	4.20	3.29	0.98	0.87
BRIGADE CAPITAL MANAGEMENT	1.01	4.06	5.79	13.31	13.93			10.97
Barclays BA Intermediate High Yield Index	0.96	3.10	5.15	11.89	12.69			10.44



**San Mateo County  
Manager Return Summary**

Agenda Item 6.1



October 31, 2012

<b>Manager Returns (Gross)</b>								
	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>ITD</b>
Excess	0.05	0.96	0.64	1.42	1.24			0.52
<b>BROWN BROTHERS HARRIMAN &amp; CO</b>	0.85	1.26	3.34	7.79	8.85			10.38
Barclays US TIPS Index	0.95	1.11	3.16	7.52	8.45			10.27
Excess	-0.11	0.15	0.18	0.27	0.40			0.11
<b>FRANKLIN TEMPLETON INVESTMENTS</b>	1.07	6.36	9.00	16.95	11.77			8.27
Barclays Multiverse	-0.09	2.08	3.29	5.05	3.91			5.80
Excess	1.16	4.28	5.71	11.90	7.87			2.47
<b>TOTAL PRIVATE EQUITY</b>	-0.03	-0.35	-0.63	11.52	-0.26			-69.68
<b>PRIVATE EQUITY BENCHMARK</b>	-1.48	4.13		16.93	18.15			
Excess	1.45	-4.49		-5.41	-18.41			
<b>TOTAL RISK PARITY</b>	-1.08	2.28	7.01	12.52	13.31			10.02
<b>RISK PARITY BENCHMARK</b>	-0.96	2.19	3.36	10.22	11.03			6.24
Excess	-0.12	0.09	3.65	2.30	2.28			3.78
<b>AQR GLOBAL RISK PREM III LP</b>	-1.08	2.28	7.01	12.52	13.31			10.02
<b>RISK PARITY BENCHMARK</b>	-0.96	2.19	3.36	10.22	11.03			6.24
Excess	-0.12	0.09	3.65	2.30	2.28			3.78
<b>HEDGE FUND COMPOSITE</b>	1.43	-1.27	2.01	4.07	4.81			1.15
LIBOR + 4%	0.35	1.04	1.39	3.53	4.25			4.24
Excess	1.08	-2.31	0.61	0.54	0.56			-3.09
<b>AQR DELTA FUND II, L.P.</b>	1.43	-1.27	2.01	4.07	4.81			1.15
LIBOR + 4%	0.35	1.04	1.39	3.53	4.25			4.24
Excess	1.08	-2.31	0.61	0.54	0.56			-3.09

**San Mateo County  
Manager Return Summary**

Agenda Item 6.1



October 31, 2012

<b>Manager Returns (Gross)</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>FYTD</b>	<b>Cal YTD</b>	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>ITD</b>
TOTAL COMMODITIES	-3.98	2.27	9.02	15.62	9.92			1.28
DJ-UBS COMMODITY	-3.88	-0.99	5.41	1.47	-4.51			-9.98
Excess	-0.10	3.26	3.61	14.15	14.43			11.26
SSGA MULTISOURCE ACT COMM NL	-3.98	2.27	9.02	15.62	9.92			1.28
DJ-UBS COMMODITY	-3.88	-0.99	5.41	1.47	-4.51			-9.98
Excess	-0.10	3.26	3.61	14.15	14.43			11.26
TOTAL REAL ESTATE	0.00	2.80	2.80	6.40	9.70	11.73	-0.84	7.64
SAMCERA NCREIF NFI ODCE EW (Gross)	0.00	2.79	2.79	8.50	11.77	11.58	-0.59	7.66
Excess	0.00	0.01	0.01	-2.10	-2.07	0.15	-0.25	-0.02
INVESCO REAL ESTATE	0.00	2.80	2.80	6.40	9.70	11.73	-0.84	6.14
SAMCERA NCREIF NFI ODCE EW (Gross)	0.00	2.79		8.50	11.77	11.58	-0.59	
Excess	0.00	0.01		-2.10	-2.07	0.15	-0.25	
TOTAL CASH	0.03	0.15	0.20	0.57	0.66	0.84	0.51	2.53
91 DAY TREASURY BILL	0.01	0.03	0.04	0.08	0.08	0.11	0.67	2.46
Excess	0.02	0.11	0.15	0.49	0.59	0.73	-0.16	0.07
SAMCERA GENERAL ACCOUNT	0.01	0.06	0.08	0.17	0.19	0.26	0.93	2.59
SAMCERA TREASURY & LAIF	0.06	0.18	0.23	0.66	0.82	0.99	0.43	3.29
TOTAL FUND	-0.40	3.74	5.33	11.35	10.30	9.98	0.88	6.29
SAMCERA TOTAL PLAN POLICY BENCHMARK	-0.73	3.25	4.53	10.87	10.09	10.24	1.78	6.55
Excess	0.34	0.48	0.80	0.48	0.21	-0.26	-0.90	-0.26

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

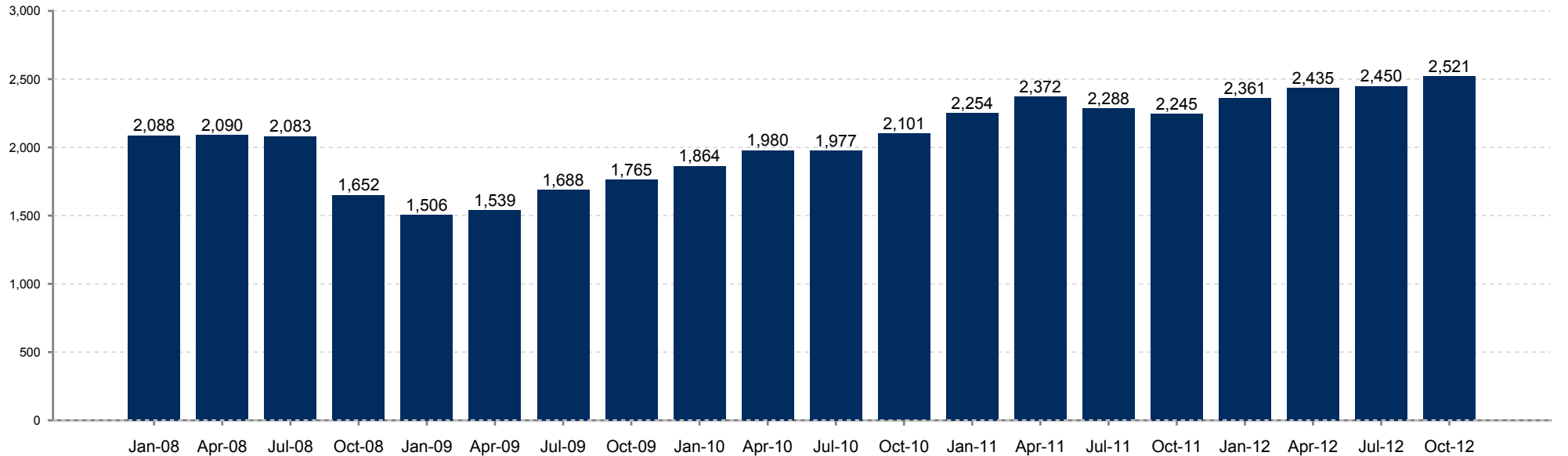


October 31, 2012

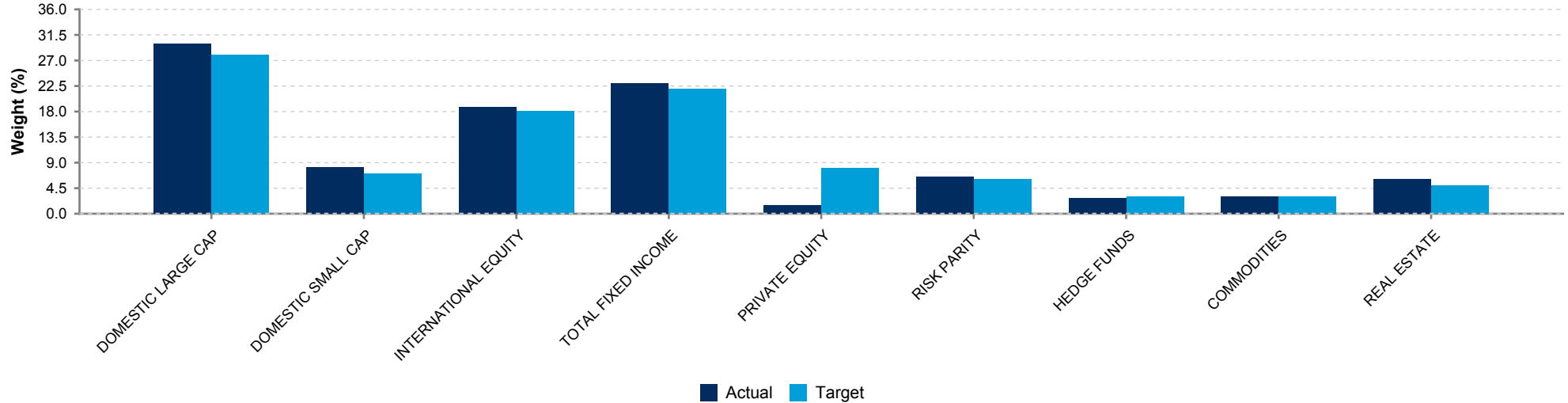
**Record of Asset Growth**

	One Quarter	One Year
TOTAL FUND		
Beginning Market Value	2,458,665,390	2,244,823,315
Contributions	446,370,419	1,654,283,615
Withdrawals	476,018,004	1,724,744,732
Income Received	12,381,481	49,453,842
Gain/Loss	79,389,094	188,504,192
Ending Market Value	2,520,788,380	2,520,788,380

**Net Asset Values over Time (\$000)**



Actual vs Target Weights



% Portfolio Weight

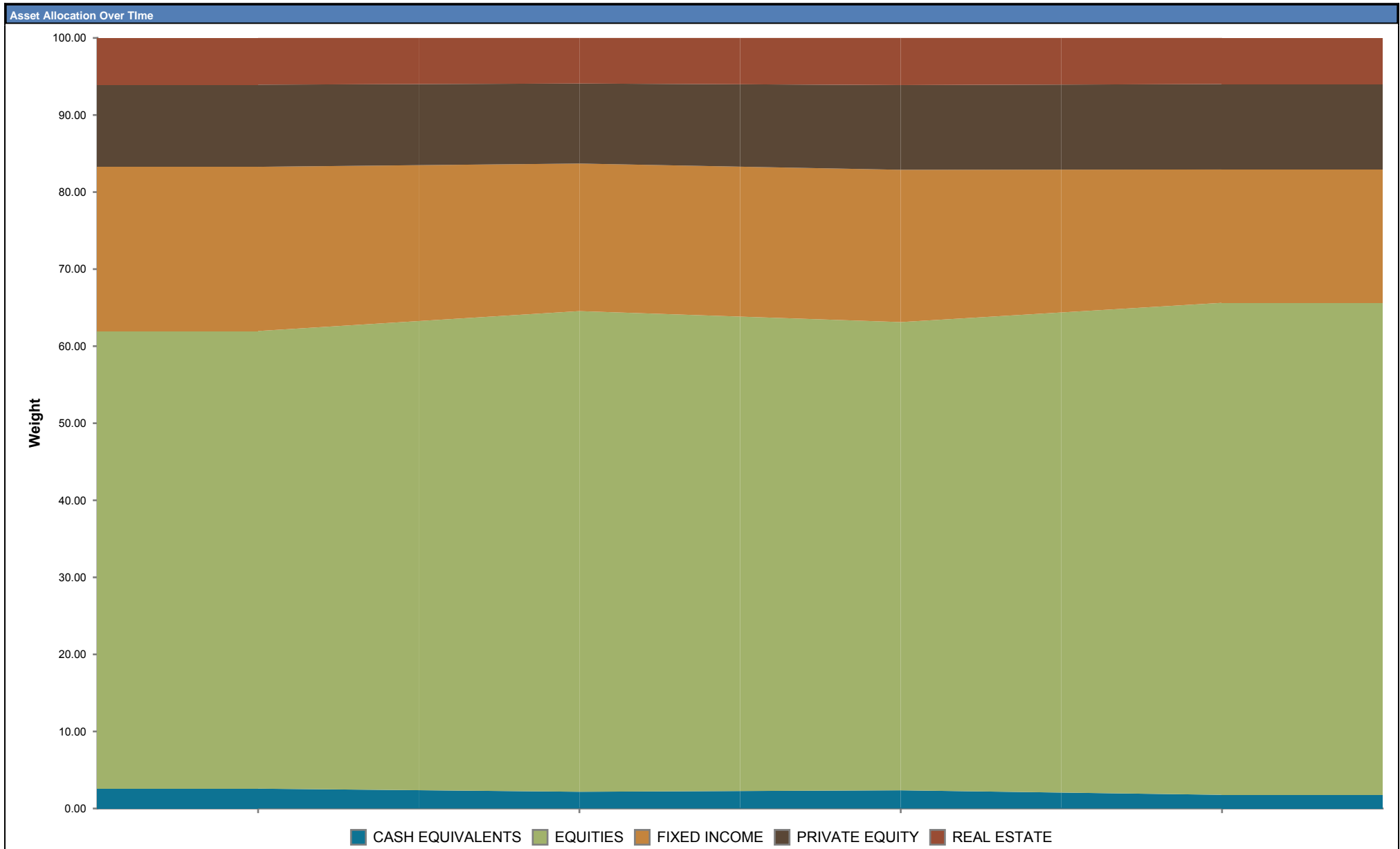
	Min	Actual	Target	Deviation	Max
<b>DOMESTIC LARGE CAP</b>	<b>25.0</b>	<b>29.9</b>	<b>28.0</b>	<b>1.9</b>	<b>31.0</b>
BLACKROCK RUSSELL 1000 INDEX FUND	3.5	6.6	6.5	0.1	9.5
DE SHAW INVESTMENT MGT, LLC	1.3	5.0	4.3	0.7	7.3
T. ROWE PRICE ASSOCIATES	1.3	4.8	4.3	0.6	7.3
BARROW HANLEY	3.5	6.8	6.5	0.3	9.5
BLACKROCK LARGE GROWTH	3.5	6.7	6.5	0.2	9.5
<b>DOMESTIC SMALL CAP</b>	<b>4.0</b>	<b>8.1</b>	<b>7.0</b>	<b>1.1</b>	<b>10.0</b>
BOSTON COMPANY ASSET MGT, LLC	0.0	2.2	1.8	0.4	4.8
CHARTWELL INVESTMENT MGMT	0.0	2.5	1.8	0.8	4.8
JENNISON ASSOCIATES	0.5	3.5	3.5	0.0	6.5
<b>INTERNATIONAL EQUITY</b>	<b>15.0</b>	<b>18.8</b>	<b>18.0</b>	<b>0.8</b>	<b>21.0</b>
BAILLIE GIFFORD OVERSEAS LIMITED	3.0	6.3	6.0	0.3	9.0
EATON VANCE MANAGEMENT	0.0	2.4	2.3	0.1	5.3
MONDRIAN INVESTMENT PARTNERS	5.0	8.1	8.0	0.1	11.0

<b>% Portfolio Weight</b>					
	<b>Min</b>	<b>Actual</b>	<b>Target</b>	<b>Deviation</b>	<b>Max</b>
PYRAMIS	0.0	2.0	1.8	0.3	4.8
<b>TOTAL FIXED INCOME</b>	<b>19.0</b>	<b>22.9</b>	<b>22.0</b>	<b>0.9</b>	<b>25.0</b>
ABERDEEN ASSET MANAGEMENT	1.8	2.6	3.8	-1.1	5.8
ANGELO GORDON GECC PPI FUND	0.0	0.9	1.6	-0.8	3.6
BRIGADE CAPITAL MANAGEMENT	0.0	2.3	1.6	0.6	3.6
BROWN BROTHERS HARRIMAN & CO	1.0	3.3	3.0	0.3	5.0
FRANKLIN TEMPLETON INVESTMENTS	2.5	4.6	4.5	0.1	6.5
WESTERN ASSET MGMT	1.8	3.7	3.8	0.0	5.8
PYRAMIS GLOBAL ADVISORS	1.8	5.5	3.8	1.7	6.8
<b>PRIVATE EQUITY</b>	<b>8.0</b>	<b>1.5</b>	<b>8.0</b>	<b>-6.5</b>	<b>8.0</b>
<b>RISK PARITY</b>	<b>6.0</b>	<b>6.5</b>	<b>6.0</b>	<b>0.5</b>	<b>6.0</b>
AQR GLOBAL RISK PREM III LP	6.0	6.5	6.0	0.5	6.0
<b>HEDGE FUNDS</b>	<b>3.0</b>	<b>2.7</b>	<b>3.0</b>	<b>-0.3</b>	<b>3.0</b>
AQR DELTA FUND II, L.P.	3.0	2.7	3.0	-0.3	3.0
<b>COMMODITIES</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>
SSGA MULTISOURCE ACT COMM NL	3.0	3.0	3.0	0.0	3.0
<b>REAL ESTATE</b>	<b>3.0</b>	<b>6.0</b>	<b>5.0</b>	<b>1.0</b>	<b>7.0</b>
INVESCO REAL ESTATE	3.0	6.0	5.0	1.0	3.0

# San Mateo County Asset Allocation Over Time

Agenda Item 6.1

October 31, 2012



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

December 11, 2012

Agenda Item 6.2

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer

*Michael R. Coultrip*

**SUBJECT:** Presentation Regarding 130/30 Investing with D.E. Shaw

**Staff Recommendation:**

Staff recommends the Board review the attached materials from D.E. Shaw and participate in the educational presentation that D.E. Shaw will provide regarding 130/30 investing.

**Background:**

The Board last heard an update on "alpha extension" or 130/30 investing in April of 2008. Much has happened in the investment world subsequent to that presentation, and staff and consultant believe that an update on current thinking in this area would benefit the Board during the upcoming domestic equity manager structure discussion.

**Discussion:**

Tony Foley, Chief Investment Officer for D.E. Shaw Investment Management, L.L.C. will be discussing the attached presentation and will be available to address questions.

**Attachments:**

- A. "130/30 Equity Strategies" presentation
- B. "130/30 Version 2.0" white-paper

# 130/30 Equity Strategies

Tony Foley

Chief Investment Officer

D. E. Shaw Investment Management, L.L.C.

Prepared for San Mateo County Employees' Retirement Association

December 11, 2012

The logo for D E Shaw & Co features the company name in a serif font. Above the text, there are horizontal lines that extend from the 'D' and 'C', and a diagonal line that connects the top of the 'S' to the top of the 'C', creating a stylized graphic element.

D E Shaw & Co



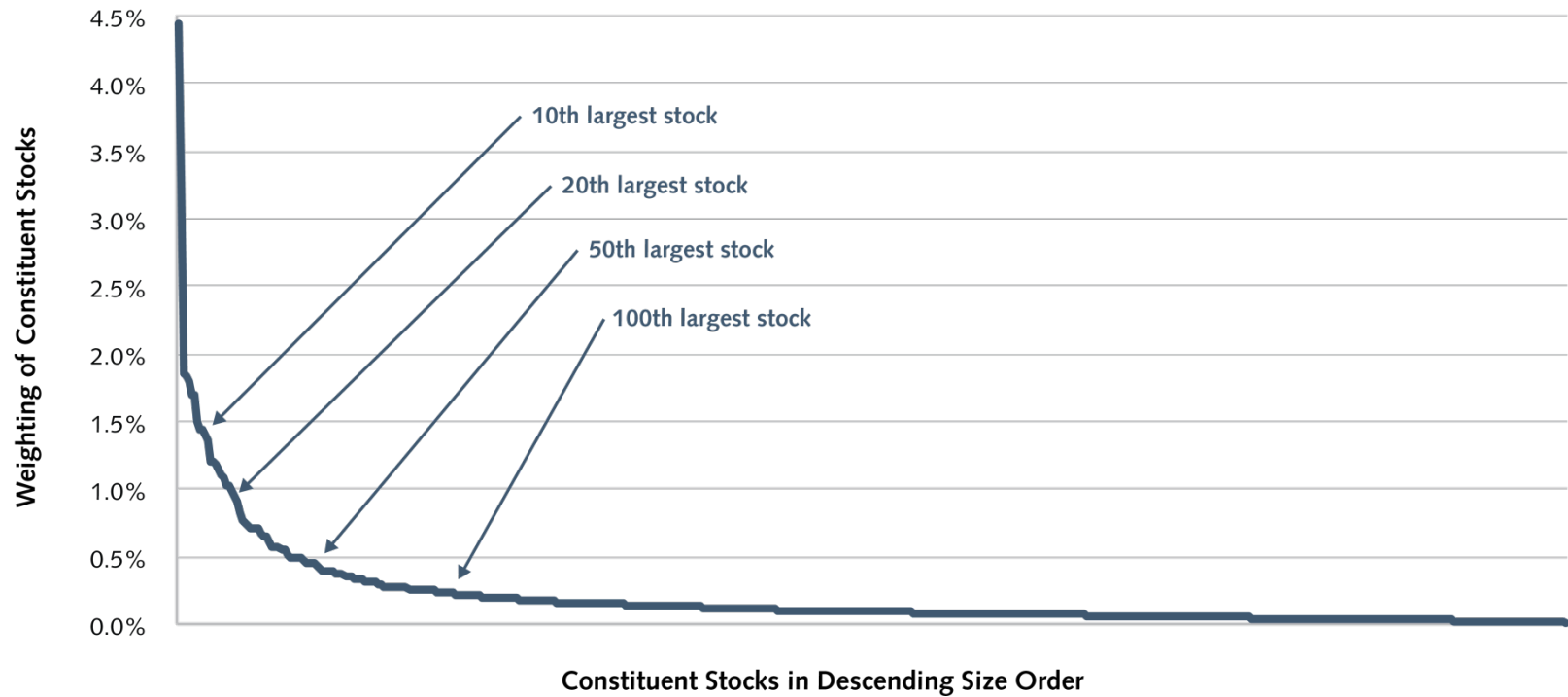
## 130/30: A Brief Overview

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- Active approaches to long-only benchmark-relative investing seek to deliver two returns:
  - Equity market return (beta)
  - Active return (alpha)
- The long-only constraint entails that individual positions in a portfolio may not have a weight of less than zero
- Market capitalization-weighted benchmarks, such as the S&P 500 and Russell 1000® Index, include a large number of stocks with relatively small weights
- Because it is difficult to underweight those stocks in long-only portfolios relative to the benchmark, managers cannot fully express negative views on a large number of stocks

# 130/30: A Brief Overview (cont'd)

Market Capitalization Distribution of S&P 500, June 29, 2012



## 130/30: A Brief Overview (cont'd)

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- Our research indicates that relaxing the long-only constraint has the potential to improve risk-adjusted performance by approximately 30% by:
  - expanding the set of alpha opportunities
  - allowing for greater flexibility in controlling risk exposures
- Shorting is implemented in the portfolio by using long positions to collateralize the borrowing of stock that is sold and generally used to purchase additional long positions
- At a level of 30% shorting, the resulting portfolio typically will have a gross exposure of 160% to equities and, consistent with a benchmark-relative approach, a net exposure of 100% to equities

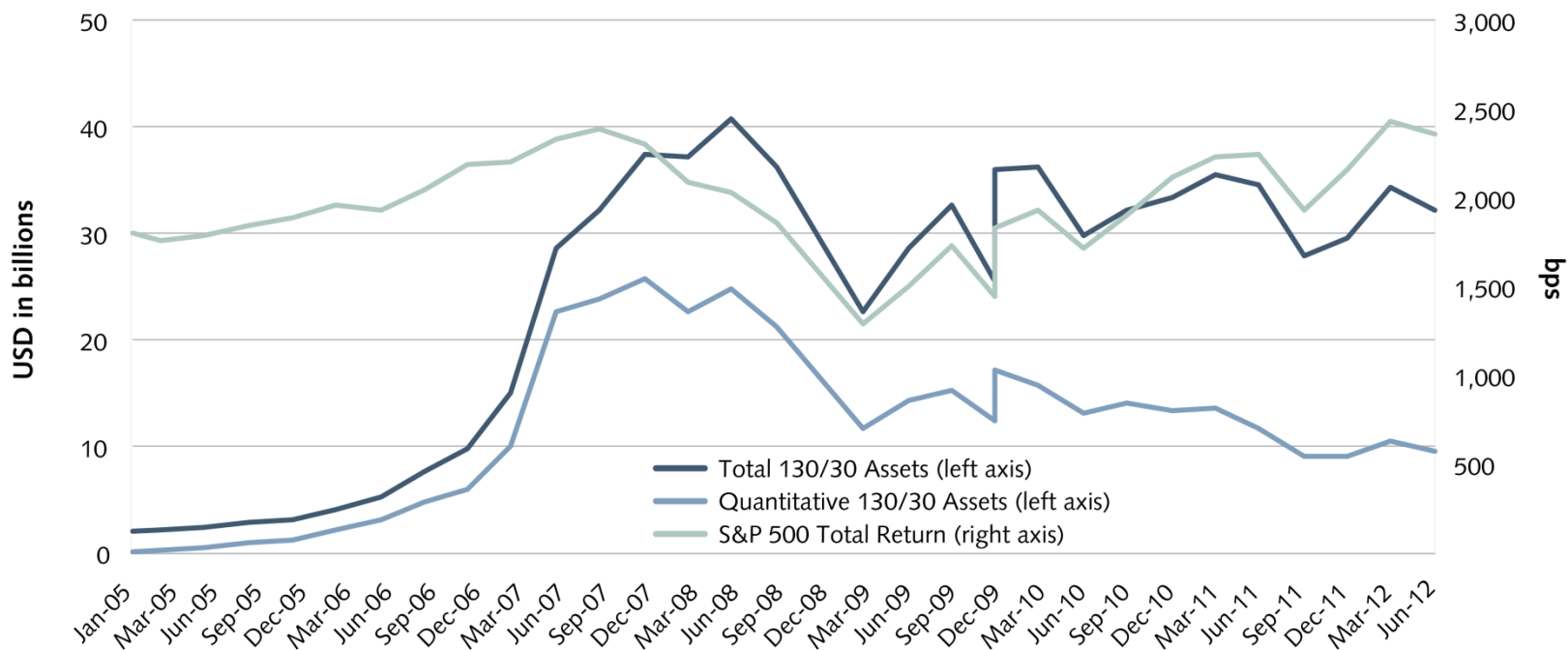
## 130/30 Equity Products, 2005–2012

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- Assets in 130/30 equity products grew rapidly between 2005 and 2008, fell precipitously with the market after 2008, and subsequently partially rebounded
- At their peak in 2008, 60% of all 130/30 assets were invested in quantitative products; that proportion had fallen to 30% by the end of the second quarter of 2012
- More than a third of managers shut down their 130/30 products between mid-2008 and mid-2012

# 130/30 Equity Products, 2005–2012 (cont'd)

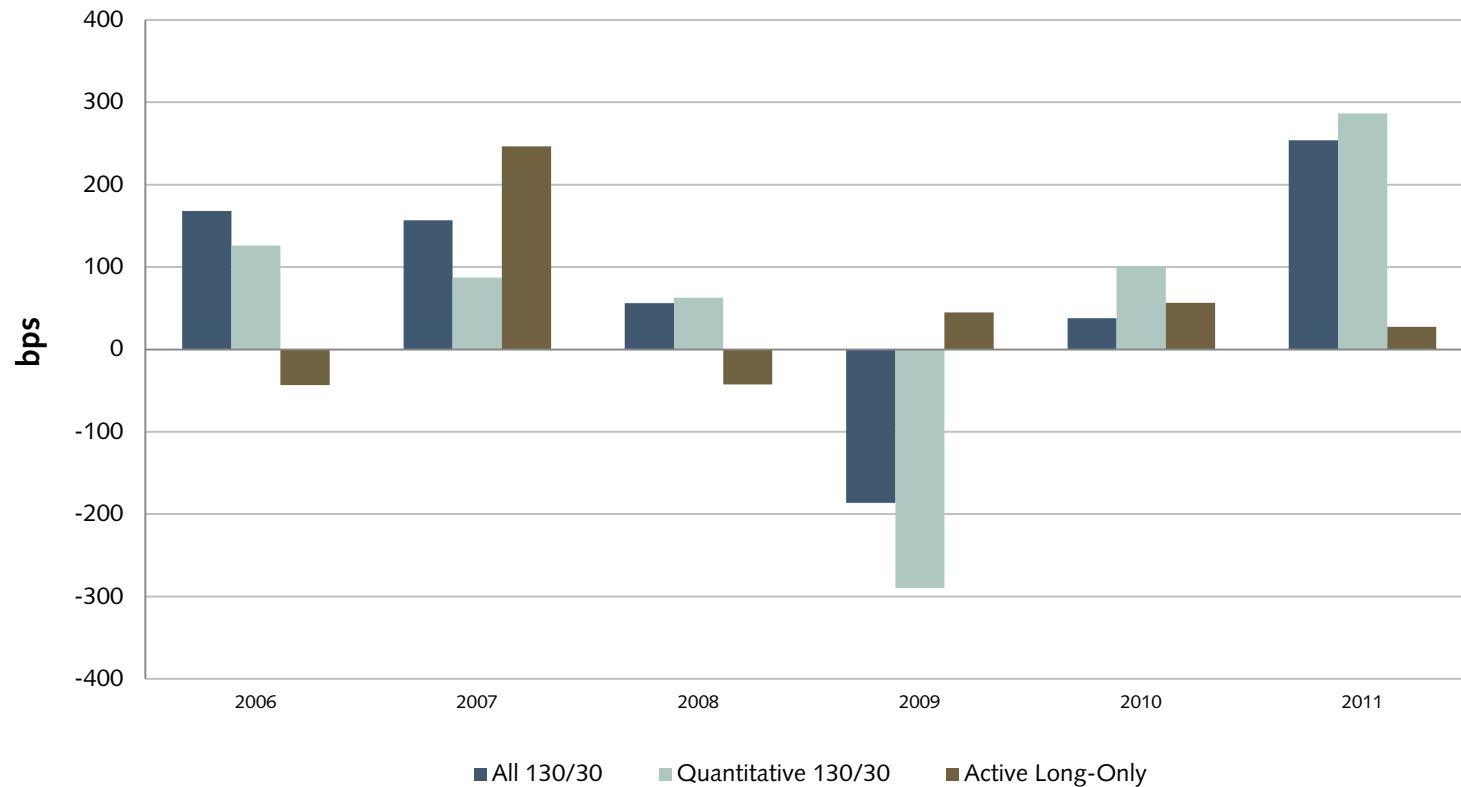
130/30 Assets and S&P 500 Total Return, January 2005 – June 2012



Information on the sources of the data shown in this slide appears in the notes to this document.

# 130/30 Equity Products, 2005–2012 (cont'd)

Median 130/30 and Long-Only Product Excess Returns (Gross), 2006 – 2011



## Why Many 130/30 Products Underperformed

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- Many quantitative 130/30 products, which initially gained most of the assets in that approach, relied on “factor tilts”—concentrated wagers on value, growth, or momentum—to generate alpha
  - Adopting a 130/30 approach in portfolios dominated by factor tilts is essentially equivalent to applying leverage to concentrated positions
  - Such levered-up positions may perform well or poorly on an absolute basis in certain periods
  - However, approaches based on factor tilts generally exhibit low risk-adjusted performance because of their limited “breadth”

## Why Many 130/30 Products Underperformed (cont'd)

- The following table illustrates a 30% increase in Transfer Coefficient when moving from long-only to 130/30 (reflecting greater freedom to express negative views on stocks)
- Manager A's relatively low breadth means the absolute improvement in information ratio (a measure of risk-adjusted return) is limited

Portfolio	Transfer Coefficient	Information Coefficient	Breadth	Information Ratio
Manager A Long-Only	0.50	0.30	3	0.25
Manager A 130/30	0.65	0.30	3	0.33
Manager B Long-Only	0.50	0.30	100	1.50
Manager B 130/30	0.65	0.30	100	2.00



## Why Many 130/30 Products Underperformed (cont'd)

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- Many managers that initially gathered assets in 130/30, whether quantitative or not, traditionally focused on long-only investing
  - Selecting stocks to sell short poses unique challenges and requires specific skills
  - Long-only managers often lack a robust forecast research program on the short side
  - Optimizing 130/30 portfolios is far more complex than long-only optimizations

## New Perspectives on 130/30

- “Active share” is a measure of how much a portfolio deviates from its benchmark; one study posits a significant positive statistical relationship between active share and excess return
  - Over a three-year period, the average active share of one of our 130/30 products was nearly 40% higher than an otherwise equivalent long-only portfolio
- Another study shows that market participants were more sensitive to negative surprise in 2009 and 2010 than they were before and during the 2007–2008 credit crisis
  - 130/30 strategies, particularly those geared towards individual stock selection, seem well positioned to capture alpha if that trend continues

**Past performance should not be considered indicative of future performance.** No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

## Illustrative Long-Only and 130/30 Performance

	BMCEP Composite	BMCAE Composite
Benchmark Index	Russell 1000 Index	Russell 1000 Index
Investment Approach	Long-Only	130/30
Targeted Annualized Tracking Error (bps)	150-249	300
Year-to-Date Net Excess Return (bps)	205	212
1-Year Annualized Net Excess Return (bps)	291	322
3-Year Annualized Net Excess Return (bps)	21	180
5-Year Annualized Net Excess Return (bps)	125	279
3-Year Annualized Net Information Ratio	0.11	0.76
5-Year Annualized Net Information Ratio	0.61	1.04

**Past performance should not be considered indicative of future performance.** No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized. The notes and legends appearing elsewhere in this document are an integral part of this document. "BMCEP" and "BMCAE" represent information, respectively, for the D. E. Shaw Broad Market Core Enhanced Plus Strategy composite and the D. E. Shaw Broad Market Core Alpha Extension Strategy composite. All performance information is as of October 31, 2012. Information on the fees used to compute the net performance shown for each strategy composite appears in the notes to this document. The comparative strategy composite performance shown in this slide is for illustrative purposes only. The choice of other strategy composites would be expected to result in comparative performance that differs from that shown in this slide.

## Conclusion

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- For investors comfortable with shorting, we believe 130/30 remains a sound form of active management with the potential to deliver enhanced risk-adjusted performance
- Investor due diligence should assess a manager's capabilities in areas such as:
  - forecast research
  - optimization technology
  - trading infrastructure
  - regulatory compliance

# Notes and Legends

# Notes

## Notes to Entire Document

The “information ratio” of a portfolio is defined as the annualized excess return of such portfolio divided by the annualized tracking error of such portfolio for the performance period in question.

The “tracking error” of a portfolio is the standard deviation of that portfolio's excess returns relative to the benchmark index. Realized tracking error of an actual portfolio over any particular period is expected to differ (possibly materially) from the targeted tracking error and is expected to vary (possibly materially) in the future. No assurances can be given that any aims, assumptions, expectations, and/or goals described in this document will be realized.

A portfolio's “beta” is the covariance of the portfolio's return with the relevant benchmark return divided by the variance of the benchmark return. “Targeted beta” is an estimate made by D. E. Shaw Investment Management, L.L.C. (“DESIM”) in advance of the beta that will be experienced by the applicable portfolio. Realized beta is expected to differ (possibly) materially from the targeted beta.

The S&P 500 has been used for comparative purposes. The S&P 500 is not an actively managed fund and does not reflect the deduction of any fees or expenses.

The Russell 1000 Index has been used for comparative purposes. The Russell 1000 Index is a trademark/service mark of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company. The Frank Russell Company is the source and copyright owner of the Russell 1000 Index and the return information relating to the Russell 1000 Index. The Russell 1000 Index is not an actively managed fund and does not reflect the deduction of any fees or expenses. The Broad Market Core Enhanced Plus Strategy may differ from the Russell 1000 Index by holding different securities in name and/or number from those that constitute the Russell 1000 Index. No member of, or fund managed by, the D. E. Shaw group and no presentation in this document is sponsored or endorsed by, or affiliated or associated with, the Frank Russell Company. No member of the D. E. Shaw group sponsors or endorses the Frank Russell Company or the Russell 1000 Index.

The legends appearing elsewhere in this document are an integral part of this document.

## Notes (cont'd)

### Notes to Slides 5 and 6

The asset and product data cited in Slide 5 and shown in Slide 6 are derived from the “Extended Equity” universe of the eVestment Alliance, LLC (“eVestment”) database using quarter-end data. Because managers self-report these asset and product data to eVestment, a number of biases are typically present in any sample of returns or assets over time. However, in reviewing different sources, we believe the direction and magnitude of changes in the market for 130/30 equity products are broadly consistent across estimates. The S&P 500 total return shown in Slide 6 is based on quarter-end data.

### Notes to Slide 7

The median excess return figures shown are derived from monthly gross performance information contained in the eVestment database for (1) applicable products in eVestment's Extended Equity universe, and (2) products in eVestment's “Long-Only Active Equity” universe managed by the same firms whose products are included in the Extended Equity universe.

### Notes to Slide 12

Return information is presented for various time periods. Significant differences in return, risk, and correlations may occur within sub-periods of the periods shown. The use of other time periods would yield (possibly materially) different results. **Past performance should not be considered indicative of future performance.**

All of the performance and other financial information presented is unaudited and, with respect to the most recent performance period shown, may not reflect (possibly material) adjustments that might result when closing the books for such period.

The performance information shown for “BMCEP” reflects application of the D. E. Shaw Broad Market Core Enhanced Plus Strategy (the “Broad Market Core Enhanced Plus Strategy”) with the long-term objective of a realized annualized tracking error from the Russell 1000® Index of 150-249 basis points. The performance information shown for “BMCAE” reflects application of the D. E. Shaw Broad Market Core Alpha Extension Strategy (the “Broad Market Core Alpha Extension Strategy”) with the long-term objective of a realized annualized tracking error from the Russell 1000® Index of 300 basis points.

## Notes (cont'd)

From November 1, 2006 to the present, the Broad Market Core Enhanced Plus Strategy has been deployed on behalf of at least one account in the D. E. Shaw group, including an account (the "Affiliated Account") in an alternative investment vehicle (the "Vehicle") (which includes other strategies) with an absolute return objective. D. E. Shaw Investment Management, L.L.C. ("DESIM") does not charge investment management fees to the Affiliated Account. The Vehicle charges fees on all assets within the Vehicle, by assessing an overall asset-based fee and a performance fee that are much larger (in absolute and percentage terms) than those expected to be charged to clients for which the Broad Market Core Enhanced Plus Strategy would be deployed, but did not allocate fees to the Affiliated Account. In conducting its investment advisory activities, DESIM utilizes certain assets and resources of D. E. Shaw & Co., L.P. ("DESCO LP"). In particular, all of the personnel working on behalf of DESIM are employees of DESCO LP, and all of the intellectual property utilized by DESIM is owned by DESCO LP.

From the Broad Market Core Enhanced Plus Strategy's inception through September 30, 2007, returns used to calculate the net of fees return figures were computed after deduction of a *pro forma* fee (assumed to be an annual fee of 51 basis points of assets charged monthly and paid separately by the client, and assuming no additions or withdrawals). The *pro forma* fee is equal to or higher than the actual investment management fee that DESIM charged accounts for the Broad Market Core Enhanced Plus Strategy during such period. After September 30, 2007, returns used to calculate the net of fees return figures are computed after deduction of actual investment management fees; for accounts that do not pay investment management fees, the *pro forma* fee is applied.

From the Broad Market Core Alpha Extension Strategy's inception through September 30, 2007, returns used to calculate the net of fees return figures were computed after deduction of a *pro forma* fee (assumed to be an annual fee of 90 basis points of assets charged monthly and paid separately by the client, and assuming no additions or withdrawals). The *pro forma* fee is equal to or higher than the actual investment management fee that DESIM charged accounts for the Broad Market Core Alpha Extension Strategy during such period. After September 30, 2007, returns used to calculate the net of fees return figures are computed after deduction of actual investment management fees; for accounts that do not pay investment management fees, the *pro forma* fee is applied.

No client may actually have experienced the performance shown in this document. An actual account's performance would be reduced by fees as agreed upon by the investment manager and the client, which fees may be less than or greater than the fees reflected in the net performance figures in this document and which may be charged for periods longer than a month. The net performance presented is not intended to represent an agreement to any particular fees by any member of the D. E. Shaw group and any such agreement would only be part of written, definitive documentation executed and delivered by such member of the D. E. Shaw group. Details about DESIM's fees are available upon request and may be found in Part II of its Form ADV.



## Notes (cont'd)

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The performance figures for the Broad Market Core Enhanced Plus Strategy for the period from June 29, 2005 through October 31, 2006 do not reflect the reinvestment of dividends and other earnings. The performance figures for the month of November 2006 include the performance of both an account that reinvested dividends and other earnings and one that did not. Beginning December 1, 2006, the performance figures for the Broad Market Core Enhanced Plus Strategy reflect the reinvestment of dividends and other earnings for all accounts.

The Broad Market Core Alpha Extension Strategy performance figures and the Russell 1000 Index return figures presented in this document reflect the reinvestment of dividends and other earnings.

Each excess return figure shown for the Broad Market Core Enhanced Plus Strategy and the Broad Market Core Alpha Extension Strategy is computed as the rate of return of the Broad Market Core Enhanced Plus Strategy or the Broad Market Core Alpha Extension Strategy minus the rate of return of the Russell 1000 Index for the applicable period. All return figures are individually rounded to the nearest basis point.

Each annualized information ratio figure is computed as the annualized excess return divided by the annualized tracking error for the performance period in question and is based on monthly return data.

Because information ratio figures require a relatively large amount of historical data for their reliable computation, these figures are not provided for trailing periods of less than three years.

## Legends

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**Schedule of Investment Performance**

Period from June 29, 2005 (commencement of the Broad Market Core Enhanced Plus Strategy Composite) to December 31, 2011

Composite Period <sup>1</sup>	Gross Return (%) <sup>2</sup>	Net Return (%) <sup>3</sup>	Russell 1000 <sup>®</sup> Index Return (%)	Number of Accounts	Fair Value of the Composite (in millions)	% of Firm Assets	Fair Value of Total Firm Assets (in millions)	Annualized 3-Year Standard Deviation (%) <sup>4,5</sup>	Russell 1000 <sup>®</sup> Index Annualized 3-year Standard Deviation (%) <sup>4</sup>
2011	1.81	1.29	1.50	1	\$107.2	2	\$6,697.1	18.82	18.95
2010	14.15	13.57	16.10	1	105.3	2	5,132.2	21.93	22.29
2009	32.48	31.82	28.43	1	92.3	2	4,002.8	19.61	20.05
2008	(35.42)	(35.77)	(37.60)	1	24.8	1	1,817.0	15.20	15.56
2007	5.57	5.04	5.77	1	38.3	1	3,044.7	N/A	N/A
2006	17.02	16.43	15.46	1	36.3	3	1,062.4	N/A	N/A
2005 <sup>6</sup>	6.64	6.37	5.38	1	126.2	68	186.3	N/A	N/A

**Current Separately Managed Account Annualized Asset-Based Management Fee Schedule**

Targeted Tracking Error of 200 Basis Points

Initial \$100 million	51 bps
Next \$100 million	46 bps
Amounts Over \$200 million	41 bps

The Broad Market Core Enhanced Plus Strategy Composite includes accounts with annualized targeted tracking errors of 150-249 basis points. The fees charged to any particular account are expected to depend in part on such account's level of targeted tracking error. The fee schedule presented above is intended to apply to accounts with targeted tracking error of 200 basis points, which is most applicable to prospective investors in the strategy because it is the default level of tracking error for accounts within the composite. Higher fees are expected to apply to accounts with higher targeted tracking error.

Separately managed account fees are for investment management services only.

Past performance should not be considered indicative of future performance.

<sup>1</sup> All figures are presented as of the end of the applicable period.

<sup>2</sup> Gross returns are computed after deduction of all actual trading expenses.

<sup>3</sup> From the Composite's inception to September 30, 2007, net returns were computed after deduction of a pro forma fee of 51 basis points, which is equal to the current maximum asset-based management fee. After September 30, 2007, net returns were computed after deduction of actual investment management fees. Actual investment management fees may include both asset-based fees and performance-based fees. Net returns are computed after deduction of all actual trading expenses. Gross and net returns used to calculate the figures shown in the performance table are computed using the beginning of period asset-weighted average of such returns for accounts in the Composite.

<sup>4</sup> Standard deviation figures are not presented for periods in which the Composite had existed for fewer than three years as of the end of such period.

<sup>5</sup> All standard deviation figures are computed using gross returns.

<sup>6</sup> Periods less than one year are not annualized.

# Notes to the Schedule of Investment Performance

1. D. E. Shaw Investment Management, L.L.C. (“DESIM” or the “Firm”) is registered as an investment adviser with the U.S. Securities and Exchange Commission and holds itself out to the public as an independent investment management firm. On June 24, 2005, DESIM, a wholly-owned subsidiary of D. E. Shaw & Co., L.P. (“DESCO LP”), assumed advisory responsibilities for the D. E. Shaw group’s institutional asset management business from DESCO LP, which had managed such business since July 3, 2000.

2. DESIM claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. DESIM has been independently verified for the periods 2005-2011. 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.

3. The D. E. Shaw Broad Market Core Enhanced Plus Strategy Composite (the “Composite”) includes all separately managed and commingled fund accounts managed by DESIM that (i) are fully discretionary, (ii) are managed relative to the Russell 1000® Index and (iii) have a client-defined annualized targeted tracking error between 150 and 249 basis points (inclusive). Accounts within the Composite deploy the D. E. Shaw Broad Market Core Enhanced Plus Strategy (the “Broad Market Core Enhanced Plus Strategy”). The principal investment objective of the Broad Market Core Enhanced Plus Strategy is to achieve over time a total return (comprising capital appreciation, whether short-term or long-term, and income generation) that exceeds the total return of the Russell 1000 Index. There can be no assurance that such investment objective will be achieved for any or all of such accounts over the lifetime of such accounts or over any particular period. The “tracking error” of an account is the standard deviation of that account’s excess returns (either positive or negative) relative to the benchmark index. “Targeted tracking error” is DESIM’s estimate in advance of the tracking error that will be experienced over a period of years by the applicable account. Realized tracking error is expected to differ (possibly materially) from the targeted tracking error. In addition, realized tracking errors for the accounts that constitute the Composite have varied over time and will vary (possibly materially) in the future. The Composite started and was created in June 2005.

4. DESIM changed the definition of the Composite on November 1, 2011 as part of a reorganization of the targeted tracking errors contained in the definitions of certain composites. Prior to November 1, 2011, the Composite included accounts targeting annualized tracking errors from 101 to 200 basis points. This change in the definition of the Composite did not result in any change to the actual accounts included in the Composite at the time of the change, nor would it have resulted in any change to the accounts included in the Composite at any prior time had the current definition of the Composite been applied retroactively.

5. The performance presented from November 1, 2006 to November 30, 2009 (the “Affiliated Account Period”) reflects that of at least one account, including an account (the “Affiliated Account”) in an alternative investment vehicle (the “Vehicle”) (which includes other strategies) with an absolute return objective in the D. E. Shaw group. Investors unaffiliated with DESIM maintain substantial interests in the Vehicle. The performance of the Affiliated Account during the Affiliated Account Period was used in calculating the performance figures presented for the Composite and excludes the results of other strategies in the Vehicle. DESIM did not charge investment management fees to the Affiliated Account. For purposes of calculating the Composite’s net returns, the Affiliated Account was treated as an account that did not pay investment management fees. The Vehicle charges fees on all assets within the Vehicle, by assessing an overall asset-based fee and a performance fee that are much larger (in absolute and percentage terms) than those expected to be charged to clients for which the Broad Market Core Enhanced Plus Strategy would be deployed, but did not allocate fees to the Affiliated Account.

6. In conducting its investment advisory activities, DESIM utilizes certain assets and resources of DESCO LP. In particular, all of the personnel working on

behalf of DESIM are employees of DESCO LP, and all of the intellectual property utilized by DESIM is owned by DESCO LP.

7. A complete list and description of DESIM’s composites are available upon request. Past returns and market characteristics should not be considered indicative of future returns or market characteristics, and the performance of all or some of the individual accounts in the Composite may differ (possibly materially) from the performance of the Composite as a whole and from the performance of the other accounts included in the Composite. Additional information regarding policies for valuing account portfolios, calculating performance, and preparing GIPS-compliant presentations is available upon request. All returns are stated in U.S. dollars.

8. As of December 31, 2005 and December 31, 2009, 0% of the Composite’s assets consisted of assets of accounts that did not pay investment management fees. As of the end of each annual period presented from 2006 to 2008, 100% of the Composite’s assets consisted of assets of accounts that did not pay investment management fees.

9. Accounts in the Composite are not subject to withholding tax. Unless otherwise stated, the performance information in this report is net of all actual trading expenses and gross of investment management fees and non-trading expenses. The return figures presented in the performance table reflect the reinvestment of dividends and other earnings with the exception of one account that was in the Composite from June 29, 2005 through November 30, 2006 (and such account was the sole account in the Composite through October 31, 2006), for which the performance figures do not reflect the reinvestment of dividends and other earnings. From the Composite’s inception to September 30, 2007, returns used to calculate the net of fees return figures presented in the performance table were computed after deduction of a *pro forma* fee (assumed to be an annual fee of 51 basis points of assets charged monthly and paid separately by the client, and assuming no additions or withdrawals). The *pro forma* fee is equal to or higher than the actual investment management fee that DESIM charged accounts for the Broad Market Core Enhanced Plus Strategy during such period. After September 30, 2007, returns used to calculate net of fees return figures presented in the performance table are computed after deduction of actual investment management fees; for accounts that do not pay investment management fees, the *pro forma* fee is applied. Actual investment management fees may include both asset-based fees and performance-based fees. No client may actually have experienced the performance presented in the performance table. An actual account’s performance would be reduced by fees as agreed upon by the investment manager and the client, which fees may be less than or greater than the fees reflected in the performance table and which may be charged for periods longer than a month. The net performance presented is not intended to represent an agreement to any particular fees by any member of the D. E. Shaw group and any such agreement would only be part of written, definitive documentation executed and delivered by such member of the D. E. Shaw group. Details about DESIM’s fees are available upon request and may be found in Part 2A of its Form ADV.

10. The Russell 1000 Index has been used for comparative purposes. The Russell 1000 Index is a trademark/service mark of the Frank Russell Company. Russell is a trademark of the Frank Russell Company. The Frank Russell Company is the source and copyright owner of the Russell 1000 Index and the return information relating to the Russell 1000 Index. The Russell 1000 Index is not an actively managed fund and does not reflect the deduction of any fees or expenses. The Broad Market Core Enhanced Plus Strategy may differ from the Russell 1000 Index by holding different securities in name and/or number from those that constitute the Russell 1000 Index. No member of, or fund managed by, the D. E. Shaw group and no presentation in this document is sponsored or endorsed by, or affiliated or associated with, the Frank Russell Company. No member of the D. E. Shaw group sponsors or endorses the Frank Russell Company or the Russell 1000 Index. The benchmark returns are not covered by the Report of Independent Accountants.

**Schedule of Investment Performance**

Period from June 1, 2007 (commencement of the Broad Market Core Alpha Extension Strategy Composite) to December 31, 2011

Composite Period <sup>1</sup>	Gross Return (%) <sup>2</sup>	Net Return (%) <sup>3</sup>	Russell 1000 <sup>®</sup> Index Return (%)	Number of Accounts	Fair Value of the Composite (in millions)	% of Firm Assets	Fair Value of Total Firm Assets (in millions)	Annualized 3-Year Standard Deviation (%) <sup>4,5</sup>	Russell 1000 <sup>®</sup> Index Annualized 3-year Standard Deviation (%) <sup>4</sup>
2011	4.34	3.55	1.50	3	\$1,269.3	19	\$6,697.1	18.34	18.95
2010	15.84	15.41	16.10	3	804.8	16	5,132.2	21.46	22.29
2009	35.14	33.73	28.43	3	643.5	16	4,002.8	N/A	N/A
2008	(33.82)	(34.76)	(37.60)	1	12.1	1	1,817.0	N/A	N/A
2007 <sup>6</sup>	(3.23)	(3.65)	(3.20)	1	18.5	1	3,044.7	N/A	N/A

**Current Separately Managed Account Annualized Asset-Based Management Fee Schedule**

Targeted Tracking Error of 300 Basis Points

Initial \$100 million	78 bps
Next \$100 million	78 bps
Amounts Over \$200 million	78 bps

Separately managed account fees are for investment management services only.

Past performance should not be considered indicative of future performance.

<sup>1</sup> All figures are presented as of the end of the applicable period.<sup>2</sup> Gross returns are computed after deduction of all actual trading expenses.

<sup>3</sup> From the Composite's inception to September 30, 2007, returns used to calculate the net of fees return figures shown in the performance table were computed after deduction of a pro forma fee (assumed to be an annual fee of 90 basis points of assets charged monthly and paid separately by the client, and assuming no additions or withdrawals). The pro forma fee is equal to or higher than the actual investment management fee that D. E. Shaw Investment Management, L.L.C. charged accounts for the Broad Market Core Alpha Extension Strategy during such period. After September 30, 2007, net returns were computed after deduction of actual investment management fees. Actual investment management fees may include both asset-based fees and performance-based fees. Net returns are computed after deduction of all actual trading expenses. Gross and net returns used to calculate the figures shown in the performance table are computed using the beginning of period asset-weighted average of such returns for accounts in the Composite.

<sup>4</sup> Standard deviation figures are not presented for periods in which the Composite had existed for fewer than three years as of the end of such period.<sup>5</sup> All standard deviation figures are computed using gross returns.<sup>6</sup> Periods less than one year are not annualized.

# Notes to the Schedule of Investment Performance

1. D. E. Shaw Investment Management, L.L.C. (“DESIM” or the “Firm”) is registered as an investment adviser with the U.S. Securities and Exchange Commission and holds itself out to the public as an independent investment management firm. On June 24, 2005, DESIM, a wholly-owned subsidiary of D. E. Shaw & Co., L.P. (“DESCO LP”), assumed advisory responsibilities for the D. E. Shaw group’s institutional asset management business from DESCO LP, which had managed such business since July 3, 2000.

2. DESIM claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. DESIM has been independently verified for the periods 2005-2011. 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.

3. The D. E. Shaw Broad Market Core Alpha Extension Strategy Composite (the “Composite”) includes all separately managed and commingled fund accounts managed by DESIM that (i) are fully discretionary, (ii) are managed relative to the Russell 1000® Index and (iii) have a client-defined annualized targeted tracking error of 300 basis points. Accounts within the Composite deploy the D. E. Shaw Broad Market Core Alpha Extension Strategy (the “Broad Market Core Alpha Extension Strategy”). The principal investment objective of the Broad Market Core Alpha Extension Strategy is to achieve over time a total return (comprising capital appreciation, whether short-term or long-term, and income generation) that exceeds the total return of the Russell 1000 Index. There can be no assurance that such investment objective will be achieved for any or all of such accounts over the lifetime of such accounts or over any particular period. The “tracking error” of an account is the standard deviation of that account’s excess returns (either positive or negative) relative to the benchmark index. “Targeted tracking error” is DESIM’s estimate in advance of the tracking error that will be experienced over a period of years by the applicable account. Realized tracking error is expected to differ (possibly materially) from the targeted tracking error. In addition, realized tracking errors for the accounts that constitute the Composite have varied over time and will vary (possibly materially) in the future. The Composite started and was created in June 2007.

4. In conducting its investment advisory activities, DESIM utilizes certain assets and resources of DESCO LP. In particular, all of the personnel working on behalf of DESIM are employees of DESCO LP, and all of the intellectual property utilized by DESIM is owned by DESCO LP.

5. A complete list and description of DESIM’s composites are available upon request. Past returns and market characteristics should not be considered indicative of future returns or market characteristics, and the performance of all or some of the individual accounts in the Composite may differ (possibly materially) from the performance of the Composite as a whole and from the performance of the other accounts included in the Composite. Additional information regarding policies for valuing account portfolios, calculating performance, and preparing GIPS-compliant presentations is available upon request. All returns are stated in U.S. dollars.

6. Accounts in the Composite are not subject to withholding tax. Unless otherwise stated, the performance information in this report is net of all actual trading expenses and gross of investment management fees and non-trading expenses. The return figures presented in the performance table reflect the reinvestment of dividends and other earnings. From the Composite’s inception to September 30, 2007, returns used to calculate the net of fees return figures presented in the performance table were computed after deduction of a *pro forma* fee (assumed to be an annual fee of 90 basis points of assets charged monthly and paid separately by the client, and assuming no additions or withdrawals). The *pro forma* fee is equal to or higher than the actual investment management fee that DESIM charged accounts for the Broad Market Core Alpha Extension Strategy during such period. After September 30, 2007, returns used to calculate net of fees return figures presented in the performance table are computed after deduction of actual investment management fees; for accounts that do not pay investment management fees, the *pro forma* fee is applied. Actual investment management fees may include both asset-based fees and

performance-based fees. No client may actually have experienced the performance presented in the performance table. An actual account’s performance would be reduced by fees as agreed upon by the investment manager and the client, which fees may be less than or greater than the fees reflected in the performance table and which may be charged for periods longer than a month. The net performance presented is not intended to represent an agreement to any particular fees by any member of the D. E. Shaw group and any such agreement would only be part of written, definitive documentation executed and delivered by such member of the D. E. Shaw group. Details about DESIM’s fees are available upon request and may be found in Part 2A of its Form ADV.

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DE Shaw & Co

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

December 11, 2012

Agenda Item 6.3

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Discussion and Approval of Changes to Domestic Equity Manager Structure

**Staff Recommendation:**

Staff recommends that the Board analyze the proposed manager structures listed in the attached presentation from SIS, and direct staff to implement their approved changes to the domestic equity manager structure.

**Background:**

The domestic equity manager structure was last reviewed over three years ago. Both staff and consultant believe that the current manager structure could be improved by reducing the number of active managers and increasing the passive portion of the large-capitalization program. The current structure utilizes eight total managers. Five focus on larger-capitalization equities (one of these is passive, representing 13% of target domestic equity assets) and three focus on smaller-capitalization equities (all are active mandates).

**Discussion:**

The proposal contained in the attached presentation calls for reducing to six from eight the number of total mandates for the domestic equity program: four focused on large-capitalization equities (one of which is passive) and two dedicated to small-capitalization equities.

Three primary manager structures are shown, which differ in the allocation to passive in the large-cap space. Structure One has 35% passive, while Structure Two shows 50% passive and Structure Three has 20% allocated to passive.

The next three structures show the potential impact of changing the implementation vehicle for the passive allocation from a fund that tracks the Russell 1000 Index to one that tracks the S&P 500 Index, and changing the D.E. Shaw strategy from long-only to their 130/30 strategy.

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

These proposed changes would offer a number of advantages, including minimizing style risk to the asset class benchmark, better diversifying 'event risk' to any given manager than is currently the case, reducing the overall management fees paid at the program level, and freeing up staff monitoring resources and the 'active risk budget' to pursue potentially higher-reward strategies in less efficient asset classes than those historically found in U.S. equity markets.

**Attachments:**

- A. *U.S. Equity Manager Structure Update*



SAMCERA

US EQUITY MANAGER STRUCTURE UPDATE

December 11, 2012

STRATEGIC INVESTMENT SOLUTIONS, INC.

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# Manager Structure Update

*Our goal in analyzing manager structure is to answer the following questions:*

- What are the inherent risks in the asset class?

Investors in any asset class are exposed to market risk: the variability of asset prices. This market risk can be tracked through the use of an asset class benchmark portfolio (for example, for US Equities the S&P 500 or Russell 3000 Index).

For the purposes of manager structure, we focus on the risks that come from differences between actual asset class holdings relative to the broad asset class benchmark.

- What are the sources of these risks?

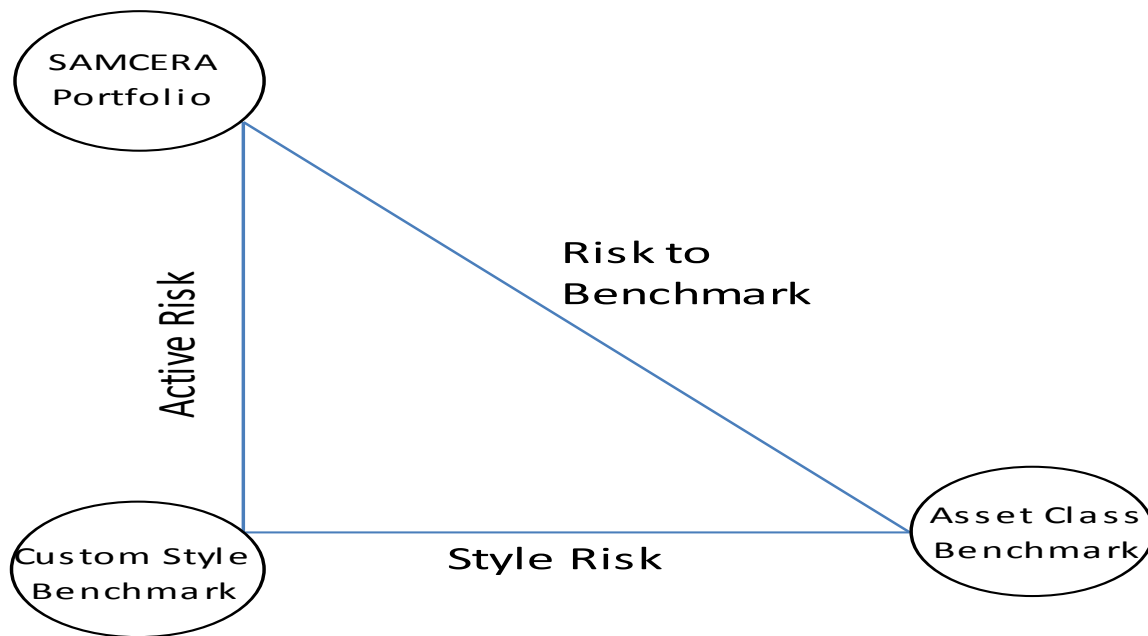
There are two primary sources of manager structure risk (or “tracking error”):

- 1) Style Risk: the difference in structure between the actual asset class portfolio and those of the benchmark (for example, an overweight to growth/value or large/small cap).

- 2) Active Risk: the difference between the actual asset class portfolio and those of the benchmark, adjusting for style differences (for example, if you could create a custom benchmark with the same style bets as the actual asset class portfolio).

# Manager Structure Update

Risk to Benchmark is the geometric sum of these two risks:



## ■ How can we best manage these risks going forward?

We can look at what factors affect Style Risk and Active Risk (listed on Slide 4).

We believe that investors are not compensated over the long term by taking a great deal of Style Risk. The bulk of Benchmark Risk, therefore, should be comprised of Active Risk.

Thus, we seek a combination of managers that maximizes Active Risk within an acceptable level of Benchmark Risk.

# Manager Structure Update

We will consider a number of factors during the manager structure process, each of which affects Style Risk or Active Risk:

- **Number of Managers**  
Is the current number of managers appropriate for our asset class risk and return objectives?
- **Active vs. Passive**  
Is passive (indexed) or active management a better alternative to gain exposure to a certain market segment of the asset class?
- **Manager Tracking Error**  
How does the tracking error (or active risk) of current or prospective managers compare with the targeted manager structure?
- **Style and Market Capitalization Exposure**  
Are there unintended style or market cap bets that need to be corrected?
- **Manager Correlations**

# Manager Models

## Style Weights/Active Risk

	<u>US Lrg Gr</u>	<u>US Lrg Val</u>	<u>US Mid Gr</u>	<u>US Mid Val</u>	<u>US Sml Gr</u>	<u>US Sml Val</u>	<u>TE</u>	<u>IR</u>	<u>Alpha</u>
Barrow Hanley		60.0%		40.0%			4.0%	0.3	1.2%
DE Shaw Long Only	35.0%	35.0%	15.0%	15.0%			2.0%	0.3	0.6%
Chartwell			25.0%		75.0%		5.0%	0.3	1.5%
The Boston Company				20.0%		80.0%	4.0%	0.3	1.2%
Russell 1000 Index	35.0%	35.0%	15.0%	15.0%			0.0%	0.0	0.0%
Large Cap Growth Active	60.0%		40.0%				5.0%	0.3	1.5%
S&P 500 Index	40.0%	40.0%	10.0%	10.0%			0.0%	0.0	0.0%
DE Shaw Active Extension	35.0%	35.0%	15.0%	15.0%			3.5%	0.5	1.8%

## Active Return Correlations

	<b>BH</b>	<b>DE LO</b>	<b>Chartwell</b>	<b>Boston</b>	<b>R1K</b>	<b>LG Active</b>	<b>S&amp;P</b>	<b>DE AE</b>
Barrow Hanley	1.00	0.20	0.04	0.41	0.00	0.13	0.00	0.29
DE Shaw Long Only	0.20	1.00	-0.21	0.09	0.00	-0.12	0.00	0.92
Chartwell	0.04	-0.21	1.00	0.21	0.00	0.27	0.00	-0.19
The Boston Company	0.41	0.09	0.21	1.00	0.00	0.34	0.00	0.24
Russell 1000 Index	0.00	0.00	0.00	0.00	1.00	0.00	1.00	0.00
Large Cap Growth Active	0.13	-0.12	0.27	0.34	0.00	1.00	0.00	0.01
S&P 500 Index	0.00	0.00	0.00	0.00	1.00	0.00	1.00	0.00
DE Shaw Active Extension	0.29	0.92	-0.19	0.24	0.00	0.01	0.00	1.00



# Manager Structure Definitions

We created six different manager structures to compare to the current targets.\*

- Current Targets:  
five Large Cap mandates (13% Passive) and three Small Cap managers
- Structure 1 (Base Case):  
four Large Cap mandates (35% Passive) and two Small Cap managers
- Structure 2:  
50% Passive
- Structure 3:  
20% Passive
- Structure 4:  
35% Passive/Russell 1000 Index replaced by S&P 500 Index
- Structure 5:  
35% Passive/DE Shaw Long Only replaced by DE Shaw Active Extension
- Structure 6:  
35% Passive/S&P 500 Index/DE Shaw Active Extension

\*See Appendix A for allocation details

# Manager Structure Analytics

	Current	Structure 1	Structure 2	Structure 3	Structure 4	Structure 5	Structure 6
Style Risk	0.50%	0.44%	0.35%	0.54%	0.22%	0.44%	0.22%
Active Risk	1.52%	1.54%	1.25%	1.85%	1.54%	1.64%	1.64%
Risk to Benchmark	1.60%	1.60%	1.30%	1.92%	1.55%	1.70%	1.65%
Alpha	0.86%	0.78%	0.62%	0.95%	0.78%	0.93%	0.93%
Information Ratio	0.54	0.49	0.47	0.49	0.50	0.55	0.56

## Structure 1

	Weights	\$	MER	% of Total MER		Target	Portfolio
Barrow Hanley	13.0%	\$ 130	10.4	20%	US Lrg Gr	27.0%	24.6%
DE Shaw	13.0%	\$ 130	5.2	10%	US Lrg Val	27.0%	24.6%
Chartwell	13.0%	\$ 130	13.0	25%	US Mid Gr	11.5%	15.7%
The Boston Company	13.0%	\$ 130	10.4	20%	US Mid Val	11.5%	15.0%
Russell 1000 Index	35.0%	\$ 350	-	0%	US Sml Gr	11.5%	9.8%
Large Growth	13.0%	\$ 130	13.0	25%	US Sml Val	11.5%	10.4%
<b>Total</b>	<b>100.0%</b>	<b>\$ 1,000</b>	<b>52.0</b>	<b>100.0%</b>			

# Recommendation

Structure 1 satisfies our various initial objectives:

- **Number of Managers**  
Mandates are reduced from eight to six (fee reduction) while maintaining forecast Risk to Benchmark and Alpha.
- **Active vs. Passive**  
Passive exposure is increased to 35% in an efficient asset class (Large Cap).
- **Manager Tracking Error**  
Individual Manager Event Risk contribution is minimized (25% maximum).
- **Style and Market Capitalization Exposure**  
Style Risk is minimized (0.44%).
- **Manager Correlations**  
Mandates are well diversified.



## APPENDIX A

# STRATEGIC INVESTMENT SOLUTIONS, INC.

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# Manager Structure Allocations

	Current	Structure 1	Structure 2	Structure 3	Structure 4	Structure 5	Structure 6
Barrow Hanley	19.0%	13.0%	8.0%	18.0%	13.0%	13.0%	13.0%
BlackRock LG	19.0%						
DE Shaw Long Only	13.0%	13.0%	8.0%	18.0%	13.0%		
T Rowe Price	13.0%						
Chartwell	5.8%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Jennison	11.5%						
The Boston Company	5.8%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Russell 1000 Index	13.0%	35.0%	50.0%	20.0%		35.0%	
Large Growth		13.0%	8.0%	18.0%	13.0%	13.0%	13.0%
S&P 500 Index					35.0%		35.0%
DE Shaw Active Extension						13.0%	13.0%

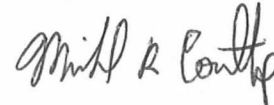
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

December 11, 2012

Agenda Item 6.4

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Quarterly Investment Performance Report for the Period Ending September 30, 2012

**Staff Recommendation:**

Staff recommends the Board review and accept Strategic Investment Solutions' Quarterly Performance Report for the period ended September 30, 2012.

**Discussion:** Below is a summary performance table from Strategic Investment Solutions' Quarterly Performance Report. Patrick Thomas will present the entire report to the board and will be available for questions.

**INVESTMENT PERFORMANCE SUMMARY**  
**September 30, 2012**

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Composite Fund</i>	5.80%	3	18.41%	25	9.68%	47
<i>Policy Index</i>	5.32%	15	19.56%	10	9.95%	35
BlackRock Russell 1000 Index Fund	6.32%	63	30.12%	57	13.33%	26
D.E. Shaw	6.13%	75	33.52%	3	13.51%	18
<i>Russell 1000 Index</i>	6.31%	65	30.06%	61	13.27%	34
T. Rowe Price	6.58%	28	30.82%	21	13.09%	55
<i>S&amp;P 500 Index</i>	6.35%	53	30.20%	50	13.20%	47
Barrow Hanley	6.13%	61	29.54%	48	12.82%	22
<i>Russell 1000 Value Index</i>	6.51%	50	30.92%	32	11.84%	48
BlackRock	7.92%	20	24.57%	82	11.12%	87
<i>Russell 1000 Growth Index</i>	6.11%	56	29.19%	43	14.73%	37
<i>Large Cap Composite</i>	6.65%	34	29.28%	58	12.39%	58
<i>Russell 1000 Index</i>	6.31%	57	30.06%	46	13.27%	37
Jennison Associates	4.51%	82	26.98%	78	15.43%	18
<i>Russell 2000 Index</i>	5.25%	60	31.91%	46	12.99%	60
The Boston Company	5.70%	31	38.05%	8	12.87%	45
<i>Russell 2000 Value Index</i>	5.67%	34	32.63%	34	11.72%	74
Chartwell Investment Partners	5.65%	47	36.49%	9	18.69%	16
<i>Russell 2000 Growth Index</i>	4.84%	61	31.18%	38	14.19%	74

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

	Last Quarter		One Year		Last 3 Years	
	Return	Rank	Return	Rank	Return	Rank
<i>Small Cap Composite</i>	5.17%	58	32.29%	35	15.78%	26
<i>Russell 2000 Index</i>	5.25%	56	31.91%	39	12.99%	66
<i>U.S. Equity Composite</i>	6.33%	42	30.06%	44	13.06%	53
<i>U.S. Equity Benchmark</i>	6.10%	55	30.46%	31	13.27%	44
Baillie Gifford	8.64%	16	N/A	N/A	N/A	N/A
<i>MSCI EAFE Growth Index</i>	6.40%	72	N/A	N/A	N/A	N/A
Eaton Vance Management	6.51%	86	N/A	N/A	N/A	N/A
<i>MSCI EM Markets Index</i>	7.89%	34	N/A	N/A	N/A	N/A
Mondrian Investment Partners	5.71%	89	11.69%	90	3.62%	50
<i>MSCI ACWI-ex US Value Index</i>	7.77%	46	14.24%	70	2.27%	77
Pyramis Global Advisors	9.65%	9	N/A	N/A	N/A	N/A
<i>MSCI ACWI – ex US Small Cap Index</i>	8.64%	19	N/A	N/A	N/A	N/A
<i>International Equity Composite</i>	7.16%	52	13.54%	87	2.13%	85
<i>MSCI ACWI-ex US Index Free</i>	7.49%	36	15.04%	69	3.63%	62
<i>Total Equity Composite</i>	6.59%		24.84%		9.55%	
<i>Total Equity Index</i>	6.56%		25.16%		10.00%	
Aberdeen Asset Management	2.87%	19	9.03%	21	9.24%	13
Angelo Gordon GECC PPI Fund	13.14%	N/A	35.06%	N/A	N/A	N/A
Pyramis Global Advisors	2.18%	51	7.34%	49	8.16%	27
Western Asset Management	3.21%	12	9.63%	14	9.84%	6
<i>BC Aggregate Index</i>	1.58%	82	5.16%	85	6.19%	82
Brigade Capital Management	4.74%	N/A	15.90%	N/A	N/A	N/A
<i>50% BC HY Index / 50% Bank Loans</i>	3.83%	N/A	15.01%	N/A	N/A	N/A
Brown Brothers Harriman	2.47%	19	9.75%	24	N/A	N/A
<i>BC U.S. TIPS</i>	2.12%	53	9.10%	48	N/A	N/A
Franklin Templeton Investments	7.43%	3	17.32%	8	N/A	N/A
<i>BC Multiverse</i>	3.38%	63	5.57%	76	N/A	N/A
<i>Total Fixed Income Composite</i>	4.32%	18	12.28%	25	9.74%	32
<i>Total Fixed Income Index</i>	2.45%	51	6.92%	63	6.91%	66
<i>Total Private Equity Composite</i>	-0.46%	N/A	5.43%	N/A	N/A	N/A
<i>Total Private Equity Index</i>	7.27%	N/A	33.20%	N/A	N/A	N/A
AQR Delta Fund	0.57%	78	5.21%	56	N/A	N/A
<i>Total Hedge Fund Index</i>	1.04%	75	4.26%	64	N/A	N/A
AQR Risk Parity	8.18%	N/A	19.19%	N/A	N/A	N/A
<i>Total Risk Parity Index</i>	4.36%	N/A	19.89%	N/A	N/A	N/A
<i>Total Alternatives Composite</i>	7.02%	N/A	14.92%	N/A	N/A	N/A
<i>Total Alternatives Index</i>	N/A	N/A	N/A	N/A	N/A	N/A
INVESCO Core Fund	2.80%	36	9.71%	54	11.73%	33
<i>NCREIF ODCE – Equal Weight</i>	2.77%	36	11.61%	43	12.19%	31
SSgA Commodity	13.54%	4	18.44%	4	N/A	N/A
<i>Dow Jones UBS Commodity Index</i>	9.69%	63	5.99%	74	N/A	N/A
State Street General Account	0.06%	29	0.18%	35	0.27%	38
San Mateo County Treasury Account	0.17%	16	0.82%	15	0.97%	17
<i>Cash Composite</i>	0.16%	17	0.64%	16	0.83%	19
<i>91 Day T-Bill Index</i>	0.03%	42	0.07%	56	0.11%	61

**Attachments:**

A. SIS Quarterly Performance Review for Period Ending September 30, 2012



**SAN MATEO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

**Investment Performance Analysis**

Third Quarter 2012

*STRATEGIC INVESTMENT SOLUTIONS, INC.*

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# SAN MATEO COUNTY EMPLOYEES' RET ASSOC



	<b>SECTION</b>
Total Fund.....	I
US Equity .....	II
International Equity.....	III
Fixed Income.....	IV
Alternative Investments.....	V
Appendix	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2011

## Capital Market Review

- Fears over the U.S. fiscal cliff and a pronounced slowdown in China have limited upside gains in risk markets in the wake of the quantitative easing throughout the developed world. The Federal Reserve announced QE3 with unlimited MBS purchases until the labor market improves. Meanwhile, the European Central Bank's Outright Monetary Transactions (OMT), provided that a distressed country agrees to conditionality, allows the ECB to purchase the short-term sovereign debt of distressed governments on secondary markets. As a result, the S&P 500 outperformed during the quarter, returning 6.4%.
- The German Constitutional Court ratified the European Stability Mechanism (ESM), helping to reduce fears of tail risks across the Eurozone. As a result, Europe-ex UK equities rose 9.7% in the third quarter.
- Spain must agree to the conditionality in the Memorandum of Understanding before the ECB and ESM can purchase government bonds. Spanish 10-year yields declined in the wake of the OMT announcement; however, at about 6%, yields remain well above the lows reached in February.
- The Bank of Japan increased the size of their asset purchase program by JPY10trn (5trn in T-bills and 5trn in JGBs). However, the strong yen and export concerns continued to hamper equities in Japan, where stocks fell 0.8% in the third quarter.
- Safe-haven demand waned in Q3, which led to Treasuries returning only 0.6%. Meanwhile, in the currency markets, the increase in risk appetite led to a quarterly decline in the trade-weighted U.S. dollar index of 2.9%.
- In India, officials announced a number of key market liberalization measures, including a hike in subsidized fuel prices and steps to allow increased foreign investment and the privatization of government companies. Fiscal policies helped boost equities in Emerging Markets Asia, which rose 8.9% in the third quarter.
- The State Street Investor Confidence Index® (ICI) measures risk appetite by analyzing buying and selling patterns of institutional investors. As a result of declining confidence in the North American and Asian regions, the Global ICI fell to 86.9 in September, remaining well below the neutral level of 100. The decrease in confidence was most pronounced in Asia, while European institutional investors' appetite for equities is the strongest, at 101.
- For the period ending 9/30/12, the one quarter returns for, respectively, the NAREIT Equity index and the NCREIF Property index (one quarter lag), were 0.16% and 2.68%; one year, 32.61% and 12.04%; three years, 20.38% and 8.82%; and five years, 2.11% and 2.51%.
- The Fed launched a third round of quantitative easing to assist the commercial housing debt markets and forecast near zero interest rates until 2015. As the US economy continue to improve (albeit slowly), homebuilding and housing data indicate a recovery in the housing markets. Builders are still cautious and waiting to see if the recovery continues.
- Outside the US, a great deal of caution is prevalent in Europe as investors wait to see if central bank intervention continues. In contrast, in Asia Hong Kong and China developers continue to report strong demand.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2012

## Executive Performance Summary

- The composite fund returned 5.8% in the third quarter of 2012 and ranked 3<sup>rd</sup> among other public funds greater than \$100 million (median of 4.8%). It beat the policy index return of 5.3%. The one year return of 18.4% was behind the policy index return of 19.6% and ranked in 25<sup>th</sup> percentile of the universe. The three-year return of 9.7% (47<sup>th</sup> percentile) was above median among large public plans (9.6%).
- Third quarter results were enhanced by the following factors:
  1. The BlackRock Russell 1000 Index Fund, 6.3%, ranked in the 63<sup>rd</sup> percentile among large cap core managers (median of 6.4%), and matched its benchmark.
  2. T Rowe Price (6.6%) led the S&P 500 Index (6.4%) and its peer median return of 6.4%. Security selection in the Financials and Materials sectors boosted performance.
  3. BlackRock-US Equity (7.9%) beat the Russell 1000 Growth Index (6.1%), and the median large growth manager (6.3%). It ranked in the top quartile among its peers. BlackRock was helped by its stock selection in Info Tech (Rackspace Hosting, Fusion, Google) and Financials (Goldman Sachs) investments and underweight to Consumer Staples.
  4. The Boston Company returned 5.7%, versus 5.7% for the Russell 2000 Value Index, and ranked in the 31<sup>st</sup> percentile among its peers (median 5.0%). Positive attributes include stock selection the Materials sector. Negative attributes include select Consumer Staples investments.
  5. Chartwell gained more value, 5.7%, than the Russell 2000 Growth Index, 4.8%. Chartwell ranked in 47<sup>th</sup> percentile among small cap growth managers (median of 5.6%). Alpha was mainly derived from Industrials (Kenexa, Rex Energy, Robbins + Myers) and Financials (Ocwen Financial) stock selection.
  6. In its first full quarter, the Baillie Gifford beat its benchmark, the MSCI EAFE Index (8.6% vs. 7.0%). It ranked in the top quartile among international developed market managers (median of 7.2%). Top contributors to performance were ASOS, a UK internet clothing retailer, and Kone, a Finnish elevator and escalator company.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2012

## Executive Performance Summary

7. The Pyramis Select International Small Cap portfolio result of 9.6% was above the MSCI ACWI -ex US Small Cap Index (8.6%), and ranked in the 9<sup>th</sup> percentile among international equity developed market small cap managers. Holdings in Australia and Japan were additive to relative performance. Healthcare (Orphan Biovitrum) and consumer discretionary (Techtronic Industries, AMS) were two of the primary sector contributors.
8. Aberdeen Asset (2.9%) out-performed the Barclays Aggregate Index (1.6%) and ranked above the median core bond manager (2.2%). Aberdeen's strongest excess returns came from its securitized and corporate holdings.
9. The Pyramis Broad Market Duration Fund gained 2.2% and ranked in the 51<sup>st</sup> percentile among core bond managers (median of 2.2%). The Barclays Aggregate Index was up 1.6% for the quarter. Sector overweight to financial corporate bonds, agency MBS, CMBS and TIPS proved positive.
10. Western Asset Management's quarter was above par. It carried a return of 3.2% and ranked above the core bond manager median of 2.2%. The Barclays Aggregate Index returned 1.6%. Its exposure to TIPS, emerging markets and overweight to HARP-eligible mortgages and corporate bonds generated performance alpha.
11. The Angelo Gordon GECC PPIP Fund appreciated 13.1% while the Barclays Aggregate was up 1.6%. The Fund carried approximately 47% RMBS and 53% CMBS assets.
12. The opportunistic credit high yield manager, Brigade Capital, beat its benchmark, the Barclays BBB Credit Index (4.7% vs. 4.4%). Long high yield (especially European) and long investment grade positions were top contributors to performance during the quarter.
13. Brown Brothers Harriman gained 2.5%, ahead of the Barclays US TIPS Index (2.1%) and ranked in the top quartile among Inflation Linked Bond accounts (median of 2.1%). Tactical real yield duration and nominal bond positions were the lead drivers to relative results.
14. Franklin Templeton appreciated 7.4% and ranked in the top quartile among global bond managers (median of 4.2%). The Barclays Multiverse Index was up 3.4%. Currencies in Asia ex -Japan, Latin America and peripheral European and European interest-rate exposures increased positive results.
15. Risk parity manager AQR was up 8.2% while its custom benchmark was 4.4%. Third quarter gross return attribution is as follows: equity (1.3%), nominal interest rate (1.7%), inflation (3.0%) and credit/default (2.2%).

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2012

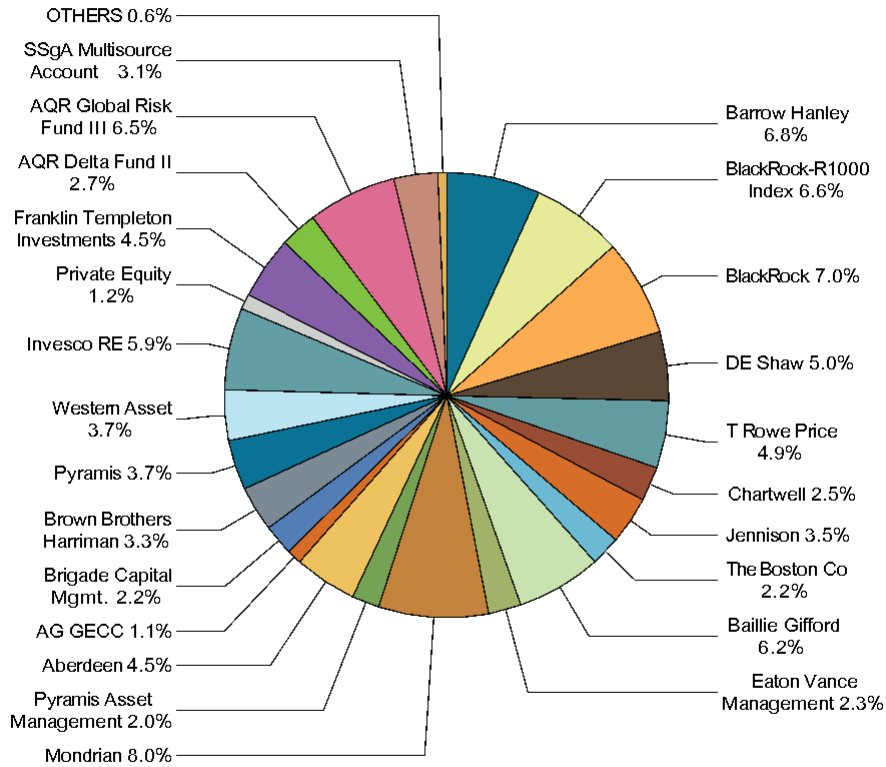
## Executive Performance Summary

16. Commodities manager SSgA Multisource beat its benchmark, DJ UBS Commodities Index (13.5% vs. 9.7%). It ranked in the top quartile among commodity funds (median of 10.0%).
  17. The INVESCO Core Real Estate-USA Fund returned 2.8% for the quarter, positioned with the NCREIF ODCE and ranked in the second quartile among real estate investments. The Fund's current quarter income return of 1.2% was essentially flat from the prior quarter as it was negatively impacted by two one-time charges..
  18. The Treasury and LAIF account added 0.2% during the quarter. The 91-Day T-Bill returned 0.0% during the same time period.
- Third quarter results were hindered by the following factors:
    1. DE Shaw's return of 6.1% ranked in the third quartile among large cap core managers (median 6.4%), and was behind its benchmark, the Russell 1000 Index (6.3%). Investments in the Consumer Discretionary sector and its intra-quarter trading dampened quarterly results.
    2. Barrow Hanley's return of 6.1% was behind the Russell 1000 Value Index (6.5%) and ranked in the third quartile among large cap value managers (median of 6.5%). Performance was held back by its security selection in the Financials (State Street), Consumer Staples (Lorillard) and Telecommunication Services (Vodafone Group) and underweight to the Energy sectors.
    3. Jennison (4.5%) ranked in the 82<sup>nd</sup> percentile among its small cap core peers (median of 5.5%) and trailed its benchmark. The Russell 2000 Index returned 5.3%. Below par Consumer Discretionary (Big Lots, Ignite Restaurant Group, Express) and Industrials (Hub Group) investments were detractors of relative performance.
    4. Mondrian returned 5.7%, trailed the MSCI AC World -ex US Value Index (7.8%) and ranked in the 89<sup>th</sup> percentile among its ACWI ex US peers. The portfolio was hurt by its weak stock selection in France and Spain and underweight to Australia and overweight to Japan.
    5. Eaton Vance was beaten by the MSCI Emerging Markets Index (6.5% vs. 7.9%) and ranked in the bottom quartile among its peers (7.4% median). Detractors to quarterly performance were its structural underweight to Korea, overweight to Morocco and exposure to Vietnam.
    6. Private Equity investments depreciated -0.5% for the quarter. The Russell 3000 + 3% Index was up 7.3%.
    7. Hedge fund strategy AQR DELTA Fund II trailed the LIBOR + 4% (0.6% vs. 1.0%). It ranked in the bottom quartile among hedge fund strategies (median of 2.6%). The three largest detractors are Dedicated Short Bias (-1.0%), Managed Futures (-0.6%) and Global Macro (-0.4%).

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Allocation Analysis - Total Plan



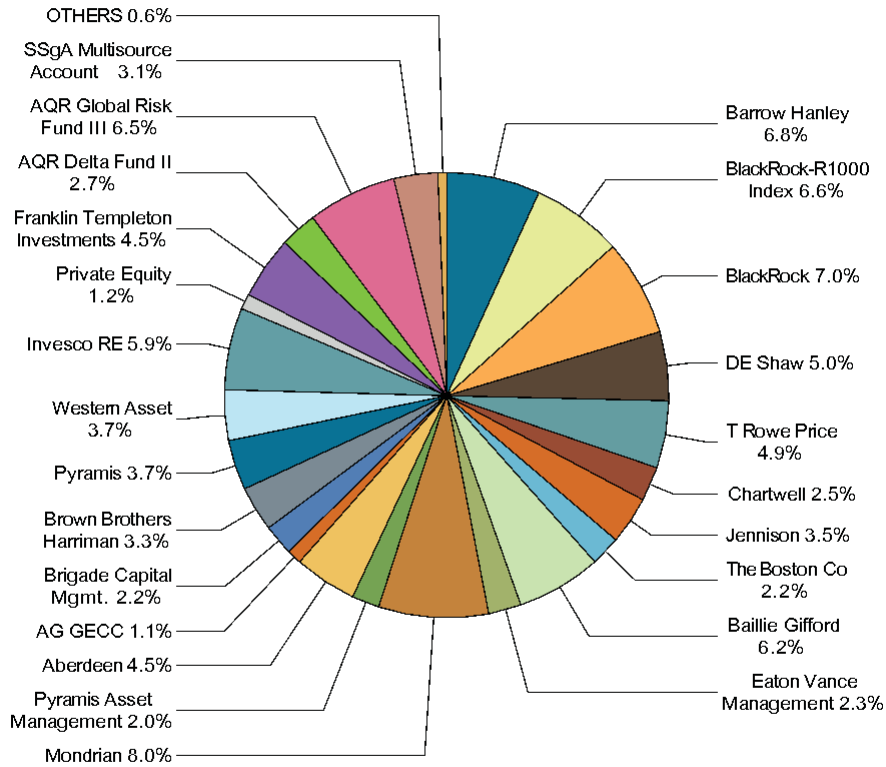
FUND	Ending Market Value	Current %
Barrow Hanley	172,104,056	6.8
BlackRock-R1000 Index	168,679,362	6.6
BlackRock	177,838,527	7.0
DE Shaw	127,280,272	5.0
T Rowe Price	124,221,529	4.9
Chartwell	64,516,890	2.5
Jennison	88,494,494	3.5
The Boston Co	55,067,635	2.2
Artio	2,771,328	0.1
Baillie Gifford	156,734,645	6.2
Eaton Vance Management	59,542,166	2.3
Mondrian	203,926,263	8.0
Pyramis Asset Management	50,372,439	2.0
Aberdeen	115,132,656	4.5
AG GECC	28,581,506	1.1
Brigade Capital Mgmt.	56,313,270	2.2
Brown Brothers Harriman	83,080,109	3.3
Pyramis	93,325,966	3.7
Western Asset	92,977,451	3.7
Invesco RE	150,954,465	5.9
General Account	11,182,503	0.4

OTHERS category includes managers with less than 1% of Total Ending Market Value.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Allocation Analysis - Total Plan



FUND	Ending Market Value	Current %
Treasury & LAIF	3,525,963	0.1
Private Equity	29,448,447	1.2
Franklin Templeton Investments	113,959,497	4.5
AQR Delta Fund II	69,213,679	2.7
AQR Global Risk Fund III	164,953,608	6.5
SSgA Multisource Account	79,365,774	3.1
<b>TOTAL</b>	<b>2,543,564,500</b>	<b>100.0</b>

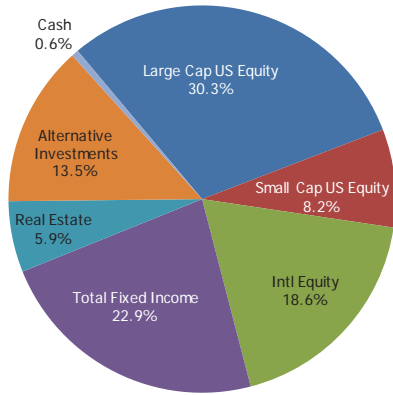
OTHERS category includes managers with less than 1% of Total Ending Market Value.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

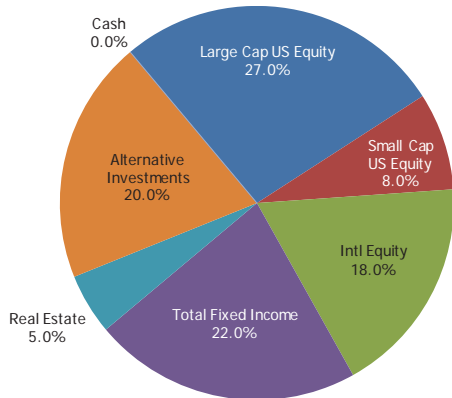
## Allocation By Manager Type Analysis

CURRENT ALLOCATION BY MANAGER TYPE



Asset Allocation	Market Value	%
Large Cap US Equity	770,123,745	30.3%
Small Cap US Equity	208,079,019	8.2%
Intl Equity	473,346,841	18.6%
Total Fixed Income	583,370,456	22.9%
Real Estate	150,954,465	5.9%
Alternative Investments	342,981,508	13.5%
Cash	14,708,466	0.6%
<b>Total</b>	<b>2,543,564,500</b>	<b>100.0%</b>

TARGET ALLOCATION BY MANAGER TYPE



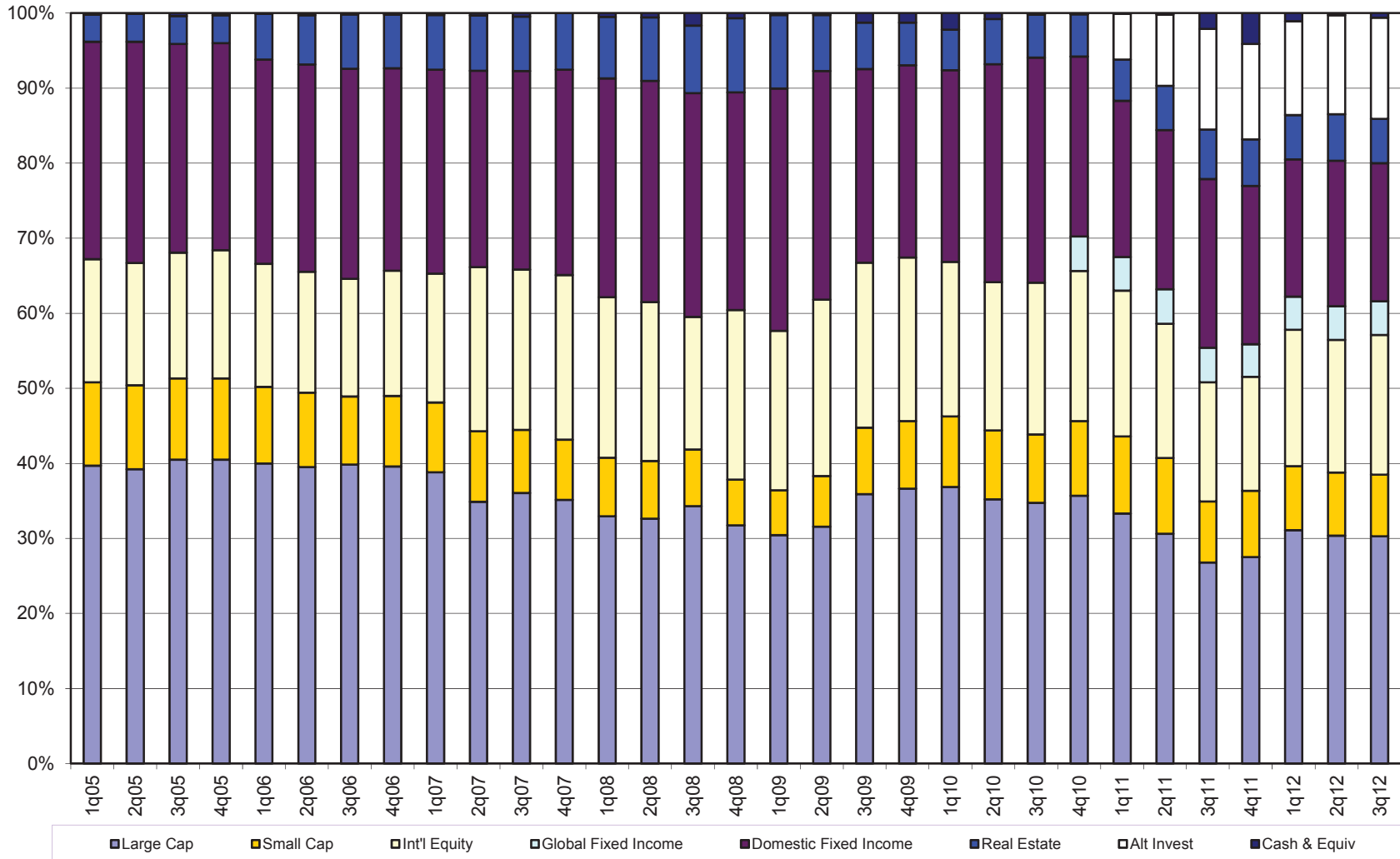
Asset Allocation	Target	Actual	Diff
Large Cap US Equity	27.0%	30.3%	3.3%
Small Cap US Equity	8.0%	8.2%	0.2%
Intl Equity	18.0%	18.6%	0.6%
Total Fixed Income	22.0%	22.9%	0.9%
Real Estate	5.0%	5.9%	0.9%
Alternative Investments	20.0%	13.5%	-6.5%
Cash	0.0%	0.6%	0.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Actual Historical Quarterly Asset Allocation



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary

	Fiscal Qtr		Calendar YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>TOTAL FUND</b>												
<b>SAMCERA COMPOSITE FUND</b>	5.80	3	11.74	16	18.41	25	9.34	38	9.68	47	1.39	79
<i>Policy Index<sup>1</sup></i>	5.32	15	11.64	21	19.56	10	9.89	18	9.95	35	2.41	43
<i>Allocation Index</i>	5.13											
<i>Public Fund &gt;\$100 Million Median</i>	4.75		10.7		16.47		8.99		9.59		2.26	
<b>US EQUITY</b>												
<b>LARGE CAP</b>												
BlackRock-R1000 Index Fund	6.32	63	16.33	57	30.12	57	14.61	51	13.33	26	1.29	35
D.E. Shaw	6.13	75	18.68	9	33.52	3	16.02	6	13.51	18		
<i>Russell 1000 Index</i>	6.31	65	16.28	59	30.06	61	14.56	53	13.27	34	1.22	38
T. Rowe Price	6.58	28	17.09	20	30.82	21	15.13	19	13.09	55		
<i>S&amp;P 500 Index</i>	6.35	53	16.44	48	30.20	50	14.76	42	13.20	47		
Barrow Hanley	6.13	61	13.93	58	29.54	48	13.20	39	12.82	22		
<i>Russell 1000 Value Index</i>	6.51	50	15.75	34	30.92	32	13.33	36	11.84	48		
BlackRock	7.92	20	16.04	59	24.57	82	10.34	94	11.12	87		
<i>Russell 1000 Growth Index</i>	6.11	56	16.80	50	29.19	43	15.79	30	14.73	37		
<b>LARGE CAP COMPOSITE</b>	6.65	34	16.22	50	29.28	58	13.50	59	12.39	58	0.43	70
<i>Russell 1000 Index</i>	6.31	57	16.28	49	30.06	46	14.56	44	13.27	37	1.22	49
<i>Large Cap Median</i>	6.36		16.21		29.82		14.26		12.88		1.19	
<b>SMALL CAP</b>												
Jennison	4.51	82	10.15	80	26.98	78	13.63	36	15.43	18		
<i>Russell 2000 Index</i>	5.25	60	14.23	41	31.91	46	12.81	50	12.99	60		
The Boston Company	5.70	31	14.93	28	38.05	8	13.25	26	12.87	45		
<i>Russell 2000 Value Index</i>	5.67	34	14.37	33	32.63	34	11.66	64	11.72	74		
Chartwell	5.65	47	14.75	41	36.49	9	17.15	39	18.69	16	2.76	71
<i>Russell 2000 Growth Index</i>	4.84	61	14.08	47	31.18	38	13.89	67	14.19	74	2.96	66
<b>SMALL CAP COMPOSITE</b>	5.17	58	12.66	59	32.29	35	14.65	37	15.78	26	1.25	86
<i>Russell 2000 Index</i>	5.25	56	14.23	41	31.91	39	12.81	58	12.99	66	2.21	77
<i>Small Cap Median</i>	5.42		13.34		30.83		13.39		14.11		3.46	
<b>US EQUITY COMPOSITE</b>	6.33	42	15.43	48	30.06	44	13.72	55	13.06	53	0.62	76
<i>80% Russell 1000/20% Russell 2000<sup>2</sup></i>	6.10	55	15.89	38	30.46	31	14.24	40	13.27	44	1.48	47
<i>US Equity Median</i>	6.18		15.36		29.70		13.89		13.16		1.39	

\* Ranking: 1 is best, 100 is worst. Total Fund and US Managers are ranked against their appropriate peer (style) group. Asset Class composites are ranked against asset class universes.

<sup>1</sup> As of 11/1/11, the Policy Index is 27% Russell 1000/7% Russell 2000/18% MSCI ACWI -ex US/11% BC Aggregate/3.3% BC BBB/3.3% BC Tips/4.4% BC Multiverse/5% NCREIF NFI ODCE EW/8% Russell 3000 + 3%/6% (60% Russell 3000/40% BC Aggregate)

<sup>3</sup> 3% Libor +4%/3% DJ UBS Commodity

<sup>2</sup> See Appendix for Benchmark History.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary

	Fiscal Qtr		Calendar YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>INTERNATIONAL EQUITY</b>												
Baillie Gifford <sup>4</sup>	8.64	16										
MSCI EAFE Growth Index	6.40	72										
MSCI EAFE Index	6.98	56										
Eaton Vance Management <sup>4</sup>	6.51	86										
MSCI EM Markets Index	7.89	34										
Mondrian	5.71	89	7.00	96	11.69	90	2.77	40	3.62	50	-3.16	29
MSCI ACWI -ex US Value Index	7.77	46	10.49	67	14.24	70	1.24	67	2.27	77	-3.96	42
MSCI ACWI -ex US Index	7.49	55	10.86	52	15.04	49	1.51	62	3.63	50	-3.67	39
Pyramis Global Advisors <sup>4</sup>	9.65	9										
MSCI ACWI -ex US Small Cap Index	8.64	19										
<b>INTERNATIONAL EQUITY COMPOSITE</b>	<b>7.16</b>	<b>52</b>	<b>9.73</b>	<b>85</b>	<b>13.54</b>	<b>87</b>	<b>0.54</b>	<b>79</b>	<b>2.13</b>	<b>85</b>	<b>-5.21</b>	<b>83</b>
MSCI ACWI -ex US Index <sup>2</sup>	7.49	36	10.86	67	15.04	69	1.51	64	3.63	62	-3.67	56
MSCI EAFE Before Tax Index	6.98	58	10.59	74	14.33	79	2.04	53	2.59	77	-4.77	76
International Equity Median	7.20		11.82		16.53		2.17		4.22		-3.35	
<b>TOTAL EQUITY COMPOSITE</b>	<b>6.59</b>		<b>13.71</b>		<b>24.84</b>		<b>9.51</b>		<b>9.55</b>		<b>-1.14</b>	
Total Equity Index <sup>2</sup>	6.56		14.19		25.16		9.80		10.00		-0.19	
<b>FIXED INCOME<sup>5</sup></b>												
CORE												
Aberdeen Asset	2.87	19	7.37	18	9.03	21	7.40	15	9.24	13	5.45	96
Pyramis Global Advisors	2.18	51	5.94	47	7.34	49	6.65	27	8.16	27	7.45	46
Western Asset	3.21	12	8.13	11	9.63	14	7.77	13	9.84	6	7.46	45
BC Aggregate Index	1.58	82	3.99	86	5.16	85	5.21	80	6.19	82	6.53	84
Core Fixed Income Median	2.19		5.71		7.21		6.04		7.33		7.36	
CREDIT												
Angelo Gordon GECC PPI Fund <sup>3</sup>	13.14		32.97		35.06		16.29					
BC Aggregate Index	1.58		3.99		5.16		5.21					
Brigade Capital Management	4.74		12.18		15.90		10.77					
BC BBB Credit	4.40		9.50		12.46		8.60					
50% Barclays HY / 50% Bank Loan	3.83		9.95		15.01		8.36					
TIPS												
Brown Brothers Harriman	2.47	19	6.89	22	9.75	24	9.76	30				
BC U.S. Tips	2.12	53	6.25	51	9.10	48	9.49	35				
TIPS Median	2.13		6.26		9.08		9.27					
GLOBAL												
Franklin Templeton Investments	7.43	3	15.27	4	17.32	8						
BC Multiverse	3.38	63	5.14	76	5.57	76						
Global Fixed Income Median	4.18		8.93		10.25							

<sup>2</sup> See Appendix for Benchmark History.

<sup>3</sup> Funded 11/6/09, return reported net of management fees.

<sup>4</sup> Eaton Vance Management and Pyramis Global Advisor funded in March 2012. Artio Global transition to Baillie Gifford in March 2012.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary

	Fiscal Qtr		Calendar YTD		1 Year		2 Year		3 Year		5 Year	
	Return	Rank*	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank
<b>TOTAL FIXED INCOME COMPOSITE</b>	4.32	18	10.28	21	12.28	25	8.00	34	9.74	32	7.18	57
<i>Total Fixed Index<sup>2</sup></i>	2.45	51	5.38	63	6.92	63	6.28	54	6.91	66	6.96	61
<i>US Fixed Index<sup>2</sup></i>	2.21	56	5.44	62	7.25	61	6.67	44	7.16	62	7.12	58
<i>Global Fixed Index<sup>2</sup></i>	3.38	28	5.14	65	5.57	73	4.70	79				
<i>US Fixed Income Median</i>	2.50		6.57		8.83		6.45		7.87		7.51	
<b>Alternatives</b>												
<b>TOTAL ALTERNATIVES</b>	7.02		12.46		14.92							
<b>PRIVATE EQUITY<sup>5</sup></b>	-0.46		15.64		5.43							
<i>Russell 3000 + 3%</i>	7.27		18.15		33.20							
<b>RISK PARITY</b>												
<i>AQR Global Risk Premium Fund III<sup>5</sup></i>	8.18		13.76		19.19							
<i>Risk Parity Index<sup>2</sup></i>	4.36		11.28		19.89							
<b>HEDGE</b>												
<i>AQR Delta Fund II<sup>5</sup></i>	0.57	78	2.60	74	5.21	56						
<i>LIBOR + 4%</i>	1.04	75	3.17	71	4.26	64						
<i>Hedge Median</i>	2.61		5.51		5.76							
<b>COMMODITY</b>												
<i>SSgA Multisource<sup>5</sup></i>	13.54	4	20.41	2	18.44	4						
<i>Dow Jones UBS Commodity</i>	9.69	63	5.63	67	5.99	74						
<i>Commodity Median</i>	10.03		5.93		9.33							
<b>REAL ESTATE</b>												
<i>INVESCO Real Estate</i>	2.80	36	6.40	60	9.71	54	14.08	46	11.73	33	-0.84	39
<b>REAL ESTATE COMPOSITE</b>	2.80	36	6.40	60	9.71	54	14.08	46	11.73	33	-0.84	39
<i>NCREIF NFI ODCE EW Index<sup>2</sup></i>	2.77	36	8.39	45	11.61	43	14.89	41	12.19	31	-0.16	35
<i>Real Estate Median</i>	2.04		7.89		10.52		13.30		8.80		-2.96	
<b>CASH</b>												
<i>General Account</i>	0.06	29	0.15	33	0.18	35	0.30	28	0.27	38	1.01	43
<i>Treasury &amp; LAIF</i>	0.17	16	0.59	15	0.82	15	0.95	14	0.97	17	0.48	94
<b>CASH COMPOSITE</b>	0.16	17	0.53	15	0.64	16	0.77	16	0.83	19	0.56	91
<i>91 Day T-Bill</i>	0.03	42	0.07	50	0.07	56	0.11	52	0.11	61	0.73	81
<i>Cash Median</i>	0.02		0.07		0.09		0.12		0.17		0.95	

<sup>2</sup> See Appendix for Benchmark History. As of 10/1/10 the benchmark is NCREIF NFI ODCE EW, benchmark is linked to NCREIF Property Index.

<sup>5</sup> Private Equity funded in December 2010. AQR Global Risk Premium Fund III funded in March 2011. AQR Delta Fund II funded in May 2011. SSgA Multisource funded in July 2011.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – Total Plan

### Statistics Summary

#### 3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fund	9.7%	11.0%	0.9	-0.2	1.2%
Policy Index	9.9%	11.4%	0.9	-	0.0%

### Statistics Summary

#### 5 Years

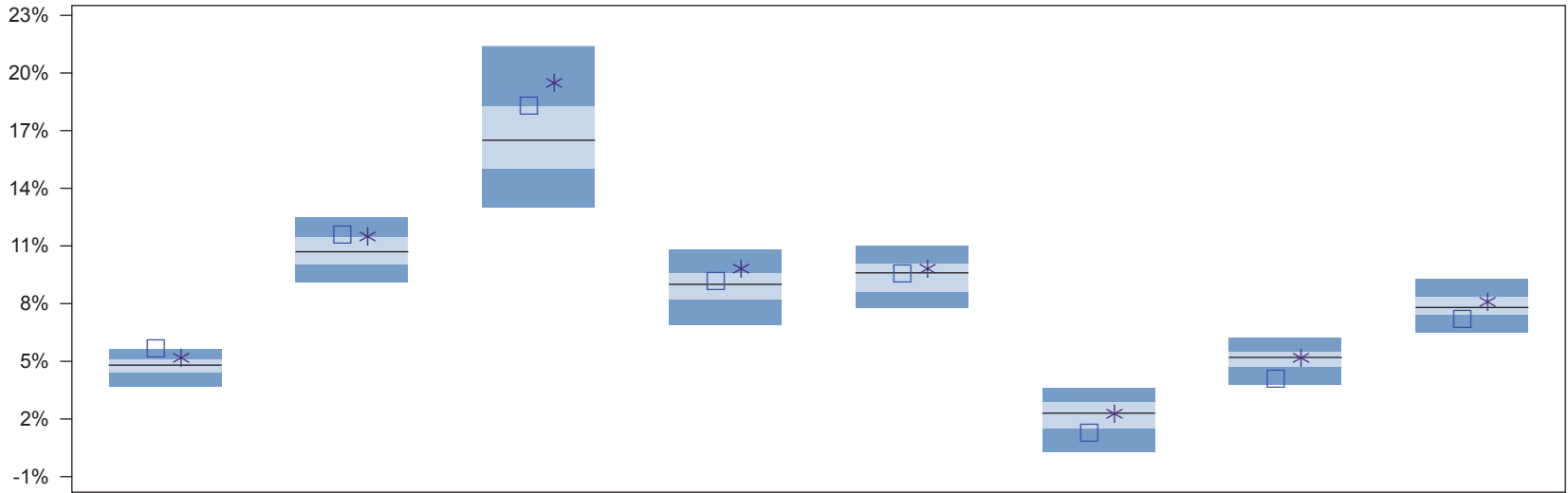
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fund	1.4%	13.6%	0.1	-0.6	1.6%
Policy Index	2.4%	14.4%	0.1	-	0.0%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

PUBLIC FUNDS > \$100 MILLION

Periods Ending September 30, 2012

## Total Returns



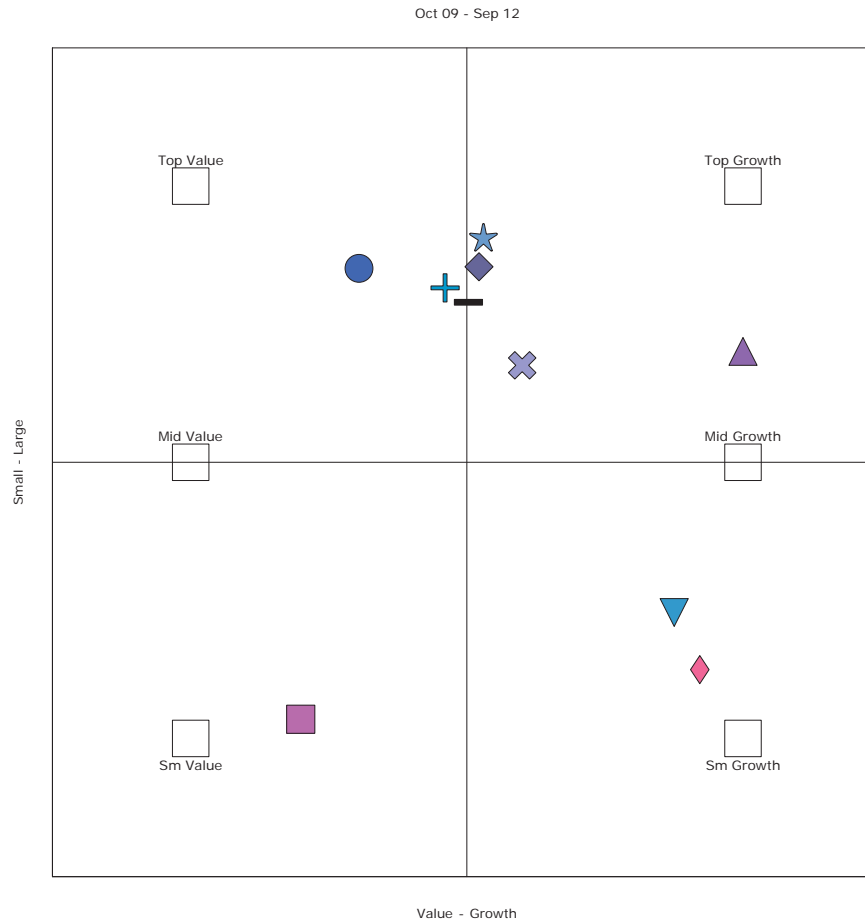
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ SamCERA Composite	5.8	3	11.7	16	18.4	25	9.3	38	9.7	47	1.4	79	4.2	90	7.3	76
* Plan Policy Index	5.3	15	11.6	21	19.6	10	9.9	18	9.9	35	2.4	43	5.3	44	8.2	31
Median	4.8		10.7		16.5		9.0		9.6		2.3		5.2		7.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - US Equity Composite

### US Equity Style Map



#### Legend

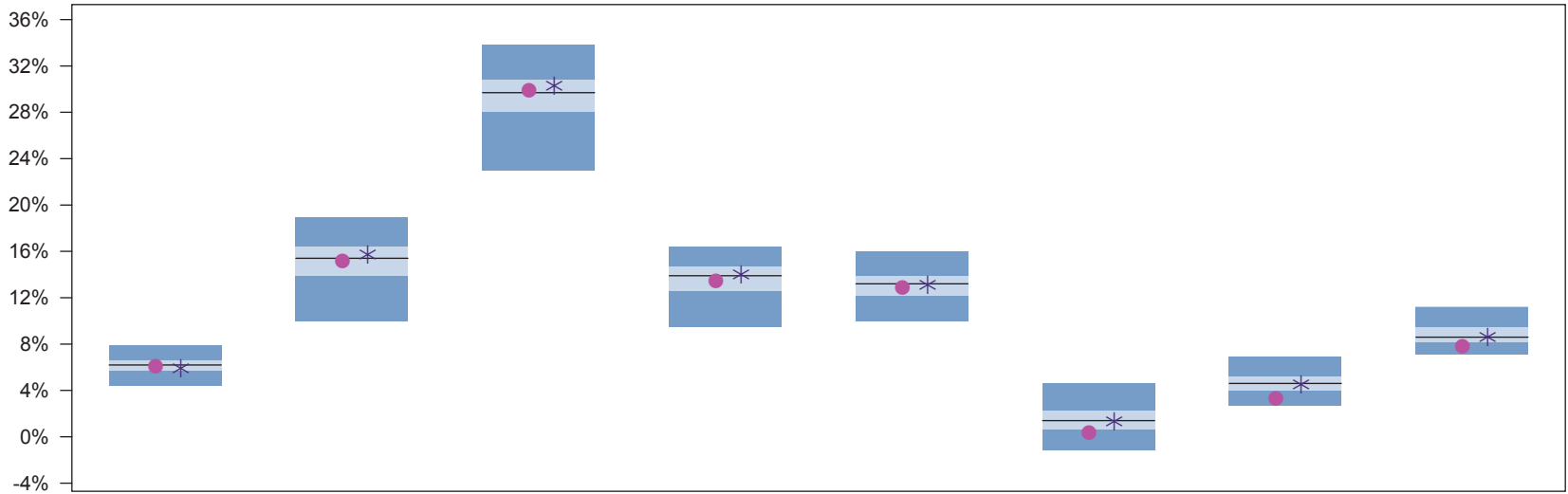
- |                               |                              |                       |                      |
|-------------------------------|------------------------------|-----------------------|----------------------|
| ● Barrow Hanley               | ◆ BlackRock R1000 Index Fund | ▲ BlackRock           | ■ The Boston Company |
| ◇ Chartwell                   | + D.E. Shaw                  | ▼ Jennison Associates | ★ T. Rowe Price      |
| ⊗ SamCERA US Equity Composite | — Russell 3000 Index         |                       |                      |

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Pools

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● US Equity	6.3	42	15.4	48	30.1	44	13.7	55	13.1	53	0.6	76	3.5	89	8.0	80
* US Equity Index	6.1	55	15.9	38	30.5	31	14.2	40	13.3	44	1.5	47	4.7	47	8.8	43
Median	6.2		15.4		29.7		13.9		13.2		1.4		4.6		8.6	



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – US Equity

Statistics Summary					
3 Years					
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
US Equity	13.1%	17.4%	0.7	-0.2	1.1%
80% R1000/ 20% R2000	13.3%	16.8%	0.8	--	0.0%
Large Cap Equity	12.4%	16.7%	0.7	-0.8	1.1%
Russell 1000	13.3%	15.9%	0.8	--	0.0%
BlackRock R1000 Index	13.3%	15.9%	0.8	3.5	0.0%
Russell 1000	13.3%	15.9%	0.8	--	0.0%
DE Shaw	13.5%	16.6%	0.8	0.1	2.0%
Russell 1000	13.3%	15.9%	0.8	--	0.0%
T Rowe Price	13.1%	15.9%	0.8	-0.1	0.8%
S&P 500	13.2%	15.6%	0.8	--	0.0%
Barrow Hanley	12.8%	16.9%	0.8	0.4	2.6%
Russell 1000 Value	11.8%	16.1%	0.7	--	0.0%
BlackRock LG	11.1%	18.0%	0.6	-1.0	3.6%
Russell 1000 Growth	14.7%	16.1%	0.9	--	0.0%
Small Cap Equity	15.8%	20.6%	0.8	0.9	2.9%
Russell 2000	13.0%	21.3%	0.6	--	0.0%
The Boston Co	12.9%	20.8%	0.6	0.4	3.0%
Russell 2000 Value	11.7%	20.9%	0.6	--	0.0%
Chartwell	18.7%	22.1%	0.8	1.0	4.6%
Russell 2000 Growth	14.2%	21.8%	0.6	--	0.0%
Jennison	15.0%	19.9%	0.7	0.5	4.0%
Russell 2000	13.0%	21.3%	0.6	--	0.0%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – US Equity

### Statistics Summary

5 Years

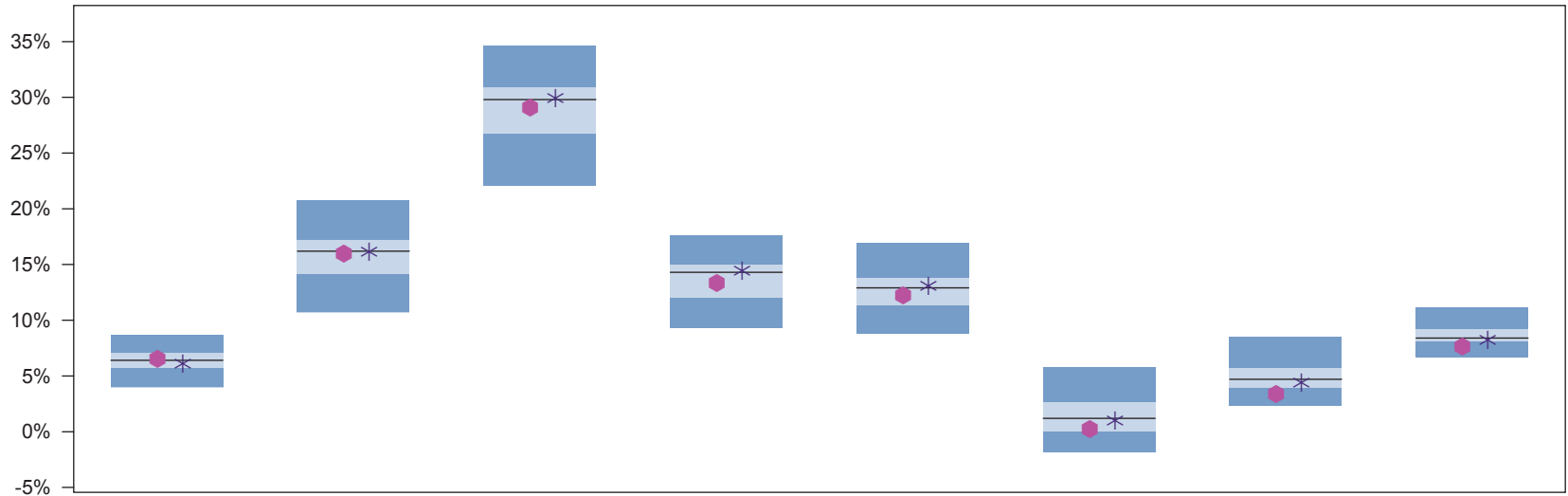
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
US Equity	0.6%	20.9%	0.0	-0.7	1.2%
80% R1000/ 20% R2000	1.5%	20.4%	0.0	--	0.0%
Large Cap Equity	0.4%	19.8%	0.0	-0.6	1.2%
Russell 1000	1.2%	19.5%	0.0	--	0.0%
BlackRock R1000 Index	1.3%	19.5%	0.0	2.9	0.0%
Russell 1000	1.2%	19.5%	0.0	--	0.0%
Small Cap Equity	1.3%	25.9%	0.0	-0.2	4.4%
Russell 2000	2.2%	24.8%	0.1	--	0.0%
Chartwell	2.8%	24.8%	0.1	0.0	5.3%
Russell 2000 Growth	3.0%	25.0%	0.1	--	0.0%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Cap

Periods Ending September 30, 2012

## Total Returns



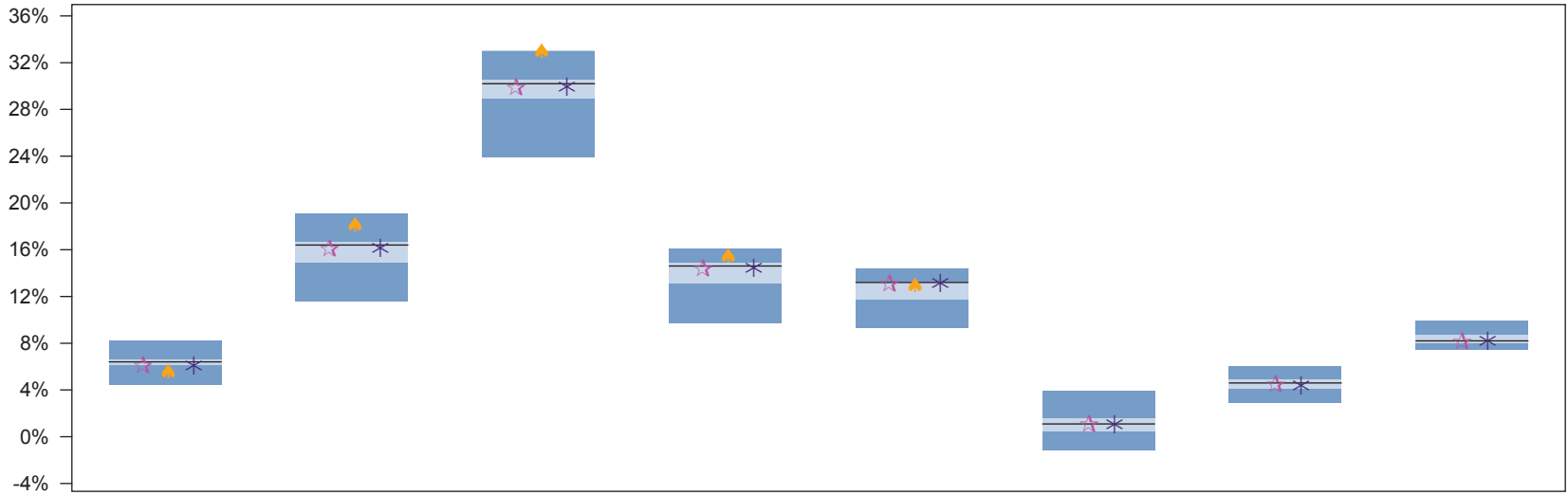
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ Large Cap	6.7	34	16.2	50	29.3	58	13.5	59	12.4	58	0.4	70	3.6	80	7.8	85
* RUSSELL 1000	6.3	57	16.3	49	30.1	46	14.6	44	13.3	37	1.2	49	4.6	56	8.4	56
Median	6.4		16.2		29.8		14.3		12.9		1.2		4.7		8.4	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
☆ BlackRock-R1000 Index	6.3	63	16.3	57	30.1	57	14.6	51	13.3	26	1.3	35	4.7	35	8.4	39
▲ DE Shaw	6.1	75	18.7	9	33.5	3	16.0	6	13.5	18						
* RUSSELL 1000	6.3	65	16.3	59	30.1	61	14.6	53	13.3	34	1.2	38	4.6	45	8.4	42
Median	6.4		16.4		30.2		14.6		13.2		1.1		4.6		8.2	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – BlackRock-R1000 Index Fund

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	986	
Average Market Cap (000's)	106,398,778	106,395,042
Median Market Cap (000's)	5,564,240	5,553,560
P/E Ratio	17.01	17.01
Dividend Yield	2.11	2.11
Beta	1.02	1.02
Price/Book Ratio	3.94	3.94
Return on Equity	20.87	20.87
Earnings Growth - 5 Years	10.12	10.12

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	7,072,628	4.3
EXXON MOBIL CORP	4,847,518	2.9
GENERAL ELECTRIC CO	2,727,583	1.6
CHEVRON CORP	2,606,465	1.6
INTL BUSINESS MACHINES CORP	2,563,326	1.5
MICROSOFT CORP	2,540,995	1.5
AT+T INC	2,505,581	1.5
GOOGLE INC CL A	2,213,998	1.3
PROCTER + GAMBLE CO/THE	2,154,389	1.3
JOHNSON + JOHNSON	2,145,306	1.3

Ten Best Performers	
Name	Return
METROPCS COMMUNICATIONS INC	93.5
SPRINT NEXTEL CORP	69.3
TESORO CORP	68.4
SHAW GROUP INC	59.7
RACKSPACE HOSTING INC	50.4
TAHOE RESOURCES INC	46.6
FUSION IO INC	44.9
CORELOGIC INC	44.9
PULTEGROUP INC	44.9
RIVERBED TECHNOLOGY INC	44.1

Ten Worst Performers	
Name	Return
GROUPON INC	-55.2
ZYNGA INC CL A	-47.8
ITT EDUCATIONAL SERVICES INC	-46.9
MOLYCORP INC	-46.6
ADVANCED MICRO DEVICES	-41.2
FACEBOOK INC A	-30.4
BIG LOTS INC	-27.5
DEVRY INC	-26.5
TRIPADVISOR INC	-26.3
WALTER ENERGY INC	-26.2

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock-R1000 Index Fund

Benchmark: RUSSELL 1000

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>BlackRock-R1000 Index</i>									
CONSUMER DISCRETIONARY	11.9	11.9	0.0	8.2	8.2	0.0	0.00	0.00	0.00
CONSUMER STAPLES	10.1	10.1	0.0	3.9	3.9	0.0	-0.00	0.00	-0.00
ENERGY	10.1	10.1	0.0	10.2	10.2	0.0	0.00	0.00	0.00
FINANCIALS	15.6	15.7	-0.0	6.0	6.1	-0.0	0.00	-0.01	-0.01
HEALTH CARE	11.8	11.8	0.0	6.5	6.5	0.0	0.00	0.01	0.01
INDUSTRIALS	10.8	10.8	0.0	3.4	3.4	0.0	-0.00	0.00	-0.00
INFORMATION TECHNOLOGY	19.0	19.0	0.0	7.1	7.1	0.0	0.00	0.01	0.01
MATERIALS	3.9	3.9	0.0	6.2	6.2	0.0	-0.00	0.00	-0.00
TELECOMMUNICATION SERVICES	3.0	3.0	0.0	7.9	7.9	-0.0	0.00	-0.01	-0.01
UTILITIES	3.8	3.8	0.0	0.7	0.7	0.0	-0.00	0.00	-0.00
TOTAL	100.0	100.0	0.0	6.3	6.3	0.0	-0.02	0.01	-0.01

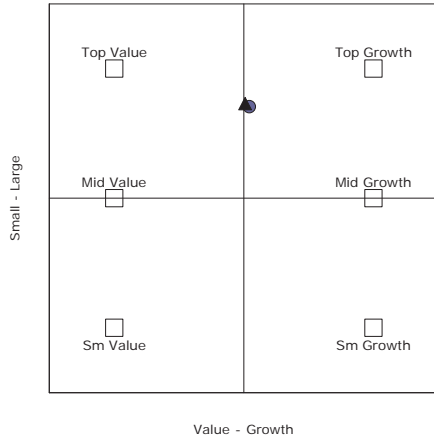
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - BlackRock R1000 Index Fund

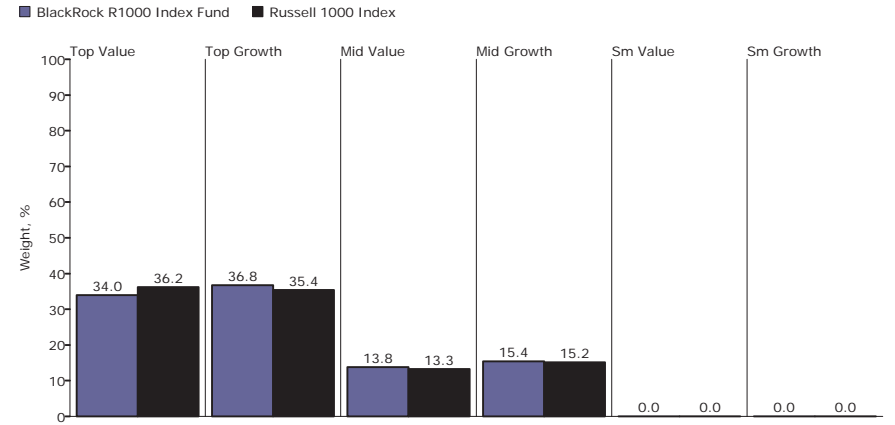
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

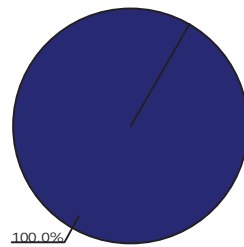
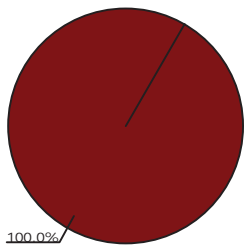


### R-Squared (Style Analysis)

Oct 09 - Sep 12

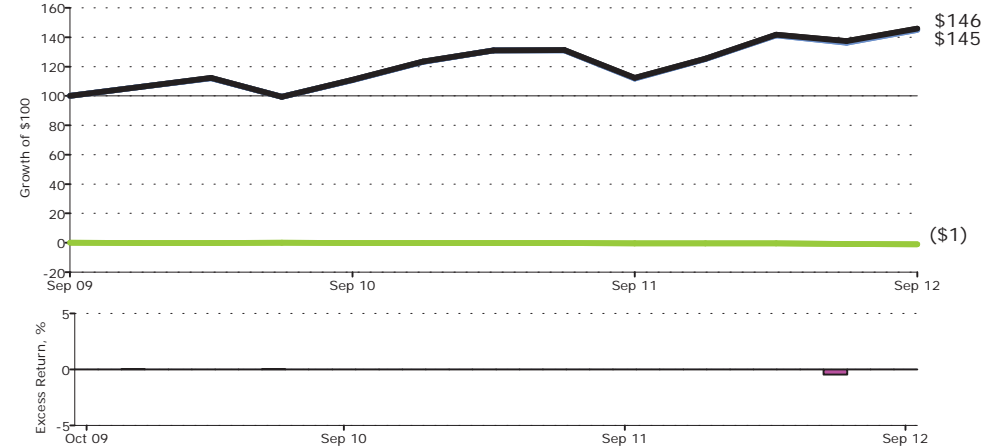
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 1000 Index ● BlackRock R1000 Index Fund

■ Total ■ Style ■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – D.E. Shaw

Portfolio Characteristics		
	Portfolio	Russell 1000
Total Number of Securities	533	
Average Market Cap (000's)	108,429,257	106,395,042
Median Market Cap (000's)	4,250,340	5,553,560
P/E Ratio	16.49	17.01
Dividend Yield	1.87	2.11
Beta	1.04	1.02
Price/Book Ratio	3.41	3.94
Return on Equity	17.67	20.87
Earnings Growth - 5 Years	9.49	10.12

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	7,273,134	5.7
PFIZER INC	3,247,895	2.6
EXXON MOBIL CORP	3,036,140	2.4
GENERAL ELECTRIC CO	2,843,292	2.3
PHILIP MORRIS INTERNATIONAL	2,743,170	2.2
INTL BUSINESS MACHINES CORP	2,738,340	2.2
WELLS FARGO + CO	2,679,528	2.1
PROCTER + GAMBLE CO/THE	2,496,960	2.0
AT+T INC	2,318,550	1.8
VISA INC CLASS A SHARES	2,255,904	1.8

Ten Best Performers	
Name	Return
XENOPORT INC	89.7
SPRINT NEXTEL CORP	69.3
FIVE STAR QUALITY CARE	66.4
SHAW GROUP INC	59.7
CORELOGIC INC	44.9
RIVERBED TECHNOLOGY INC	44.1
GEORGIA GULF CORP	41.4
KAPSTONE PAPER AND PACKAGING	41.3
PHILLIPS	40.3
SONIC AUTOMOTIVE INC CLASS A	39.0

Ten Worst Performers	
Name	Return
QUESTCOR PHARMACEUTICALS	-65.3
IDENIX PHARMACEUTICALS INC	-55.6
LODGENET INTERACTIVE CORP	-50.2
ZYNGA INC CL A	-47.8
CAREER EDUCATION CORP	-43.7
LONE PINE RESOURCES INC	-43.3
STRAYER EDUCATION INC	-40.1
ACCO BRANDS CORP	-37.2
DENDREON CORP	-34.7
COINSTAR INC	-34.5



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

DE Shaw

Benchmark: RUSSELL 1000

Quarter Ending September 30, 2012

## Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
DE Shaw									
COMMINGLED FUND	0.6	0.0	0.6	-	-	-	-0.04	0.00	-0.04
CONSUMER DISCRETIONARY	13.0	11.9	1.1	6.9	8.2	-1.4	0.02	-0.18	-0.16
CONSUMER STAPLES	8.2	10.1	-1.9	8.1	3.9	4.3	0.05	0.35	0.40
ENERGY	9.4	10.1	-0.7	9.6	10.2	-0.5	-0.03	-0.05	-0.08
FINANCIALS	15.0	15.7	-0.7	5.3	6.1	-0.8	0.00	-0.12	-0.12
HEALTH CARE	11.9	11.8	0.1	5.7	6.5	-0.7	0.00	-0.09	-0.09
INDUSTRIALS	10.6	10.8	-0.2	3.1	3.4	-0.4	0.01	-0.04	-0.03
INFORMATION TECHNOLOGY	22.1	19.0	3.2	6.8	7.1	-0.3	0.02	-0.06	-0.04
MATERIALS	3.5	3.9	-0.4	11.3	6.2	5.1	0.00	0.18	0.18
RIGHTS / WARRANTS	0.0	0.0	0.0	-	-	-	-0.00	0.00	-0.00
TELECOMMUNICATION SERVICES	2.1	3.0	-0.9	14.4	7.9	6.5	-0.02	0.14	0.12
UTILITIES	3.5	3.8	-0.3	-2.7	0.7	-3.4	0.01	-0.12	-0.10
TOTAL	100.0	100.0	0.0	6.4	6.3	0.1	0.02	0.01	0.03

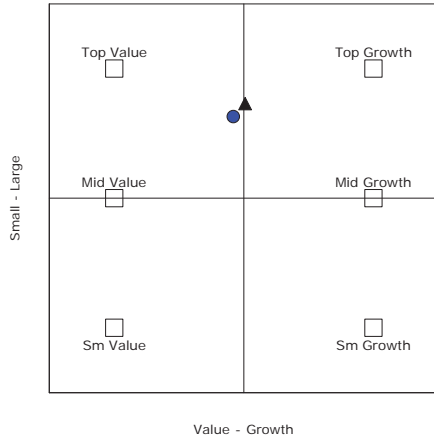
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - D.E. Shaw

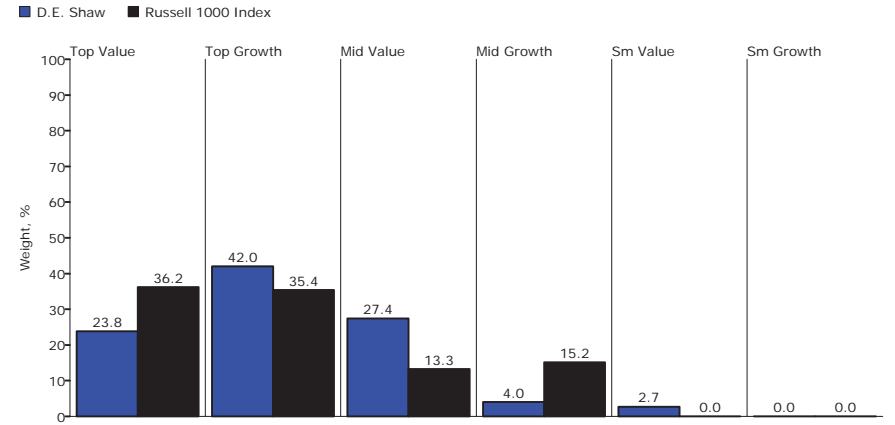
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

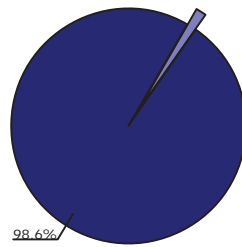
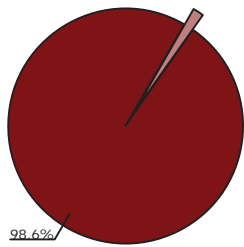


### R-Squared (Style Analysis)

Oct 09 - Sep 12

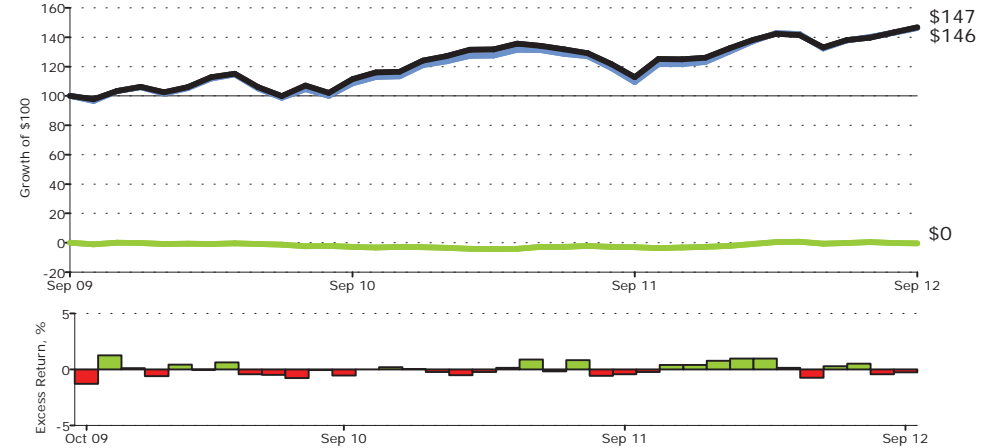
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 1000 Index ● D.E. Shaw

■ Total  
■ Selection

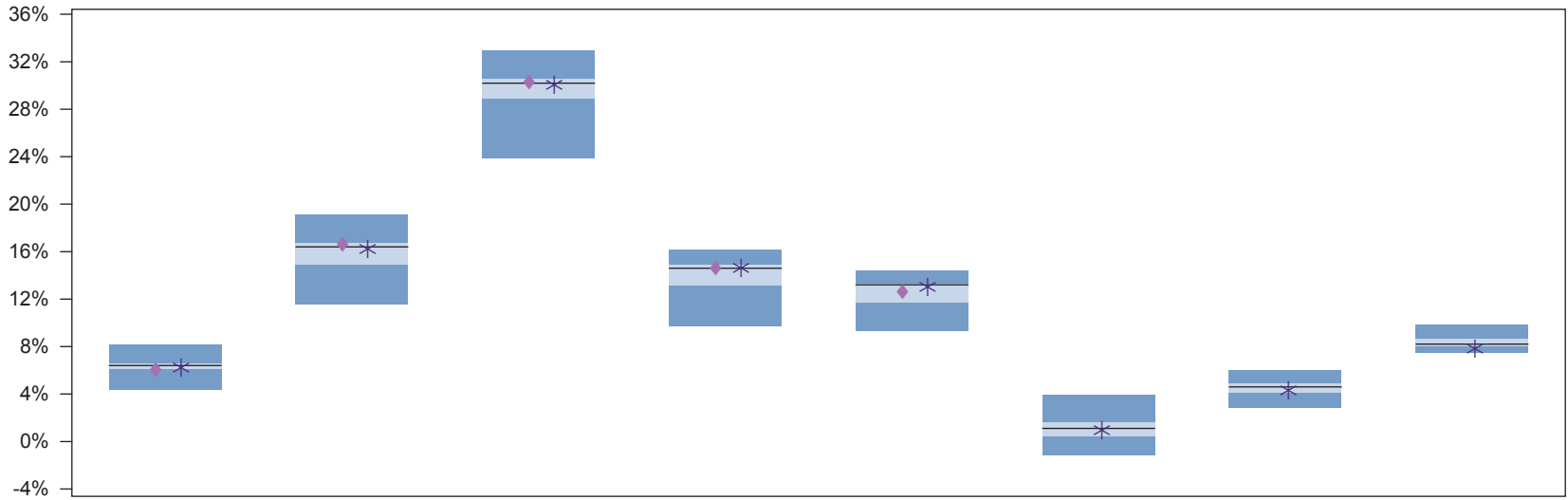
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Core

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ T Rowe Price	6.6	28	17.1	20	30.8	21	15.1	19	13.1	55						
* S&P 500	6.4	53	16.4	48	30.2	50	14.8	42	13.2	47	1.1	62	4.5	64	8.0	78
Median	6.4		16.4		30.2		14.6		13.2		1.1		4.6		8.2	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – T. Rowe Price

Portfolio Characteristics		
	Portfolio	S&P 500
Total Number of Securities	264	
Average Market Cap (000's)	119,385,929	119,807,663
Median Market Cap (000's)	18,237,210	12,349,715
P/E Ratio	16.69	16.79
Dividend Yield	2.01	2.19
Beta	1.02	1.00
Price/Book Ratio	4.07	3.97
Return on Equity	21.46	21.82
Earnings Growth - 5 Years	10.35	9.95

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	6,138,792	5.0
EXXON MOBIL CORP	4,172,498	3.4
MICROSOFT CORP	2,540,234	2.1
AT+T INC	2,454,270	2.0
CHEVRON CORP	2,354,512	1.9
GOOGLE INC CL A	2,188,050	1.8
PROCTER + GAMBLE CO/THE	2,122,416	1.7
GENERAL ELECTRIC CO	2,098,404	1.7
PFIZER INC	1,857,960	1.5
JOHNSON + JOHNSON	1,784,769	1.5

Ten Best Performers	
Name	Return
SPRINT NEXTEL CORP	69.3
PHILLIPS	40.3
VALERO ENERGY CORP	32.0
CAMERON INTERNATIONAL CORP	31.3
GOOGLE INC CL A	30.1
GILEAD SCIENCES INC	29.3
LYONDELLBASELL INDU CL A	29.3
INTERNATIONAL PAPER CO	26.6
HESS CORP	23.9
NRG ENERGY INC	23.8

Ten Worst Performers	
Name	Return
GROUPON INC	-55.2
DENDREON CORP	-34.7
ATMEL CORP	-21.5
DELL INC	-20.6
UNITED CONTINENTAL HOLDINGS	-19.9
MARVELL TECHNOLOGY GROUP LTD	-18.4
CHIPOTLE MEXICAN GRILL INC	-16.4
LAM RESEARCH CORP	-15.8
AES CORP	-14.5
INTEL CORP	-14.2

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

T Rowe Price

Benchmark: S&P 500

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
T Rowe Price									
CONSUMER DISCRETIONARY	12.3	11.0	1.3	6.4	7.7	-1.3	0.02	-0.17	-0.15
CONSUMER STAPLES	10.0	11.3	-1.3	4.6	3.8	0.7	0.03	0.07	0.10
ENERGY	11.3	10.8	0.5	10.9	10.2	0.7	0.02	0.08	0.10
FINANCIALS	14.4	14.4	-0.0	8.1	7.0	1.1	-0.00	0.16	0.15
HEALTH CARE	12.1	12.0	0.2	6.6	6.1	0.4	-0.00	0.06	0.05
INDUSTRIALS	10.8	10.4	0.4	2.4	3.4	-1.0	-0.01	-0.11	-0.13
INFORMATION TECHNOLOGY	19.2	19.7	-0.5	7.2	7.3	-0.1	-0.01	-0.03	-0.04
MATERIALS	3.7	3.4	0.3	8.4	4.9	3.5	-0.01	0.13	0.12
TELECOMMUNICATION SERVICES	3.1	3.2	-0.1	10.9	8.0	2.9	-0.01	0.09	0.08
UTILITIES	3.1	3.7	-0.7	-2.6	0.0	-2.6	0.04	-0.08	-0.04
TOTAL	100.0	100.0	0.0	6.7	6.4	0.3	0.06	0.20	0.25

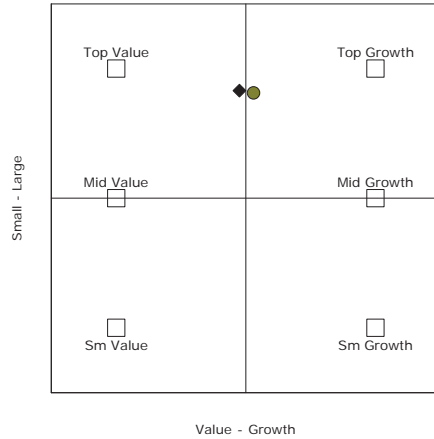
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - T. Rowe Price

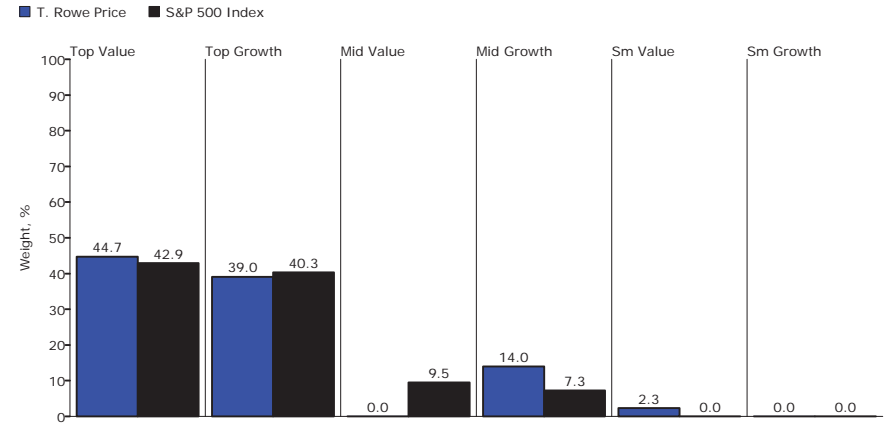
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

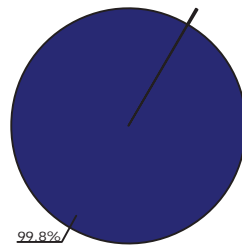
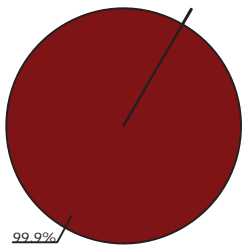


### R-Squared (Style Analysis)

Oct 09 - Sep 12

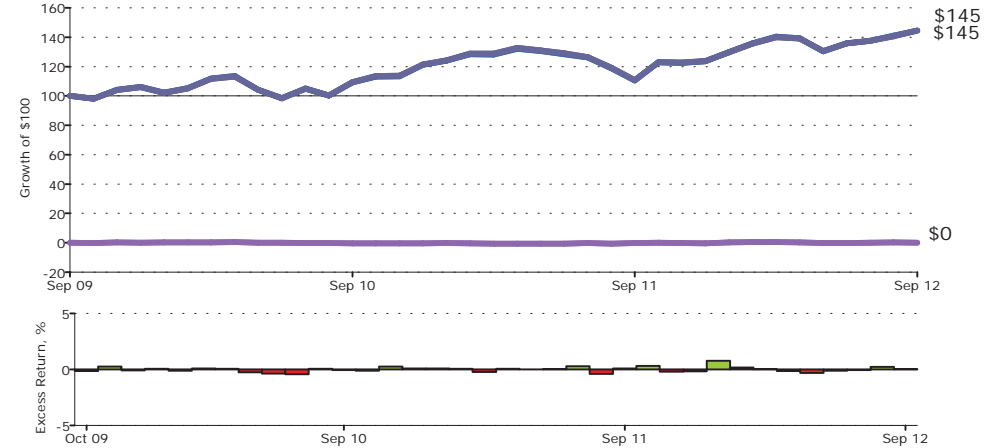
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ S&P 500 Index ● T. Rowe Price

■ Total  
■ Selection

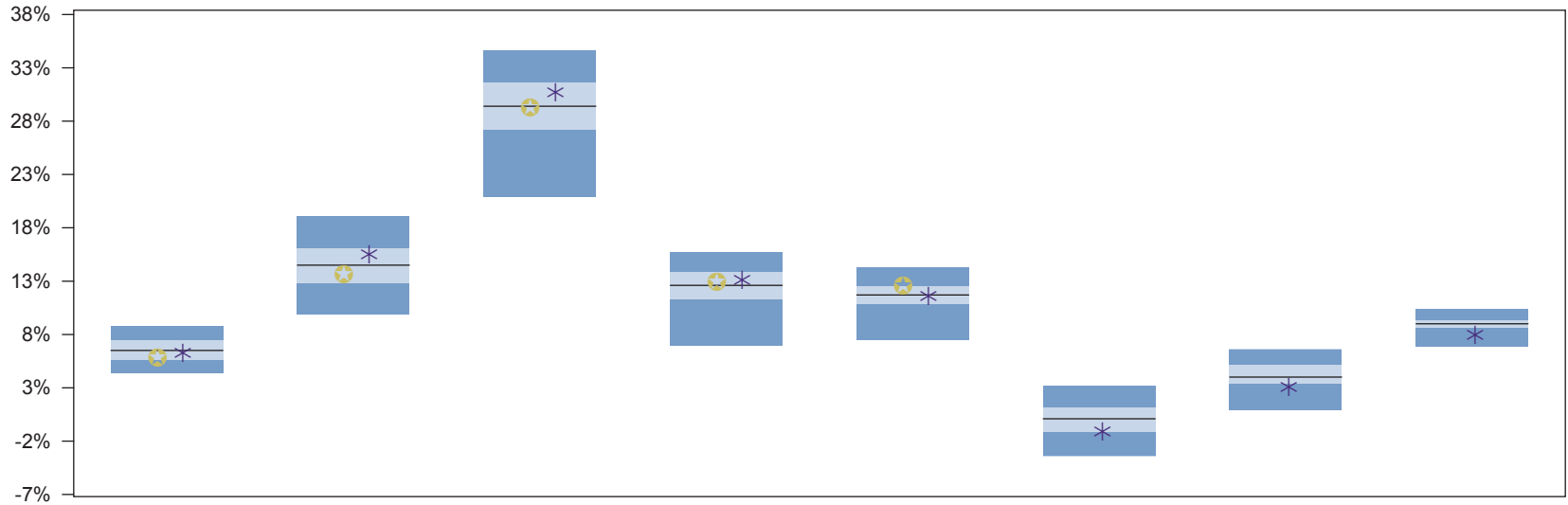
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Value

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
✦ Barrow Hanley	6.1	61	13.9	58	29.5	48	13.2	39	12.8	22						
* Russell 1000 Value Index	6.5	50	15.7	34	30.9	32	13.3	36	11.8	48	-0.9	70	3.3	74	8.2	86
Median	6.5		14.5		29.4		12.6		11.7		0.1		4.0		9.0	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Barrow Hanley

Portfolio Characteristics		
	Portfolio	Russell 1000 Value
Total Number of Securities	88	
Average Market Cap (000's)	55,810,920	92,116,026
Median Market Cap (000's)	19,068,640	4,945,625
P/E Ratio	13.78	14.38
Dividend Yield	2.90	2.49
Beta	1.13	1.08
Price/Book Ratio	2.72	1.96
Return on Equity	17.93	13.72
Earnings Growth - 5 Years	3.61	1.69

Ten Largest Holdings		
Name	\$	Weight
CAPITAL ONE FINANCIAL CORP	5,535,671	3.3
STANLEY BLACK + DECKER INC	5,024,875	3.0
SLM CORP	3,860,832	2.3
PFIZER INC	3,352,638	2.0
UNITEDHEALTH GROUP INC	3,180,534	1.9
PHILIP MORRIS INTERNATIONAL	3,057,960	1.8
MEDTRONIC INC	3,001,152	1.8
CONOCOPHILLIPS	2,864,718	1.7
AMERICAN EXPRESS CO	2,780,454	1.7
AT+T INC	2,748,330	1.6

Ten Best Performers	
Name	Return
PHILLIPS	40.3
COVENTRY HEALTH CARE INC	31.5
WALGREEN CO	24.1
EATON CORP	20.3
CITIGROUP INC	19.4
STANLEY BLACK + DECKER INC	19.4
PENTAIR INC	16.9
ROYAL CARIBBEAN CRUISES LTD	16.5
FIFTH THIRD BANCORP	16.5
MARATHON OIL CORP	16.4

Ten Worst Performers	
Name	Return
INTL GAME TECHNOLOGY	-16.5
LORILLARD INC	-10.7
WELLPOINT INC	-8.6
CARDINAL HEALTH INC	-6.7
STATE STREET CORP	-5.5
UNITEDHEALTH GROUP INC	-4.9
CA INC	-4.0
TEXAS INSTRUMENTS INC	-3.4
ESSEX PROPERTY TRUST INC	-3.0
REYNOLDS AMERICAN INC	-2.2



## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Barrow Hanley

Benchmark: Russell 1000 Value Index

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>Barrow Hanley</i>									
CONSUMER DISCRETIONARY	10.4	7.8	2.7	9.9	9.7	0.2	0.08	0.03	0.11
CONSUMER STAPLES	8.8	7.1	1.6	1.9	8.0	-6.1	0.02	-0.53	-0.51
ENERGY	10.9	16.4	-5.4	8.6	9.1	-0.5	-0.13	-0.06	-0.19
FINANCIALS	25.0	26.4	-1.4	6.2	6.9	-0.7	-0.01	-0.18	-0.19
HEALTH CARE	16.3	11.7	4.6	6.3	5.9	0.4	-0.04	0.07	0.03
INDUSTRIALS	13.4	9.1	4.3	8.1	5.6	2.4	-0.04	0.33	0.28
INFORMATION TECHNOLOGY	7.5	6.7	0.8	0.8	0.2	0.7	-0.06	0.05	-0.00
MATERIALS	0.9	3.9	-3.0	3.8	7.5	-3.7	-0.03	-0.03	-0.06
TELECOMMUNICATION SERVICES	3.2	3.7	-0.5	4.7	10.0	-5.3	-0.02	-0.17	-0.19
UTILITIES	3.5	7.3	-3.8	4.1	0.3	3.8	0.22	0.13	0.36
TOTAL	100.0	100.0	0.0	6.2	6.6	-0.4	-0.01	-0.36	-0.37

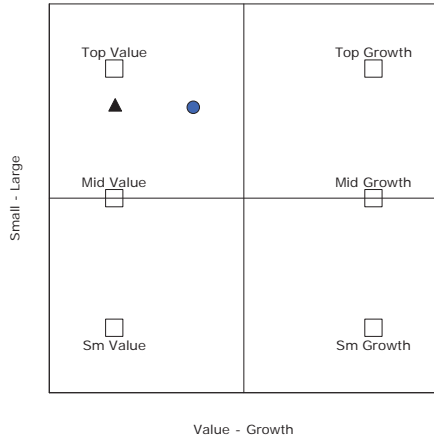
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - Barrow Hanley

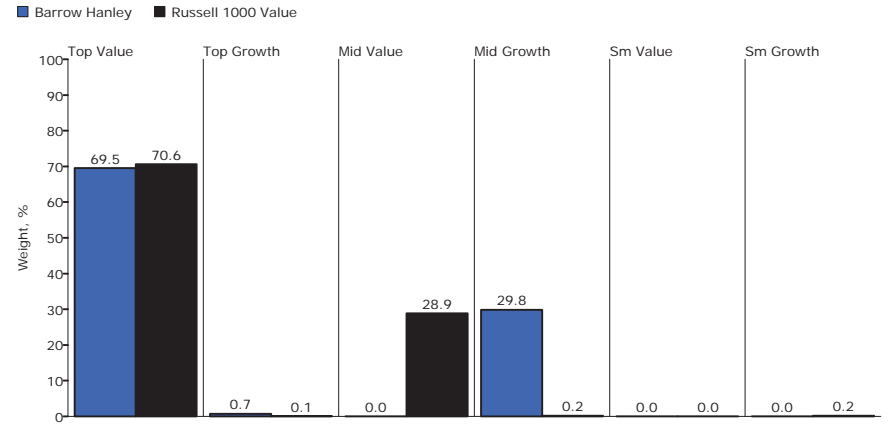
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

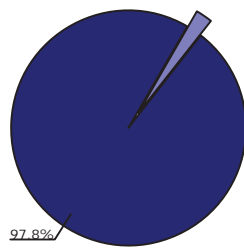
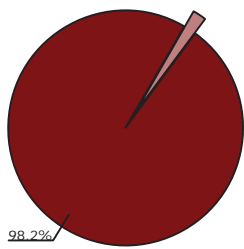


### R-Squared (Style Analysis)

Oct 09 - Sep 12

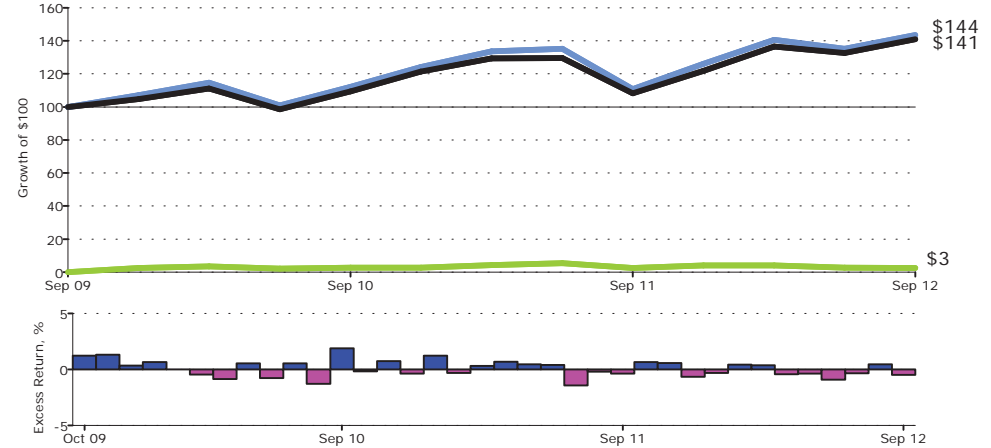
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 1000 Value ● Barrow Hanley

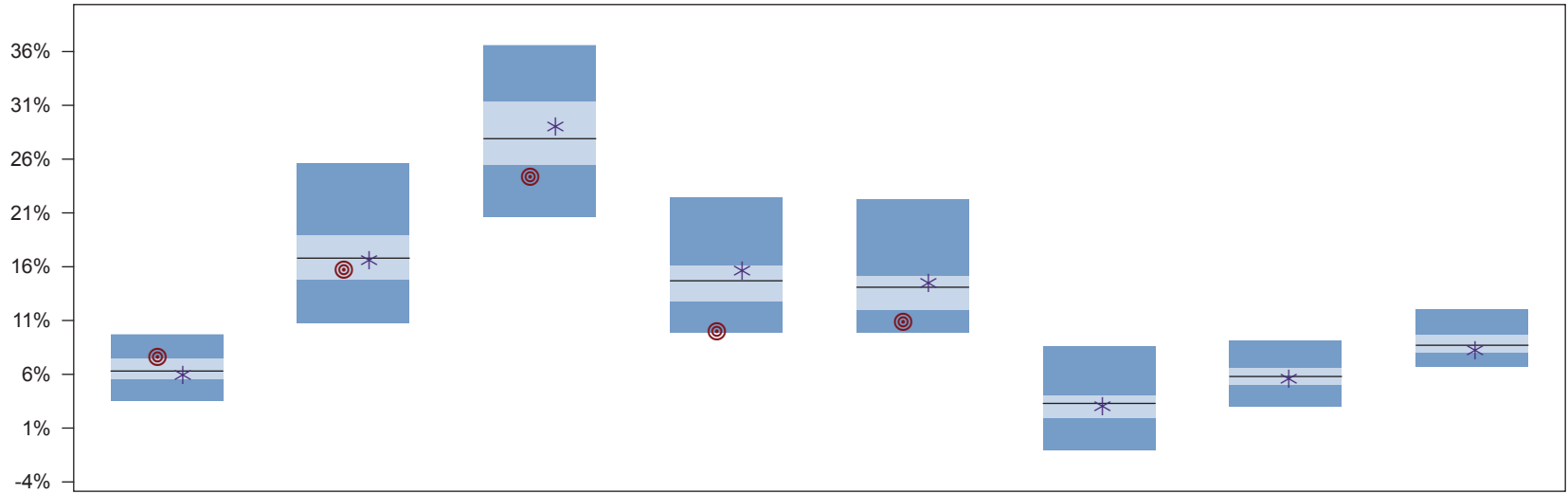
■ Total ■ Style  
■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Large Growth

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
⊙ BlackRock	7.9	20	16.0	59	24.6	82	10.3	94	11.1	87						
* Russell 1000 Growth Index	6.1	56	16.8	50	29.2	43	15.8	30	14.7	37	3.2	51	5.8	50	8.4	55
Median	6.3		16.8		27.9		14.7		14.1		3.3		5.8		8.7	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – BlackRock

Portfolio Characteristics		
	Portfolio	Russell 1000 Growth
Total Number of Securities	70	
Average Market Cap (000's)	124,867,118	121,056,160
Median Market Cap (000's)	29,519,275	6,315,800
P/E Ratio	23.35	20.93
Dividend Yield	1.28	1.71
Beta	1.05	0.96
Price/Book Ratio	6.25	5.96
Return on Equity	21.98	28.21
Earnings Growth - 5 Years	19.62	18.65

Ten Largest Holdings		
Name	\$	Weight
APPLE INC	16,347,870	9.4
QUALCOMM INC	7,155,105	4.1
AMAZON.COM INC	6,714,048	3.9
BOEING CO/THE	6,620,862	3.8
GOOGLE INC CL A	6,337,800	3.6
MICROSOFT CORP	5,399,114	3.1
COCA COLA CO/THE	4,779,180	2.8
DANAHER CORP	4,693,265	2.7
COSTCO WHOLESALE CORP	4,485,600	2.6
EXPRESS SCRIPTS HOLDING CO	4,382,137	2.5

Ten Best Performers	
Name	Return
RACKSPACE HOSTING INC	50.4
FUSION IO INC	44.9
GOOGLE INC CL A	30.1
GILEAD SCIENCES INC	29.3
MICHAEL KORS HOLDINGS LTD	27.1
TEREX CORP	26.6
NATIONAL OILWELL VARCO INC	24.5
VALEANT PHARMACEUTICALS	23.4
EATON CORP	20.3
STANLEY BLACK + DECKER INC	19.4

Ten Worst Performers	
Name	Return
INTUITIVE SURGICAL INC	-10.5
UNITED PARCEL SERVICE CL B	-8.4
PRICELINE.COM INC	-6.9
TESLA MOTORS INC	-6.4
CERNER CORP	-6.4
BOEING CO/THE	-5.7
STARBUCKS CORP	-4.4
COACH INC	-3.7
AVAGO TECHNOLOGIES LTD	-2.4
COCA COLA CO/THE	-2.3

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

BlackRock

Benchmark: Russell 1000 Growth Index

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
BlackRock									
CONSUMER DISCRETIONARY	18.8	16.0	2.8	8.2	7.5	0.8	0.04	0.14	0.18
CONSUMER STAPLES	8.5	13.2	-4.7	1.3	1.6	-0.3	0.20	-0.04	0.17
ENERGY	3.7	3.7	-0.0	11.7	15.0	-3.3	-0.00	-0.13	-0.14
FINANCIALS	4.3	4.7	-0.3	7.4	1.0	6.5	0.02	0.28	0.30
HEALTH CARE	14.3	11.9	2.4	6.1	7.0	-1.0	0.02	-0.15	-0.13
INDUSTRIALS	13.5	12.5	0.9	3.1	1.8	1.3	-0.04	0.18	0.14
INFORMATION TECHNOLOGY	31.1	31.5	-0.4	11.7	8.6	3.2	-0.01	0.96	0.95
MATERIALS	3.4	3.9	-0.5	12.0	4.9	7.1	0.01	0.24	0.24
TELECOMMUNICATION SERVICES	2.4	2.3	0.1	3.7	4.6	-0.9	-0.00	-0.04	-0.04
UTILITIES	0.0	0.2	-0.2	-	12.3	-	-0.01	-0.01	-0.03
TOTAL	100.0	100.0	0.0	7.8	6.1	1.8	0.22	1.44	1.66

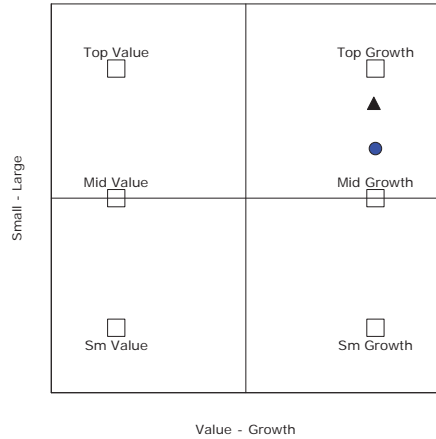
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - BlackRock

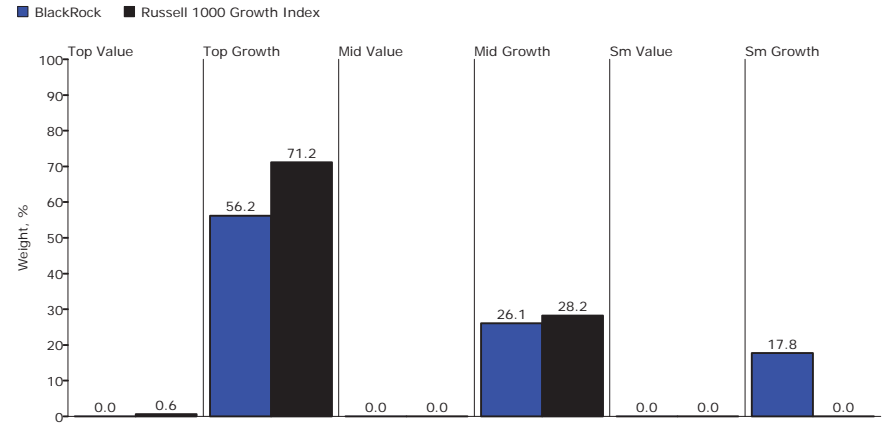
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

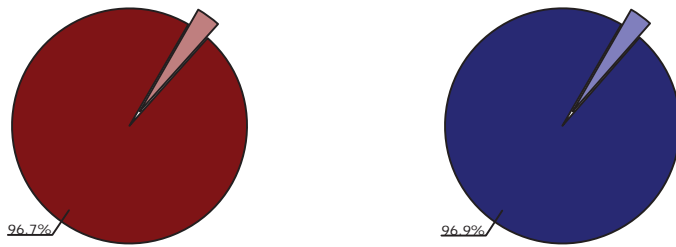


### R-Squared (Style Analysis)

Oct 09 - Sep 12

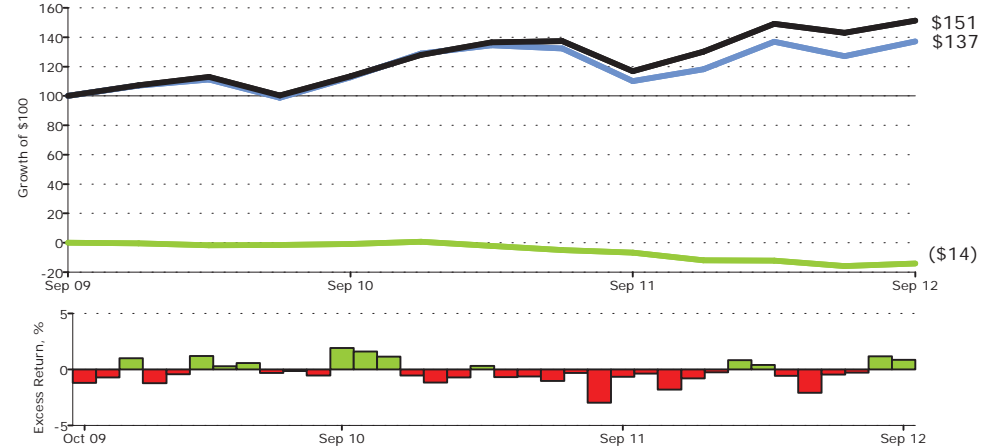
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 1000 Growth Index ● BlackRock

■ Total ■ Selection

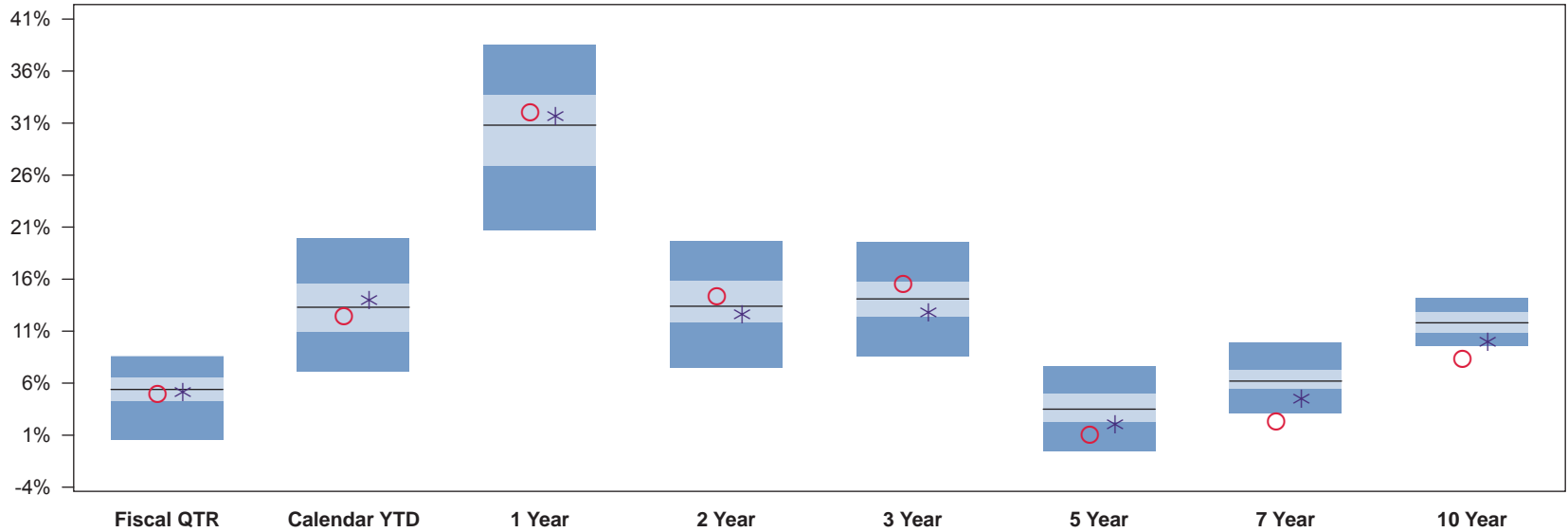
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Cap

Periods Ending September 30, 2012

## Total Returns



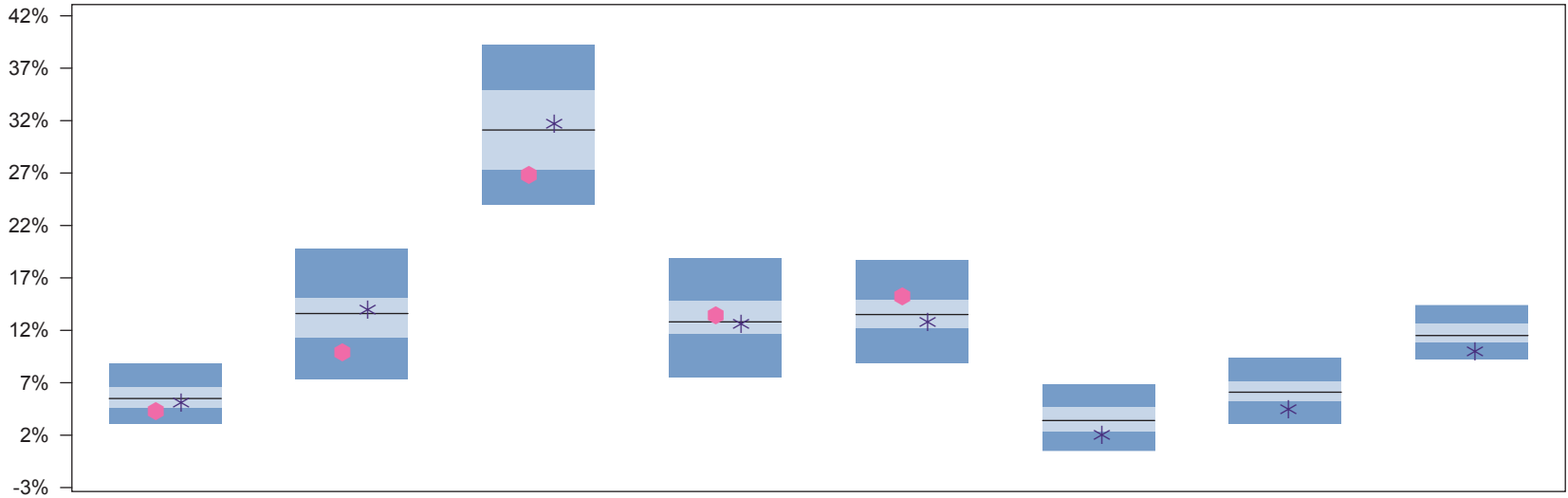
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Small Cap	5.2	58	12.7	59	32.3	35	14.6	37	15.8	26	1.3	86	2.6	98	8.6	100
* RUSSELL 2000	5.3	56	14.2	41	31.9	39	12.8	58	13.0	66	2.2	77	4.7	81	10.2	88
Median	5.4		13.3		30.8		13.4		14.1		3.5		6.2		11.8	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Core

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Jennison	4.5	82	10.1	80	27.0	78	13.6	36	15.4	18						
* RUSSELL 2000	5.3	60	14.2	41	31.9	46	12.8	50	13.0	60	2.2	79	4.7	79	10.2	87
Median	5.5		13.6		31.1		12.8		13.5		3.4		6.1		11.5	



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Jennison

Portfolio Characteristics		
	Portfolio	Russell 2000
Total Number of Securities	128	
Average Market Cap (000's)	2,072,451	1,288,126
Median Market Cap (000's)	1,618,050	508,190
P/E Ratio	18.37	17.63
Dividend Yield	1.08	1.43
Beta	1.22	1.22
Price/Book Ratio	3.35	3.17
Return on Equity	13.69	9.79
Earnings Growth - 5 Years	13.05	7.01

Ten Largest Holdings		
Name	\$	Weight
ROSETTA RESOURCES INC	1,875,141	2.2
TW TELECOM INC	1,756,544	2.1
AIR METHODS CORP	1,731,701	2.0
WHITE MOUNTAINS INSURANCE	1,707,882	2.0
RBC BEARINGS INC	1,597,209	1.9
CHEESECAKE FACTORY INC/THE	1,464,892	1.7
WRIGHT EXPRESS CORP	1,441,112	1.7
HEARTLAND EXPRESS INC	1,437,723	1.7
BIOMARIN PHARMACEUTICAL INC	1,414,323	1.7
MFA FINANCIAL INC REIT	1,375,742	1.6

Ten Best Performers	
Name	Return
GENMARK DIAGNOSTICS INC	112.2
MCEWEN MINING INC	52.5
VANGUARD HEALTH SYSTEMS INC	39.1
AMERIGROUP CORP	38.7
HECLA MINING CO	38.0
ACADIA HEALTHCARE CO INC	36.0
COLFAX CORP	33.0
CORPORATE EXECUTIVE BOARD CO	31.7
ROSETTA RESOURCES INC	30.7
OPNET TECHNOLOGIES INC	28.7

Ten Worst Performers	
Name	Return
ADTRAN INC	-42.5
BIG LOTS INC	-27.5
SERVICOURCE INTERNATIONAL	-25.9
IGNITE RESTAURANT GROUP INC	-23.0
SALIX PHARMACEUTICALS LTD	-22.2
EXPRESS INC	-18.4
POWER INTEGRATIONS INC	-18.3
HUB GROUP INC CL A	-18.0
STANCORP FINANCIAL GROUP	-15.9
LUMOS NETWORKS CORP	-15.4

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Jennison

Benchmark: RUSSELL 2000

Quarter Ending September 30, 2012

## Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Jennison									
COMMINGLED FUND	0.0	0.0	-0.0	-	-1.2	-	0.01	0.01	0.01
CONSUMER DISCRETIONARY	11.2	13.8	-2.6	3.3	8.4	-5.1	-0.07	-0.56	-0.64
CONSUMER STAPLES	3.8	3.8	0.1	0.3	2.7	-2.4	-0.00	-0.09	-0.09
ENERGY	6.2	5.4	0.8	15.1	8.3	6.8	0.03	0.43	0.46
FINANCIALS	18.6	22.7	-4.1	3.5	5.6	-2.1	-0.01	-0.39	-0.40
HEALTH CARE	14.9	12.9	2.0	12.5	4.0	8.5	-0.02	1.27	1.25
INDUSTRIALS	23.8	16.2	7.6	-0.0	2.9	-2.9	-0.17	-0.70	-0.87
INFORMATION TECHNOLOGY	14.1	15.7	-1.6	-0.4	2.6	-2.9	0.05	-0.41	-0.36
MATERIALS	2.9	4.9	-2.0	13.7	13.0	0.7	-0.15	0.03	-0.12
TELECOMMUNICATION SERVICES	4.0	0.9	3.1	2.4	8.8	-6.4	0.11	-0.25	-0.15
UTILITIES	0.5	3.8	-3.3	18.9	6.5	12.4	-0.04	0.07	0.03
TOTAL	100.0	100.0	0.0	4.3	5.3	-1.0	-0.28	-0.61	-0.89

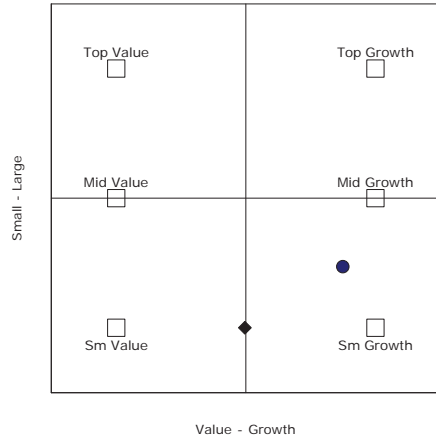
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - Jennison

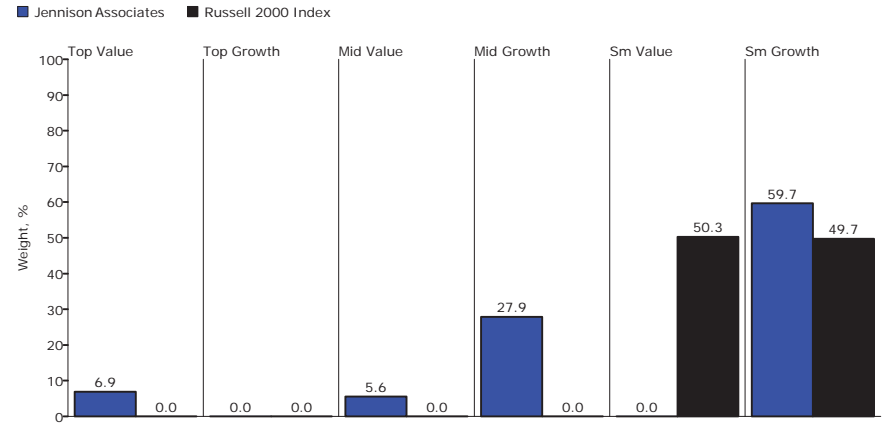
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

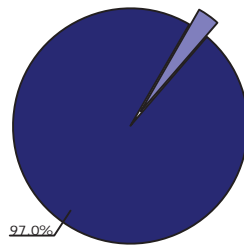
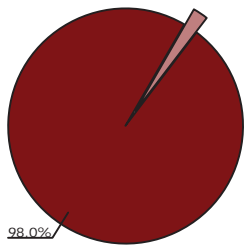


### R-Squared (Style Analysis)

Oct 09 - Sep 12

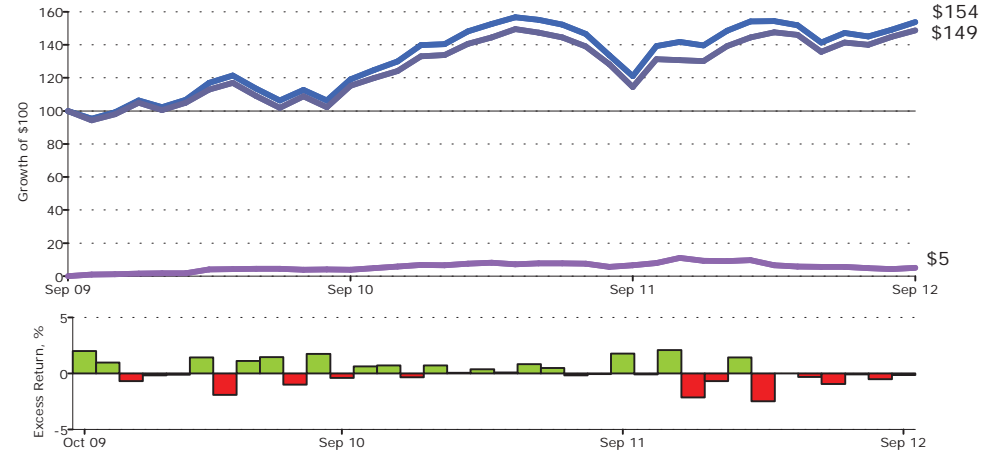
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 2000 Index ● Jennison Associates

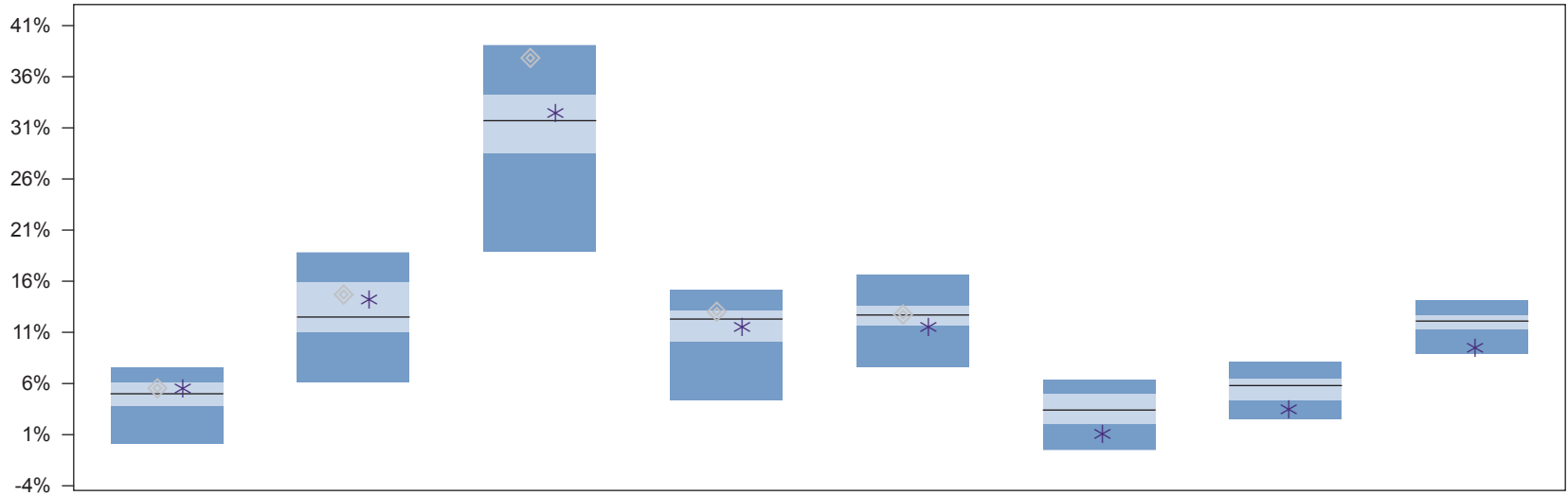
■ Total ■ Style ■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Value

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
◆ The Boston Co	5.7	31	14.9	28	38.0	8	13.2	26	12.9	45						
* RUSSELL 2000 VALUE	5.7	34	14.4	33	32.6	34	11.7	64	11.7	74	1.3	84	3.7	85	9.7	92
Median	5.0		12.5		31.7		12.3		12.7		3.4		5.8		12.1	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – The Boston Company

Portfolio Characteristics		
	Portfolio	Russell 2000 Value
Total Number of Securities	135	
Average Market Cap (000's)	1,543,968	1,122,297
Median Market Cap (000's)	1,251,170	437,545
P/E Ratio	17.66	14.75
Dividend Yield	1.22	2.14
Beta	1.28	1.29
Price/Book Ratio	2.24	1.45
Return on Equity	10.43	6.78
Earnings Growth - 5 Years	1.86	(0.73)

Ten Largest Holdings		
Name	\$	Weight
KB HOME	826,560	1.5
CORELOGIC INC	780,778	1.4
FIRST HORIZON NATIONAL CORP	771,941	1.4
CYTEC INDUSTRIES INC	751,514	1.4
FIRST AMERICAN FINANCIAL	702,758	1.3
E TRADE FINANCIAL CORP	686,740	1.3
CARPENTER TECHNOLOGY	668,650	1.2
HEALTHSOUTH CORP	653,710	1.2
THOR INDUSTRIES INC	642,864	1.2
WINTRUST FINANCIAL CORP	640,193	1.2

Ten Best Performers	
Name	Return
COEUR D ALENE MINES CORP	64.2
GULFPORT ENERGY CORP	51.5
KB HOME	46.8
CORELOGIC INC	44.9
KAPSTONE PAPER AND PACKAGING	41.3
IXIA	33.7
THOR INDUSTRIES INC	33.2
BIG 5 SPORTING GOODS CORP	32.8
PACKAGING CORP OF AMERICA	29.5
FIRST AMERICAN FINANCIAL	28.2

Ten Worst Performers	
Name	Return
AEROPOSTALE INC	-24.1
FREIGHTCAR AMERICA INC	-22.3
EXPRESS INC	-18.4
WMS INDUSTRIES INC	-17.9
ICF INTERNATIONAL INC	-15.7
SPARTAN STORES INC	-15.1
FLOWERS FOODS INC	-12.5
MKS INSTRUMENTS INC	-11.4
TESCO CORP	-11.0
AEROVIRONMENT INC	-10.8

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

The Boston Co

Benchmark: RUSSELL 2000 VALUE

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
<i>The Boston Co</i>									
COMMINGLED FUND	0.0	0.0	-0.0	-	-1.2	-	0.00	0.00	0.01
CONSUMER DISCRETIONARY	17.5	11.8	5.7	6.2	9.5	-3.4	0.21	-0.58	-0.37
CONSUMER STAPLES	4.9	2.7	2.2	-6.4	3.0	-9.4	-0.06	-0.47	-0.52
ENERGY	5.7	5.7	0.0	13.4	7.9	5.4	0.00	0.31	0.31
FINANCIALS	28.6	36.1	-7.5	5.8	5.7	0.1	0.00	0.02	0.03
HEALTH CARE	5.9	5.0	0.9	9.9	6.7	3.3	0.01	0.20	0.21
INDUSTRIALS	15.8	14.2	1.6	2.5	3.8	-1.3	-0.03	-0.21	-0.24
INFORMATION TECHNOLOGY	11.0	11.3	-0.3	2.3	-1.0	3.2	0.02	0.36	0.38
MATERIALS	5.9	5.5	0.4	22.7	14.2	8.5	0.03	0.50	0.53
TELECOMMUNICATION SERVICES	0.0	0.7	-0.7	-	8.6	-	-0.02	0.00	-0.02
UTILITIES	4.7	7.0	-2.3	-0.0	6.0	-6.0	-0.01	-0.28	-0.29
TOTAL	100.0	100.0	0.0	5.8	5.7	0.0	0.17	-0.15	0.02

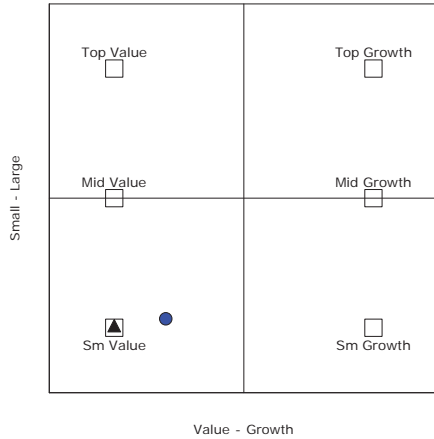
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - The Boston Company

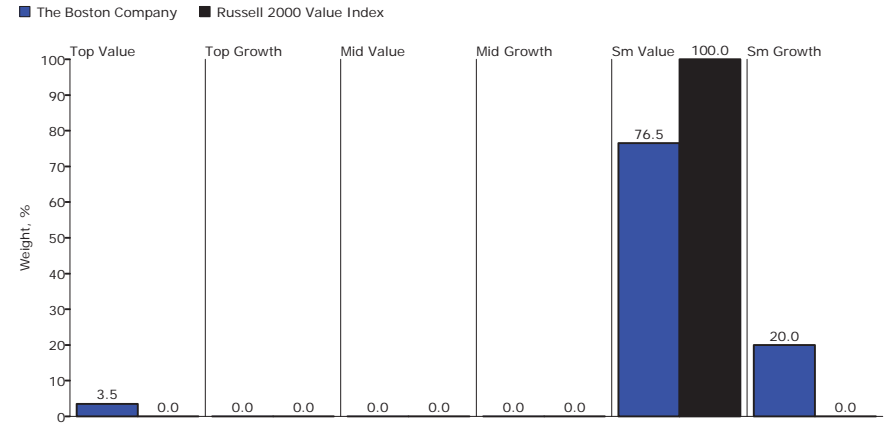
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

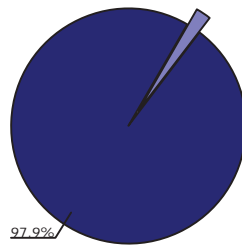
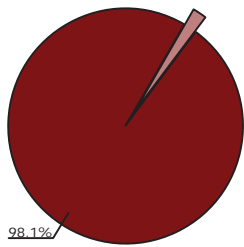


### R-Squared (Style Analysis)

Oct 09 - Sep 12

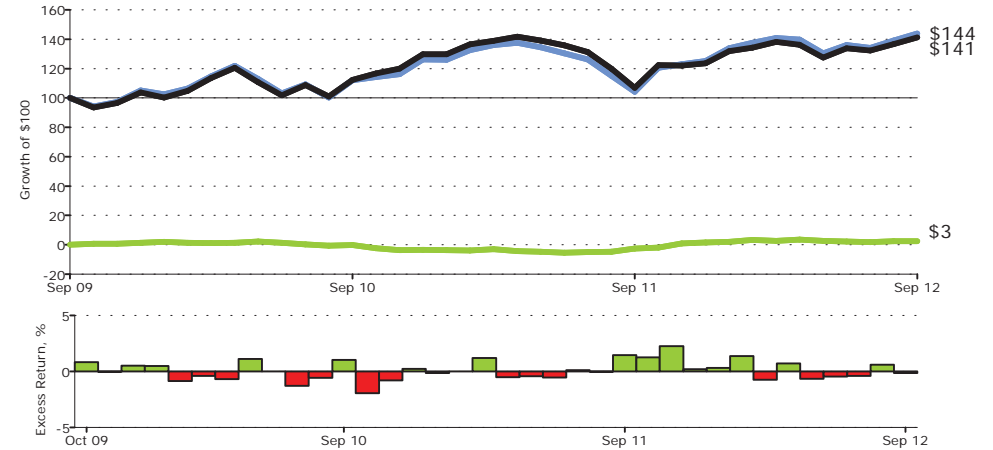
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 2000 Index ● The Boston Company

■ Total  
■ Selection

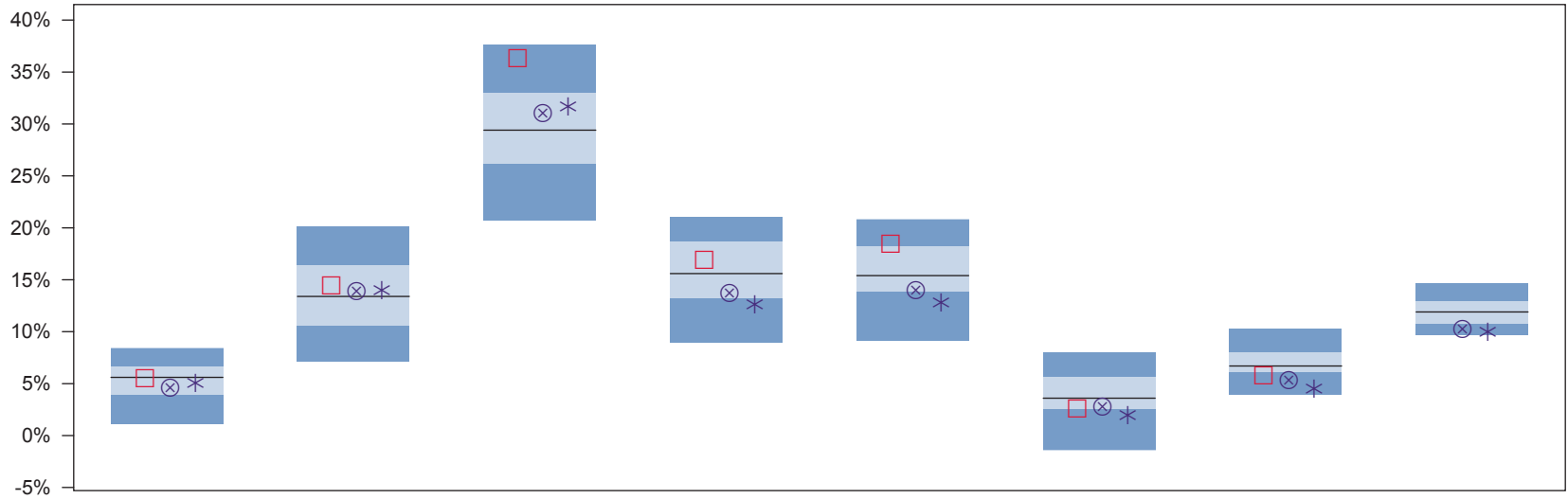
■ Style

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Equity Funds - Small Growth

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
□ Chartwell	5.7	47	14.7	41	36.5	9	17.1	39	18.7	16	2.8	71	6.0	78		
⊗ RUSSELL 2000 GROWTH	4.8	61	14.1	47	31.2	38	13.9	67	14.2	74	3.0	66	5.5	89	10.5	81
* RUSSELL 2000	5.3	56	14.2	45	31.9	31	12.8	77	13.0	83	2.2	78	4.7	93	10.2	86
Median	5.6		13.4		29.4		15.6		15.4		3.6		6.7		11.9	



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Chartwell

Portfolio Characteristics		
	Portfolio	Russell 2000 Growth
Total Number of Securities	87	
Average Market Cap (000's)	1,837,262	1,457,464
Median Market Cap (000's)	1,554,380	611,230
P/E Ratio	21.72	21.86
Dividend Yield	0.32	0.70
Beta	1.22	1.14
Price/Book Ratio	3.99	4.90
Return on Equity	15.64	12.86
Earnings Growth - 5 Years	15.39	15.41

Ten Largest Holdings		
Name	\$	Weight
FEI COMPANY	1,575,308	2.6
GENESEE + WYOMING INC CL A	1,521,065	2.5
TRIMAS CORP	1,480,957	2.4
HFF INC CLASS A	1,372,931	2.2
CATHAY GENERAL BANCORP	1,309,603	2.1
OCWEN FINANCIAL CORP	1,287,585	2.1
HEARTLAND PAYMENT SYSTEMS INC	1,267,453	2.1
CARDINAL FINANCIAL CORP	1,265,193	2.1
FLEETCOR TECHNOLOGIES INC	1,246,560	2.0
BLOOMIN' BRANDS INC	1,140,890	1.9

Ten Best Performers	
Name	Return
ARUBA NETWORKS INC	49.4
OCWEN FINANCIAL CORP	46.0
GROUP 1 AUTOMOTIVE INC	32.4
FLEETCOR TECHNOLOGIES INC	27.9
SIRONA DENTAL SYSTEMS INC	26.6
GENESEE + WYOMING INC CL A	26.5
MANHATTAN ASSOCIATES INC	25.3
TRIMAS CORP	20.0
REX ENERGY CORP	19.1
CAVIUM INC	19.0

Ten Worst Performers	
Name	Return
SUPER MICRO COMPUTER INC	-24.1
CEPHEID INC	-22.9
DYCOM INDUSTRIES INC	-22.7
NXSTAGE MEDICAL INC	-21.2
INCYTE CORP	-20.5
ACTIVE NETWORK INC/THE	-18.6
AKORN INC	-16.2
TORNIER	-15.5
CLEAN HARBORS INC	-13.4
NUVASIVE INC	-9.7

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Chartwell

Benchmark: RUSSELL 2000 GROWTH

Quarter Ending September 30, 2012

### Equity Performance Attribution

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Buy / Hold	Index	Difference	Allocation	Selection	Total
Chartwell									
CONSUMER DISCRETIONARY	15.8	15.8	-0.0	6.3	7.5	-1.2	-0.00	-0.19	-0.19
CONSUMER STAPLES	1.4	4.8	-3.4	14.5	2.5	11.9	0.09	0.16	0.24
ENERGY	3.1	5.0	-1.9	16.5	8.7	7.9	-0.07	0.23	0.16
FINANCIALS	16.2	9.2	7.0	10.1	5.0	5.1	0.02	0.83	0.85
HEALTH CARE	22.1	20.9	1.3	0.4	3.3	-2.9	-0.02	-0.66	-0.68
INDUSTRIALS	19.3	18.2	1.1	9.5	2.2	7.3	-0.03	1.40	1.37
INFORMATION TECHNOLOGY	22.0	20.2	1.9	6.3	4.5	1.7	-0.01	0.38	0.38
MATERIALS	0.0	4.3	-4.3	-	11.5	-	-0.27	-0.01	-0.28
TELECOMMUNICATION SERVICES	0.0	1.0	-1.0	-	9.0	-	-0.04	-0.01	-0.05
UTILITIES	0.0	0.6	-0.6	-	12.9	-	-0.04	-0.01	-0.05
TOTAL	100.0	100.0	0.0	6.8	4.8	1.9	-0.37	2.12	1.75

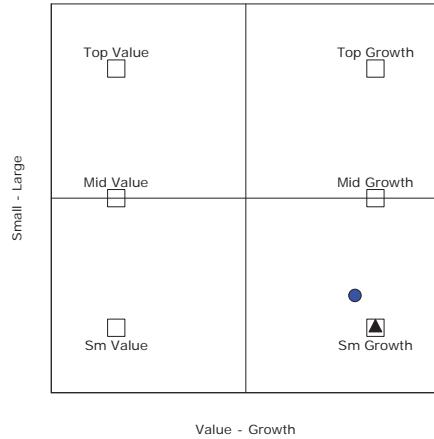
# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

3 Years Ending September 30, 2012

## Returns Based Style Analysis - Chartwell

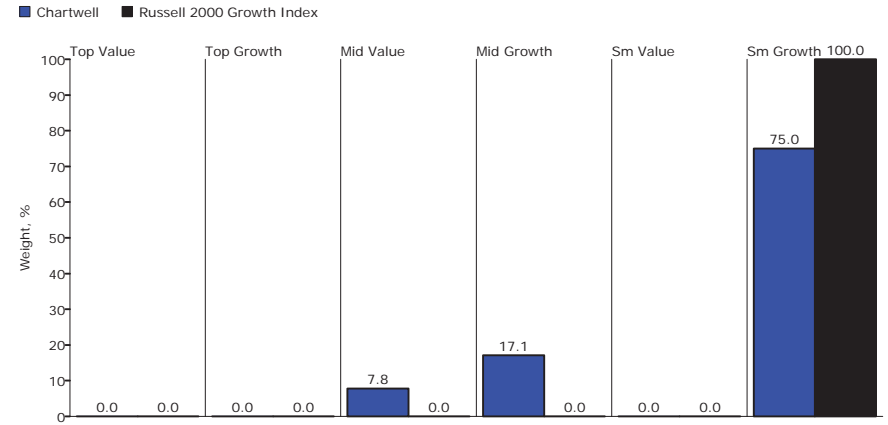
### US Equity Style Map

Oct 09 - Sep 12



### US Equity Style Exposures

Oct 09 - Sep 12

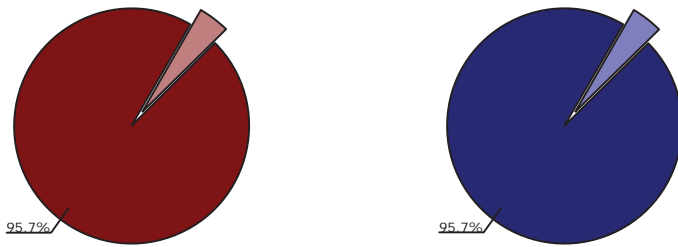


### R-Squared (Style Analysis)

Oct 09 - Sep 12

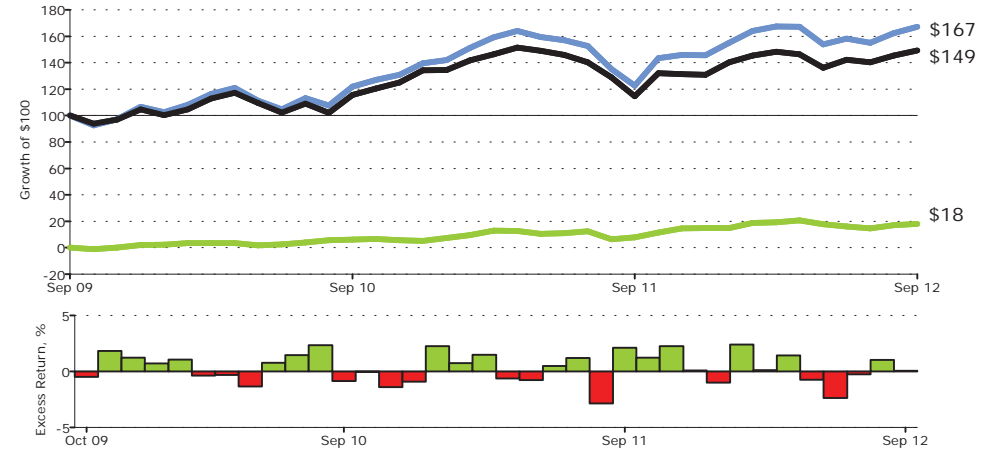
■ Style R-Squared

■ Benchmark R-Squared



### Cumulative Total, Style & Selection Return

Oct 09 - Sep 12



### Legend

▲ Russell 2000 Growth Index ● Chartwell

■ Total ■ Style  
■ Selection

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – International Equity

### Statistics Summary

#### 3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
International Equity	2.1%	18.0%	0.1	-0.6	2.5%
MSCI ACWI ex US	3.6%	19.5%	0.2	–	0.0%
Mondrian	3.6%	17.3%	0.2	0.3	4.6%
MSCI ACWI ex USA Value Gross	2.3%	19.8%	0.1	–	0.0%

### Statistics Summary

#### 5 Years

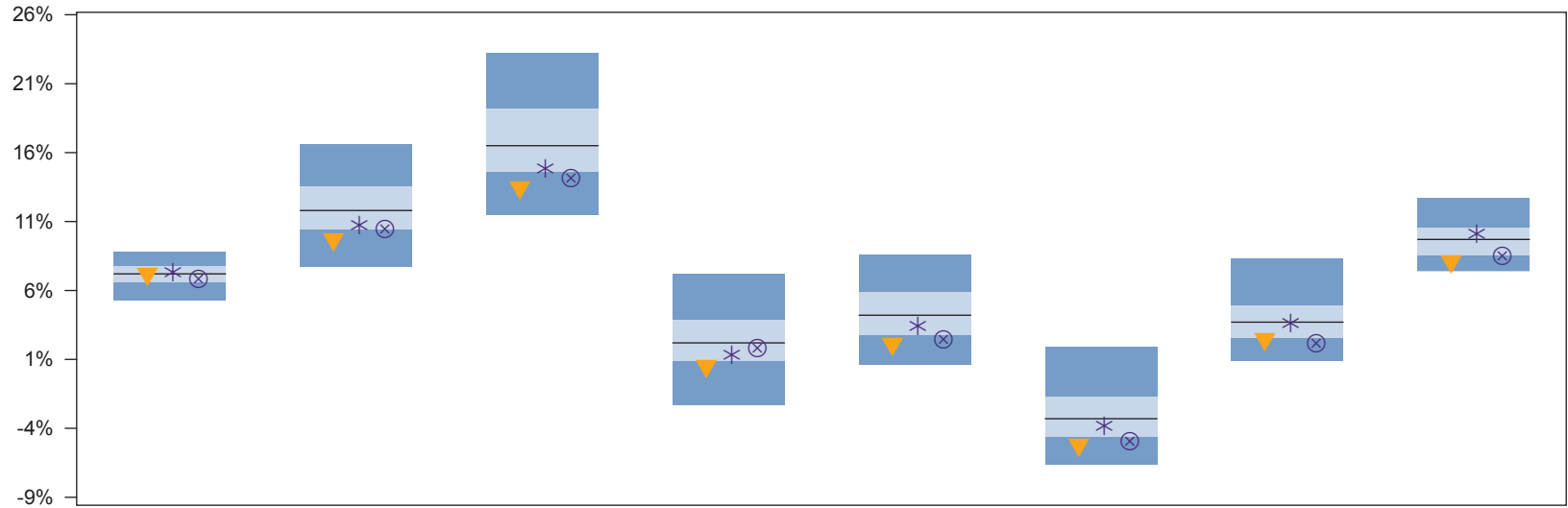
	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
International Equity	-5.2%	21.9%	-0.3	-0.4	3.8%
MSCI ACWI ex US	-3.7%	24.4%	-0.2	–	0.0%
Mondrian	-3.2%	20.8%	-0.2	0.1	6.3%
MSCI ACWI ex USA Value Gross	-4.0%	25.3%	-0.2	–	0.0%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Pools

Periods Ending September 30, 2012

## Total Returns



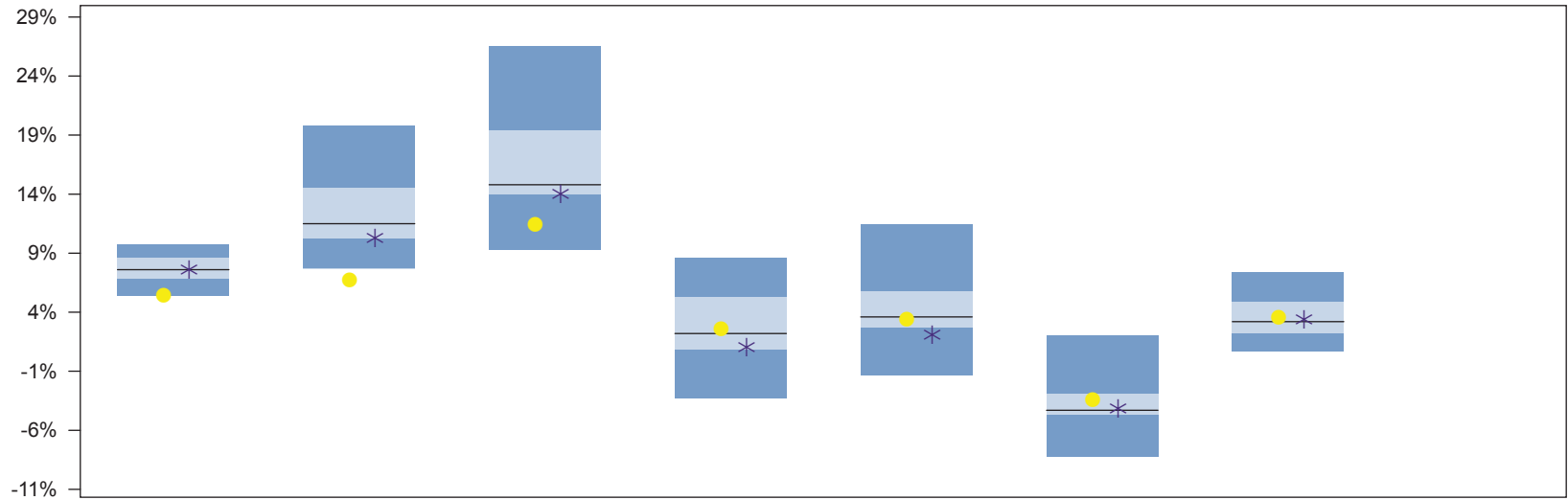
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▼ Intl Equity	7.2	52	9.7	85	13.5	87	0.5	79	2.1	85	-5.2	83	2.5	76	8.1	82
* Intl Equity Index	7.5	36	10.9	67	15.0	69	1.5	64	3.6	62	-3.7	56	3.8	50	10.3	32
⊗ MSCI EAFE (GROSS)	7.0	58	10.6	74	14.3	79	2.0	53	2.6	77	-4.8	76	2.3	79	8.7	73
Median	7.2		11.8		16.5		2.2		4.2		-3.3		3.7		9.7	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity All Country ex-US

Periods Ending September 30, 2012

## Total Returns



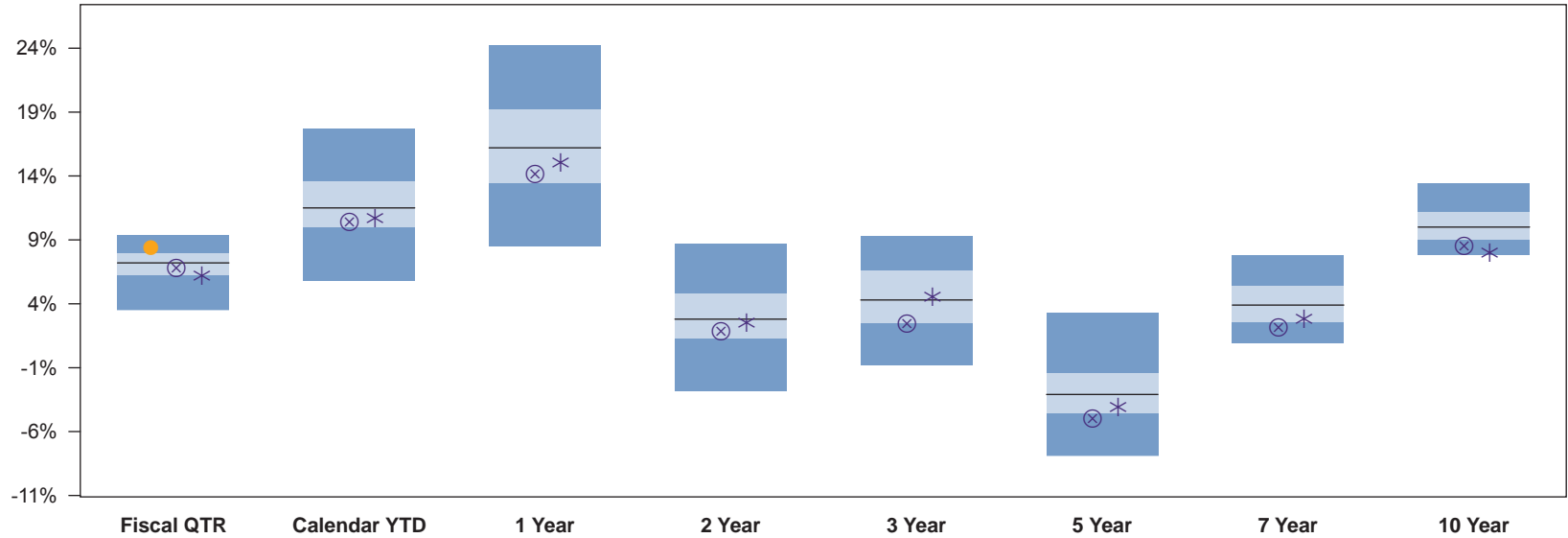
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
● Mondrian	5.7	89	7.0	96	11.7	90	2.8	40	3.6	50	-3.2	29	3.8	33		
* MSCI ACWI EX US VALUE (Median)	7.8	46	10.5	67	14.2	70	1.2	67	2.3	77	-4.0	42	3.6	34		
	7.6		11.5		14.8		2.2		3.6		-4.3		3.2			

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds

Periods Ending September 30, 2012

## Total Returns



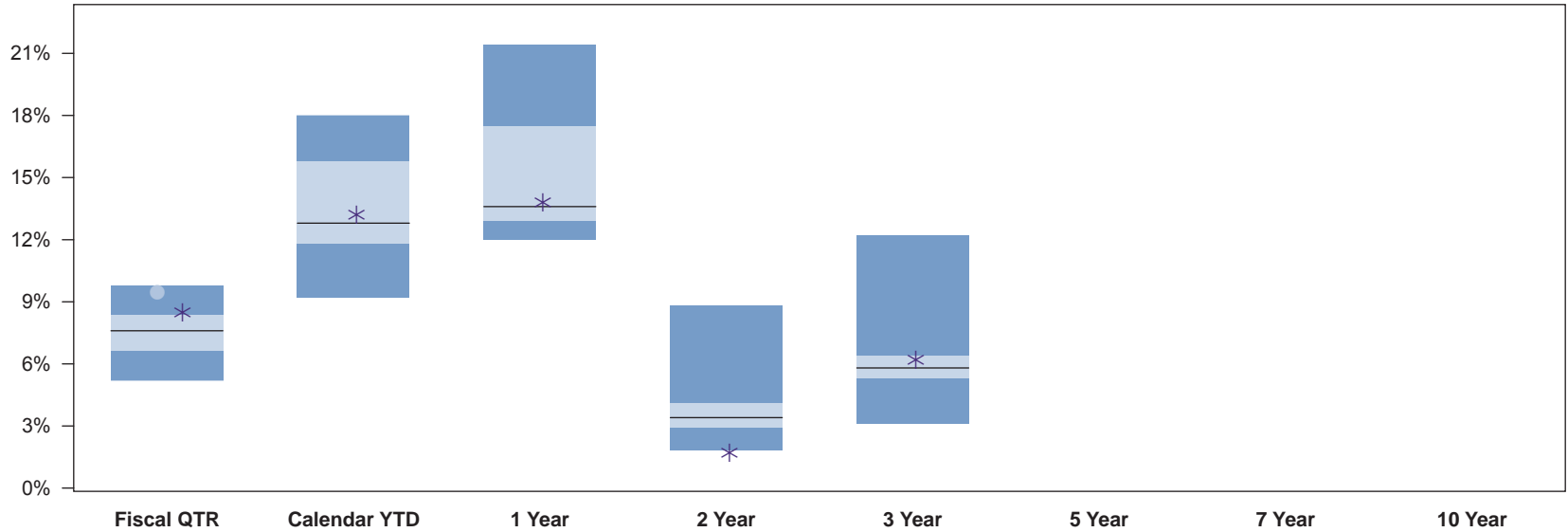
	Fiscal QTR	Calendar YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● Baillie Gifford	8.6 16							
⊗ MSCI EAFE (GROSS)	7.0 56	10.6 64	14.3 65	2.0 62	2.6 74	-4.8 77	2.3 78	8.7 83
* MSCI EAFE GROWTH GRO	6.4 72	10.9 59	15.2 59	2.7 51	4.7 47	-3.9 63	3.0 67	8.2 92
Median	7.2	11.5	16.2	2.8	4.3	-3.1	3.9	10.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Developed Mkt Funds (Active) - Small Cap

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR	Calendar YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
● Pyramis Asset Management	9.6	9						
* MSCI ACWI ex US Small C	8.6	19	13.3	35	13.9	45	1.8	95
Median	7.6	12.8	13.6	3.4	5.8			

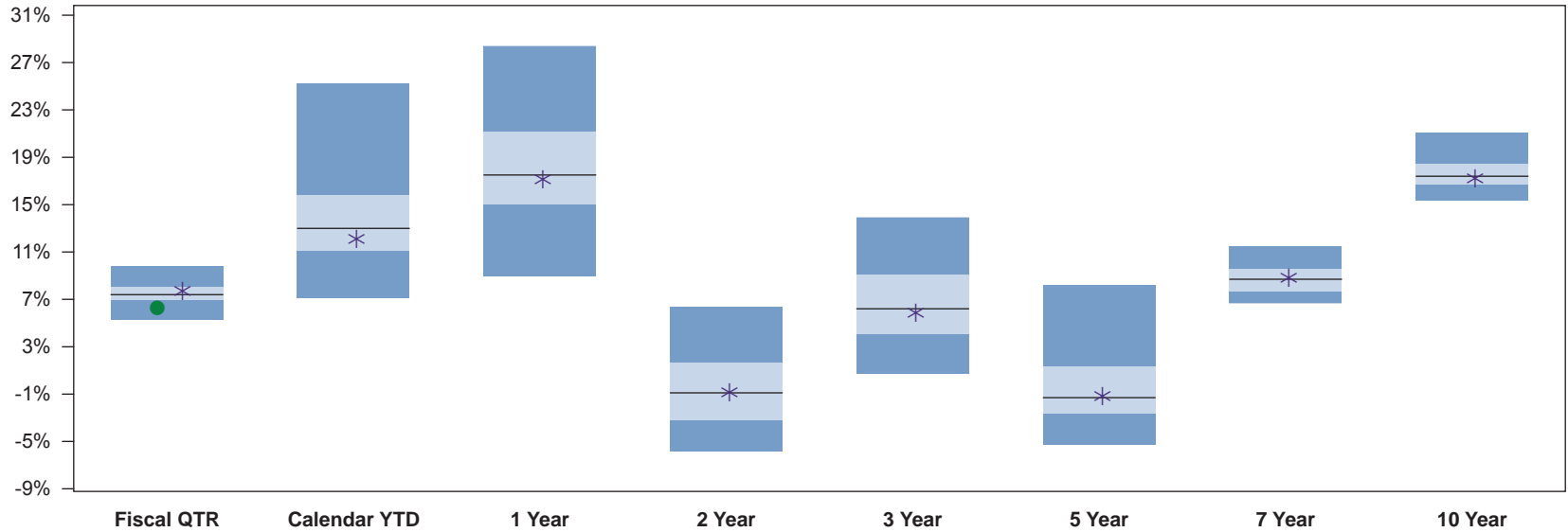


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Intl Equity Emerging Mkt Funds

Periods Ending September 30, 2012

## Total Returns



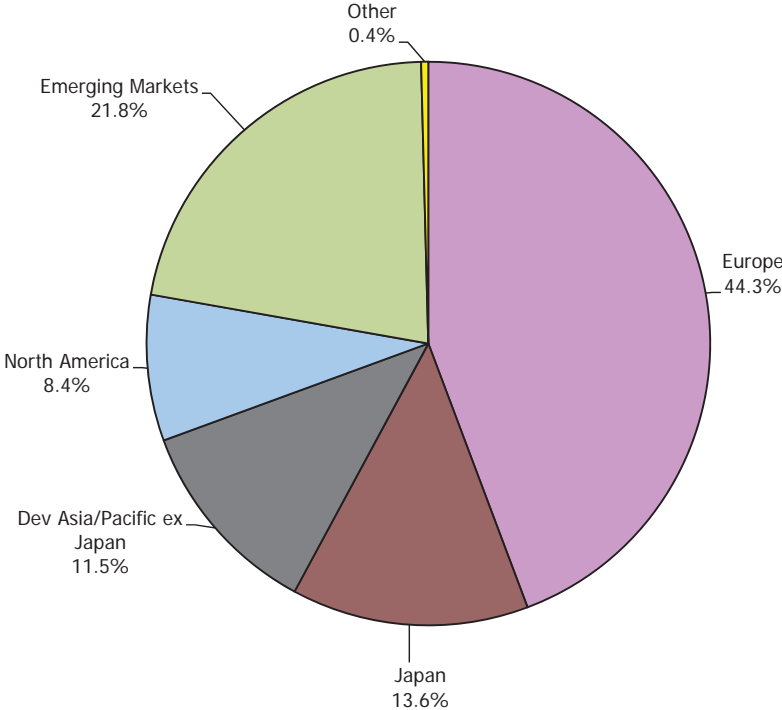
	Fiscal QTR	Calendar YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year								
● Eaton Vance Management	6.5	86														
* MSCI EMF	7.9	34	12.3	54	17.3	53	-0.7	47	6.0	52	-1.0	43	9.0	45	17.4	52
Median	7.4	13.0	17.5	-0.9	6.2	-1.3	8.7	17.4								

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

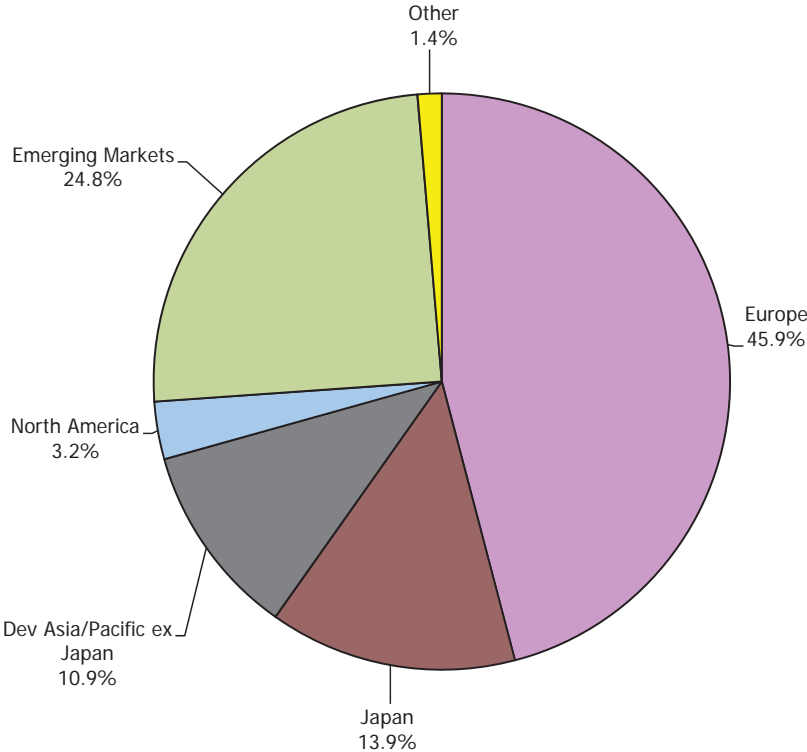
As of September 30, 2012

## International Equity Portfolio Regional Weights

MSCI ACWI ex USA INDEX



INTERNATIONAL EQUITY COMPOSITE



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Mondrian

Portfolio Characteristics		
	Portfolio	MSCI ACWI ex-US
No. of Securities	122 +	1,837
Wgtd. Avg. Market Cap (000's)	33,480 ++	11,121
Price to Book Ratio	1.5	1.4
Return on Equity	12.1%	10.2%

+ Includes 74 stocks held in the DPT Emerging Markets Fund.

++Including holdings within the DPT Emerging Markets Fund, the average for the developed market stocks only is 46,159

Ten Largest Holdings		Ten Best Performers		Ten Worst Performers	
Name	Weight	Name	Return	Name	Return
RWE	2.6	SOCIETE GENERALE	21.7	CANON	-19.2
NOVARTIS	2.5	ASTELLAS	19.3	VINCI	-8.7
TOTAL	2.5	REED ELSEVIER	18.5	TOKYO ELECTRON	-7.0
TESCO	2.4	AMP	17.4	SAINT GOBAIN	-4.8
SANOFI	2.3	CARREFOUR	16.1	TREND MICRO	-4.4
UNILEVER	2.3	ABB	15.0	FRANCE TELECOM	-2.6
CANON	2.2	AMCOR	13.8	TOYOTA	-1.6
SEVEN & I	2.2	SANOFI	12.6	BG	-0.4
IBERDROLA	2.1	DEUTSCHE TELEKOM	12.2	IBERDROLA	0.3
TAKEDA PHARMACEUTICAL	2.1	TOTAL	11.9	VODAFONE	0.9

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE

September 30, 2012

## GLOBAL EQUITY SECTOR ALLOCATION

	BEGINNING WTS			ENDING WTS		
	Fund	Index	Difference	Fund	Index	Difference
Mondrian						
COMMINGLED FUND	0.0	0.0	0.0	0.0	0.0	0.0
CONSUMER DISCRETIONARY	7.2	6.3	1.0	8.1	6.0	2.1
CONSUMER STAPLES	14.8	2.7	12.1	15.2	2.7	12.5
ENERGY	13.2	13.7	-0.5	13.5	13.9	-0.4
FINANCIALS	14.7	35.8	-21.2	14.0	36.9	-22.9
HEALTH CARE	13.7	6.2	7.5	13.2	6.3	6.9
INDUSTRIALS	7.8	8.9	-1.1	7.2	8.6	-1.4
INFORMATION TECHNOLOGY	7.0	3.3	3.6	7.0	3.1	3.9
MATERIALS	2.0	9.0	-7.0	1.9	9.0	-7.1
PRIVATE PLACEMENT	0.0	0.0	0.0	0.0	0.0	0.0
TELECOMMUNICATION SERVICES	12.5	8.4	4.2	12.3	7.9	4.4
UTILITIES	7.1	5.8	1.3	7.6	5.6	2.1
TOTAL	100.0	100.0	0.0	100.0	100.0	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE

Quarter Ending September 30, 2012

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
Mondrian									
EUROPE	50.0	43.8	6.2	4.8	9.6	-4.4	0.11	-2.32	-2.22
AUSTRIA	0.0	0.3	-0.3		7.3		0.00	0.00	0.00
BELGIUM	0.0	0.5	-0.5		10.1		-0.01	-0.00	-0.01
DENMARK	0.0	0.2	-0.2		9.5		-0.00	0.00	-0.00
EURO	0.1	0.0	0.1				-0.01	0.00	-0.01
FINLAND	0.0	0.5	-0.5		13.7		-0.03	0.00	-0.03
FRANCE	12.6	6.8	5.8	3.7	9.9	-5.6	0.11	-0.77	-0.66
GERMANY	4.9	5.7	-0.8	9.1	13.1	-3.6	-0.04	-0.20	-0.24
GREECE	0.0	0.0	-0.0		-18.1		0.01	-0.01	-0.00
IRELAND	0.0	0.2	-0.2		1.9		0.01	0.00	0.01
ITALY	2.8	2.3	0.5	4.9	7.2	-2.2	-0.00	-0.07	-0.07
LUXEMBOURG	0.0	0.3	-0.3		0.6		0.02	0.00	0.02
NETHERLANDS	4.0	1.6	2.4	8.9	10.8	-1.7	0.07	-0.08	-0.01
NORWAY	0.0	0.4	-0.4		14.8		-0.03	0.00	-0.03
PORTUGAL	0.0	0.1	-0.1		13.8		-0.01	0.00	-0.01
SPAIN	4.0	3.0	1.0	0.0	10.6	-9.6	0.03	-0.42	-0.40
SWEDEN	0.0	1.7	-1.7		11.6		-0.06	0.00	-0.06
SWITZERLAND	5.2	5.1	0.1	10.4	8.4	1.9	0.00	0.11	0.11
UNITED KINGDOM	16.4	15.0	1.4	2.6	8.4	-5.4	0.01	-0.95	-0.95
PACIFIC	26.3	26.1	0.2	2.3	3.6	-1.2	-0.01	-0.33	-0.34
AUSTRALIA	3.5	6.1	-2.5	8.3	11.8	-3.1	-0.10	-0.12	-0.22
HONG KONG	3.1	3.9	-0.8	7.1	9.0	-1.7	-0.01	-0.06	-0.07
JAPAN	17.0	14.7	2.3	0.1	-1.9	2.1	-0.21	0.35	0.14
NEW ZEALAND	0.0	0.1	-0.1		18.7		-0.01	0.00	-0.01
SINGAPORE	2.6	1.3	1.3	3.1	10.0	-6.3	0.03	-0.19	-0.16

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE

Quarter Ending September 30, 2012

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
NORTH AMERICA	2.6	8.0	-5.5	4.4	10.8	-5.8	-0.15	-0.17	-0.32
CANADA	1.3	8.0	-6.6	4.4	10.8	-5.8	-0.19	-0.08	-0.27
UNITED STATES	1.3	0.1	1.2		9.8		0.02	-0.13	-0.11
EMERGING MARKETS	19.3	21.7	-2.3	6.3	7.9	-1.5	-0.00	-0.31	-0.31
BRAZIL	3.7	3.1	0.6	1.7	6.8	-4.8	-0.01	-0.19	-0.20
BULGARIA	0.1	0.0	0.1	-14.0			-0.01	-0.02	-0.03
CHILE	0.8	0.5	0.3	-9.8	-1.6	-8.4	-0.03	-0.07	-0.10
CHINA	1.7	2.4	-0.7	3.8	4.5	-0.7	0.02	-0.01	0.01
COLOMBIA	0.1	0.3	-0.2	-2.8	5.3	-7.7	0.00	-0.01	-0.00
CZECH REPUBLIC	0.0	0.1	-0.1		13.8		-0.00	0.00	-0.00
EGYPT	0.0	0.1	-0.1		27.1		-0.01	0.00	-0.01
HUNGARY	0.0	0.1	-0.1		7.7		0.00	0.00	0.00
INDIA	2.2	1.5	0.7	15.6	14.0	1.4	0.04	0.03	0.07
INDONESIA	1.4	0.7	0.8	13.9	11.6	2.1	0.03	0.03	0.06
KAZAKHSTAN	0.2	0.0	0.2	6.0			-0.01	0.01	-0.00
KOREA, REPUBLIC OF	1.9	3.5	-1.7	9.7	9.5	0.2	-0.03	-0.00	-0.03
MALAYSIA	0.2	0.8	-0.7	9.6	3.9	5.5	0.03	0.00	0.03
MEXICO	1.2	1.2	-0.0	4.9	7.6	-2.5	0.00	-0.03	-0.03
MOROCCO	0.0	0.0	-0.0		-5.0		0.00	-0.01	-0.00
PERU	0.6	0.1	0.5	-0.5	1.5	-2.0	-0.03	-0.02	-0.05
PHILIPPINES	0.4	0.2	0.2	6.2	5.0	1.1	-0.01	0.01	-0.00
POLAND	0.0	0.3	-0.3		21.4		-0.04	0.00	-0.04
RUSSIA	1.0	1.5	-0.5	6.9	7.9	-1.0	-0.00	-0.01	-0.01
SOUTH AFRICA	0.9	1.9	-1.0	7.9	3.2	4.5	0.04	0.04	0.08
TAIWAN	1.0	2.6	-1.6	1.9	9.9	-7.3	-0.03	-0.08	-0.11

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Mondrian

Index: MSCI ACWI EX US VALUE

Quarter Ending September 30, 2012

### GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
THAILAND	0.9	0.5	0.4	11.7	12.1	-0.4	0.02	-0.01	0.01
TURKEY	1.1	0.4	0.7	7.2	8.3	-1.0	0.00	-0.02	-0.01
OTHER	1.8	0.4	1.4	5.6	9.5	-3.6	0.02	-0.08	-0.05
ISRAEL	1.8	0.4	1.4	5.6	9.5	-3.6	0.02	-0.08	-0.05
TOTAL	100.0	100.0	0.0	4.4	7.8	-3.1	-0.03	-3.18	-3.21

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Pyramis Global Advisors

### Portfolio Characteristics

	Portfolio	MSCI ACWI ex-US Small Cap
No. of Securities	215	4,282
Wgt'd. Avg. Market Cap (000's)	2,063	1,518
Price to Book Ratio	1.5	1.2
Return on Equity	13.5%	11.4%

### Ten Largest Holdings

Name	Weight
CHIYODA CORP	1.6
NIHON PARKERIZING CO LTD	1.3
INFORMA PLC	1.3
HIKMA PHARMACEUTICALS PLC	1.3
AKER SOLUTIONS ASA	1.2
NIPPON SHOKUBAI CO LTD	1.2
TRAVIS PERKINS PLC	1.1
BEC WORLD PCL (FOR)	1.1
PROGRESSIVE WASTE SOLUT	1.0
KINTETSU WORLD EXPRESS II	1.0

### Ten Best Performers

Name	Return
SUPERGROUP PLC	85.1
BANKERS PETROLEUM LTD	71.7
LUK FOOK HOLDINGS INTL LTD	58.2
HERITAGE OIL PLC	56.9
THROMBOGENICS NV	49.7
AMS AG	49.2
TAHOE RESOURCES INC	47.4
PROFARMA DISTRIB DE PRD FRM SA	44.7
UNITED DRUG PLC (IR)	44.6
JYOTHY LABORATORIES LTD	44.0

### Ten Worst Performers

Name	Return
NIPPON DENKO CO	-32.2
TEXWINCA HLDGS LTD	-28.7
PETROMINERALES LTD	-27.1
AQUARIUS PLATINUM LTD (ASTL)	-25.8
TOKAI CARBON CO LTD	-23.0
CEBU AIR INC	-20.1
MEGASTUDY CO LTD	-17.7
WIENERBERGER AG	-17.6
YAMAZEN CO LTD	-16.1
CYBER AGENT INC	-14.8

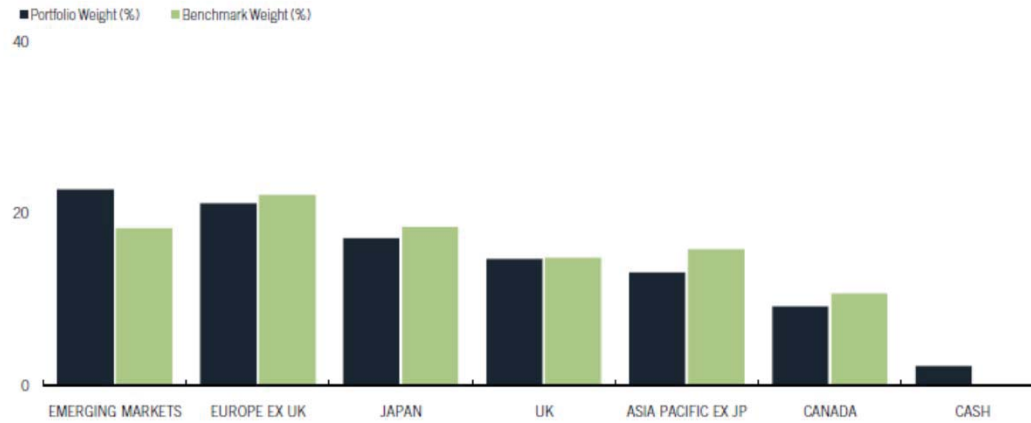


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

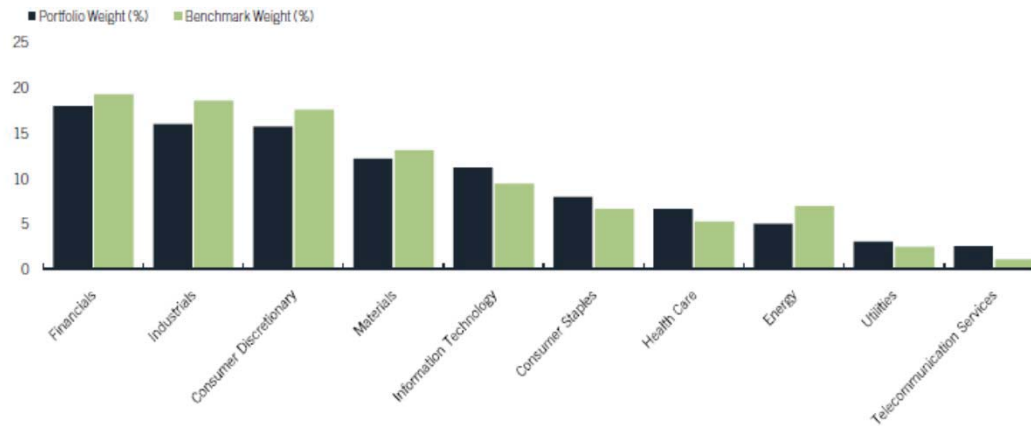
Quarter Ending September 30, 2012

## Regional and Sector Weights – Pyramis Global Advisors

### Regional Weights



### Sector Weights



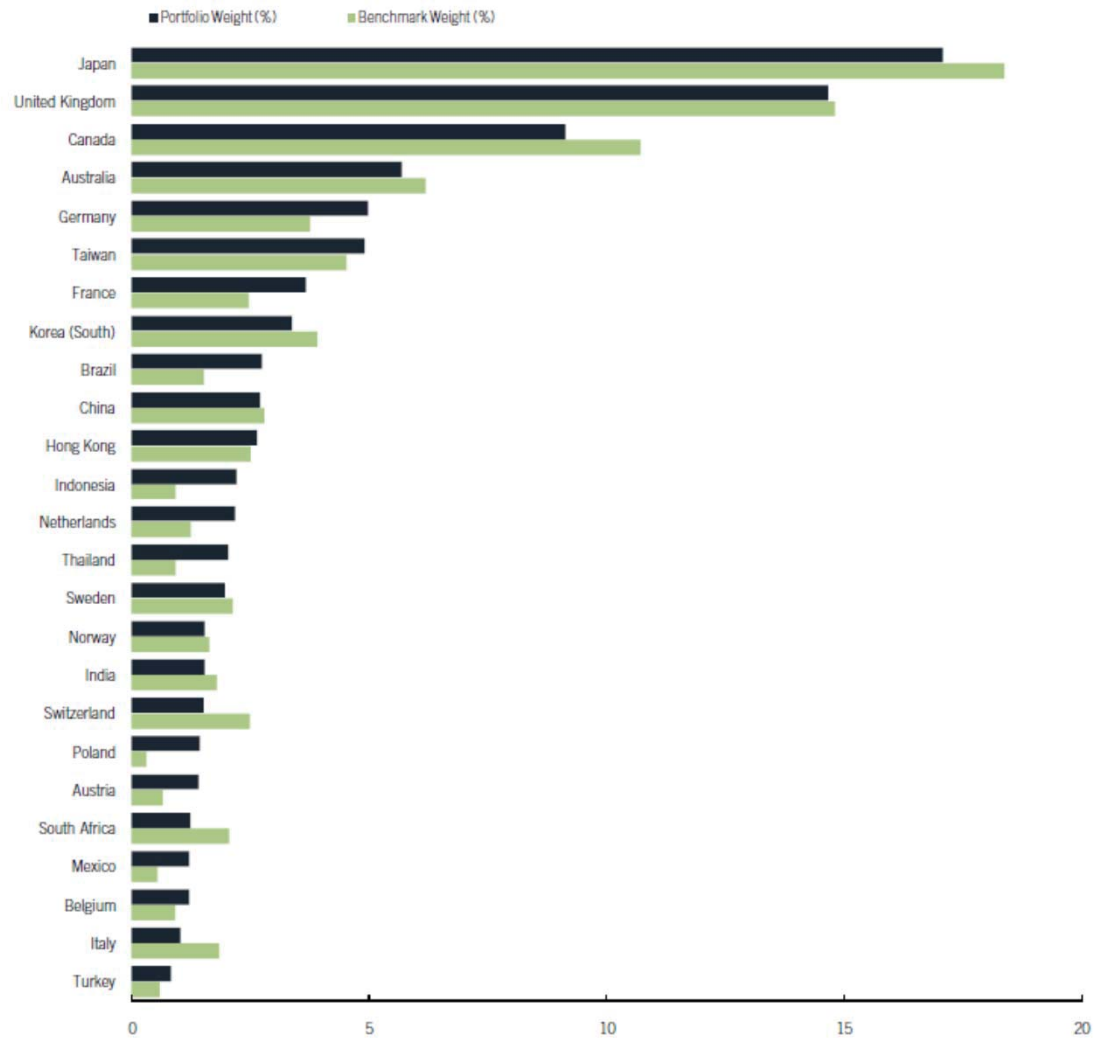
Sector breakdowns are only applied to equities and convertibles and the allocation percentages may not add to 100%.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Country Weights – Pyramis Global Advisors

Top 25 Country Weights



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Quarter Ending September 30, 2012

## Equity Only Summary Statistics – Eaton Vance Management

### Portfolio Characteristics

	Portfolio	MSCI EM Markets Index
No. of Securities	1,348	817
Wgtd. Avg. Market Cap (000's)	20,572	35,262
Price to Book Ratio	1.7	2.8
Return on Equity	17.43.%	19.5%

### Ten Largest Holdings\*

Name	Weight
AMERICA MOVIL ADR	1.7
SAMSUNG ELECTRONICS CO LTD	1.5
MTN GROUP LTD	1.4
CHINA MOBILE LTD	1.2
GAZPROM OAO SPON ADR	1.2
SBERBANK SPONSORED ADR	1.1
TAIWAN SEMICONDUCTOR MANUF	0.8
PETROLEO BRASILEIRO S.A.	0.8
LUKOIL OAO SPON ADR	0.7
GRUPO FINANCIERO BANORTE O	0.7

### Ten Best Performers

Name	Return
AIRPORTS OF THAILAND PCL	118.1
BANGKOK DUSIT MED SERVICE	88.5
ARAB COTTON GINNING	87.9
UNITED SPIRITS LTD	77.7
EZZ STEEL	75.7
GAFISA SA	69.6
NATIONAL SOCIETE GENERAL	63.6
USINAS SIDER MINAS GER PF A	60.1
PALM HILLS DEVELOPMENTS	57.3
VIMPELCOM LTD SPON ADR	46.7

### Ten Worst Performers

Name	Return
CIA ENERGETICA DE SP PEF B	-40.8
PHILEX MINING CORP	-39.8
ENERGI MEGA PERSADA	-37.1
PTT EXPLORATION + PROD	-34.7
BUMI RESOURCES TBK	-34.2
NEW ORIENTAL EDUCATIO SP ADI	-30.4
TIM PARTICIPACOES SA	-29.8
CATCHER TECHNOLOGY CO LTD	-28.1
YANTAI CHANGYU PIONEER B	-27.7
CIA PARANAENSE DE ENERGI PFB	-25.1

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending September 30, 2012

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
Eaton Vance Management									
EUROPE	1.8	0.0	1.8	-2.9	11.1	-12.6	0.05	-0.26	-0.21
CYPRUS	0.0	0.0	0.0				-0.00	0.00	-0.00
EURO	0.2	0.0	0.2	-9.3			-0.01	-0.03	-0.04
IRELAND	0.0	0.0	0.0	-6.9			-0.00	-0.01	-0.01
LUXEMBOURG	0.1	0.0	0.0	6.6	11.1	-4.0	0.00	-0.01	-0.01
NETHERLANDS	0.3	0.0	0.3	0.2			-0.02	0.00	-0.02
UNITED KINGDOM	1.2	0.0	1.2	-2.9			-0.09	-0.04	-0.14
PACIFIC	3.5	8.6	-5.0	6.0	5.5	0.5	0.11	0.01	0.13
HONG KONG	3.5	8.6	-5.1	6.1	5.5	0.6	0.11	0.01	0.13
SINGAPORE	0.0	0.0	0.0	-2.0			-0.00	-0.01	-0.01
NORTH AMERICA	2.2	0.2	2.0	16.7	8.5	7.6	0.01	0.18	0.19
UNITED STATES	2.2	0.2	2.0	16.7	8.5	7.6	0.01	0.18	0.19
EMERGING MARKETS	89.4	91.2	-1.9	6.0	8.1	-2.0	-0.00	-1.77	-1.77
ARGENTINA	0.7	0.0	0.7	7.8			-0.05	0.05	0.00
BRAZIL	6.2	13.1	-6.9	6.8	4.8	1.9	0.20	0.11	0.31
BULGARIA	0.0	0.0	0.0	2.1			-0.00	0.00	-0.00
CHILE	3.2	2.0	1.2	-3.1	1.2	-4.3	-0.08	-0.15	-0.22
CHINA	5.2	9.3	-4.0	2.4	4.0	-1.6	0.15	-0.08	0.06
COLOMBIA	1.6	1.2	0.3	2.4	2.3	0.1	-0.02	0.00	-0.01
CROATIA	0.6	0.0	0.6	2.4			-0.05	0.02	-0.03
CZECH REPUBLIC	1.4	0.3	1.1	7.0	10.5	-3.2	0.03	-0.06	-0.03
EGYPT	1.7	0.3	1.3	26.9	22.9	3.2	0.18	0.07	0.25
ESTONIA	0.0	0.0	0.0	9.3			-0.00	0.00	0.00

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending September 30, 2012

## GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
HUNGARY	1.7	0.3	1.5	7.3	9.6	-2.1	0.02	-0.05	-0.03
INDIA	6.4	6.5	-0.1	7.7	15.5	-6.7	-0.01	-0.49	-0.50
INDONESIA	3.3	2.7	0.6	8.8	7.5	1.2	-0.00	0.04	0.04
JORDAN	0.8	0.0	0.8	1.3			-0.06	0.01	-0.05
KAZAKHSTAN	0.3	0.0	0.3	6.0			-0.02	0.02	-0.00
KOREA, REPUBLIC OF	6.5	15.2	-8.7	6.9	9.9	-2.7	-0.16	-0.19	-0.35
KUWAIT	1.5	0.0	1.5	3.0			-0.11	0.04	-0.06
MALAYSIA	3.3	3.6	-0.3	2.3	5.4	-3.0	0.01	-0.10	-0.10
MAURITIUS	0.3	0.0	0.3	-4.9			-0.02	-0.02	-0.05
MEXICO	7.0	5.0	2.0	3.8	6.7	-2.8	-0.02	-0.22	-0.24
MOROCCO	1.6	0.1	1.5	-6.4	-3.3	-3.2	-0.15	-0.06	-0.21
OMAN	0.8	0.0	0.8	-2.0			-0.06	-0.03	-0.09
PAKISTAN	0.8	0.0	0.8	12.0			-0.06	0.09	0.04
PERU	1.0	0.5	0.4	3.4	0.8	2.6	-0.03	0.03	-0.00
PHILIPPINES	1.8	0.9	0.9	1.1	4.4	-3.2	-0.03	-0.07	-0.10
POLAND	3.4	1.4	2.0	6.2	13.8	-6.7	0.11	-0.27	-0.16
QATAR	1.6	0.0	1.6	4.3			-0.12	0.07	-0.05
ROMANIA	0.5	0.0	0.5	-0.8			-0.03	-0.01	-0.05
RUSSIA	5.3	6.0	-0.6	7.8	9.4	-1.4	-0.01	-0.08	-0.09
SLOVENIA	0.1	0.0	0.1				-0.01	0.00	-0.01
SOUTH AFRICA	6.3	8.0	-1.7	7.9	6.6	1.2	0.02	0.08	0.10
TAIWAN	6.4	11.0	-4.6	10.0	11.8	-1.6	-0.16	-0.11	-0.28
THAILAND	3.1	2.2	0.9	10.5	11.2	-0.7	0.03	-0.03	-0.00
TUNISIA	0.2	0.0	0.2	0.6			-0.02	0.00	-0.02
TURKEY	3.5	1.7	1.8	6.3	8.2	-1.7	0.00	-0.07	-0.07
UNITED ARAB EMIRATES	1.3	0.0	1.3	10.4			-0.10	0.14	0.04
VIET NAM	0.1	0.0	0.1				-0.01	0.00	-0.01

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Eaton Vance Management

Index: MSCI EMF

Quarter Ending September 30, 2012

### GLOBAL ATTRIBUTION - BASE RETURNS

	BEGINNING WTS			BASE RETURNS			VALUE ADDED		
	Fund	Index	Difference	Fund	Index	Relative	Allocation	Selection	Total
OTHER	1.0	0.0	1.0	24.4			-0.08	0.25	0.17
GHANA	0.1	0.0	0.1	14.6			-0.00	0.01	0.00
LEBANON	0.2	0.0	0.2				-0.01	0.00	-0.01
NIGERIA	0.8	0.0	0.8	25.1			-0.06	0.20	0.14
Unclassified	2.1	0.0	2.1	9.2			-0.15	0.19	0.04
BANGLADESH	0.3	0.0	0.3	0.9			-0.02	0.00	-0.02
BOTSWANA	0.2	0.0	0.2	1.3			-0.01	0.00	-0.01
KENYA	0.9	0.0	0.9	12.3			-0.06	0.11	0.04
Unclassified	0.8	0.0	0.8	14.3			-0.06	0.11	0.05
TOTAL	100.0	100.0	0.0	6.2	7.9	-1.6	-0.06	-1.40	-1.46

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – Total Fixed Income

### Statistics Summary

3 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fixed Income	9.64%	3.56%	2.68	1.02	2.69%
Blended Fixed Index	6.90%	3.03%	2.25	--	0.00%
US Fixed Income	9.88%	2.78%	3.53	1.28	2.13%
Blended US Fixed Index	7.16%	2.96%	2.40	--	0.00%
Aberdeen Asset	9.24%	2.74%	3.34	1.99	1.54%
Barclays Aggregate	6.19%	2.70%	2.26	--	0.00%
Pyramis Bond	8.16%	2.65%	3.05	2.30	0.86%
Barclays Aggregate	6.19%	2.70%	2.26	--	0.00%
Western Asset	9.84%	3.74%	2.61	1.03	3.53%
Barclays Aggregate	6.19%	2.70%	2.26	--	0.00%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Period Ending September 30, 2012

## Risk Statistics – Total Fixed Income

### Statistics Summary

5 Years

	Anlzd Return	Anlzd Standard Deviation	Sharpe Ratio	Information Ratio	Tracking Error
Total Fixed Income	7.12%	5.41%	1.22	0.04	4.17%
Blended Fixed Index	6.96%	3.72%	1.74	–	0.00%
US Fixed Income	7.27%	5.13%	1.32	0.04	3.97%
Blended US Fixed Index	7.12%	3.68%	1.80	–	0.00%
Aberdeen Asset	5.45%	5.88%	0.84	-0.21	5.16%
Barclays Aggregate	6.53%	3.57%	1.69	–	0.00%
Pyramis Bond	7.45%	4.13%	1.68	0.34	2.70%
Barclays Aggregate	6.53%	3.57%	1.69	–	0.00%
Western Asset	7.46%	6.09%	1.14	0.20	4.64%
Barclays Aggregate	6.53%	3.57%	1.69	–	0.00%

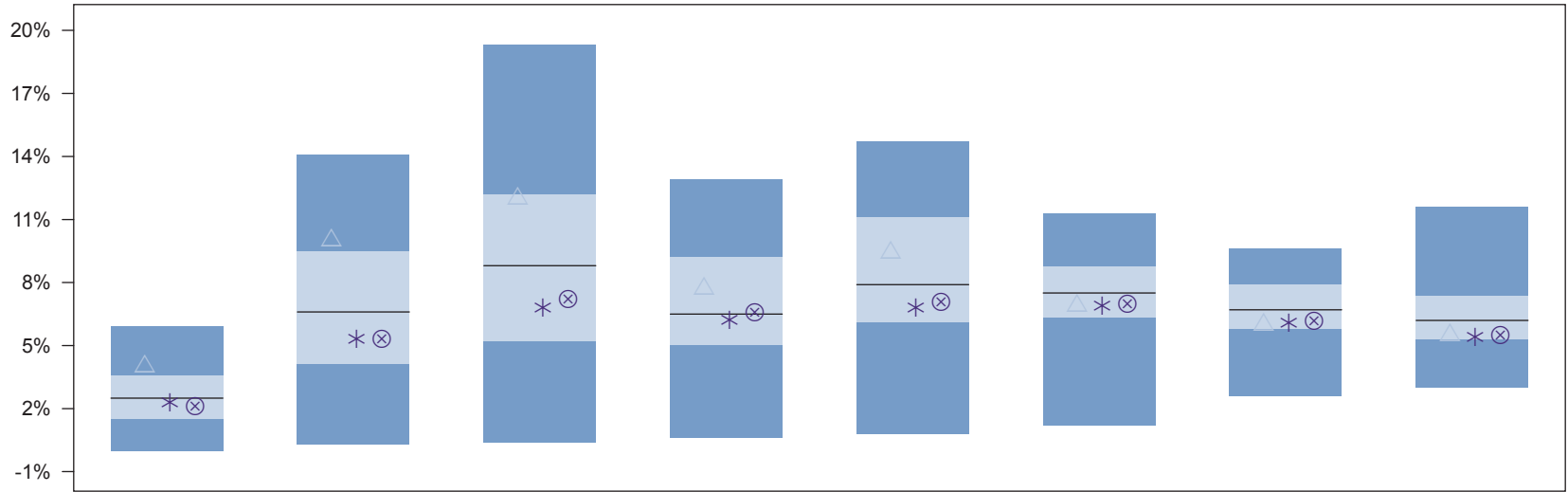


# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds

Periods Ending September 30, 2012

## Total Returns



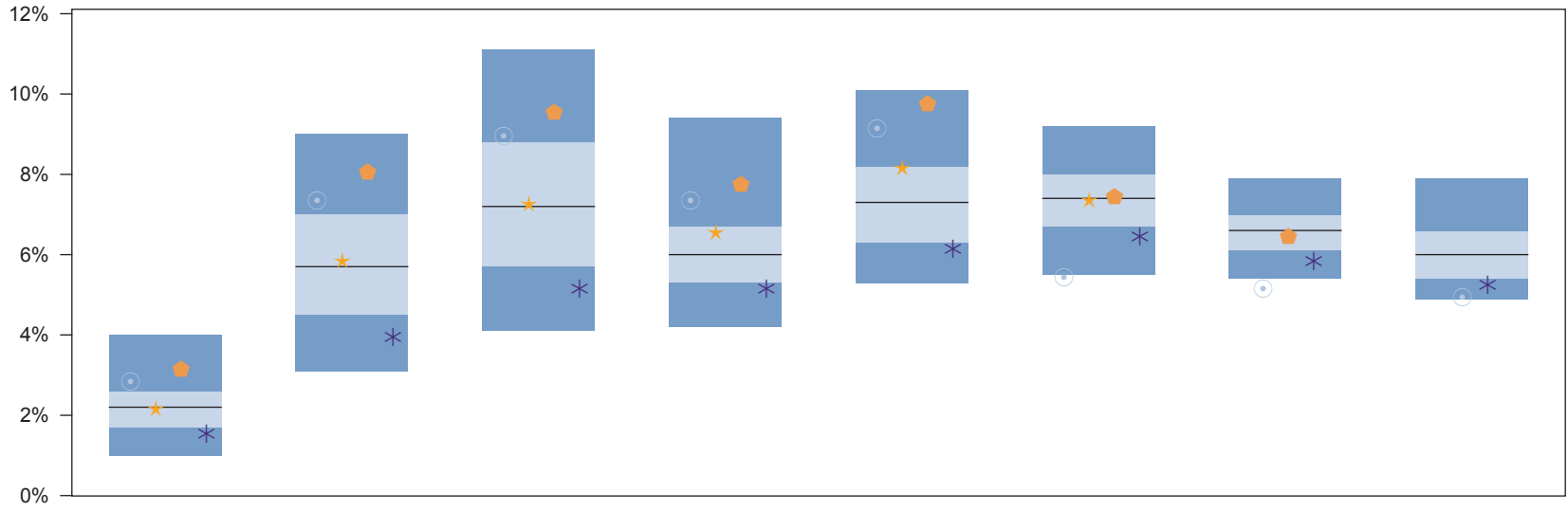
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
△ Total Fixed Inc	4.3	18	10.3	21	12.3	25	8.0	34	9.7	32	7.2	57	6.3	62	5.8	64
* Total Fixed Index	2.4	51	5.4	63	6.9	63	6.3	54	6.9	66	7.0	61	6.2	64	5.5	67
⊗ US Fixed Index	2.2	56	5.4	62	7.3	61	6.7	44	7.2	62	7.1	58	6.3	62	5.6	66
Median	2.5		6.6		8.8		6.5		7.9		7.5		6.7		6.2	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

US Fixed Income Funds - Core

Periods Ending September 30, 2012

## Total Returns



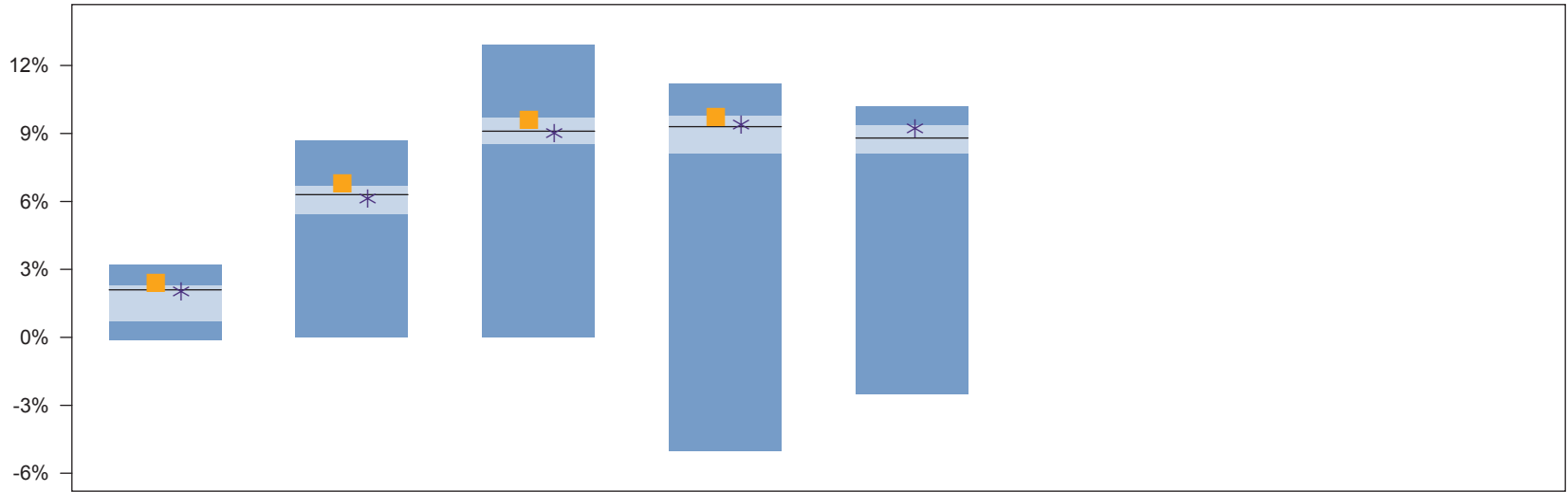
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
○ Aberdeen	2.9	19	7.4	18	9.0	21	7.4	15	9.2	13	5.5	96	5.2	97	5.0	93
★ Pyramis	2.2	51	5.9	47	7.3	49	6.6	27	8.2	27	7.4	46				
◆ Western Asset	3.2	12	8.1	11	9.6	14	7.8	13	9.8	6	7.5	45	6.5	54		
* Barclays Aggregate Bond	1.6	82	4.0	86	5.2	85	5.2	80	6.2	82	6.5	84	5.9	84	5.3	85
Median	2.2		5.7		7.2		6.0		7.3		7.4		6.6		6.0	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Inflation Linked Bond Funds

Periods Ending September 30, 2012

## Total Returns



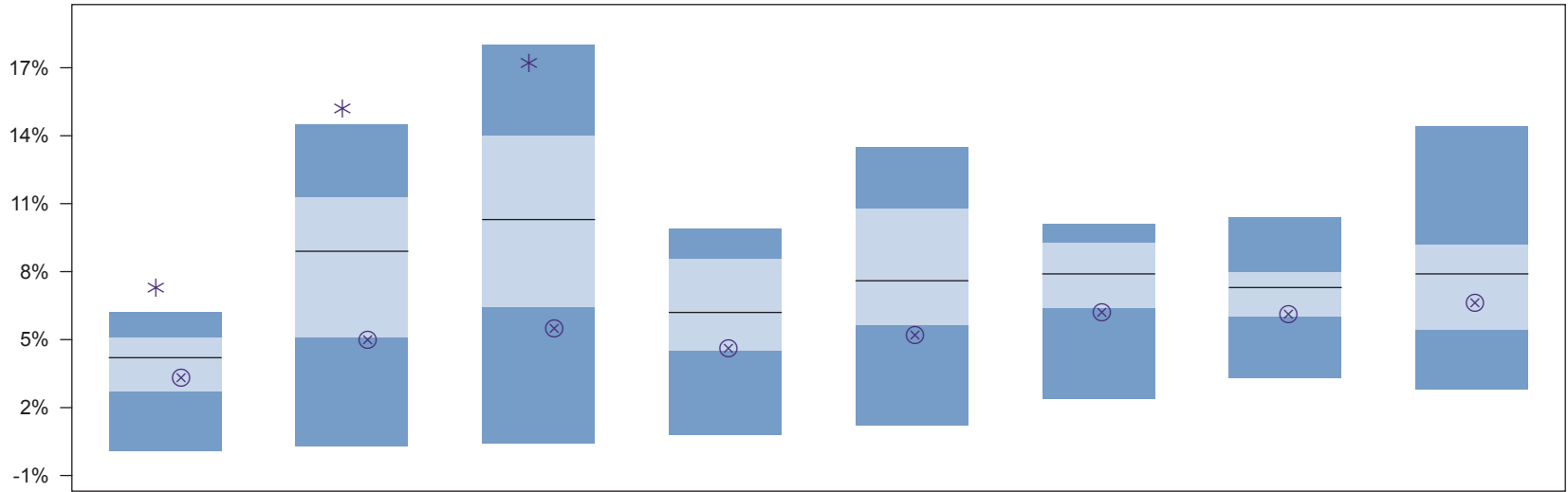
	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
■ Brown Brothers Harriman	2.5	19	6.9	22	9.7	24	9.8	30								
* Barclays Global Inflation Lin	2.1	53	6.2	51	9.1	48	9.5	35	9.3	38						
Median	2.1		6.3		9.1		9.3		8.8							

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Global Fixed Income Funds

Periods Ending September 30, 2012

## Total Returns

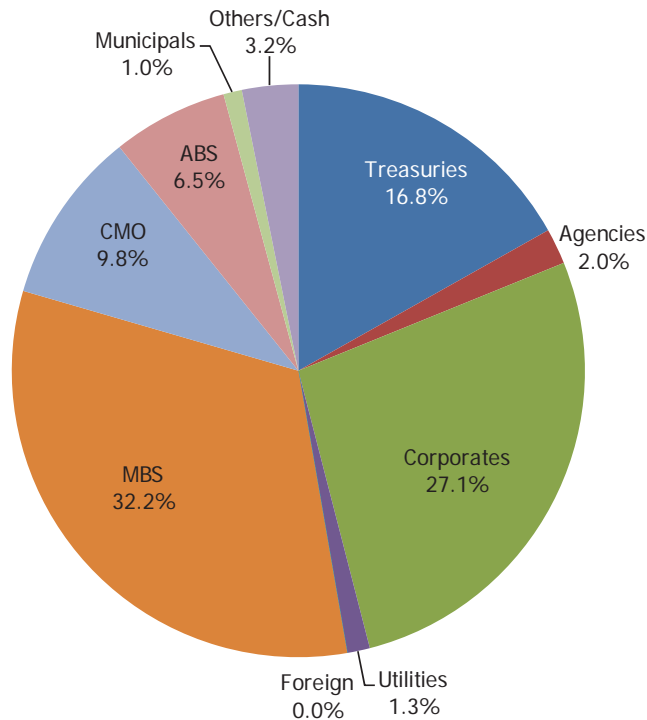


	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
* Franklin Templeton Investm	7.4	3	15.3	4	17.3	8										
⊗ Barclays Multiverse	3.4	63	5.1	76	5.6	76	4.7	74	5.3	80	6.3	77	6.2	69	6.7	62
Median	4.2		8.9		10.3		6.2		7.6		7.9		7.3		7.9	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Fixed Income Sector Allocation – US Fixed Income Composite



Sector*	Account Weight	BC Aggregate Weight	Difference
Treasuries	16.8%	36.1%	-19.2%
Agencies	2.0%	5.1%	-3.1%
Corporates	27.1%	18.7%	8.4%
Utilities	1.3%	2.4%	-1.1%
Foreign	0.0%	4.5%	-4.5%
MBS	32.2%	31.9%	0.3%
CMO	9.8%	0.0%	9.8%
ABS	6.5%	0.3%	6.2%
Municipals	1.0%	1.0%	0.0%
Others/Cash	3.2%	0.0%	3.2%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

\* Sector excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Bond Summary Statistics – US Fixed Income Composite

Portfolio Characteristics*			BC Aggregate
		Portfolio	
Total Number of Securities			
Total Market Value	\$	320,620,528	
Current Coupon		3.89	3.71
Yield to Maturity		2.30	1.21
Average Life		7.05	6.20
Duration		4.67	4.25
Quality		AA-	Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	4.6
1.0 - 3.0	17.5
3.0 - 5.0	24.2
5.0 - 10.0	30.6
10.0 - 20.0	7.1
20.0+	15.7
Unclassified	0.3

Duration	
Range	% Held
0.0 - 1.0	17.2
1.0 - 3.0	27.3
3.0 - 5.0	24.3
5.0 - 7.0	11.6
7.0 - 10.0	9.3
10.0+	10.3
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	17.4
Aaa (10)	43.9
Aa (9)	7.6
A (8)	7.4
Baa (7)	14.8
Below Baa (6-1)	4.4
Other	4.5

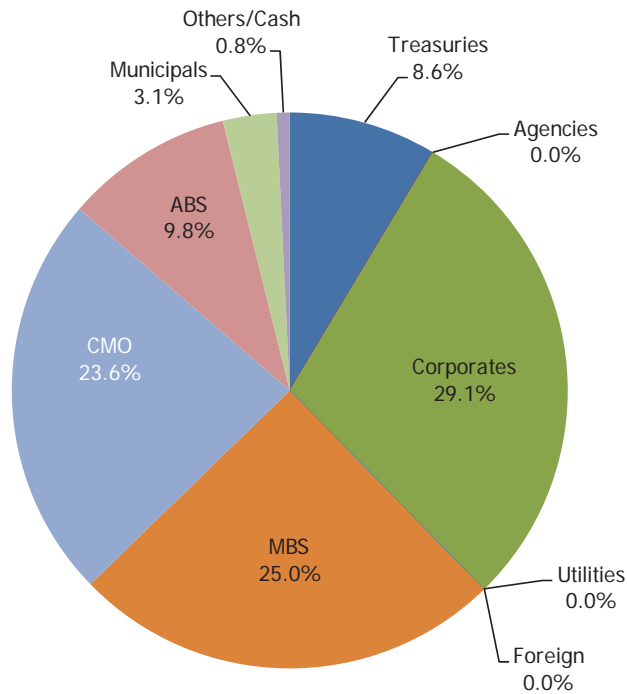
Coupon	
Range	% Held
0.0 - 5.0	71.1
5.0 - 7.0	22.7
7.0 - 9.0	5.0
9.0 - 11.0	1.1
11.0 - 13.0	0.1
13.0+	0.0
Unclassified	0.0

\* Characteristics excludes Angelo Gordon GECC PPI Fund, Brigade Capital Management, Brown Brothers Harriman

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Fixed Income Sector Allocation – Aberdeen Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	8.6%	36.1%	-27.5%
Agencies	0.0%	5.1%	-5.1%
Corporates	29.1%	18.7%	10.4%
Utilities	0.0%	2.4%	-2.4%
Foreign	0.0%	4.5%	-4.5%
MBS	25.0%	31.9%	-6.9%
CMO	23.6%	0.0%	23.6%
ABS	9.8%	0.3%	9.5%
Municipals	3.1%	1.0%	2.1%
Others/Cash	0.8%	0.0%	0.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Bond Summary Statistics – Aberdeen Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		323
Total Market Value	\$	115,132,656
Current Coupon		4.02
Yield to Maturity		2.23
Average Life		6.81
Duration		4.58
Quality		AA-

BC Aggregate
3.71
1.21
6.20
4.25
Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	1.9
1.0 - 3.0	26.2
3.0 - 5.0	33.2
5.0 - 10.0	25.9
10.0 - 20.0	12.0
20.0+	0.0
Unclassified	0.8

Duration	
Range	% Held
0.0 - 1.0	18.8
1.0 - 3.0	24.4
3.0 - 5.0	28.0
5.0 - 7.0	10.7
7.0 - 10.0	8.8
10.0+	8.6
Unclassified	0.8

Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	53.3
Aa (9)	12.8
A (8)	12.5
Baa (7)	15.6
Below Baa (6-1)	5.8
Other	0.0

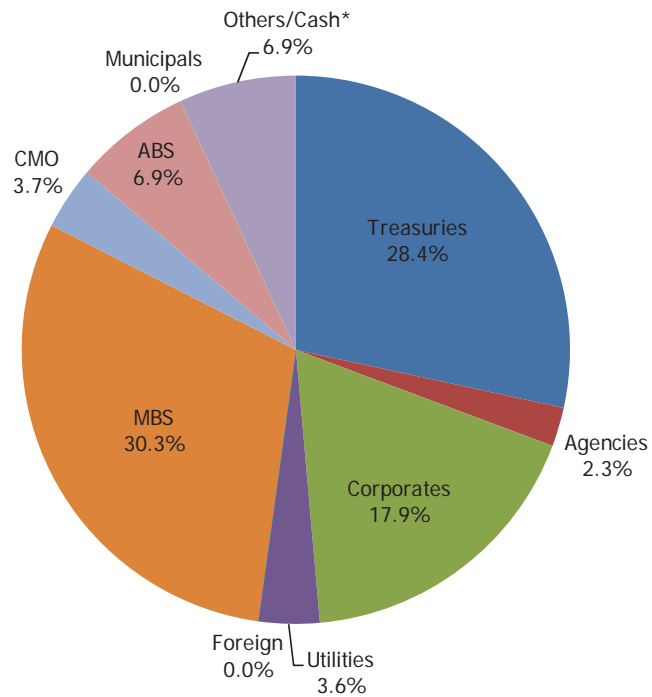
Coupon	
Range	% Held
0.0 - 5.0	84.5
5.0 - 7.0	11.6
7.0 - 9.0	2.5
9.0 - 11.0	1.5
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Fixed Income Sector Allocation – Pyramis Broad Market Duration Pool



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	28.4%	36.1%	-7.7%
Agencies	2.3%	5.1%	-2.8%
Corporates	17.9%	18.7%	-0.8%
Utilities	3.6%	2.4%	1.2%
Foreign	0.0%	4.5%	-4.5%
MBS	30.3%	31.9%	-1.6%
CMO	3.7%	0.0%	3.7%
ABS	6.9%	0.3%	6.6%
Municipals	0.0%	1.0%	-1.0%
Others/Cash*	6.9%	0.0%	6.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

\* May include Derivatives, Futures, Swaps, Credit Default Swaps, Total Return Swaps or Currency Contracts.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Bond Summary Statistics – Pyramis Broad Market Duration Pool

Portfolio Characteristics		Portfolio
Total Number of Securities		
Total Market Value	\$	93,325,966
Current Coupon		3.64
Yield to Maturity		2.02
Average Life		6.46
Duration		4.88
Quality		AA

BC Aggregate
3.71
1.21
6.20
4.25
Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	11.0
1.0 - 3.0	6.0
3.0 - 5.0	16.5
5.0 - 10.0	22.8
10.0 - 20.0	6.0
20.0+	37.7
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	16.3
1.0 - 3.0	35.7
3.0 - 5.0	19.7
5.0 - 7.0	11.8
7.0 - 10.0	7.0
10.0+	10.3
Unclassified	-0.8

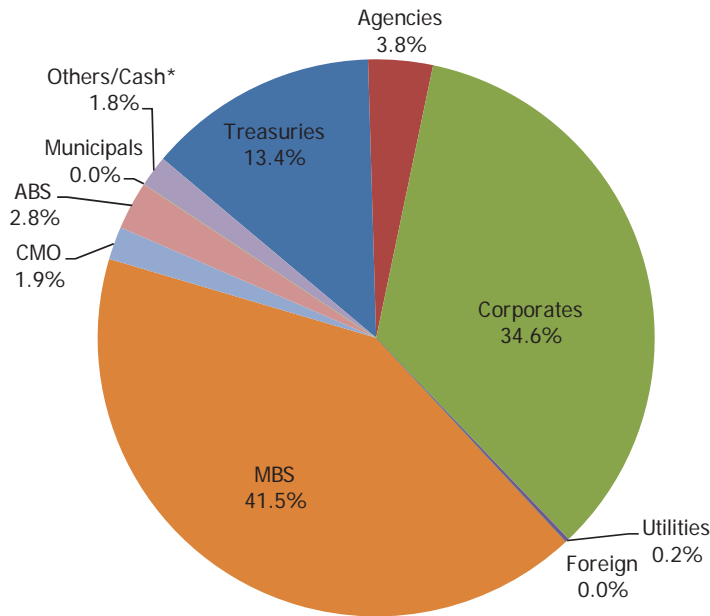
Quality	
Range	% Held
Govt (10)	0.0
Aaa (10)	73.6
Aa (9)	1.8
A (8)	7.9
Baa (7)	15.8
Below Baa (6-1)	0.0
Other	1.1

Coupon	
Range	% Held
0.0 - 5.0	68.9
5.0 - 7.0	27.3
7.0 - 9.0	3.3
9.0 - 11.0	0.3
11.0 - 13.0	0.2
13.0+	0.0
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Fixed Income Sector Allocation – Western Asset



Sector	Account Weight	BC Aggregate Weight	Difference
Treasuries	13.4%	36.1%	-22.6%
Agencies	3.8%	5.1%	-1.3%
Corporates	34.6%	18.7%	15.9%
Utilities	0.2%	2.4%	-2.2%
Foreign	0.0%	4.5%	-4.5%
MBS	41.5%	31.9%	9.6%
CMO	1.9%	0.0%	1.9%
ABS	2.8%	0.3%	2.5%
Municipals	0.0%	1.0%	-1.0%
Others/Cash*	1.8%	0.0%	1.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.1%</b>

\* Commingled funds (2.5% Western Asset Floating Rate High Income Fund LLC, 2.0% Western Asset Opportunistic Intl Invest Grade Sec Portfolio LLC, 3.2% Western Asset Opportunistic US High Yield LLC, -0.2% Short Term Securities)

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Bond Summary Statistics – Western Asset

Portfolio Characteristics		Portfolio
Total Number of Securities		445
Total Market Value	\$	92,977,451
Current Coupon		4.01
Yield to Maturity		2.66
Average Life		7.89
Duration		4.54
Quality		AA-

BC Aggregate
3.71
1.21
6.20
4.25
Aa1

Yield to Maturity	
Range	% Held
0.0 - 5.0	n/a
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 1.0	0.8
1.0 - 3.0	20.5
3.0 - 5.0	22.9
5.0 - 10.0	43.3
10.0 - 20.0	3.2
20.0+	9.3
Unclassified	0.0

Duration	
Range	% Held
0.0 - 1.0	16.6
1.0 - 3.0	21.7
3.0 - 5.0	25.1
5.0 - 7.0	12.3
7.0 - 10.0	12.4
10.0+	12.0
Unclassified	0.0

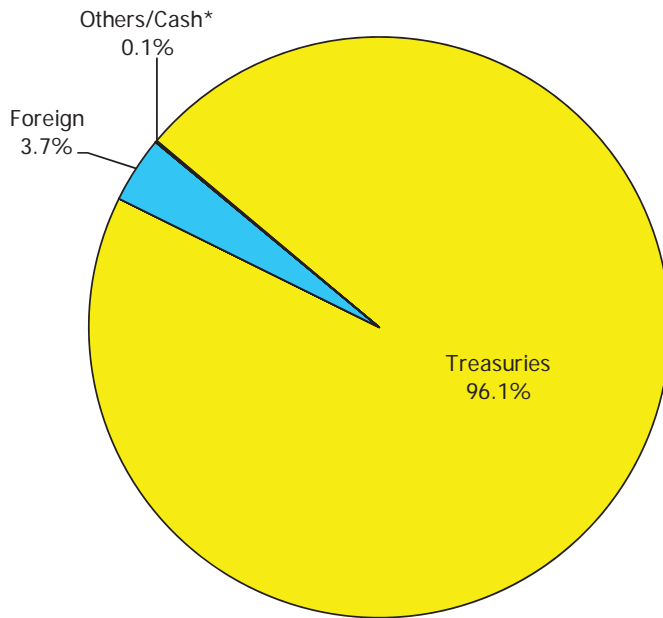
Quality	
Range	% Held
Govt (10)	53.0
Aaa (10)	4.1
Aa (9)	8.3
A (8)	1.8
Baa (7)	12.9
Below Baa (6-1)	7.4
Other	12.5

Coupon	
Range	% Held
0.0 - 5.0	59.9
5.0 - 7.0	29.3
7.0 - 9.0	9.2
9.0 - 10.0	1.4
10.0+	0.2
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Fixed Income Sector Allocation – Brown Brothers Harriman



Sector	Account Weight	ML TIPS INDEX	Difference
Treasuries	96.1%	100.0%	-3.9%
Agencies	0.0%	0.0%	0.0%
Corporates	0.0%	0.0%	0.0%
Utilities	0.0%	0.0%	0.0%
Foreign	3.7%	0.0%	3.7%
MBS	0.0%	0.0%	0.0%
CMO	0.0%	0.0%	0.0%
ABS	0.0%	0.0%	0.0%
Municipals	0.0%	0.0%	0.0%
Others/Cash*	0.1%	0.0%	0.1%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-0.1%</b>

\* May include Derivatives, Futures, Swaps, Credit Default Swaps, Total Return Swaps or Currency Contracts.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Bond Summary Statistics – Brown Brothers Harriman

Portfolio Characteristics		Portfolio
Total Number of Securities		11
Total Market Value	\$	83,080,109
Current Coupon		2.09
Yield to Maturity		-0.86
Average Life		
Duration		8.69
Quality		AAA

ML TIPS
33
1.71
-0.87
8.74
AAA

Yield to Maturity	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	n/a
7.0 - 9.0	n/a
9.0 - 11.0	n/a
11.0 - 13.0	n/a
13.0+	n/a
Unclassified	n/a

Average Life	
Range	% Held
0.0 - 3.0	7.8
3.0 - 5.0	23.6
5.0 - 10.0	29.4
10.0 - 15.0	30.4
15.0+	8.7
Unclassified	0.0

Duration	
Range	% Held
0.0 - 3.0	7.8
3.0 - 5.0	23.6
5.0 - 10.0	29.4
10.0 - 15.0	30.4
15.0+	8.7
Unclassified	0.0

Quality	
Range	% Held
Govt (10)	96.1
Aaa (10)	3.7
Aa (9)	0.0
A (8)	0.0
Baa (7)	0.0
Below Baa (6-1)	0.0
Other	0.1

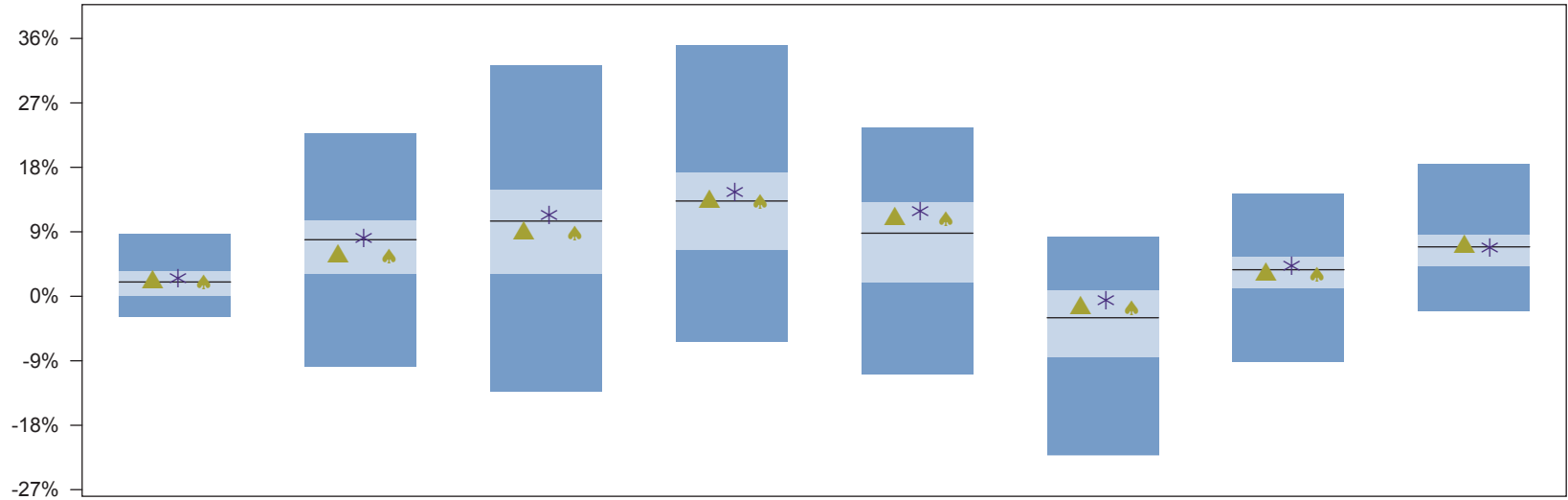
Coupon	
Range	% Held
0.0 - 5.0	100.0
5.0 - 7.0	0.0
7.0 - 9.0	0.0
9.0 - 11.0	0.0
11.0 - 13.0	0.0
13.0+	0.0
Unclassified	0.0

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Real Estate Funds

Periods Ending September 30, 2012

## Total Returns

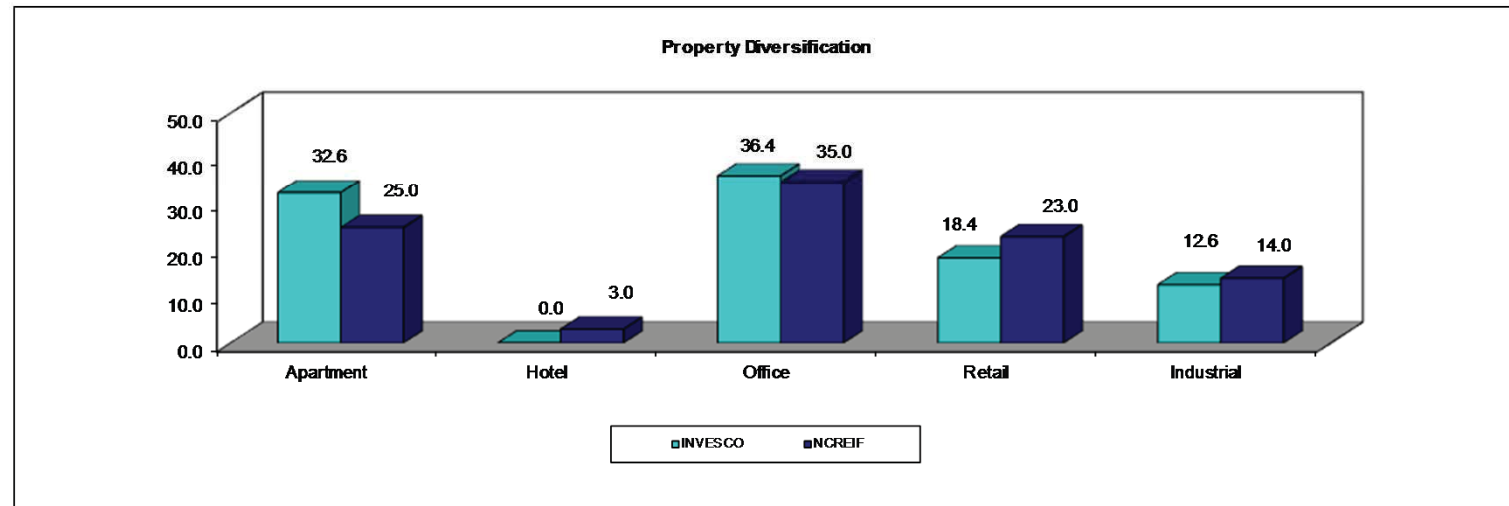
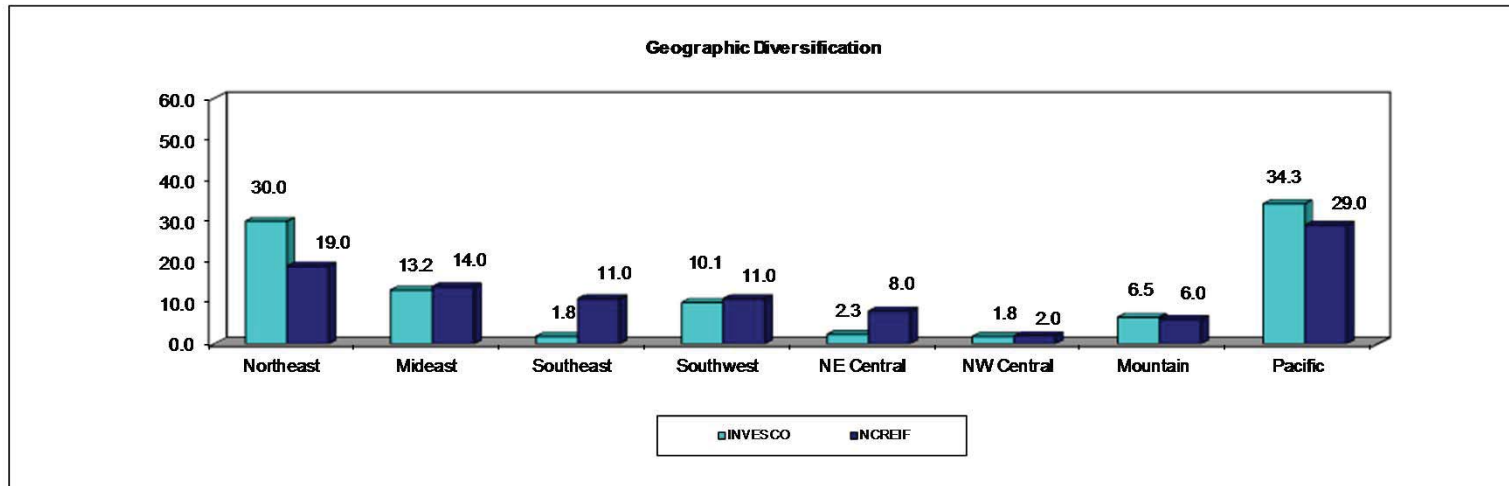


	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
▲ Real Estate	2.8	36	6.4	60	9.7	54	14.1	46	11.7	33	-0.8	39	3.9	48	7.8	32
* Real Estate Index	2.8	36	8.4	45	11.6	43	14.9	41	12.2	31	-0.2	35	4.6	43	7.1	48
▲ Invesco RE	2.8	36	6.4	60	9.7	54	14.1	46	11.7	33	-0.8	39	3.9	48		
Median	2.0		7.9		10.5		13.3		8.8		-3.0		3.7		6.9	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Real Estate Diversification Analysis – INVESCO Core Real Estate





# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2012

## Real Estate Valuation Analysis

### Real Estate Valuation Analysis – INVESCO Core Real Estate

Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 9/30/2012 (3.75%)
<b>APARTMENTS</b>							
Seneca Village	Portland-Vancv OR-WA	\$39,700,000	\$39,700,000	\$39,700,000	2Q04	September-12	\$1,488,425
Grandeville at the Commons	South Kingstown, RI	\$45,000,000	\$46,800,000	\$46,800,000	3Q05	September-12	\$1,754,617
Broadstone at Foothills	San Bernardino, CA	\$26,300,000	\$25,600,000	\$25,600,000	1Q06	September-12	\$959,790
Milestone Apt. Portfolio	Various States - South	\$259,525,000	\$263,150,000	\$95,700,827	2Q06	September-12	\$3,587,997
Stoneridge	Pleasanton, CA	\$150,000,000	\$155,600,000	\$155,600,000	4Q06	September-12	\$5,833,725
Kimberly Woods	San Jose, CA	\$58,000,000	\$0	\$0	4Q06	Sold - 3Q12	\$0
Sterling Parc Apartments	Cedar Knolls, NJ	\$84,400,000	\$86,500,000	\$86,500,000	2Q07	September-12	\$3,243,041
Millington at Merrill Creek	Everett, WA	\$65,400,000	\$67,000,000	\$67,000,000	2Q07	September-12	\$2,511,951
The Residences at Stevens Pond	Boston MA - NH	\$81,000,000	\$84,600,000	\$84,600,000	4Q07	September-12	\$3,171,807
Holland Portfolio	Seattle - Belle - Eve WA	\$111,364,404	\$111,554,447	\$23,613,228	4Q07	September-12	\$885,303
Village Crossing at Chino Hills	Riverside, CA	\$71,800,000	\$72,000,000	\$29,573,034	1Q08	September-12	\$1,108,747
Metropolitan at Pentagon City	Arlington, VA	\$153,500,000	\$154,400,000	\$92,424,816	3Q10	September-12	\$3,465,173
Ladd Tower	Portland, OR	\$92,400,000	\$92,400,000	\$92,400,000	4Q10	September-12	\$3,464,243
Legacy Fountain Plaza	San Jose, CA	\$105,600,000	\$106,700,000	\$106,700,000	1Q11	September-12	\$4,000,376
The Elektra	New York, NY	\$139,000,000	\$145,700,000	\$75,700,000	1Q11	September-12	\$2,838,130
75 Clinton Street	Brooklyn, NY	\$54,200,000	\$55,500,000	\$55,500,000	1Q12	September-12	\$2,080,795
Club Laguna	Orange County, CA	\$0	\$120,800,000	\$120,800,000	3Q12	acq 3Q12	\$4,529,010
		<b>\$1,537,189,404</b>	<b>\$1,628,004,447</b>	<b>\$1,198,211,905</b>			<b>\$44,923,131</b>
<b>INDUSTRIAL</b>							
Arjons	San Diego CA	\$28,000,000	\$28,000,000	\$28,000,000	2Q04	September-12	\$1,049,771
Garland Gateway East	Dallas TX	\$9,900,000	\$10,000,000	\$10,000,000	2Q04	September-12	\$374,918
Gateway Business Park	Dallas TX	\$8,700,000	\$8,800,000	\$8,800,000	2Q04	September-12	\$329,928
Hayward Industrial	Oakland CA	\$84,200,000	\$85,300,000	\$85,300,000	3Q04-3Q07	September-12	\$3,198,051
Lackman	Kansas City MO-KS	\$21,100,000	\$20,900,000	\$20,900,000	2Q04	September-12	\$783,579
Crossroads Industrial	Kansas City MO-KS	\$8,300,000	\$8,300,000	\$8,300,000	1Q06	September-12	\$311,182
Oakesdale Commerce Center	Seattle - Belle - Eve WA	\$34,600,000	\$34,800,000	\$34,800,000	1Q06	September-12	\$1,304,715
South Bay Industrial	Los Angeles, CA	\$67,100,000	\$66,900,000	\$66,900,000	4Q06	September-12	\$2,508,202
VIP Holdings I	Chicago, IL	\$71,801,856	\$72,659,904	\$24,643,919	2Q06	September-12	\$923,945
Tempe Commerce	Phoenix - Mesa AZ	\$50,900,000	\$51,100,000	\$51,100,000	4Q07	September-12	\$1,915,831
Steeplechase 95 International Business Park	Capitol Heights, MD	\$21,700,000	\$21,700,000	\$21,700,000	1Q11	September-12	\$813,572
Airport Trade Center III & V	Dallas, TX	\$29,100,000	\$30,000,000	\$30,000,000	1Q11	September-12	\$1,124,754
IE Logistics	San Bernardino, CA	\$101,100,000	\$103,200,000	\$103,200,000	3Q11	September-12	\$3,869,155
Railhead Drive Industrial	Dallas, TX	\$59,700,000	\$59,700,000	\$59,700,000	4Q11	September-12	\$2,238,261
16400 Knott Ave	Los Angeles, CA	\$0	\$27,527,000	\$27,527,000	3Q12	acq 3Q12	\$1,032,037
		<b>\$596,201,856</b>	<b>\$628,886,904</b>	<b>\$580,870,919</b>			<b>\$21,777,901</b>

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Third Quarter 2012

## Real Estate Valuation Analysis

### Real Estate Valuation Analysis – INVESCO Core Real Estate

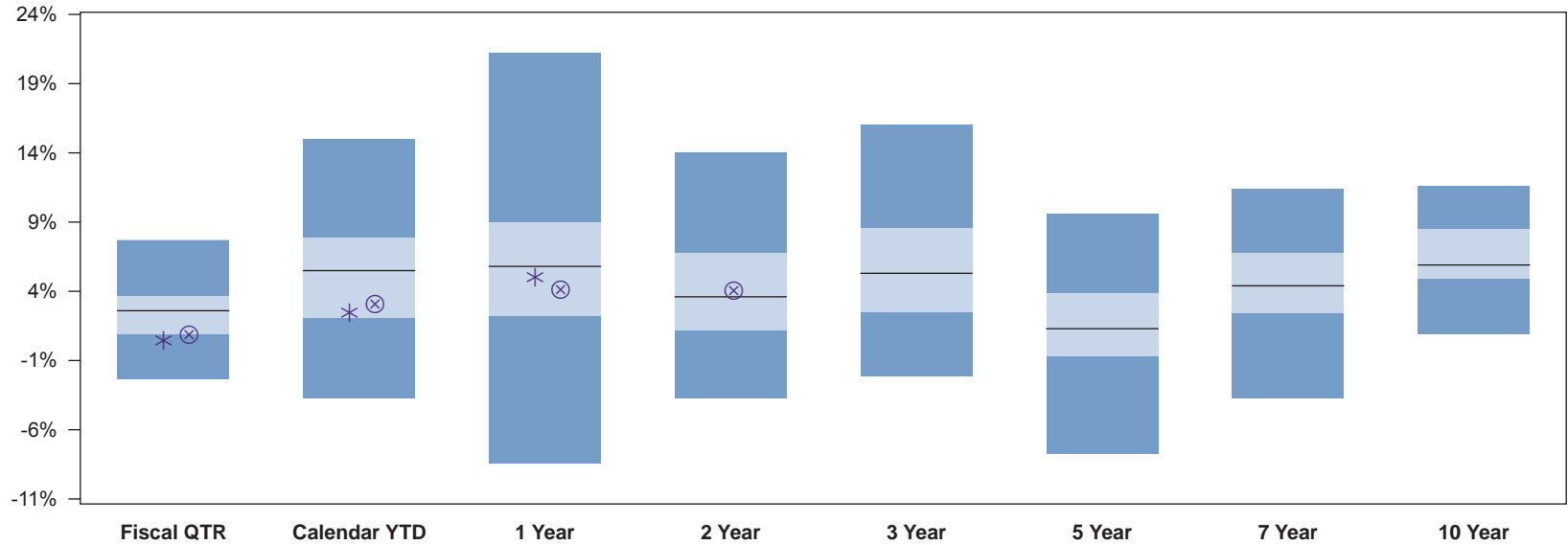
Property Name	MSA	Prior Quarter Carry Value	Current Quarter Carry Value	Net Market Value	Date Added to Fund	Last Valuation Date	SamCERA ownership as of 9/30/2012 (3.75%)
<b>OFFICE</b>							
55 Cambridge	Boston MA - NH	\$137,800,000	\$145,000,000	\$91,448,926	4Q06	September-12	\$3,428,586
One Liberty	Boston MA - NH	\$43,000,000	\$43,100,000	\$43,100,000	2Q07	September-12	\$1,615,897
Gainey Center II	Scottsdale - AZ	\$30,300,000	\$30,500,000	\$30,500,000	3Q07	September-12	\$1,143,500
Valencia Town Center	Valencia, CA	\$145,900,000	\$145,900,000	\$145,900,000	3Q07	September-12	\$5,470,055
Park Ten Plaza	Houston, TX	\$29,000,000	\$29,600,000	\$29,600,000	1Q05	September-12	\$1,109,758
Westport Corporate Center	Fairfield County, CT	\$16,000,000	\$15,200,000	\$15,200,000	4Q07	September-12	\$569,875
Parkside Towers	San Francisco, CA	\$92,444,521	\$101,300,601	\$57,659,412	1Q08	September-12	\$2,161,756
The Executive Building	Washington DC	\$153,000,000	\$156,000,000	\$156,000,000	2Q08	September-12	\$5,848,722
Brill Building	New York, NY	\$69,349,500	\$71,280,000	\$31,590,587	4Q07	September-12	\$1,184,388
10 Brookline Place	Brookline, MA	\$126,000,000	\$128,000,000	\$128,000,000	2Q10	September-12	\$4,798,951
1111 Pennsylvania Avenue	Washington, D.C.	\$254,500,000	\$255,600,000	\$255,600,000	4Q10	September-12	\$9,582,906
1800 Larimer	Denver, CO	\$224,000,000	\$225,300,000	\$225,300,000	1Q11	September-12	\$8,446,904
230 Park Avenue	New York, NY	\$413,040,058	\$417,697,097	\$231,905,003	2Q11	September-12	\$8,694,538
3450 & 3460 Hillview Ave	San Jose, CA	\$0	\$51,000,000	\$51,000,000	3Q12	September-12	\$1,912,082
		<b>\$1,734,334,080</b>	<b>\$1,815,477,698</b>	<b>\$1,492,803,928</b>			<b>\$55,967,919</b>
<b>RETAIL</b>							
Broadway at Surf	Chicago IL	\$23,600,000	\$24,400,000	\$24,400,000	2Q04	September-12	\$914,800
Carriagetown Marketplace	Boston MA - NH	\$20,900,000	\$21,000,000	\$21,000,000	2Q04	September-12	\$787,328
Chandler Pavilions	Phoenix - Mesa AZ	\$18,000,000	\$18,200,000	\$18,200,000	2Q04	September-12	\$682,351
Matthews Township	Charlotte - G - RH NC-SC	\$22,100,000	\$22,100,000	\$22,100,000	2Q04	September-12	\$828,569
Windward Commons	Atlanta GA	\$20,500,000	\$20,800,000	\$20,800,000	2Q04	September-12	\$779,830
Summit Heights	Fontana, CA	\$31,000,000	\$0	\$0	3Q05	Sold - 3Q12	\$0
Cityline at Tenley	Washington, D.C.	\$47,100,000	\$47,100,000	\$47,100,000	4Q05	September-12	\$1,765,864
Ridgehaven Mall	Minnetonka, MN	\$32,200,000	\$32,200,000	\$20,700,000	4Q05	September-12	\$776,080
The Beacon Retail	San Francisco, CA	\$44,200,000	\$44,900,000	\$44,900,000	1Q06	September-12	\$1,683,382
The Beacon Garage	San Francisco, CA	\$24,400,000	\$27,500,000	\$27,500,000	1Q06	September-12	\$1,031,025
Oak Brook Court	Chicago, IL	\$18,400,000	\$18,400,000	\$18,400,000	4Q07	September-12	\$689,849
Hawthorne Plaza	Overland Park, KS	\$28,200,000	\$29,000,000	\$29,000,000	4Q07	September-12	\$1,087,262
Deerwood Lake Commons	Jacksonville, FL	\$10,200,000	\$10,200,000	\$10,200,000	4Q07	September-12	\$382,416
Heath Brook Commons	Ocala, FL	\$11,000,000	\$11,100,000	\$11,100,000	4Q07	September-12	\$416,159
Park View Square	Miramar, FL	\$11,000,000	\$11,500,000	\$11,500,000	4Q07	September-12	\$431,156
St. John's Commons	Jacksonville, FL	\$10,300,000	\$10,300,000	\$10,300,000	4Q07	September-12	\$386,166
West Creek Commons	Coconut Creek, FL	\$10,300,000	\$10,600,000	\$10,600,000	4Q07	September-12	\$397,413
The Loop	Boston MA - NH	\$92,500,000	\$92,500,000	\$92,500,000	1Q08	September-12	\$3,467,992
Westbank Marketplace	Austin, TX	\$44,500,000	\$44,700,000	\$20,464,106	3Q10	September-12	\$767,236
910 Lincoln Road	Miami, FL	\$16,900,000	\$17,500,000	\$17,500,000	4Q10	September-12	\$656,107
Lake Pointe Village	Houston, TX	\$57,000,000	\$59,000,000	\$59,000,000	4Q11	September-12	\$2,212,017
SafewayKapahulu	Hawaii	\$75,400,000	\$75,900,000	\$39,700,000	4Q11	September-12	\$1,488,425
Safeway Burlingame	San Francisco, CA	\$44,600,000	\$44,700,000	\$22,000,000	4Q11	September-12	\$824,820
Shamrock Plaza	Oakland, CA	\$32,500,000	\$32,600,000	\$16,350,000	4Q11	September-12	\$612,991
Pavilions Marketplace	West Hollywood, CA	\$50,000,000	\$50,000,000	\$25,325,000	1Q12	September-12	\$949,480
130 Prince	New York, NY	\$139,946,333	\$144,000,000	\$144,000,000	2Q12	September-12	\$5,558,424
		<b>\$936,746,333</b>	<b>\$920,200,000</b>	<b>\$784,639,106</b>			<b>\$29,577,142</b>
<b>Portfolio Total</b>		<b>\$4,804,471,673</b>	<b>\$4,992,569,050</b>	<b>\$4,056,525,857</b>			<b>\$152,246,093</b>

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Hedge Funds

Periods Ending September 30, 2012

## Total Returns



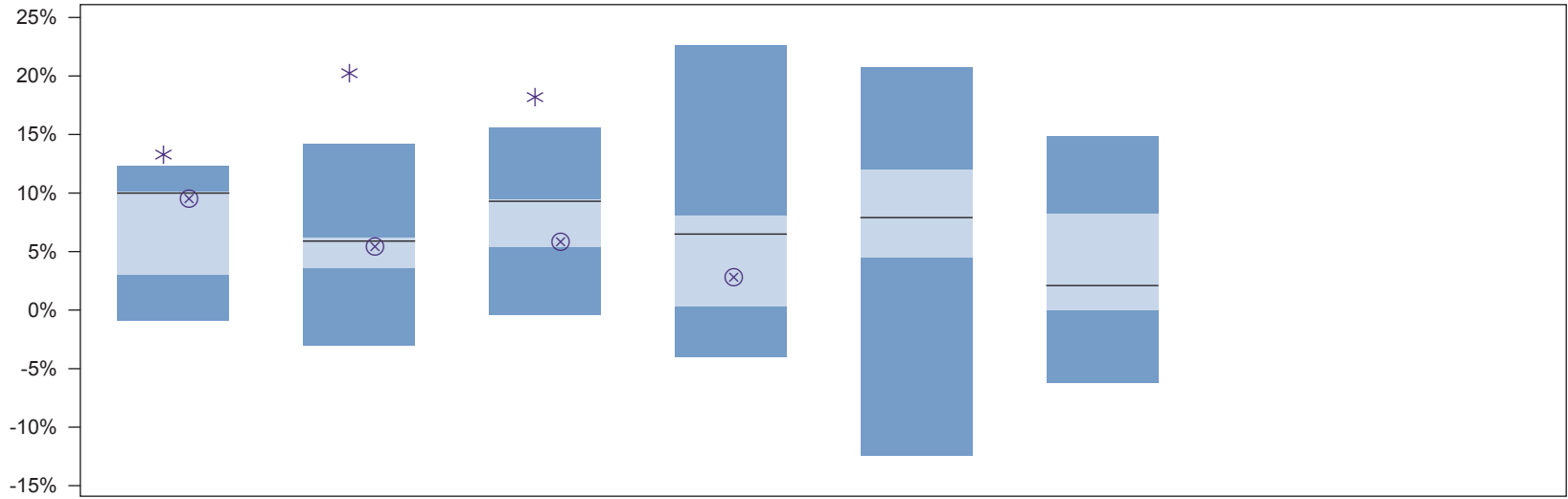
	Fiscal QTR	Calendar YTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year
* AQR Delta Fund II	0.6 78	2.6 74	5.2 56					
⊗ Hedge Fund Index	1.0 75	3.2 71	4.3 64	4.2 44				
Median	2.6	5.5	5.8	3.6	5.3	1.3	4.4	5.9

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Commodity Funds

Periods Ending September 30, 2012

## Total Returns



	Fiscal QTR		Calendar YTD		1 Year		2 Year		3 Year		5 Year		7 Year		10 Year	
* SSqA Multisource Account	13.5	4	20.4	2	18.4	4										
⊗ Commodities Index	9.7	63	5.6	67	6.0	74	3.0	72								
Median	10.0		5.9		9.3		6.5		7.9		2.1					

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [Aberdeen Asset Management – Core Fixed Income](#)

Aberdeen Asset Management's approach is bottom up, looking for relative value among specific issues. The Core Fixed Income investment process is duration neutral and relies on credit exposure as the primary means of adding value. Fundamental credit research requires knowledge of the underlying credit and identification of pricing inefficiencies uncovered through proprietary research. They focus on high quality issues, maintaining an average AA quality in the portfolio. The investment process also stresses a detailed knowledge of a bond's structure, in particular options and prepayment characteristics. The bond selection process typically identifies securities with more predictable cash flows. Yield curve positioning is diversified, and bets along the yield curve tend to be modest. The bottom up process can lead to heavy sector concentrations, particularly in corporates. The process incorporates the use of taxable municipal securities which is unusual among US fixed income managers.

### [Angelo, Gordon & Co. – AG GECC Public-Private Investment Fund, L.P. \(PPIP\)](#)

Angelo, Gordon (AG) and GE Capital Corporation (GECC) jointly manage this fund, which targets investments in legacy non-Agency residential mortgage-backed securities (RMBS) and commercial mortgage-backed securities (CMBS) originally rated AAA. The strategy is primarily long-term buy-and-hold, although tactical trading based on more short-term technical factors is also incorporated. The allocation between RMBS and CMBS is flexible and will be managed opportunistically, although the initial focus is expected to be on RMBS. The fund utilizes up to 2:1 leverage (i.e., assets: equity) provided by the US Treasury under the Public-Private Investment Program (PPIP). The fund, structured as a closed-end private partnership, has a term of 8 years with two potential 1-year extensions and no early withdrawal rights. Annual distributions of up to 8% may be made, pending cash flow realizations from the underlying securities and scheduled repayment of the UST leverage facility. AG/GECC's approach utilizes top-down analysis to project macroeconomic factors (e.g., unemployment, interest rates), real estate prices and trends, default frequencies, recovery rates, etc. In addition, detailed bottom-up analysis covering the underlying collateral, loan originator, loan servicer and structural features (e.g., cash flow hierarchy, covenants) is conducted on each individual security in the investment universe. In addition to absolute value considerations, an assessment of relative value is made between the various sectors (e.g., RMBS vs. CMBS, Alt-A RMBS vs. Subprime RMBS) as well as individual securities within the same sector. Extensive stress testing and scenario analysis is also performed to determine worst-case loss if the underlying collateral pool (i.e., mortgages) suffers a high number of defaults and/or severe loss severities, the goal being to purchase securities with a significant margin of safety.

### [AQR – Hedge](#)

The AQR DELTA Fund aims to deliver efficient exposure to a well-diversified portfolio of hedge fund strategies, including Convertible Arbitrage, Event Driven, Fixed Income Relative Value, Equity Market Neutral, Long/Short Equity, Dedicated Short Bias, Global Macro, Managed Futures, and Emerging Markets. The Delta Fund's approach is to capture and deliver the "hedge fund risk premiums" that explain much of the returns of each of these strategies by building bottom-up positions in each strategy. AQR's research has demonstrated that many hedge funds use similar strategies to generate returns. These strategies are often well-known, widely understood and share common exposures. AQR's experience and research suggests much of the insight underlying these strategies - as well as a meaningful portion of their returns - can be captured using a dynamic, disciplined investment approach. Just as the equity risk premium can explain a large portion of the returns from equity investing, hedge fund risk premiums can explain the returns from hedge fund investing. Importantly, while compensation for equity risk is dependent on economic growth, hedge fund risk premiums are largely unrelated to economic activity, and thus provide attractive diversification properties.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### AQR – Risk Parity

The objective of Global Risk Parity (GRP) is to generate excess returns from a risk diversified portfolio of asset exposures. AQR believes that its approach maximizes the diversification benefit across a broad range of economic environments. For many institutional portfolios, equity risk has historically been the predominant risk and the source of most return expectations since equities offer higher expected returns to compensate for their high risk. Investor preference for and concentration in equities has been driven by their expected return needs, which cannot be satisfied in a well-diversified un-levered portfolio. GRP is a diversified portfolio that can be scaled to similar levels of risk as a portfolio concentrated in equities, but with a higher expected return resulting from diversification across asset class risk. The approach helps do away with the compromise of concentrating in high risk assets to meet high return needs. Consistent with portfolio theory, the GRP strategy is designed to maximize diversification across a broad spectrum of liquid global risk premia to create a portfolio with higher expected risk-adjusted returns. Research shows that risk-adjusted returns across asset classes are similar over the long-term. Since realized risk-adjusted returns across asset classes are similar, AQR expects a portfolio that is diversified equally by risk to perform better. The Global Risk Premium strategy aims to deliver efficient market exposure across four broad asset classes in a risk balanced fashion.

### Baillie Gifford – EAFE Plus Focus

EAFE Plus Focus is a fundamental growth strategy. Research is organized primarily by regional teams, and each member of the EAFE Plus Focus Portfolio Construction Group is a member of a different regional team. Four global sector groups also contribute research. Baillie Gifford conducts approximately 2000 company meetings annually both in Edinburgh and onsite. Companies are evaluated on their growth opportunity relative to the average company, their ability to execute on that opportunity, and the degree to which probability of future success is already valued by the market. Baillie Gifford's basic philosophy is that share prices ultimately follow earnings. They believe that the stock market has a recurring tendency to under-appreciate the value of long-term compound growth. The process seeks to add value through use of proprietary fundamental research to identify companies exhibiting some combination of sustained above average growth, and attractive financial characteristics. The portfolio generally holds 80-100 stocks, with country weights +/-6% relative to the index and industry weights +/- 5% relative to the index. This strategy can invest opportunistically in the emerging markets, but historically this exposure has been below 10%.

### Barrow Hanley – Diversified Large Cap Value

Barrow Hanley takes a bottom up value approach to equity investing. They seek to buy stocks that exhibit all three of the following characteristics: price/earnings and price/book ratios below the market, and dividend yield above the market (with the S&P 500 representing the market). Their view is that a portfolio that emphasizes low price/book and high dividend yield stocks will provide some protection in down markets and participation in improving economic cycles. In addition to their basic valuation criteria, Barrow Hanley is also looking for profitable companies with earnings growth greater than the market. After the quantitative screening process, Barrow Hanley's equity research team conducts qualitative analysis of candidate investments. This involves forecasting ROE 5-years out and treating this forecast as the basis for earnings, book value and dividend yield projections for the same five year period. These projections are used as inputs into a dividend discount model and relative return model. Stocks that appear to be attractively valued according to both of these models comprise the firm's buy list. The portfolio managers construct the portfolio with 70-90 of the buy list names. Securities are weighted approximately equally, with core positions in the range of 1.5%. Sector weightings are limited to 35% (at cost) and industry weightings are limited to 15%. Stocks are generally held for three to four years, resulting in average turnover of 25% - 35%.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [BlackRock – Russell 1000 Index](#)

BlackRock uses a full replication approach. They hold each stock in the same proportion in which it is represented in the Russell 1000 Index. BGI monitors the funds daily to ensure that additions and deletions to the Russell 1000, mergers and acquisitions, restructurings and other capitalization changes are made to the fund in such a way to minimize tracking error and transactions costs.

### [BlackRock – Fundamental Large Cap Growth](#)

BlackRock US Fundamental Large Cap Growth's investment philosophy is that fundamental research can generate stock specific insights that can be used to create alpha in client portfolios. The approach is to employ bottom-up stock selection to construct portfolios of two types of companies, those with stable growth and those with accelerating earnings. The universe is composed of stocks with market capitalizations above \$2 billion and daily trading volume above \$20 million. BlackRock describes this approach to large cap growth investing as disciplined but flexible. They do not employ a hard and fast mathematical formula or rigid set of criteria. Rather, the team focuses on developing an investment thesis for each stock that they purchase based on a catalyst and a fundamental assessment. Stable growth holdings exhibit the following characteristics: consistent earnings growth over 3- to 5-years, sustainable competitive advantages, strong management with proven ability to execute, and attractive relative and absolute valuation. Opportunistic holdings exhibit earnings momentum, above consensus earnings and a catalyst for a near term surprise. Risk monitoring is the responsibility of the investment team and also BlackRock's Risk & Quantitative analysis group, which leverages BlackRock Solutions, the firm's risk analytics platform. At the portfolio level, risk is viewed as deviation from the benchmark, i.e. tracking error. The portfolio holds 60-80 stocks with positions generally limited to 5% at cost unless they comprise more than 3% of the benchmark. Sectors are kept with 10 percentage points of the benchmark weighting.

### [The Boston Company – Small Cap Index](#)

The Boston Company's approach to small cap value investing is to conduct bottom-up fundamental research in an effort to add value through security selection. The investment process seeks to identify the stocks of companies which have compelling valuations and business fundamentals, as well as a catalyst for positive change. The appropriate valuation metrics for an individual company can vary depending on industry. Ideas are generated from company meetings, industry contacts and team's internal research. The universe of domestic small-cap equity securities is quantitatively screened for valuation, business health and earnings revisions. In addition, they also screen/track operating income and EBITDA estimate revisions. Once candidates for investment are identified, individual stock weights are determined by portfolio risk, liquidity, and analyst conviction. Normally, portfolios will contain between 120-150 holdings (from a short list of 500 securities), with a maximum individual security weighting of 5%, though most are less than 3%. Securities will typically be in the \$100 million - \$2 billion market cap range at time of purchase. Generally, sector exposure is limited to no more than 2X the index weight with a maximum overweight of 10 percentage points and a maximum underweight of half that of the index. The goal is for portfolios to be close to fully invested at all times, with cash typically below 5%. Any stock down 20% from the purchase price is reviewed. In addition, portfolios are reviewed on a regular basis for unintended risk. Positions are sold when any one of the three investment criteria (valuation, fundamentals, catalyst) breaks down.

### [Brigade – Opportunistic Credit](#)

Opportunistic Credit is a fundamental, bottom-up strategy focused on high yield corporate bonds and bank loans with tactical allocations to structured securities, convertibles and other sectors of the bond markets as they become attractive on a relative value basis. While performing credits represent the majority, Brigade will invest up to 35% of the portfolio in distressed securities and restructuring situations if these types of opportunities are attractive on a risk-adjusted basis and the timing is right with respect to the credit cycle. The portfolio is comprised of mostly North American issuers, but they are not restricted geographically and expect to have a moderate allocation to Europe over time. Although the portfolio is generally long-only, Brigade has the ability to implement a limited amount of tactical macro hedges.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

### [Brown Brothers Harriman – Inflation Indexed Securities](#)

BBH manages TIPS using three main types of strategies: Fundamental, Technical and Opportunistic. The Fundamental bucket has two sub-strategies, real yield duration and real yield curve slope vs. nominal yield curve slope. The Technical strategies consist of yield curve roll-down, auction cycle trading, seasonal vs. non-seasonal CPI and security selection/option value analysis. Finally, nominal Treasuries vs. TIPS, sector relative value (i.e., corporate or Agency inflation-linked bonds) and non-Dollar inflation-linked bonds make up the Opportunistic group. Real yield duration is held to +/- 1 year vs. the benchmark and the portfolio has a limited allocation to non-index securities, typically 5-10% with a maximum of 20% (including nominal Treasuries).

### [Chartwell Investment Partners – Small Cap Growth](#)

Chartwell's Small Cap Growth product strives to hold stocks with strong fundamentals that are best positioned for rapid growth. These businesses typically demonstrate strong increases in earnings per share. Chartwell invests in these securities with an intermediate time horizon in mind. They initiate investments opportunistically and when stocks are attractively valued. Chartwell focuses on high growth companies that lie in the middle of the momentum and growth at a reasonable price continuum, and construct Small Cap Growth portfolios with fairly low tracking errors. Portfolios contain 50-70 stocks with market capitalizations between \$200 million and \$2.5 billion at purchase. Meetings with management are an important part of the investment process. This product is closed to new investors.

### [D.E. Shaw – Broad Market Core Enhanced Plus Strategy](#)

The D. E. Shaw group believes that there exist some market inefficiencies that may be identified through quantitative analysis, advanced technology, and the insight of practitioners. Identifying these inefficiencies involves a process of hypothesis formulation, testing, and validation. Importantly, to avoid data-mining, the hypothesis formulation precedes the analysis of the historical data. D.E. Shaw's Structured Equity strategies rely largely on quantitative and computational investment techniques developed by the D. E. Shaw over the last 19 years in the course of research conducted for purposes of managing the firm's hedge funds. Although the D.E. Shaw's long-only assets under management are comparatively modest, the firm's hedge fund assets are substantial, as are the resources devoted to quantitative research and portfolio management. D.E. Shaw's investment process involves a suite of quantitative models, each designed to capitalize on a distinct and uncorrelated set of market inefficiencies. Some of these models are technical in nature and involve price and volume inputs. Other models rely on fundamental data, such as figures gleaned from corporate balance sheets or income statements. Still others, again quantitative, anticipate or react to a particular corporate event or set of events. These models typically operate with forecast horizons of a few weeks to many months. The ability to trade on shorter-term signals distinguishes D.E. Shaw from many of its long only enhanced index peers. Portfolio construction involves the use of a proprietary optimizer which runs dynamically throughout the trading day. The portfolio will generally hold 300-500 securities. Over- and under-weighting of sectors and industries relative to the benchmark will be quite modest, with the intention that most of the alpha be generated by security selection.

### [Eaton Vance/Parametric – Structured Emerging Markets Equity](#)

Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices. The basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium. This provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices. The approach is to divide emerging markets countries into four tiers, and to equally weight the countries within each tier. Tier 1 countries are the largest eight countries that dominate the cap weighted index. Each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio. In aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio. Tier 4 countries are in the frontier markets. The SEM strategy targets excess



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

return of 3% over a market cycle with 4.5%-6.5% tracking error. It is designed to generate a level of volatility 85%-95% of the MSCI EM index. The strategy invests in 44 countries and will typically hold 1,000-1,500 securities. Turnover is expected to be in the range of 20%-25%.

### Franklin Templeton Investments – Global Fixed Income

Franklin Templeton manages the global bond mandate in an unconstrained fashion using a top-down, fundamental framework. In the short term and on a country-by-country basis there are often inefficiencies in global bond and currency markets, however, over the longer term the market will generally price to fundamentals. Thus, FT focuses on fundamental research to identify long-term opportunities and uses short-term market inefficiencies to build positions in such investments. The investment and portfolio construction process begins with the determination of the Fund's or institutional client's investment objectives, resulting in a set of risk-return parameters and exposure limits within which the portfolio is managed. Next the firm's global economic outlook for the industrialized countries is developed, with a focus on interest rate and exchange rate forecasts. The portfolio's interest rate outlook is a function of global general equilibrium macroeconomic analysis as well as country-specific research. Macroeconomic conditions in the G-3 economies are analyzed first, primarily with respect to how current and projected growth and inflation dynamics are expected to influence monetary policy. This analysis is then extended out to the rest of the industrialized countries (G-13) as well as emerging markets, which results in broad targets for cash, duration, currencies and the developed/emerging market mix. Using the firm's interest rate and exchange rate outlook, probability-weighted horizon returns for bonds of various countries are then calculated. This analysis is used to establish specific country weights and duration targets based on risk-adjusted expected total return measured in the portfolio's base currency. Analysis of emerging markets includes sovereign credit analysis along with greater emphasis on capital flows, inter-market dynamics and trends in the level of risk aversion in the market.

### INVESCO Realty Advisors – INVESCO Core Equity, LLC

SamCERA is a founding member of INVESCO's open end Core Equity real estate fund and rolled its separate account properties into the fund. INVESCO Core Equity, LLC (the "Fund") is a perpetual life, open-end vehicle which invests in a diversified portfolio of institutional quality office, retail, industrial and multifamily residential real estate assets. The Fund buys core properties that are located within the United States, typically requiring an investment of \$10 million or more. The portfolio cannot be more than 30% leveraged.

### Jennison Associates – US Small Cap

Jennison's approach is based on the premise that bottom up fundamental research can add significant value by uncovering inefficiencies in the small cap asset class. They seek out companies that they believe have attractive valuations, and should experience superior earnings growth on an intermediate term basis. In addition, Jennison looks for companies with the following attributes: strong competitive position, quality management team, demonstrated growth in sales and earnings, balance sheet flexibility and strength. The portfolio contains 110-135 stocks with a maximum position size of 4%, with actual positions rarely exceeding 2.5%. Industry weights are normally limited to 20% and sector weights are typically within 5%-7% of the benchmark, though they may be higher. Positions are scaled to reflect market cap and trading volume. According to Jennison, their expected tracking error is 6%-8%, but historically it has been lower. They seek to add 3%-4% of excess return over a market cycle.

### Mondrian Investment Partners – International Equity

Mondrian is a value-oriented, defensive manager whose investment philosophy is based on the principle that investments must be evaluated for their fundamental long-term value. The firm's philosophy involves three stated investment objectives: 1) provide a rate of return meaningfully greater than the client's domestic rate of inflation, 2) structure client portfolios that preserve capital during protracted international market declines, and 3) provide portfolio performance that is less volatile than benchmark indices and other international managers. Mondrian applies typical value screening criteria to a universe of 1,500 stocks, from which 500 are selected for more detailed work. Through fundamental research, and the deliberations of the Investment Committee, the universe is further reduced to a list

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

of 150 stocks. The investment team conducts detailed fundamental analysis on the remaining stocks, a process which includes applying the firm's dividend discount model consistently across all markets and industries. Mondrian also uses a purchasing power parity model to give an accurate currency comparison of the value of the stocks under consideration. The firm will only consider buying stocks in countries with good investor protection practices and relatively simple repatriation procedures. A computer based optimization program is employed in the portfolio construction process. Mondrian's portfolio holds 80-125 issues.

### [Pyramis Global Advisors – Broad Market Duration Commingled Pool](#)

Pyramis' Broad Market Duration (BMD) investment strategy seeks to achieve absolute and risk-adjusted returns in excess of the BC U.S. Aggregate Index, focusing its investments in US Treasuries, agencies, investment grade corporate bonds, mortgage-backed and asset-backed securities. The BMD commingled pool can also hold small, opportunistic positions in out-of-benchmark securities, such as inflation-linked bonds. The investable universe includes all US dollar denominated, investment grade debt securities. The BMD investment approach emphasizes issuer and sector valuation and individual security selection. Through the integration of fundamental and quantitative research and trading, the BMD strategy is implemented in a team environment. Risk management technology is utilized to explicitly quantify benchmark exposures on a daily basis, and Pyramis uses the same analytical framework to assess both index and portfolio risk. Tracking error should range between 40 and 60 basis points per annum over the benchmark, and stringent portfolio construction risk control rules are strictly adhered to.

### [Pyramis Global Advisors – Select International Small Cap](#)

Pyramis Select International Small Cap is a core strategy. The approach is designed to leverage Pyramis/Fidelity's proprietary resources to add value exclusively via stock selection. To that end the portfolio is constructed to be regionally neutral, with only modest deviations from the benchmark's country and sector weights. The investment process involves three basic stages. The first stage is the security level research conducted by the analysts. The second stage is stock selection from within the pool of names that are highly ranked by the analysts. The third step is portfolio construction and risk management. The essential differentiating feature of this strategy is the breadth of coverage that is made possible by the large staff of analysts. Analysts actively conduct regular fundamental research on, and give a formal rating of 1-5, 1200-1300 international small cap companies. While there is no single firm-wide approach to security research, analysts are expected to establish an upside target for any given stock and assign a formal rating. The decision making structure is quite efficient, with portfolio manager Rob Feldman making all the buy and sell decisions. His role, as he puts it, is to be an intelligent user of the analysts' research. He selects the 1- and 2- rated stocks that he thinks are compelling and additive to his portfolio, and he sells names when they are downgraded by the analysts. There are approximately 200 holdings in the portfolio. Country and sector weights are within 3 percentage points of the benchmark and position sizes are within 2 percentage points of the benchmark. Turnover tends to be in the 60%-80% range.

### [SSgA Global Multisector Plus – Commodities](#)

SSARIS operates the Multisource Commodity ("MAC") strategy. SSARIS is a joint venture between State Street Global Advisors ("SSgA") and the executive team of RXR Capital. SSgA owns 60% of the venture with the remaining 40% held by RXR Capital's executives. SSgA believes that the commodities markets are not fully efficient, and that a disciplined, quantitative investment process can identify and exploit futures contract mispricings. They believe in taking a small number of large active positions in order to capitalize on these mispricings in a timely manner, utilizing a systematic processes to evaluate commodity market prices, to process this information objectively, to build investment models, and to construct efficient portfolios. 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. 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 set the universe of commodity

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Investment Strategy Summaries

markets to be traded. The selection process takes into account liquidity, volatility and prior period drawdowns. The top ranked markets will receive a larger share of risk capital relative to those that are selected, yet not as highly ranked. 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.

### T. Rowe Price – U.S. Structured Research Strategy

T. Rowe Price believes that fundamental, bottom-up stock selection performed by specialized research analysts can produce more consistent alpha than quantitative approaches using computer models. T. Rowe Price's U.S. Structured Research Strategy is an enhanced index strategy that combines fundamental security selection with risk controls designed to neutralize sector and industry bets relative to the S&P 500 Index. As a low tracking error enhanced index strategy, U.S. Structured Research is relatively unusual in relying exclusively on fundamental analyst research and employing neither a quantitative model nor an optimization process. The portfolio is managed by 30+ sector analysts responsible for selecting stocks within their areas of expertise. Each analyst determines relative industry weights and timing of trades within their coverage universe. They seek to add value through deviations from index weights, stock avoidance, and selecting stocks not held in the index. The analysts' aggregate buy and sell decisions result in a 250- to 300-stock portfolio with industry-, sector-, style-, and capitalization-characteristics quite close to the benchmark. Relative to the S&P 500, sector exposures range +/- 150 basis points, industry exposures range +/- 100 basis points, and the maximum active position size will typically range +/- 100 basis points around the benchmark weight. For stocks representing more than 3% of the S&P 500 Index, active position sizes can range +/- 150 basis points.

### Western Asset Management – U.S. Core Full Discretion

Western Asset's investment philosophy has three key components. First, as sector rotators, the firm seeks out long term value by fundamentally analyzing all sectors of the fixed income market. Second, Western employs multiple strategies, proportioned so that no single adverse market event would have an overwhelming negative impact on performance. The third component of the investment philosophy is opportunistic trading. Western Asset adds value with opportunistic trades that attempt to exploit market inefficiencies. Non-US investment grade sovereigns, high yield and emerging market debt securities are used opportunistically in this approach. Western uses a team approach to portfolio management with duration, term structure, and sector allocation decisions developed by the Investment Strategy Group. The Research Group employs these determinations as they look for issues and issuers that are appropriate for the firm's eligible universe. Factors such as relative credit strength, liquidity, issue structure, event risk, covenant protection, and market valuation are central to its inquiries. Throughout this process, the Portfolio Management Group provides both teams with a picture of key capital markets. The Portfolio Management Group is also responsible for portfolio structuring and implementation. The U.S. Core Full Discretion portfolio holds between 40-60 issues and can hold up to 20% in high yield and 20% in non-US exposure. The portfolio's 10% maximum weight in emerging debt securities is counted towards the 20% maximum non-US exposure.

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Compliance Checklist

### Total Plan Policy Benchmark

	As of:							
	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	28.0%	28.0%	37.0%	37.0%	40.0%	22.0%	20.0%	20.0%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%
Russell 1000 Value	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%	0.0%
Russell 2000	7.0%	7.0%	9.0%	9.0%	10.0%	15.0%	15.0%	15.0%
MSCI AC World ex-US	18.0%	18.0%	21.0%	21.0%	15.0%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%
Barclays Aggregate	11.0%	12.9%	27.0%	27.0%	29.0%	25.0%	21.0%	21.0%
Barclays BBB	3.3%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Tips	3.3%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Barclays Multiverse	4.4%	4.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Citigroup Non-US WGBI unhedged	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	9.0%	9.0%
NCREIF NFI ODCE	5.0%	5.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCREIF Property	0.0%	0.0%	0.0%	6.0%	6.0%	0.0%	0.0%	0.0%
10 YR Treasury plus 200 basis points	0.0%	0.0%	0.0%	0.0%	0.0%	8.0%	10.0%	10.0%
Russell 3000 + 300 basis points	8.0%	8.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
60% Russell 3000/40% BC Aggregate	6.0%	6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Labor + 400 basis points	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dow Jones UBS Commodity	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%	100%	100%

### Total Equity Benchmark

	As of:					
	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
S & P 500	0.0%	0.0%	0.0%	0.0%	0.0%	8.4%
Russell 1000 Value	0.0%	0.0%	0.0%	8.0%	8.3%	0.0%
Russell 2000	15.1%	13.5%	15.4%	24.2%	25.0%	25.0%
MSCI AC World ex-US	34.0%	31.3%	23.1%	0.0%	0.0%	0.0%
MSCI EAFE	0.0%	0.0%	0.0%	32.3%	33.3%	33.3%
	100%	100%	100%	100%	100%	100%

### Domestic Equity Benchmark

	As of:				
	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
Russell 1000	80.00%	52.00%	50.00%	50.00%	69.00%
S & P 500	0.00%	0.00%	0.00%	12.50%	17.00%
Russell 1000 Value	0.00%	12.00%	12.50%	0.00%	0.00%
Russell 2000	20.00%	36.00%	37.50%	37.50%	14.00%
	100%	100%	100%	100%	100%

### International Equity Benchmark

	As of:	
	6/1/2000	1/1/1996
MSCI AC World ex-US	100%	0%
MSCI EAFE	0%	100%

### Total Fixed Income Benchmark

	As of:				
	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
Barclays Aggregate	50.00%	58.60%	100.00%	83.33%	70.00%
Barclays BBB	15.00%	7.30%	0.00%	0.00%	0.00%
Barclays Tips	15.00%	13.60%	0.00%	0.00%	0.00%
Barclays Multiverse	20.00%	20.50%	0.00%	0.00%	0.00%
Citigroup Non-US WGBI unhedged	0.00%	0.00%	0.00%	16.67%	30.00%
	100.0%	100.0%	100.0%	100.0%	100.0%

### Domestic Fixed Income Benchmark

	As of:		
	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.40%	73.70%	100.00%
Barclays BBB	18.80%	9.10%	0.00%
Barclays Tips	18.80%	17.20%	0.00%
	100.0%	100.0%	100.0%

### International Fixed Income Benchmark

	As of:
	10/1/2010
Barclays Multiverse	100.00%

### SamCERA's Real Estate Benchmark

	As of:		
	1/1/2009	6/1/2000	7/1/1996
NCREIF NFI ODCE (Gross)	100%	0%	0%
NCREIF Property Index	0%	100%	0%
10 YR Treasury plus 200 basis points	0%	0%	100%

### Alternative Investment Benchmark

	As of:
	10/1/2010
Russell 3000 + 300 basis points	100%
60% Russell 3000/40% BC Aggregate	100%
Labor + 400 basis points	100%
Dow Jones UBS Commodity	100%
50% Barclays HY/50% Bank Loan	100%

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Fee Schedules

### BlackRock-R1000 Index Fund

First \$1 million:	0.324% per annum
Next \$1 million:	0.288% per annum
Next \$3 million:	0.0865% per annum
Next \$45 million:	0.072% per annum
Next \$50 million:	0.0465% per annum
Balance of fund:	0.0215% per annum

Marginal pricing will apply. The Board receives the benefit of asset aggregation across funds when invested in more than one commingled fund. The Board pays the top of the fee schedules on the first fund, moving down the graduated fee structure for additional funds.

### Aberdeen Asset Management

First \$25 million:	0.38% per annum
Next \$100 million:	0.30% per annum
Next \$500 million:	0.20% per annum
Thereafter:	0.18% per annum

### Pyramis Global Advisors

First \$50 million:	0.20% per annum
Next \$100 million:	0.18% per annum
Next \$200 million:	0.10% per annum
Thereafter	0.09% per annum

### Chartwell Investment Partners

On all assets:	0.75% per annum
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### Jennison Associates

First \$50 million:	0.90% per annum
Next \$50 million:	0.70% per annum
Balance of fund:	0.60% per annum

### Baillie Gifford

First \$25 million:	0.60% per annum
Next \$100 million:	0.50% per annum
Next \$400 million:	0.40% per annum
Thereafter:	0.30% per annum

### Mondrian Investment Partners

First \$20 million:	1.00% per annum
Thereafter:	0.33% per annum
For Assets Over \$190 Million	
First \$50 million:	1.00% per annum
Next \$150 million:	0.19% per annum
Thereafter	0.33% per annum

Fees received by Delaware Mgmt. Co. for the DPT Emerging Markets Fund in connection with SamCERA assets invested therein shall be deducted from the above schedule

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

## Fee Schedules

### Western Asset Management

First \$100 million:	0.30% per annum
Balance of fund:	0.15% per annum

### Barrow, Hanley, Mewhinney & Strauss

First \$15 million	0.75% per annum
Next \$10 million	0.55% per annum
Next \$75 million	0.45% per annum
Next \$100 million	0.35% per annum
Next \$800 million	0.25% per annum
Over \$1 billion	0.15% per annum

### T. Rowe Price Associates

First \$50 million	0.40% per annum
Next \$50 million	0.35% per annum
When assets exceed \$100 million	0.35% on all assets
When assets exceed \$200 million	0.30% on all assets

### The Boston Company Asset Management

First \$25 million	0.90% per annum
Thereafter:	0.80% per annum

### Angelo Gordon

0.20% per annum of the lesser of (a) US Treasury's Capital Commitment as of the last day of the period and (b) the US Treasury Interest Value as of the last day of the period.	
Thereafter:	0.30% per annum

### Pyramis Select International

On All Assets:	0.90% per annum
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### INVESCO

On Property Assets:	7.0% of NOI
The property portfolio is on a performance basis.	

### BlackRock Capital Management

First \$50 million	0.55% per annum
Next \$50 million	0.45% per annum
Next \$100 million	0.40% per annum
Thereafter:	0.30% per annum

### D.E. Shaw Investment Management

First \$100 million	0.51% per annum
Next \$100 million	0.46% per annum
Thereafter:	0.41% per annum

### Brown Brother Harriman

On All Assets:	0.15% per annum
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### Brigade Capital Management

On All Assets:	0.80% per annum
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### Franklin Templeton Investment

First \$50 million	0.45% per annum
Next \$50 million	0.35% per annum
Thereafter	0.30% per annum

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Calendar YTD	Fiscal Year	One Year	Two Year	Three Year	Five Year
<b>US Equity - Large Cap</b>							
BlackRock-R1000 Index							
TOTAL - Total	6.32	16.33	6.32	30.12	14.61	13.33	1.29
TOTAL - Net Mgr	6.30	16.29	6.30	30.06	14.55	13.28	1.24
RUSSELL 1000	6.31	16.28	6.31	30.06	14.56	13.27	1.22
DE Shaw							
TOTAL - Total	6.13	18.68	6.13	33.52	16.02	13.51	
TOTAL - Net Mgr	6.00	18.24	6.00	32.86	15.44	12.95	
RUSSELL 1000	6.31	16.28	6.31	30.06	14.56	13.27	
T Rowe Price							
TOTAL - Total	6.58	17.09	6.58	30.82	15.13	13.09	
TOTAL - Net Mgr	6.49	16.79	6.49	30.37	14.73	12.68	
S&P 500	6.35	16.44	6.35	30.20	14.76	13.20	
Barrow Hanley							
TOTAL - Total	6.13	13.93	6.13	29.54	13.20	12.82	
TOTAL - Net Mgr	6.01	13.56	6.01	28.97	12.69	12.31	
Russell 1000 Value Index	6.51	15.75	6.51	30.92	13.33	11.84	
BlackRock							
TOTAL - Total	7.92	16.04	7.92	24.57	10.34	11.12	
TOTAL - Net Mgr	7.80	15.64	7.80	24.00	9.83	10.60	
Russell 1000 Growth Index	6.11	16.80	6.11	29.19	15.79	14.73	
<b>US Equity - Small Cap</b>							
Jennison							
TOTAL - Total	4.51	10.15	4.51	26.98	13.63	15.43	
TOTAL - Net Mgr	4.30	9.50	4.30	25.97	12.84	14.58	
RUSSELL 2000	5.25	14.23	5.25	31.91	12.81	12.99	

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

### Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Calendar YTD	Fiscal Year	One Year	Two Year	Three Year	Five Year
The Boston Co							
TOTAL - Total	5.70	14.93	5.70	38.05	13.25	12.87	
TOTAL - Net Mgr	5.49	14.21	5.49	36.90	12.29	11.92	
RUSSELL 2000 VALUE	5.67	14.37	5.67	32.63	11.66	11.72	
Chartwell							
TOTAL - Total	5.65	14.75	5.65	36.49	17.15	18.69	2.76
TOTAL - Net Mgr	5.46	14.11	5.46	35.48	16.27	17.81	2.00
RUSSELL 2000 GROWTH	4.84	14.08	4.84	31.18	13.89	14.19	2.96
International Equity							
Baillie Gifford							
TOTAL - Total	8.64		8.64				
TOTAL - Net Mgr	8.52		8.52				
MSCI EAFE (GROSS)	6.98		6.98				
MSCI EAFE GROWTH GROSS (USD)	6.40	10.86	6.40	15.22	2.68	4.68	-3.88
Eaton Vance Management							
TOTAL - Total	6.51		6.51				
TOTAL - Net Mgr	6.51		6.51				
MSCI EMF	7.89		7.89				
Mondrian							
TOTAL - Total	5.71	7.00	5.71	11.69	2.77	3.62	-3.16
TOTAL - Net Mgr	5.67	6.86	5.67	11.49	2.61	3.43	-3.38
MSCI ACWI EX US VALUE (GROSS)	7.77	10.49	7.77	14.24	1.24	2.27	-3.96
Pyramis Asset Management							
TOTAL - Total	9.65		9.65				
TOTAL - Net Mgr	9.42		9.42				
MSCI ACWI ex US Small Cap Gross	8.64		8.64				



# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Calendar YTD	Fiscal Year	One Year	Two Year	Three Year	Five Year
<b>Fixed Income</b>							
Aberdeen							
TOTAL - Total	2.87	7.37	2.87	9.03	7.40	9.24	5.45
TOTAL - Net Mgr	2.80	7.15	2.80	8.73	7.10	8.94	5.18
Barclays Aggregate Bond	1.58	3.99	1.58	5.16	5.21	6.19	6.53
Pyramis							
TOTAL - Total	2.18	5.94	2.18	7.34	6.65	8.16	7.45
TOTAL - Net Mgr	2.13	5.79	2.13	7.14	6.45	7.98	7.27
Barclays Aggregate Bond	1.58	3.99	1.58	5.16	5.21	6.19	6.53
Western Asset							
TOTAL - Total	3.21	8.13	3.21	9.63	7.77	9.84	7.46
TOTAL - Net Mgr	3.13	7.89	3.13	9.31	7.46	9.54	7.18
Barclays Aggregate Bond	1.58	3.99	1.58	5.16	5.21	6.19	6.53
AG GECC							
TOTAL - Total	13.14	32.97	13.14	35.06	16.29		
TOTAL - Net Mgr	13.14	32.97	13.14	35.06	16.29		
Brigade Capital Mgmt.							
TOTAL - Total	4.74	12.18	4.74	15.90	10.77		
TOTAL - Net Mgr	4.74	11.95	4.74	15.52	10.25		
Barclays BAA Credit	4.40	9.50	4.40	12.46	8.60		
Brown Brothers Harriman							
TOTAL - Total	2.47	6.89	2.47	9.75	9.76		
TOTAL - Net Mgr	2.43	6.77	2.43	9.58	9.60		
Barclays Global Inflation Linked:US TIPS	2.12	6.25	2.12	9.10	9.49		
Franklin Templeton Investments							
TOTAL - Total	7.43	15.27	7.43	17.32			

## SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

### Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Calendar YTD	Fiscal Year	One Year	Two Year	Three Year	Five Year
TOTAL - Net Mgr	7.43	15.04	7.43	16.97			
Barclays Multiverse	3.38	5.14	3.38	5.57			
<b>Real Estate</b>							
Invesco RE							
TOTAL - Total	2.80	6.40	2.80	9.71	14.08	11.73	-0.84
TOTAL - Net Mgr	2.70	6.06	2.70	9.26	13.57	11.18	-1.32
NCREIF ODCE	2.77	8.39	2.77	11.61	14.89	12.19	-1.14
<b>Private Equity</b>							
Private Equity							
TOTAL - Total	-0.46	16.68	-0.46	6.39			
TOTAL - Net Mgr	-0.46	16.68	-0.46	6.39			
Private Eq Index	7.27	18.15	7.27	33.20	17.44		
<b>Risk Parity</b>							
AQR Global Risk Fund III							
TOTAL - Total	8.18	13.76	8.18	19.19			
TOTAL - Net Mgr	8.07	13.41	8.07	18.71			
Risk Parity Index	4.36	11.28	4.36	19.89			
<b>Hedge Fund</b>							
AQR Delta Fund II							
TOTAL - Total	0.57	2.60	0.57	5.21			
TOTAL - Net Mgr	0.32	1.83	0.32	4.17			
Hedge Fund Index	1.04	3.17	1.04	4.26			
<b>Commodity</b>							
SSgA Multisource Account							
TOTAL - Total	13.54	20.41	13.54	18.44			
TOTAL - Net Mgr	13.38	19.90	13.38	17.81			

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

Periods Ending September 30, 2012

## Performance Summary - Gross and Net of Manager Fees

	1 Qtr	Calendar YTD	Fiscal Year	One Year	Two Year	Three Year	Five Year
Commodities Index	9.69	5.63	9.69	5.99	2.97		

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Compliance Checklist

MANAGER	INDEX OUTPERFORMANCE						DATABASE BENCHMARK			MANAGER MEETING INVESTMENT PERFORMANCE EXPECTATIONS
	AFTER FEE VS. INDEX		BEFORE FEE VS. INDEX		RISK ADJUSTED (SHARPE RATIO)		MEDIAN			
	3 YEARS	5 YEARS	3 YEARS	5 YEARS	3 YEARS	5 YEARS	2 YEARS	3 YEARS	5 YEARS	
<b>BLACKROCK- R1000 INDEX FUND</b> Benchmark: R1000 Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<b>DW SHAW</b> Benchmark: R1000 Index	NO	N/A	YES	N/A	YES	N/A	NO	YES	N/A	YES
<b>T ROWE PRICE</b> Benchmark: S&P 500 Index	NO	N/A	NO	N/A	YES	N/A	YES	NO	N/A	YES
<b>BARROW HANLEY</b> Benchmark: R1000 Value Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
<b>BLACKROCK</b> Benchmark: R1000 Growth Index	NO	N/A	NO	N/A	NO	N/A	NO	NO	N/A	NO
<b>JENNISON</b> Benchmark: R2000 Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
<b>THE BOSTON COMPANY</b> Benchmark: R2000 Value Index	YES	N/A	YES	N/A	YES	N/A	YES	YES	N/A	YES
<b>CHARTWELL</b> Benchmark: R2000 Growth Index	YES	NO	YES	NO	YES	YES	YES	YES	NO	YES
<b>MONDRIAN</b> Benchmark: MSCI ACWI -ex US Index	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<b>ABERDEEN ASSET</b> Benchmark: BC Aggregate	YES	NO	YES	NO	YES	NO	YES	YES	NO	YES
<b>PYRAMIS GLOBAL ADVISORS</b> Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
<b>WESTERN ASSET</b> Benchmark: BC Aggregate	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
<b>INVESCO REAL ESTATE</b> Benchmark: NCREIF Property Index	NO	NO	NO	YES	N/A	N/A	YES	YES	YES	YES

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Performance Comparison

	July	Aug	Sept	3rd Qtr. 2012	Difference	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference
SIS	1.06%	3.85%	2.82%	7.92%		-3.10%		12.91%		11.85%	
BlackRock-R1000 Fund	1.06%	3.85%	2.82%	7.91%	0.01%	-3.10%	0.00%	12.91%	0.00%	11.85%	0.00%
Russell 1000 Index	1.34%	2.69%	1.96%	6.11%		-3.12%		12.90%		11.85%	
SIS	1.69%	2.01%	2.31%	6.13%		-3.50%		15.88%		12.51%	
D.E. Shaw	1.69%	2.01%	2.31%	6.13%	0.00%	-3.50%	0.00%	15.88%	0.00%	12.50%	0.01%
Russell 1000 Index	1.19%	2.43%	2.57%	6.31%		-3.12%		12.90%		11.85%	
SIS	1.34%	2.48%	2.62%	6.58%		-3.32%		13.63%		11.71%	
T. Rowe Price	1.34%	2.48%	2.57%	6.52%	0.06%	-3.33%	0.02%	13.64%	-0.01%	11.70%	0.01%
S&P 500 Index	1.39%	2.25%	2.58%	6.35%		-2.75%		12.58%		11.81%	
SIS	0.68%	2.64%	2.69%	6.12%		-3.86%		11.65%		13.70%	
Barrow Hanley	0.68%	2.65%	2.69%	6.13%	-0.01%	-3.86%	0.00%	11.66%	-0.01%	13.70%	0.00%
Russell 1000 Value Index	1.03%	2.17%	3.17%	6.49%		-2.20%		11.12%		13.11%	
SIS	1.06%	3.85%	2.82%	7.92%		-7.10%		15.74%		7.35%	
BlackRock	1.06%	3.85%	2.82%	7.91%	0.01%	-7.10%	0.00%	15.74%	0.00%	7.35%	0.00%
Russell 1000 Growth Index	1.34%	2.69%	1.96%	6.11%		-4.01%		14.69%		10.60%	
SIS	-1.46%	2.82%	3.14%	4.51%		-4.63%		10.52%		15.29%	
Jennison	-1.46%	2.80%	3.14%	4.48%	0.03%	-4.63%	0.00%	10.47%	0.05%	15.28%	0.00%
Russell 2000 Index	-1.38%	3.33%	3.28%	5.25%		-3.47%		12.44%		15.48%	
SIS	-1.42%	3.69%	3.41%	5.70%		-3.42%		12.58%		20.12%	
The Boston Company	-1.42%	3.69%	3.41%	5.70%	0.00%	-3.42%	0.00%	12.57%	0.01%	20.11%	0.01%
Russell 2000 Value Index	-1.02%	3.08%	3.56%	5.66%		-3.01%		11.59%		15.97%	
SIS	-2.00%	4.62%	3.05%	5.65%		-5.50%		14.94%		18.95%	
Chartwell	-2.00%	4.62%	3.05%	5.65%	0.00%	-5.51%	0.00%	14.93%	0.01%	18.95%	0.00%
Russell 2000 Growth Index	-1.74%	3.59%	3.00%	4.84%		-3.94%		13.27%		14.99%	
SIS	2.25%	2.72%	3.43%	8.64%							
Baillie Gifford	2.51%	2.58%	3.40%	8.73%	-0.09%						
MSCI EAFE Growth Index	1.72%	1.95%	2.61%	6.41%							

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Performance Comparison

	July	Aug	Sept	3rd Qtr. 2012	Difference	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference
SIS	0.21%	1.20%	5.03%	6.51%		-7.57%					
Eaton Vance Management	0.21%	1.20%	5.03%	6.51%	0.00%	-7.35%	-0.22%				
MSCI EM Market Index	2.02%	-0.29%	6.05%	7.88%		-8.77%					
SIS	0.18%	3.07%	2.38%	5.72%		-6.25%		7.96%		4.39%	
Mondrian	0.22%	3.07%	2.39%	5.77%	-0.05%	-6.28%	0.03%	8.01%	-0.05%	4.37%	0.02%
MSCI ACWI -ex US Value Index	1.03%	2.53%	4.03%	7.76%		-7.50%		10.83%		3.39%	
SIS	0.89%	3.85%	4.66%	9.65%		-8.60%					
Pyramis Global Advisors	0.89%	3.85%	4.66%	9.66%	-0.01%	-8.60%	0.00%				
MSCI ACWI -ex US Small Cap Index	0.59%	2.76%	5.10%	8.64%		-8.78%					
SIS	1.67%	0.51%	0.67%	2.87%		2.34%		1.99%		1.55%	
Aberdeen Asset	1.66%	0.50%	0.68%	2.86%	0.00%	2.38%	-0.04%	1.99%	0.00%	1.55%	0.00%
BC Aggregate Index	1.38%	0.07%	0.14%	1.59%		2.06%		0.31%		1.12%	
SIS	3.94%	4.72%	3.94%	13.14%		2.16%		15.04%		1.58%	
AG PPI Fund	3.94%	4.72%	3.94%	13.14%	0.00%	2.15%	0.00%	15.04%	0.00%	1.58%	0.00%
BC Aggregate Index	1.38%	0.07%	0.14%	1.59%		2.06%		0.31%		1.12%	
SIS	1.66%	0.15%	0.35%	2.17%		2.49%		1.16%		1.32%	
Pyramis	1.66%	0.15%	0.35%	2.17%	0.00%	2.49%	0.00%	1.16%	0.00%	1.32%	0.00%
BC Aggregate Index	1.38%	0.07%	0.14%	1.59%		2.06%		0.31%		1.12%	
SIS	1.67%	1.45%	1.55%	4.74%		1.79%		5.22%		3.32%	
Brigade Capital	1.67%	1.60%	1.45%	4.79%	-0.06%	1.85%	-0.06%	5.10%	0.11%	3.53%	-0.20%
BC BBB Credit	3.08%	0.29%	0.99%	4.40%		2.41%		2.43%		2.71%	
SIS	2.05%	-0.17%	0.58%	2.47%		3.43%		0.85%		2.68%	
Brown Brothers Harriman	2.03%	-0.17%	0.57%	2.44%	0.03%	3.43%	0.00%	0.90%	-0.05%	2.66%	0.02%
BC U.S Tips	1.90%	-0.29%	0.51%	2.12%		3.14%		0.86%		6.75%	

# SAN MATEO COUNTY EMPLOYEES' RET ASSOC

As of September 30, 2012

## Manager Performance Comparison

	July	Aug	Sept	3rd Qtr. 2012	Difference	2nd Qtr. 2012	Difference	1st Qtr. 2012	Difference	4th Qtr. 2011	Difference
SIS	2.05%	0.36%	0.77%	3.20%		2.28%		2.44%		1.40%	
Western Asset	1.94%	0.32%	0.75%	3.03%	0.17%	2.50%	-0.22%	2.38%	0.05%	1.58%	-0.18%
BC Aggregate Index	1.38%	0.07%	0.14%	1.59%		2.06%		0.31%		1.12%	
SIS	2.48%	2.22%	2.56%	7.44%		-1.34%		8.65%		1.78%	
Franklin Templeton Investments	3.07%	0.81%	3.17%	7.20%	0.24%	-1.34%	-0.01%	8.76%	-0.11%	1.83%	-0.05%
BC Multiverse	1.18%	0.91%	1.25%	3.38%		0.61%		1.09%		0.41%	
SIS				2.80%		1.70%		1.77%		3.11%	
INVESCO Real Estate				2.80%	0.00%	1.70%	0.00%	1.77%	0.00%	3.11%	0.00%
NCREIF NFI ODCE Index				2.70%		2.66%		2.82%		3.02%	
SIS	4.63%	1.38%	1.99%	8.18%		0.06%		5.08%		4.78%	
AQR Global Risk Premium III (Net)	4.59%	1.35%	1.96%	8.08%	0.10%	-0.04%	0.10%	4.98%	0.11%	4.67%	0.10%
40% R3000/ 60% BC Agg	1.15%	1.52%	1.63%	4.36%		0.08%		7.72%		7.73%	
SIS	3.32%	-1.05%	-1.63%	0.57%		2.03%		0.00%		2.55%	
AQR Delta Fund II (Net)	3.24%	-1.13%	-1.72%	0.31%	0.25%	1.78%	0.25%	-0.26%	0.25%	2.29%	0.25%
Libor + 4%	0.37%	0.36%	0.36%	1.09%		1.11%		1.05%		1.05%	
SIS	6.60%	5.18%	1.26%	13.53%		-2.73%		9.02%		-1.63%	
SSgA Multisource Commodity	6.60%	5.18%	1.26%	13.53%	0.00%	-2.73%	0.00%	9.02%	0.00%	-1.63%	0.00%
DJ UBS Commodity	6.47%	1.30%	1.71%	9.70%		2.06%		0.88%		0.34%	

## MARKET SUMMARY

### Equity Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
S&P 500	6.4	30.2	13.2
Dow Jones Industrial Average	5.0	26.5	14.5
NASDAQ	6.2	29.0	13.7
Russell 1000	6.3	30.1	13.3
Russell 2000	5.3	31.9	13.0
Russell 3000	6.2	30.2	13.3
MSCI EAFE (Net)	6.9	13.8	2.1
MSCI Emerging Markets (Net)	7.7	16.9	5.6
MSCI All Country World ex US	7.4	14.5	3.2

### Bond Markets

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
Barclays Capital Aggregate	1.6	5.2	6.2
Barclays Capital Gov/Credit	1.7	5.7	6.5
Barclays Capital Universal	2.0	6.4	6.7
Barclays Capital Corp. High Yield	4.5	19.4	12.9
CG Non-US World Govt.	4.0	3.5	4.0

### Non-Public Markets

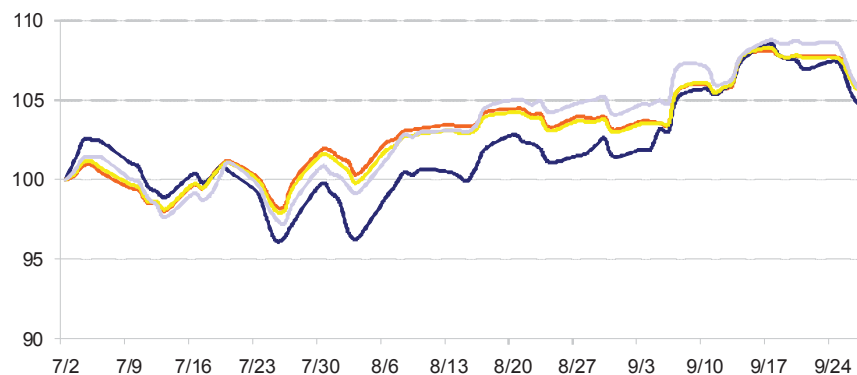
*lagged quarterly*

	<u>QTR</u>	<u>1 Year</u>	<u>3 Year</u>
NCREIF Property	2.7	12.0	8.8
State Street Private Equity Index	-0.6	2.1	14.2

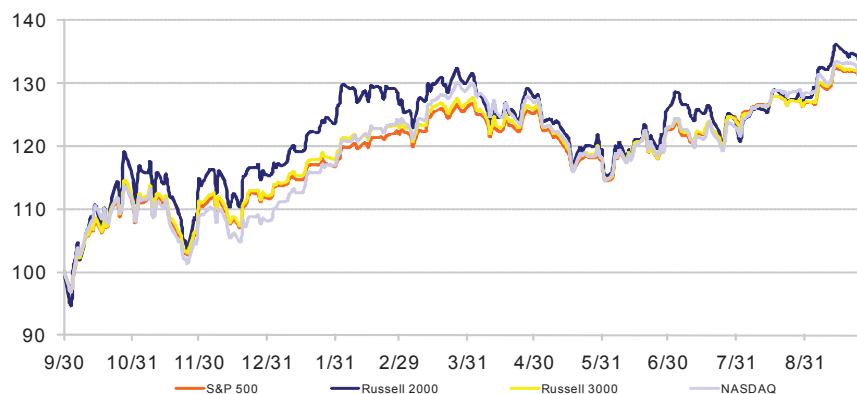
## U.S. Equity Market

- U.S. equities rose during the quarter as investors positioned themselves for more quantitative easing from the Federal Reserve.
- The S&P 500 outperformed during the quarter, returning 6.4% and boosting the yearly return to 30.2%. Small caps performed slightly less, returning 5.3%.
- Stronger economic data, with improving housing and labor market trends, led to improved investor sentiment and an increase in the Citigroup Economic Surprise Index, which measures the extent to which economic data deviate from forecasts.

### Equity Index – Quarterly Growth Rate



### Equity Index – 1-Year Growth Rate

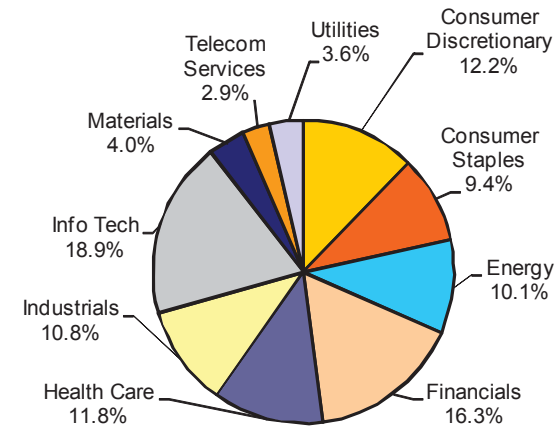




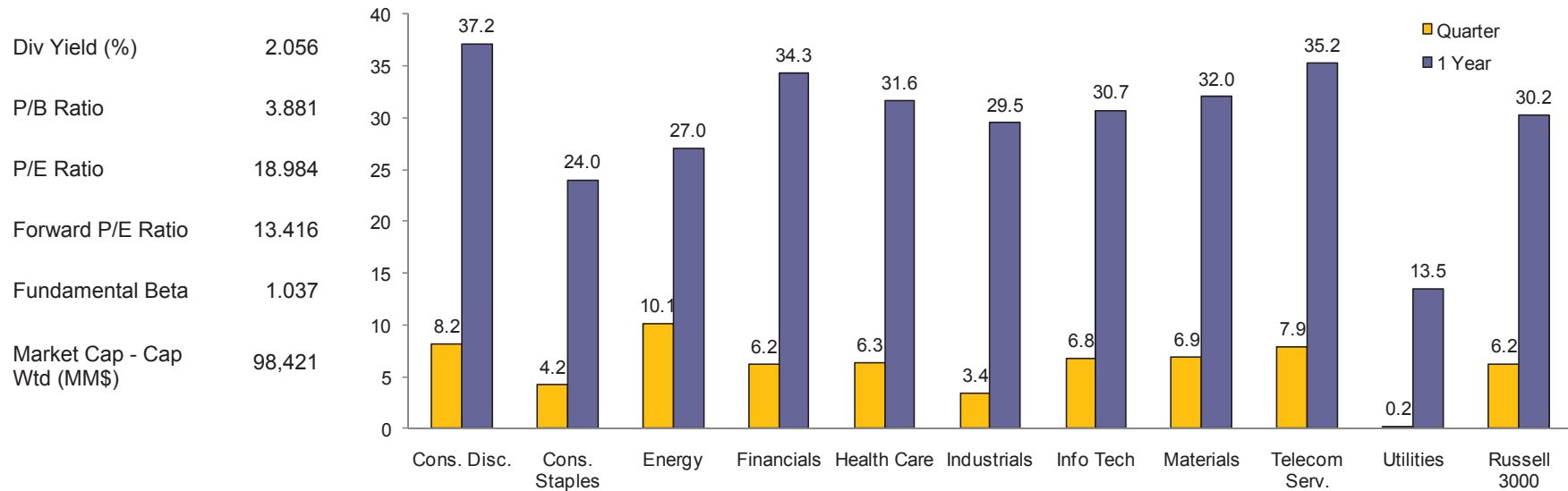
## U.S. Equity – Russell 3000

- Quantitative easing throughout the developed world helped improve the performance of higher beta sectors; the energy sector returned 10.1 percent in the third quarter, while consumer discretionary stocks rose 8.2%.
- The pickup in risk-seeking behavior left the more defensive utilities sector with only a 0.2% return in the third quarter.
- Overall, the Russell 3000 index returned 6.2% during the quarter, boosting the yearly return to 30.2%.

Ending Sector Weights



### Characteristics



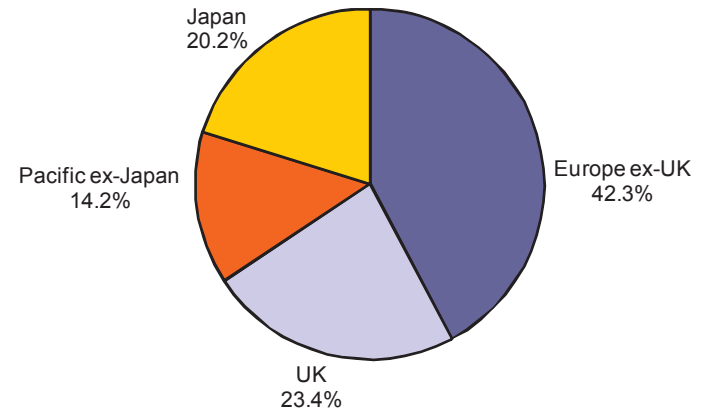
### Contribution to Return:

	Cons. Disc.	Cons. Staples	Energy	Financials	Health Care	Industrials	Info Tech	Materials	Telecom Serv.	Utilities	Russell 3000
Qtr	1.0	0.4	1.0	1.0	0.8	0.4	1.3	0.3	0.2	0.0	6.2
1 Year	4.3	2.4	2.8	5.1	3.8	3.2	5.7	1.2	1.1	0.6	30.2

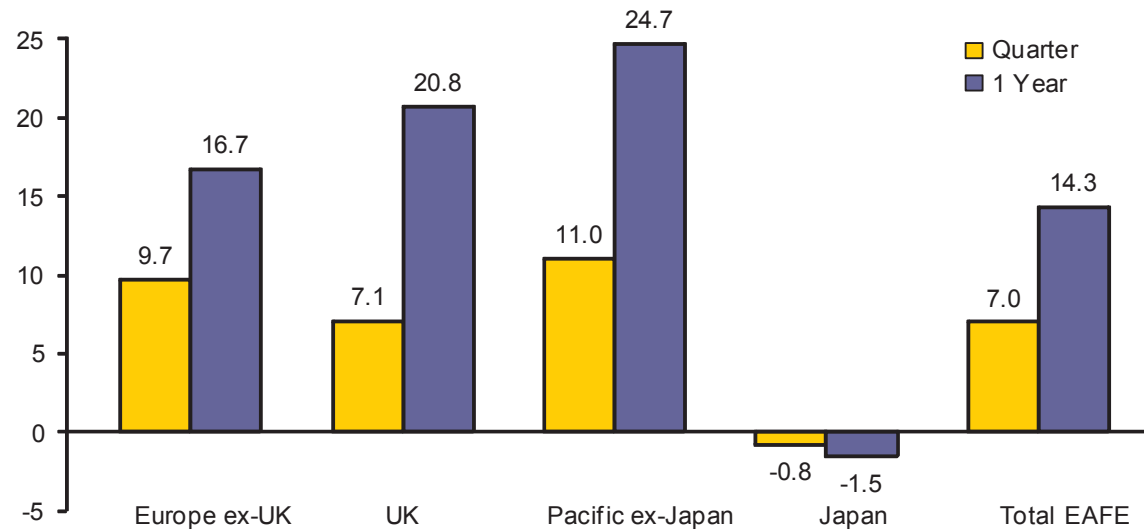
## Developed Equity – MSCI EAFE (Net)

- Quantitative easing throughout the developed world and accommodative fiscal policy in Asia helped boost sentiment across markets. Overall, the MSCI EAFE index increased 7.0% in the third quarter.
- Europe ex-UK equities increased 9.7% in the third quarter as the ECB announced its OMT program and the German Constitutional Court ratified the ESM, reducing fears of tail risks across the Eurozone.
- Pacific ex-Japan rose 11.0% in the 3<sup>rd</sup> quarter, boosted by policy action in China.
- Despite the JPY10trn expansion of the Asset Purchase Program by the Bank of Japan, the strong yen and export concerns continued to hamper equities in Japan, where stocks fell 0.8% in the third quarter.

Ending Regional Weights



Regional Returns (%)



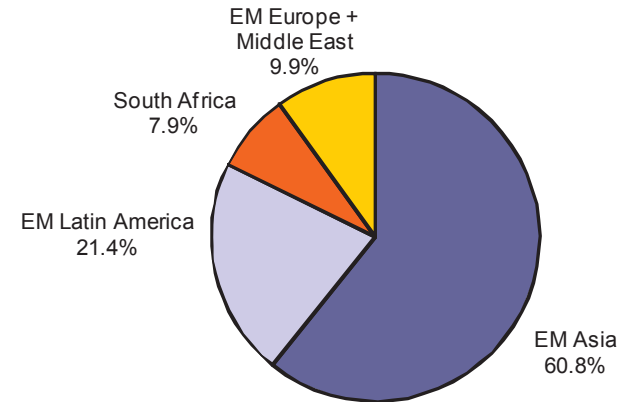
Contribution to Return:

Qtr	4.1	1.7	1.6	-0.2	7.0
1 Yr	7.1	4.9	3.5	-0.3	14.3

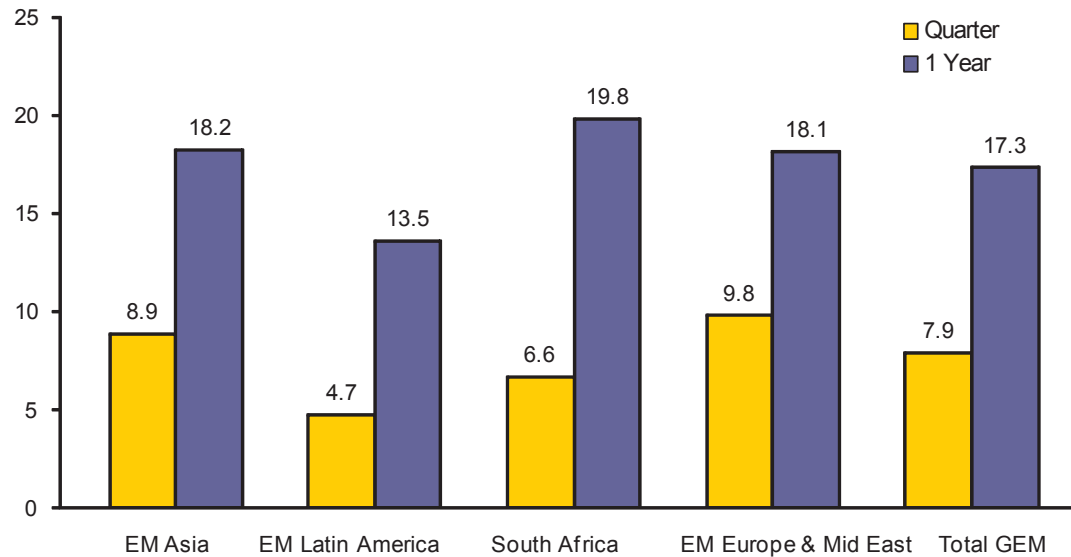
## Emerging Markets Equity – MSCI EM (Net)

- The decline in risk aversion after the Fed and ECB’s easing actions spilled over into the emerging markets, where the MSCI EM index rose 7.9% in the third quarter.
- On a regional basis, EM Europe and the Mid East outperformed, rising 9.8% in the third quarter as the ECB’s OMT program boosted sentiment.
- EM Asia rose 8.9% on a quarterly basis, boosted by Indian fiscal reforms and Chinese fiscal stimulus. In India, Prime Minister Singh announced a number of key policy measures, including a hike in subsidized fuel prices and steps to open up foreign investment and privatize government companies.

Ending Regional Weights



Regional Returns (%)



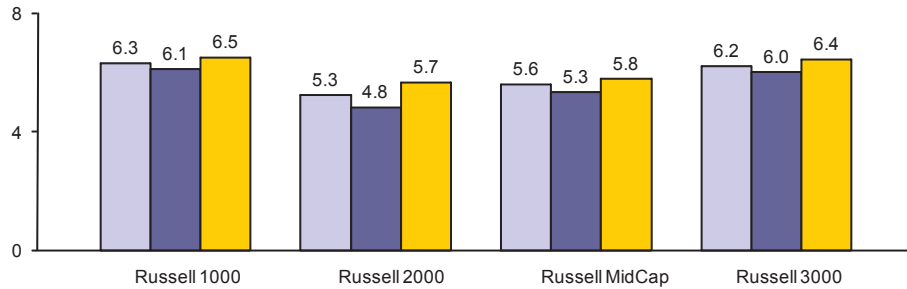
Contribution to Return:

Qtr	5.4	1.0	0.5	1.0	7.9
1 Yr	11.1	2.9	1.6	1.8	17.3

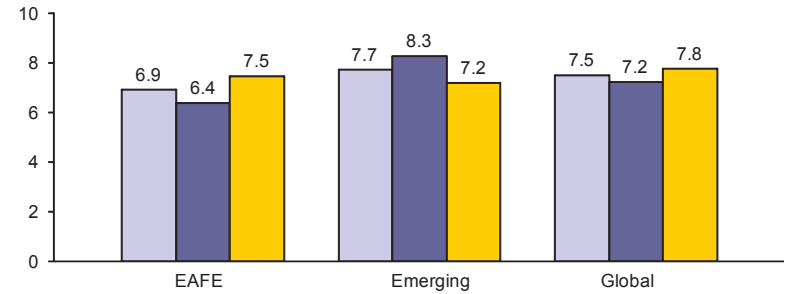
## Style & Capitalization Returns

- Emerging market equities posted gains in the third quarter as the outlook improved in the wake of QE3 and the ECB's OMT. Growth stocks in emerging markets outperformed, returning 8.3% in the third quarter.
- Value stocks in the U.S. outperformed across all capitalization bands.
- Overall, non-U.S. equities returned 7.5% in the third quarter.

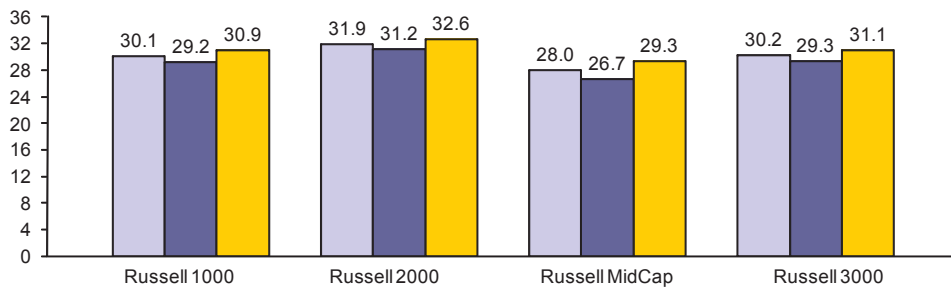
Russell US Style Returns (%) – Quarter



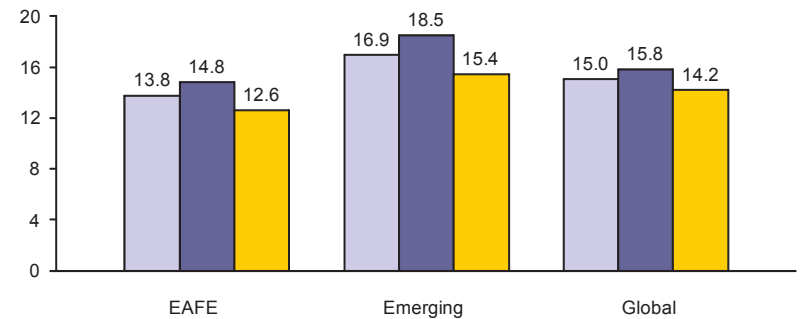
MSCI Non-US Style Returns (%) – Quarter



Russell US Style Returns (%) – 1 Year



MSCI Non-US Style Returns (%) – 1 Year

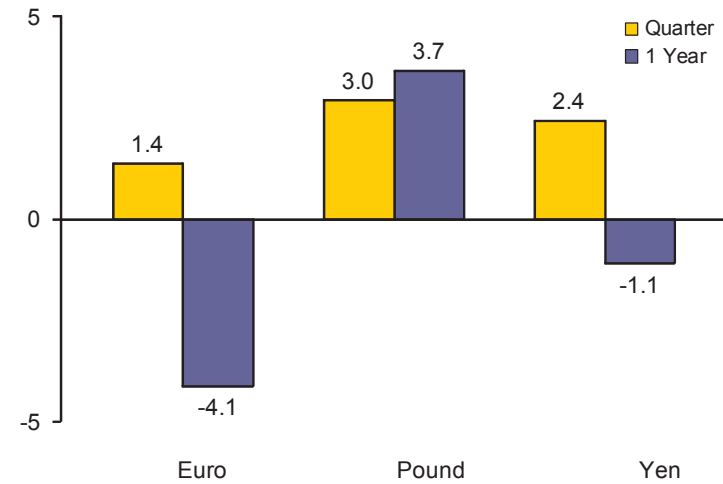


□ Neutral ■ Growth ■ Value

## Currency Markets

- The euro strengthened 1.4% in the quarter as fears of a Euro collapse was eased by the ECB's recent policy action and the German Constitutional Court's ruling.
- However, overall weak growth in the developed world led to continued purchases of the yen, which rose 2.4% in the 3<sup>rd</sup> quarter.
- The U.S. dollar trade-weighted index, which measures dollar's movement against a basket of currencies, fell 2.9% in the third quarter as investors took on more risk and positioned for QE3.

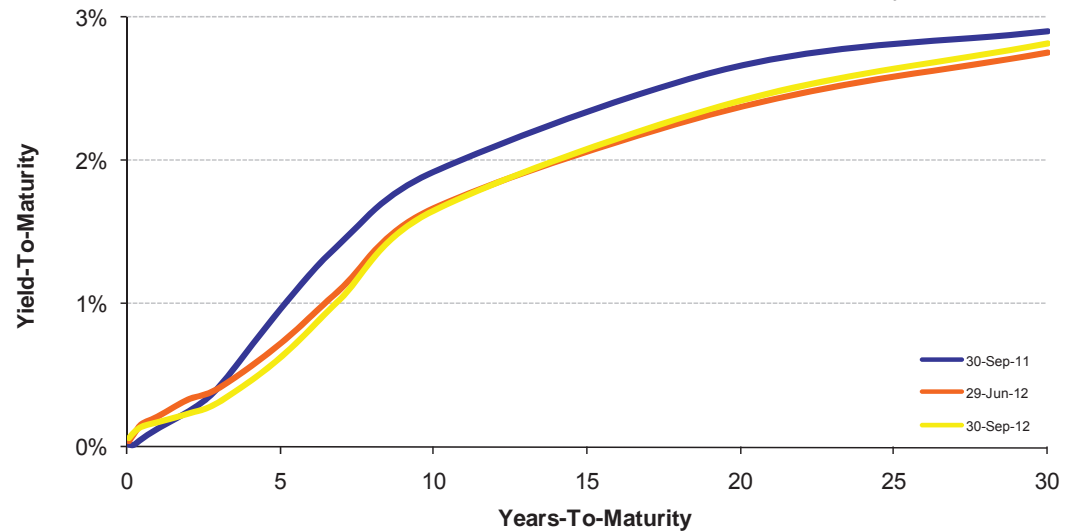
Currency Returns (%)



## Yield Curve

- Despite the Federal Reserve's extension of QE3 and Operation Twist, the long-end of the yield curve twisted upward, while rates at the short end fell slightly.
- Thirty-year yields rose six basis points, while rates for bonds with maturities between two and seven years fell between two and ten basis points.

INTEREST RATE TERM STRUCTURE  
Government Issues - 3 Months to 30 Years Maturity

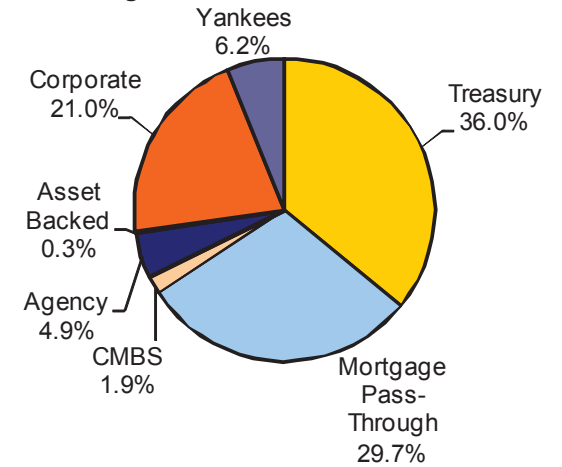


**BOND MARKETS**

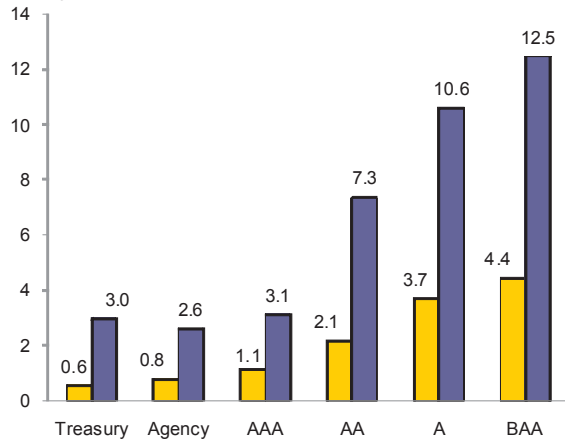
# U.S. Bond Market Returns – Barclays Capital Aggregate

- With risk aversion on the decline, investors sought returns further out the risk curve. Corporate bonds outperformed, returning 3.9% in the third quarter, while treasuries returned only 0.6%.
- Driven by further quantitative easing, mortgage pass-through securities returned 1.3% in Q3. In the wake of QE3, yields on U.S. Agency MBS hit record lows.
- Risk appetite also boosted CMBS returns, which yielded 3.3% in the third quarter.

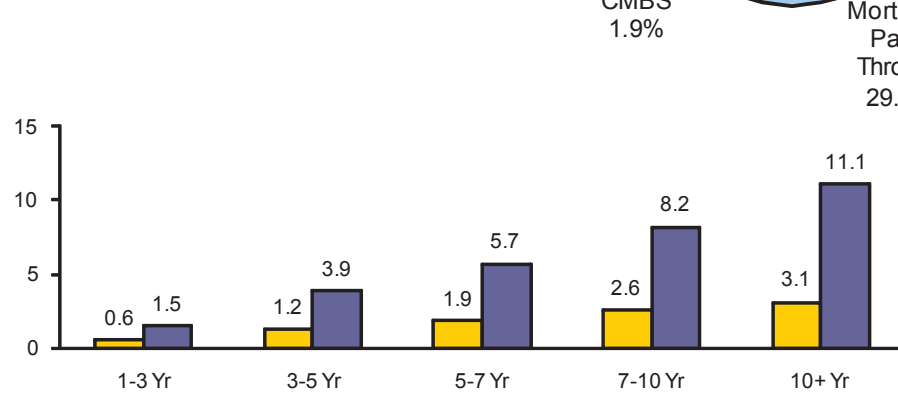
**Sector Weights**



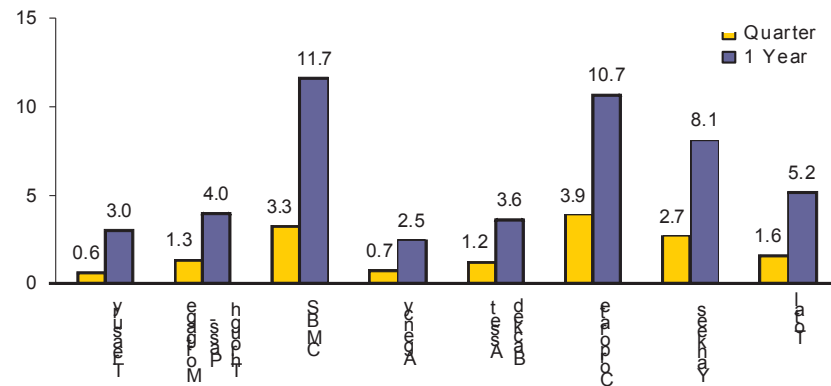
**Quality Performance (%)**



**Duration Performance (%)**



**Sector Performance (%)**



## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
91 Day T-Bill	Index	Composed of 91 day term treasury bills issued by the U.S. Government. Typically used as a benchmark for short-term investments.
Active Management Value Added	Equity	The value added to a portfolio by active management over a passive index investment. In equity performance attribution, it refers to the difference between the equity only and buy & hold return, representing the value added to the equity portfolio from the transactions occurring during the quarter.
Active Return	General	The difference between the manager's return and the benchmark's return. The active return reflects the manager's added value over the benchmark.
Allocation Index	General	Illustrates how the fund's actual asset allocation would have performed if it were invested in passive indices. The prior month's actual asset allocation from the composite fund is multiplied by the index returns for each manager's benchmark on a monthly basis to obtain the allocation index return for the quarter.
Alpha	General	The difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.
Annualized Rate of Return	General	The constant return needed each year of the period in question to provide the amount of wealth gained by the end of the period.
Average Market Capitalization	Equity	The position weighted average of all the securities' market capitalizations in the portfolio.
Average Life	Fixed Income	Market value-weighted average time to stated maturity for all securities in the portfolio.
Beta	Equity	The sensitivity of the rate of return of a portfolio or security to market fluctuations. A beta of .95 means that on average when the market moves X%, the portfolio (or security) will move X% * .95.
Buy & Hold Return	Equity	The return on the portfolio assuming the equity positions which were held at the beginning of the quarter were held throughout the quarter.
Citigroup Non-US World Gov't Bond Index	Index	This index is market value weighted and composed of the available market for domestic Government bonds in nine countries. It includes all fixed-rate bonds with a remaining maturity of one year or longer and with amounts outstanding of at least the equivalent of US \$25 million.
Composite Fund	General	A composite consisting of all of the plan's portfolios. Returns are calculated by aggregating each manager's market value and transactions.
Core Fixed Income Manager	Fixed Income	Core fixed income managers have a duration ranging from 80-120% of the Barclays Aggregate and focus on sector or individual bond selection to create portfolios.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Core Equity Managers	Equity	Core equity managers buy a mixture of value and growth stocks, without any strong style biases apparent. The most common benchmark is the S&P 500 Index.
Corporate Plan Universe	General	A total plan universe comprised of all Corporate Defined Benefit and VEBA plans in the ICC database. There are approximately 400 plans in this universe.
Country Selection	International	The excess performance that can be attributed to country allocation decisions.
Current Coupon	Fixed Income	Current annual income generated by the total portfolio.
Domestic Equity Composite	General	A composite consisting of all the fund's equity portfolios with U.S. equity mandates. Returns are calculated by aggregating each manager's market value and transactions.
Domestic Fixed Composite	General	A composite consisting of all the fund's fixed income portfolios with U.S. fixed income mandates. Returns are calculated by aggregating each manager's market value and transactions.
Duration	Fixed Income	A measure of a bond or bond portfolio's responsiveness to changes in interest rates, determined by the size and timing of future cash flows (interest, principal, and pre-payment of principal).
Endowment/Foundation Universe	General	A total plan universe comprised of all Endowment and Foundations in the ICC database. There are approximately 270 plans in this universe.
Equity Only Return	Equity	The total return of the equity positions in the portfolio.
Equity Segment Yield	Equity	The dividend yield of the entire equity portfolio.
Explicit Currency	International	The portion of the international portfolio performance attribution due to intentional currency hedging.
Five Year Earnings Growth	Equity	Represents the smoothed earnings growth rate of a firm (or portfolio) over the past 20 quarters.
Growth Equity Managers	Equity	Growth managers buy companies that are expected to have above average long-term growth earnings relative to the price of the stock. These stocks are usually selling at high price/book, high price/earning ratios.
High Yield Fixed Income Manager	Fixed Income	High yield managers invest in lower quality, higher yielding issues; generally companies who are experiencing financial difficulty or have limited financing means.
ICC	General	The State Street Bank/Independent Consultants Cooperative is formed by State Street Bank (formerly Deutsche Bank) and twelve independent consulting firms. As a member of the SSB/ICC, SIS uses the SSB/ICC software and database to provide performance measurement and analytical service to plan sponsors.
Implicit Currency	International	The portion of the international portfolio performance attribution due to the currency implicit in the country allocation compared to the benchmark's currency allocation.
Interest Rate Anticipator Fixed Income Manager	Fixed Income	Interest rate anticipators attempt to add value primarily through interest rate forecasting and adjusting the duration of the portfolio to respond favorably to the expected change in interest rates.



## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Intermediate Fixed Income Manager	Fixed Income	Intermediate fixed income managers invest in high quality issues with a duration that is 40-80% of the Barclays Aggregate.
International Equity Composite	International	A composite consists of all the fund's international equity managers. Returns are weighted by each manager's market value within the fund.
Barclays Aggregate Index	Index	Measures the total return of all major sectors of the domestic, taxable bond market (approx. 5400 fixed income securities). The index contains all the investment grade issues in the Barclays Capital Government/Corporate and the Barclays Capital Mortgage-Backed Securities Indexes.
Barclays Government/Credit Index	Index	A composite index consisting of all publicly issued, fixed rate, non-convertible, domestic debt of the U.S. government and domestic debt of the three major corporate classifications. The index is market capitalization weighted, and mortgages are excluded.
Long Fixed Income Manager	Fixed Income	Managers with portfolios having a duration greater than 120% of the Barclays Aggregate Bond Index.
Market Value	Equity	What the market is willing to pay for a specific amount of a security (or portfolio of securities). This is determined by multiplying the latest price of each stock (or bond) by the number of shares held.
Maturity - Return Decomposition	Fixed Income	Represents the amount of active return due to the spreads of different maturities of the same issue.
Median	General	Represents the fund (or manager) where half the universe has a higher return than the fund (or manager), and half has lower returns. By definition the median is the 50th percentile.
MSCI All Country World Index (ACWI) -ex US	Index	Composed of stocks of major non-US companies within the developed markets of Europe and Asia, 10% of the index is emerging markets. This index excludes all US issues.
MSCI EAFE	Index	Composed of approximately the top 60% of market capitalization of the stock exchanges of Europe, Australia, New Zealand and the Far East. The index is market capitalization weighted using U.S. dollars.
NCREIF (National Council of Real Estate Investment Fiduciaries National Property index)	Index	Composed of 2,231 investment grade, non-agricultural properties, including wholly-owned and joint venture investment of existing properties. All properties have been acquired on behalf of tax-exempt institutions and are held in a fiduciary environment.
Price/Earnings Ratio	Equity	The dollar price of a company divided by annual earnings per common share. The P/E ratio reflects the anticipated future earnings growth and is market capitalization weighted.
Policy Index	General	Represents the fund's asset allocation policy. Returns are calculated using index returns weighted by policy allocations.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
Price/Book Ratio	Equity	The relationship between a security's valuation by the market and the book value of assets reported. In terms of a portfolio, it is the market capitalization weighted value of all the securities within the portfolio.
Public Funds Universe	General	A total plan universe comprised of all State and Local government run pension plans in the ICC database. There are approximately 250 plans in this universe.
Quality	Fixed Income	Measures the market value weighted credit quality of the portfolio.
R-Squared	General	Indicates the proportion of the portfolio's returns that can be explained by its beta.
Return on Equity (ROE)	Equity	The earnings per share of a firm divided by the firm's book value per share. It is the return on the equity capital of a business. In terms of a portfolio, it is the market capitalization weighted ROE of all the securities within the portfolio.
Return Ranking	General	The percentile ranking of the return. For example, if a fund's (manager's) return rank is 5 then 5% of the funds in the universe had higher returns and 95% of the funds had lower returns.
Russell 1000 Equity Index	Index	The largest 1000 stocks of the Russell 3000 Index, representing approximately 92% of the total market capitalization of the Russell 3000 Index. The average market capitalization is approximately \$3.8 billion. The smallest company in the index has an approximate market capitalization of \$1350.8 million.
Russell 2000 Equity Index	Index	The smallest 2000 stocks of the Russell 3000 Index. The average market capitalization for this index is approximately \$900 million.
Russell 3000 Equity Index	Index	The largest 3000 common stocks of U.S. domiciled companies, with market capitalization adjustments for cross ownership and large private holdings.
Sector - Risk Decomposition	Fixed Income	Represents the amount of active risk within the fixed income portfolio attributable to investments in different sectors.
Security Selection	International	The effect the actual securities (net of country and currency attribution) have on a manager's performance compared to its benchmark.
Sharpe Ratio (Reward/Variability Ratio)	General	Measures the added return per unit of risk. Mathematically, it is the excess return of a portfolio divided by the standard deviation of the portfolio returns.
Short Fixed Income Manager	Fixed Income	Usually "cash" managers, the portfolio duration should be 0-40% of the Barclays Aggregate Bond Index.
Specific - Return Decomposition	Fixed Income	Represents the active return of the portfolio that cannot be explained by sector, rating, maturity, time or term. This return is specific to the bond itself.
Specific - Risk Decomposition	Fixed Income	Represents the active risk of the portfolio that cannot be explained by sector, rating, or term. This risk is specific to the bond itself.

## SAN MATEO COUNTY EMPLOYEE'S RET ASSOC

### Performance Report Glossary

TERM	CATEGORY	DEFINITION
S&P 500 (Standard & Poor's 500 Index)	Index	A composite index of 400 industrial, 40 financial, 40 utility and 20 transportation common stocks. The index is capitalization-weighted, so larger companies have a greater impact on the index.
Standard Deviation (Risk) Ranking	General	The percentile ranking of the risk inherent in the funds returns (standard deviation of the returns). For example, if the fund's rank is 5 then 5% of the funds in the universe have lower standard deviations (less risk) than the fund and 95% have higher.
Standard Deviation of Return (Risk)	General	Measures the range within which an actual return may deviate from the expected rate of return over a defined time period, or the amount of risk that you incur to achieve the expected return.
Term - Return Decomposition	Fixed Income	Represents the active return due to the term structure of fixed income instruments. It looks at the active return gained due to the cash flow structure of the portfolio and any interest rate movements.
Term - Risk Decomposition	Fixed Income	Represents the risk inherent in the portfolio due to the term structure of the underlying fixed income instruments. It looks at the active risk exposure due to the cash flow structure of the portfolio and any interest rate movements.
Time-Return Decomposition	Fixed Income	Represents the active return due to cash flows at different points on the term structure of a fixed income instrument.
Total Currency	International	The portion of the international portfolio performance attribution due to the total currency effect (implicit and explicit) of the portfolio.
Total Performance Attribution	International	The difference between the portfolio total return and the benchmark total return. It is the sum of attribution due to country selection, implicit currency, explicit currency, security selection and other.
Total Fund	General	A plan sponsor's composite portfolio. A plan sponsor may be defined as a corporate plan, public fund, trust, endowment, foundation, 401(k), Taft-Hartley, health & welfare, etc.
Total Fund Universe	Total Fund	This universe is an aggregation of institutional custodial data submitted by the ICC, selected regional banks, and the ICC consulting firms. The total fund universe contains an estimated 1,550 accounts. Specialty total fund universes are subset universes containing a plan sponsor type and/or size.
Total Rate of Return	General	Incorporates both realized and unrealized capital gains and losses, as well as total earnings from interest and dividends on a fund or plan.
Value Equity Managers	Equity	Value managers buy companies that are under-priced relative to the equity market in general. These stocks usually sell at low price/book and low price/earning ratios.
Yield to Maturity	Fixed Income	The rate of return that would be earned if all coupon payments on a bond held to maturity could be reinvested at the same rate as the coupon of the bond.

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

December 11, 2012

Agenda Item 6.5

**TO:** Board of Retirement  
*Lilibeth M. Dames*  
**FROM:** Lilibeth Dames, Investment Analyst  
**SUBJECT:** Report on the Annual Review of SamCERA's Private Equity Program

**Staff Recommendation:**

Staff recommends the Board review the report on SamCERA's Private Equity Program as of June 30, 2012.

**Background:**

As per SamCERA's Investment Policy, staff and consultant are charged with performing formal due diligence for each of the association's asset classes on an annual basis. The attached reports are associated with SamCERA's review of its allocation to private equity.

**Discussion:**

On November 20, 2012, SamCERA staff conducted an annual review of SamCERA's private equity program with Strategic Investment Solutions. The following individuals were present at the meeting:

<u>SamCERA Trustees</u>	<u>SamCERA Staff</u>	<u>Strategic Investment Solutions</u>
Lauryn Agnew	Michael Coultrip	Faraz Shooshani
Al David	Lili Dames	Patrick Thomas ( <i>via telephone</i> )

Faraz Shooshani discussed SamCERA's ongoing implementation of the asset class. He provided an overview of SIS' private equity team, manager selection, recommendation and diligence process. He also highlighted the relative benefits of making direct commitments to private equity funds versus fund-of-funds, citing cost savings, level of control over the manager selection process, and prevention of potential conflict of interest with fund-of-fund managers who may be incentivized to deploy assets too quickly, irrespective of opportunity.

Mr. Shooshani also provided accounting and performance detail for each of SamCERA's eight private equity partnerships. SamCERA has committed \$123 million to private equity managers as of June 30, 2012. Actual allocated capital was \$19 million and projected to reach \$33 million

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

(or 1.35% of SamCERA's total portfolio) by the end of 2012. The funds are diversified over various sub-asset classes, industries and vintage years. SamCERA's relative overweight to debt-related funds is intended to help mitigate the effects of the J-curve. Most of SamCERA's private equity funds returned negative net IRR's for the period, although the metric carries no significance at this early stage of implementation. IRR's will continue to remain negative for the next two or three years, as the funds mature. SIS' private equity roadmap indicates that the fund is scheduled to reach its 8.0% allocation target to private equity by the end of 2015.

Faraz Shooshani will be present to discuss the attached reports.

**Attachments:**

- A. SIS "Private Equity 101" Presentation
- B. SIS "Private Equity Review" Report
- C. SIS Private Equity Performance Track Record

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

December 11, 2012

Agenda Item 6.6

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Large-Cap Growth Manager Search - Update

**Staff Recommendation:**

Staff recommends that the Board recommend any changes to the attached Request for Information (RFI) and to approve the names of semi-finalist candidates to receive the RFI.

**Background:**

At the October 23<sup>rd</sup> Board meeting, the Board approved the timeline and selection criteria for identifying a new large-cap growth equity strategy. The timeline calls for SIS to screen for names that satisfy the selection criteria and provide a list of products passing the screen at the December Board meeting.

**Discussion:**

The attached memo identifies ten semi-finalist candidates that SIS has selected. The memo also contains product and performance summaries for each of these candidates. This list of ten candidates could be reduced to a smaller subset of semi-finalists to receive RFIs if that is the direction the Board would like to take.

**Attachments:**

- A. *Large Cap Growth Screening Memo and Performance Summaries*
- B. *SIS U.S. Large Cap Growth Equity Manager RFI2012*

# STRATEGIC INVESTMENT SOLUTIONS, INC.

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## MEMORANDUM

**To:** SamCERA  
**From:** SIS  
**Date:** November 29, 2012  
**Subject:** Large Cap Growth Search

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SIS conducted a search for a possible replacement for the Blackrock Fundamental Large Cap Growth strategy.

Please find below the screening criteria for the Large Cap Growth Equity Manager Search.

SIS began by screening the eVestment universe database for all managers with large cap growth equity products.

- 1) Create initial universe of open large growth products - 368 products;
- 2) Product has greater than \$600 million in strategy assets under management - eliminate 212 products;
- 3) Product has a track record of at least five years - eliminate 9 products;
- 4) Product appropriate for mandate (mid cap size bias, inappropriate style, concentration levels, products with retail focus) - eliminate 30 products;
- 5) Product demonstrates above median rank based on SIS' rolling risk adjusted return screening process – eliminate 59 products.

The screens listed above resulted in 58 potential candidates for a large cap growth equity assignment. Based on a qualitative review regarding quality of firm, type of organization, organizational stability, and quality of investment professionals, SIS recommends the following list of 10 semi-finalist candidates:

<b>FIRM</b>	<b>STRATEGY AUM \$</b>
1. Brown Advisory	\$8.4B
2. Delaware Investments	\$12.1B
3. HS Management	\$1.4B
4. Pyramis Global Advisors	\$4.8B
5. Sands Capital	\$21.9B
6. Stralem & Company	\$3.6B
7. T. Rowe Price	\$29.5B
8. TCW Group	\$5.7B
9. Wedgewood Partners	\$1.5B
10. Wellington Management	\$12.7B

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Andrew Jensen  
 Title: Associate  
 Phone/Fax: (415) 670-2931 / (415) 618-5302  
 Email Address: [andrew.k.jensen@blackrock.com](mailto:andrew.k.jensen@blackrock.com)

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	Russell 1000 Growth
Total Product Assets:	\$13,663.0
Total Product Accounts:	31
Product Offered As:	PF,SA
Investment Focus:	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$13,663.0	31	Separate/Segregated Assets	\$5,100.0
Total Taxable	\$7,734.0	0	Pooled/Commingled Assets	\$8,563.0
Total Tax-Exempt	\$5,930.0	0	Mutual Fund/Institutional Assets	\$0.0
Total Institutional	\$5,887.0	0	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	0	\$0.0	0.0 %	Current Quarter	3	\$550.0	4.0 %
2011	9	\$1,717.5	94.4 %	2011	2	\$72.1	3.7 %
2010	4	\$473.0	5.3 %	2010	0	\$0.0	0.0 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: ---  
 Current Number Of Holdings: 70  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: ---  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: Yes  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 1.8 %  
 Annual Turnover (LTM): ---  
 Current P/E (12-mo Trailing): 23.10x  
 Current P/B (12-mo Trailing): 3.90x  
 Current P/S (12-mo Trailing): 2.10x  
 Earnings Growth (Past 5 Yrs): ---  
 Weighted Avg. Mkt Cap (Mil): \$125,529  
 Median Market Cap (Mil): \$29,524

## Market Capitalization Breakdown

>\$50 Billion: 57.24 %  
 \$15-50 Billion: 27.12 %  
 \$7.5-15 Billion: 9.02 %  
 \$1.5-7.5 Billion: 6.62 %  
 \$750 Million-1.5 Billion: ---  
 \$400 Million-750 Million: ---  
 <\$400 Million: ---

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Frequency: Quarterly

Risk Index: Russell 1000 Growth  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns				Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
	Product	Benchmark	Excess							
1 Year	24.78	29.19	-4.41	---	---	---	---	---	---	---
2 Year	10.44	15.79	-5.35	---	---	---	---	---	---	---
3 Year	11.31	14.73	-3.42	20.85	-4.31	1.11	4.22	-0.81	0.54	
4 Year	8.15	10.34	-2.19	24.09	-2.20	1.04	4.44	-0.49	0.33	
5 Year	2.86	3.24	-0.38	23.20	-0.28	1.02	4.68	-0.08	0.10	
6 Year	5.91	5.77	0.15	21.38	0.16	1.03	4.51	0.03	0.21	
7 Year	5.94	5.80	0.13	19.91	0.13	1.02	4.29	0.03	0.21	
8 Year	6.91	6.51	0.40	19.07	0.31	1.03	4.10	0.10	0.26	
9 Year	7.48	6.62	0.86	18.35	0.75	1.03	3.93	0.22	0.31	
10 Year	---	8.41	---	---	---	---	---	---	---	
Since Inception (3/2003)	8.61	7.87	0.74	18.04	0.62	1.03	3.78	0.20	0.38	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	8.01	16.19	-8.13	20.60	37.89	-35.97	19.19	5.07	7.91
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	1.90	-0.61	-10.78	3.89	0.68	2.47	7.37	-4.01	2.65

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$50	\$275,000
Pooled/Commingled	Not Available	---	---
Institutional MFs	BFBGX	\$2	\$16,000

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$137,500	\$275,000	\$412,500	\$550,000
	55 bps	55 bps	55 bps	55 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	\$180,000	\$360,000	\$540,000	\$720,000
	72 bps	72 bps	72 bps	72 bps

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	1
	2010	0



### Investment Strategy

BlackRock's Fundamental Large Cap Growth Equity investment philosophy is based on the belief that two different types of stocks offer excess returns in the large cap growth universe over time: stable growth and opportunistic. Commitment to a disciplined balance of both types of stocks, identified through bottom-up research, is essential in producing consistent alpha. Flexibility to emphasize either stable growth or opportunistic stocks as market and economic conditions dictate enables us to excel in a wide variety of market environments. Finally, we believe that sizing individual positions according to conviction and risk contribution optimizes risk-adjusted returns.

The investment team focuses on publicly-traded US equity securities for companies with market capitalizations above \$2 billion. They begin with constituents of the Russell 1000® Growth Index and use the Beta 2 model to capture additional stocks outside the benchmark with desired characteristics. Large cap ADRs are also considered when permitted by clients. This process results in an investable universe of approximately 500 to 600 securities. Each portfolio manager and research analyst has significant sector experience and is responsible for covering their respective sectors within the universe.

Detailed internal fundamental research and analysis drives stock selection in the portfolio. In researching investment opportunities, analysts seek to identify companies that either exhibit stable growth or accelerating earnings. For stable growth companies, analysts utilize meetings with company managements, industry contacts, internally-developed sector-specific screens, and the insight of other BlackRock investment teams to identify those companies with steady historical earnings growth and attractive relative valuations. In opportunistic candidates, analysts look for accelerating earnings and rising earnings expectations. The team considers factors such as earnings momentum, estimate revisions and earnings surprise.

The team holds daily morning meetings. In this structured environment, discussions cover current holdings, buy/sell recommendations, new investment ideas, research findings, plus capital market and economic events. In addition, more informal stock-specific conversations occur throughout the day. The portfolio managers and analysts work in partnership to conduct fundamental analysis and generate new ideas. Each stock purchase is supported by an investment thesis. While the portfolio managers make the ultimate decisions on purchases and sales, the investment process is a collaborative effort and involves all team members.

### Screening Process

The investment team focuses on publicly-traded US equity securities for companies with market capitalizations above \$2 billion. They begin with constituents of the Russell 1000® Growth Index and use the Beta 2 model to capture additional stocks outside the benchmark with desired characteristics. Large cap ADRs are also considered when permitted by clients. This process results in an investable universe of approximately 500 to 600 securities.

They then employ proprietary screens to segment the universe into those companies that exhibit stable growth and those companies with accelerating earnings. Emphasizing their highest-confidence ideas, about 60-70% of each portfolio consists of companies that exhibit stable growth with the balance invested more opportunistically in companies with accelerating earnings. Sector weights are primarily a residual of their bottom-up investment approach.

In addition to proprietary screening tools, the team utilizes external databases. FactSet, Bloomberg, Baseline and BARRA provide company financial statement statistics, consensus earnings estimates, technical trading information, pricing history and current news.

### Portfolio Construction Methodology

Portfolios are constructed on a bottom-up basis. Typically, stable growth holdings will represent 60-70% of each portfolio; the remaining 30-40% will be invested in opportunistic holdings in companies with accelerating earnings. Utilizing the BARRA U3 model, holdings are ranked from highest to lowest on a risk-adjusted basis (based on expected tracking error) to ensure that the highest confidence ideas are emphasized appropriately in the portfolio. The result is a risk-adjusted, conviction-weighted portfolio of our best investment ideas.

Portfolios typically hold 60-80 positions, with approximately 30-40% invested in the top ten holdings. While sector weights are primarily a result of bottom-up stock selection, they are typically kept within 10 percentage points of benchmark sector weights. Individual positions do not exceed 5% at cost unless they constitute more than 3% of the benchmark. Portfolios are fully invested except for frictional cash. Typically, we expect annual turnover to range from 70 to 100%.

### Buy/Sell Discipline

As noted, the team focuses on companies with market capitalizations above \$2 billion. The investable universe is segmented into two distinct groups; securities are categorized as either stable growth or opportunistic. Stable growth candidates are typically mature companies that have demonstrated a pattern of steady earnings growth over time. Opportunistic candidates tend to exhibit earnings momentum or possess a catalyst for the company to accelerate earnings such as a product cycle or new management team.

The team incorporates consistent, yet flexible, buy and sell disciplines within the investment process. The discipline and value of the decision making process does not rely on the meeting of any exact mathematical hurdle or formula. Rather, it results from the thoroughness of the team's work as analysts. They focus intently on developing a clear investment thesis for each new stock purchase. This investment thesis summarizes the reasons the team believes a selection should be purchased for the portfolio and is based on catalysts and fundamental assessment.

The team applies the following criteria to potential buy candidates:

#### Stable Growth Holdings

- Demonstrate consistent earnings growth over 3-5 years
- Sustainable competitive advantages
- Strong management with a proven ability to execute
- Attractive relative and absolute valuation

#### Opportunistic Holdings

- Earnings momentum
- Above-consensus earnings
- Clear catalyst for near-term surprise

The team believes that the decision to sell is as important as the decision to buy, and carefully monitors portfolio holdings. The team will trim or sell a holding for one of four primary reasons. First, if the original investment thesis breaks down, they will quickly move away from the stock rather than look for other reasons to continue to own it. A deteriorating investment thesis could be due to a slowing growth rate, a loss of confidence in company management, or a company failing to accelerate earnings and provide earnings upside. Second, the team will trim or sell a position when valuation has increased significantly, resulting from dramatic price movement in an opportunistic holding or an unjustified premium for a stable growth holding. The third reason to sell is for portfolio construction and risk management: when a stock is performing well it may approach the maximum position size or contribute too much risk to the portfolio. Finally, the team may sell a stock if a more attractive opportunity has been identified.

## Brown Advisory Large Cap Growth - USA - SA - Composite

## Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Charlie Constable  
 Title: Director of Institutional Sales  
 Phone/Fax: 4105375405 /  
 Email Address: [cconstable@brownadvisory.com](mailto:cconstable@brownadvisory.com)

Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	Russell 1000 Growth
<b>Total Product Assets:</b>	\$8,341.1
<b>Total Product Accounts:</b>	139
<b>Product Offered As:</b>	PF,SA
<b>Investment Focus:</b>	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$8,341.1	139	Separate/Segregated Assets	\$6,292.0
Total Taxable	\$5,418.4	37	Pooled/Commingled Assets	\$23.4
Total Tax-Exempt	\$2,922.8	102	Mutual Fund/Institutional Assets	\$2,025.7
Total Institutional	\$8,341.1	139	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	14	\$337.0	6.0 %	Current Quarter	1	\$1.0	0.0 %
2011	49	\$1,353.5	34.4 %	2011	0	\$0.0	0.0 %
2010	24	\$1,582.0	134.4 %	2010	0	\$0.0	0.0 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: None  
 Current Number Of Holdings: 33  
 Foreign Securities Utilized: No  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 2.7 %  
 Annual Turnover (LTM): 20 %  
 Current P/E (12-mo Trailing): 21.99x  
 Current P/B (12-mo Trailing): 3.94x  
 Current P/S (12-mo Trailing): 2.10x  
 Earnings Growth (Past 5 Yrs): 22.61 %  
 Weighted Avg. Mkt Cap (Mil): \$67,343  
 Median Market Cap (Mil): \$16,131

## Market Capitalization Breakdown

>\$50 Billion: 23.96 %  
 \$15-50 Billion: 32.93 %  
 \$7.5-15 Billion: 24.77 %  
 \$1.5-7.5 Billion: 15.67 %  
 \$750 Million-1.5 Billion: 0.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	31.27	29.19	2.08	---	---	---	---	---	---	
2 Year	14.98	15.79	-0.81	---	---	---	---	---	---	
3 Year	17.34	14.73	2.61	20.85	1.08	1.11	4.30	0.61	0.83	
4 Year	14.55	10.34	4.21	25.59	3.23	1.10	4.72	0.89	0.56	
5 Year	7.22	3.24	3.98	24.12	3.93	1.07	4.93	0.81	0.27	
6 Year	9.89	5.77	4.12	22.13	3.80	1.06	4.48	0.92	0.39	
7 Year	9.85	5.80	4.05	20.64	3.69	1.07	4.29	0.94	0.39	
8 Year	10.28	6.51	3.77	19.53	3.37	1.06	4.08	0.92	0.43	
9 Year	9.79	6.62	3.17	18.76	2.81	1.05	4.00	0.79	0.43	
10 Year	11.71	8.41	3.30	18.49	2.76	1.06	4.00	0.83	0.54	
Since Inception (9/1996)	8.25	5.71	2.54	20.19	3.00	0.90	6.87	0.37	0.27	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	7.81	17.44	0.42	25.74	53.82	-36.00	12.25	15.71	5.18
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	1.70	0.64	-2.23	9.03	16.61	2.44	0.44	6.64	-0.09

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$5	---
Pooled/Commingled	Not Available	---	---
Institutional MFs	BAFGX	\$1	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$177,500	\$302,500	\$402,500	\$502,500
	71 bps	61 bps	54 bps	50 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	\$195,000	\$390,000	\$585,000	\$780,000
	78 bps	78 bps	78 bps	78 bps

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	1	26	16
Research Analysts:	16	18	7
Traders:	4	20	7

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0

## Investment Strategy

Brown Advisory's Large-Cap Growth Equity philosophy is based on the belief that concentrated portfolios of fundamentally strong businesses should generate returns in excess of the portfolio's index and the broad market, with an acceptable level of risk.

The success of our philosophy is based on a talented, highly collaborative investment team with a long-term outlook, performing deep investment research on a broad universe of stocks. This culminates in bottom-up company selection that strives to identify drivers of growth in the large capitalization universe. With conviction in our strict investment criteria and rigorous due diligence, we concentrate our portfolios in our best ideas, creating the potential for above-average returns. Our target objective is to exceed the returns of the strategy's benchmark, the Russell 1000 Growth Index, over a full market cycle (typically 3-5 years) on a risk-adjusted basis.

## Screening Process

The Brown Advisory Large-Cap Growth strategy follows a disciplined six step investment process. The process was developed based upon our investment objective to build a portfolio of fast growing companies where the total risk adjusted return of the portfolio is optimized to account for both expected EPS growth as well as valuation. The six steps of our process are 1) properly identifying a universe of securities, 2) generating ideas and paring down the universe into viable investment options, 3) conducting due diligence on the remaining securities through a more involved research effort, 4) making buy decisions, 5) constructing and optimizing the portfolio with our upside/downside price discipline and eventually 6) making sell decisions.

Our universe is derived from the broad universe of U.S. equities with market capitalizations generally greater than \$2 billion and business models capable of an absolute EPS growth rate of at least 14% over a full market cycle.

In reducing the FactSet universe of more than 3,000 stocks to a target group of closely watched companies, the investment team is seeking to identify companies with highly attractive, sustainable future earnings growth. Initial quantitative screening excludes companies with market capitalizations of less than \$2 billion and low growth companies that may be experiencing a brief period of high growth.

The remaining list of approximately 250 names is considered for further analysis. Common attributes of the companies selected for further research include: the existence of large and enduring market opportunities, experienced management, proprietary products or services, strong financial condition, and a culture that rewards innovation and is adaptable to change.

For further evaluation, members of the investment team take deeper steps into building a more comprehensive view of potential portfolio companies. In doing so, the team will visit companies to meet the management team, as well as leverage both industry contacts and members of the Brown Advisory professional network to learn more about specific companies and industry trends.

Within the due diligence phase of our process we take an "inside-out investing" approach to identifying real drivers of growth. This entails relying on our internal research to conduct bottom-up, fundamental research of companies to gain an unbiased view of how specific business models work. The investment team continues the research effort by conducting a competitive analysis and identifying the company's position in the market place. All of these steps are used as necessary inputs to building a financial model to evaluate both upside and downside price targets for each business in consideration.

This valuation framework is the core of our investment process and is continuously reviewed and challenged to ensure that only our best ideas with the greatest upside potential and least downside risk get into the portfolio.

## Portfolio Construction Methodology

### Portfolio Construction:

As fundamentally driven stock pickers, constructing a portfolio not only with our best investment ideas, but also weighting positions accordingly is essential to our alpha generation. To determine individual security weightings we use an upside/downside target methodology. Stocks with the greatest upside potential and least downside risk tend to be the largest positions in the portfolio. Other determinants of position size include growth rate and appreciation for the liquidity of the underlying stock. We generally do not own position sizes larger than 5% of the portfolio or smaller than 1.5%.

We do not have pre-defined industry or sector limitations. We believe in structuring portfolios to deliver the outcomes that we find desirable, rather than attempting to manage the portfolio to deliver those outcomes. This is a subtle difference, but it means that rather than just "filling" our sector and/or industry allocations with any company, we allow our diversified portfolio to come out of our fundamentally driven process, where allocations are invested in high growth businesses.

With that said, we do monitor diversions versus the benchmark. If our bottom-up investment approach leads to significant underweighting in a particular sector, we re-evaluate that sector to determine if there are any appropriate growth companies that fit our investment philosophy yet have eluded our screening process and should be reconsidered. As investors, we are benchmark aware rather than benchmark driven.

### Risk Management:

We think of risk in our portfolio as the ratio of the position-weighted upside potential of our stock holdings relative to its downside risk – with the goal of maximizing upside appreciation and limiting downside risk. Risk management is a core component of our active portfolio management process.

We diligently manage downside risk in a number of different ways. First and foremost, we run a concentrated portfolio with low turnover – illustrating our deep knowledge of our companies and owning companies with sound business models. Secondly our upside/downside price discipline drives our focus on the inherent value of the company. We evaluate both our upside and downside forecasts on a regular basis to ensure that we continue to hold securities that meet our initial investment thesis. As prices approach or reach either the upside or downside bound of our analysis, we take action to manage the portfolio accordingly. This active management approach ensures risk/reward optimization of the portfolio.

Finally, we are keenly focused on business model diversification. We evaluate the portfolio based on diversity of business models, end market exposure, and economic cyclicality. We have broad research capabilities that have coverage beyond the typical growth sectors.

Buy Decision:

The decision to purchase securities, and the corresponding weights in the portfolio, depends in part on following attributes:

1. Growth and Return Prospects

- ‡ Absolute high growth rates
- ‡ Proprietary products or processes
- ‡ Ability to sustain above-industry growth over the long-term
- ‡ History of outstanding growth

2. Price

- ‡ Emphasis on companies with an attractive return profile
- ‡ Patient on companies where valuation overstates the growth opportunity

3. Balance Sheet Quality

- ‡ High degree of financial flexibility

4. Strong Management

- ‡ Experience
- ‡ History of adding shareholder value

The decision to purchase a security, the timing of that purchase, the price paid, and the size of the position are at the discretion of the portfolio manager. Since the portfolio manager has been involved throughout the research process, he has the information needed to make these decisions in the context of the entire portfolio.

Sell Decision:

The decision to sell securities, whether completely liquidating the position or trimming the position depends in part on following attributes:

‡ The fundamentals of the underlying investment thesis are violated:

- The growth rate is impeded by competition or poor execution from management
- The strategy of the firm changes
- Management's ability to sustain growth at the company is compromised

‡ Market expectations create a valuation that considerably overstates the fundamentals of the company and is a "headwind" to total return.

‡ Alternative opportunities – in our concentrated portfolio of between 30-35 securities, we create competition for capital and fund new ideas from pre-existing names. We often refer to this as "Darwinian Capitalism."

Similar to the buy decision, the decision to sell a security, the timing, the price, and the size of the position are at the discretion of the portfolio manager.

Large-Cap Growth Equity - USA - SA - Composite

Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Tom Harvey  
 Title: Consultant Relations  
 Phone/Fax: 215.255.8697 / 215.255.1196  
 Email Address: [thomas.harvey@delinvest.com](mailto:thomas.harvey@delinvest.com)

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	Russell 1000 Growth
Total Product Assets:	\$12,177.4
Total Product Accounts:	59
Product Offered As:	SA,PF,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$12,177.4	59	Separate/Segregated Assets	\$10,466.5
Total Taxable	\$6,464.4	27	Pooled/Commingled Assets	\$44.5
Total Tax-Exempt	\$5,713.0	32	Mutual Fund/Institutional Assets	\$225.6
Total Institutional	\$9,682.5	52	Mutual Fund/Retail Assets	\$1,440.8

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	1	\$101.2	0.9 %	Current Quarter	0	\$0.0	0.0 %
2011	2	\$284.7	2.9 %	2011	6	\$332.2	3.3 %
2010	4	\$1,291.7	13.9 %	2010	6	\$522.4	5.6 %

Portfolio Characteristics

Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: Pure Growth  
 Current Number Of Holdings: 29  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: 0.0 %  
 Derivatives Utilized: No  
 Available Under Social Restrictions: No

Fundamental Characteristics

Current Cash Position: 1.4 %  
 Annual Turnover (LTM): 22 %  
 Current P/E (12-mo Trailing): 20.10x  
 Current P/B (12-mo Trailing): 3.17x  
 Current P/S (12-mo Trailing): 2.41x  
 Earnings Growth (Past 5 Yrs): 20.91 %  
 Weighted Avg. Mkt Cap (Mil): \$100,146  
 Median Market Cap (Mil): \$23,311

Market Capitalization Breakdown

>\$50 Billion: 34.33 %  
 \$15-50 Billion: 40.53 %  
 \$7.5-15 Billion: 19.58 %  
 \$1.5-7.5 Billion: 5.56 %  
 \$750 Million-1.5 Billion: 0.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	31.66	29.19	2.47	---	---	---	---	---	---	
2 Year	18.54	15.79	2.75	---	---	---	---	---	---	
3 Year	17.72	14.73	2.99	18.53	2.92	0.98	3.42	0.87	0.95	
4 Year	13.41	10.34	3.07	22.14	3.25	0.95	3.68	0.83	0.60	
5 Year	4.01	3.24	0.77	22.27	0.84	0.99	4.28	0.18	0.15	
6 Year	6.58	5.77	0.82	20.52	0.92	0.98	4.35	0.19	0.25	
7 Year	5.72	5.80	-0.08	19.24	0.06	0.99	4.54	-0.02	0.20	
8 Year	7.67	6.51	1.16	18.55	1.24	0.99	4.79	0.24	0.31	
9 Year	7.33	6.62	0.70	17.90	0.82	0.99	4.87	0.14	0.31	
10 Year	8.42	8.41	0.01	17.29	0.28	0.98	4.77	0.00	0.39	
Since Inception (3/2000)	0.65	-0.55	1.20	21.08	1.34	0.98	6.45	0.19	-0.08	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	6.55	17.62	8.86	14.91	44.03	-42.65	13.62	2.99	15.30
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	0.44	0.82	6.21	-1.80	6.82	-4.21	1.80	-6.08	10.03

Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$50	---
Pooled/Commingled	Open	\$1	---
Institutional MFs	DPLGX	\$1	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$187,500	\$350,000	\$487,500	\$625,000
	75 bps	70 bps	65 bps	63 bps
Pooled/Commingled	\$162,500	\$325,000	\$487,500	\$650,000
	65bps	65bps	65bps	65bps
Institutional MFs	\$160,000	\$320,000	\$480,000	\$640,000
	64 bps	64 bps	64 bps	64 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	4	0	0
Research Analysts:	5	0	0
Traders:	2	0	0

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0

# Delaware Investments

Large-Cap Growth Equity - USA - SA - Composite

## Investment Strategy

We are a concentrated growth equity manager.

Philosophically, we believe that superior returns can be realized through holding a concentrated portfolio of companies with superior business models and opportunities to generate consistent, long-term growth of intrinsic business value.

Concentration. In our view, portfolios should be constructed with a strong emphasis on the highest-conviction companies in a manager's coverage universe, i.e., we "play to win, not to avoid losing."

Consistent, long-term. We prefer to hold companies with steady, consistent business models and end markets, and to hold them for five years or more.

Intrinsic business value. While we, like other growth investors, invest with the expectation of attractive revenue and earnings growth from our companies, a company's cash economics – its returns on invested capital and its ability to generate free cash flow, i.e., its intrinsic business value – are key to our evaluation.

## Screening Process

### 1. Idea Sourcing:

- . Rely primarily on bottom-up idea generation
- . Well-defined investment criteria preclude most companies from consideration
- . Continuous pressure from new idea pipeline
- . Make little use of quantitative screens

### 2. Fundamental Change:

- . Disruption creates opportunity for growth and excess returns
- . Three primary forms: industry, product, and management

### 3. Advantaged Business Model:

- . Seek strong barriers to entry and sustainable competitive advantage
- . Returns on invested capital must be forecast to substantially exceed cost of capital
- . Evaluate from a business owner's perspective

### 4. Valuation / Validation:

- . Discounted cash flow (DCF) analysis based on conservative projections of cash economics and risk-adjusted discount rate
- . Seeking attractive absolute, not relative valuations
- . Accounting earnings must reconcile with cash economics
- . Investment thesis tested through iterative team process
- . Lead portfolio manager has ultimate decision authority

### 5. Portfolio Construction:

- . Positions are conviction-weighted, with risk overlay
- High return/low risk positions at 4 %
- Moderate return/low risk positions at 3%-4%
- High return/high risk positions at 2%-3%
- Maximum weight is approximately 8%
- . Concentrated portfolio: 25-35 holdings
- . Benchmark-aware but not benchmark-driven
- . Broad sector and industry diversification
- . Low turnover: 25%-35% expected in most years

### 6. Sell Discipline:

- . Better idea emerges from research "bench"
- . Portfolio construction considerations
- . Unexpected, negative fundamental change
- . Valuation becomes stretched

## Portfolio Construction Methodology

From a portfolio construction perspective, we are benchmark-aware but by no means benchmark-driven. To the extent an individual name or a sector was assigned a weight similar to that of the benchmark, it would very likely be a coincidence. We have access to industry-standard risk management tools but make very little use of them.

In our view, weighting individual names based on conviction, with a fundamental- and valuation-risk overlay, best serves clients. We start new positions at 2% - 5% weights: high return/low risk companies in the 4% -5% range, moderate return/low risk companies at 3% - 4%, and high return/high risk companies at 2% - 3%. Our mid-cap companies usually begin in the 2% - 3% range, often as a result of their business models being somewhat less mature and therefore having greater fundamental risk.

At the sector level, we prefer broad diversification, and within industries we will typically only hold one company (usually the leader or the eventual leader). Our annual portfolio turnover is generally expected to fall in the 25% to 35% range, reflecting our long investment horizon.

### Portfolio Construction Parameters

- . Individual securities are typically limited to a weight of approximately 8% at market
- . We have no explicit limit on sector weights, although we do not usually go above 33% in a sector
- . Our holdings range is from 25 to 35.
- . We typically will hold 2% - 3% cash. Our policy limit is 10%, which we expect to reach very infrequently. As we do not practice market timing, cash is generally transactional only.

### Buy Discipline

Once an interesting idea or theme has surfaced in our idea sourcing work, the relevant company is usually researched by two to three analysts working as a team. They emphasize three key areas in their analysis: the nature of the fundamental change the company is experiencing; how its business model is positioned to exploit the change; and whether the future cash economics it will likely generate validates its current stock valuation.

**Fundamental change.** In our view, positive change is required in order to create opportunities for growth. We tend to see change occurring in one of three primary areas: at the industry level, the product level, or in the management team. Early identification of this change typically creates a research "edge" over the Street, with commensurately more potential for generation of excess returns; this is perhaps the most salient element of our process.

**Superior business model.** We evaluate each company from the perspective of a business owner, rather than emphasizing just the attributes of its stock. We seek sustainable competitive advantages by analyzing companies in the Porter Five Forces framework, searching for dominance in products, market share, brand, network effects and low-cost models. The quantitative validation of competitive advantage is, in our opinion, the long-term generation of returns on invested capital in excess of the company's cost of capital. To that end, when evaluating management teams we closely scrutinize their capital allocation strategy.

**Valuation/validation.** In order to validate not only the market's valuation but also our qualitative investment thesis, we project each company's cash economics out over a five- to ten-year period, seeking attractive absolute valuations. In addition to helping to determine a range of fair value for the business, this analysis also highlights the company's key value drivers.

Further, the company's accounting earnings must reconcile with its cash economics; our inability to reconcile this relationship in part prevented us from owning several of the large growth companies which foundered in the early years of this decade.

Each company considered for purchase is discussed with the entire growth team, daily in the context of our morning meetings and monthly in our day-long investment meetings. Every idea deemed worthy of consideration is presented to the group for deliberation. Presentations typically include the following research materials:

- Investment thesis covering the three key criteria, as well as competitors, management compensation and an assessment of the company's fundamental risk (among other topics)
- Supporting slides (typically regarding the end market opportunity)
- Ten-year discounted cash flow model

As a supplement, we typically review a company's incentive structures, including the employee option program and its dilution impact.

In our view, spirited, intensive, title-free debate is the best way to determine the "truth" for each business being evaluated. Team members' performance is viewed as not only a function of their individual research effort but also their contribution to the debate on others' ideas. Ultimately, a broad team consensus tends to emerge on each new idea, but it is the lead portfolio manager's decision to purchase the stock or not, and if so, determine the portfolio weight.

### Sell discipline

Holdings are continually evaluated with regard to risk versus reward profile and are sold when the following conditions occur:

- A better idea is found, i.e., the stock is "crowded out" of the portfolio
- Unexpected, negative fundamental change, including change in management strategy
- Valuation becomes stretched past fair value as measured by our intrinsic value model
- Portfolio construction considerations

Concentrated Quality Growth Equity - USA - SA - Composite

Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Bart H. Buxbaum  
 Title: Partner, Director of Client Development  
 Phone/Fax: 212.823.0563 / 212.888.0066  
 Email Address: [bbuxbaum@hsmanage.com](mailto:bbuxbaum@hsmanage.com)

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	Russell 1000 Growth
Total Product Assets:	\$1,400.3
Total Product Accounts:	64
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$1,400.3	64	Separate/Segregated Assets	\$1,400.3
Total Taxable	\$204.4	28	Pooled/Commingled Assets	\$0.0
Total Tax-Exempt	\$1,195.9	36	Mutual Fund/Institutional Assets	\$0.0
Total Institutional	\$1,257.3	36	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	1	\$38.2	4.3 %	Current Quarter	0	\$30.9	3.5 %
2011	15	\$342.1	64.2 %	2011	3	\$23.8	4.4 %
2010	13	\$157.6	53.8 %	2010	0	\$0.3	0.1 %

Portfolio Characteristics

Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis:  
 Current Number Of Holdings: 24  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

Fundamental Characteristics

Current Cash Position: 1.0 %  
 Annual Turnover (LTM): 73 %  
 Current P/E (12-mo Trailing): 18.10x  
 Current P/B (12-mo Trailing): ---  
 Current P/S (12-mo Trailing): ---  
 Earnings Growth (Past 5 Yrs): ---  
 Weighted Avg. Mkt Cap (Mil): \$70,000  
 Median Market Cap (Mil): \$41,000

Market Capitalization Breakdown

>\$50 Billion: 38.00 %  
 \$15-50 Billion: 36.00 %  
 \$7.5-15 Billion: 14.00 %  
 \$1.5-7.5 Billion: 11.00 %  
 \$750 Million-1.5 Billion: ---  
 \$400 Million-750 Million: ---  
 <\$400 Million: ---

Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns				Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
	Product	Benchmark	Excess							
1 Year	41.20	29.19	12.02	---	---	---	---	---	---	---
2 Year	21.01	15.79	5.22	---	---	---	---	---	---	---
3 Year	19.40	14.73	4.67	16.74	5.91	0.88	4.77	0.98	1.15	
4 Year	13.85	10.34	3.51	21.22	4.02	0.91	4.45	0.79	0.64	
5 Year	7.07	3.24	3.83	20.38	3.97	0.89	5.57	0.69	0.32	
6 Year	---	5.77	---	---	---	---	---	---	---	
7 Year	---	5.80	---	---	---	---	---	---	---	
8 Year	---	6.51	---	---	---	---	---	---	---	
9 Year	---	6.62	---	---	---	---	---	---	---	
10 Year	---	8.41	---	---	---	---	---	---	---	
Since Inception (6/2007)	9.16	4.97	4.19	19.61	4.46	0.89	5.39	0.78	0.42	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	11.36	25.92	5.55	17.13	35.92	-34.49	---	---	---
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	5.25	9.12	2.91	0.42	-1.28	3.94	---	---	---

Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$10	---
Pooled/Commingled	---	---	---
Mutual Fund	---	---	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$225,000	\$400,000	\$525,000	\$650,000
	90 bps	80 bps	70 bps	65 bps
Pooled/Commingled	---	---	---	---
Mutual Fund	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	31	---
Research Analysts:	5	21	---
Traders:	1	8	---

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0



### Investment Strategy

HSMP specializes in concentrated quality growth equity portfolio management. HSMP invests client capital in a portfolio of generally between 20 to 25 quality growth equities. The Firm takes a multi-dimensional approach to portfolio construction, with a demonstrated ability and willingness to go across the growth continuum (from established growth franchises to those with higher growth potential), up and down the market capitalization scale, and around the globe.

Focus is a vital part of our investment process. HSMP devotes all resources and attention to one core product. All research and investment efforts are conducted for the sole benefit of its clients. A distinctive tenet of HSMP's investment process is the passion and the total immersion of its senior investment professionals. HSMP believes this collaborative and cohesive process drives successful investment performance and provides a rewarding, fulfilling relationship for its clients.

### Screening Process

HSMP's investment process begins with Idea Generation. HSMP capitalizes on the broad experience and knowledge base of its senior investment team. The members comprising this group have analyzed a vast range of companies and industries over four decades, and have lived through and gained experience from a variety of economic and markets cycles over the course of their investment careers.

In our quest for suitable investment candidates, HSMP seeks to identify quality business franchises with criteria that include: strong management teams; superior business models; sound balance sheets; high free cash flow characteristics; recurring revenue streams; pricing power; global platforms; new market opportunities; wide and defensible moats; and strong, albeit reasonably attainable, earnings prospects.

The businesses with sustainable competitive advantages vital to the attainment of our core objective – the delivery of superior returns by attaching client assets to a growing stream of high-quality earnings while employing discipline with targeted research and proven valuation tools – is a finite universe. Indeed, HSMP believes its investable universe consists of no more than several hundred companies that exhibit the characteristics it prizes. Investment candidates tend to reside in the Consumer Discretionary/Staples, Consumer/Business Services, Technology, Media, Healthcare, and Specialty Industrial sectors.

In addition to established, leading companies that HSMP has known for many years, the Firm constantly seeks to identify "up and coming" new candidates that meet the Firm's quality criteria largely within these sectors. Examples would include businesses possessing great assets and new leadership, companies that have been freed of legacy issues, franchises moving from niche markets to mainstream, and/or companies with exciting new products/services. Ideas with attractive investment potential are placed on the firm's Focus List.

The HSMP Focus List consists of 50 stocks, and is the next phase in its replicable investment process whereby an idea is formally integrated into a comparative valuation analysis. This analysis among its 50-stock Focus List allows HSMP to compare candidates on an apples-to-apples basis with respect to anticipated growth rates, appropriate discount rates, and reasoned valuation assumptions as measured in relative multiples to the market, free cash flow yields, and appraised present values.

Following the addition of a stock to its Focus List, HSMP conducts more intensive Targeted Research with a single goal: Proof of Concept. HSMP analyzes business models and evaluate long-term potential. The Firm utilizes technology to access publicly available information such as conference calls, SEC filings and Street research. HSMP's experienced senior investment team members identify the key determinants unique to each company required for the Firm to gain a more comprehensive understanding of the factors critical to the attainment of projected earnings growth. HSMP's work addressing what matters varies by company and/or industry and can include the following:

- Accessing industry contacts (customers/suppliers/vendors)
- Visiting companies and/or stores
- Attending trade shows and industry conferences
- Modeling specific profit enhancement initiatives

The next step in the investment process is its Valuation Discipline, in which HSMP evaluates relevant and proven metrics. HSMP analyzes a company's absolute and relative price/earnings ratio in the context of the level and duration of its organic growth rate. The P/E ratio is also examined relative to where the stock has sold in the past and to where it may sell in the future based on fundamental prospects. The quality of earnings is determined by focusing on free cash flow yields. HSMP also conducts an appraised present value analysis on each of the stocks on our Focus List.

The next step in HSMP's investment process is the Portfolio Decision. Should a company's fundamentals appear strong and validated by the Firm's proof of concept work, and HSMP finds the valuation of its shares attractive, it will initiate a position in a stock. The portfolio consists of 20 to 25 stocks. Individual position sizes typically range from 2% to 8% and HSMP typically invests incrementally, building positions over time with sensitivity to conviction and market conditions.

### Portfolio Construction Methodology

**Company Specific:** HSMP populates its Focus List with businesses it believes possess attractive models and offer a high level of transparency. HSMP then applies its best thinking to select those names from the Focus List that meet its objective of growing the earnings stream consistently over time and that can be purchased at attractive valuations. HSMP's orientation is toward companies that sell low ticket goods or services to the billions of consumers and businesses around the world, and which participate in stable developed profit pools as well as offering a presence in developing marketplaces. The products sold or services rendered tend to be relatively less cyclical in nature while the broad customer base provides diversification.

**Portfolio Centric:** HSMP's emphasis on growing the earnings stream places consistent upward pressure on portfolio performance. As well, the Firm's valuation discipline mitigates risk by providing a framework to help ensure that it does not overpay for the earnings stream. Our 20 to 25 stock portfolio allows us to get the benefits of diversification without the dilution of its best thinking. Position size is another means by which HSMP seeks to control portfolio risk. In addition, HSMP has found that active management has added value and mitigated risk over time for its clients. Historically, HSMP has been able to preserve capital better than the indices through difficult markets. HSMP understands the businesses it owns, and that places us in a good position to evaluate how those businesses are likely to perform and behave in varying market and economic cycles.

HSMP is discriminating with respect to the quality of the businesses it owns and the price it is willing to pay to realize the earnings stream HSMP prizes.

### Buy/Sell Discipline

HSMP views its clients' capital as scarce capital and each day the firm determines how best to apply that capital. Three considerations influence its Sell Discipline. First and foremost is fundamentals. A loss of confidence in a company's business model or its ability to realize the earnings stream in the manner and at the pace HSMP had anticipated is reason for it to sell out of the stock. A second reason HSMP would sell is tied to valuation. Should a stock look richly priced based on our valuation tools and growth assumptions, HSMP would typically sell a part or all of the position. Third would be a better investment opportunity, where the Firm's conviction level is stronger and its enthusiasm for the fundamentals is greater. A change in fundamentals typically results in a liquidation of the shares, whereas sales occasioned by valuation considerations and/or a better opportunity might be incremental in nature. To the extent HSMP finds situations where it believes a holding is moving ahead of itself or a more attractively positioned situation is emerging, HSMP will sell or trim a position so as to re-deploy the capital in a manner it believes will enhance returns over time and minimize risk in the process.

HSMP's buy and sell disciplines underscore the importance of managing a concentrated portfolio. With a hard cap of 25 portfolio holdings, and a Focus List of 50 names from which the firm's portfolio is comprised, decisions to add a name are often accompanied by a parallel decision to sell a name – the essence of active management.

Focused Large Cap Growth - USA - SA - Composite

Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Gregory Closek  
 Title: Account Executive - Consultant Relations  
 Phone/Fax: 401.292.7597 /  
 Email Address: [pyramis.consultant.support@pyramis.com](mailto:pyramis.consultant.support@pyramis.com)

Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	Russell 1000 Growth
<b>Total Product Assets:</b>	\$4,801.7
<b>Total Product Accounts:</b>	22
<b>Product Offered As:</b>	SA,CF
<b>Investment Focus:</b>	Long Only

Asset & Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$4,801.7	22	Separate/Segregated Assets	\$2,648.2
Total Taxable	\$1,288.8	5	Pooled/Commingled Assets	\$775.3
Total Tax-Exempt	\$3,512.9	17	Mutual Fund/Institutional Assets	\$244.0
Total Institutional	\$3,667.6	17	Mutual Fund/Retail Assets	\$1,134.2

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	1	\$210.4	6.0 %	Current Quarter	0	\$0.0	0.0 %
2011	6	\$203.9	0.5 %	2011	0	\$0.0	0.0 %
2010	6	\$1,462.6	117.0 %	2010	0	\$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis:  
 Current Number Of Holdings: 49  
 Foreign Securities Utilized:  
 Approach Towards Currency Hedging:  
 % Hedged Back to Local Currency:  
 % Max Allowed In Emerging Markets:  
 Derivatives Utilized: No  
 Available Under Social Restrictions: No

Fundamental Characteristics

Current Cash Position: ---  
 Annual Turnover (LTM): ---  
 Current P/E (12-mo Trailing): 15.26x  
 Current P/B (12-mo Trailing): 2.93x  
 Current P/S (12-mo Trailing): 1.84x  
 Earnings Growth (Past 5 Yrs): 15.19 %  
 Weighted Avg. Mkt Cap (Mil): \$138,737  
 Median Market Cap (Mil): \$40,988

Market Capitalization Breakdown

>\$50 Billion: ---  
 \$15-50 Billion: ---  
 \$7.5-15 Billion: ---  
 \$1.5-7.5 Billion: ---  
 \$750 Million-1.5 Billion: ---  
 \$400 Million-750 Million: ---  
 <\$400 Million: ---

Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	31.20	29.19	2.01	---	---	---	---	---	---	
2 Year	12.08	15.79	-3.71	---	---	---	---	---	---	
3 Year	11.08	14.73	-3.66	21.74	-5.11	1.16	4.35	-0.84	0.51	
4 Year	10.88	10.34	0.54	25.25	0.00	1.08	5.34	0.10	0.42	
5 Year	4.62	3.24	1.38	23.53	1.45	1.03	5.62	0.25	0.17	
6 Year	---	5.77	---	---	---	---	---	---	---	
7 Year	---	5.80	---	---	---	---	---	---	---	
8 Year	---	6.51	---	---	---	---	---	---	---	
9 Year	---	6.62	---	---	---	---	---	---	---	
10 Year	---	8.41	---	---	---	---	---	---	---	
Since Inception (6/2007)	6.46	4.97	1.48	22.52	1.46	1.03	5.36	0.28	0.24	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	8.32	15.96	-1.78	10.53	51.49	-32.41	---	---	---
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	2.21	-0.84	-4.42	-6.18	14.28	6.03	---	---	---

Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$50	\$375,000
Pooled/Commingled	---	\$5	\$35,000
Mutual Fund	---	---	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$212,500	\$375,000	\$487,500	\$600,000
	85 bps	75 bps	65 bps	60 bps
Pooled/Commingled	\$175,000	\$300,000	\$375,000	\$450,000
	70 bps	60 bps	50 bps	45 bps
Mutual Fund	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	2	19	5
Research Analysts:	204	---	---
Traders:	51	---	---

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	10
	2011	20
	2010	40
Professionals Lost	MRO	7
	2011	26
	2010	23

### Investment Strategy

The investment philosophy for the Pyramis Focused Large Cap Growth strategy is based on the principle of intrinsic value. It is our belief that the only logical approach to investing is to estimate the future cash generation of a business and then to discount those cash flows at an appropriate rate of return. Within this process we use financial metrics such as return of invested capital, return on equity, cost of capital, and other profitability metrics that help us identify those companies within their respective sectors that we feel exhibit substantial and sustainable growth at compelling valuations. The ultimate objective is to identify those companies with free cash flow growth not fully reflected in the price of their stock.

### Screening Process

The Focused Large Cap Growth portfolio management team employs a disciplined investment process that is self-contained, in that all of the investment ideas are generated by the investment team's screening techniques. The investment process begins and ends with the investment team, but in-between, there is a great deal of collaboration with the research teams at both Pyramis and Fidelity.

The process begins with idea generation, which focuses on a universe of securities consisting of all US equities with market capitalizations greater than \$1 billion. The majority of the idea generation is the result of a simple, multi-factor screening process that identifies companies with the general characteristics that the team believes are typical of an attractive investment. In addition, our fundamental, in-house company research has always been a key input to Pyramis' investment process and a source of idea generation. Investment ideas are not necessarily triggered by new buy ratings issued by our analysts; instead, they are more frequently a result of ongoing interaction with our research team.

After the initial screening process, the team utilizes Pyramis' integrated research and their own in-depth company and industry knowledge to develop well-informed assumptions about future business prospects of select groups of best ideas. The majority of the portfolio management team's time and resources are focused on this aspect of the process. The team works closely with the research team to gain in-depth understanding of each company believed to be a candidate for the portfolio. These assumptions are then used to build an intrinsic value model for every potential investment. This intrinsic value model provides a robust framework for understanding a company's ability to generate cash out beyond the typical investor's time horizon and provides a comprehensive view of what the team believes is the potential upside for every company. At any point in time, detailed models on between 125–175 companies are maintained by the portfolio management team.

Finally, the team discusses these portfolio candidates to determine whether or not they will be included in the portfolio. The process does not emphasize traditional static multiples or valuation factors. Instead, the team prefers to concentrate their analysis on valuing companies using their disciplined intrinsic value framework. Within this process, financial metrics such as return on invested capital, return on equity, cost of capital, and other profitability metrics are among the most important metrics.

### Portfolio Construction Methodology

#### Portfolio Construction

The portfolio construction process is a disciplined approach that allows the most efficient transfer of investment ideas into the portfolio while maintaining strict adherence to a predetermined set of portfolio parameters. The portfolio construction process ensures that the portfolio will not experience style drift and will not take on undo and undesired risks.

The portfolio is constructed of 45–55 stocks. This allows the team to include only their best ideas and yet have enough flexibility to control risk. The portfolio managers add securities to the portfolio in initial weightings of 100, 200, or 300 basis-point overweights. Exact position sizing within the portfolio is a function of upside to intrinsic value, relative risk of the individual security, and its impact on the overall portfolio's desired risk and style parameters. All securities in the portfolio are overweight their respective benchmark weights.

#### Applicable Risk Management for this Process

The Focused Large Cap Growth strategy has clearly defined risk constraints. Before a trade is made in the portfolio, the team runs "what-if" scenarios with the proposed trades to ensure that the portfolio will be within the prescribed risk constraints. The team utilizes sophisticated portfolio construction tools to aid in this process. Sector weights are constrained to within  $\pm 10\%$  of the benchmark (Russell 1000 Growth Index) weight. Typical sector tilts for the strategy historically have been 2%–4%, with the highest level being 6%. The strategy controls its risk parameters so that the majority of the risk budget is spent on stock selection and not sector selection.

We typically measure portfolio risk in terms of predicted tracking error. We also pay close attention to the sources of our tracking error. We continuously decompose our risk into broad sources: asset selection, common risk factors, and industry exposure. We attempt to maintain greater than 65% of our risk from our asset selection, with the balance from industry and a minimal amount from common risk factor exposures.

We evaluate risk on an ongoing basis using our proprietary risk management platform, Portfolio Monitor, which provides real-time risk measurement and analysis to the portfolio managers. The result of this analysis is incorporated into the management of the discipline in order to ensure that the active return is being generated by stock selection and the portfolio is not impacted by unintended risk.

In addition, Pyramis employs a risk management team which works with all of Pyramis' investment disciplines and is broadly supported by our quantitative research and investment analytics teams.

Portfolio Monitor's and our risk management systems key features include:

- Real-time risk analysis and measurement
- Trade allocations and portfolio replication
- Portfolio risk stress testing: "what-if" scenarios
- Monitoring portfolio exposures to multiple factors
- Return attribution vs. indexes and multiple factors
- Multiple scenario analysis: single and multiple trades

### Buy/Sell Discipline

Steve Balter and Chris Galizio are the ultimate decision makers for the Focused Large Cap Growth strategy. Each is tasked with performance responsibility within certain sectors and is given reasonable autonomy over decisions in each sector given the overall style and risk constraints imposed on the portfolio. Ultimately, all decisions are discussed among the two portfolio managers but a great deal of weight is placed on the opinion of the individual responsible for the sector in which the decision is being made.

The purchase criteria are that the stock must have sufficient upside to intrinsic value and when added to the portfolio must allow the portfolio to remain within the desired risk and style parameters.

The sell criteria for the Focused Large Cap Growth strategy is met when a stock has reached its fair value and other opportunities are more attractive. Additionally, it may also be met when the original thesis upon which the stock was purchased has been undermined and the investment in the particular company is no longer warranted.

## Select Growth Equity - USA - SA - Composite

## Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Luke C. Iglehart  
 Title: Director of Consultant Relations  
 Phone/Fax: 703 562 4000 / 703 562 4006  
 Email Address: [lglehart@sandscap.com](mailto:lglehart@sandscap.com)

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	Russell 1000 Growth
Total Product Assets:	\$21,985.4
Total Product Accounts:	683
Product Offered As:	SA,PF
Investment Focus:	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$21,985.4	683	Separate/Segregated Assets	\$14,529.1
Total Taxable	\$8,651.5	436	Pooled/Commingled Assets	\$1,245.0
Total Tax-Exempt	\$13,333.9	247	Mutual Fund/Institutional Assets	\$2,894.9
Total Institutional	\$19,918.4	212	Mutual Fund/Retail Assets	\$3,316.4

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	13	\$209.3	1.4 %	Current Quarter	9	\$117.1	0.8 %
2011	62	\$733.9	4.8 %	2011	34	\$162.8	1.1 %
2010	36	\$225.9	1.5 %	2010	57	\$355.3	2.8 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: Pure Growth  
 Current Number Of Holdings: 27  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 1.2 %  
 Annual Turnover (LTM): 18 %  
 Current P/E (12-mo Trailing): 30.20x  
 Current P/B (12-mo Trailing): 5.05x  
 Current P/S (12-mo Trailing): 4.00x  
 Earnings Growth (Past 5 Yrs): 23.20 %  
 Weighted Avg. Mkt Cap (Mil): \$120,000  
 Median Market Cap (Mil): \$27,794

## Market Capitalization Breakdown

>\$50 Billion: 41.11 %  
 \$15-50 Billion: 40.69 %  
 \$7.5-15 Billion: 16.90 %  
 \$1.5-7.5 Billion: 1.30 %  
 \$750 Million-1.5 Billion: 0.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Frequency: Quarterly

Risk Index: Russell 1000 Growth  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	36.66	29.19	7.47	---	---	---	---	---	---	
2 Year	22.39	15.79	6.61	---	---	---	---	---	---	
3 Year	22.24	14.73	7.50	22.12	5.02	1.14	6.92	1.08	1.00	
4 Year	18.46	10.34	8.12	29.03	6.30	1.22	9.24	0.88	0.63	
5 Year	8.31	3.24	5.07	28.89	5.22	1.26	9.26	0.55	0.27	
6 Year	10.38	5.77	4.61	26.41	3.97	1.24	8.94	0.52	0.34	
7 Year	8.58	5.80	2.77	24.84	2.11	1.25	8.96	0.31	0.27	
8 Year	9.48	6.51	2.97	23.92	2.00	1.26	8.85	0.34	0.32	
9 Year	10.27	6.62	3.65	22.73	2.71	1.23	8.60	0.42	0.37	
10 Year	12.64	8.41	4.23	21.88	2.94	1.21	8.26	0.51	0.50	
Since Inception (6/1992)	12.22	7.52	4.70	23.28	3.91	1.14	7.59	0.62	0.39	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	8.36	25.68	3.01	27.22	72.23	-48.38	19.73	-5.22	10.99
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	2.25	8.88	0.37	10.51	35.02	-9.94	7.92	-14.30	5.73

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$25	\$187,500
Pooled/Commingled	---	---	---
Institutional MFs	---	---	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$187,500	\$375,000	\$500,000	\$625,000
	75 bps	75 bps	67 bps	63 bps
Pooled/Commingled	---	---	---	---
Institutional MFs	---	---	---	---

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	18	12
Research Analysts:	16	11	7
Traders:	4	13	5

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	1
Professionals Lost	MRO	0
	2011	0
	2010	0

## Investment Strategy

Our growth-oriented investment philosophy is rooted in the belief that over time common stock prices will reflect the earnings growth of the underlying businesses. We act on this belief by:

- Identifying great wealth-creating businesses using a fundamental, bottom-up, business-focused research approach
- Constructing a concentrated, high conviction, benchmark agnostic portfolio of 25-30 businesses
- Maintaining a long-term investment horizon and ignoring shorter-term market volatility, as evidenced by an annual portfolio turnover since the firm's inception of less than 20%.

We believe that over a full market cycle this prudent, time-tested investment philosophy will result in significant value added over the benchmark.

## Screening Process

**The People**  
Fundamental, bottom-up, company-focused research is at the heart of Sands Capital's investment process. All research analyses and conclusions are internally generated using a variety of internal and external data sources. At the core of the Sands Capital decision making process is an 8-member Investment Team consisting of Frank M. Sands, Jr., CFA (CIO & CEO), Frank M. Sands, Sr., CFA (Chairman), and 6 senior investment professionals who are the Global Sector Heads: Thomas M. Ricketts, CFA, David E. Levanson, CFA, A. Michael Sramek, CFA, T. Perry Williams, CFA, Sunil H. Thakor, CFA and John K. Freeman. This group is supported by a broader Research Team that includes an additional 11 research analysts and 11 research associates.

In terms of implementation, investment research originates at the Sector Team level. The 6 covered sectors are Health Care, Industrials, Energy, Consumer, Financial Services, and Technology. Each of these Sector Teams is comprised of the sector head plus 2-4 additional Research Team members with varying research responsibilities. This structure enables vital initial "vetting" conversations to occur in a small group setting, amongst individuals familiar with a variety of industries. Once an idea is fully vetted at the Sector Team level it is elevated to the Investment Team, where a final vetting process occurs. Each of these groups--the entire 30-member Research Team, the 6 Sector Teams and the Investment Team--meet weekly as part of our rigorous ongoing research efforts.

**The Process**  
Sands Capital's research begins with a quantitative search to identify growing companies. This process results in an initial universe of approximately 250-300 companies, participating in growing sectors of the economy usually advanced technology, financial services, health care, branded consumer and energy. Companies are selected for inclusion in the universe if they have above average historical and projected sales and earnings growth, as well as the potential for significant wealth creation.

Each Sector Team then uses seven qualitative success factors designed to identify the true leader(s) within the most promising sector(s):

1. Creating growth drivers: new products/services and entering new markets
2. Developing and anticipating important industry trends
3. Creating competitive barriers
4. Gaining market share
5. Building financial muscle to weather adverse periods and fund new opportunities
6. Displaying superior management ability
7. Applying technology to add value

The Sector Teams use a variety of sources to make these assessments, including company financial reports, SEC filings, published reports from industry experts, street research provided by broker/dealers, non-published Sands Capital commissioned reports from industry experts, and direct contact with company managements, suppliers, customers, and industry observers. Companies that pass through the leader screen are added to the Leader List, which typically contains 80 to 100 companies across 15 to 20 industries.

When a Sector Team can demonstrate that a company on the Leader List is likely to meet the six key criteria, that company is placed on the New Opportunities List. Companies on this list are then subjected to the same intensive research as companies already in the portfolio.

To ultimately be included in client portfolios, a company must meet all the following six key criteria:

1. Deliver sustainable above-average earnings growth over the next 3-5 years.
2. Has significant competitive advantages.
3. Has a leadership position or proprietary niche.
4. Demonstrates a clear sense of purpose and mission in an understandable business.
5. Exhibits financial strength.
6. Is rationally valued relative to comparable companies, the market, and the business prospects for that particular company.

The Sector Teams are responsible for determining whether a company meets all of the above criteria. Each investment case starts with an internal projection of the 3-5 year earnings growth rate. Key drivers of that growth are identified, and the rationale for sustainability is articulated. In addition to building a proprietary earnings model, the investment case also typically includes key metrics by which the company can be measured, any specific risks or unresolved issues relating to the company, as well as the hypothetical "sell case" for the company.

The entire vetting process can last from several weeks to several months, during which additional questions are asked and answered (if possible), and additional information is gathered. When all key issues have been addressed and resolved, and the business is deemed to successfully meet the six key criteria, the case for potential investment is presented to the Investment Team. This additional layer of vetting results in more pointed and focused discussions on the merits of the business.

Ultimately, with consensus from the Investment Team, the portfolio management decision making team (comprised of three senior members of the Investment Team, Frank M. Sands Jr., CFA, Thomas M. Ricketts, CFA and T. Perry Williams, CFA) determines the execution decisions of initial weighting, timing and funding source and adjusts the model portfolio. Portfolio managers then utilize this model portfolio to manage groups of similar portfolios and insure that the holdings across Select Growth portfolios remain uniform.

## Portfolio Construction Methodology

Sands Capital seeks to place in client portfolios the leading 25 to 30 companies in the most attractive growth industries. While only up to 30 companies are owned in client portfolios, normally these companies participate in approximately 50 unique and attractive business spaces. The firm believes this business space metric is more valuable and relevant than broadly defined sectors and thus risk is mitigated by owning the leading and dominant businesses in a diversified array of business spaces.

The portfolio's sector allocations are a residual effect of Sands Capital Management's bottom-up, fundamental approach rather than dedicated allocations to particular sectors. The six key investment criteria do lead to a focus on key growth sectors: healthcare, technology, financial services, energy and consumer discretionary.

We define and manage risk from the perspective of a business owner. Our primary focus is balancing the prospects for sustained growth in earnings with the risk of undesirable business outcomes. Our investment team seeks to identify, reduce, and control risk by assessing each business in the portfolio based on our six investment criteria:

- Sustainable and above-average earnings growth
- Leadership position in a promising business space
- Significant competitive advantages/unique business franchise
- Clear mission and value-added focus
- Financial strength
- Rational valuation relative to the market and business prospects

We also consider portfolio diversification based on sector and industry exposure. Finally, while we quantify the portfolio's traditional measures of risk relative to the benchmark on a monthly and quarterly basis (e.g., standard deviation, Beta, R2, etc.), this information has no role in the investment process itself.

To ultimately be included in client portfolios, a company must meet all the following six key criteria:

1. Deliver sustainable above-average earnings growth over the next 3-5 years.
2. Has significant competitive advantages.
3. Has a leadership position or proprietary niche.
4. Demonstrates a clear sense of purpose and mission in an understandable business.
5. Exhibits financial strength.
6. Is rationally valued relative to comparable companies, the market, and the business prospects for that particular company.

The Sector Teams are responsible for determining whether a company meets all of the above criteria. Each investment case starts with an internal projection of the 3-5 year earnings growth rate. Key drivers of that growth are identified, and the rationale for sustainability is articulated. In addition to building a proprietary earnings model, the investment case also typically includes key metrics by which the company can be measured, any specific risks or unresolved issues relating to the company, as well as the hypothetical "sell case" for the company.

The entire vetting process can last from several weeks to several months, during which additional questions are asked and answered (if possible), and additional information is gathered. When all key issues have been addressed and resolved, and the business is deemed to successfully meet the six key criteria, the case for potential investment is presented to the Investment Team. This additional layer of vetting results in more pointed and focused discussions on the merits of the business. Ultimately, with consensus from the Investment Team, the portfolio management decision making team (comprised of three senior members of the Investment Team, Frank M. Sands Jr., CFA, Thomas M. Ricketts, CFA and T. Perry Williams, CFA) determines the execution decisions of initial weighting, timing and funding source and adjusts the model portfolio. Portfolio managers then utilize this model portfolio to manage groups of similar portfolios and insure that the holdings across Select Growth portfolios remain uniform.

We have a three-pronged sell discipline. At Sands Capital Management, companies are typically sold for one of the following reasons:

- Deterioration in fundamentals
- Slowing Growth/Maturing Business
- Opportunity cost

Sector Teams constantly track the specific business metrics of a company and maintain a "hypothetical sell case" (i.e. a range of scenarios, including extended valuation, under which the position would be sold). Absent new information which would require immediate and direct action, changes to the investment thesis are developed within Sector teams and ultimately, with significant input from the Sector Heads, our portfolio management decision making team decides whether a company should be reduced or eliminated from the portfolio.

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Andrew Jay Eras  
 Title: Vice President  
 Phone/Fax: 212.888.8123 / 212.888.8152  
 Email Address: [ajeras@stralem.com](mailto:ajeras@stralem.com)

Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	S&P 500
<b>Total Product Assets:</b>	\$3,593.0
<b>Total Product Accounts:</b>	412
<b>Product Offered As:</b>	SA,PF
<b>Investment Focus:</b>	Long Only

Asset & Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$3,593.0	412	Separate/Segregated Assets	\$3,230.0
Total Taxable	\$1,487.0	186	Pooled/Commingled Assets	\$0.0
Total Tax-Exempt	\$2,106.0	226	Mutual Fund/Institutional Assets	\$363.0
Total Institutional	\$3,336.0	232	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	0	\$39.0	1.1 %	Current Quarter	5	\$255.0	6.9 %
2011	14	\$228.1	6.4 %	2011	26	\$128.9	3.7 %
2010	52	\$437.0	14.5 %	2010	19	\$75.0	2.4 %

Portfolio Characteristics

Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: S&P 500  
 Secondary Style Emphasis: GARP  
 Current Number Of Holdings: 30  
 Foreign Securities Utilized: No  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

Fundamental Characteristics

Current Cash Position: 3.7 %  
 Annual Turnover (LTM): 30 %  
 Current P/E (12-mo Trailing): 15.00x  
 Current P/B (12-mo Trailing): 2.62x  
 Current P/S (12-mo Trailing): 1.60x  
 Earnings Growth (Past 5 Yrs): 6.20 %  
 Weighted Avg. Mkt Cap (Mil): \$121,430  
 Median Market Cap (Mil): \$71,350

Market Capitalization Breakdown

>\$50 Billion: 62.10 %  
 \$15-50 Billion: 34.20 %  
 \$7.5-15 Billion: 3.60 %  
 \$1.5-7.5 Billion: 0.10 %  
 \$750 Million-1.5 Billion: ---  
 \$400 Million-750 Million: ---  
 <\$400 Million: ---

Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns				Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
	Product	Benchmark	Excess							
1 Year	22.88	29.19	-6.31	---	---	---	---	---	---	---
2 Year	12.75	15.79	-3.04	---	---	---	---	---	---	---
3 Year	12.36	14.73	-2.37	14.30	1.12	0.75	5.84	-0.41	0.86	
4 Year	7.12	10.34	-3.22	19.62	-1.47	0.82	7.05	-0.46	0.35	
5 Year	3.61	3.24	0.37	18.13	0.80	0.78	7.55	0.05	0.16	
6 Year	5.87	5.77	0.11	16.70	1.12	0.78	6.89	0.02	0.27	
7 Year	5.90	5.80	0.09	15.56	1.15	0.78	6.44	0.01	0.26	
8 Year	7.71	6.51	1.19	14.83	2.41	0.78	6.38	0.19	0.39	
9 Year	8.88	6.62	2.26	14.20	3.59	0.76	6.67	0.34	0.50	
10 Year	9.33	8.41	0.92	14.05	2.70	0.76	6.73	0.14	0.54	
Since Inception (3/1992)	11.55	7.17	4.38	14.56	6.53	0.65	10.07	0.44	0.58	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	4.94	9.88	8.81	10.82	21.50	-27.44	13.58	10.67	13.52
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	-1.17	-6.92	6.17	-5.89	-15.71	10.99	1.77	1.60	8.26

Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$5	---
Pooled/Commingled	---	---	---
Institutional MFs	STEFX	---	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$180,000	\$305,000	\$430,000	\$555,000
	72 bps	61 bps	57 bps	56 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	\$245,000	\$490,000	\$735,000	\$980,000
	98 bps	98 bps	98 bps	98 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	2	32	32
Research Analysts:	4	21	21
Traders:	2	10	10

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO 0 2011 0 2010 0	0 0 1
Professionals Lost	MRO 0 2011 0 2010 0	0 0 0

# Stralem & Company Incorporated

Large Cap Equity Strategy - USA - SA - Composite

## Investment Strategy

The investment philosophy of the Large Cap Equity Strategy is predicated on the belief that there are four types of market environments. We believe that there are two types of bull markets and two types of bear markets with each characterized by momentum and valuation factors. Market environments affect portfolio structure so it is critical to identify and anticipate changing market environments.

We structure portfolios into two sectors and five categories. The two sectors are Up Market stocks and Down Market stocks. Up Market stocks are comprised of three categories that typically lead the market when the market is rising. They are New Industries, New Products and Dominant Firms. Down Market stocks are two categories of stocks that have historically preserved capital in a down market. They are companies that have a Low Ratio of Price/Cash Flow and those that have a High Dividend Yield. We take a long term view of portfolio structure and do not change it very often. Also, we will always hold at least 50% of our portfolio in the Up Market stocks and will vary the allocation to the Down Market stocks depending on where we are in the market cycle.

We use a bottom-up approach in selecting stocks and populating the structure of the portfolio. Security selection begins with the identification of "well-managed" or high quality companies within the S&P 500 with a minimum market capitalization of \$4 billion. We look for those companies that have consistently met our specific fundamental criteria over time, e.g. consistent long-term earnings growth, high level of earnings purity, strong margins, strong management and leadership in industry. We apply a diligent balance sheet and cash flow analysis to those equities that pass our well-managed criteria.

We have consistently used our investment discipline to manage the US Large Cap Equity Strategy (US LCES) since our founding over 40 years ago. There are several unique features to our investment approach that add value over time. Our Large Cap Equity Strategy has for decades delivered strong investment premiums to its benchmark during both up and down markets with a great deal less volatility. It has achieved this by being disciplined and dynamic while navigating a market cycle.

## Screening Process

The stock universe for the strategy is the S&P 500. The initial screening process involves identifying fundamental criteria that merit a company's inclusion as a "well managed company". We look for those companies that have consistently met our specific fundamental criteria over time, e.g. consistent long-term earnings growth, strong margins and leaders in industry.

## Portfolio Construction Methodology

Market and Down Market, and then further divided into five categories. Up Market stocks are comprised of three categories that typically lead the market when the market is rising. They are New Industries, New Products and Dominant Firms. Down Market stocks are comprised of two categories of stocks that have historically preserved capital in a down market: Low Ratio of Price/Cash Flow and High Dividend Yield. We will always hold at least 50% of our portfolio in the Up Market stocks and will vary the allocation to the Down Market stocks depending on where we are in the market cycle. We take a long term view of portfolio structure and do not change it very often.

This allocation process has been a strong component of our alpha generation while preserving capital in a down market. Our upside/downside capture ratios have historically been consistently strong as a result of our structural framework. Investment decisions are made on a centralized basis by the Investment Committee and then implemented across all accounts. There is no individual portfolio manager discretion.

## Buy/Sell Discipline

Security selection begins with the identification of "well-managed" or high quality companies within the S&P 500 with a minimum market capitalization of \$4 billion. We look for those companies that have consistently met our specific fundamental criteria over time, e.g. consistent long-term earnings growth, a high level of earnings purity, strong margins, strong management and industry leadership.

We then implement our proprietary Relative Growth Model (RGV), which links a company's GAAP earnings with its relative price level, and calculate an RGV score for each stock in our universe. This model is critical in our buy and sell disciplines, in determining sector and category weightings and in providing a method of implementing our risk controls. The RGV is used as part of our buy discipline to prevent us from paying too much for a company's growth. We will not purchase a stock with an RGV at or below the market. In addition, by portfolio rule, we must sell a company if the relative growth score falls to the market level or a material change to a company occurs that we view as detrimental to its prospects. The RGV is also calculated on a category and Sector basis in order to aid in managing sector and category weights. By portfolio policy, we target certain RGV scores for sectors depending on where we are in the market cycle and will increase or reduce our allocations to sectors and/or categories when target metrics are not achieved. This serves as a risk control, preventing the portfolio from being too heavily allocated to a sector or category where there isn't sufficient growth to justify the investment.

Consistent adherence to our sell discipline led to our selling more than 75% of our technology holdings in December of 1999. Trimming the technology sector, though unpopular at that time, was an important contributor to our outperformance in 2001 and 2002. Having strong conviction in our investment process and adhering to our discipline have always been important contributors to our success.



Large-Cap Growth Strategy - USA - SA - Composite

Product Snapshot

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Chip Wendler  
 Title: Director of Global Consultant Relations  
 Phone/Fax: 410.345.2239 / 410.345.2800  
 Email Address: [chip\\_wendler@troweprice.com](mailto:chip_wendler@troweprice.com)

Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	Russell 1000 Growth
<b>Total Product Assets:</b>	\$29,547.6
<b>Total Product Accounts:</b>	60
<b>Product Offered As:</b>	SA,PF
<b>Investment Focus:</b>	Long Only

Asset & Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$29,547.6	60	Separate/Segregated Assets	\$22,193.9
Total Taxable	\$6,063.0	7	Pooled/Commingled Assets	\$1,620.9
Total Tax-Exempt	\$23,484.6	53	Mutual Fund/Institutional Assets	\$5,732.7
Total Institutional	\$29,375.7	59	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	2	\$245.5	1.1 %	Current Quarter	0	\$0.0	0.0 %
2011	2	\$67.7	0.3 %	2011	2	\$205.0	0.9 %
2010	7	\$921.2	5.8 %	2010	3	\$220.2	1.4 %

Portfolio Characteristics

Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: Pure Growth  
 Current Number Of Holdings: 70  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

Fundamental Characteristics

Current Cash Position: 0.7 %  
 Annual Turnover (LTM): 44 %  
 Current P/E (12-mo Trailing): 24.93x  
 Current P/B (12-mo Trailing): 5.11x  
 Current P/S (12-mo Trailing): ---  
 Earnings Growth (Past 5 Yrs): 18.77 %  
 Weighted Avg. Mkt Cap (Mil): \$111,069  
 Median Market Cap (Mil): \$18,385

Market Capitalization Breakdown

>\$50 Billion: 39.65 %  
 \$15-50 Billion: 35.10 %  
 \$7.5-15 Billion: 17.65 %  
 \$1.5-7.5 Billion: 7.59 %  
 \$750 Million-1.5 Billion: 0.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Risk Index: Russell 1000 Growth  
 Frequency: Quarterly  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	30.40	29.19	1.22	---	---	---	---	---	---	
2 Year	14.96	15.79	-0.83	---	---	---	---	---	---	
3 Year	14.21	14.73	-0.53	21.15	-2.05	1.13	3.86	-0.14	0.67	
4 Year	13.10	10.34	2.76	25.15	2.00	1.08	4.73	0.58	0.51	
5 Year	4.00	3.24	0.76	24.82	0.73	1.10	4.80	0.16	0.14	
6 Year	6.69	5.77	0.93	22.81	0.58	1.10	4.40	0.21	0.23	
7 Year	6.48	5.80	0.68	21.27	0.30	1.10	4.21	0.16	0.22	
8 Year	7.52	6.51	1.01	20.44	0.50	1.11	4.39	0.23	0.28	
9 Year	8.00	6.62	1.38	19.65	0.83	1.11	4.17	0.33	0.32	
10 Year	10.63	8.41	2.22	19.46	1.34	1.12	4.29	0.52	0.46	
Since Inception (3/2002)	6.00	3.90	2.09	20.60	1.88	1.10	4.21	0.50	0.21	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	6.30	18.95	-1.18	16.77	54.28	-40.38	9.41	6.87	8.39
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	0.19	2.15	-3.82	0.06	17.08	-1.95	-2.40	-2.20	3.13

Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$50	---
Pooled/Commingled	Open	\$2.50	---
Institutional MFs	TRLGX	\$1	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$125,000	\$250,000	\$362,500	\$475,000
	50 bps	50 bps	48 bps	48 bps
Pooled/Commingled	\$162,500	\$325,000	\$487,500	\$650,000
	65bps	65bps	65bps	65bps
Institutional MFs	\$142,500	\$285,000	\$427,500	\$570,000
	57 bps	57 bps	57 bps	57 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	4	17	14
Research Analysts:	136	8	4
Traders:	24	14	10

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	11
	2011	16
	2010	17
Professionals Lost	MRO	0
	2011	12
	2010	5

### Investment Strategy

When investing in large-cap growth stocks, T. Rowe Price believes:

- Long-term growth in earnings and cash flow drive equity returns.
- Large companies that can deliver sustainable double-digit earnings and cash flow growth are rare and often under-appreciated by the market.
- The market tends to overemphasize near-term trends in earnings and stock prices, creating opportunities for investors with a longer-term focus.
- Capitalizing on differences between cyclical and secular growth is essential to successful growth investing. It is important to own cyclical growth companies at the right period of time and secular growth companies for a very long time.
- Strong management teams that thoughtfully allocate capital can exploit secular growth trends, as well as bridge cyclical difficulties.
- Fundamental research is essential to identifying the market's long-term winners, as it can produce value-added insights that differ from the consensus view.

#### Approach:

The Large-Cap Growth Strategy seeks to provide superior long-term returns by identifying companies with high-quality earnings, strong free cash flow growth, shareholder-oriented management, and rational competitive environments. Exploiting the differences between secular and cyclical trends, the team creates a diversified portfolio whose holdings are limited to the most attractive growth opportunities across industries.

### Screening Process

T. Rowe Price follows a clearly defined investment process emphasizing fundamental research and active, bottom-up stock selection as outlined below.

**Screen for Growth:** Using StockVal, the portfolio management team performs high-level screening on a universe of approximately 500 companies with market capitalizations greater than \$5 billion. They screen on a number of characteristics, including earnings growth and return on invested capital. Their purpose is simply to narrow the investable universe down to about 200 companies - screening is not a key component of stock selection.

**Perform Fundamental Research:** The in-house fundamental analysts conduct rigorous, proprietary research on the remaining 200 companies. Their goal is to find those with the greatest probability of generating real, double-digit EPS growth over a three-year time frame (e.g., 10% plus the forecast for inflation). In researching companies, the analysts focus on the fundamentals of the industry in which the company operates and the fundamental characteristics of the company itself. More specifically, industry analysis seeks to answer the questions, "Does this company compete in an industry that supports profitable growth?" and "Are the industry conditions improving or deteriorating?" This work involves evaluating unit/volume growth, price stability/pricing power, the intensity of the competitive environment, margin structure, return on invested capital, and cyclical trends in capacity and demand.

Company analysis seeks to answer the question, "Is this company well-enough positioned and well-enough managed to capitalize on the growth prospects of its industry?" Here, the work focuses on identifying key characteristics of successful and rapidly growing companies. It incorporates qualitative factors, such as market position and management quality, and an assessment of the company's financial strength based on metrics like free cash flow generation, operating margin, and return on invested capital.

The research process is highly collaborative. As is the case with most of T. Rowe Price's investment products, the members of the Large-Cap Growth portfolio management team were T. Rowe Price analysts prior to assuming their current responsibilities. Consequently, they enjoy working with the analysts to conduct supplemental research on industries and companies as a basis for reaching their investment conclusions. The additional layer of analytical talent the portfolio management team brings to bear supports well-informed decision-making.

### Portfolio Construction Methodology

The team constructs portfolios on the basis of identifying high-quality, large-cap growth companies that they believe can generate real, double-digit earnings growth for a minimum of three years. As such, the primary emphasis is on company fundamentals, not the composition of the Russell 1000 Growth Index. The team is cognizant of whether or not a potential holding is in the index and, if so, its weighting. However, position size is a function of conviction in a company's ability to deliver long-term, double-digit growth. Individual security weights generally range from 0.5% to 5% of total assets. For purposes of diversification and risk control, the team usually does not invest more than 5% of portfolio assets in any one stock. Active position sizes typically range from +/- 1% to +/- 4% relative to the Russell 1000 Growth Index.

Sector and industry weightings are a residual of the team's bottom-up stock selection process. In some instances, the team may have a macro view that modestly influences sector and industry weightings, but that is a qualitative, not quantitative, judgment. For primary sectors in the Russell 1000 Growth Index (i.e., those weighted approximately 10% or higher), the portfolio's sector weights typically vary from 0.5X – 3X the index weight for purposes of diversification and risk control.

The team tends to build positions carefully over time, but when an unusually attractive entry point develops we will build a position in a relatively short period of time. While they continuously monitor portfolio holdings, there is no automatic appreciation level that would trigger trimming of a position. Each decision is made on a stock-by-stock basis, taking into account factors such as company fundamentals, valuation, our confidence level, and the stock's weight in the portfolio. When selling, the team tends to gradually scale out of that holding unless a change in the fundamental view on the company prompts the team to divest the position more quickly.

### Buy/Sell Discipline

The team seeks to invest in companies exhibiting the following characteristics:

- Double-digit earnings growth. Companies should have a demonstrated potential to deliver annualized earnings growth of at least 10% plus inflation for a minimum of three years.
- Operate in profitable growth industries. We prefer companies in industries that support where unit growth and pricing power are driving increased/sustainable growth revenues, competition is rational, and margins and return on capital are attractive.
- Strong competitive positions. We look for companies with high or improving market shares, sophisticated information technology systems, dominant brands, cost advantages, and/or successful research and development programs.
- Quality, shareholder-oriented management teams. Key executives should be seasoned, trustworthy entrepreneurs with a solid grasp of both their company and industry. In addition, we look for a track record of building shareholder value through effective allocation of capital to exploit secular trends and bridge cyclical difficulty.
- Financial strength. We look for companies with high and expanding margins, high and increasing return on capital, and strong balance sheets. We do not take reported EPS at face value. We look at the quality of those earnings, as well as the company's ability to self-fund growth and generate excess capital.
- Potential for 20% gain within 12 months. Our valuation criteria require a stock to offer a minimum of 20% appreciation to a one-year price target.

#### Sell Discipline:

The investment team keeps all portfolio holdings under constant review. They prefer to "let the winners run" as long as fundamentals remain strong and valuations are justifiable. When a stock is sold, however, one of the following factors drives our decision:

- Change in fundamental assessment. Fundamental view on the company may change as a result of a number of factors, such as a decline in market share, loss of confidence in management, deterioration in earnings quality, or deceleration in free cash flow growth.
- More attractive investment. The team may identify a new investment candidate they believe has more upside potential than one of the existing holdings.
- Excessive Valuation. The company's valuation may become extreme relative to our assessment of its growth potential.

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Leah Kirste  
 Title: Vice President  
 Phone/Fax: 213.244.0655 / 213.244.0741  
 Email Address: [Leah.Kirste@tcw.com](mailto:Leah.Kirste@tcw.com)

Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	Russell 1000 Growth
<b>Total Product Assets:</b>	\$5,736.4
<b>Total Product Accounts:</b>	71
<b>Product Offered As:</b>	PF,SA
<b>Investment Focus:</b>	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$5,736.4	71	Separate/Segregated Assets	\$4,054.9
Total Taxable	\$244.4	17	Pooled/Commingled Assets	\$200.4
Total Tax-Exempt	\$5,492.0	54	Mutual Fund/Institutional Assets	\$1,101.3
Total Institutional	\$3,986.7	45	Mutual Fund/Retail Assets	\$379.8

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	0	\$0.0	0.0 %	Current Quarter	0	\$0.0	0.0 %
2011	2	\$65.0	1.7 %	2011	1	\$291.5	7.4 %
2010	0	\$0.0	0.0 %	2010	2	\$587.8	13.9 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: Pure Growth  
 Current Number Of Holdings: 32  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: ---  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 2.6 %  
 Annual Turnover (LTM): 18 %  
 Current P/E (12-mo Trailing): 23.90x  
 Current P/B (12-mo Trailing): 4.02x  
 Current P/S (12-mo Trailing): 3.30x  
 Earnings Growth (Past 5 Yrs): 22.20 %  
 Weighted Avg. Mkt Cap (Mil): \$103,630  
 Median Market Cap (Mil): \$26,700

## Market Capitalization Breakdown

>\$50 Billion: 32.21 %  
 \$15-50 Billion: 42.20 %  
 \$7.5-15 Billion: 22.72 %  
 \$1.5-7.5 Billion: 2.89 %  
 \$750 Million-1.5 Billion: 0.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Frequency: Quarterly  
 Risk Index: Russell 1000 Growth  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns				Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
	Product	Benchmark	Excess							
1 Year	25.97	29.19	-3.21	---	---	---	---	---	---	---
2 Year	16.32	15.79	0.53	---	---	---	---	---	---	---
3 Year	15.95	14.73	1.21	18.73	1.16	1.00	3.29	0.37	0.85	
4 Year	13.68	10.34	3.33	21.32	3.77	0.92	4.26	0.78	0.63	
5 Year	5.50	3.24	2.26	21.66	2.31	0.96	4.36	0.52	0.22	
6 Year	7.77	5.77	2.00	20.02	2.13	0.96	4.27	0.47	0.32	
7 Year	6.18	5.80	0.37	18.86	0.61	0.96	5.05	0.07	0.23	
8 Year	6.74	6.51	0.23	18.47	0.41	0.98	5.23	0.04	0.26	
9 Year	7.44	6.62	0.81	17.92	0.96	0.99	5.22	0.16	0.32	
10 Year	11.32	8.41	2.91	18.31	2.76	1.02	5.88	0.49	0.52	
Since Inception (12/1987)	14.44	8.01	6.44	22.92	5.78	1.10	8.38	0.77	0.46	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	7.07	15.66	5.01	17.75	43.82	-36.45	14.91	-4.28	4.90
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	0.96	-1.14	2.37	1.04	6.61	1.99	3.10	-13.36	-0.36

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$25	\$175,000
Pooled/Commingled	---	---	---
Institutional MFs	TGCEX	\$0	\$18

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$175,000	\$350,000	\$525,000	\$700,000
	70bps	70bps	70bps	70bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	\$225,000	\$450,000	\$675,000	\$900,000
	90 bps	90 bps	90 bps	90 bps

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0

### Investment Strategy

Superior long-term performance can be achieved by participating in the long-term success of selected extraordinary businesses purchased at attractive valuations. The portfolios in TCW Concentrated Core Equities seek to maximize total return, with an emphasis on capital appreciation. Performance should be measured over a full market cycle.

TCW Concentrated Core Equities strategy TCW utilizes a multi-factor investment strategy designed to identify opportunities not fully reflected in stock market valuations. These are: superior business practices, long-term trend analysis and valuation. Companies targeted for investment typically are those believed to have strong and enduring business models and defensible advantages over their competitors. Typically, they are companies positioned to benefit from secular trends. Additionally, each investment is subjected to cash flow based valuation analysis. The portfolio is constructed one stock at a time and each stock must satisfy our research criteria. Thorough analysis of a company's valuation, business model advantage and resulting financial superiority is critical.

Companies targeted for investment typically exhibit one or more of the following characteristics:

- Superior management teams with long-term business perspectives and an ownership position in their businesses.
- Specific plans to capitalize on positive fundamental changes.
- Dominant industry or market niche position.
- Superior growth and profitability.
- Proprietary products or low-cost production and/or distribution capability.
- Substantial and sustainable free cash flow to finance future growth.
- Shareholder orientation – deployment of cash flow to generate highest long-term return to shareholders.

### Screening Process

Our investment process is designed to identify attractive candidates for investment where changes in business fundamentals are not fully reflected in stock market valuations. The steps in this process can include:

1. Through original and secondary research, we develop an initial investment idea, concept or thesis based on changes in technology, industry dynamics, demographics, regulations, etc.
2. Comprehensive, proprietary fundamental research is conducted on the companies and industries of interest. This research process is focused on the changes in business fundamentals occurring within a company and its industry.
3. A dialogue is typically established with the senior level managers of a company considered for investment. Business conditions, business plans and corporate strategies are discussed in these interviews.
4. Independent sources may also be interviewed to verify facts and assumptions derived from conversations with management. These sources may include a company's customers, suppliers, competitors and relevant industry associations.
5. The portfolio manager evaluates available research inputs and company stock market valuations to develop an investment decision.
6. If a buy decision is made, a plan is developed for each holding that outlines our expectations for the financial fundamentals of the company and for the price movement of the stock.
7. All companies held in the portfolio are monitored and reevaluated to determine if they are fulfilling expectations. A holding may be sold when its price rises to a level that reflects fully the company's growth opportunities, if it fails to meet our operational expectations, or to take advantage of a better opportunity.

### Portfolio Construction Methodology

The Concentrated Core Equities portfolios are generally fully invested in equities. Our investments typically average higher rates of growth, profitability and quality, though traded in a higher valuation than the broader market. In order to not dilute the performance of those stocks in which we have the greatest confidence, we do not overdiversify. Holdings are weighted to reflect each issue's attractiveness relative to others. Portfolio holdings will generally fall in the large cap category. Investment decisions are made with a long time horizon which can result in relatively low turnover.

Our investment research capability drives this strategy and plays a critical role in the investment process. After a hypothesis is developed, rigorous fundamental and valuation analysis of specific ideas need to be undertaken. Our valuation methodology centers on a pre-tax cash flow relative to "Enterprise Value" (total market value debt – cash on the balance sheet). We forecast this cashflow model out two years for holdings and purchase candidates. Our model expected returns are compared with other potential investments: stock indices, bond yields, and inflation. The complements of our valuation work, top-down analysis, and industry research are very beneficial to the portfolio management process. The portfolio managers have full discretion concerning specific investment purchase and sale levels as well as portfolio weightings. All fully discretionary portfolios are managed identically. Portfolios may differ only to the extent they need to comply with specific client guidelines and restrictions.

### Buy/Sell Discipline

Our investment process is designed to identify attractive candidates for investment where changes in business fundamentals are not fully reflected in stock market valuations. The steps in this process can include:

- Through original and secondary research, we develop an initial investment idea, concept or thesis based on changes in: technology, industry dynamics, demographics, regulations, etc.
- Comprehensive, proprietary fundamental research is conducted on the companies and industries of interest. This research process is focused on the changes in business fundamentals occurring within a company and its industry.
- A dialogue is typically established with the senior level managers of a company considered for investment. Business conditions, business plans and corporate strategies are discussed in these interviews.
- Independent sources may also be interviewed to verify facts and assumptions derived from conversations with management. These sources may include a company's customers, suppliers, competitors and relevant industry associations.
- The portfolio managers evaluate available research inputs and company stock market valuations to develop an investment decision.
- If a buy decision is made, a plan is developed for each holding that outlines our expectations for the financial fundamentals of the company and for the price movement of the stock.

Our sell discipline is focused on a company's fundamentals relative to valuation. Price appreciation or depreciation is not in and of itself an adequate reason to buy or sell a security. One should compare a company's fundamentals to its valuation in order to determine a sale. All companies held in the portfolio are monitored and re-evaluated continuously to determine if they are fulfilling expectations. The following situations are the main reason we would eliminate a security from our portfolio:

- If a change in management occurred that we felt would materially affect a company's performance.
- When conditions within a sector or industry produced an environment where the long-term growth outlook, originally reached by our investment team, was materially altered as to impede growth expectations.
- If a company has altered its business model in a fashion that we believe would cease to provide an inherent advantage over their competitors and fail to grow their respective market share.

Specifically, a holding is sold or reduced when its price rises to a level that reflects fully the company's growth opportunities or if it fails to meet the operational expectations we establish for it in our plan or to take advantage of a better opportunity. Our long-term time horizon and rigorous fundamental buy discipline dictate that we do not react to short-term fluctuations in the market.

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Dana Webb  
 Title: Senior Portfolio Manager  
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Key Facts	
<b>Primary Capitalization:</b>	Large Cap
<b>Primary Style Emphasis:</b>	Growth
<b>Preferred Benchmark:</b>	Russell 1000 Growth
<b>Total Product Assets:</b>	\$1,584.3
<b>Total Product Accounts:</b>	1,821
<b>Product Offered As:</b>	SA
<b>Investment Focus:</b>	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$1,584.3	1,821	Separate/Segregated Assets	\$1,584.3
Total Taxable	\$1,174.2	1,239	Pooled/Commingled Assets	\$0.0
Total Tax-Exempt	\$410.1	582	Mutual Fund/Institutional Assets	\$0.0
Total Institutional	\$875.8	491	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	301	\$124.0	3.0 %	Current Quarter	40	\$48.0	0.0 %
2011	515	\$278.8	35.2 %	2011	136	\$75.4	9.5 %
2010	125	\$55.8	8.6 %	2010	39	\$12.3	1.9 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: ---  
 Current Number Of Holdings: 20  
 Foreign Securities Utilized: ---  
 Approach Towards Currency Hedging: ---  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: No  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 6.5 %  
 Annual Turnover (LTM): ---  
 Current P/E (12-mo Trailing): 22.29x  
 Current P/B (12-mo Trailing): 3.52x  
 Current P/S (12-mo Trailing): 2.15x  
 Earnings Growth (Past 5 Yrs): ---  
 Weighted Avg. Mkt Cap (Mil): \$121,820  
 Median Market Cap (Mil): \$42,919

## Market Capitalization Breakdown

>\$50 Billion: 59.20 %  
 \$15-50 Billion: 22.97 %  
 \$7.5-15 Billion: 13.37 %  
 \$1.5-7.5 Billion: 4.46 %  
 \$750 Million-1.5 Billion: ---  
 \$400 Million-750 Million: ---  
 <\$400 Million: ---

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Frequency: Quarterly

Risk Index: Russell 1000 Growth  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns									
	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio	
1 Year	36.30	29.19	7.11	---	---	---	---	---	---	
2 Year	19.35	15.79	3.57	---	---	---	---	---	---	
3 Year	16.90	14.73	2.17	18.50	2.26	0.98	3.83	0.57	0.91	
4 Year	16.60	10.34	6.26	24.62	5.63	1.04	6.16	1.02	0.67	
5 Year	9.67	3.24	6.43	23.89	6.45	1.03	6.64	0.97	0.38	
6 Year	10.35	5.77	4.59	21.86	4.52	1.02	6.70	0.68	0.41	
7 Year	8.75	5.80	2.94	20.68	2.89	1.03	6.71	0.44	0.34	
8 Year	9.08	6.51	2.56	19.62	2.48	1.03	6.35	0.40	0.37	
9 Year	9.82	6.62	3.20	18.96	3.06	1.03	6.19	0.52	0.42	
10 Year	12.85	8.41	4.44	19.12	3.94	1.06	6.39	0.70	0.58	
Since Inception (12/1992)	12.88	7.55	5.33	21.52	5.19	1.02	8.02	0.66	0.45	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	8.81	22.36	6.36	15.34	61.84	-37.78	15.71	-1.78	6.95
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	2.70	5.56	3.72	-1.37	24.63	0.66	3.90	-10.85	1.69

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Open	\$0.25	\$7,500
Pooled/Commingled	---	---	---
Institutional MFs	RWGIX	\$1	\$7,500

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$125,000	\$250,000	\$375,000	\$500,000
	50 bps	50 bps	50 bps	50 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	\$125,000	\$250,000	\$375,000	\$500,000
	50 bps	50 bps	50 bps	50 bps

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	23	19
Research Analysts:	1	35	24
Traders:	4	0	0

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0

### Investment Strategy

Our underlying equity investment philosophy is predicated on our strong belief that significant long-term wealth will be created by thinking, analyzing and investing as "owners" in companies. Our clients' portfolios are purposefully and most distinctly different to that of the typical institutional portfolio in terms of the concentration of holdings and in annual turnover. We concentrate our portfolios in 20 or so unusually profitable companies in just a handful of industries. We believe that if our research effort is focused and thorough enough to derive truly long-term convictions a beneficial byproduct is the concomitant reduction of company specific risk (though not short-term price and market risk) through the pursuit of superior knowledge of our limited investments. Our collective history of money management with the short theme of less is more - less crowded portfolios, less portfolio turnover, less short-term performance fine-tuning, less trading expense, and less inefficient capital gain taxation has led to better performance over our competitors and (in most years) versus our benchmark, the Russell 1000 Growth Index. Our respect for index investing and investing as business owners has led us to three aspects of our approach that are quite different than our competitors.

1) To outperform an index we believe that our portfolios must be constructed as different from an index as possible. In addition, thinking and acting like business owners reduces our interests in those few businesses which are superior. Both of these views lead to our focused (concentrated) approach. Our companies exhibit the following characteristics:

- o A dominant product or service that is practically irreplaceable or lacks substitutes.
- o A sustainable and consistent level of growing revenues, earnings and dividends.
- o A high level of profitability as measured by return on equity without the use of excessive debt.
- o A strong management team that is shareholder oriented.

2) To outperform our peers we believe that we must emulate the most powerful attributes of index investing. By definition, index investing is buy and hold investing. This leads us to our history of minimum turnover of our portfolios. As a corollary, this also effects our stock selection. If we expect to invest in companies for many years we must then focus on those select companies with the brightest multi-year prospects for growth. In addition, our view on risk is contrary to the typical manager as well. We do not view risk via individual security price volatility (beta), rather all of our risk analysis is centered on the underlying business.

3) Finally, after the aforementioned criteria are met, we will only invest in such companies if their respective valuations are at a minimum reasonable. We overweight stocks if valuations are truly cheap.

### Screening Process

Though our investment philosophy and process may appear rather simplistic (invest in terrific growth companies and hold on to them for years), the discipline required to successfully implement and maintain such a philosophy is quite difficult. As mentioned, we only invest in when our favored companies are at the lower end of their respective valuations (absolute and relative). By definition this contrarian act requires us to act against the grain. In addition, our average holding period is in the multiple of years – not months or quarters like so many of our peers. Given that key investment decisions are made by our four members on the investment team, two of which are owners of the firm, we often avoid the "institutional imperatives" of the peer pressure to outperform constantly and job insecurities that too often lead poorer decisions and rapid portfolio turnover. We are looking for businesses in the large-cap growth space that possess a superior product or superior service. But more important than that, as it translates into financial numbers, we want to own businesses that have a history of not only good profitability, but outstanding and consistent profitability levels over the course of full economic cycles. The investment mindset of our team members is solidly focused on investing as "owners" of businesses rather than traders of pieces of stock certificate paper. We believe this independent mindset, absent of performance eroding institutional imperatives to think and act far too short term, is the backbone of our investment philosophy. As such, we believe we have a sustainable competitive advantage relative to our peers. Our long-term out-performance speaks to our competitive advantage.

### Portfolio Construction Methodology

Research takes place in the only location that Wedgewood exists. There are four investment professionals, three of which are dedicated to bottom-up, company analysis. The process is very organic. We believe an open approach that is driven by our professionals genuine curiosity and passion for knowledge facilitates a wonderful idea flow, debate and is more rigorous, given the constant peer review. The process is not dogmatic but at the same time is disciplined. While this process might seem simple, we believe it is the rare temperament that can maintain that discipline and not deviate given the numerous agency-driven imperatives that plague most managers. We are trying to capture the valuation versus price discrepancies that emerges over the long-term; resultant of the markets tendency to disproportionately focus on near-term results and extrapolate those results into perpetuity.

### Buy/Sell Discipline

The search for true growth companies subsumes a thorough qualitative and quantitative screening of 500-600 of the largest companies. Quantitatively, we screen for past excellence. This includes the search for exceptionally high profitability (i.e. ROE > 25%, ROC 20%, EPS growth > 15 %, Revenue growth > 12%). Qualitatively, we search for the prospect of future excellence. This analysis includes assessing the sustainability of a company's business model by comparing them to Porter's Five Forces of Competitive Advantage (i.e. barriers to entry, threat of substitutes, buying power, supplier power, degree of internal rivalry). Often, about 50 to 60 companies exceed our profitability hurdles and qualitative requirements. The remaining buy decision becomes a question of valuation. We then look for a company to trade at a discount to its relative, absolute and historical growth rates. Of these companies, 18-22 true growth companies are held for the long term. Sell Disciplines: We will only sell if one of the following occurs: 1.) The long-term corporate growth rate falls below our usually high expectations. 2.) If after appreciating in value, the holding becomes too excessively large relative to other holdings. 3.) If a superior opportunity becomes available, we will identify and liquidate our weakest holding to make room for the new position.

Asset Class: United States-Equity  
 eA Primary Universe: eA US Large Cap Growth Equity  
 Marketing Contact: Elizabeth C. Tully  
 Title: Vice President  
 Phone/Fax: 617.951.5985 / 617.263.4100  
 Email Address: [mig@wellington.com](mailto:mig@wellington.com)

Key Facts	
Primary Capitalization:	Large Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	Russell 1000 Growth
Total Product Assets:	\$12,732.0
Total Product Accounts:	26
Product Offered As:	SA, CF
Investment Focus:	Long Only

## Asset &amp; Account Information

Current Totals	Assets (\$ Million)	Accounts	Assets by Vehicle Type	Assets (\$ Million)
Total in Product	\$12,732.0	26	Separate/Segregated Assets	\$12,184.0
Total Taxable	\$10,506.0	13	Pooled/Commingled Assets	\$548.0
Total Tax-Exempt	\$2,226.0	13	Mutual Fund/Institutional Assets	\$0.0
Total Institutional	\$12,732.0	26	Mutual Fund/Retail Assets	\$0.0

Accounts Gained	Number	(\$ Million)	% Product Assets	Assets Lost	Number	(\$ Million)	% Product Assets
Current Quarter	0	\$0.0	0.0 %	Current Quarter	0	\$0.0	0.0 %
2011	8	\$738.0	7.0 %	2011	2	\$973.0	8.0 %
2010	6	\$709.0	11.0 %	2010	0	\$0.0	0.0 %

## Portfolio Characteristics

## Strategy Snapshot

Primary Capitalization: Large Cap  
 Primary Style Emphasis: Growth  
 Preferred Benchmark: Russell 1000 Growth  
 Secondary Style Emphasis: None  
 Current Number Of Holdings: 89  
 Foreign Securities Utilized: Yes  
 Approach Towards Currency Hedging: Not Used  
 % Hedged Back to Local Currency: ---  
 % Max Allowed In Emerging Markets: ---  
 Derivatives Utilized: Yes  
 Available Under Social Restrictions: Yes

## Fundamental Characteristics

Current Cash Position: 0.0 %  
 Annual Turnover (LTM): 58 %  
 Current P/E (12-mo Trailing): 16.80x  
 Current P/B (12-mo Trailing): 3.30x  
 Current P/S (12-mo Trailing): 1.70x  
 Earnings Growth (Past 5 Yrs): 17.90 %  
 Weighted Avg. Mkt Cap (Mil): \$142,488  
 Median Market Cap (Mil): \$17,475

## Market Capitalization Breakdown

>\$50 Billion: 62.00 %  
 \$15-50 Billion: 14.00 %  
 \$7.5-15 Billion: 16.00 %  
 \$1.5-7.5 Billion: 7.00 %  
 \$750 Million-1.5 Billion: 1.00 %  
 \$400 Million-750 Million: 0.00 %  
 <\$400 Million: 0.00 %

## Performance Information

Performance For: USA - SA - Composite - Gross of Fees  
 Frequency: Quarterly

Risk Index: Russell 1000 Growth  
 Risk-Free Index: Citigroup 3-Month T-Bill

Trailing Periods	Returns				Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
	Product	Benchmark	Excess							
1 Year	29.00	29.19	-0.18	---	---	---	---	---	---	---
2 Year	13.56	15.79	-2.23	---	---	---	---	---	---	---
3 Year	13.54	14.73	-1.20	20.73	-2.37	1.11	3.45	-0.35	0.65	
4 Year	10.54	10.34	0.20	24.32	-0.20	1.05	3.30	0.06	0.43	
5 Year	2.66	3.24	-0.58	24.09	-0.58	1.08	3.59	-0.16	0.08	
6 Year	6.35	5.77	0.58	22.37	0.30	1.09	3.63	0.16	0.22	
7 Year	7.07	5.80	1.27	20.79	0.95	1.08	3.59	0.35	0.25	
8 Year	8.02	6.51	1.51	19.85	1.09	1.09	3.54	0.43	0.31	
9 Year	8.49	6.62	1.87	19.16	1.40	1.09	3.40	0.55	0.35	
10 Year	10.21	8.41	1.80	18.81	1.14	1.09	3.36	0.54	0.45	
Since Inception (3/1987)	11.74	9.11	2.63	19.96	2.72	0.98	5.15	0.51	0.39	

Calendar Years	MRO	YTD	2011	2010	2009	2008	2007	2006	2005
Product Returns:	5.98	17.04	-3.15	20.65	38.90	-39.90	17.07	13.93	11.03
Benchmark Returns:	6.11	16.80	2.64	16.71	37.21	-38.44	11.81	9.07	5.26
Excess Returns:	-0.13	0.24	-5.79	3.94	1.70	-1.46	5.26	4.86	5.76

## Fee Information

Vehicle Type	Available	Min. Size(\$ Mil)	Minimum Fee
Separate/Segregated	Closed	\$50	\$275,000
Pooled/Commingled	Open	\$10	\$60,000
Mutual Fund	Not Available	---	---

Fees By Acct. Size	\$25M	\$50M	\$75M	\$100M
Separate/Segregated	\$150,000	\$275,000	\$375,000	\$475,000
	60 bps	55 bps	50 bps	48 bps
Pooled/Commingled	\$150,000	\$275,000	\$375,000	\$475,000
	60 bps	55 bps	50 bps	48 bps
Mutual Fund	---	---	---	---

## Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover	Port Mgrs.	Analysts
Professionals Gained	MRO	0
	2011	0
	2010	0
Professionals Lost	MRO	0
	2011	0
	2010	0

## Investment Strategy

The investment objective of the Diversified Growth Portfolio is to provide long-term returns above those of the Russell 1000 Growth Index. Our investment process leverages the extensive research resources of the firm and emphasizes a balance of growth, valuation, and quality criteria in selecting stocks. We utilize risk analysis tools to help maintain the Portfolio's emphasis on stock selection and minimize other sources of relative risk. With this bottom-up approach incorporating diversified sources of alpha and effective risk analysis, our goal is to generate consistent outperformance over time.

The Diversified Growth investment approach is based on the following beliefs:

- Fundamental stock research is our most powerful competitive advantage and most effective tool in driving consistent, strong results for our clients. Stock selection (rather than top-down factors) should drive performance.
- Typical investor biases (overweighting growth, value, or quality) work against consistent results. While the equity market may reward these characteristics over shorter-term periods, rotating between growth, value, and quality, these trends revert in unpredictable patterns. By maintaining a diversified Portfolio of growth stocks which incorporates each of these attributes but does not tilt toward any one of them, we should be able to deliver more consistent results over time.
- Investors tend to build their estimates of a company's future growth on a single set of assumptions, typically extrapolating recent results. History shows that companies rarely grow in a linear fashion over time, and suggests that single point estimates of future growth underestimate the probabilities of alternative outcomes. Our approach to valuing stocks incorporates multiple scenarios of future growth and profitability. We believe that this approach better reflects the variability of real world results and the inherent degrees of uncertainty in forecasting the future.

## Screening Process

Our investment approach leverages the extensive research resources of the firm in a disciplined framework focused on a broad universe of large cap growth stocks. The investment process is bottom-up and emphasizes a balance of alpha sources across growth, valuation, and quality criteria in selecting stocks. We utilize risk analysis tools to maintain the Portfolio's emphasis on stock selection and minimize other sources of relative risk.

The investment process starts with a universe of approximately 500 companies with similar characteristics to the Russell 1000 Growth benchmark. Each stock is evaluated and ranked on a consistent set of growth, valuation, and quality criteria. Fundamental research drives the process, leveraging the Capital Appreciation Group's significant research resources as well as the firm's global industry analysts. Wellington Management's global industry analysts provide independent, in-depth industry and company research. For the Diversified Growth approach, these research resources help generate a broad array of investment ideas and provide in-depth analysis of investment opportunities and risks.

While we believe that our research resources give us a significant edge, we also recognize that forecasting still involves uncertainty. Experience has taught us that overestimating the precision of forecasts can lead to understating opportunities and risks, and focusing excessively on near-term data points and trading. Therefore, our approach to valuing companies includes multiple scenarios of revenue growth and free cash flow in a systematic valuation framework. We believe this approach gives us a more balanced perspective, consistent with our longer-term investment horizon.

## Portfolio Construction Methodology

The final step in the process involves overlaying portfolio construction with risk management tools to help maintain desired sources and levels of active risk in the Portfolio. While not a main driver to investment decisions in the Portfolio, risk tools are utilized to ensure a high level of stock specific risk and low factor exposures within a consistent band of active risk. If two stocks of similar growth, valuation, and quality metrics are identified as investment opportunities, the one with the higher stock-specific contribution to the portfolio risk will generally get a higher priority. This approach helps to align the risk profile of the Portfolio with the Team's focus on bottom-up stock selection, reduce the influence of broad market risk factors, and assure style consistency over time.

Diversified Growth portfolios typically hold 60 to 90 securities and are generally broadly diversified across market sectors. While sector weights are a residual of bottom-up stock selection, we typically limit sector exposures to  $\pm 20\%$  versus the Russell 1000 Growth Index. Exposure to any single stock is limited to 7% of market value or 2% above the benchmark by weight, whichever is higher. Portfolios are fully invested with cash balances typically less than 5%, subject to a 10% maximum. Up to 20% of the Portfolio can be allocated to non-US domiciled stocks. Turnover is expected to be moderate and is influenced by the market environment. Tracking risk relative to the Russell 1000 Growth Index will typically be moderate.

Product Management is responsible for reviewing risk and performance in the portfolios. Attribution analysis is reviewed with the portfolio management team and helps track all parts of the investment process and gives everyone the opportunity to provide feedback on what investment decisions worked and why. The analysis is an integral part of the investment management process. The firm uses various resources for performance and attribution analysis, including our internal proprietary systems, as well as external systems such as FactSet, Barra, and various other software packages. From a style and risk perspective, the profile of the Portfolio is reviewed on a regular basis using multiple risk models. Portfolio risk is assessed by comparing our Portfolio to its benchmark and a universe of peers, specifically in the form of risk characteristics such as Barra risk exposures, sources of risk, fundamental biases, and observed performance behavior utilizing tracking risk, beta, R-squared, standard deviation, Sharpe ratio, and information ratio.

The Investment Review Group routinely monitors all accounts to ensure the consistent implementation of the firm's investment strategies and to ensure those investment programs are compatible with the client's objectives and expectations. This "peer review" of each account is an integral checkpoint in the monitoring process, which seeks to ensure adherence to client objectives and guidelines.

## Buy/Sell Discipline

We rank the companies in the Portfolio (as well as names not currently owned) on Growth, Quality, and Valuation criteria relative to the broad large cap growth universe, with the objective of constantly improving the overall aggregate portfolio characteristics across these three fundamental criteria. The framework we use to sell a stock is the same framework we use to judge the attractiveness of a stock for an entry point.

Experience has taught us that overestimating the precision of forecasts can lead to understating opportunities and risks, and focusing excessively on near-term data points and trading. Therefore, our approach to valuing companies includes multiple scenarios of revenue growth and free cash flow in a systematic valuation framework. We believe this approach gives us a more balanced perspective, consistent with our longer-term investment horizon. On a daily basis, we compare the potential outcomes of the stocks in our focus list with the current price to determine the companies that exhibit the best risk/reward profiles. We typically purchase companies that exhibit more positive outcomes, and trim/sell stocks that have less upside scenarios. This disciplined approach ensures our best ideas are continuously being incorporated into the Portfolio.

Sell/trim disciplines are dictated by a stock being no longer attractive/as attractive versus other ideas due to:

- Growth - deterioration in forecasted organic revenue growth; either the future prospects for the business have worsened or we simply got it wrong
- Quality - deterioration in forecasted free cash flow margins and/or confidence in management's commitment to improving shareholder returns, or negative change in longer-term competitive structure of industry and company
- Valuation - due to either price appreciation or fundamental deterioration, fewer potential upside scenarios, and/or less magnitude of upside scenarios

This disciplined approach ensures our best ideas are continuously being incorporated into the Portfolio.



Generated By:



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**Important Disclosures**

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# SamCERA Large Cap Growth

# Manager Comparison Report

September 28, 2012

## Summary Tables

Benchmark  
Russell 1000 Growth Index

Universe  
eA Large Cap Growth Equity

Brown Advisory: Large Cap Growth		Delaware Investments: Large-Cap Growth		HS Mgt. Partners: Conc. Quality Gr.		Pyramis: Focused LCG		Sands Capital: Select Growth Equity		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

### Total Return

3 Mos.	7.8	14	6.5	38	11.4	1	8.3	9	8.4	8	6.1	55	6.2	316
1 Yr.	31.3	21	31.6	18	41.2	1	31.2	22	36.7	2	29.2	38	27.6	316
3 Yrs.	17.3	4	17.7	3	19.4	2	11.1	80	22.2	1	14.7	26	13.0	315
5 Yrs.	7.2	2	4.0	18	7.1	3	4.6	11	8.3	1	3.2	32	2.5	300
7 Yrs.	9.9	1	5.7	44	n/a	n/a	n/a	n/a	8.6	3	5.8	41	5.5	277
10 Yrs.	11.7	4	8.4	53	n/a	n/a	n/a	n/a	12.6	2	8.4	53	8.5	231

### Excess Return

3 Mos.	1.7		0.4		5.2		2.2		2.3				0.1	316
1 Yr.	2.1		2.4		12.0		2.0		7.5				-1.6	316
3 Yrs.	2.6		3.0		4.7		-3.7		7.5				-1.8	315
5 Yrs.	4.0		0.8		3.8		1.4		5.1				-0.7	300
7 Yrs.	4.0		-0.1		n/a	n/a	n/a	n/a	2.8				-0.3	277
10 Yrs.	3.3		0.0		n/a	n/a	n/a	n/a	4.2				0.1	231

### Excess Return vs. Universe Median

3 Mos.	1.6		0.3		5.1		2.1		2.1		-0.1			316
1 Yr.	3.7		4.0		13.6		3.5		9.1		1.6			316
3 Yrs.	4.4		4.7		6.4		-1.9		9.3		1.8			315
5 Yrs.	4.7		1.5		4.6		2.1		5.8		0.7			300
7 Yrs.	4.3		0.2		n/a	n/a	n/a	n/a	3.1		0.3			277
10 Yrs.	3.2		-0.1		n/a	n/a	n/a	n/a	4.1		-0.1			231

### Standard Deviation

3 Yrs.	19.2	88	15.7	19	14.2	9	18.4	79	18.4	78	16.1	27	17.1	315
5 Yrs.	21.2	74	19.6	41	17.8	13	20.8	67	23.8	95	19.4	39	20.0	300
7 Yrs.	18.4	68	17.3	47	n/a	n/a	n/a	n/a	20.8	95	16.9	35	17.5	277
10 Yrs.	16.9	67	16.1	50	n/a	n/a	n/a	n/a	19.0	94	15.5	37	16.1	231

### Tracking Error

3 Yrs.	5.5	85	4.1	58	6.4	90	3.9	51	5.5	84			3.9	315
5 Yrs.	5.7	69	4.6	48	6.3	76	4.7	52	7.7	91			4.7	300
7 Yrs.	5.1	65	5.0	62	n/a	n/a	n/a	n/a	7.2	90			4.5	277
10 Yrs.	4.7	49	4.8	53	n/a	n/a	n/a	n/a	6.9	86			4.7	231

### Information Ratio

3 Yrs.	0.5	8	0.7	5	0.7	5	-1.0	80	1.4	1			-0.5	315
5 Yrs.	0.7	1	0.2	18	0.6	2	0.3	11	0.7	2			-0.2	300
7 Yrs.	0.8	1	0.0	44	n/a	n/a	n/a	n/a	0.4	7			-0.1	277
10 Yrs.	0.7	1	0.0	53	n/a	n/a	n/a	n/a	0.6	3			0.0	231

# Manager Comparison Report

September 28, 2012

## Summary Tables

Benchmark: Russell 1000 Growth Index  
Universe: eA Large Cap Growth Equity

Brown Advisory: Large Cap Growth		Delaware Investments: Large-Cap Growth		HS Mgt. Partners: Conc. Quality Gr.		Pyramis: Focused LCG		Sands Capital: Select Growth Equity		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

### Beta

3 Yrs.	1.2	13	0.9	84	0.8	95	1.1	18	1.1	28			1.1	315
5 Yrs.	1.1	29	1.0	60	0.9	90	1.1	34	1.2	5			1.0	300
7 Yrs.	1.0	34	1.0	61	n/a	n/a	n/a	n/a	1.2	5			1.0	277
10 Yrs.	1.1	32	1.0	52	n/a	n/a	n/a	n/a	1.2	6			1.0	231

### Alpha (CAPM)

3 Yrs.	0.4	20	3.8	5	7.4	1	-5.6	89	6.1	2			-2.1	315
5 Yrs.	3.8	3	0.8	20	4.2	2	1.3	12	4.6	2			-0.7	300
7 Yrs.	3.9	1	0.0	45	n/a	n/a	n/a	n/a	2.1	7			-0.2	277
10 Yrs.	3.0	7	0.1	56	n/a	n/a	n/a	n/a	3.2	5			0.3	231

### Sharpe Ratio

3 Yrs.	0.9	22	1.1	5	1.4	2	0.6	86	1.2	4	0.9	21	0.8	315
5 Yrs.	0.3	3	0.2	21	0.4	2	0.2	14	0.3	2	0.1	31	0.1	300
7 Yrs.	0.4	2	0.2	47	n/a	n/a	n/a	n/a	0.3	8	0.2	41	0.2	277
10 Yrs.	0.6	5	0.4	57	n/a	n/a	n/a	n/a	0.6	7	0.4	50	0.4	231

### Upside Capture Ratio

3 Yrs.	118.2	7	98.8	62	91.3	81	101.4	50	123.4	3			101.3	315
5 Yrs.	114.8	8	98.1	56	92.6	76	109.8	13	130.0	2			98.8	300
7 Yrs.	113.5	9	98.0	62	n/a	n/a	n/a	n/a	121.1	4			100.5	277
10 Yrs.	110.4	21	98.6	64	n/a	n/a	n/a	n/a	121.6	5			101.3	231

### Downside Capture Ratio

3 Yrs.	113.3	63	83.1	10	62.8	2	120.4	78	97.1	21			109.3	315
5 Yrs.	99.2	39	95.7	24	80.1	7	103.6	54	108.0	70			102.1	300
7 Yrs.	96.4	30	98.4	38	n/a	n/a	n/a	n/a	109.2	76			102.2	277
10 Yrs.	95.9	34	98.3	39	n/a	n/a	n/a	n/a	104.4	63			101.5	231

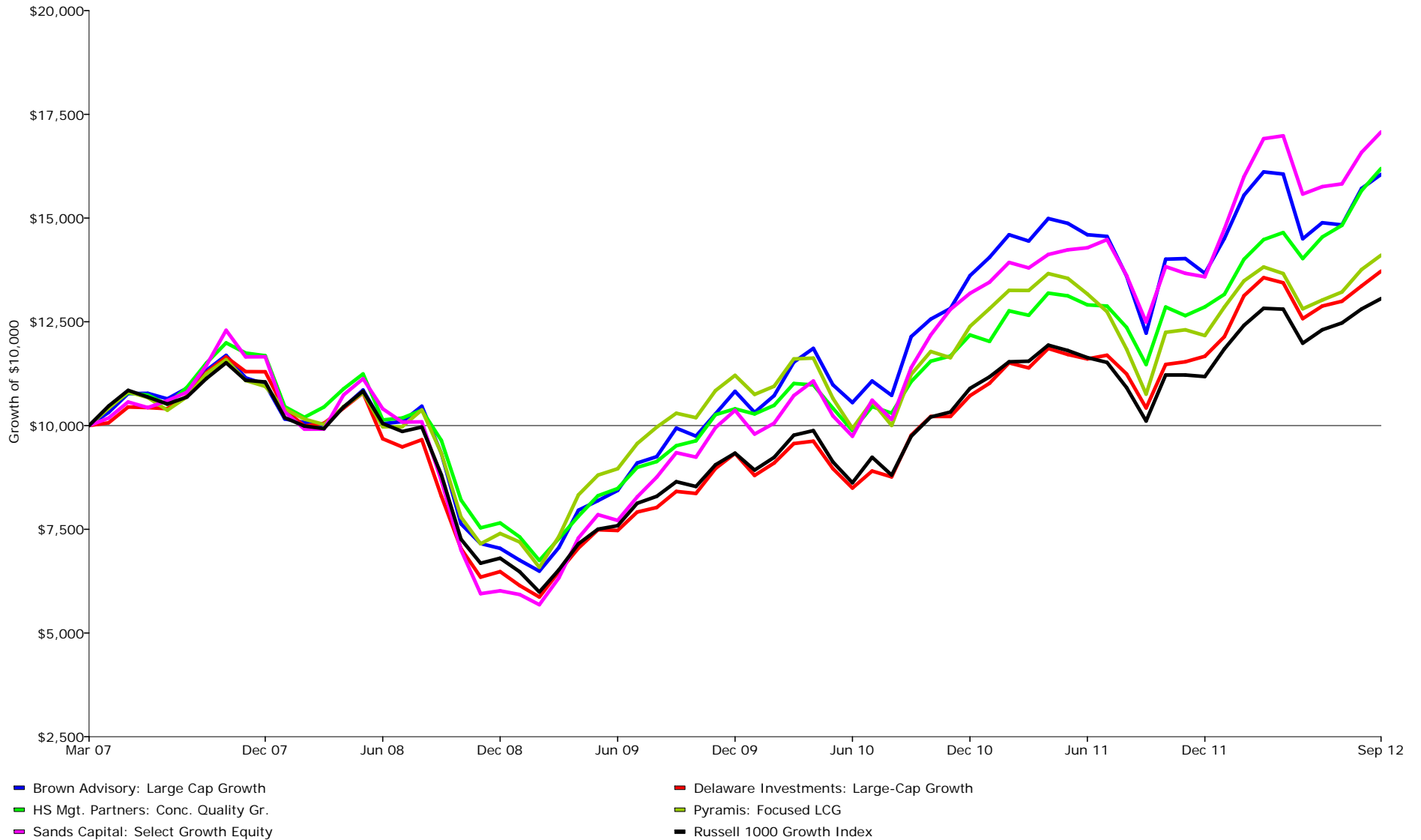
# Manager Comparison

September 28, 2012

Cumulative Performance - Growth of \$10,000

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



# Manager Comparison

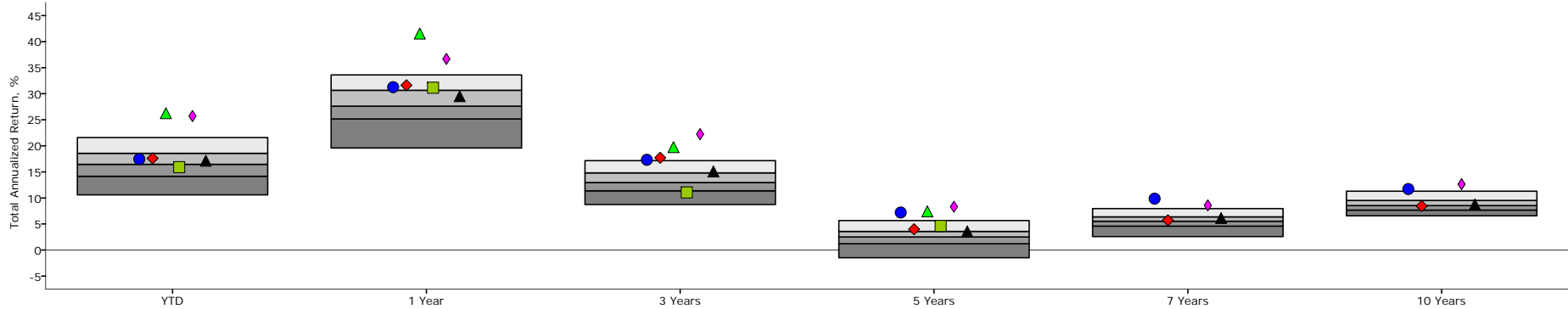
September 28, 2012

Performance Evaluation

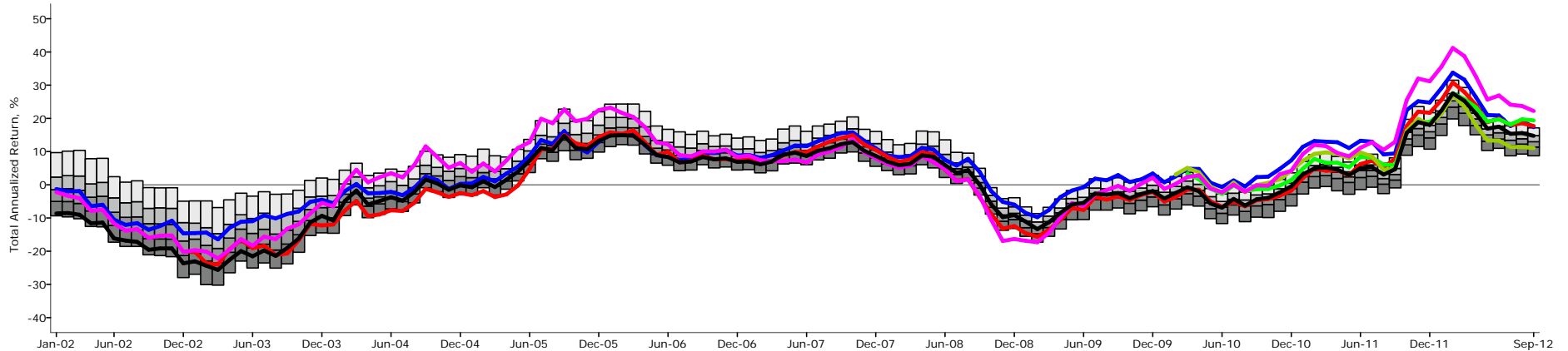
Benchmark  
Russell 1000 Growth Index

Universe  
eA Large Cap Growth Equity

## Trailing Performance vs. Peers



## 3 Year Rolling Performance: From Jan-02 to Sep-12



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	7.8	14	-0.4	69	31.3	21	17.3	4	7.2	2	9.9	1	11.7	4
◆ Delaware Investments: Large-Cap Growth	6.5	38	1.2	41	31.6	18	17.7	3	4.0	18	5.7	44	8.4	53
▲ HS Mgt. Partners: Conc. Quality Gr.	11.4	1	11.8	1	41.2	1	19.4	2	7.1	3	n/a	n/a	n/a	n/a
■ Pyramis: Focused LCG	8.3	9	2.1	27	31.2	22	11.1	80	4.6	11	n/a	n/a	n/a	n/a
◆ Sands Capital: Select Growth Equity	8.4	8	1.0	47	36.7	2	22.2	1	8.3	1	8.6	3	12.6	2
▲ Russell 1000 Growth Index	6.1	55	1.8	29	29.2	38	14.7	26	3.2	32	5.8	41	8.4	53
eA Large Cap Growth Equity Median	6.2		0.9		27.6		13.0		2.5		5.5		8.5	
eA Large Cap Growth Equity Size	316		316		316		315		300		277		231	

# Manager Comparison

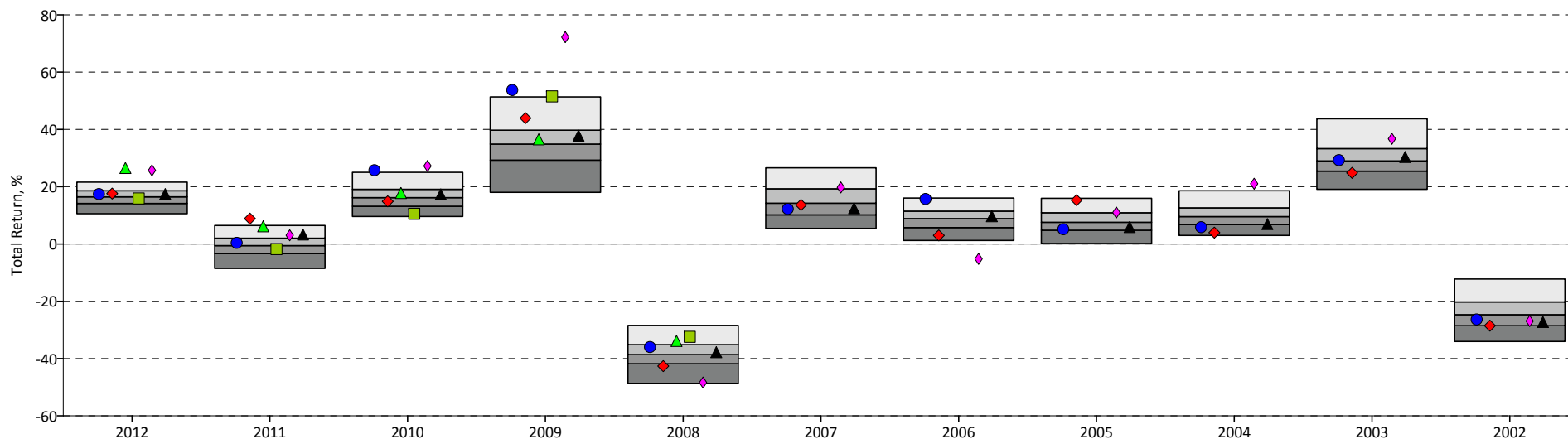
September 28, 2012

Performance Evaluation

Benchmark  
Russell 1000 Growth Index

Universe  
eA Large Cap Growth Equity

## Trailing Performance vs. Peers

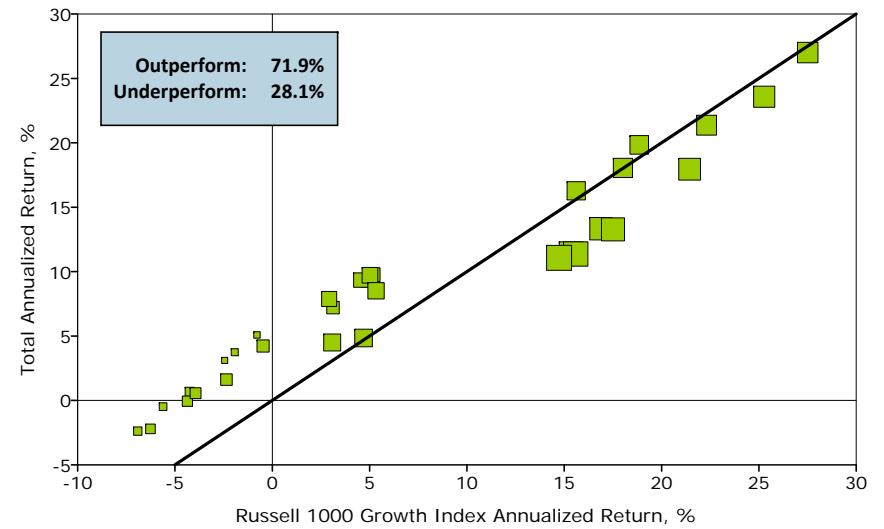
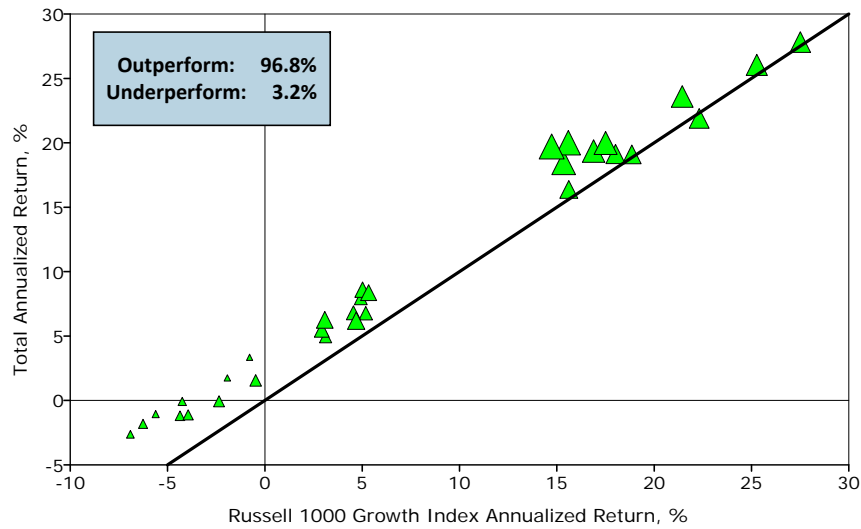
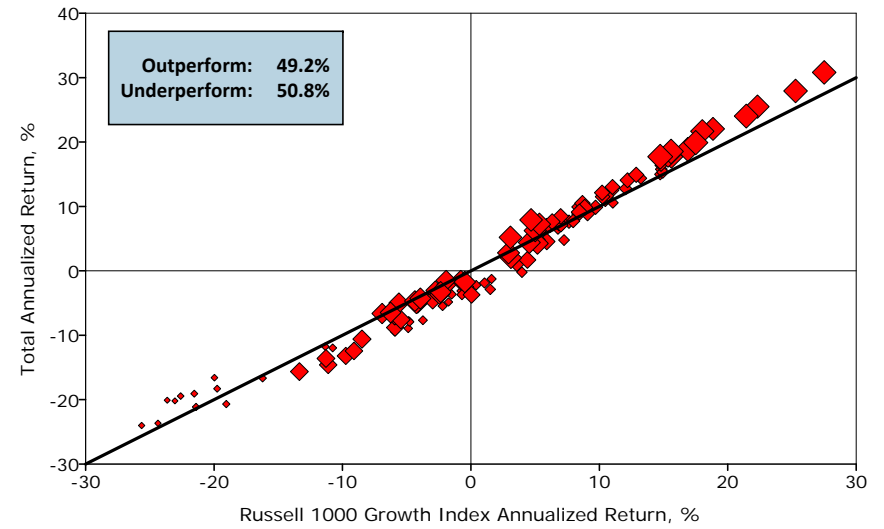
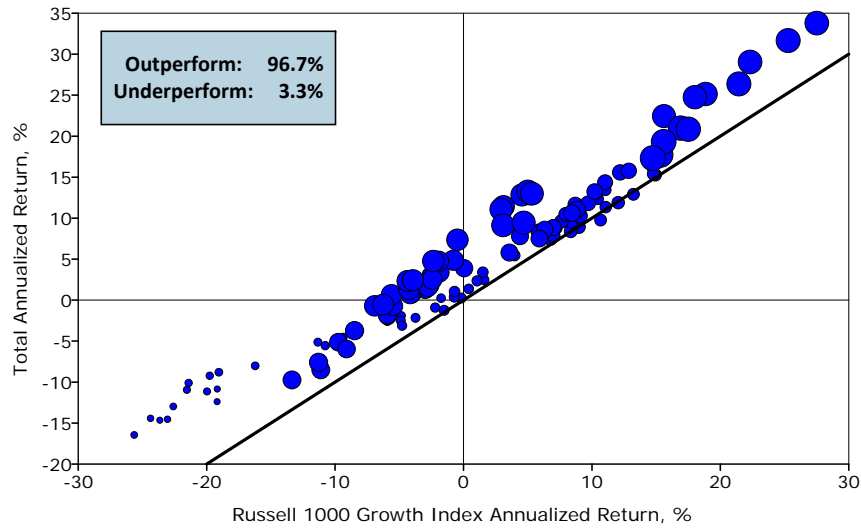


	Total Return																					
	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	17.4	39	0.4	39	25.7	4	53.8	4	-36.0	30	12.3	63	15.7	6	5.2	72	5.9	82	29.3	48	-26.4	62
◆ Delaware Investments: Large-Cap Growth	17.6	37	8.9	3	14.9	62	44.0	16	-42.6	80	13.6	54	3.0	90	15.3	8	3.9	93	24.8	79	-28.5	75
▲ HS Mgt. Partners: Conc. Quality Gr.	25.9	1	5.6	7	17.1	43	35.9	43	-34.5	22	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
■ Pyramis: Focused LCG	15.9	58	-1.8	63	10.5	92	51.5	5	-32.4	13	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
◆ Sands Capital: Select Growth Equity	25.7	2	3.0	18	27.2	3	72.2	2	-48.4	95	19.7	24	-5.2	100	11.0	24	21.0	2	36.7	14	-26.9	64
▲ Russell 1000 Growth Index	16.8	47	2.6	20	16.7	47	37.2	36	-38.4	48	11.8	65	9.1	49	5.3	71	6.3	79	29.8	47	-27.9	72
eA Large Cap Growth Equity Median	16.5		-0.6		16.2		34.9		-38.6		14.3		8.9		7.6		9.6		29.0		-24.7	
eA Large Cap Growth Equity Size	316		366		404		439		466		479		490		491		483		476		452	

## Total Return vs. Benchmark - Last 10 Years (if available)

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



■ Brown Advisory: Large Cap Growth  
■ Sands Capital: Select Growth Equity

■ Delaware Investments: Large-Cap Growth

■ HS Mgt. Partners: Conc. Quality Gr.

■ Pyramis: Focused LCG



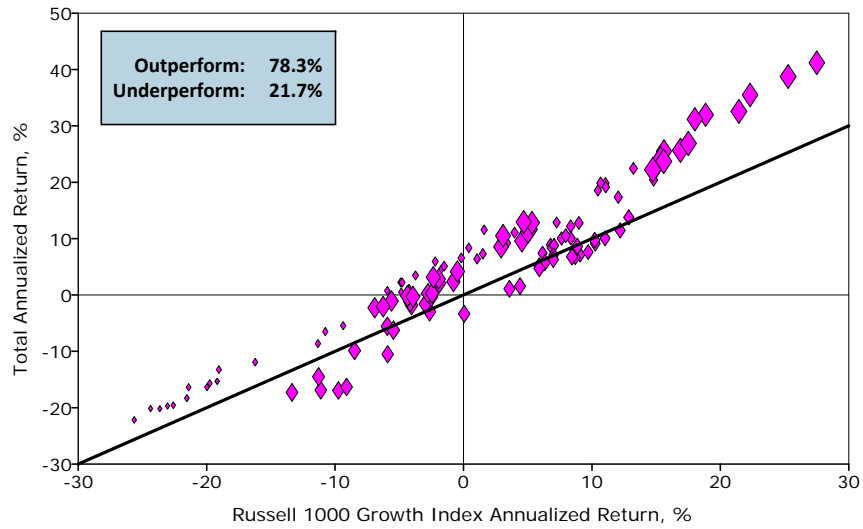
# Manager Comparison

September 28, 2012

Total Return vs. Benchmark - Last 10 Years (if available)

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



■ Brown Advisory: Large Cap Growth  
■ Sands Capital: Select Growth Equity

■ Delaware Investments: Large-Cap Growth

■ HS Mgt. Partners: Conc. Quality Gr.

■ Pyramis: Focused LCG

# Manager Comparison

September 28, 2012

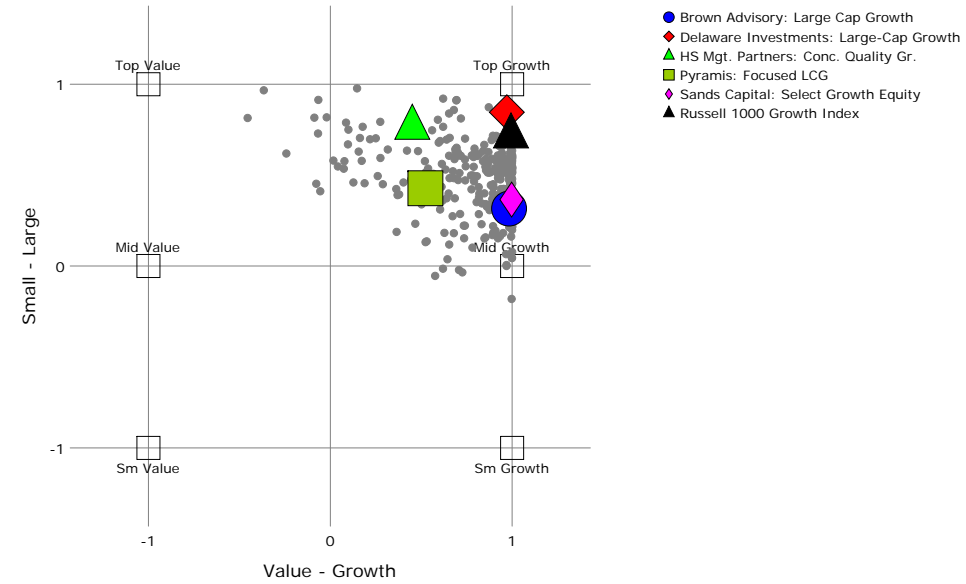
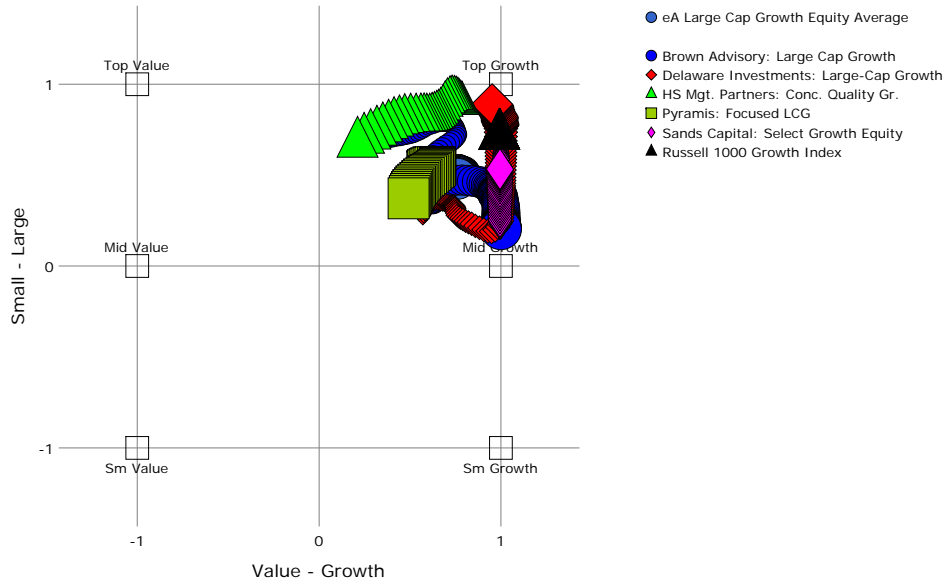
## Returns Based Style Analysis

**Benchmark**  
Russell 1000 Growth Index

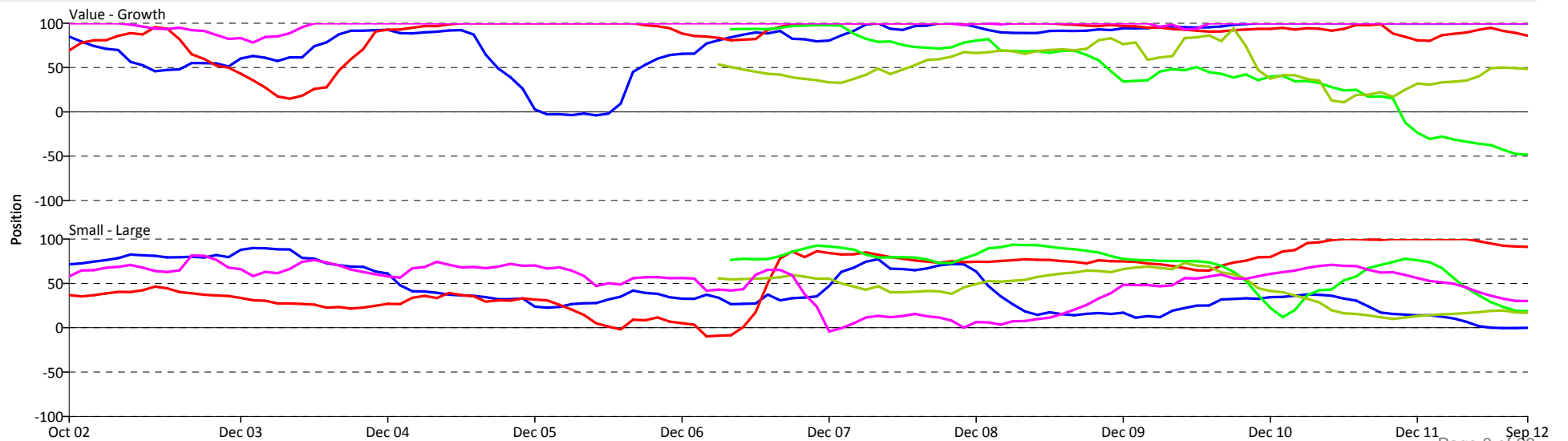
**Universe**  
eA Large Cap Growth Equity

### 3 Year Rolling Style: From Oct-02 to Sep-12

### Style Exposures: Last 5 Years



### Rolling Style: Last 10 Years (if available)



# Manager Comparison

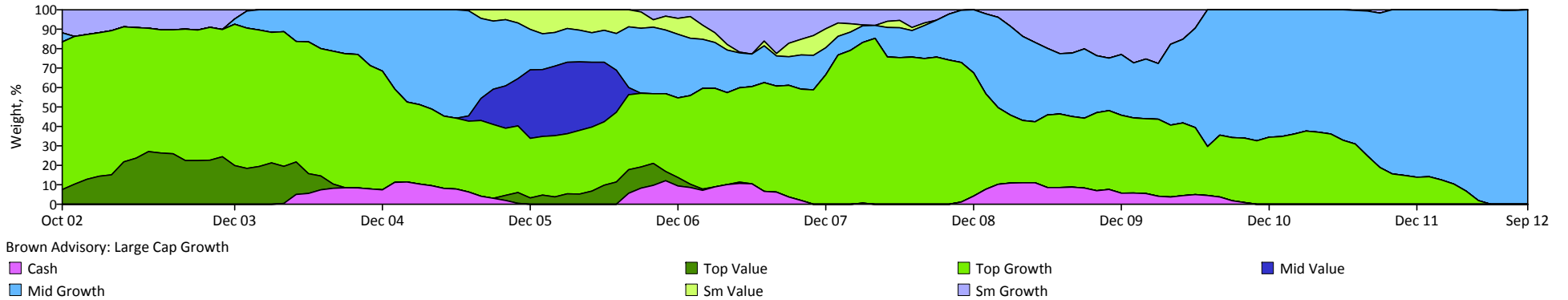
September 28, 2012

## Returns Based Style Analysis

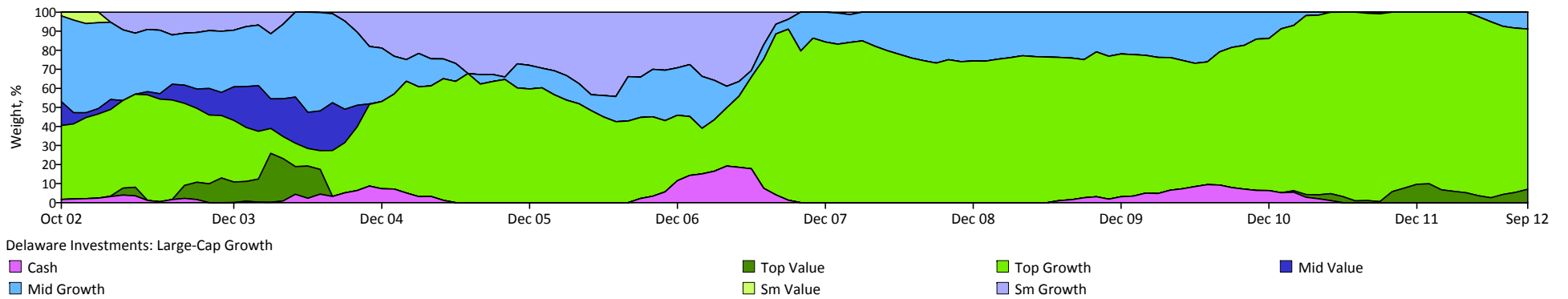
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

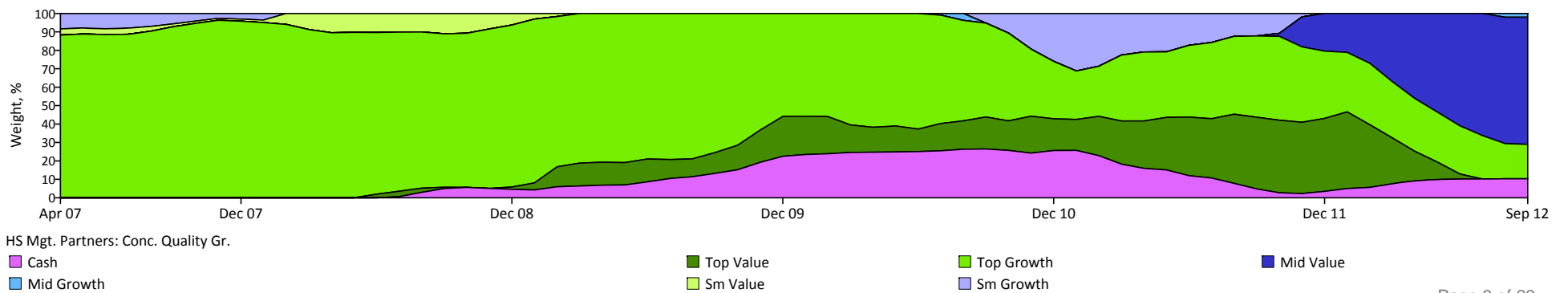
### Style Weight: Rolling



### Style Weight: Rolling



### Style Weight: Rolling



# Manager Comparison

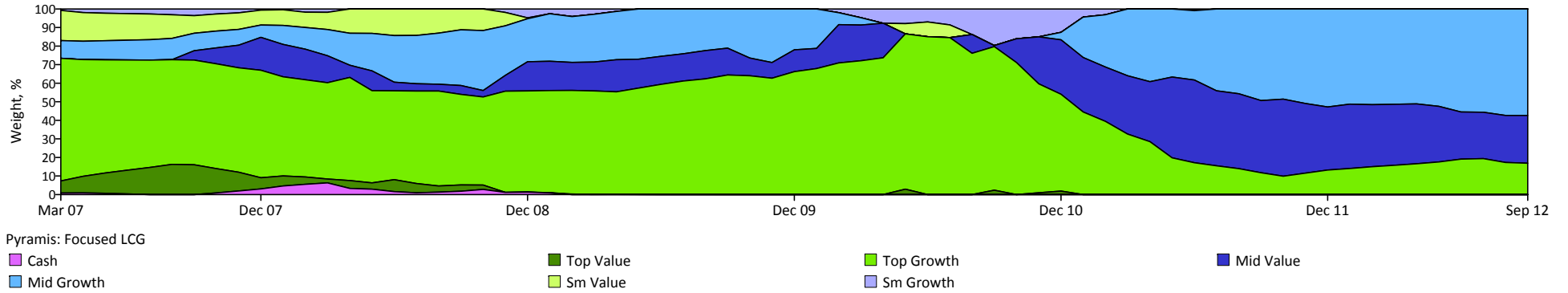
September 28, 2012

## Returns Based Style Analysis

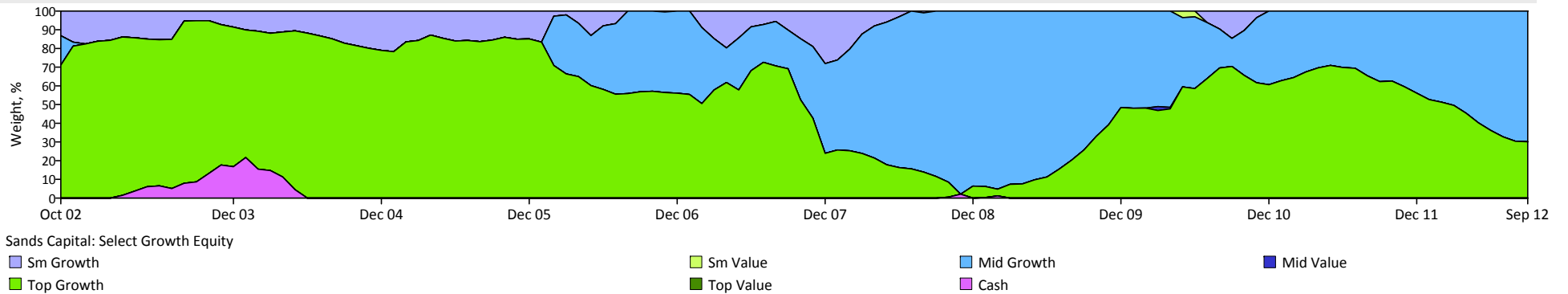
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Style Weight: Rolling



### Style Weight: Rolling



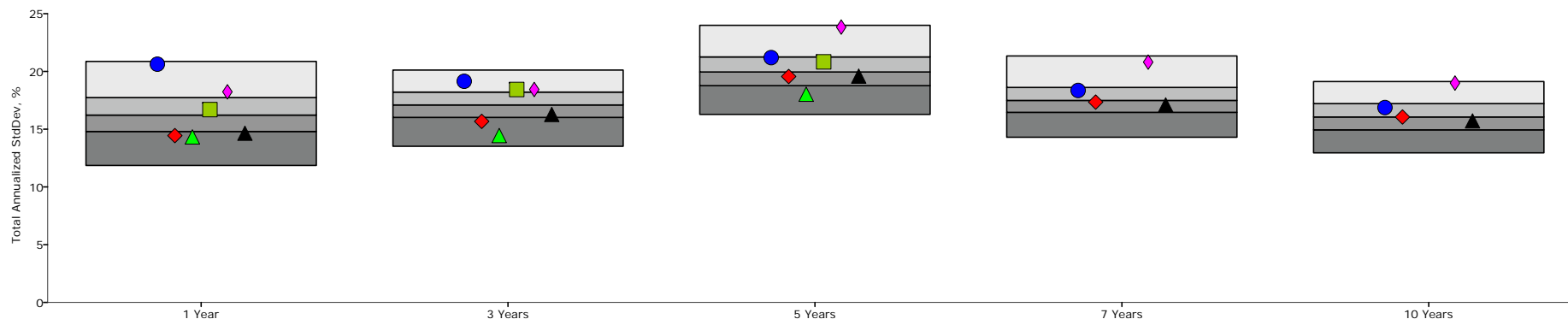
### Style Weight: Rolling

## Risk Analysis

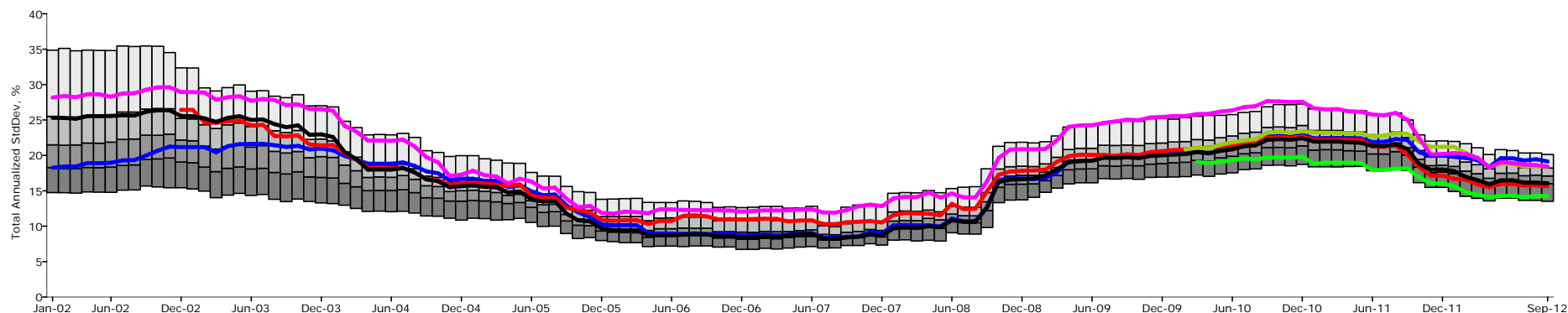
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Trailing Risk vs. Peers



### 3 Year Rolling Risk: From Jan-02 to Sep-12



	Trailing Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	20.6	95	19.2	88	21.2	74	18.4	68	16.9	67
◆ Delaware Investments: Large-Cap Growth	14.5	19	15.7	19	19.6	41	17.3	47	16.1	50
▲ HS Mgt. Partners: Conc. Quality Gr.	14.1	16	14.2	9	17.8	13	n/a	n/a	n/a	n/a
■ Pyramis: Focused LCG	16.7	60	18.4	79	20.8	67	n/a	n/a	n/a	n/a
◆ Sands Capital: Select Growth Equity	18.2	81	18.4	78	23.8	95	20.8	95	19.0	94
▲ Russell 1000 Growth Index	14.5	19	16.1	27	19.4	39	16.9	35	15.5	37
eA Large Cap Growth Equity Median	16.2		17.1		20.0		17.5		16.1	
eA Large Cap Growth Equity Size	316		315		300		277		231	

# Manager Comparison

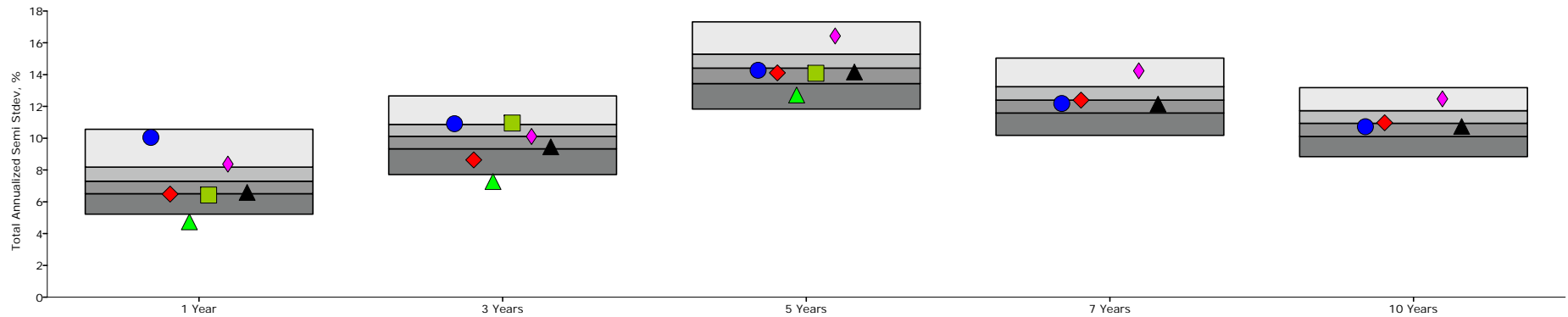
September 28, 2012

## Downside Risk Analysis

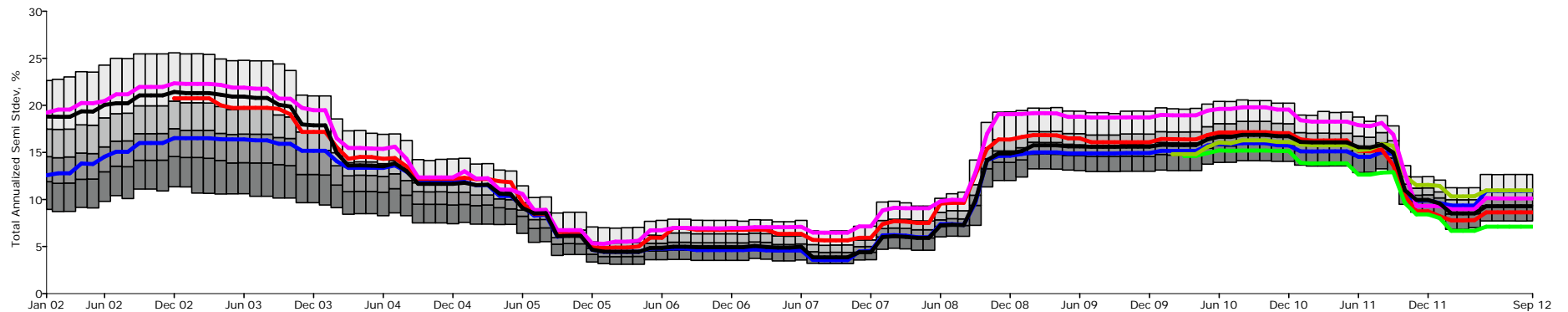
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Trailing Downside Risk vs. Peers



### 3 Year Rolling Downside Risk: From Jan-02 to Sep-12



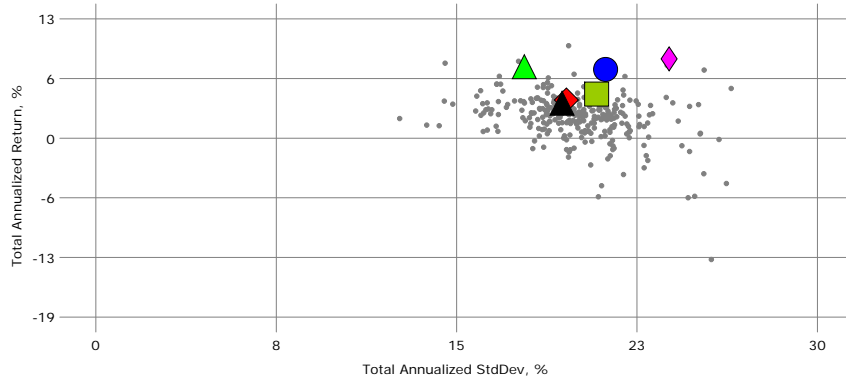
	Trailing Downside Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	10.1	87	10.9	47	14.3	18	12.2	15	10.7	27
◆ Delaware Investments: Large-Cap Growth	6.5	14	8.6	7	14.1	28	12.4	46	11.0	51
▲ HS Mgt. Partners: Conc. Quality Gr.	4.6	1	7.1	1	12.6	5	n/a	n/a	n/a	n/a
■ Pyramis: Focused LCG	6.4	38	11.0	86	14.1	36	n/a	n/a	n/a	n/a
◆ Sands Capital: Select Growth Equity	8.4	39	10.1	11	16.4	43	14.2	70	12.5	63
▲ Russell 1000 Growth Index	6.4	20	9.3	21	14.0	34	12.0	36	10.6	41
eA Large Cap Growth Equity Median	7.3		10.1		14.4		12.4		10.9	
eA Large Cap Growth Equity Size	316		315		300		277		231	

## Risk/Return Analysis

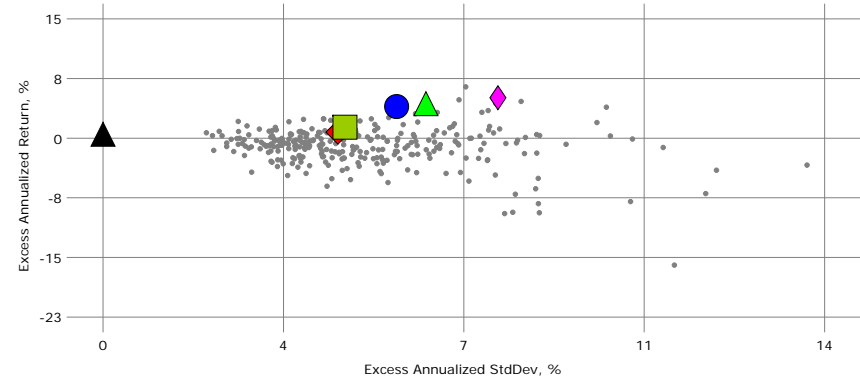
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

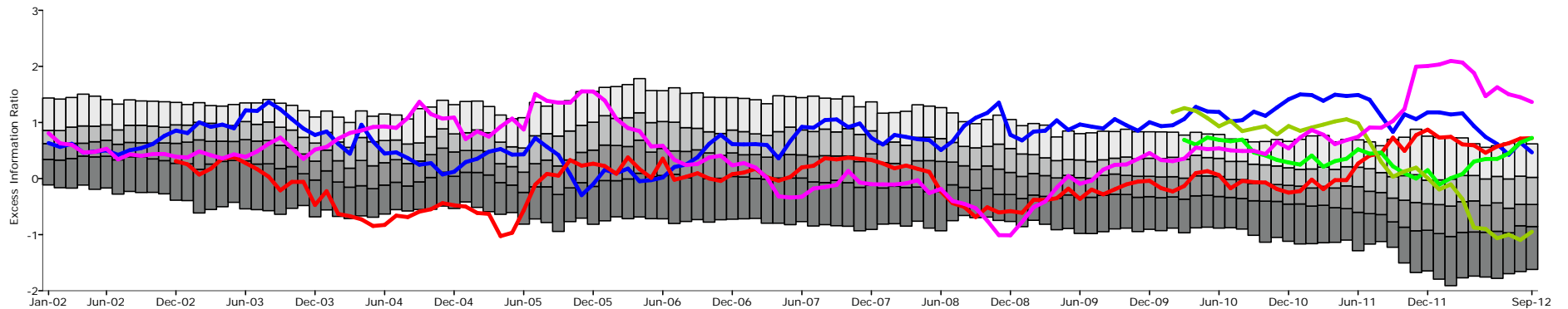
**Risk/Return: Last 5 Years**



**Excess Risk/Return: Last 5 Years**



**3 Year Rolling Information Ratio: From Jan-02 to Sep-12**



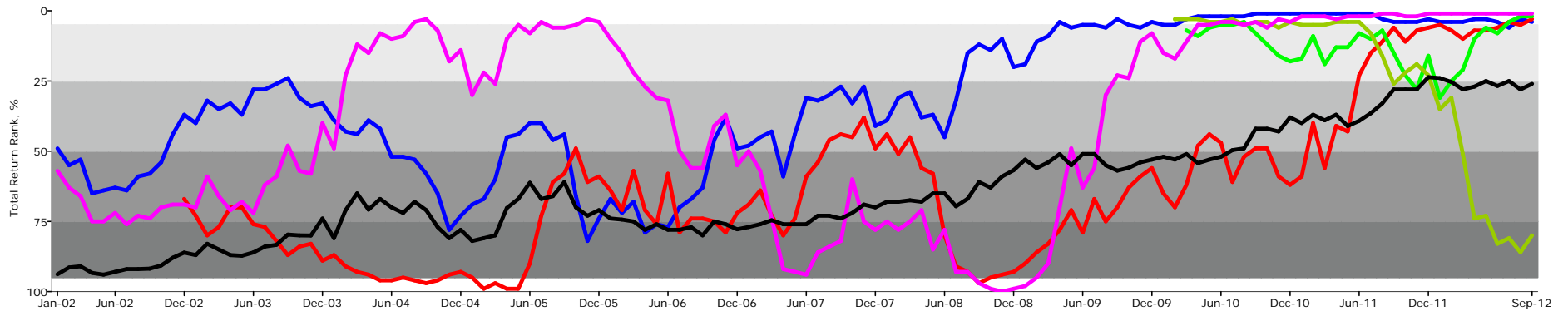
Descriptive Statistics: Oct 07 - Sep 12	Annualized Return	Annualized Std Dev	Alpha	Beta
● Brown Advisory: Large Cap Growth	7.21	21.19	0.40	0.70
◆ Delaware Investments: Large-Cap Growth	4.00	19.56	0.26	0.17
▲ HS Mgt. Partners: Conc. Quality Gr.	7.07	17.82	0.43	0.61
■ Pyramis: Focused LCG	4.63	20.82	0.28	0.30
◆ Sands Capital: Select Growth Equity	8.31	23.84	0.42	0.66
▲ Russell 1000 Growth Index	3.24	19.39	0.22	NA
eA Large Cap Growth Equity Median	2.52	19.95	0.19	-0.16

# Manager Comparison

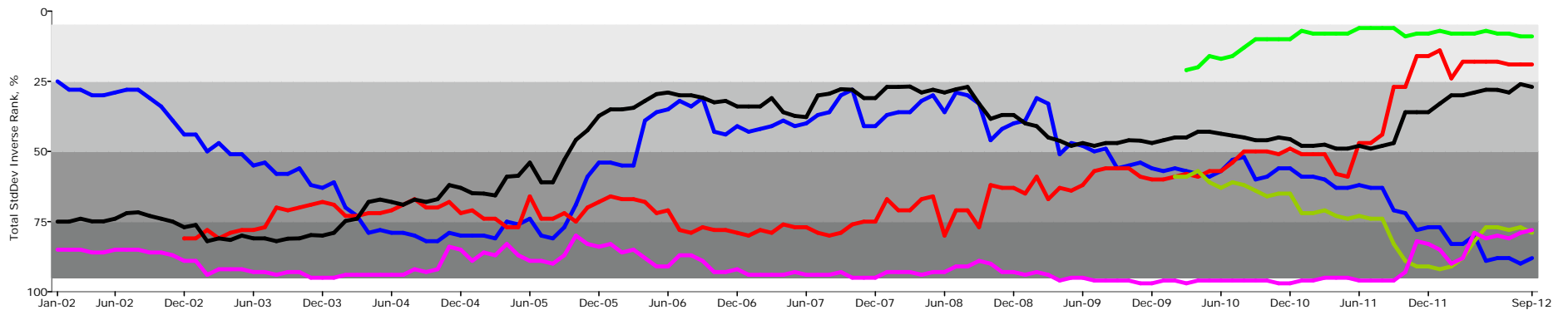
September 28, 2012

Percentile Ranks	Benchmark	Universe
	Russell 1000 Growth Index	eA Large Cap Growth Equity

3 Year Rolling Performance Rank vs. Peers: From Jan-02 to Sep-12



3 Year Rolling Risk Rank vs. Peers: From Jan-02 to Sep-12



3 Year Performance and Risk Ranks: Oct-09 - Sep-12	Performance Rank	Risk Rank	Tracking Error Rank	5 Year Performance and Risk Ranks: Oct-07 - Sep-12	Performance Rank	Risk Rank	Tracking Error Rank
● Brown Advisory: Large Cap Growth	4	88	85	● Brown Advisory: Large Cap Growth	2	74	69
◆ Delaware Investments: Large-Cap Growth	3	19	58	◆ Delaware Investments: Large-Cap Growth	18	41	48
▲ HS Mgt. Partners: Conc. Quality Gr.	2	9	90	▲ HS Mgt. Partners: Conc. Quality Gr.	3	13	76
■ Pyramis: Focused LCG	80	79	51	■ Pyramis: Focused LCG	11	67	52
◆ Sands Capital: Select Growth Equity	1	78	84	◆ Sands Capital: Select Growth Equity	1	95	91
▲ Russell 1000 Growth Index	26	27	1	▲ Russell 1000 Growth Index	32	39	1
eA Large Cap Growth Equity Average	47	49	58	eA Large Cap Growth Equity Average	53	52	59



# Manager Comparison

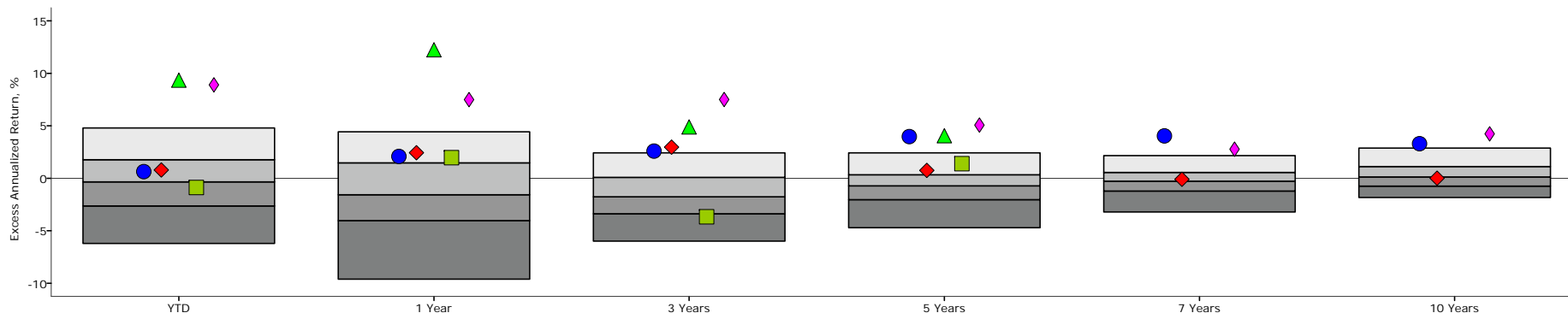
September 28, 2012

## Performance vs. Benchmark

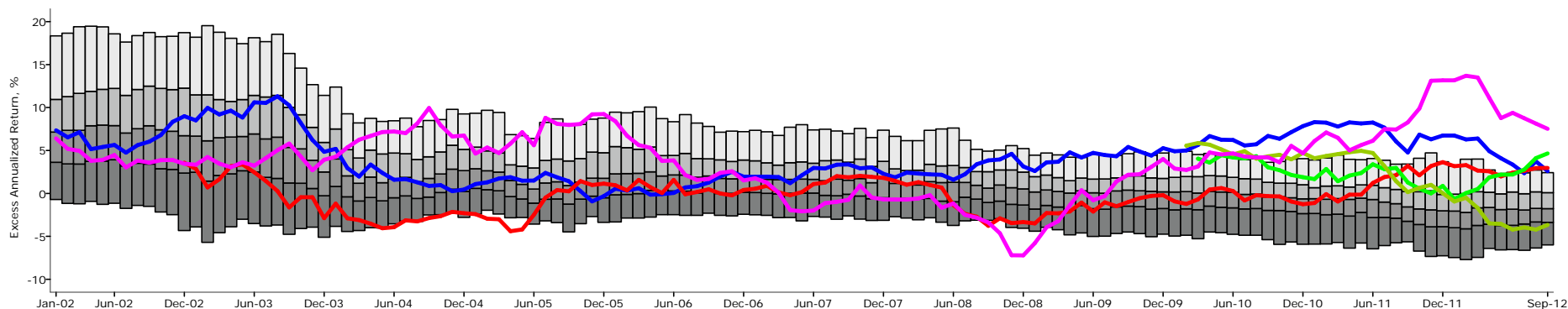
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Excess Performance



## 3 Year Rolling Excess Performance: From Jan-02 to Sep-12



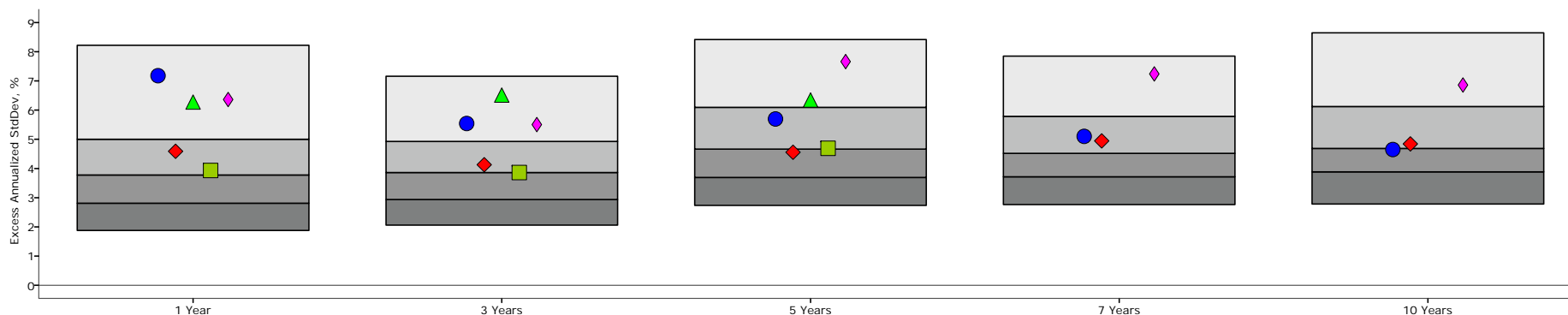
	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
● Brown Advisory: Large Cap Growth	1.7	14	-2.2	69	2.1	21	2.6	4	4.0	2	4.0	1	3.3	4
◆ Delaware Investments: Large-Cap Growth	0.4	38	-0.7	41	2.4	18	3.0	3	0.8	18	-0.1	44	0.0	53
▲ HS Mgt. Partners: Conc. Quality Gr.	5.2	1	10.0	1	12.0	1	4.7	2	3.8	3	n/a	n/a	n/a	n/a
■ Pyramis: Focused LCG	2.2	9	0.2	27	2.0	22	-3.7	80	1.4	11	n/a	n/a	n/a	n/a
◆ Sands Capital: Select Growth Equity	2.3	8	-0.9	47	7.5	2	7.5	1	5.1	1	2.8	3	4.2	2
eA Large Cap Growth Equity Median	0.1		-1.0		-1.6		-1.8		-0.7		-0.3		0.1	
eA Large Cap Growth Equity Size	316		316		316		315		300		277		231	

Tracking Error

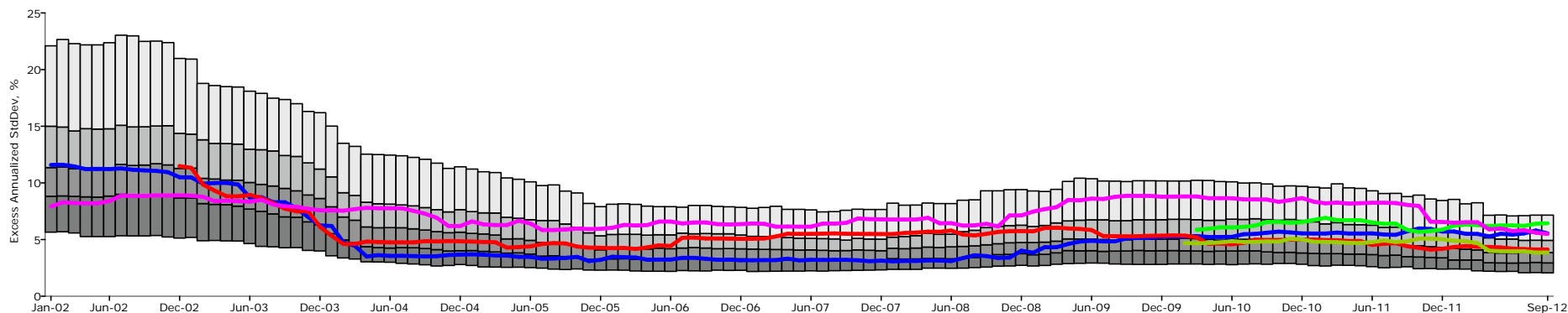
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Tracking Error



## 3 Year Rolling Tracking Error: From Jan-02 to Sep-12



Tracking Error to Date: Ending Sep-12	1 Year	3 Years	5 Years	7 Years	10 Years
● Brown Advisory: Large Cap Growth	7.18	5.54	5.70	5.10	4.65
◆ Delaware Investments: Large-Cap Growth	4.59	4.13	4.56	4.95	4.84
▲ HS Mgt. Partners: Conc. Quality Gr.	6.19	6.43	6.26	NA	NA
■ Pyramis: Focused LCG	3.93	3.86	4.69	NA	NA
◆ Sands Capital: Select Growth Equity	6.36	5.50	7.66	7.24	6.86
eA Large Cap Growth Equity Median	3.78	3.86	4.66	4.52	4.69
eA Large Cap Growth Equity Size	316.00	315.00	300.00	277.00	231.00

# Manager Comparison

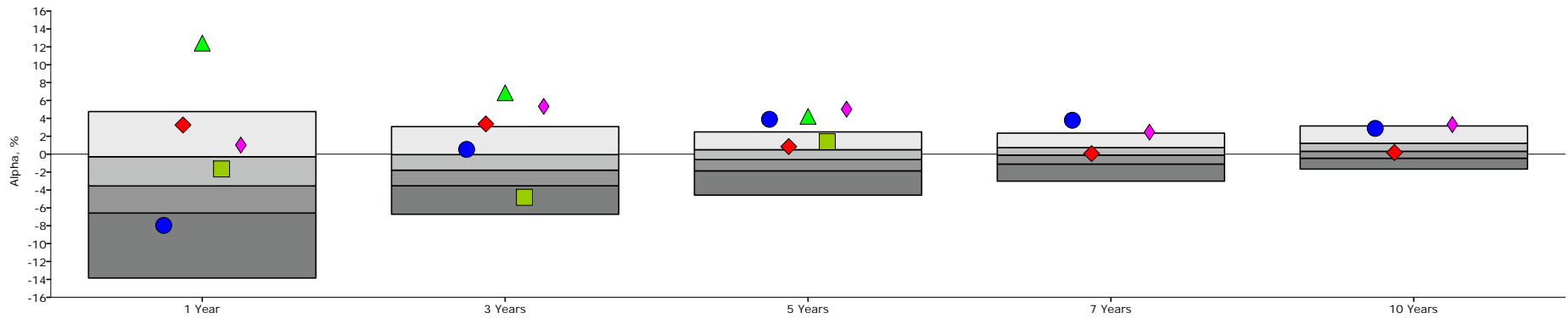
September 28, 2012

Alpha

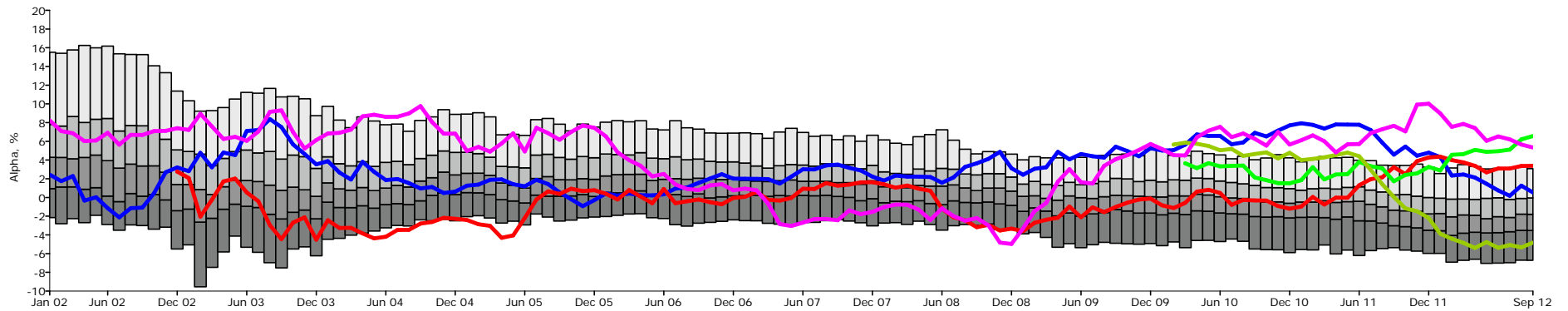
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Alpha



## 3 Year Rolling Alpha: From Jan-02 to Sep-12



Annualized Alpha: Ending Sep-12	1 Year	3 Years	5 Years	7 Years	10 Years
● Brown Advisory: Large Cap Growth	-7.97	0.53	3.90	3.79	2.88
◆ Delaware Investments: Large-Cap Growth	3.26	3.39	0.84	0.07	0.18
▲ HS Mgt. Partners: Conc. Quality Gr.	12.12	6.57	3.92	NA	NA
■ Pyramis: Focused LCG	-1.66	-4.83	1.39	NA	NA
◆ Sands Capital: Select Growth Equity	1.01	5.34	5.01	2.46	3.31
eA Large Cap Growth Equity Median	-3.55	-1.79	-0.60	-0.11	0.33

# Manager Comparison

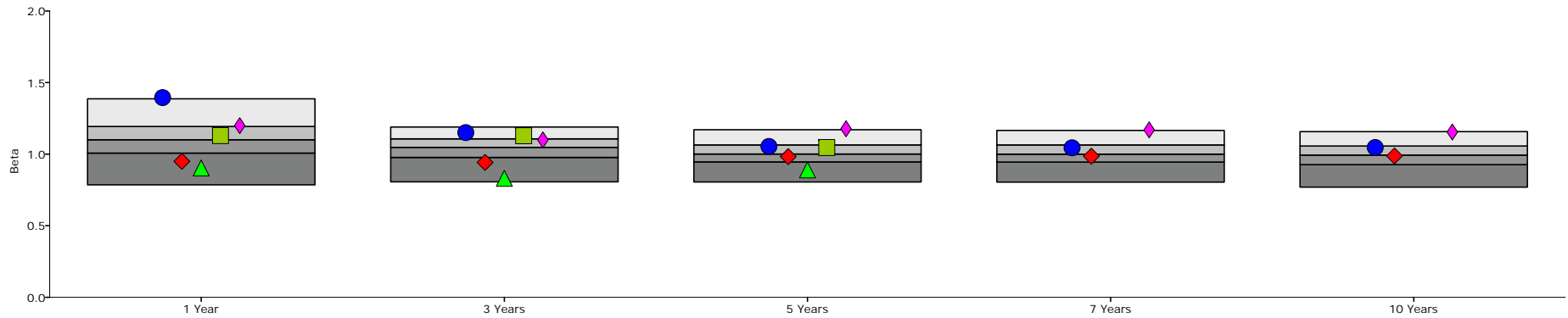
September 28, 2012

Beta

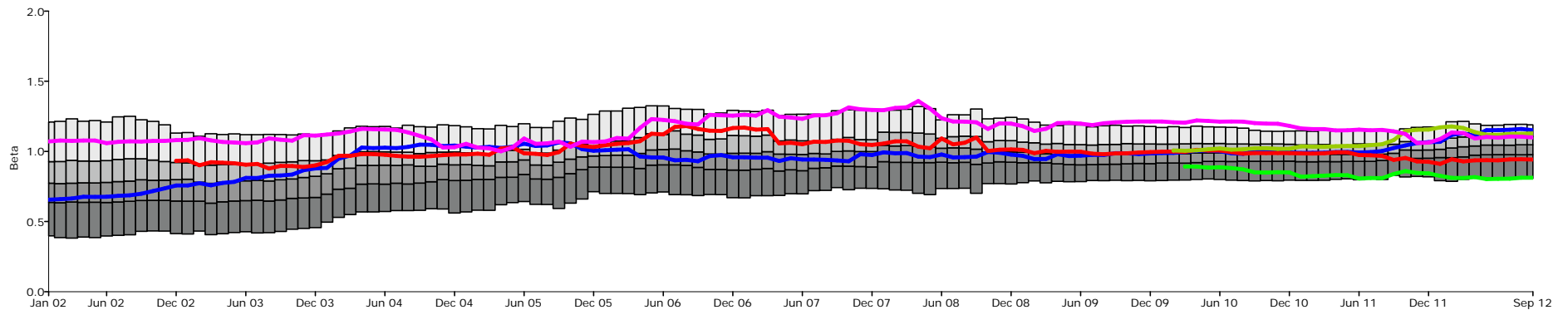
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Beta



## 3 Year Rolling Beta: From Jan-02 to Sep-12



<b>Annualized Beta: Ending Sep-12</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>	<b>10 Years</b>
● Brown Advisory: Large Cap Growth	1.40	1.15	1.05	1.04	1.05
◆ Delaware Investments: Large-Cap Growth	0.95	0.94	0.98	0.99	0.99
▲ HS Mgt. Partners: Conc. Quality Gr.	0.89	0.81	0.87	NA	NA
■ Pyramis: Focused LCG	1.13	1.13	1.05	NA	NA
◇ Sands Capital: Select Growth Equity	1.20	1.10	1.18	1.17	1.15
eA Large Cap Growth Equity Median	1.10	1.05	1.00	1.00	0.99

# Manager Comparison

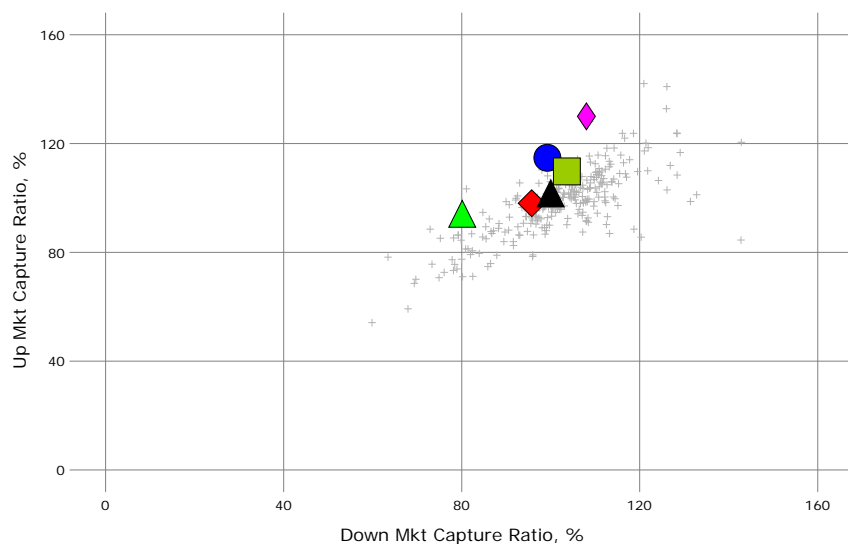
September 28, 2012

Up & Down Markets

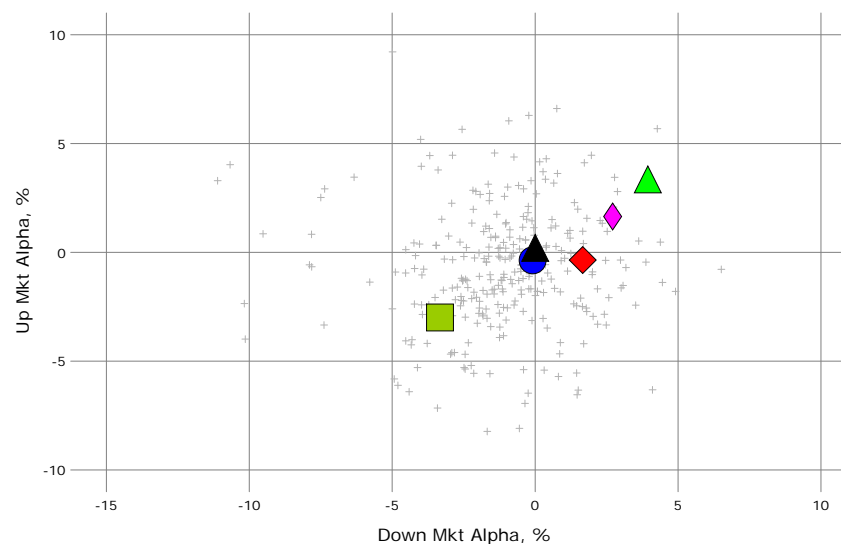
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

Up/Down Market Capture Ratio: Last 5 Years



Up/Down Market Alpha: Last 5 Years



Up Market Statistics: Oct 07 - Sep 12	Alpha	Beta	Up Capture	Annual Return	Batting Average	Num Periods
● Brown Advisory: Large Cap Growth	-0.37	1.15	114.76	37.34	0.65	34
◆ Delaware Investments: Large-Cap Growth	-0.36	1.00	98.07	31.91	0.44	34
▲ HS Mgt. Partners: Conc. Quality Gr.	3.14	0.82	92.55	30.12	0.41	34
■ Pyramis: Focused LCG	-2.99	1.19	109.76	35.71	0.59	34
◆ Sands Capital: Select Growth Equity	1.65	1.21	129.98	42.29	0.68	34
▲ Russell 1000 Growth Index	0.00	1.00	100.00	32.54	0.00	34
eA Large Cap Growth Equity Median	-0.76	1.02	98.83	32.16	0.50	34

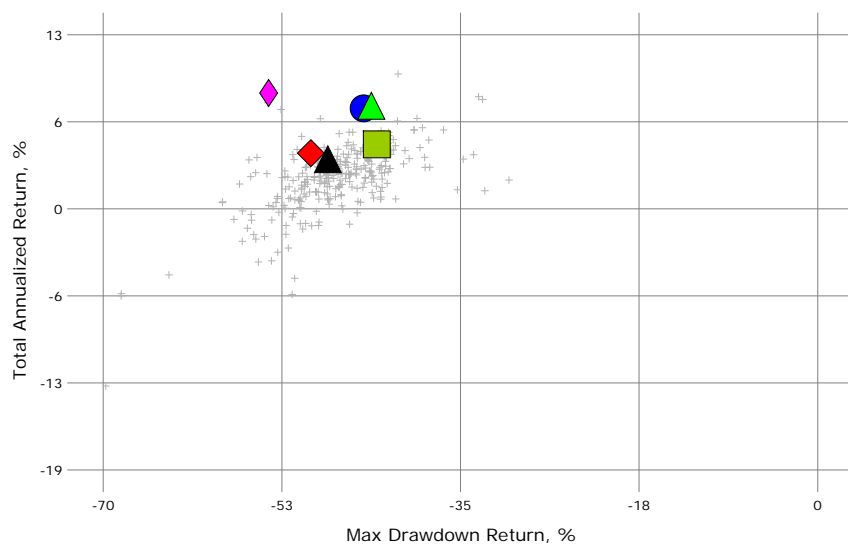
Down Market Statistics: Oct 07 - Sep 12	Alpha	Beta	Down Capture	Annual Return	Batting Average	Num Periods
● Brown Advisory: Large Cap Growth	-0.09	0.99	99.24	-21.94	0.54	26
◆ Delaware Investments: Large-Cap Growth	1.66	1.02	95.72	-21.16	0.58	26
▲ HS Mgt. Partners: Conc. Quality Gr.	3.94	0.95	80.11	-17.71	0.69	26
■ Pyramis: Focused LCG	-3.33	0.91	103.62	-22.91	0.38	26
◆ Sands Capital: Select Growth Equity	2.71	1.19	108.03	-23.88	0.50	26
▲ Russell 1000 Growth Index	0.00	1.00	100.00	-22.11	0.00	26
eA Large Cap Growth Equity Median	-0.99	0.97	102.13	-22.58	0.46	26

## Gain/Loss Analysis

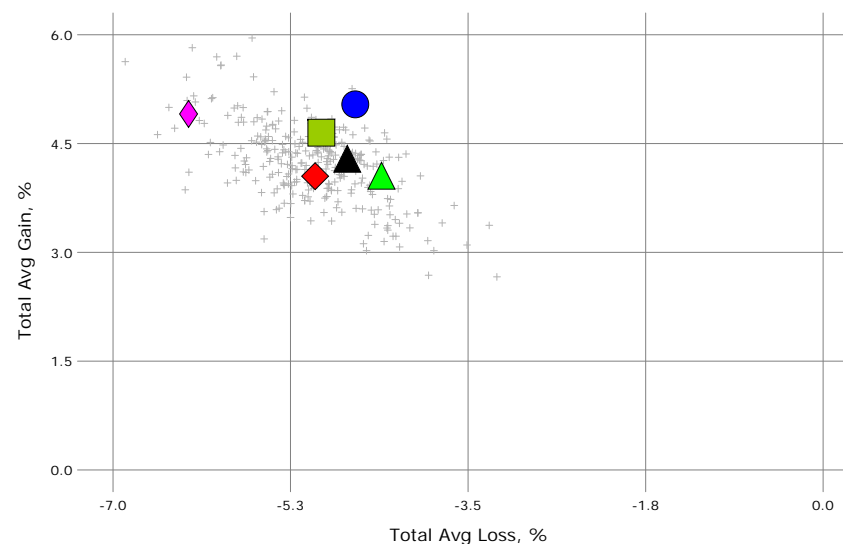
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

**Annual Return vs. Maximum Drawdown: Last 5 Years**



**Average Gain vs. Average Loss: Last 5 Years**



Gain & Loss: Oct 07 - Sep 12	Avg Gain	Gain Frequency	Avg Loss	Loss Frequency	Max Drawdown	Total	Skewness
● Brown Advisory: Large Cap Growth	5.04	55.00	-4.61	45.00	-44.48	-0.39	0.79
◆ Delaware Investments: Large-Cap Growth	4.05	60.00	-5.01	40.00	-49.66	-0.63	0.49
▲ HS Mgt. Partners: Conc. Quality Gr.	3.99	60.00	-4.35	40.00	-43.72	-0.71	0.65
■ Pyramis: Focused LCG	4.65	56.67	-4.95	43.33	-43.20	-0.19	0.36
◆ Sands Capital: Select Growth Equity	4.91	63.33	-6.26	36.67	-53.79	-0.59	0.54
▲ Russell 1000 Growth Index	4.23	56.67	-4.69	43.33	-47.99	-0.64	0.74

Performance Extremes: Oct 07 - Sep 12	Best Month	Best Monthly Return	Worst Month	Worst Monthly Return	Best 12 Months	Best 12 Month Return	Worst 12 Months	Worst 12 Month Return
● Brown Advisory: Large Cap Growth	Oct-11	14.56	Oct-08	-18.20	Mar-09 - Feb-10	65.16	Jan-08 - Dec-08	-36.00
◆ Delaware Investments: Large-Cap Growth	Sep-10	11.48	Oct-08	-15.25	Mar-09 - Feb-10	55.08	Dec-07 - Nov-08	-43.82
▲ HS Mgt. Partners: Conc. Quality Gr.	Oct-11	12.09	Oct-08	-14.90	Mar-09 - Feb-10	55.40	Dec-07 - Nov-08	-35.87
■ Pyramis: Focused LCG	Oct-11	13.86	Oct-08	-16.51	Mar-09 - Feb-10	66.31	Dec-07 - Nov-08	-35.50
◆ Sands Capital: Select Growth Equity	Apr-09	15.19	Oct-08	-19.26	Mar-09 - Feb-10	76.96	Dec-07 - Nov-08	-48.96
▲ Russell 1000 Growth Index	Oct-11	10.97	Oct-08	-17.61	Mar-09 - Feb-10	54.19	Mar-08 - Feb-09	-40.03

# Manager Comparison

September 28, 2012

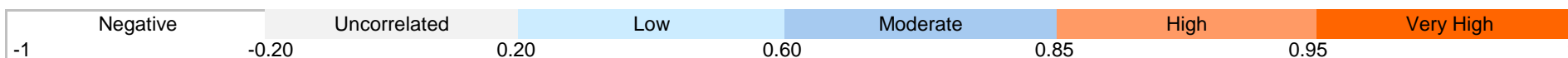
## Excess Correlation Matrix

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

Correlation Matrix: Last 5 Years

		1												
Brown Advisory: Large Cap Growth	1		2											
Delaware Investments: Large-Cap Growth	2	0.09		3										
HS Mgt. Partners: Conc. Quality Gr.	3	-0.08	0.31		4									
Pyramis: Focused LCG	4	0.26	-0.08	-0.08		5								
Sands Capital: Select Growth Equity	5	0.15	0.20	-0.17	-0.03		6							
Cash	6	-0.18	0.08	0.40	-0.19	-0.45		7						
Top Value	7	-0.20	-0.07	0.30	0.17	-0.44	0.19		8					
Top Growth	8	-0.30	0.19	0.46	-0.19	-0.40	0.61	0.32		9				
Mid Value	9	0.11	-0.30	-0.18	0.37	0.00	-0.37	0.45	-0.52		10			
Mid Growth	10	0.31	-0.18	-0.46	0.20	0.41	-0.61	-0.32	-1.00	0.54		11		
Sm Value	11	0.17	-0.29	-0.06	0.36	-0.09	-0.28	0.48	-0.32	0.84	0.35		12	
Sm Growth	12	0.34	-0.28	-0.22	0.28	0.17	-0.50	-0.05	-0.67	0.60	0.69	0.73		13
Russell 1000 Growth Index	13	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	



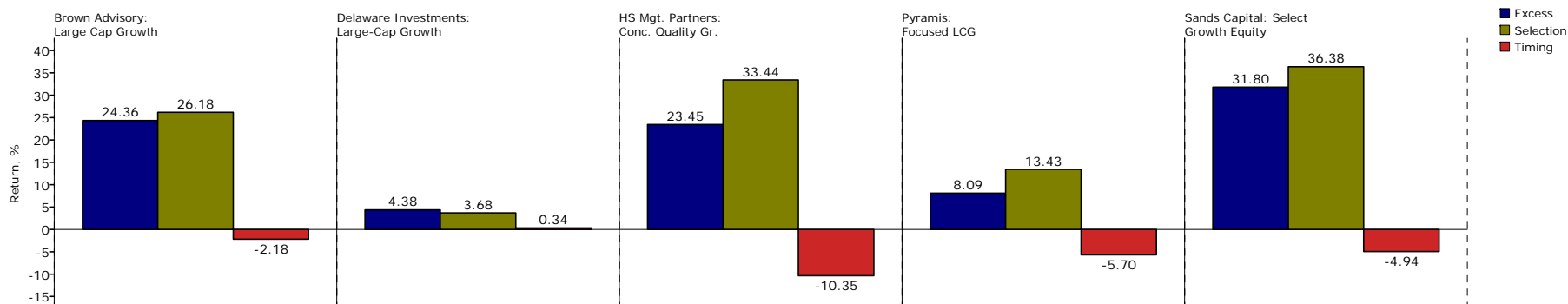
The Correlation Matrix reveals the strength of return relationships between investments. A perfect linear relationship is represented by a correlation of 1, while a perfect negative relationship has a correlation of -1. A correlation of 0 indicates no relationship between the investments. Correlation is a critical component to asset allocation and can be a useful way to measure the diversity of a combined plan portfolio.

## Returns Based Attribution

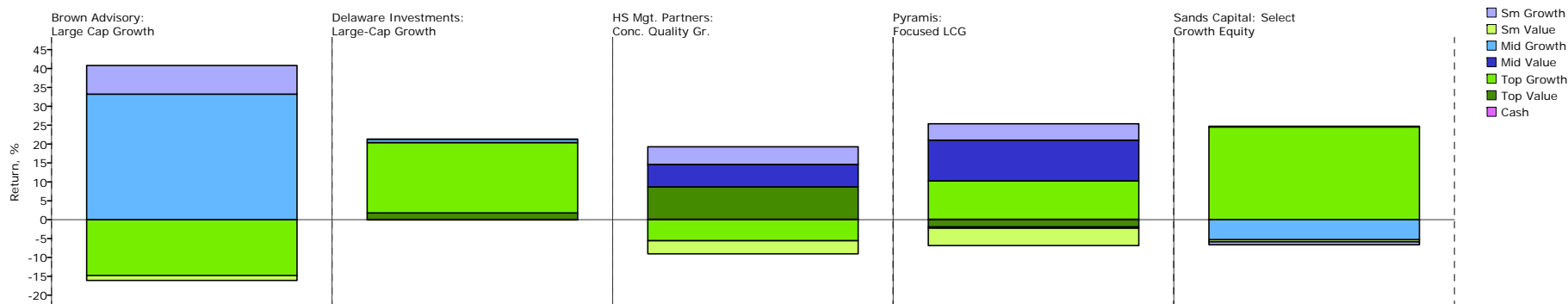
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Performance Attributed to Selection & Timing: Last 5 Years



### Performance Attributed to Style Exposures: Last 5 Years



Performance Attribution: Oct-07 - Sep-12	Excess Return	Selection Return	Timing Return	Cash	Top Value	Top Growth	Mid Value	Mid Growth	Sm Value	Sm Growth
Brown Advisory: Large Cap Growth	3.97	4.29	-0.39	0.01	0.00	-3.15	0.00	5.90	-0.26	1.47
Delaware Investments: Large-Cap Growth	0.76	0.64	0.06	0.00	0.35	3.48	0.00	0.17	0.00	-0.02
HS Mgt. Partners: Conc. Quality Gr.	3.83	5.65	-1.88	0.02	1.66	-1.15	1.16	0.00	-0.70	0.92
Pyramis: Focused LCG	1.39	2.34	-1.02	0.02	-0.39	1.96	2.06	-0.07	-0.94	0.85
Sands Capital: Select Growth Equity	5.07	5.89	-0.88	0.00	0.00	4.48	0.04	-1.09	-0.11	-0.15



### Appendix: Glossary of Terms

**Alpha** - Alpha measures the difference between an investment's actual performance, and its expected performance as indicated by the returns of a selected market index. A positive Alpha indicates the risk-adjusted performance is above that index. In calculating Alpha, Standard Deviation (total risk) is used as risk measure. Alpha is often used to judge the value added or subtracted by a manager.

**Batting Average** - Batting Average is sometimes known as the probability of success. This measures the frequency with which a manager performs better than a selected Market Index. It is computed by dividing the number of positive excess returns by the total number of excess returns during the period.

**Beta** - Beta is defined as a Manager's sensitivity to market movements and is used to evaluate market related, or systematic risk. Beta is a measure of the linear relationship, over time, of the Manager's returns and those of the Benchmark. Beta is computed by regressing the Manager's excess returns over the risk free rate (cash proxy) against the excess returns of the Benchmark over the risk free rate. An investment that is as equally volatile as the market will have a Beta of 1.0; an investment half as volatile as the market will have a Beta of 0.5; and so on. Thus, Betas higher than 1.0 indicate that the fund is more volatile than the market.

**Calmar Ratio** - The Calmar Ratio is a risk/return ratio that calculates return on a downside risk adjusted basis. Similar to other efficiency ratios it balances return in the numerator per unit risk in the denominator. In this case risk is characterized by the Maximum Drawdown.

**Correlation (R)** - The Correlation represents the degree to which investments move in tandem with one another and is a critical component of diversified portfolio construction. The Correlation varies between a minimum of -1 (move in opposite direction) and a maximum of 1 (completely correlated). Lower Correlations enhance diversification and lead to better risk-adjusted returns within diversified portfolios. An R of less than 0.3 is often considered low Correlation.

**Distribution of Excess Returns** - Distribution of Excess Returns displays an arrangement of statistical data that exhibits the frequency of occurrence of the investment's returns in excess of the selected Market Index.

**Down Market (Mkt) Capture Ratio** - Down Market Capture Ratio is a measure of an investment's performance in down markets relative to the market itself. A down market is one in which the market's return is less than zero. The lower the investment's Down Market Capture Ratio, the better the investment protected capital during a market decline. A negative Down Market Capture Ratio indicates that an investment's returns rose while the market declined.

**Downside Risk (Semi Standard Deviation, Semi StdDev, or Downside Deviation)** - Downside Risk only identifies volatility on the down side. Downside Risk measures the variability of returns below zero, whereas Standard Deviation attributes volatility in either direction to risk. The Downside Risk method calculates the deviations below zero for each observed return. Each time a return falls below zero, the sum is divided by the number of observations and the square root is taken. This result is then shown on an annualized basis.

**Excess** - Denotes that a statistic is being measured relative to the Market Index selected. The data set analyzed consists of the periodic differences between the investment's measure and the selected Market Index's definition.

**Information Ratio** - The Information Ratio is a measure of value added by an investment manager. It is the ratio of (annualized) excess return above the selected Market Index to (annualized) Tracking Error. Excess return is calculated by linking the difference of the manager's return for each period minus the selected Market Index return for each period, then annualizing the result.

**Kurtosis** - Kurtosis describes whether the series distribution is peaked or flat and how thick the tails are as compared to a normal distribution. Positive kurtosis indicates a relatively peaked distribution near the mean and tends to decline rapidly and have fat tails. Negative kurtosis indicates a relatively flat distribution near the mean. If there are fewer than four data points, or if the standard deviation of the series equals zero, Kurtosis will appear as N/A.

**Loss Ratio** - The Loss Ratio is a downside risk-adjusted performance statistic. Similar to the Information Ratio, the Loss Ratio calculates return per unit of risk, except that in this case, risk is represented by downside risk.

# SamCERA Large Cap Growth

# Manager Comparison Report

September 28, 2012

## Summary Tables

Benchmark: Russell 1000 Growth Index  
Universe: eA Large Cap Growth Equity

Stralem & Company: Stralem LCES		TCW: Concentrated Core		T. Rowe Price: Large-Cap Growth		Wedgwood: Lrg Cap Fcsed Grwth		Wellington Mgmt: Diversified Growth		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

### Total Return

3 Mos.	4.9	84	7.1	29	6.3	45	8.8	4	6.0	57	6.1	55	6.2	316
1 Yr.	22.9	90	26.0	70	30.4	29	36.3	2	29.0	39	29.2	38	27.6	316
3 Yrs.	12.4	62	16.0	13	14.2	34	16.9	7	13.5	43	14.7	26	13.0	315
5 Yrs.	3.6	25	5.5	7	4.0	18	9.7	1	2.7	46	3.2	32	2.5	300
7 Yrs.	5.9	38	6.2	32	6.5	22	8.8	2	7.1	12	5.8	41	5.5	277
10 Yrs.	9.3	31	11.3	5	10.6	10	12.8	1	10.2	12	8.4	53	8.5	231

### Excess Return

3 Mos.	-1.2		1.0		0.2		2.7		-0.1				0.1	316
1 Yr.	-6.3		-3.2		1.2		7.1		-0.2				-1.6	316
3 Yrs.	-2.4		1.2		-0.5		2.2		-1.2				-1.8	315
5 Yrs.	0.4		2.3		0.8		6.4		-0.6				-0.7	300
7 Yrs.	0.1		0.4		0.7		3.0		1.3				-0.3	277
10 Yrs.	0.9		2.9		2.2		4.4		1.8				0.1	231

### Excess Return vs. Universe Median

3 Mos.	-1.3		0.8		0.1		2.6		-0.2		-0.1			316
1 Yr.	-4.7		-1.7		2.8		8.7		1.4		1.6			316
3 Yrs.	-0.6		3.0		1.2		4.0		0.6		1.8			315
5 Yrs.	1.1		3.0		1.5		7.2		0.2		0.7			300
7 Yrs.	0.4		0.7		1.0		3.2		1.6		0.3			277
10 Yrs.	0.8		2.8		2.1		4.3		1.7		-0.1			231

### Standard Deviation

3 Yrs.	12.6	2	16.1	27	18.9	85	15.8	21	19.2	89	16.1	27	17.1	315
5 Yrs.	16.1	4	18.9	30	22.2	89	19.7	45	21.6	81	19.4	39	20.0	300
7 Yrs.	14.1	4	17.3	45	19.2	84	17.3	44	18.7	78	16.9	35	17.5	277
10 Yrs.	12.7	4	17.9	86	17.7	84	17.0	69	17.2	76	15.5	37	16.1	231

### Tracking Error

3 Yrs.	5.4	82	3.0	29	4.0	54	4.3	63	4.0	54			3.9	315
5 Yrs.	6.4	78	4.4	45	4.9	56	7.0	85	3.9	34			4.7	300
7 Yrs.	5.8	76	5.2	67	4.4	46	6.6	85	3.9	31			4.5	277
10 Yrs.	6.6	82	6.5	81	4.2	38	6.8	85	3.8	24			4.7	231

### Information Ratio

3 Yrs.	-0.4	50	0.4	10	-0.1	34	0.5	7	-0.3	43			-0.5	315
5 Yrs.	0.1	27	0.5	5	0.2	19	0.9	1	-0.1	48			-0.2	300
7 Yrs.	0.0	39	0.1	32	0.2	22	0.5	5	0.3	9			-0.1	277
10 Yrs.	0.1	37	0.5	9	0.5	6	0.7	2	0.5	7			0.0	231

# Manager Comparison Report

September 28, 2012

## Summary Tables

Benchmark: Russell 1000 Growth Index  
Universe: eA Large Cap Growth Equity

Stralem & Company: Stralem LCES		TCW: Concentrated Core		T. Rowe Price: Large-Cap Growth		Wedgwood: Lrg Cap Fcsed Grwth		Wellington Mgmt: Diversified Growth		Russell 1000 Growth Index		eA Large Cap Growth Equity Median	eA Large Cap Growth Equity Size
Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		

### Beta

3 Yrs.	0.8	98	1.0	74	1.2	11	0.9	84	1.2	8			1.1	315
5 Yrs.	0.8	96	1.0	72	1.1	11	1.0	75	1.1	16			1.0	300
7 Yrs.	0.8	97	1.0	62	1.1	11	1.0	74	1.1	18			1.0	277
10 Yrs.	0.7	97	1.1	19	1.1	10	1.0	46	1.1	15			1.0	231

### Alpha (CAPM)

3 Yrs.	1.2	14	1.5	12	-2.9	59	3.0	7	-3.8	72			-2.1	315
5 Yrs.	0.9	19	2.4	6	0.4	25	6.6	1	-0.8	52			-0.7	300
7 Yrs.	0.9	20	0.4	31	0.2	38	3.1	3	0.9	20			-0.2	277
10 Yrs.	2.6	7	2.4	10	1.5	21	4.4	3	1.2	24			0.3	231

### Sharpe Ratio

3 Yrs.	1.0	13	1.0	13	0.8	53	1.1	7	0.7	67	0.9	21	0.8	315
5 Yrs.	0.2	16	0.3	7	0.2	25	0.5	1	0.1	51	0.1	31	0.1	300
7 Yrs.	0.3	19	0.3	33	0.2	37	0.4	3	0.3	20	0.2	41	0.2	277
10 Yrs.	0.6	4	0.5	13	0.5	22	0.7	3	0.5	24	0.4	50	0.4	231

### Upside Capture Ratio

3 Yrs.	74.4	99	101.3	50	113.4	12	95.3	72	115.7	8			101.3	315
5 Yrs.	77.3	96	99.9	45	115.8	6	103.3	34	113.5	9			98.8	300
7 Yrs.	78.8	96	101.2	48	112.0	11	97.2	66	113.4	9			100.5	277
10 Yrs.	79.1	95	117.0	8	113.9	13	105.1	37	113.8	14			101.3	231

### Downside Capture Ratio

3 Yrs.	72.2	4	95.8	19	121.8	81	81.8	9	128.2	91			109.3	315
5 Yrs.	77.9	4	92.2	18	110.6	79	81.1	8	113.2	87			102.1	300
7 Yrs.	76.7	5	99.7	41	109.2	76	84.2	10	108.0	71			102.2	277
10 Yrs.	68.6	4	105.5	67	105.3	66	83.8	14	107.3	74			101.5	231

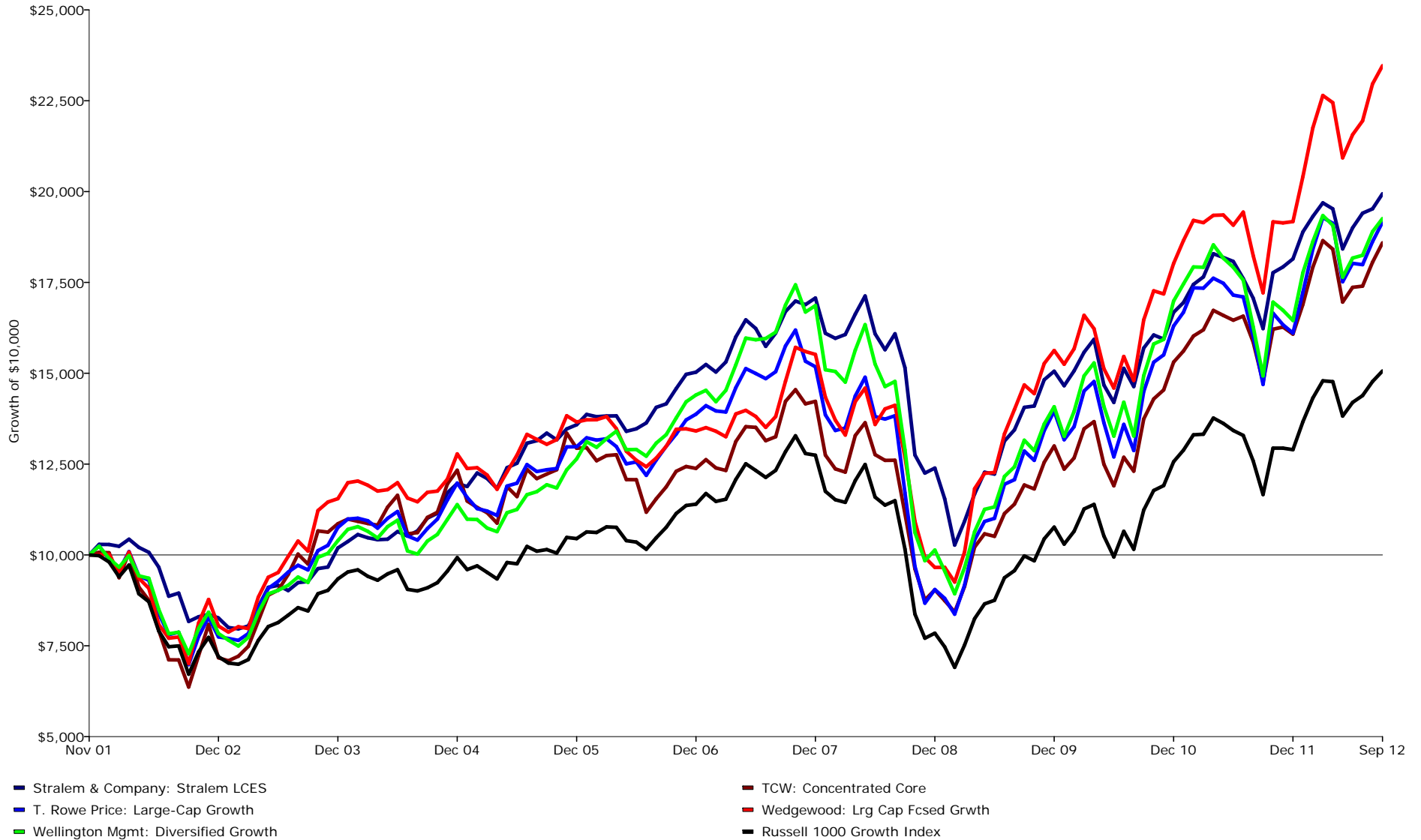
# Manager Comparison

September 28, 2012

Cumulative Performance - Growth of \$10,000

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



# Manager Comparison

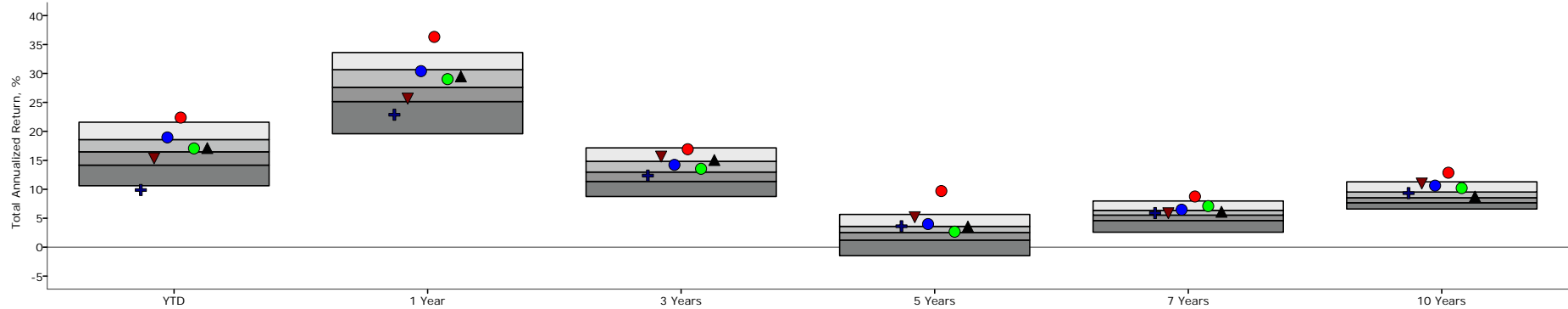
September 28, 2012

Performance Evaluation

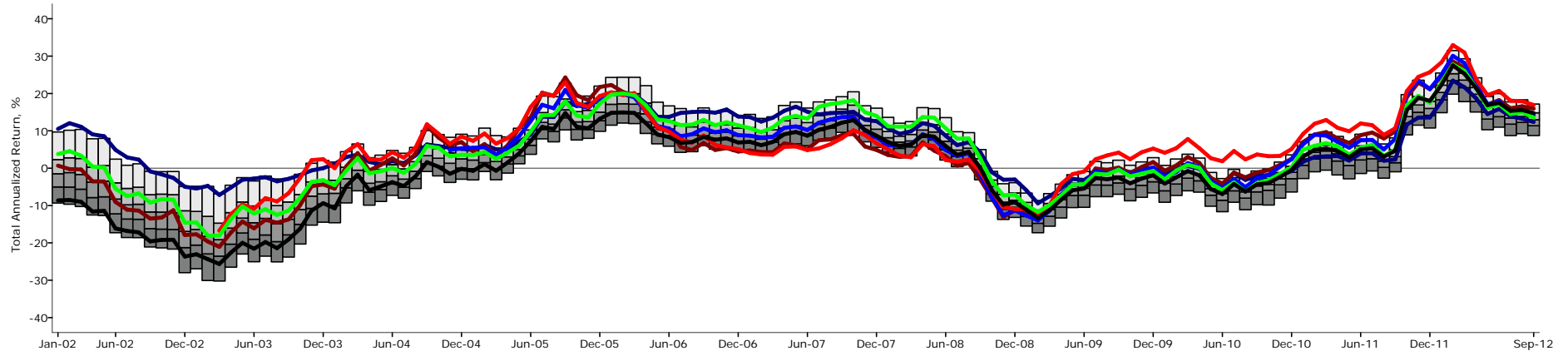
Benchmark  
Russell 1000 Growth Index

Universe  
eA Large Cap Growth Equity

## Trailing Performance vs. Peers



## 3 Year Rolling Performance: From Jan-02 to Sep-12



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
+ Stralem & Company: Stralem LCES	4.9	84	1.3	38	22.9	90	12.4	62	3.6	25	5.9	38	9.3	31
▼ TCW: Concentrated Core	7.1	29	-0.3	68	26.0	70	16.0	13	5.5	7	6.2	32	11.3	5
● T. Rowe Price: Large-Cap Growth	6.3	45	-0.7	75	30.4	29	14.2	34	4.0	18	6.5	22	10.6	10
● Wedgewood: Lrg Cap Fcstd Grwth	8.8	4	3.6	10	36.3	2	16.9	7	9.7	1	8.8	2	12.8	1
● Wellington Mgmt: Diversified Growth	6.0	57	-0.4	71	29.0	39	13.5	43	2.7	46	7.1	12	10.2	12
▲ Russell 1000 Growth Index	6.1	55	1.8	29	29.2	38	14.7	26	3.2	32	5.8	41	8.4	53
eA Large Cap Growth Equity Median	6.2		0.9		27.6		13.0		2.5		5.5		8.5	
eA Large Cap Growth Equity Size	316		316		316		315		300		277		231	

# Manager Comparison

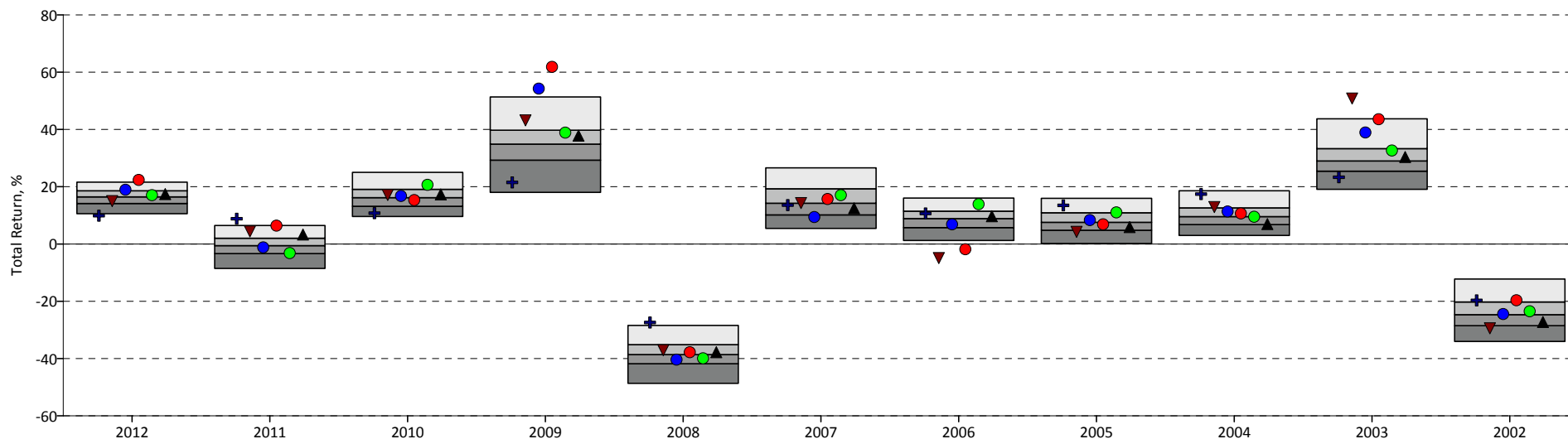
September 28, 2012

Performance Evaluation

Benchmark  
Russell 1000 Growth Index

Universe  
eA Large Cap Growth Equity

## Trailing Performance vs. Peers

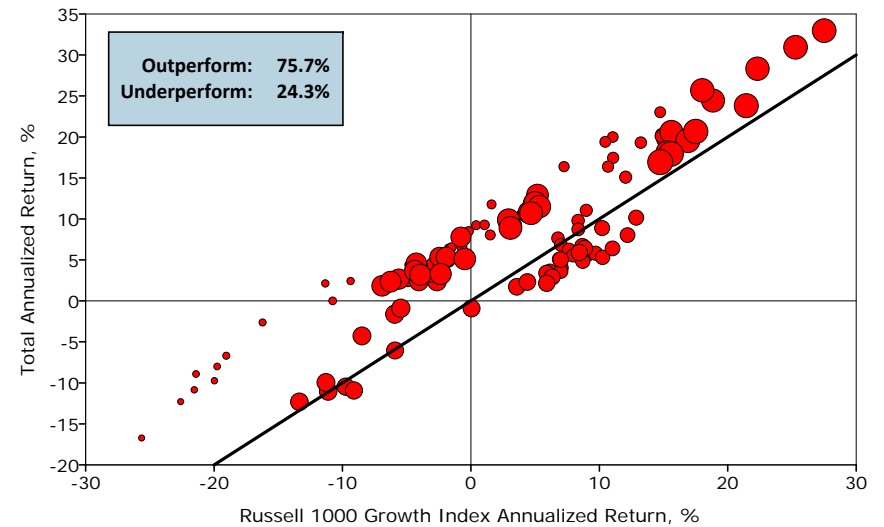
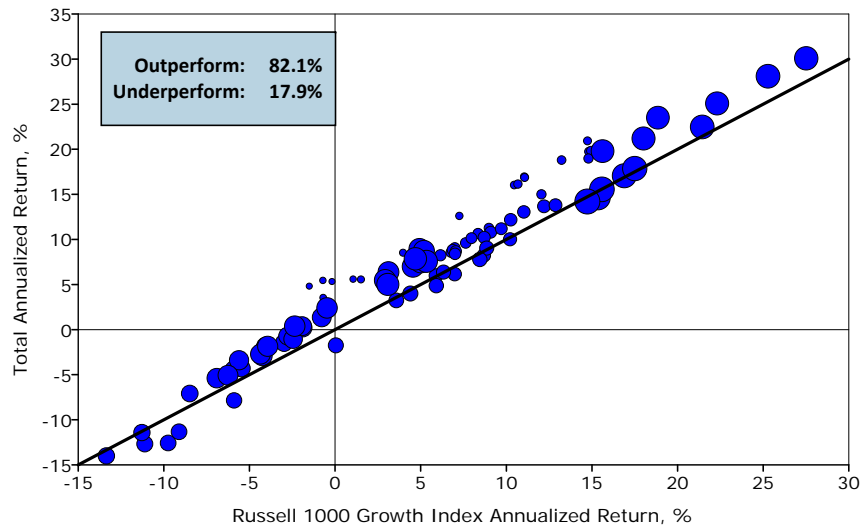
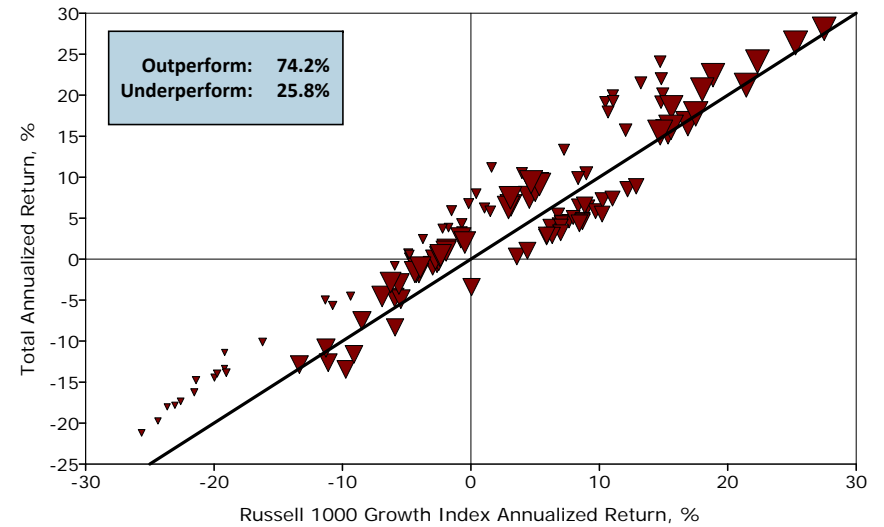
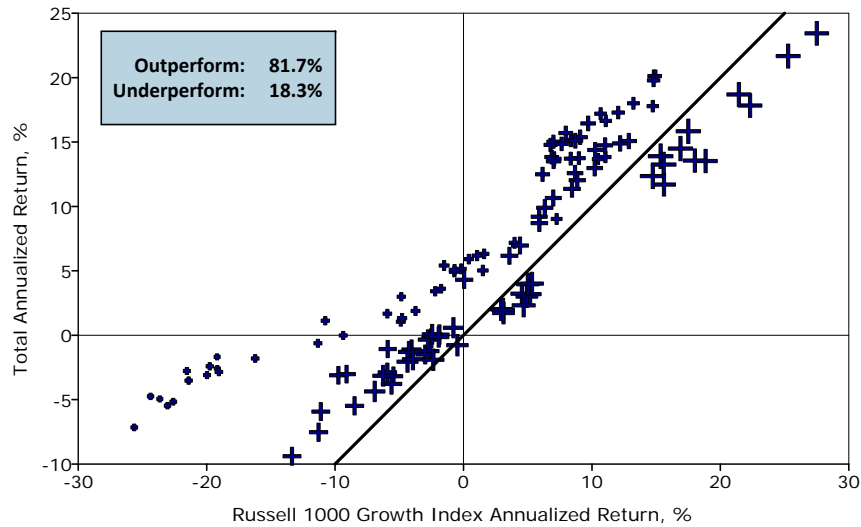


	Total Return																						
	2012		2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	
+	Stralem & Company: Stralem LCES	9.9	98	8.8	3	10.8	91	21.5	93	-27.4	4	13.6	54	10.7	33	13.5	12	17.4	8	23.3	84	-19.7	23
▼	TCW: Concentrated Core	15.7	61	5.0	8	17.8	35	43.8	17	-36.5	34	14.9	47	-4.3	100	4.9	74	13.5	21	51.5	3	-28.8	78
●	T. Rowe Price: Large-Cap Growth	19.0	24	-1.2	57	16.8	46	54.3	4	-40.4	67	9.4	79	6.9	68	8.4	44	11.3	36	38.9	10	-24.5	48
●	Wedgewood: Lrg Cap Fcsed Grwth	22.4	5	6.4	6	15.3	59	61.8	3	-37.8	43	15.7	43	-1.8	98	6.9	56	10.7	42	43.6	6	-19.6	23
●	Wellington Mgmt: Diversified Growth	17.1	42	-3.2	74	20.7	15	38.9	27	-39.9	62	17.1	36	13.9	11	11.0	24	9.5	51	32.7	27	-23.5	42
▲	Russell 1000 Growth Index	16.8	47	2.6	20	16.7	47	37.2	36	-38.4	48	11.8	65	9.1	49	5.3	71	6.3	79	29.8	47	-27.9	72
	eA Large Cap Growth Equity Median	16.5		-0.6		16.2		34.9		-38.6		14.3		8.9		7.6		9.6		29.0		-24.7	
	eA Large Cap Growth Equity Size	316		366		404		439		466		479		490		491		483		476		452	

## Total Return vs. Benchmark - Last 10 Years (if available)

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



■ Stralem & Company: Stralem LCES  
■ Wellington Mgmt: Diversified Growth

■ TCW: Concentrated Core

■ T. Rowe Price: Large-Cap Growth

■ Wedgewood: Lrg Cap Fcsed Grwth



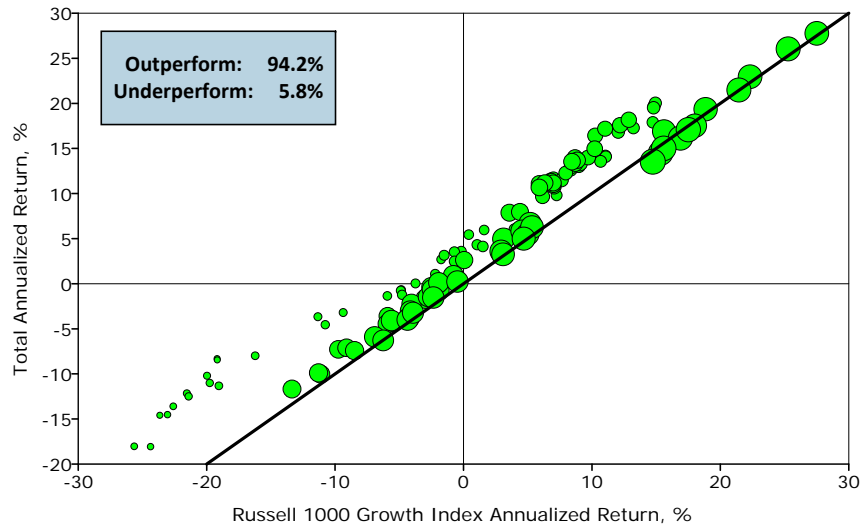
# Manager Comparison

September 28, 2012

Total Return vs. Benchmark - Last 10 Years (if available)

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity



■ Stralem & Company: Stralem LCES  
■ Wellington Mgmt: Diversified Growth

■ TCW: Concentrated Core

■ T. Rowe Price: Large-Cap Growth

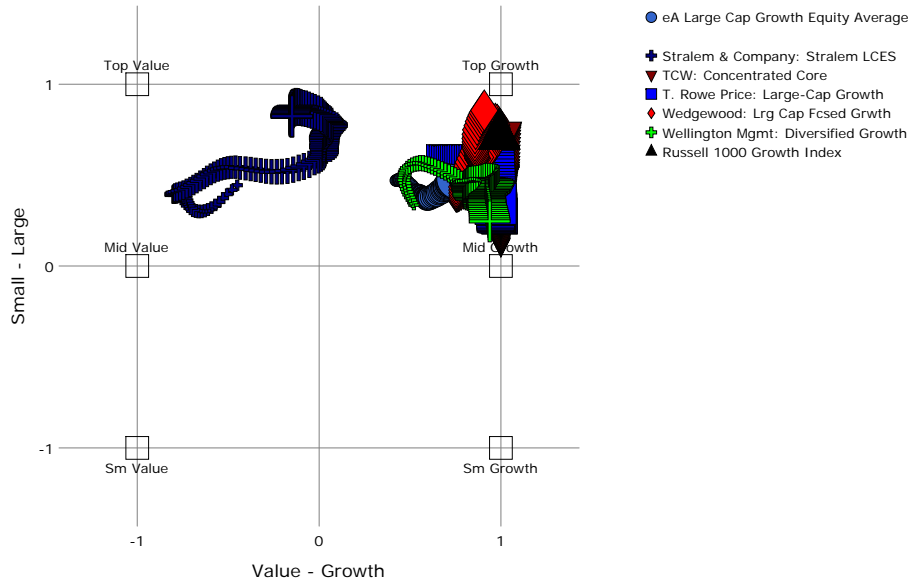
■ Wedgewood: Lrg Cap Fcsed Grwth

## Returns Based Style Analysis

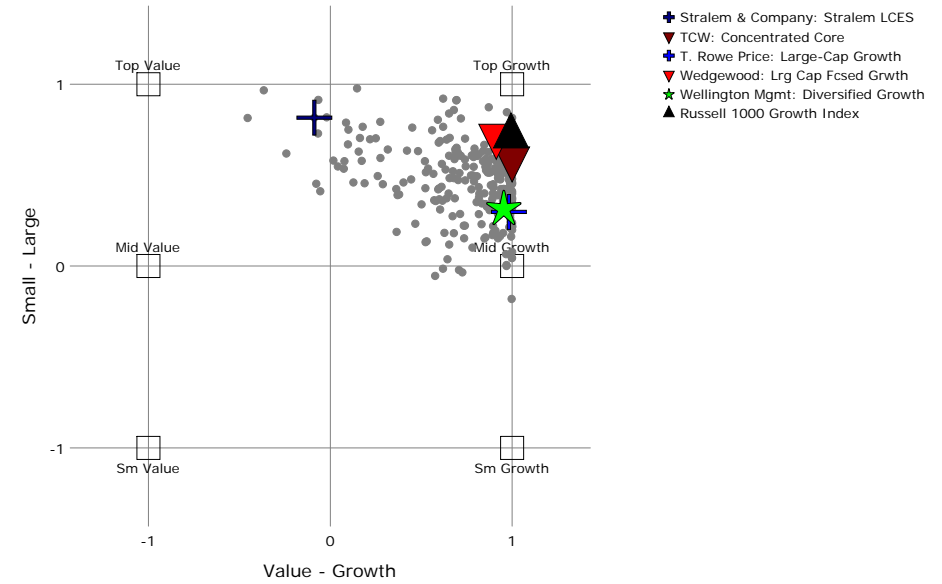
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

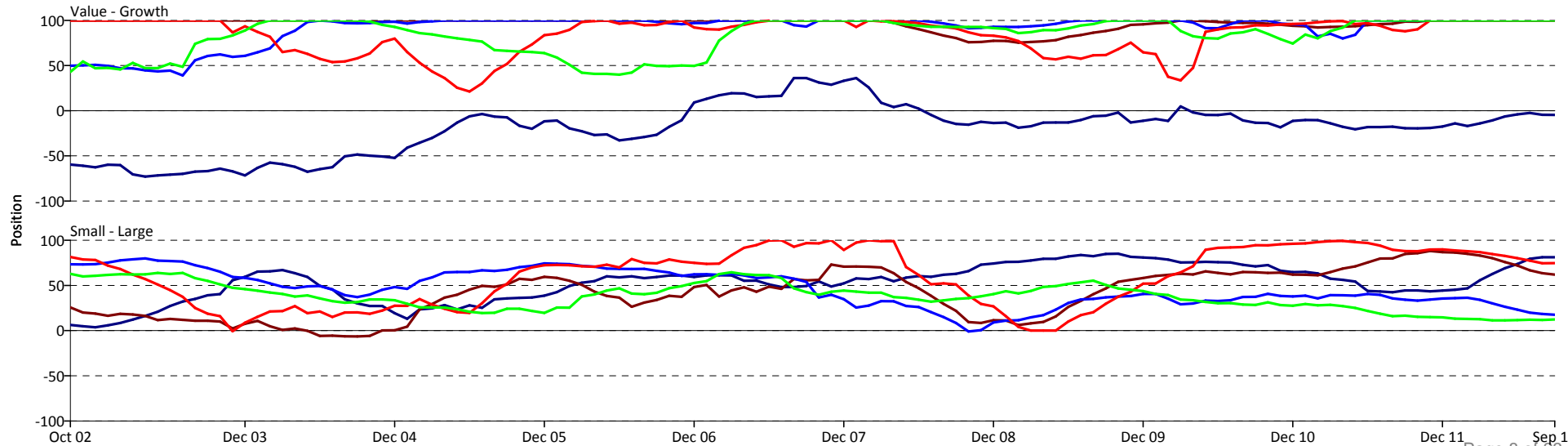
### 3 Year Rolling Style: From Oct-02 to Sep-12



### Style Exposures: Last 5 Years



### Rolling Style: Last 10 Years (if available)



# Manager Comparison

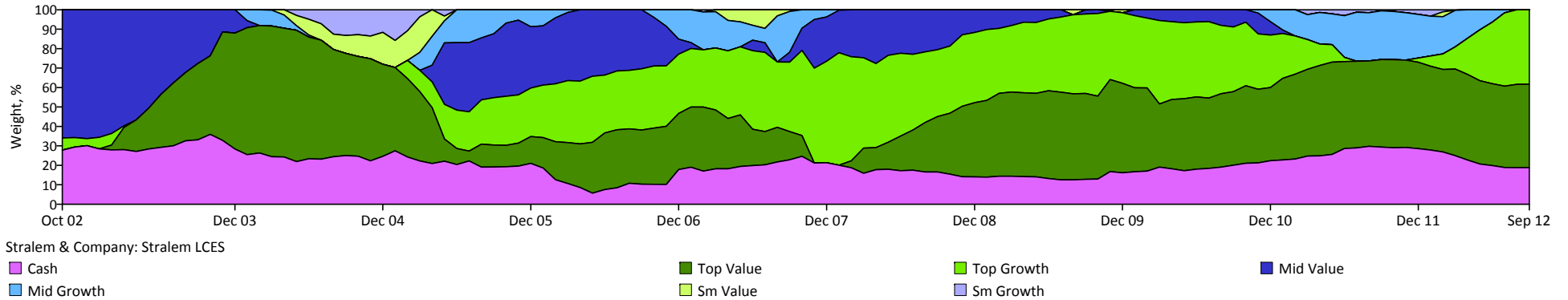
September 28, 2012

## Returns Based Style Analysis

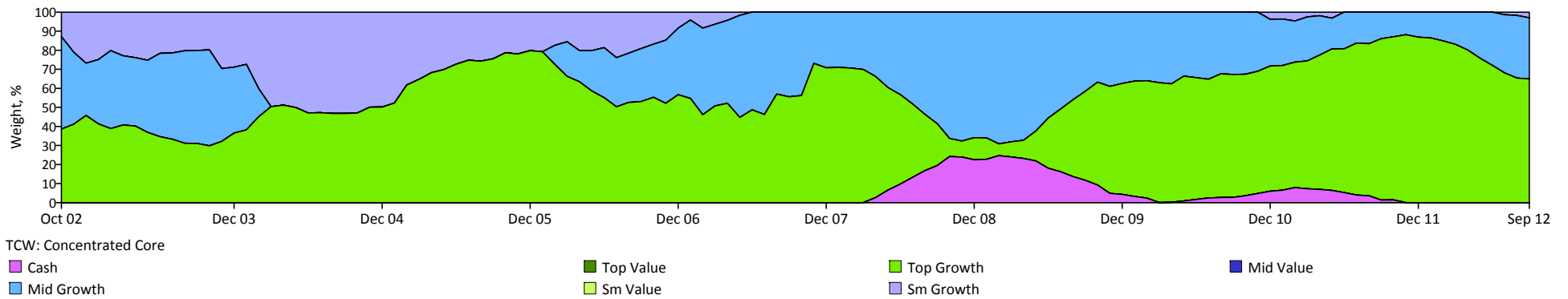
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

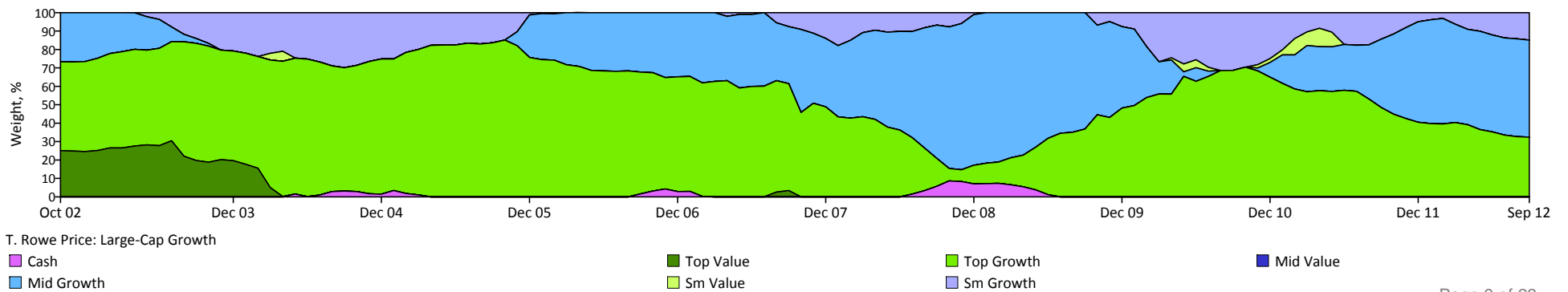
### Style Weight: Rolling



### Style Weight: Rolling



### Style Weight: Rolling



# Manager Comparison

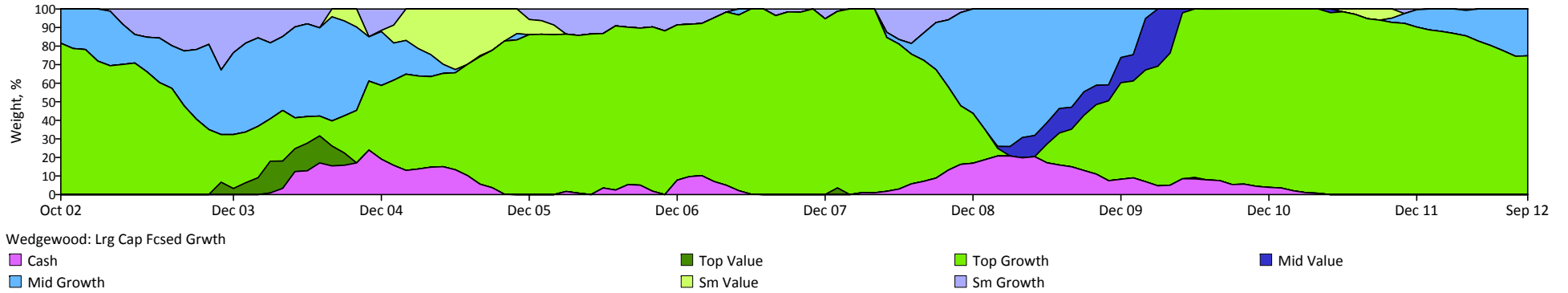
September 28, 2012

## Returns Based Style Analysis

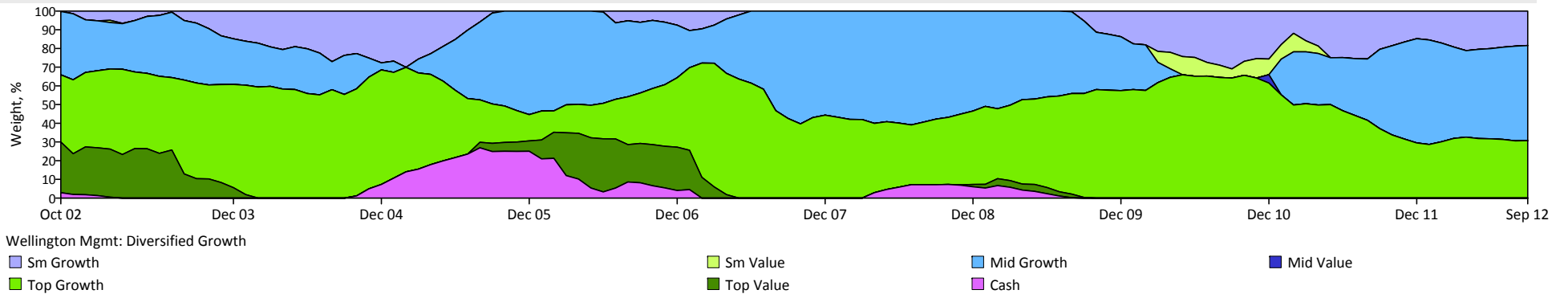
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Style Weight: Rolling



### Style Weight: Rolling



### Style Weight: Rolling

# Manager Comparison

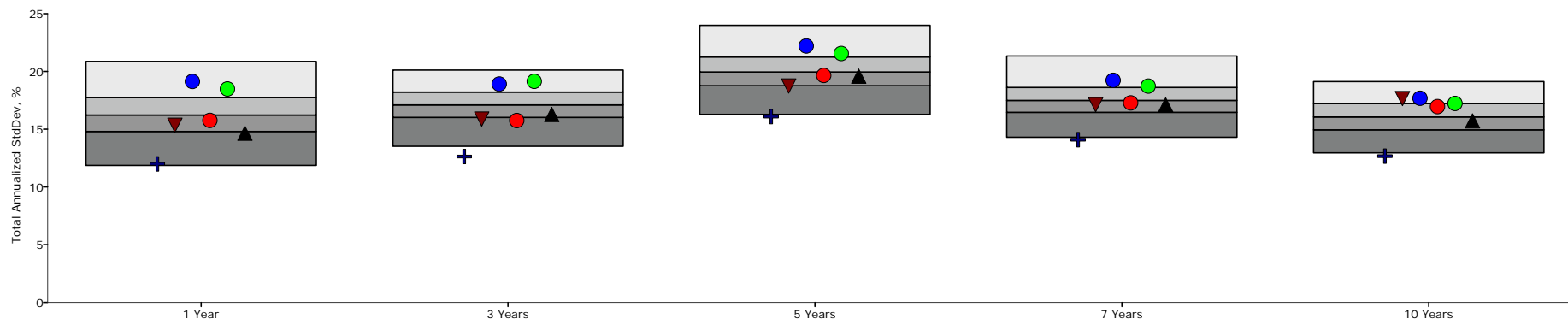
September 28, 2012

## Risk Analysis

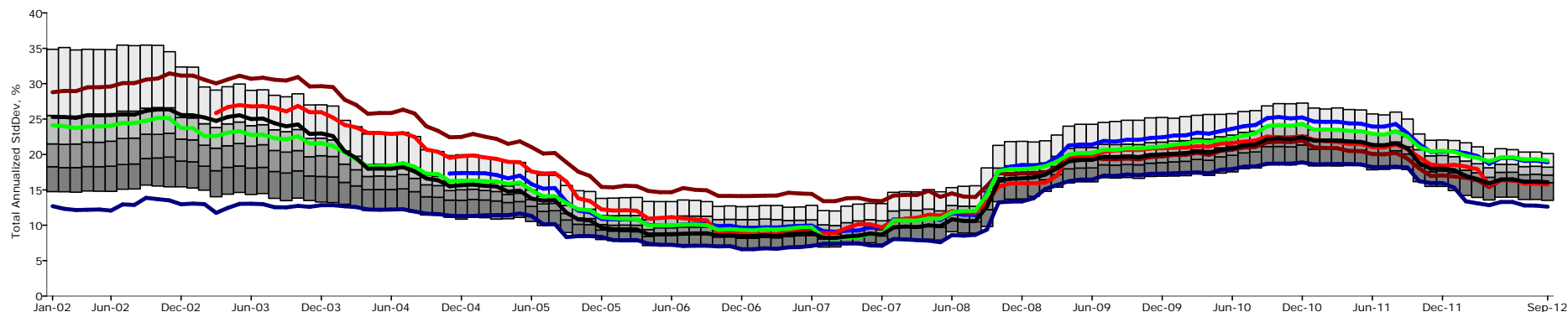
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Trailing Risk vs. Peers



### 3 Year Rolling Risk: From Jan-02 to Sep-12



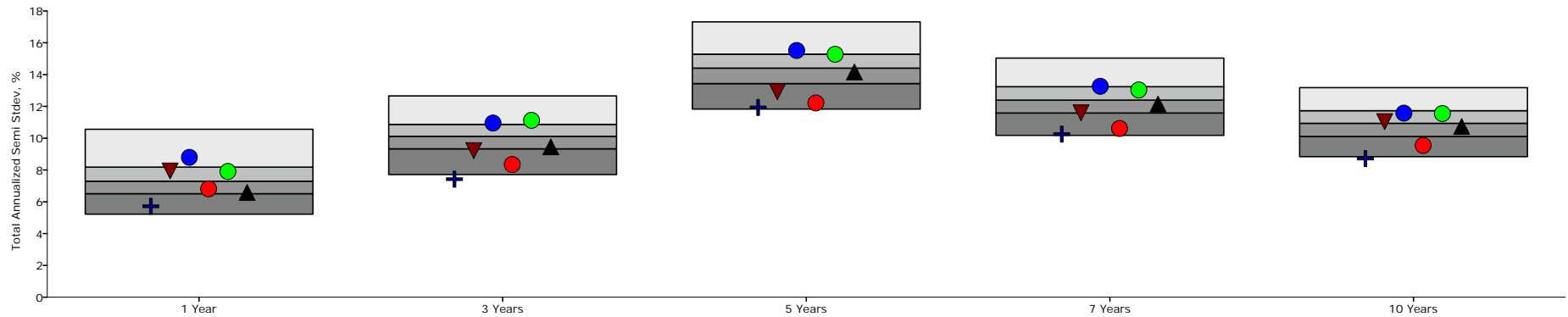
	Trailing Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
+ Stralem & Company: Stralem LCES	12.0	6	12.6	2	16.1	4	14.1	4	12.7	4
▼ TCW: Concentrated Core	15.5	36	16.1	27	18.9	30	17.3	45	17.9	86
● T. Rowe Price: Large-Cap Growth	19.1	89	18.9	85	22.2	89	19.2	84	17.7	84
● Wedgewood: Lrg Cap Fcsed Grwth	15.8	40	15.8	21	19.7	45	17.3	44	17.0	69
● Wellington Mgmt: Diversified Growth	18.5	84	19.2	89	21.6	81	18.7	78	17.2	76
▲ Russell 1000 Growth Index	14.5	19	16.1	27	19.4	39	16.9	35	15.5	37
eA Large Cap Growth Equity Median	16.2		17.1		20.0		17.5		16.1	
eA Large Cap Growth Equity Size	316		315		300		277		231	

## Downside Risk Analysis

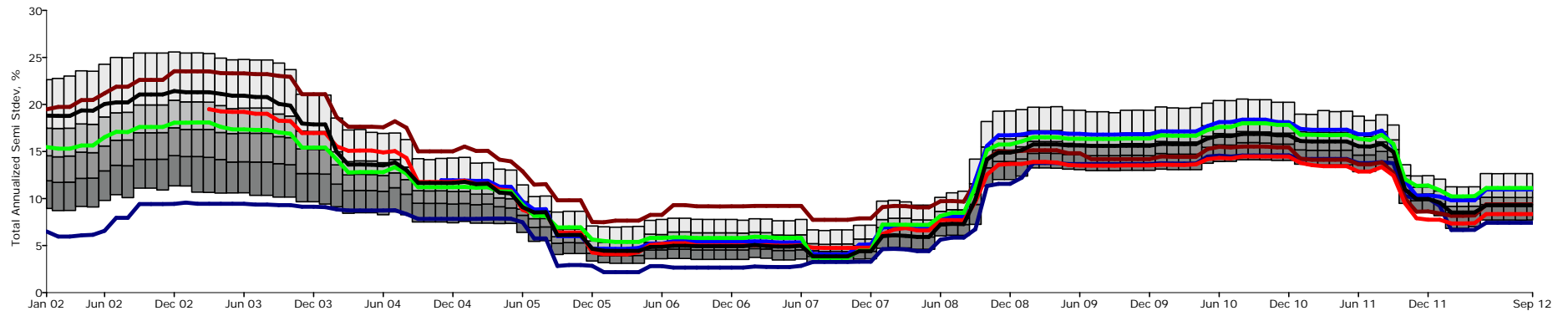
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Trailing Downside Risk vs. Peers



### 3 Year Rolling Downside Risk: From Jan-02 to Sep-12



	Trailing Downside Risk									
	1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
+ Stralem & Company: Stralem LCES	5.7	17	7.4	5	11.9	6	10.3	5	8.7	2
▼ TCW: Concentrated Core	8.1	56	9.4	17	13.1	12	11.8	36	11.2	48
● T. Rowe Price: Large-Cap Growth	8.8	79	11.0	72	15.5	63	13.3	65	11.6	56
● Wedgwood: Lrg Cap Fcsed Grwth	6.8	13	8.3	8	12.2	4	10.6	11	9.6	16
● Wellington Mgmt: Diversified Growth	7.9	76	11.1	80	15.3	69	13.0	52	11.6	52
▲ Russell 1000 Growth Index	6.4	20	9.3	21	14.0	34	12.0	36	10.6	41
eA Large Cap Growth Equity Median	7.3		10.1		14.4		12.4		10.9	
eA Large Cap Growth Equity Size	316		315		300		277		231	

# Manager Comparison

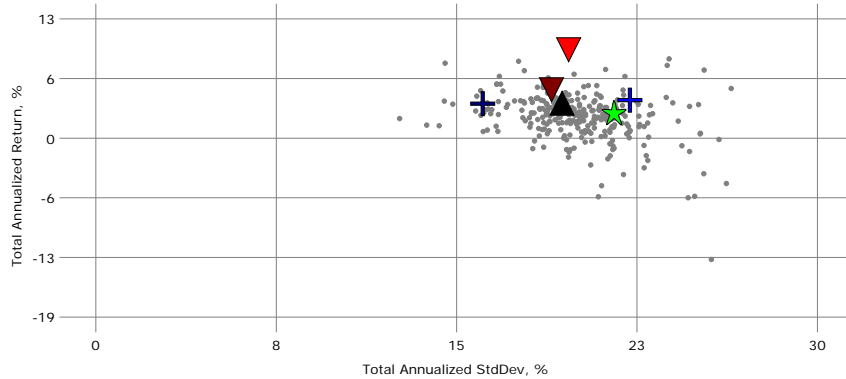
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## Risk/Return Analysis

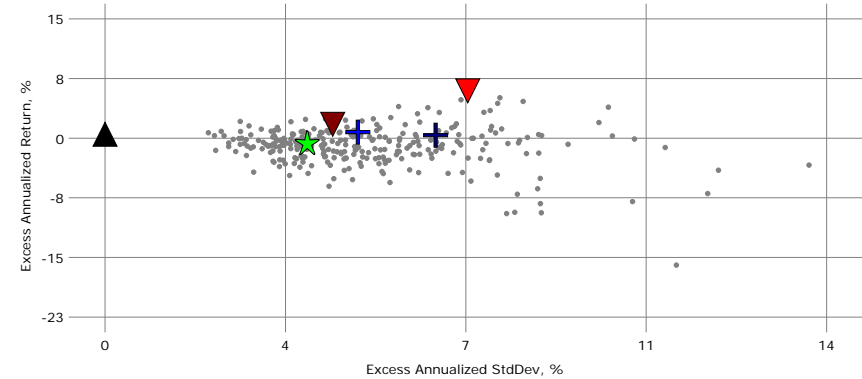
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

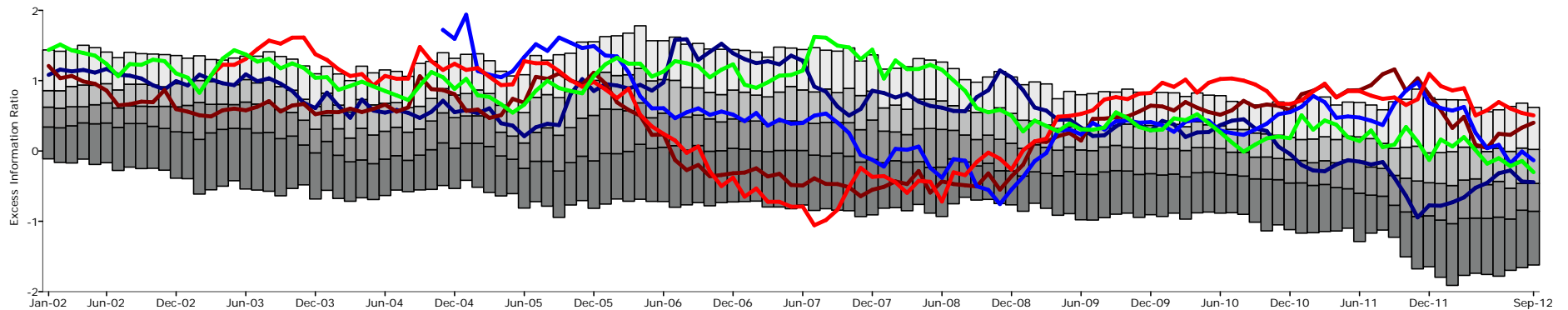
### Risk/Return: Last 5 Years



### Excess Risk/Return: Last 5 Years



### 3 Year Rolling Information Ratio: From Jan-02 to Sep-12



Descriptive Statistics: Oct 07 - Sep 12	Annualized Return	Annualized Std Dev	Alpha	Beta
+ Stralem & Company: Stralem LCES	3.61	16.09	0.26	0.06
▼ TCW: Concentrated Core	5.50	18.94	0.34	0.51
+ T. Rowe Price: Large-Cap Growth	3.99	22.21	0.25	0.15
▼ Wedgewood: Lrg Cap Fcsed Grwth	9.68	19.66	0.53	0.92
★ Wellington Mgmt: Diversified Growth	2.67	21.55	0.20	-0.14
▲ Russell 1000 Growth Index	3.24	19.39	0.22	NA
eA Large Cap Growth Equity Median	2.52	19.95	0.19	-0.16

# Manager Comparison

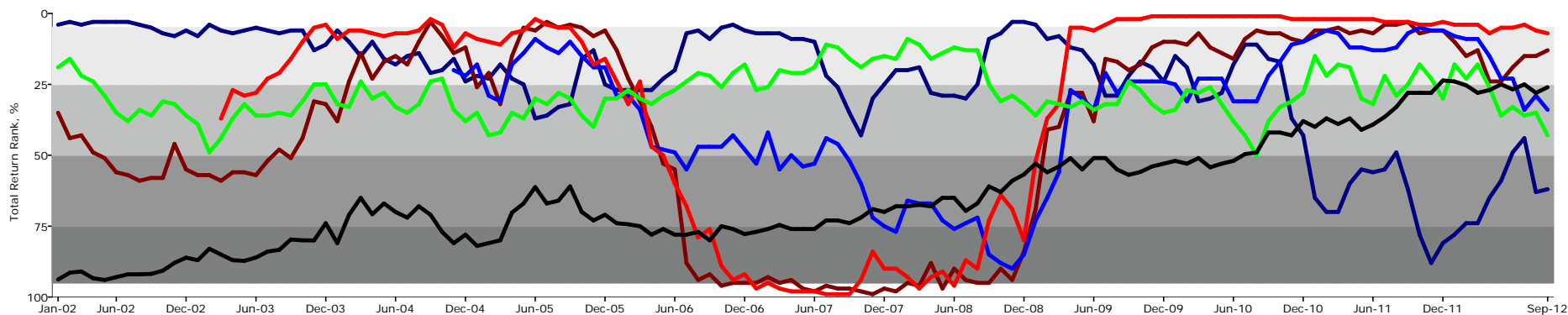
September 28, 2012

## Percentile Ranks

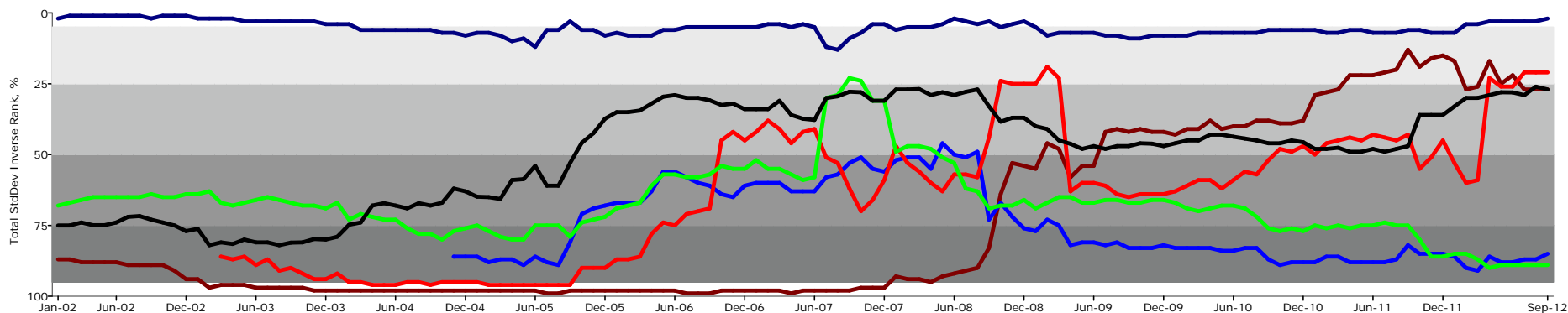
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

3 Year Rolling Performance Rank vs. Peers: From Jan-02 to Sep-12



3 Year Rolling Risk Rank vs. Peers: From Jan-02 to Sep-12



3 Year Performance and Risk Ranks:  
Oct-09 - Sep-12

+	Stralem & Company: Stralem LCES	62	2	82
▼	TCW: Concentrated Core	13	27	29
■	T. Rowe Price: Large-Cap Growth	34	85	54
■	Wedgewood: Lrg Cap Fcsed Grwth	7	21	63
■	Wellington Mgmt: Diversified Growth	43	89	54
▲	Russell 1000 Growth Index	26	27	1
	eA Large Cap Growth Equity Average	47	49	58

Performance Rank

Risk Rank	2	27	85	21	89	27	49
Tracking Error Rank	82	29	54	63	54	1	58

5 Year Performance and Risk Ranks:  
Oct-07 - Sep-12

+	Stralem & Company: Stralem LCES	25	4	78
▼	TCW: Concentrated Core	7	30	45
■	T. Rowe Price: Large-Cap Growth	18	89	56
■	Wedgewood: Lrg Cap Fcsed Grwth	1	45	85
■	Wellington Mgmt: Diversified Growth	46	81	34
▲	Russell 1000 Growth Index	32	39	1
	eA Large Cap Growth Equity Average	53	52	59

Performance Rank	25	7	18	1	46	32	53
Risk Rank	4	30	89	45	81	39	52
Tracking Error Rank	78	45	56	85	34	1	59



# Manager Comparison

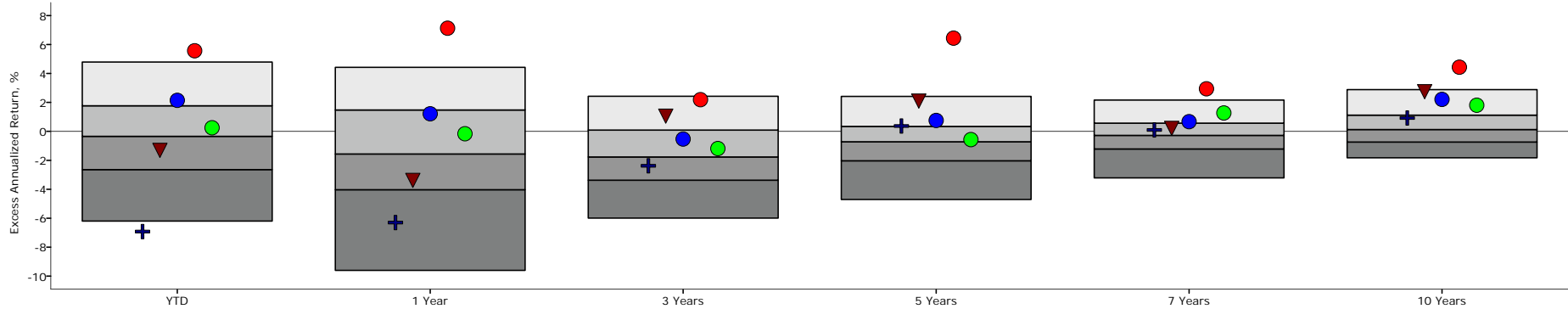
September 28, 2012

## Performance vs. Benchmark

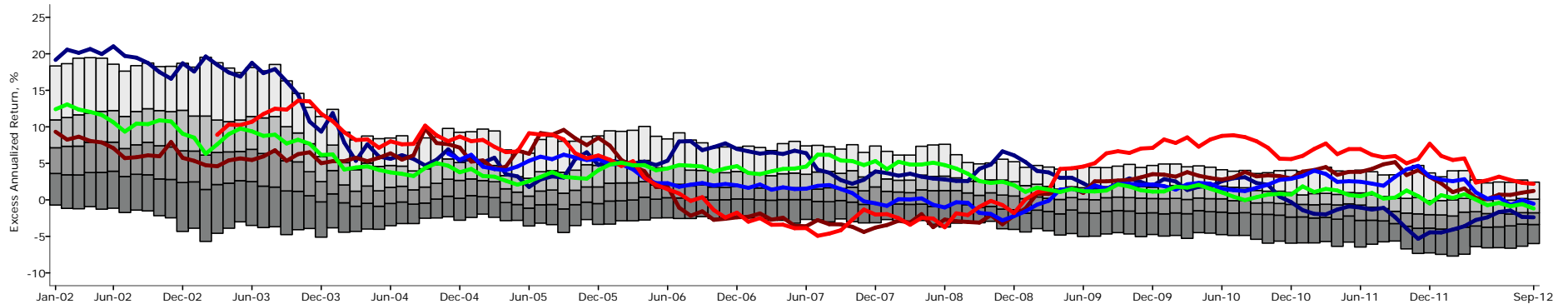
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Excess Performance



## 3 Year Rolling Excess Performance: From Jan-02 to Sep-12



	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
+ Stralem & Company: Stralem LCES	-1.2	84	-0.6	38	-6.3	90	-2.4	62	0.4	25	0.1	38	0.9	31
- TCW: Concentrated Core	1.0	29	-2.2	68	-3.2	70	1.2	13	2.3	7	0.4	32	2.9	5
● T. Rowe Price: Large-Cap Growth	0.2	45	-2.5	75	1.2	29	-0.5	34	0.8	18	0.7	22	2.2	10
● Wedgwood: Lrg Cap Fcstd Grwth	2.7	4	1.8	10	7.1	2	2.2	7	6.4	1	3.0	2	4.4	1
● Wellington Mgmt: Diversified Growth	-0.1	57	-2.3	71	-0.2	39	-1.2	43	-0.6	46	1.3	12	1.8	12
eA Large Cap Growth Equity Median	0.1		-1.0		-1.6		-1.8		-0.7		-0.3		0.1	
eA Large Cap Growth Equity Size	316		316		316		315		300		277		231	

# Manager Comparison

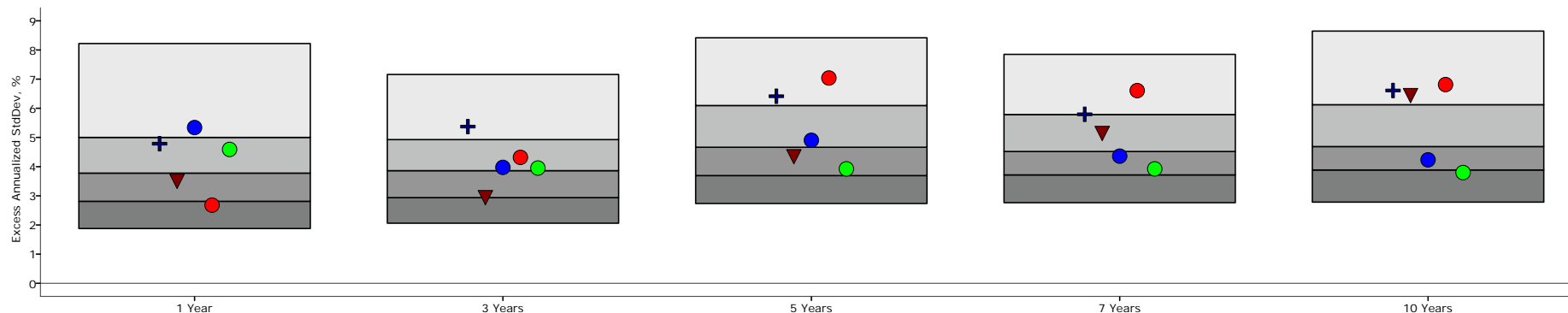
September 28, 2012

Tracking Error

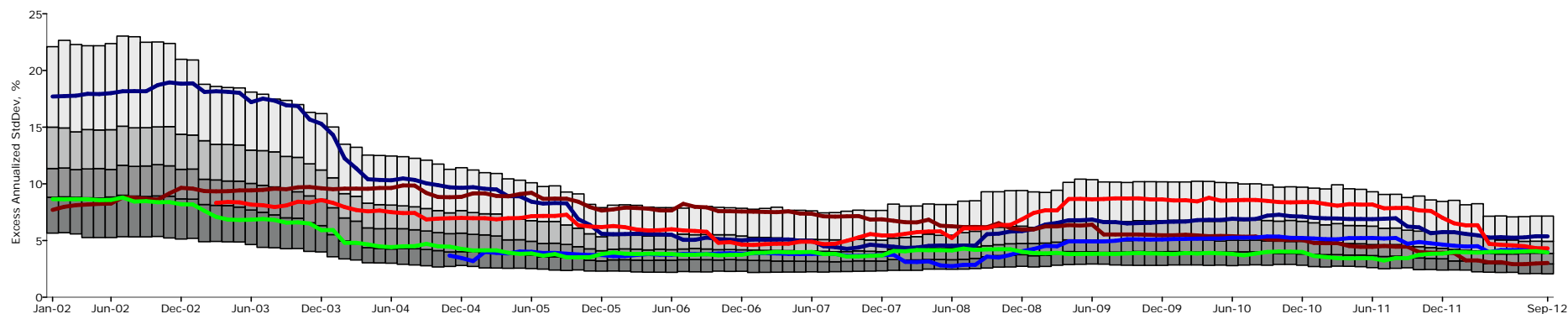
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Tracking Error



## 3 Year Rolling Tracking Error: From Jan-02 to Sep-12



Tracking Error to Date: Ending Sep-12	1 Year	3 Years	5 Years	7 Years	10 Years
+ Stralem & Company: Stralem LCES	4.79	5.37	6.41	5.80	6.61
▼ TCW: Concentrated Core	3.58	3.02	4.42	5.22	6.52
● T. Rowe Price: Large-Cap Growth	5.34	3.97	4.90	4.36	4.23
● Wedgewood: Lrg Cap Fcsed Grwth	2.68	4.32	7.04	6.61	6.81
● Wellington Mgmt: Diversified Growth	4.59	3.95	3.92	3.92	3.80
eA Large Cap Growth Equity Median	3.78	3.86	4.66	4.52	4.69
eA Large Cap Growth Equity Size	316.00	315.00	300.00	277.00	231.00

# Manager Comparison

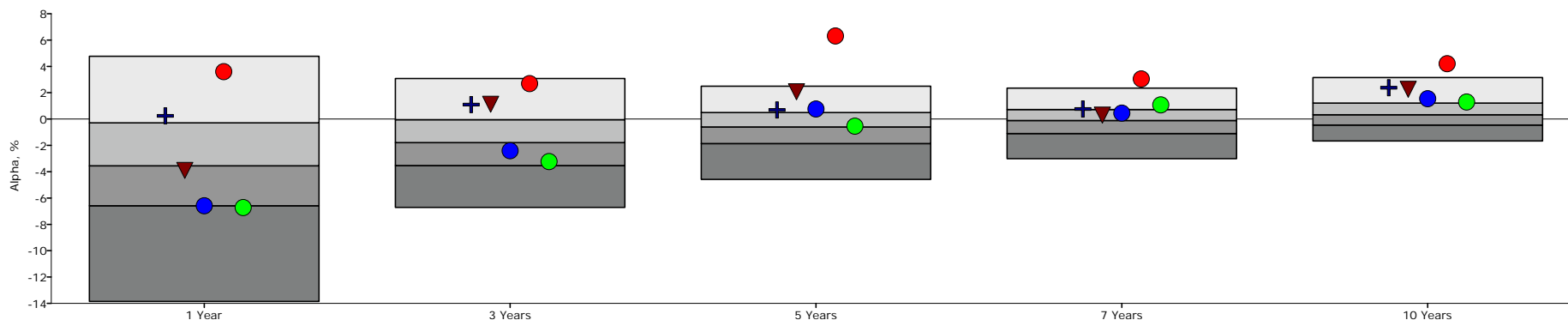
September 28, 2012

Alpha

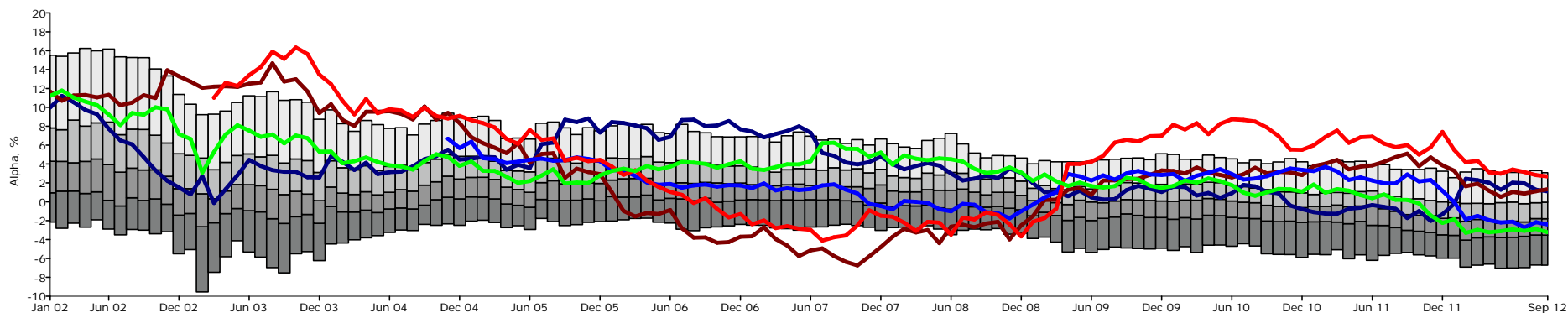
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Alpha



## 3 Year Rolling Alpha: From Jan-02 to Sep-12



Annualized Alpha: Ending Sep-12	1 Year	3 Years	5 Years	7 Years	10 Years
+ Stralem & Company: Stralem LCES	0.24	1.10	0.69	0.76	2.38
▼ TCW: Concentrated Core	-3.70	1.33	2.27	0.50	2.47
● T. Rowe Price: Large-Cap Growth	-6.58	-2.41	0.76	0.45	1.55
● Wedgewood: Lrg Cap Fcsed Grwth	3.61	2.69	6.31	3.05	4.21
● Wellington Mgmt: Diversified Growth	-6.72	-3.23	-0.54	1.07	1.30
eA Large Cap Growth Equity Median	-3.55	-1.79	-0.60	-0.11	0.33

# Manager Comparison

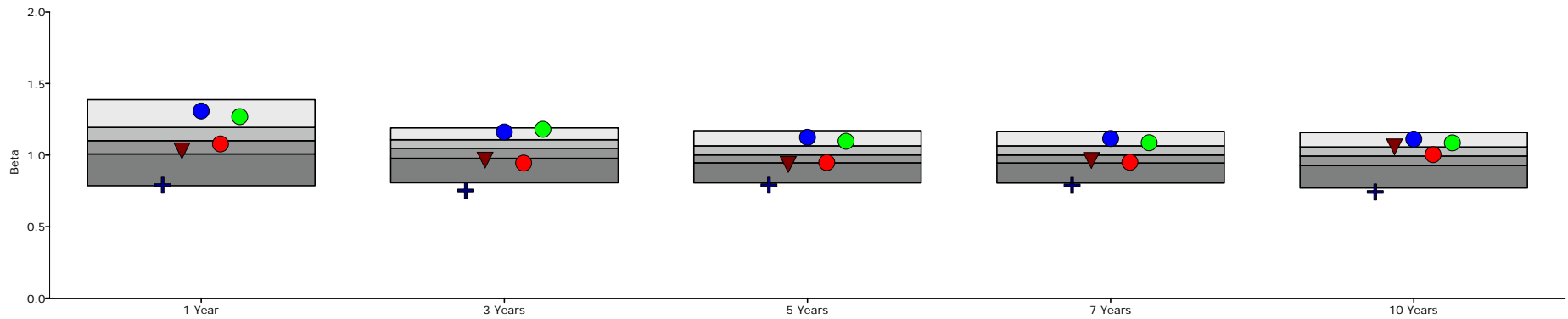
September 28, 2012

Beta

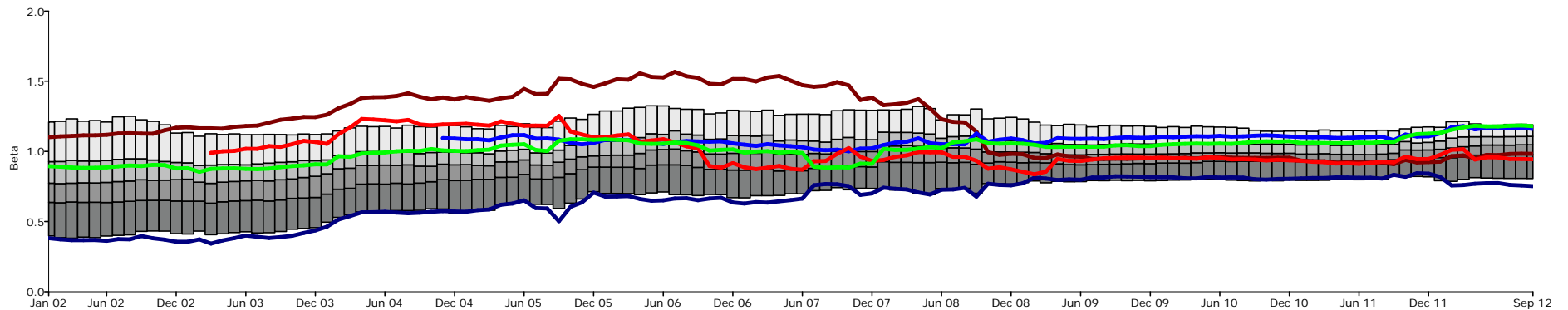
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

## Trailing Beta



## 3 Year Rolling Beta: From Jan-02 to Sep-12



<b>Annualized Beta: Ending Sep-12</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>7 Years</b>	<b>10 Years</b>
+ Stralem & Company: Stralem LCES	0.79	0.75	0.79	0.79	0.74
▼ TCW: Concentrated Core	1.05	0.98	0.95	0.98	1.08
● T. Rowe Price: Large-Cap Growth	1.31	1.16	1.12	1.12	1.11
● Wedgewood: Lrg Cap Fcsed Grwth	1.08	0.94	0.95	0.95	1.00
● Wellington Mgmt: Diversified Growth	1.27	1.18	1.10	1.09	1.09
eA Large Cap Growth Equity Median	1.10	1.05	1.00	1.00	0.99

# Manager Comparison

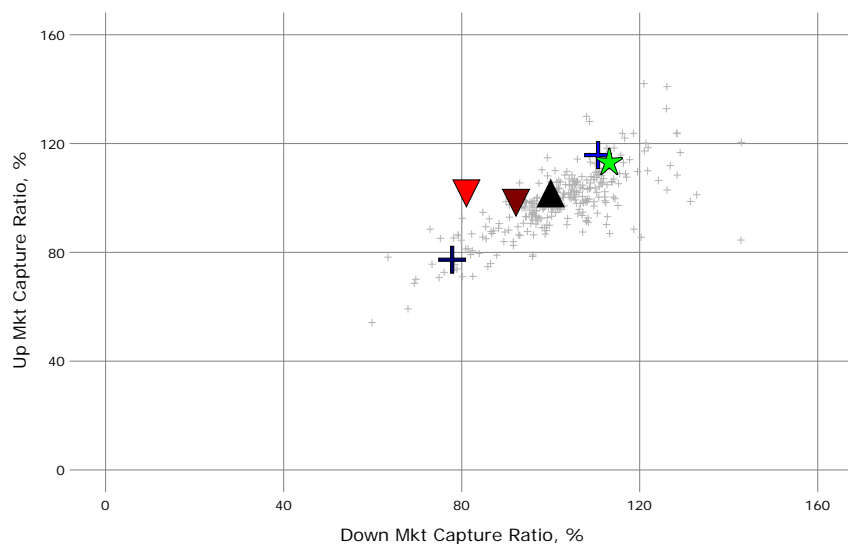
September 28, 2012

Up & Down Markets

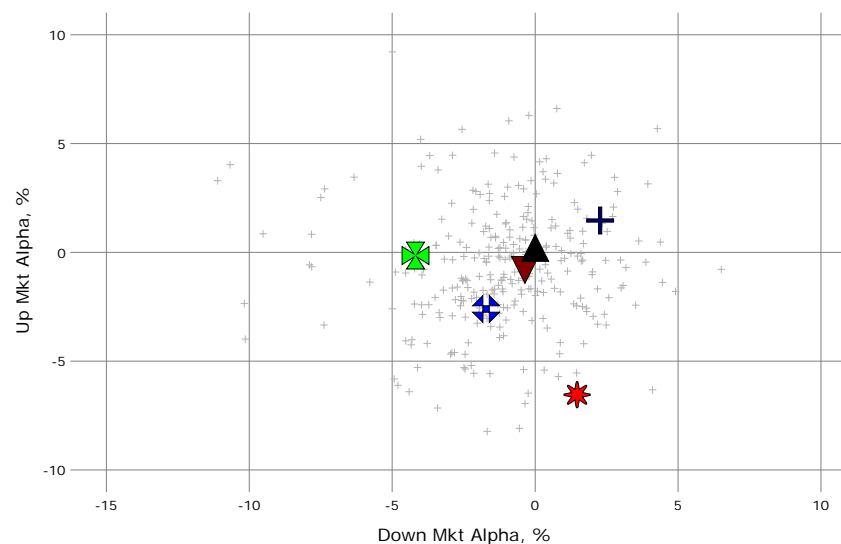
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

Up/Down Market Capture Ratio: Last 5 Years



Up/Down Market Alpha: Last 5 Years



Up Market Statistics: Oct 07 - Sep 12	Alpha	Beta	Up Capture	Annual Return	Batting Average	Num Periods
+ Stralem & Company: Stralem LCES	1.46	0.74	77.30	25.15	0.32	34
▼ TCW: Concentrated Core	-0.61	1.02	99.87	32.50	0.47	34
+ T. Rowe Price: Large-Cap Growth	-2.60	1.23	115.75	37.66	0.62	34
▼ Wedgewood: Lrg Cap Fcsed Grwth	-6.55	1.27	103.34	33.62	0.56	34
★ Wellington Mgmt: Diversified Growth	-0.15	1.13	113.49	36.93	0.68	34
▲ Russell 1000 Growth Index	0.00	1.00	100.00	32.54	0.00	34
eA Large Cap Growth Equity Median	-0.76	1.02	98.83	32.16	0.50	34

Down Market Statistics: Oct 07 - Sep 12	Alpha	Beta	Down Capture	Annual Return	Batting Average	Num Periods
+ Stralem & Company: Stralem LCES	2.27	0.86	77.87	-17.21	0.77	26
▼ TCW: Concentrated Core	-0.36	0.90	92.18	-20.38	0.62	26
+ T. Rowe Price: Large-Cap Growth	-1.71	1.05	110.64	-24.46	0.27	26
▼ Wedgewood: Lrg Cap Fcsed Grwth	1.47	0.86	81.05	-17.92	0.62	26
★ Wellington Mgmt: Diversified Growth	-4.18	0.98	113.17	-25.02	0.23	26
▲ Russell 1000 Growth Index	0.00	1.00	100.00	-22.11	0.00	26
eA Large Cap Growth Equity Median	-0.99	0.97	102.13	-22.58	0.46	26

# Manager Comparison

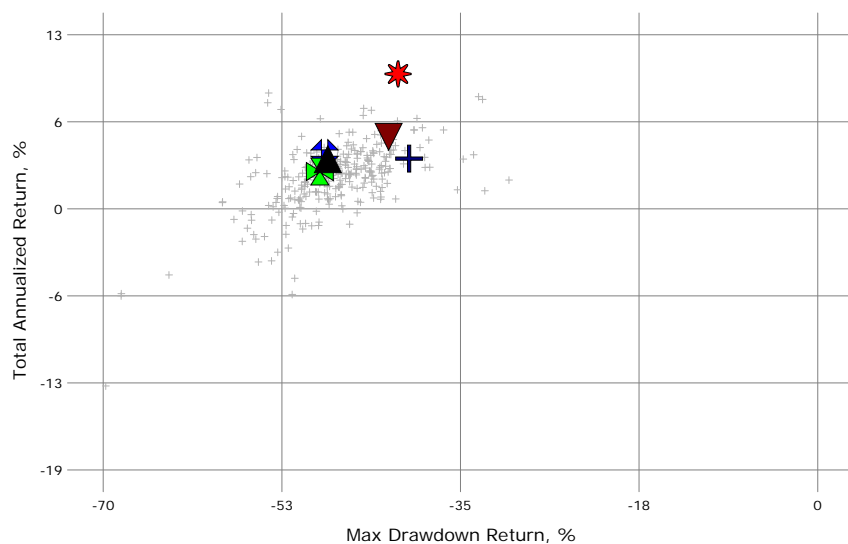
September 28, 2012

## Gain/Loss Analysis

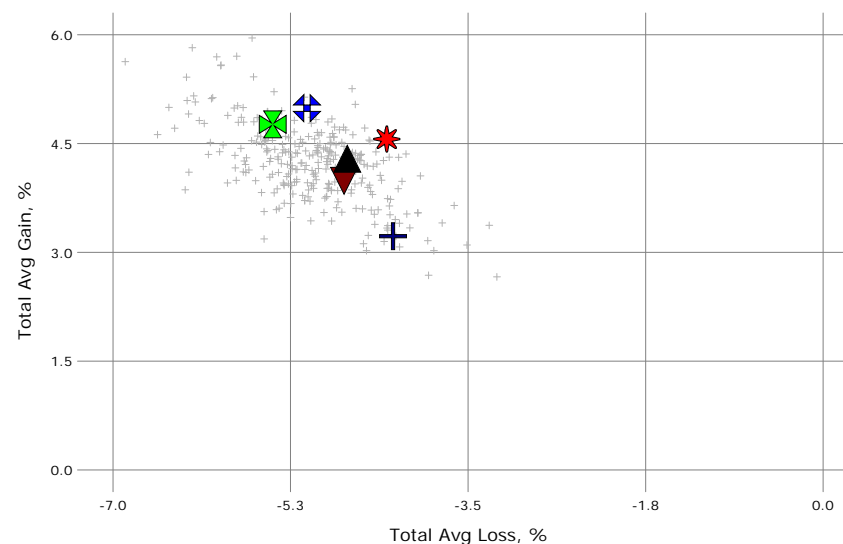
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

Annual Return vs. Maximum Drawdown: Last 5 Years



Average Gain vs. Average Loss: Last 5 Years



Gain & Loss: Oct 07 - Sep 12	Avg Gain	Gain Frequency	Avg Loss	Loss Frequency	Max Drawdown	Total	Skewness
▲ Stralem & Company: Stralem LCES	3.22	61.67	-4.24	38.33	-40.03	-0.95	1.71
▼ TCW: Concentrated Core	4.05	60.00	-4.72	40.00	-42.04	-0.42	0.19
⊕ T. Rowe Price: Large-Cap Growth	4.99	55.00	-5.09	45.00	-48.31	-0.41	0.38
✱ Wedgewood: Lrg Cap Fcsed Grwth	4.56	58.33	-4.30	41.67	-41.12	0.00	0.58
■ Wellington Mgmt: Diversified Growth	4.76	56.67	-5.43	43.33	-48.78	-0.42	0.18
▲ Russell 1000 Growth Index	4.23	56.67	-4.69	43.33	-47.99	-0.64	0.74

Performance Extremes: Oct 07 - Sep 12	Best Month	Best Monthly Return	Worst Month	Worst Monthly Return	Best 12 Months	Best 12 Month Return	Worst 12 Months	Worst 12 Month Return
▲ Stralem & Company: Stralem LCES	Oct-11	9.49	Oct-08	-15.84	Mar-09 - Feb-10	46.70	Mar-08 - Feb-09	-35.66
▼ TCW: Concentrated Core	Apr-09	11.80	Oct-08	-13.63	Mar-09 - Feb-10	50.25	Dec-07 - Nov-08	-38.10
⊕ T. Rowe Price: Large-Cap Growth	Apr-09	13.50	Oct-08	-17.28	Mar-09 - Feb-10	61.66	Dec-07 - Nov-08	-43.43
✱ Wedgewood: Lrg Cap Fcsed Grwth	Apr-09	17.23	Oct-08	-13.93	Mar-09 - Feb-10	69.39	Jan-08 - Dec-08	-37.78
■ Wellington Mgmt: Diversified Growth	Oct-11	13.62	Oct-08	-17.66	Mar-09 - Feb-10	56.19	Dec-07 - Nov-08	-41.02
▲ Russell 1000 Growth Index	Oct-11	10.97	Oct-08	-17.61	Mar-09 - Feb-10	54.19	Mar-08 - Feb-09	-40.03

# Manager Comparison

September 28, 2012

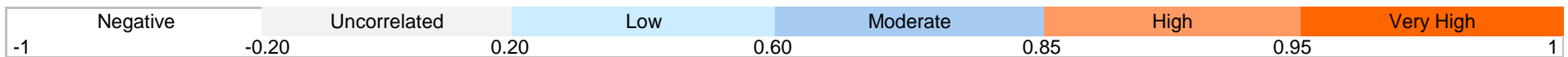
## Excess Correlation Matrix

**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

Correlation Matrix: Last 5 Years

		1												
Stralem & Company: Stralem LCES	1		2											
T. Rowe Price: Large-Cap Growth	2	-0.74		3										
TCW: Concentrated Core	3	-0.19	0.41		4									
Wedgewood: Lrg Cap Fcsed Grwth	4	-0.18	0.26	0.42		5								
Wellington Mgmt: Diversified Growth	5	-0.39	0.41	0.08	-0.18		6							
Cash	6	0.64	-0.49	0.21	0.14	-0.48		7						
Top Value	7	0.57	-0.41	-0.24	-0.06	-0.30	0.19		8					
Top Growth	8	0.49	-0.49	0.02	0.12	-0.51	0.61	0.32		9				
Mid Value	9	0.05	0.10	-0.25	-0.07	0.08	-0.37	0.45	-0.52		10			
Mid Growth	10	-0.50	0.50	-0.01	-0.11	0.49	-0.61	-0.32	-1.00	0.54		11		
Sm Value	11	0.05	0.13	-0.24	-0.10	0.09	-0.28	0.48	-0.32	0.84	0.35		12	
Sm Growth	12	-0.36	0.42	-0.11	-0.11	0.39	-0.50	-0.05	-0.67	0.60	0.69	0.73		13
Russell 1000 Growth Index	13	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	



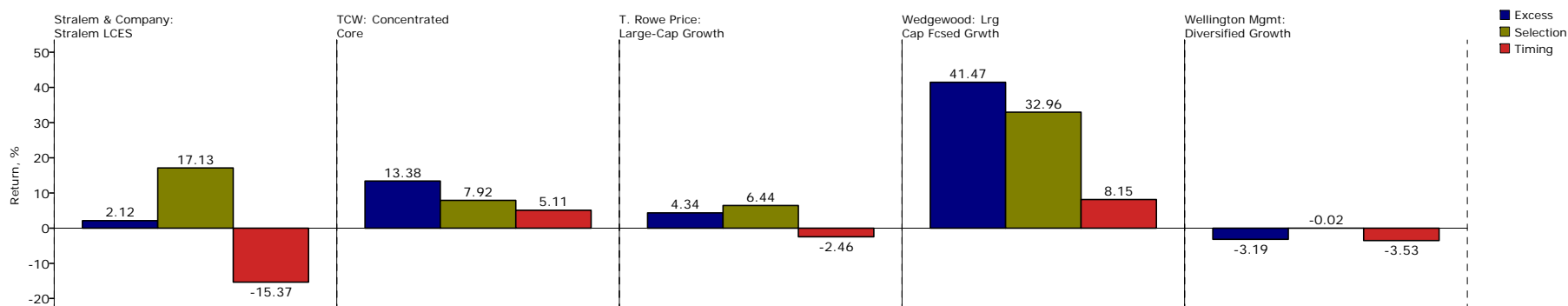
The Correlation Matrix reveals the strength of return relationships between investments. A perfect linear relationship is represented by a correlation of 1, while a perfect negative relationship has a correlation of -1. A correlation of 0 indicates no relationship between the investments. Correlation is a critical component to asset allocation and can be a useful way to measure the diversity of a combined plan portfolio.

## Returns Based Attribution

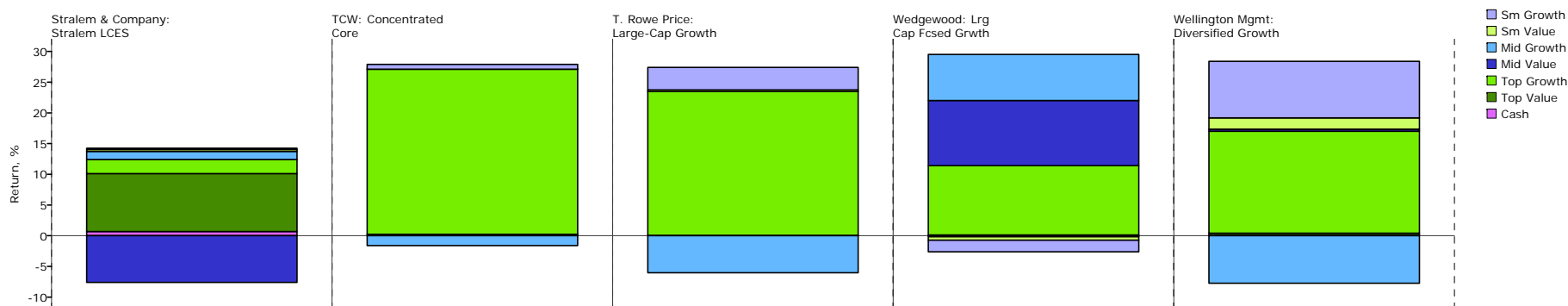
**Benchmark**  
Russell 1000 Growth Index

**Universe**  
eA Large Cap Growth Equity

### Performance Attributed to Selection & Timing: Last 5 Years



### Performance Attributed to Style Exposures: Last 5 Years



Performance Attribution: Oct-07 - Sep-12	Excess Return	Selection Return	Timing Return	Cash	Top Value	Top Growth	Mid Value	Mid Growth	Sm Value	Sm Growth
Stralem & Company: Stralem LCES	+	+	+	+	+	+	+	+	+	+
Stralem & Company: Stralem LCES	0.37	3.16	-2.85	0.14	1.82	0.45	-1.57	0.27	0.06	0.04
TCW: Concentrated Core	2.26	1.31	0.88	0.05	0.00	4.88	0.00	-0.32	0.00	0.15
T. Rowe Price: Large-Cap Growth	0.75	1.12	-0.43	0.01	0.00	4.30	0.00	-1.24	0.06	0.72
Wedgewood: Lrg Cap Fcsed Grwth	6.44	4.99	1.39	0.03	-0.04	2.16	2.03	1.45	-0.11	-0.38
Wellington Mgmt: Diversified Growth	-0.57	0.00	-0.63	0.02	0.07	3.12	0.07	-1.60	0.36	1.77



### Appendix: Glossary of Terms

**Alpha** - Alpha measures the difference between an investment's actual performance, and its expected performance as indicated by the returns of a selected market index. A positive Alpha indicates the risk-adjusted performance is above that index. In calculating Alpha, Standard Deviation (total risk) is used as risk measure. Alpha is often used to judge the value added or subtracted by a manager.

**Batting Average** - Batting Average is sometimes known as the probability of success. This measures the frequency with which a manager performs better than a selected Market Index. It is computed by dividing the number of positive excess returns by the total number of excess returns during the period.

**Beta** - Beta is defined as a Manager's sensitivity to market movements and is used to evaluate market related, or systematic risk. Beta is a measure of the linear relationship, over time, of the Manager's returns and those of the Benchmark. Beta is computed by regressing the Manager's excess returns over the risk free rate (cash proxy) against the excess returns of the Benchmark over the risk free rate. An investment that is as equally volatile as the market will have a Beta of 1.0; an investment half as volatile as the market will have a Beta of 0.5; and so on. Thus, Betas higher than 1.0 indicate that the fund is more volatile than the market.

**Calmar Ratio** - The Calmar Ratio is a risk/return ratio that calculates return on a downside risk adjusted basis. Similar to other efficiency ratios it balances return in the numerator per unit risk in the denominator. In this case risk is characterized by the Maximum Drawdown.

**Correlation (R)** - The Correlation represents the degree to which investments move in tandem with one another and is a critical component of diversified portfolio construction. The Correlation varies between a minimum of -1 (move in opposite direction) and a maximum of 1 (completely correlated). Lower Correlations enhance diversification and lead to better risk-adjusted returns within diversified portfolios. An R of less than 0.3 is often considered low Correlation.

**Distribution of Excess Returns** - Distribution of Excess Returns displays an arrangement of statistical data that exhibits the frequency of occurrence of the investment's returns in excess of the selected Market Index.

**Down Market (Mkt) Capture Ratio** - Down Market Capture Ratio is a measure of an investment's performance in down markets relative to the market itself. A down market is one in which the market's return is less than zero. The lower the investment's Down Market Capture Ratio, the better the investment protected capital during a market decline. A negative Down Market Capture Ratio indicates that an investment's returns rose while the market declined.

**Downside Risk (Semi Standard Deviation, Semi StdDev, or Downside Deviation)** - Downside Risk only identifies volatility on the down side. Downside Risk measures the variability of returns below zero, whereas Standard Deviation attributes volatility in either direction to risk. The Downside Risk method calculates the deviations below zero for each observed return. Each time a return falls below zero, the sum is divided by the number of observations and the square root is taken. This result is then shown on an annualized basis.

**Excess** - Denotes that a statistic is being measured relative to the Market Index selected. The data set analyzed consists of the periodic differences between the investment's measure and the selected Market Index's definition.

**Information Ratio** - The Information Ratio is a measure of value added by an investment manager. It is the ratio of (annualized) excess return above the selected Market Index to (annualized) Tracking Error. Excess return is calculated by linking the difference of the manager's return for each period minus the selected Market Index return for each period, then annualizing the result.

**Kurtosis** - Kurtosis describes whether the series distribution is peaked or flat and how thick the tails are as compared to a normal distribution. Positive kurtosis indicates a relatively peaked distribution near the mean and tends to decline rapidly and have fat tails. Negative kurtosis indicates a relatively flat distribution near the mean. If there are fewer than four data points, or if the standard deviation of the series equals zero, Kurtosis will appear as N/A.

**Loss Ratio** - The Loss Ratio is a downside risk-adjusted performance statistic. Similar to the Information Ratio, the Loss Ratio calculates return per unit of risk, except that in this case, risk is represented by downside risk.

## **REQUEST FOR INFORMATION: US DOMESTIC EQUITY**

Strategic Investment Solutions, Inc. (SIS) is issuing this Request for Information (RFI) on behalf of our client.

Please provide the requested information in a comprehensive yet succinct fashion and in the format provided. All data should be as of [9/30/2012](#).

The deadline for your firm's response to this RFI is [12/21/2012](#).

Please submit **one hard copy and one electronic copy** to:

John Nicolini  
Strategic Investment Solutions  
333 Bush Street, Ste 2000  
San Francisco, CA. 94104  
(415-362-3484)  
[jnicolini@sis-sf.com](mailto:jnicolini@sis-sf.com)

**NOTE: Where noted, exhibits are to be completed in the attached Excel document.**

### **I. BACKGROUND & GENERAL INFORMATION**

#### **A. Contact information:**

Firm Name:	
Address:	
Telephone Number:	
Fax Number:	
Website:	
<b>Primary Contact</b>	
Name:	
Title:	
Telephone Number:	
Email:	

- B. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.
- C. Attach an organizational chart depicting the firm's distinct business units as **Appendix A - Firm Organizational Chart** and provide the total number of employees within each business unit.
- D. List the firm's office locations and the main functional responsibilities of each. In addition, indicate the location(s) of the investment team responsible managing the proposed strategy.
- E. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.
- F. Provide a breakdown of ownership of your firm, including minority ownership. Particularly, we are interested in the information relating to active employee ownership of the firm. How much of the owner's net worth is invested in the business? In the firm's underlying products?

- G. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure, or if possible, those presently contemplated.
- H. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
- I. Describe your succession and continuity plans for management of the firm.
- J. Please list turnover among senior staff (Officers, Managing Directors, etc.) over the past three years.
- K. **Exhibit-A (in the attached Excel document):** Provide a breakdown of assets under management (AUM) including growth and retention of accounts. Please include an explanation of any major changes in AUM in a given year.
- L. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund? If so, please provide details.

## II. INVESTMENT TEAM

- A. Attach an organizational chart encompassing the group(s) responsible for managing the proposed strategy as **Appendix B - Investment Team Organizational Chart**.
- B. **Exhibit B (in the attached Excel document):** Provide a list of key individual(s) (up to ten) who are responsible for managing the proposed strategy and note the amount of time they dedicate to this strategy, number of years they have worked on this strategy with your firm and number of years they have worked on this strategy in the industry.
- C. Attach biographies for each of the individuals named above as **Appendix C - Biographies of Key Investment Professionals**.
- D. Identify the named portfolio manager(s) who would be responsible for our client's specific portfolio. If different individuals would be assigned for a separate account vs. the commingled fund, indicate so.
- E. **Exhibit B (in the attached Excel document):** Provide a summary of the firm's employees.
- F. For those personnel listed in the questions above, please describe their compensation arrangements and incentives. How are employees evaluated and rewarded? In particular, is the portfolio management team compensated on a percentage of assets or a performance basis? Do they receive a percentage of the management fees and incentive fees of the products they run? In addition, specifically discuss any employment contracts or other retention mechanisms related to the individuals named in response to II.B.
- G. **Exhibit B (in the attached Excel document):** Complete the table listing turnover for the individuals responsible for the proposed strategy.
- H. Describe your succession and continuity plans for the management of the proposed strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.
- I. Are any of the investment activities or administrative services associated with the proposed strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

## III. INVESTMENT STRATEGY & PROCESS

- A. Describe your overall investment philosophy and approach as it relates to the proposed strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.
- B. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?
- C. Discuss unique methods of gathering or analyzing information – what is your firm’s competitive advantage over other managers in your universe?
- D. Describe the investment universe for the proposed strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?
- E. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions. Why is it organized this way? Has it changed in recent years? Who decides when to change the research process?
- F. Describe how the portfolio manager(s) interact with the analysts, and how an investment idea is incorporated into the portfolio. How do you resolve differences in opinion between the two?
- G. Outline and briefly describe the main steps of your investment process.
- H. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.
- I. To the extent that tactical sector allocation shifts, duration management and other top-down “macro” bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?
- J. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.
- K. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.
- L. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.
- M. How do you define “risk”?
- N. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.
- O. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?
- P. Does the proposed strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.
- Q. Does the proposed strategy employ short positions? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.
- R. Describe any hedging activities pursued in the proposed strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.
- S. Regarding risk management:
  - 1) List the main risks associated with the proposed strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

- 2) Identify the person(s) or group primarily responsible for the risk management function.
  - 3) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.
- T. What is the aggregate investment in this strategy by your firm? The portfolio manager(s)? Are investment professionals allowed to invest in strategies not managed by your firm?
- U. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the proposed strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

#### IV. PERFORMANCE & PORTFOLIO COMPOSITION

- A. Identify the most appropriate benchmark for the proposed strategy and provide a brief rationale.
- B. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the proposed strategy.
- C. What has been the annual turnover (in position terms) for this product over the past five years?
- D. Describe any structural elements or biases (e.g., high quality focus, avoidance of a sector or industry) that might cause the proposed strategy to over/underperform in certain market environments.
- E. Discuss any periods during which the proposed strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.
- F. Provide metrics associated with the following areas:
  - 1) Number of securities held
    - Current
    - Historical range
  - 2) Position size
    - Current average
    - Current largest
    - Maximum allowable (specify if measured at cost or market)
    - Percent in top ten holdings
  - 3) Cash & equivalents allocation
    - Current
    - Historical range
    - Maximum allowable
- G. **Exhibit-C (in the attached Excel document):** Provide current and historical holding Cap Size.
- H. **Exhibit-D (in the attached Excel document):** Please enter monthly **gross and net of fee** returns for the proposed strategy and its primary benchmark, since inception through 9/30/12, using the format provided.
- I. Regarding your performance – how much of your historical “value added” is attributable to the following factors: Stock Selection, Industry Selection, Trading, Cash Holdings, and Currency Hedging. Provide discussion as appropriate.
- J. Regarding composite quality:

- 1) Is the composite for the proposed strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?
- 2) Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.
- 3) Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.
- 4) Are terminated portfolios included in the composite? If not, please explain.
- 5) When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?
- 6) How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?
- 7) Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?
- 8) Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?
- 9) Through 9/30/12, provide the number of accounts and assets for both the investment style of the proposed strategy and the composite itself.
- 10) Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 9/30/12.

**DO NOT PROVIDE ANY SIMULATED OR BACK-TESTED RETURNS IN RESPONSE TO IV.G.** If the proposed strategy has a limited live performance history and you believe one or more other funds/strategies you manage are representative of your overall ability to manage this mandate, provide their performance along with a brief description of the strategy to aid comparison and evaluation. **Exhibit-E (in the attached Excel document):** Please include monthly gross and net of fee returns, since inception through 9/30/12.

#### V. INVESTMENT VEHICLES, FEES & TERMS

- A. Comment on the growth of assets in the proposed strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?
- B. Provide the standard fee schedule, liquidity terms and minimum investment for the following:
  - 1) Separate Account
  - 2) Commingled Fund
  - 3) Institutional Mutual Fund
- C. Unless covered above, does your firm currently offer an alternative, performance-based fee arrangement for the proposed strategy? If so, describe the structure.
- D. Specifically regarding commingled vehicles (excluding mutual funds):
  - 1) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.
  - 2) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?
  - 3) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.

- 4) How often may an investor withdraw funds? What is the notice period? Are there any lock-ups associated with the fund? Are there flood gates? Are investors paid with cash or distributions in kind? Are there any fees or penalties associated with withdrawals?
  - 5) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.
- E. Has your firm ever offered certain investors in the proposed strategy fee structures, fee rebates, liquidity provisions, or any other modifications to the standard terms of investment through side letters or other agreements? If so, please describe the modified terms and the classes of investors to whom they were offered.
  - F. What were total trading costs for this portfolio (bps and dollars) for the most recent calendar year?
  - G. Are fees and/or terms negotiable for this mandate? If so, at what size?
  - H. Provide the current amount of co-investment in the proposed strategy by both the firm and its employees. Are these investments made on the same terms as other investors?
  - I. Attach relevant documents (e.g., sample investment management agreement, offering memorandum, prospectus) as **Appendix E – Legal Documents**.

## VI. OPERATIONS, TRADING & CONTROLS

- A. Briefly describe your administrative/back office operations and organizational structure.
- B. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.
- C. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.
- D. Regarding valuation practices:
  - 1) Provide an overview of pricing procedures for securities in the proposed strategy, including sources and frequency of marks.
  - 2) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.
  - 3) Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?
- E. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.
- F. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.
- G. Discuss procedures used to monitor and control personal trading activities.
- H. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy?
- I. Describe any potential or actual conflicts of interest that exist with respect to the proposed strategy and how each is addressed through internal controls or guidelines.
- J. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the proposed strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

- K. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.
- L. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?
- M. Regarding counterparties:
  - 1) List all counterparties you have engaged to execute trades/establish positions within the proposed strategy over the year ending 9/30/12 (including any OTC swap counterparties).
  - 2) Estimate the percentage of trades within the proposed strategy allocated to the counterparties named in response to VI.M.1 over the year ending 9/30/12.
  - 3) How are your trading counterparties selected, monitored and evaluated?
  - 4) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.
- N. Provide an overview of your business continuity and disaster recovery systems and plans.

## VII. LEGAL & REGULATORY ISSUES

- A. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please attach your firm's ADV Part II as **Appendix F - ADV Part II**. If exempt, please describe the exemption.
- B. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.
- C. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.
- D. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.
- E. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers).
- F. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.
- G. Has your firm ever filed, voluntarily or involuntarily, for bankruptcy protection or otherwise been subject to the appointment of a receiver, trustee, or assignee for the benefit of creditors? If so, describe each instance.
- H. What is your firm's soft dollar policy?

## VIII. MISCELLANEOUS

- A. What type of standard reporting package do you provide to clients for the proposed strategy? Please attach a sample report as **Appendix G - Sample Client Report**.
- B. Attach a list of institutional clients invested in the proposed strategy as **Appendix H - Representative Institutional Clients**.
- C. Provide references for five current institutional clients invested in the proposed strategy.



- D. Provide references for three prior institutional clients that have terminated their mandates with your firm during the past two years.

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

December 11, 2012

Agenda Item 6.7

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Discussion on Proposed Changes to the Investment Policy

**Staff Recommendation:**

Staff recommends that this agenda item be delayed to the January meeting to allow more time for staff and consultant comments to be incorporated into the initial draft update of the Investment Policy Statement.

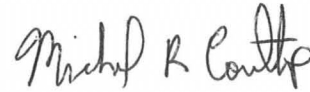
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

December 11, 2012

Agenda Item 6.8

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer



**SUBJECT:** Annual Review of Investment Consultant, Strategic Investment Solutions

**Staff Recommendation:**

Staff recommends that the Board review the information below summarizing the Strategic Investment Solutions performance evaluation and comment accordingly during the agenda item.

**Background:**

The annual evaluation of SamCERA's investment consultant has three parts:

1. A survey completed by trustees, staff, and the investment consultant
2. Responses to questions submitted to the consultant
3. A discussion at the Board meeting to present the findings of the survey and question responses

This year the survey was provided on-line. Results were collected from five trustees, four staff members, and from Patrick Thomas representing SIS. There were a total of 16 questions in the survey with each question scored on a range of 1 to 5, with 5 being the highest rating.

**Discussion:**

Please refer to the summary of the survey scores below. For each question the responses are broken out and grouped by trustee, staff, and consultant scores. Within each of these sections the minimum, maximum, and average scores are presented for each question as well.

Both the Board and staff marked the overall evaluation above average, although there are certain areas that call for further discussion. These areas are highlighted in yellow.

One theme that emerged from some of the associated comments was that SIS needs to do a better job of taking into account SamCERA's unique needs and situation when providing their recommendations as opposed to providing generalized advice.

In addition, there were comments suggesting that the firm's analytical sophistication needs to be improved upon, especially in regards to the performance reporting and risk assessment areas. Another area of concern is the private equity build-out. Additional communication and education to the Board regarding the SIS resources dedicated to private equity research, their

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

approach to private equity, and more frequent updates regarding the implementation roadmap is highly encouraged. In addition, a general theme that emerged from multiple comments across some of the questions was the need for more frequent and robust educational sessions with the Board. Lastly, there were some concerns regarding the firm's knowledge of capital market conditions, especially as they relate to providing market color, assessing current opportunities and relative attractiveness of shorter-term tactical opportunities.

In the self-assessment provided by SIS, they identified three areas that could use some improvement (scored as 4.0 instead of 5.0), which included the ability to communicate effectively, the quality and/or clarity of the firm's reports, and the effectiveness of the firm's educational presentations.

**Summary of Survey Results**

Question	Trustees			Staff			Consultant
	Min	Avg	Max	Min	Avg	Max	Avg
1) How would you rate the firm's understanding of the system's goals and objectives?	3.0	4.4	5.0	3.0	4.3	5.0	5.00
2) How would you rate the firm's ability to custom-tailor services?	2.0	3.8	5.0	3.0	3.7	4.0	5.00
3) How would you rate the firm's ability to respond to plan sponsor needs?	3.0	4.6	5.0	4.0	4.3	5.0	5.00
4) How would you rate the firm's ability to communicate effectively?	4.0	4.6	5.0	3.0	3.8	5.0	4.00
5) How would you rate the firm's responsiveness to questions and requests?	3.0	4.4	5.0	3.0	4.0	5.0	5.00
6) How would you rate the adequacy of information provided by the firm?	3.0	4.0	5.0	3.0	4.0	5.0	5.00
7) How would you rate the firm's analytical sophistication?	3.0	4.2	5.0	2.0	3.5	5.0	5.00
8) How would you rate the quality and/or clarity of the firm's reports?	3.0	4.2	5.0	3.0	4.3	5.0	4.00
9) How would you rate the timeliness of the firm's reports?	3.0	4.4	5.0	3.0	3.8	5.0	5.00
10) How would you rate the effectiveness of the firm's educational presentations?	3.0	4.2	5.0	3.0	3.7	4.0	4.00
11) How would you rate the firm's knowledge of institutional investment practices?	3.0	4.0	5.0	4.0	4.5	5.0	5.00
12) How would you rate the firm's knowledge of investment management firms/products?	3.0	4.4	5.0	3.0	4.0	5.0	5.00
13) How would you rate the firm's build-out of SamCERA's private equity program?	2.0	4.0	5.0	3.0	3.8	4.0	5.00
14) How would you rate the firm's knowledge of private equity funds/products?	2.0	3.8	5.0	3.0	3.8	4.0	5.00
15) How would you rate the firm's knowledge of capital market conditions?	3.0	4.2	5.0	2.0	3.8	5.0	5.00
16) What is your overall opinion of firm?	3.0	4.2	5.0	3.0	4.3	5.0	5.00

**Attachments:**

- A. 2012 Annual SIS Questionnaire

**STRATEGIC INVESTMENT SOLUTIONS, INC.**

**San Mateo County Employees Retirement Association  
ANNUAL QUESTIONNAIRE 2012**

**ORGANIZATIONAL UPDATE**

1. **Provide an update on Strategic Investment Solutions' organization, with particular emphasis on (a) changes to your structure, (b) growth of assets/accounts under consultation (c) breakdown by client type, and (d) clients gained or lost in the past year. All significant changes should be accompanied by an explanation.**
  - (a) The following significant changes affecting the firm's structure and ownership have occurred since our last reporting:
    - In December 2011, our Board of Directors approved the creation of an Employee Stock Ownership Plan (ESOP) as a vehicle for repurchasing the shareholdings of departing employees and expanding the benefits of ownership to all employees. On December 20, 2011, retiring Chairman and co-founder Mike Beasley signed a Stock Purchase Agreement selling the majority of his shares to the ESOP Trust. Mike Beasley formally retired on February 29, 2012.
    - In December 2011, Richard Dabrowski, SVP, became a shareholder of SIS by purchasing a portion of Mike Beasley's shares (2% of total outstanding).
    - In connection with the creation of the ESOP, the company has applied for S-Corp election for fiscal year 2012 in the federal government and the State of New Jersey. In March 2012, the State of New Jersey approved the application effective January 1, 2012.
    - At the annual Shareholders meeting held on February 14, 2012, the following were elected to the Board of Directors: Barry Dennis (Chairman), Pete Keliuotis, CFA (Chief Executive Officer), John Meier, CFA (Chief Financial Officer and Chief Operating Officer), Patrick Thomas, CFA (Board Member), Michael Beasley (Board Member and Chairman Emeritus).
    - At the same Shareholders meeting, Richard Dabrowski, CFA, and Stephen Quirk, CFA were appointed as corporate officers of the firm.

- In November 2010, SIS renewed its San Francisco lease for another seven years. In addition to the lease renewal, we added 2,000 sq. ft. of contiguous space to our existing space. The construction of the expansion space was completed in February 2011.
- In February 2010, Paul Harte, Patrick Thomas, Anne Ward, Curt Smith, and Deborah Gallegos were promoted to Senior Vice President.
- In February 2010, Deborah Gallegos (Senior VP), Faraz Shooshani, Stephen Masarik (Vice Presidents) and Lisa Leung, Senior Private Markets Analyst, became owners of the firm.

The current ownership of SIS is as follows:

% of Outstanding Shares

Barry Dennis	23.9%
Pete Keliuotis	9.4%
John Meier	9.4%
Paul Harte	4.9%
Patrick Thomas	4.7%
Curt Smith	4.0%
Harshal Shah	3.3%
Emmanuel Canteras	3.3%
Anne K. Ward	3.3%
Deborah Gallegos	2.3%
Rich Dabrowski	2.1%
Steve Hempler	1.9%
Marc Gesell	1.9%
Jonathan Brody	1.9%
Steve Masarik	0.5%
Lisa Keliuotis	0.5%
Helen Lam	0.5%
Elaine Gee	0.5%
ESOP	21.9%

- b) The following illustrates our growth of assets/accounts under consultation

NAME OF CLIENT GAINED	ASSETS (\$M)	DATE HIRED
University of Missouri System	5,800	10/2011
Sacramento County Employees Retirement System	5,000	2/2011
Goldman Environmental Foundation	N/A	8/2010
West Virginia Investment Management Board	10,600	3/2010

(c) The following is a breakdown of SIS clients by type

FOR THE PERIOD ENDED 6/30/2012	<\$100M	\$100M- \$1B	\$1B-\$5B	\$5B- \$15B	\$15B- \$50B	>\$50B	TOTAL
PUBLIC EMPLOYEES DB RETIREMENT			3	5	3	4	15
CORPORATE DB		3	3	1			7
UNION/TAFT-HARTLEY							
ENDOWMENT/FOUNDATION		3	1	1			5
DEFINED CONTRIBUTION (ALL TYPES)	Our clients sponsor multiple funds. Nine of them have DC plans that we consult to.						
HOSPITAL							
OTHER: PRIVATE WEALTH TRUST		2	3				5
<b>TOTAL</b>		<b>8</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>4</b>	<b>32</b>

(d) Following is a complete list of clients gained and lost during the since our last reporting, including reasons for termination.

NAME OF CLIENT GAINED	ASSETS (\$M)	DATE HIRED
Maine Public Employees Retirement System	10,000	1/2012
University of Missouri System	5,800	10/2011
Sacramento County Employees Retirement System	5,000	2/2011
Goldman Environmental Foundation	N/A	8/2010
West Virginia Investment Management Board	10,600	3/2010

NAME OF CLIENT LOST	ASSETS \$M	REASON(S) FOR TERMINATION
Kentucky Retirement System	\$15,000	Kentucky Retirement Systems hired SIS as a private markets consultant in 11/2001. The relationship ended in 12/2011 when KRS conducted a formal consultant search and hired a different firm. SIS was in the finals of that search.
PacifiCorp	\$2,000	In 8/2011, SIS lost PacifiCorp after it merged with MidAmerican Energy, which selected its own consultant after a formal

NAME OF CLIENT LOST	ASSETS \$M	REASON(S) FOR TERMINATION
		consultant search (SIS was in finals). Client since 1998 – Full Consulting Services.
Syracuse University	\$800	In 8/2010, SIS resigned from its relationship with Syracuse University. Client since 1997 – Full Consulting Services.
New York State Common Retirement Fund	\$110,000	In 4/2010, the relationship with the Fund was transitioned from general retainer consulting to project pool consulting. Client since 2002.
First Data Corporation	\$1,200	In 3/2010, FDC conducted a consultant search and selected another firm with more of a DC Plan specialty. Client since 2003 – Full Consulting Services.
San Jose Federated City and County Employees Retirement System	\$2,000	In 9/2009, San Jose conducted a consultant search and selected another firm. Client since 2003 – Full Consulting Services.

**2. What services does your firm offer in addition to pension fund investment consulting?**

Investment consulting is our only line of business. Most of our clients are public and corporate pension funds.

**3. What percentage of your firm's income comes from pension fund investment consulting?**

100% of our revenues come from investment consulting. Approximately 85% of our revenues come from pension fund clients.

**4. Describe your plans for managing the future growth of your firm. Do you have limitations on the number of clients you intend to accept? What is the number of clients per consultant? Describe your policies for controlling the workload of the investment consultants?**

We have firm limits on the number of clients, and limits on the number of relationships that individual consultants can have. The firm-wide limit, based on current staffing, is 40 retainer relationships; we currently have 32. The consultant limit is 10. We currently have available capacity. Our current client-to-consultant ratio is 3.2 to 1. The client-to-staff ratio is 1.07 to 1. We do not set asset limits on consultants; available capacity for a consulting team is based on the overall complexity and scope of services relating to their existing consulting relationships.



Our business effort is directed towards the large, sophisticated long-term investor, typically with assets over \$500 million. The only exception we make for the asset size requirement is for Bay Area eleemosynary clients and foundations. Our goal is to build a client base composed of a small number of intensive relationships, diversified among public and corporate retirement funds, endowments/foundations, and private wealth trusts. We will not become a “big” consulting organization; instead, we will concentrate on providing the best consulting services to a limited number of clients.

With respect to personnel growth, we are in the process of interviewing candidates for a senior alternative investments analyst, and a consulting support analyst. During the last twelve months, we hired **Richard Dabrowski, CFA**, as senior vice president and general consultant, **Stephen Quirk, CFA**, as vice president and quantitative consulting specialist and **Matt Silva**, as manager research database analyst.

**5. Please specify the individuals (up to five) who you feel are key to the success of your firm.**

As a small firm that puts a high premium on team-driven client service and research, we view every member of our firm as an important contributor to our success. General consultants (who have direct client service responsibilities), specialty consultants, and technical analysts all work together to deliver the services required by our clients and respond to their daily needs in a timely manner.

The key executives and heads of our functional groups are as follows:

Chief Executive Officer .....	Pete Keliuotis, CFA
Chief Operating Officer .....	John Meier, CFA
Chief Financial Officer .....	John Meier, CFA
Managing Director and Chairman.....	Barry Dennis, CFA
Head, Quantitative Consulting .....	John Meier, CFA
Head, Manager Research .....	Deborah Gallegos
Head, Measurement Systems .....	Anne Ward
Head, Private Markets Consulting.....	Curt Smith, CFA
Head, Administration.....	Emmanuel Canteras
Investment Policy Committee .....	Lou Kingsland, Jr., Chair
	Mike Beasley
	Barry Dennis
	John Meier, CFA
	Pete Keliuotis, CFA
	Patrick Thomas, CFA
	Paul Harte
	Harshal Shah, CFA

**6. Please specify the individuals (up to five) who you feel are key to the success of SIS’ account relationship with SamCERA.**

The primary consultants to SamCERA, **Patrick Thomas, CFA**, and **Jonathan Brody CFA**, are responsible for the general direction and supervision of strategic

planning and program implementation for the Fund; communication with the fund's staff, Board and third-party providers; **Samson Chan**, investment analyst, assists in performance measurement under the supervision of **Anne Ward**; **John Meier** and **Barry Dennis** assist in quantitative consulting and strategic planning.

**7. Describe your firm's management succession plan (especially given Michael Beasley's retirement on 3/31/12). Have dates been established regarding succession of any key personnel, specifically those in the preceding responses?**

We have been mindful of succession planning since SIS was founded. Our investment staff has an average of over 15 years of investment experience and as shareholders of SIS are all involved in the management of the firm. Additionally, each client has either backup consultant or co-consultant coverage. So we view succession both in terms of the organization and client service responsibility.

SIS's management responsibilities have always been fairly broad based within the company across a number of individuals. With Mike Beasley's retirement, we have further broadened responsibilities across long time SIS employees. Barry Dennis has taken on the role of Chairman of the Board, Pete Keliuotis is the firm's new CEO, John Meier was given the role of COO, Patrick Thomas was elected as a fifth member of the firm's Board of Directors and Mike Beasley remained on the Board as Chairman Emeritus. While specific dates have not been established, it is expected that Barry Dennis will be retiring from SIS within the next three to five years. None of the remaining senior investment professionals are expected to leave the firm within that time frame. We have addressed succession planning in our management meetings. In addition to the management changes already mentioned, SIS hired Richard Dabrowski, an experienced investment professional and consultant towards the end of 2011 and several other senior professionals are spending an increasing part of their time on consulting relationships. We are in the process of interviewing candidates for a consulting/manager research roles, who over time, will play an important role in the future and success of the firm.

**8. Has your firm been involved in any regulatory or litigation events in the past year?**

No.

**9. Update all significant personnel changes to the "SamCERA team" at Strategic Investment Solutions.**

Jonathan Brody has become a more active contributor on the SamCERA team and Samson Chan replaced Helen Lam as the SamCERA investment analyst since our last reporting.

**10. Describe any new potential services/improvements to your existing services being considered.**

The primary improvement to our service to SamCERA is the coming adoption of the InvestorForce performance reporting platform. The InvestorForce reporting platform is a sophisticated reporting technology that gives SIS the ability to provide its clients tremendous flexibility in meeting their performance measurement and reporting requirements. SIS leverages report templates that provide a high degree of report automation and we have the unique ability to utilize InvestorForce's proprietary "drag and drop" report designer application that allows us to develop rich, highly customized performance reports.

**Templates**

InvestorForce provides SIS automation in the reporting process by utilizing a set of report templates that are integrated into the InvestorForce platform. By utilizing a template, SIS selects a plan, selects the appropriate report template, chooses "Run report" and the system generates a complete report book.

**Report Designer**

InvestorForce also provides SIS report customization capabilities by providing access to a dynamic Report Designer. Report Designer utilizes drag and drop technology and allows SIS to custom design reports for its clients. We can start with a blank page and build a report from scratch – and we have the ability to generate a report template first and make modifications to the report within the Report Designer tool. This function gives SIS ultimate flexibility in the design and customization of client reports.

With Report Designer, SIS can:

- Create a full report
- Edit/modify any page within a report
- Customize any analytic on a page within a report
- Add or delete pages
- Move analytics from page to page
- Copy and paste pages
- Copy and paste analytics
- Insert custom headers and footers
- Insert logos and images
- Insert Excel analytics and directly link them to the report so that if edits are made to the original Excel file from a user's desktop, the changes are directly reflected in the report itself
- Change time frames on the system across the entire report and/or individually within each analytic
- Add custom and global commentary
- Attach PDF files

Additionally, every analytic that is made available for reporting purposes is also customizable based upon a full set of properties specific to the analytic itself. With this function, we can select certain parameters for one analytic and other parameters for the same analytic if so desired.

The InvestorForce system offers SIS a full suite of performance reporting capabilities to accommodate the wide-ranging and custom needs of our institutional investor client base.

**11. Describe the relative strength and longevity of your back-office staff.**

The following is a list of all personnel changes since our last reporting.

STAFF JOINED		
NAME	TITLE	DATE JOINED
Matthew Silva	Investment Analyst	May 2012
Richard Dabrowski, CFA	SVP and Senior Consultant	December 2011
Stephen Quirk, CFA	VP, Quantitative Consulting	September 2011
Nathan Pratt	Consultant Analyst	January 2011
Ancilla Hippolite	Performance Measurement Analyst	November 2010
John Nicolini	Senior Investment Analyst, Manager Research	January 2010

STAFF LEFT			
NAME AND TITLE	DATE JOINED	DATE LEFT	REASON
Jon Hartmann, Investment Analyst	July 2005	May 2012	Terminated

Our technical support staff, on average, has more than ten years of industry experience and has been with the firm for more than five years. They provide support in the areas of performance measurement and monitoring, manager research, and private markets research.

In 2012, we switched performance vendors to InvestorForce, located in Conshohocken, PA. InvestorForce has been providing performance measurement and reporting services since 2005. Currently, 29 institutional investment consulting organizations leverage the InvestorForce performance measurement and reporting application. InvestorForce’s platform carries approximately \$4 trillion in assets and 3,000 institutional plans and endowments.

Four of SIS’ performance measurement professionals have in excess of 10 year of experience in performance measurement, including our Director of Performance Measurement Anne Ward. Anne is a founder of SIS and has held this role since the inception of the firm in 1994.

- 12. What are the current technologies utilized in supporting the back-office processes? What performance measurement system do you use? Also what risk systems do you utilize in producing ex-post and ex-ante risk reports for clients? Please summarize your maintenance and upgrade policy/plan.**

Following is a list of our current consulting tools:

InvestorForce	Performance measurement back office; "live" manager and plan sponsor performance histories and comparisons, equity performance attribution, portfolio characteristics
Morningstar Direct	Manager composite information
eVestment Alliance	Manager composite information
BARRA	International and US Equity (E3) models; risk exposures
Private i	Private markets database
Preqin	Private markets research
Thomson Financial	Private markets research
MPI Stylus Suite	Equity style analysis
Micropal	Analytics, index information
Bloomberg	Securities pricing data
The Russell Investment Group	Capital markets research

We assist our clients in selecting the most appropriate technology for their needs and have provided onsite training to Staff in the databases and software that we use. We have also made our proprietary asset allocation optimizers available to clients who have requested them. Our philosophy in this area is the more proficient our clients' Staff members are with the tools of consulting, the more dynamic our relationship becomes.

- 13. What are your mission critical systems? Has your firm experienced any problems with these systems in the past eighteen months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next eighteen months?**

Our mission critical systems are the File/print and email services. The File/print just relocated to new hardware within last 6 months, email is currently being migrated and should be complete within the next 2-3 weeks. Aside from the migrations this year, we don't expect any major upgrades to the back end infrastructure for at least 3 years.

**14. Provide an overview of your firm's business continuity plan.**

Backup media is stored at locations that are secure, isolated from environmental hazards, and geographically separate from the location housing the system.

- Cloud Backups - all data is backed up nightly for all servers to:
  - A locally stored external hard drive (for expedited recovery of files/folders)
  - A Colocation facility w/N+1 power, Internet and servers in place providing a highly available, fault tolerant solution.
  - All data is fully encrypted in transit
- Recovery time for a catastrophic failure at the main office if less than 24 hours to a colocation facility.

**15. Please provide a copy of your firm's code of conduct and ethics.**

Please see appendix A for a copy of our code of conduct and ethics.

**PERFORMANCE**

**16. Please respond to the feedback given during the prior performance review (in July 2009) and how you have (or have not) addressed the specific issues raised during that review. The primary issues are listed below:**

**a) Alternatives expertise across all asset classes;**

SIS has been providing independent, non-discretionary investment advisory services to institutional investors in alternative asset classes (primarily private equity) since the firm's inception in 1994. We currently provide investment advisory, monitoring, and reporting services on approximately \$20 billion of alternative asset commitments across 1,200 active investments managed by 282 general partners, spanning 550+ funds, including all sectors of Private Equity (diversified and sector-specific Venture Capital, Buyouts, Distressed and Mezzanine Debt, and Special Situations) across North America, Europe, Asia, and Australia; Real Assets (Commodities, Infrastructure, and Natural Resources on the equity side; TIPS, ILBs, and Floating Rate Notes/Bank Loans on the debt side); and Hedge Funds (Fund of Hedge Funds, Direct Multi-Strategy, and Direct Single-Strategy). In addition to ongoing end-to-end Private Markets consulting services provided to 15 clients, we are presently working with several clients to structure and implement Opportunity Portfolios. These portfolios are designed to take advantage of attractive short-term opportunities that may not warrant a permanent allocation (arising from temporary market dislocations, for example), or investments that are viewed as strategic in nature but do not have a "home" in other established asset classes.

The list below provides a representative sampling of alternative investment consulting services we have completed within the last two years to help meet a wide range of unique client objectives:

**PRIVATE MARKETS:**

- Reviewing European distressed strategies – ongoing
- Helped structure Co-Investment separate accounts – ongoing
- Comprehensive private equity benchmark review – 2011 and ongoing
- Due diligence and negotiation of terms, conditions, and structure for a \$1.8 billion strategic relationship between a large public plan and Blackstone/GSO – completed in 2011
- Helped client implement a large secondary portfolio sale – completed in 2011
- Reviewed unique Catalyst Portfolio to access venture funds – completed in 2011
- Direct secondary bid for a small portfolio of buyout funds – completed in 2010
- Helped client bring in-house two outsourced separate accounts – completed in 2010
- Search and review of Private Markets administration service providers – completed in 2010

**OTHER ALTERNATIVES:**

- Performed due diligence on two direct hedge funds and a hedge fund seeding FoF for a public plan client – completed in 2011
- Reviewed legacy hedge funds and FoF for a new endowment client, currently in the process of implementing an expanded hedge fund portfolio – 2011 and ongoing
- Performed a comprehensive FoF search for a public plan client that included over 100 initial candidates and 40+ RFP recipients – completed in 2011
- Conduct due diligence on multi-strategy hedge funds for a corporate client looking to make their first hedge fund investments within their Opportunity Portfolio – 2011 and ongoing
- Independent review of real estate investment strategies – ongoing
- Inflation Sensitive/Real Assets portfolio structure and manager searches (Commodities, Infrastructure, TIPS) – ongoing
- Helping to structure an opportunistic Strategic Lending portfolio (mezzanine, distressed debt, bank loans, high yield, credit opportunities strategies) – ongoing
- Assessment of direct small-middle market lending strategies – 2011 and ongoing
- Risk Parity searches to diversify risk exposure – 2011 and ongoing
- Opportunistic alpha overlay strategy to balance risk – completed in 2011

**b) Educational presentations and investment strategy thought leadership;**

SIS has conducted discrete educational sessions on the subjects of Risk Management, Asset Liability Modeling, Hedge Funds, and Private Equity investing while also shepherding strategic portfolio initiatives in Risk Parity, Commodities, and Opportunistic Credit through ongoing discussion, explanation and industry thought leadership. We believe that SamCERA's portfolio, fully invested in these initiatives, speaks directly to the success of SIS' education efforts.

**c) Improvements to and depth of your manager research team;**

In 2007 Deborah Gallegos joined SIS as a Senior Vice President and Director of Manager Research. Deborah's experience spans 22 years in public fund administration, investment management, and plan sponsor consulting. Prior to joining SIS she served as New York City's Chief Investment Officer, where she supervised the development of the overall investment policies, standards and guidelines for the City's five pension systems totaling \$90 billion in assets. She was also Director of the NYCERS \$8 billion alternative investment program. Previously, Deborah served as Deputy State Investment Officer for the New Mexico State Investment Council where she oversaw a \$1 billion private equity program and worked with the governor on investing \$11.8 billion in assets. Before her time on the plan sponsor side, she served as Vice President at JP Morgan Fleming Asset Management in New York City, where she worked for its Global Emerging Markets Fund, and associate at Morgan Stanley & Company's Latin America equity research group.

Since joining SIS she has successfully recruited manager research analysts with experience from other investment consulting firms. In early 2008 Steve Masarik joined the firm after several years as a senior analyst at Alan Biller. Steve has brought to SIS expertise in alternative asset classes and has made a significant contribution to developing the group's research analytics. In addition to his CFA, Steve has earned CAIA (Charter Alternative Investment Analyst) and FRM (Financial Risk Manager) designations. In 2009 John Nicolini joined SIS from Highland Associates, where he had served as a manager research analyst covering a range of asset classes.

Under Deborah's leadership, there has been a substantial build out of the group's infrastructure. SIS now has an integrated database which is used both by the public markets manager research group and the private equity group. In addition, the manager research group has developed templates in MPI to systematize reporting and performance evaluation. Earlier this year, Matt Silva joined the group as junior analyst. His responsibility is largely to perform functions related to data management that enable the senior research staff to work with greater efficiency.



There are five members of the manager research staff. SIS has always placed a greater premium on the level of experience of its research staff than on the number of manager research analysts in the group. Although members of the team can become generalist consultants if that is their aspiration, at SIS research is itself a career track rather than a training ground for general consultants. In addition to the five dedicated manager research staff, consultants also meet with managers and contribute to the research effort.

**d) Knowledge of capital market conditions given the extreme volatility over the past couple of years;**

To identify and monitor market conditions in the global marketplace, SIS' research process involves several distinct activities in addition to our day-to-day involvement in the institutional investment industry:

1. **Global Manager Research** – We actively follow the world's premier global investment firms, in the public and private markets. A big part of this effort involves understanding investment trends, the new products being designed to capture these trends, and the degree to which the marketplace is embracing them.
2. **Conference Participation** – Our senior consultants and research team members are frequent speakers and participants in industry conferences on a variety of topics. We are judicious in the conferences in which we elect to participate so that they are the best use of our, and our clients', time.
3. **Industry Contact Meetings** – We meet frequently with industry contacts, here in the US and overseas, including investors, plan sponsors, and service providers, to stay abreast of industry developments and best practices.
4. **Alternative Investments Research** – Our eight-person private markets consulting group actively monitors open limited partnerships, which helps us identify emerging ideas and follow trends in non-traditional investments.

We use the managers' information as a leading indicator of trends in global investing and, as appropriate, conduct additional in-house research on the validity of these trends. Our firm's emphasis on the benefits of global management goes hand-in-hand with our research approach. We can harness the critical forecasts regarding inter-market relationships produced by global firms to assist us in developing crucial capital market assumptions that drive portfolio optimizations. We tap into their ongoing research into new investment opportunities at the regional, sector and issue-type level.

**e) Ability to respond to plan sponsor needs;**

We believe that the manifold improvements made to the SamCERA portfolio and the collegial culture of the board over the last three years are the best proof statements of SIS' ability to respond to SamCERA's needs.

**f) Sophistication in your analytics and risk management consulting work;**

SIS monitors risk through the monthly and quarterly performance measurement process we regularly go through for clients. We use a combination of returns- and holdings- based analyses to measure and monitor the risks of the portfolio. The tools we use are the ICC performance system, DB-Perform, MPI Stylus Suite and Barra US and Global Equity risk models.

Exposures to asset classes are monitored relative to targets. Asset class and manager risk exposures to sector, industry, quality, rating and other fundamental characteristics are calculated and monitored relative to their appropriate benchmarks and the manager's investment guidelines and objectives. We provide performance attribution to determine the sources of return to a portfolio and evaluate it to ensure that it is consistent with the investment strategy and philosophy of the investment manager.

As part of the implementation of an asset class, we develop a manager structure for the asset class which identifies and quantifies the long term exposures and risks expected from each manager and develop a target weight for each manager. This process is risk management based and is used as a yardstick against which we measure the characteristics of each manager and the asset class overall. We also use the model to monitor the risks and characteristics of an asset class as they change when manager allocations move away from their target weights.

Asset allocation targets and exposures are typically monitored at least monthly. Manager allocations are typically monitored at the same frequency. Risk exposures and characteristics of managers are monitored through their monthly reporting of strategy, portfolio characteristics and account performance and then a thorough independent analysis is performed quarterly through the performance measurement report.

For clients seeking a more robust, perhaps real-time risk system, we have assisted them in evaluating vendors such as Barra, IFS, RiskMetrics, MeasureRisk, BlackRock Solutions, etc. John Meier, Director of Quantitative Consulting, works with CalPERS on a retainer basis to assist them with their risk monitoring effort.

Regarding risk as it pertains to economic environments, we conduct an extensive scenario analysis as part of our asset/liability modeling process. The impact on future changes to the Plan's funded status and contribution

rates of various economic environments (high and low inflation, high and low economic growth, etc.).

On more of a micro level, we have recently been working with clients jointly with investment managers that offer “risk parity” (aka “all-weather”) strategies to assess their appropriateness; some of these managers can also provide modeling services that can serve as an independent view on the effect on funding of different economic environments.

Finally, we have encouraged clients to develop “Opportunity Portfolio” mandates to allow them to pursue investment opportunities designed to benefit from market dislocations; this helps balance returns through economic cycles and reduces the reliance on the equity risk premium.

Software SIS uses to measure risk includes:

- BARRA (US and non-US equities)
- MPI
- OPTIMIZE (our proprietary asset allocation software)
- DBSim (for modeling liability streams)
- *MyStateStreet* (the portfolio analytics software used by members of the Independent Consultants Cooperative (ICC))

We also do separate risk budgeting using Excel-based tools combined with OPTIMIZE.

SIS does not use some of the widely-used “off-the-shelf” systems such as BlackRock Solutions, RiskMetrics, State Street (fka IFS), MeasureRisk, etc. but we have assisted public funds in evaluating these systems with the goal of implementing a risk measurement and management process.

**g) Ability to be more forthcoming with your recommendations (e.g. making clear recommendations for manager search finalists).**

You can be assured that when it comes to investment decisions related to asset allocation, manager structure and manager selection, your investment consultant has a view. The issue is not the ability to be forthcoming with recommendations, but the ability to strike the appropriate balance between dogmatic assertion of these views, which would risk stifling dissenting opinions, and complete refusal to express these views, which would be an abdication of responsibility. What counts as the appropriate balance is largely a function of board preference. The challenge is that there tends not to be unanimity among board members regarding the degree to which they wish the consultant to influence decisions. Challenges aside, we commit to being forthcoming with recommendations, and we remind the staff and board members that they are always welcome to solicit the view of their consultant.

**17. Detail your perspective of SamCERA's performance expectations, as spelled out in the contract and SamCERA's Investment Policy, and how your firm is doing relative to those expectations.**

SamCERA's Investment Plan describes the investment consultant's services to the Board to include: 1) assisting in the development of the Investment Plan, 2) assisting in oversight, monitoring and selection of managers, 3) providing educational sessions and insights into the financial markets and 4) providing quarterly performance reports. SamCERA's Investment Consulting Agreement also calls for SIS to assist with asset/liability modeling, rebalancing policies, and manager structure analysis.

We believe that SamCERA's performance expectation for SIS is well conceived and appropriate. SIS has had the opportunity to provide all of these consulting services to SamCERA over the course of our retainer relationship, and we believe that we have met SamCERA's performance expectations.

SIS believes that over the last three years SamCERA has taken the right strategic steps to ensure the Plan's success, including its increase in the plan's international equity allocation, its greatly enhanced of its Bond Manager Structure, and most importantly the diversification of the portfolio through the introduction of Private Equity, Risk Parity, Commodities and Hedge Fund Allocations.

However, sometimes doing the right thing in pension administration requires mustering the fortitude to resist taking action in response to certain painful circumstances, such as short term negative performance. This level-headedness during the crisis is consistent with the Association's long term perspective, and with the goal of ensuring that the Plan will achieve its commitment to provide benefit payments for its participants.

We believe that SIS has been effective in assisting SamCERA to navigate the historically difficult market environment of the past several years and we believe that the board's hard work in redesigning its portfolio will be rewarded over time.

**18. In general terms, how is SamCERA able to reduce the risk of underperformance relative to the Plan Benchmark?**

There are two primary potential causes of underperformance relative to the Plan Benchmark: underperformance of actively managed strategies and deviation from target asset allocation. SamCERA can avoid the former cause by successful manager selection and careful monitoring. Although manager selection is discussed in more detail in another section of the questionnaire (name section), one way to avoid underperformance is to take more active management risk in less efficient asset classes than in highly efficient asset classes. A stronger case,

for example, can be made for fully active management of small cap equities than large cap domestic equities. In some cases it also makes sense to hire specialist managers for certain asset classes. Until recently, SamCERA used a single strategy to gain exposure to international growth equities, encompassing developed and emerging, large and small. We think that relative performance will benefit from the current structure which includes a developed international growth manager, as well as specialist emerging market and international small cap strategies. Regarding the second potential cause of underperformance relative to the benchmark, disciplined and regular rebalancing is a good way to minimize performance slippage. However, we think the risk can be further reduced by engaging an overlay manager to continuously maintain asset class exposures.

**19. Discuss the domestic equity, fixed income and real estate markets and SamCERA's relative success or failure in the current market.**

During fiscal 2012 Global Equities produced a wide range of returns, with European equities strongly negative for the year, while larger cap US stocks actually posted a positive return amid the generally negative sentiment. The broad US Equity market, as measured by the Russell 3000 Index, returned 3.8% during the year. The Russell 1000 large cap component of US Equity gained 4.4%, while the small cap Russell 2000 lost 2.1%. International Equity investments were hit hard with negative returns: the Developed Markets index lost 13.4%, while Emerging Markets, a star performer in recent years, lost even more, posting a -15.7% return. Investment Grade US Bonds (Barclays Aggregate) provided their traditional safe haven in turbulent times, and returned 7.5% for the year. High yield bonds returned 6.6%, their underperformance relative to investment grade bonds reflecting an environment of investor preference for safety. The real estate asset class continued to perform well during the year, as the NCREIF ODCE Index of institutional Real Estate posted a 12.4% return.

The Association's US Equity portfolio underperformed its US equity policy benchmark by 1.5% during the fiscal year, which placed it in the 52nd percentile of the universe. Within the US Equity asset class, the large cap managers as a group returned 1.9% for the year, lagging the Russell 1000 index by 244 basis points and the median institutional large cap composite median, which returned 3.2%, by 128 basis points. In contrast to the aggregate weak showing of the US large cap managers, the Small Cap Composite's -4% return was 171 basis points ahead of the Russell 2000 Index, placing it in the 28th percentile of the peer group universe. The International Equity Composite returned -13.8%, slightly ahead of the benchmark's return of -14.1%, but trailed the median peer return of -12.7% by 129 basis points, and performed in the 65th percentile of the peer universe.

The Plan's Total Fixed Income Composite return of 7.0% trailed both the Barclays Aggregate Index's 7.5% return, and the plan's hybrid total Fixed Income Benchmark return of 7.6%, for the fiscal year. The composite's 7.0% return for the fiscal year was in the 56th percentile, and 40 basis points behind the median

peer in the Independent Consultants' Cooperative (ICC) Large Public Fund Universe.

For the year ended June 2012, the INVESCO Real Estate fund's 9.0% return was well behind the 12.4% return of the NCREIF ODCE index. The real estate manager's return placed it in the 58th percentile overall among its peers.

Preliminary first quarter results for Fiscal 2013 has been notably stronger. SamCERA's Total Equity Aggregate returned 6.59% for the quarter, slightly ahead of the Total Equity Benchmark. The Total Fixed Income Aggregate return of 4.40%, however, was almost 200 basis points ahead of the Total Fixed Income Benchmark return of 2.45%.

- 20. Are SamCERA's portfolio benchmarks appropriate? Please explain why the benchmarks are appropriate, or if they are not, why they are not. Please comment specifically on the inconsistent treatment of benchmarks between the U.S. equity benchmark (for which we use the Russell 1000 and Russell 2000 indices weighted by their policy weight vs. using the Russell 3000 Index instead) and the international equity benchmark (for which we use the broad benchmark without regard for our policy weighting of emerging markets---we use MSCI ACWI ex US versus using the MSCI EAFE+Canada and MSCI EM Indices weighted by their policy weight.).**

Yes, SamCERA's portfolio benchmarks are appropriate in that they represent the most widely used and comprehensive institutional asset class proxies currently available in the market. However, in the case of domestic equity, the small cap Russell 2000 represents only 8% of the Russell 3000 index. SamCERA's policy allocation to small cap is much larger than 8% of domestic equity. The Russell 3000 is therefore not an ideal benchmark. In the case of international equity, there is no analogous mismatch between SamCERA's policy weighting to the emerging markets and the emerging markets weighting in the MSCI ACWI ex US index.

- 21. Describe any difficulties you may experience in working with SamCERA's actuary, board, custodian, investment managers, or staff.**

None. We are very pleased with the efficiency with which major strategic initiatives have been implemented in the SamCERA portfolio in the last three years.

- 22. With the increase in active management what enhancements should be made to SamCERA's monthly, quarterly, semi-annual and annual reports?**

We believe that the enhancement to SIS' performance reporting capabilities through the adoption of the InvestorForce platform, described in the answer to question number 10, provide SamCERA state of the art performance reporting.

**23. When should SamCERA initiate the next asset liability study? Are there educational topics that the association should visit prior to the next study?**

SIS recommends that its clients undertake an asset liability study every 3-5 years. Since SamCERA completed its last asset liability study in the fall of 2010, we recommend that the Plan look to initiate the next asset liability study in late 2013 at the earliest. Should market or Plan circumstances warrant a re-evaluation before then, SIS can certainly initiate the study earlier. Given the increased industry focus on parsing investment risk, and specific market and economic scenario modeling as part of the ALM study process, SIS believes that education sessions devoted to addressing these issues should be done before the next Asset Liability study is started.

**24. Describe your investment consulting philosophy, including (a) what are your firm's consulting specialties, strengths and limitations (b) your assessment of the value added by your investment philosophy and (c) what sets your services apart from other pension consultant's services?**

**Specialties, Strengths and Limitations.** We specialize in strategic planning (asset allocation and liability analysis, manager structure analysis, investment policy development) and global manager research. Our asset/liability process is arguably the most sensible, best documented, and effectively communicated investment policy service in the industry. Our manager structure process is designed to maintain the integrity of the asset allocation targets as we integrate active management, where appropriate, into the structure. It is approached from both a characteristic and historical return basis. Finally, our global manager research effort is enhanced by the experience and reputation of our consultants in the investment management community and our use of multiple databases. Our biggest limitation is the absence of a pure real estate consulting focus.

**Value Added.** We do not measure our success or failure as consultants, but depend largely upon our clients' favorable evaluation of our contributions to their work. We do know that success cannot always be measured in terms of improvement in performance results. Numerous studies have demonstrated that 80%-90% of long-term results can be attributed to a fund's asset allocation decision; 15%-20% from manager impact; and 1%- 2% from expense control. Success in achieving the fund's investment objectives is our goal. Our goal is to assist our clients to realistically define and then achieve their fund's investment objectives.

When one of the investment objectives is to "carefully" control expenses, we consider ourselves uniquely qualified to assist our clients to achieve this goal. Our only source of revenue is fund sponsors so we are better able to represent their interests in fee negotiations. We believe it is very difficult to receive revenues from the same service providers that we are expected to negotiate with on behalf of our client. Our median client has assets in excess of a billion dollars

and tends to agree that a sensible approach to manager structure is fewer managers, larger assignments. Consequently we tend to assist clients in allocating large individual dollar assignments and this fact gives us a lot of leverage with the industry service providers. This is a benefit shared by all our clients.

**Distinguishing Characteristics.** We act as your partner and co-fiduciary. With this explicit acceptance of co-fiduciary duty comes the commitment to share your fiduciary responsibility of acting only in the best interest of your plan participants and their beneficiaries. We devote our energies exclusively to consulting (no money management, no brokerage, no educational forums underwritten by managers, no wrap programs, no marketing to money managers). All our time and expertise are reserved only for research-driven, theoretically-based, consulting to our clients. By focusing solely on one market and eschewing any affiliation with other segments of the industry, we operate without any conflict of interest.

**We have the necessary experience.** Decades of consulting experience support our ability to interpret information and recommend alternatives. We have years of experience working with all client types, have an understanding of market cycles and a good reputation in the industry.

**25. How have you consulted your other clients in the use of overlay strategies for balancing/risk control purposes?**

Since we consider overlay strategies to be tools for implementation of investment strategy, we consider administering them for our clients a natural part of our strategic consulting service. We have conducted searches for the selection of overlay venders and have worked with overlay venders on an ongoing basis in the execution of balancing and risk control purposes including: periodic portfolio asset class and manager structure rebalancing activity; synthetic asset class beta exposure; portfolio frictional cash equitization; continuity of asset class and manager structure exposures during manager transitions; and simple manager transition execution.

**26. Describe and explain your firm's brokerage relationships, money management activities, fee relationships and soft dollar relationships. Include the amount of income derived in the last calendar year from investment managers.**

None. SIS has no brokerage, money management, or soft dollar relationships or businesses. All revenues during the last calendar year and every calendar year since the establishment of our firm were derived from consulting to plan sponsors.

**27. Provide your assessment of the risks associated with SamCERA's portfolio and describe your firm's risk management capabilities and the tools employed in risk assessment.**



SamCERA's asset allocation is prudent and broadly in line with, though perhaps slightly advanced in its level of sophistication, the asset allocations of similar plans. SIS believes that the last SamCERA Asset Liability Study, which led to the introduction of several categories of Alternative Investments, including Private Equity, Risk Parity, Commodities, and Hedge Funds provided significant and robust diversification to the portfolio, and was an important enhancement for the Plan.

Risk management is the core of our practice. SIS specializes in providing strategic planning services to large institutional funds – asset allocation/liability analysis, manager structure analysis, investment policy development, and trustee education. Lou Kingsland, who developed the Monte Carlo approach to stochastic asset/liability simulation, now works exclusively for SIS and chairs our Investment Policy Committee.

A description of our process is provided below:

**Asset Allocation.** The first step of the asset allocation process is determining the appropriate asset classes to be considered by the plan. The plans' size is a key determinant in assessing the cost effectiveness of additional asset classes relative to the diversification benefits. Our model can accommodate up to fifty asset classes. We maintain capital market assumptions for 23 asset classes, updated quarterly.

**Capital Market Assumptions.** Second, we incorporate the capital market projections for the asset classes decided upon, such as expected returns, standard deviations and correlations. Our ongoing capital markets research supports the projections that we use for our strategic asset allocation models (expected returns, standard deviations and correlations). Our capital market projections for strategic asset allocation (expected returns, standard deviations and correlations) represent our best judgments regarding probable return behavior over the next two to three market cycles (15 to 20 years). The projections are based on long-term premiums adjusted for recent market dynamics and consensus financial forecasts and expectations. SIS also develops tactical asset allocation projections which can be used in implementation and rebalancing of the strategic allocation. SIS utilizes and analyzes several models and approaches in developing our strategic and tactical capital market projections. The following outlines some of the results SIS develops and examines:

Proprietary econometric models; linear, exponential smoothing, etc.

- Results from SIS global manager research
- Risk premia analysis as implied by the capital markets
- Latest developments in financial theory
- Historical returns
- Qualitative adjustments based on discrepancies between all of the above and obvious statistical anomalies

SIS receives projections and consensus surveys from numerous Wall Street investment strategies (e.g., Merrill Lynch, Goldman Sachs, Morgan Stanley) that allow us to check the veracity of our capital market assumptions. All of this information is reviewed and discussed regularly by SIS' Investment Policy Committee (IPC). The IPC ensures that the portfolios comprising the efficient frontier are reasonable and that the frontier is stable, i.e., that small changes in risk do not trigger large changes in allocation. The IPC meets at least twice a year to review our assumptions. Special meetings are held when significant developments in the capital markets and the economy come to play. The final result of our research effort is SIS' Capital Markets Outlook.

**Optimization of Asset Mix.** The capital market projections are then input into a proprietary mean-variance quadratic programming optimizer. The result of this input is the development of an "efficient frontier" that demonstrates the maximum level of returns for each level of risk. Since this optimization is extremely sensitive to the inputs, the results are sometimes constrained or modified to achieve truly optimal diversified allocations. Necessary changes will be made so that the results conform to the plan's investment policies and guidelines. The asset allocation alternatives are tested in a Monte Carlo simulation to "experience" good and bad economic scenarios. Through this approach, we determine the following for each asset allocation:

- Ranges of returns and risk
- Ranges of asset values
- Probabilities of occurrence

**Liabilities Simulation.** Since the assets are linked to the liabilities of the plan, the liabilities of the plan are also modeled. SIS has the ability to model both Traditional and Cash Balance plans. The actuarial valuation report on the plan is used to provide the inputs to our liability model developed by Lou Kingsland, a pioneer and expert in asset liability modeling. If the overall plan has several sub-plans, SIS will model the sub-plans individually and merge the results for a total analysis of the overall plan.

**Integration of Assets and Liabilities.** The asset allocation alternatives and liabilities are linked in a Monte Carlo simulation to "experience" good and bad economic scenarios. Through this approach, we determine the following for each asset allocation:

Ranges of costs to the plan

- Funding requirements
- Plan liabilities and other characteristics of the plan
- Financial reporting simulations
- Probabilities of occurrence

If necessary, we conduct additional sensitivity analysis by testing the actuarial assumptions that drive into the liability projection. Modeling the liabilities and assets with this approach guides the plan in its selection of the appropriate risk tolerance and asset allocation.

**Investment Policy Development.** Finally, SIS works with clients to update the investment policy and create an action plan to incorporate any modifications required. It is important that the client be involved throughout the process. We share all information with the client and ensure that your inputs and agreement are received in each step of the process just described.

**28. Please outline your thoughts regarding the interaction between actuarial assumptions/risks and how they should impact investment related issues/risks.**

It is difficult to imagine an excellent process for the development of defined-benefit investment policy that doesn't include a thorough consideration of the interaction between investment performance and actuarial methods and assumptions, and their consequent costs and liabilities. We achieve this through asset/liability modeling. Our asset/liability modeling process is arguably the most sensible, best documented, and effectively communicated investment policy service in the industry. It was developed by Lou Kingsland, a pioneer and expert in asset/liability modeling.

The model we use to simulate the future financial condition of each pension plan is, of course, a simultaneous projection of both the assets and liabilities. We start with a complete description of the plan membership, payroll, benefits, asset valuation method, and funding method obtained from the most recent actuarial report. We also develop realistic assumptions concerning the future workforce growth, pay increases, and benefit improvements, consistent with the assumptions for projected investment returns and inflation rates. The model then provides a year-by-year projection of the changes in both the assets and liabilities resulting from these potential growth rates, not just for the average case, but for five thousand different investment and inflation scenarios that range from the very best to the very worst. On the asset side, this includes the effect not only of the various returns of each asset class in the asset mix, but also the effects of illiquidity. On the liability side, all aspects of plan demographics, payroll, and benefit levels are projected for each individual age and service group, including the effects of turnover and new hires on the composition of both the active and inactive membership.

At the end of each year in the projection, we calculate the asset values, liabilities, and funding requirements that would result from the conditions of the plan at that point in time. To do this, we use the same actuarial assumptions, valuation techniques, asset valuation method, and funding methodology used by the plan actuary in the most recent actuarial valuation. The projection of assets and liabilities must be done simultaneously, because of the correlated effects of

inflation, which will affect both sides of the actuarial balance sheet. For example, future variations in inflation will directly impact not only the rate of return of each asset class due its correlation with inflation, but also the payroll growth and cost-of-living-related benefit growth. In order for the results to be meaningful, the same varying inflation timeline must be applied to both the assets and the liabilities in each projection scenario.

**29. What are your recommendation(s) regarding categories of managers appropriate to implement *SamCERA's Investment Policy*?**

We are quite pleased that SamCERA has recently implemented the introduction of Private Equity, Risk Parity, Commodities and Hedge Fund programs to its portfolio. SIS recommends that SamCERA now explore the introduction of a "Real Return" asset class, potentially including the following investment categories: Real Estate, TIPS, Commodities, Infrastructure, Emerging Market debt, and hedged Producer equities.

**30. What is your assessment of *SamCERA's* current managers? Is there any qualitative or quantitative data that necessitates scrutiny? If yes, please provide an explanation.**

SamCERA's current manager lineup is quite strong. Nevertheless, with more than 20 strategies in the portfolio, at any given time it is likely that some will be underperforming their benchmarks and/or falling the bottom half of their peer group. We regularly monitor strategy performance as well as organizational changes at SamCERA's managers. It is also useful to monitor statistical measures of risk, such as tracking error and downside capture ratio.

In the relatively recent past SamCERA replaced its international growth equity manager because of persistent underperformance and loss of confidence in the manager's tactical decisions. SamCERA has also begun the process of replacing the large cap growth domestic equity manager whose underperformance has been outside the range of expectations.

**31. Provide an overview of the SIS manager research process. Include a detailed description of how qualitative data is assembled and evaluated.**

Following is a typical search action plan:

- ESTABLISH CRITERIA FOR SEARCH
  - Manager Qualifications
  - Screening Process
  - Quantitative Issues
  - Qualitative Issues
  - Timetable
- DATABASE SCREENING

- Prioritize Screening Steps
  - Screen Out Unqualified Firms
  - Reaffirm Database Information on Qualified Candidates
  - Select Semifinalists/Finalists
  - Initial Fee Reviews
- REPORT PREPARATION
    - Presentation Coordination
    - Onsite Due Diligence / Face-to-Face Meetings with Key Professionals and Assigned Portfolio Managers
    - Finalist Books
- FINALIST PRESENTATION
    - Manager Selection
    - Fee Negotiations
    - Asset Transition
    - Performance Measurement Standards
- POST-SEARCH DOCUMENTATION

**Quantitative Criteria.** Our manager evaluation process incorporates a combination of quantitative and qualitative analysis to identify and screen potential managers for our clients. Quantitative criteria commonly applied to most manager searches are:

- Generally above median performance versus a peer group and benchmark
- Attractive risk/reward characteristics over longer time periods
- Critical mass of assets to minimize business risk
- Portfolio diversification/concentration specific to client search
- Style consistency

Specific criteria with regard to acceptable risk, asset base, portfolio diversification and personnel/client ratios depend on client risk tolerance and the style of management under consideration.

The appropriateness and consistency of a manager's style is an important part of our evaluation process. We use *MPI Stylus Suite*, return-based style screening, to confirm that managers actually display characteristics representative of their stated styles. Managers that do not meet this criterion may be deemed inappropriate candidates for a search. We then apply holdings-based style analysis to the finalist candidate pool using BARRA to reconfirm that each manager is an appropriate style fit for the manager search.

**Qualitative Criteria.** Our qualitative tests address critical issues that go beyond performance, such as:

- Legal Activities, Investigations, Code of Ethical Conduct
- Succession Plans
- Compensation Structures
- Ownership Issues
- Composite Construction Practices
- Individual Performance Within Firm
- Deviations from GIPS Compliance
- Actual Fee Structure Available—“Favored Nation Clauses”
- New Products in Incubation
- Participation in “Wrap Programs”—Retail vs. Institutional Focus
- Workforce Diversification; Employment Policies
- E&O Coverage, Usage

Our proprietary questionnaire, designed to augment the information provided in our third-party databases, delves into critical qualitative issues that few consultants evaluate, such as ownership and succession, new product plans/ marketing emphasis, composite construction practices, compensation structure, code of ethics, and GIPS compliance, among others. Between our questionnaire and database, we can easily analyze important qualitative factors in the search process.

Broad issues considered in evaluating managers are listed below:

**Organizational Stability**

- Stable through mergers or other organizational changes
- History of personnel turnover
- Likelihood that key product personnel will remain with firm for next 3-5 years

**Ownership Structure**

- Current employee ownership
- Future plans to spread ownership
- “Good” or “bad” parent
- Incentives ex-ownership to keep people

**Repeatability of Investment Process and Performance**

- Active vs. Passive
- Successful and consistent implementation of process over time
- Long tenure of investment team (relevant for active products)
- Effectiveness of research process
- Consistent with what they say they do
- Performance vs. growth in assets
- Consistency of Style / Capitalization
- BARRA analysis - appropriateness of style

**Viability of Track Record**

- Performance alpha in line with alpha goals for product
- Track record relevant for an institutional investor (ex., small assets in composite)

**Product Team**

- Tenure and experience level
- Depth of research
- Knowledge of P.M. with other areas of the firm such as trading, operations, client communication

**Trading Patterns**

- Turnover levels
- Execution
- Trading team experience/tenure
- Soft dollar use

**Business Focus**

- Retail
- Institutional
- Other

**Client Retention**

- Reasons for client loss (e.g., organization and personnel change, performance)

**Client Servicing**

- Quality of servicing
- Availability and frequency
- Portfolio managers vs. client servicing pros

**Fees vs. Peer Group**

- Willingness to negotiate

SIS provides a manager search client book to the client, describing firm and product specific details on the managers deemed to be the most attractive from a quantitative and qualitative standpoint. The client book typically contains information on two to five managers. Data is assembled using our third party databases and questionnaire responses. Qualitative evaluations are incorporated based on insights garnered from meetings at SIS and at the managers' offices.

32. **Describe SIS's real estate consulting capabilities. How are you able to assist SamCERA with this asset class? If your firm has no immediate plans to provide this service, what are your recommendations for external real estate consultants?**

SIS does not have a specialized real estate consulting practice. We have assisted several clients in selecting real estate consultants (development of RFP, due diligence review, selection of candidates). We also have assisted with core oriented real estate manager selection and REIT managers searches. We provide real estate universe comparisons and fold in real estate performance results into our client's performance reporting.

Though real estate is not a core competence at SIS, we do believe that we have the expertise on staff to assist SamCERA with the kinds of tasks the Plan is likely to require. We have helped other SIS clients with similar projects in the past.

Depending upon SamCERA's preference for active risk in its real estate allocation, and thus its appetite for non-core exposure in real estate, SIS likely would recommend a structure of 70% to 80% core exposure (which we believe is well managed by your current core manager, Invesco) and 20% to 30% value-added exposure. Assuming a future real estate allocation close to the current 6% target, this structure suggests either an expansion of the Invesco relationship, or one value-added search in the \$30 to \$40 million size range. SIS would look to place a truly "opportunistic" real estate mandate into the Private Equity allocation.

Using both our own internal expertise and SIS' industry contacts, SIS is equipped to assist SamCERA in identifying good value-added real estate managers. Since we have done many real estate consultant searches for clients, we have developed close professional ties to the real estate consultants. Patrick Thomas, both as overseer of the pension at McKesson Corporation, and in his consulting work with both small and large clients during his 15 year tenure with SIS, has developed strong general knowledge real estate asset class. Patrick's first consulting client, The Lurie Company, is a real estate holding company. Curt Smith has extensive real estate management experience with the Trust Department of the Union Bank of California, where he began his work on private company investments in 1989. Curt would be available to SamCERA as needed for real estate issues.

**33. Describe SIS's private market consulting capabilities, including the process for manager searches and the monitoring of private placements, and hedge funds.**

As a boutique investment management consulting firm, we encourage cross collaboration between all of the Firm's investment professionals, a key attribute which provides broad perspective on overall plan assets and clients' overall objectives. Within this framework, specific consultants and research professionals develop specialties by focusing most of their time on specific asset classes. The combination of both broad and focused perspectives allows us to identify mispricing in the marketplace, and sources and fundamental drivers for potential opportunistic investments.

SIS has offered, and clients have engaged our, private markets consulting services since inception. Given the wide dispersion of returns between managers in the private markets, our approach has been to dedicate substantial resources to this asset class in order to identify promising opportunities and to vet potential managers thoroughly. Key tenants of our firm, including our retainer fee arrangement and our non-discretionary model, have reinforced our independence and practice as objective advisors to plan sponsors, our only clients. As a result, our private markets consulting services and capabilities have grown over the years. Currently, nearly 25% of the Firm's staff resources are dedicated to servicing 16 private markets clients who share our perspective with regard to the importance of being objective, independent, and thorough,



especially in this asset class. On their behalf, we track, monitor, and report on \$19.8 billion commitments to approximately 550 funds managed by nearly 300 private market GPs on an ongoing basis. Of note, client performance on all SIS-recommended private markets funds has surpassed client benchmarks (typically S&P 500 + 3% or Russell 3000 + 3%) as well as the pooled IRR across the Venture Economics universe.<sup>1</sup>

The sheer volume of client assets under advisement (\$540 billion overall, \$20 billion private equity) puts SIS on the map as a key advisor in the private markets, and we receive a significant number of leads to potential opportunities on a daily basis. However, as the alternative investment environment has become increasingly more competitive and some top-quartile firms are able to raise funds without adding new investors, we continue to proactively reach out to the best GPs, both those we track on behalf of clients and others in our proprietary database. Over the years, we have found that the same principles which set us apart as providers of conflict-free advice to plan sponsors also appeals to high integrity, top-performing managers who appreciate a direct relationship with stable, but diversified group of thoughtful LPs. For example increasingly since 2008, some of the best performing GPs in the asset class have begun to diversify their LP-base, away from both some of the early investors in private markets who are now overly exposed to the asset class, as well as some fund-of-funds whose own fundraising cycles can drastically complicate a GP's fundraising plans. SamCERA's portfolio has been a direct beneficiary of our efforts in sourcing, both from existing relationships with prior SIS clients and from our proactive efforts - the vast majority of funds in the current private markets portfolio have been oversubscribed in an otherwise difficult fundraising environment.

Recognizing that the needs and requirements of each client are unique, our approach on alternative consulting engagements generally begins with a review and establishment of custom parameters for each client. Within private markets, a key component of this review includes a complete understanding of our clients' existing alternatives portfolios accompanied by a cash-flow model, which maps out the anticipated exposure to the asset class based on existing commitments and the required level of new commitments. In building the "roadmap" for new commitments, we take into account key risk mitigation factors, such as diversification by sub-asset class, vintage years, and the number of commitments over time; as well as client sensitivities with regard to the "J-curve," the early phase during a private markets program when cash flows and IRRs tend to both be negative prior to full program maturity when return expectations generally exceed those in the public markets. Key components of the plan and the alternative portfolios are further delineated in specific asset class policies, which we help in developing and modifying as necessary, in collaboration with client staff and their trustees. We update and review the private markets roadmap typically annually, incorporating actual cash flows to date, current market values, anticipated contributions and benefit distributions, growth rate assumptions, and importantly, the current dynamics within the private markets

environment. This annual update serves to tilt the private markets portfolio roadmap, both at the aggregate level and by sub-asset class, depending on current views, both macro and micro.

Sourcing and screening potential opportunities is an ongoing process as private markets clients, both those that are new to the asset class and others that have mature programs, either seek to build new relationships to evaluate potential “re-ups” to new funds offered by existing managers. Proactive sourcing is accomplished through our extensive network of contacts including:

- Clients
- GPs
- Other Alternative Institutional Investors
- Fund-of-Funds Managers
- Portfolio Company Executives
- Lawyers
- Accountants/Consultants
- Placement Agents
- Media Outlets/Industry Trade Magazines
- GP Annual Meetings
- Industry Conferences

As noted earlier, we dedicate substantial resources to diligence new investment opportunities in the private markets. The reason for this emphasis upfront, prior to committing to a fund, is twofold. First, there is wide dispersion of returns between private markets managers – on average, 17% returns dispersion per year for all managers in the Venture Economics Universe between 1980 and 2010. Philosophically, we believe that to capture the true upside and expected return in private markets, investors should aim for top-quartile managers only and that careful manager selection should trump the desire to reach asset class exposure quickly.

Second, commitments to private markets funds are long dated, typically ten years or more, and undoing a commitment to a subpar fund can be both challenging and costly. Therefore, it simply makes sense to invest substantial resources upfront in order to gain sufficient comfort with the opportunity prior to making a commitment.

Due diligence candidates sourced by SIS must demonstrate a track record of successful investing in the private markets, as well as experience working together as a team. Beyond these basic qualifications, over a series of meetings, interviews, research, and analysis, we delve deeply into both qualitative and quantitative factors which further evaluate the manager’s team and organization, the investment strategy and process, and their track record of past investments in the same space. The goal is to verify the manager’s prior track record as a successful investor in its target strategy and to assess the likelihood of superior performance going forward with the new fund. For each opportunity, we

further review the terms of the partnership to further evaluate the alignment of interests between the GP and the LPs and to highlight areas where the terms deviate from typical offerings. We adhere to the same standards of due diligence for all funds regardless of the type of fund or any existing relationship SIS' clients may have with the fund under review. The following is an overview of SIS' general due diligence process.

**Preliminary Due Diligence.** One of the key purposes of preliminary due diligence is to highlight the key risks and issues associated with the fund manager. During this process SIS conducts initial due diligence with a review of offering materials as they are received, including an evaluation of the fund relative to diversification and allocation criteria and a review of past performance relative to peers. With this basic information in place, we either invite the manager to our office or we meet at their office to discuss the opportunity.

The initial meeting with the manager typically lasts 1-1.5 hours long and is attended by at least two members of SIS' staff. During this meeting we focus on a variety of issues including the quality of the manager's experience and leadership, the organizational structure with a view towards identifying potential conflicts and/or areas of alignment with LPs, as well as the depth of resources relative to existing and anticipated workloads. We seek a clear understanding of the proposed strategy and evidence of adherence to that strategy in prior portfolios – all with a view to identify the existing edge and the repeatable skills that have driven prior value creation and have the promise to produce similar results in the future. As fund sizes tend to grow consecutively, we hone in on the manager's sourcing capabilities and the quality of past deal flow in light of the size and performance of prior funds and investments. We further gauge the manager on questions related to their reported track record, including their perspectives on the drivers of prior value creation, specific deals that might be underperforming and those performing significantly above expectations, in-depth explanation of key footnotes, how the unrealized deals are valued, comments on the level of cash distributions back to LPs, and any explanations with regard to undue volatility in prior portfolios. We review key fund terms, especially the level, type, and sources of GP commitment to the fund in order to further assess the GP's alignment of interests with those of the LPs.

After this initial stage of review, we present our findings to clients orally and through a written preliminary due diligence memo. At this juncture, the client (either staff, Board or Investment Committee, depending on the client's organization structure and approval process) decides whether SIS should proceed to the next stage of due diligence. Additionally, if there was more than one candidate in the first stage, this is the appropriate point for the client and SIS to narrow the search to the most compelling manager.

**Comprehensive Due Diligence.** The next stage is a more in-depth review, which entails a request for more detailed information from the GP and thorough

review, analysis, and evaluation of the opportunity by our staff. Some of the key elements of this phase are described below.

**Analysis of track record.** The objective of this analysis is to verify the reported performance versus past cash flows and financial statements, and to break-down the historical track record of the fund and/or the investment team along various dimensions (including deal sourcing, ownership percentage, deal team leadership and mode of exit) in order to:

- Analyze the performance of existing portfolio in terms of return generation (IRR, cash-on-cash return, total return multiple, etc) and compare these returns to relevant benchmarks.
- Assess the drivers of prior value creation, targeting operating factors that tend to be based on repeatable skills versus market factors which tend to be episodic and typically available at lower cost.
- Gain an in-depth understanding of the past transactions in terms of investment strategy and rationale, structuring, execution and monitoring issues, areas of value-addition, and exit timing / management.
- Highlight the relative areas of strength and weakness along various dimensions (e.g. dominant sectors, principal geographies, preferred mode of exit, etc) based on investment performance and relate these findings to the current market conditions (both macro-economic and sector-specific) as well as intended strategy for the new fund.
- Evaluate the consistency of the investment strategy of the firm/ investment team across time and identify any strategy drift(s) as well as the reasons thereof.
- Identify any professionals who have had a dominant role in the investment process in the past (e.g. deal sourcing, structuring, etc) and relate these findings to the current management structure of the firm.

Through this analysis, we seek to uncover quantitative evidence of the manager's ability and process in creating value on a repeatable basis.

**Management team assessment.** If the above quantitative evidence confirms the existence of superior skill and process, the next step would typically include an on-site interview of the manager and with each member of the investment team. Clients are welcome to attend these meetings, as appropriate. The objective of this exercise is to:

- Facilitate SIS' understanding of organizational culture and values

- Get an idea of the consistency of an organization’s investment sourcing, analysis, execution and monitoring processes, as reflected in the responses of individual investment professionals.
- Understand the relative value-addition at each level of investment professionals (e.g. analyst, associate, vice president, director and managing director) by discussing the typical roles of various members of a transaction team.
- Engage the professionals in detailed discussions on specific transactions – both successes and failures – in order to understand the investment rationale, the dynamics of the structuring, execution and monitoring processes, the areas of value addition and the reasons for success or failure.
- Review the quality and consistency of various investment-related documents, including deal sourcing logs, due diligence materials, legal documents and monitoring notes (company visits, minutes of Board meetings, etc).

Through this process, SIS gains an in-depth understanding of organizational dynamics, including appropriateness of resource utilization, the ability of investment professionals to discharge their responsibilities, the degree of integration of various professionals into the firm and the relative spread of fund returns along the length and breadth of the organization.

**Reference checks.** SIS makes reference calls to prior limited partners (if any) as well as potential limited partners for the current fund, co-investors, CEOs of previous and existing portfolio companies, the fund’s ex-professionals and professionals within SIS’ network such as industry specialists, service providers and investment bankers. During the reference checking, SIS seeks to contact individuals we believe know the partners in question but are references not supplied by the GP. SIS has found these contacts have often supplied the most insightful comments during this process. The main objectives of these calls are:

- To understand each senior professional’s involvement and degree of value-add at each stage of the investment process, including sourcing, due diligence, transaction structuring, deal execution, operational value addition, board involvement, investment monitoring process and execution / management of the exit process.
- To evaluate the nature of interaction of the GP with co-investors, limited partners, portfolio company officers and other professionals;
- To obtain additional insight into portfolio companies (for example, latest developments, areas of value addition by the firm in existing portfolio companies, etc.);

- To identify areas of concern identified by other limited partners and re-evaluate the risks as well as the mitigating factors (if any);
- To make specific enquiries in order to address areas of concern, for e.g. ex-employees (to uncover potential problems related to management style, etc.), ex-LPs (to discuss why they are not investing in the new fund) and so on.

Thus, reference checks are a very important part of SIS' due diligence process and play a particularly important role in evaluating the potential merits and risks of investing with a fund manager. If the client desires, SIS will facilitate an expanded personal background check of specific general partners by third-party investigative firms.

Provided positive assessment of the opportunity on both the quantitative and qualitative measures described above, then pending client preferences the manager is invited to present the opportunity to the client's staff, Board or Investment Committee. This is not intended to be a "beauty contest" but allows the client the opportunity to meet one-on-one with the GPs and ask any questions that they may have.

After this formal presentation, the final stage of the review consists of negotiating and coordinating with the appropriate legal counsels any restructuring of fees, terms, or language in the Limited Partnership Agreement on behalf of our client. SIS has a due diligence checklist that covers more than 25 separate areas that may be of legal and or fiduciary interest to our clients. SIS also has used several outside legal firms to review LP Agreements if the client desires.

Since written documentation occurs at all levels of the due diligence process, a dependable sequence of "proof statements" is created to validate the disciplined approach to selecting the appropriate fund for our client's strategy. Our final views are shared with clients via an Executive Summary of the opportunity. While SIS generally encourages clients to participate in every stage of the due diligence process as appropriate, this participation level typically depends on the client's resources and preferences. In all cases, the ultimate decision of whether to invest in an opportunity rests with the client. As a non-discretionary consultant, as we see it, our job is to give our clients the best advice possible based on the research conducted. We fully support the decisions our clients make whether or not they are mutually agreed upon. The intent of our due diligence process is to identify a select group of general partners that are of such caliber that clients can implement private equity allocations with fewer individual funds.

The following is a step-by-step summary of our due diligence process. Please note that this is for due diligence on limited partnership opportunities. We do

not provide direct investment due diligence services though we have conducted searches for direct and co-investment managers.

STEP	DESCRIPTION	TIMEFRAME
1. Sourcing	Identify GPs and make initial contact	Three to six months; typically starts during GP's pre-marketing period
2. Preliminary Review	Review PPM if available; initial network contacts; cash flow analysis	One to two months, depending on closing schedule if GP is currently fundraising
3. Initial Meeting	Meet with GP, typically at SIS office, if SIS and/or client have an interest	Within the first one to two months of receiving a PPM, or making initial contact with GP if no PPM is available
4. Preliminary Documentation	Draft preliminary DD memo for client review	Within two weeks of meeting with GP
5. Comprehensive Due Diligence; Initial Negotiation of Terms and Commitment Level	More comprehensive due diligence; includes additional reference checks, completion of detailed information questionnaire, portfolio company analysis, cash flow analysis; may include background checks; meetings with full GP staff at least once at GP's office(s)	Within one to two months of client approval, depending on level of SIS and/or client interest, available fund capacity, and closing schedule
6. Long Form Memo	Documentation of comprehensive due diligence process and changes in terms/conditions, if any; includes SIS recommendation	Within two to four weeks of meetings at GP office(s), depending on level of SIS and/or client interest, available fund capacity, and closing schedule
7. Completion of Step 5 and Legal Review	Final negotiation of commitment level; terms and conditions; legal review; etc.	Within one to two weeks of approval of recommendation (Step 6), depending on level of SIS and/or client interest, available fund capacity, and closing schedule
8. Formal GP Presentation	Presentation by GP to client, if desired	May be concurrent with Step 7
9. Final Approval by Client	Approval of commitment level, terms/conditions, and subscription documents by client	Within one to two months of client approval of recommendation (Step 6), depending on client approval process, level of SIS and/or client interest, available fund capacity, and closing schedule

While a subset of clients choose to track and monitor their private markets investments in-house, the vast majority rely on SIS for performance reporting and, in varying degrees depending on their resources, for ongoing monitoring of the portfolio. As one of the earliest subscribers to the Burgiss Group's Private-i® private markets performance measurement system, we are copied on all correspondence between the private markets managers and our clients, including calls for capital contributions, capital distribution notices, periodic investment updates and quarterly and annual financial reports. Since we are often the link between a given manager and multiple mutual clients, private markets managers often provide additional periodic updates to us either in person, by phone, or via email. We further make an effort to attend annual meetings when travelling, especially for funds recommended to multiple clients. We track and enter fund cash flows and valuation updates in Private-i®, we review and incorporate all other updates on an ongoing basis, and based on these inputs, we prepare portfolio performance reports for each client custom designed to meet their needs.

Typical components of performance reports include various measures of returns, exposures and risks, as well as qualitative context of the broader investment environment. These components are further described below.

Since managers in Private Markets deploy capital over time, we begin measuring the manager and portfolio returns using internal rates of returns (IRR). IRR takes into account the time value of money invested over the lifetime of the fund, beginning with the first capital call (to fund a new investment or fees) and ending with the most recent cash distribution and/or valuation of unrealized holdings. We calculate IRRs for each specific manager, as well on an aggregated basis, for sub-categories and the entirety of the portfolio. The portfolio results are then compared to corresponding cash flows invested in the public markets (i.e. versus the benchmark).

While IRR is the standard measure of overall performance in Private Markets, we recognize, and seek to address, some of its key shortcomings. Foremost, IRR can be a misleading measure of performance for investments held under one year as short-term returns, once annualized through the IRR calculation, can drastically overstate the actual performance. For the same reason, such overstatement tends to magnify the impact of fees early within a fund's life, thus typically resulting in negative IRRs early on (the "J-curve"). Other issues such as overstating or understating the value of unrealized investments can lead to drastically different conclusions regarding performance if IRR was the sole measure. For these reasons, we closely monitor the level of commitments funded, total value multiple, and distributions multiple for each fund, and compare them to the results reported by peers deploying similar strategies in the same vintage year, as captured by benchmarking service providers (primarily Thomson One Venture Economics). This analysis can highlight funds that might be underperforming and flag them for further review.

Portfolio level risk is further monitored through tracking of investment exposures – e.g. by vintage year, sub-asset class, industry, and geography. Deviations on any of these parameters outside of the guidelines defined in client investment policies are typically noted in performance reports.

Lastly, we report the quantitative performance results within the context of key qualitative issues and the broader macro factors impacting the private markets. Thus, key opportunities are identified and implementation of the strategy can be modified on an ongoing basis as appropriate.

<sup>1</sup>As of March 31, 2012: SIS Net IRR of 9.47% includes vintage years 1994-2012 and Active and Inactive Clients,. The same cash flows invested in the S&P 500 + 300bps and Russell 3000 + 300bps would have produced 6.86% and 5.94%, respectively. Pooled IRR of Thomson One Venture Economics US All PE Universe, vintage years 1994-2011 (VE unavailable for 2012): 9.26%. SIS Performance includes SIS recommended funds for all active and inactive PE clients tracked by SIS for performance reporting; inactive clients include investments recommended while they were under SIS advisement. The data excludes years clients were under another advisor and funds selected without active SIS support and recommendation. Past performance is not indicative of future performance.



## **Hedge Funds**

The evaluation of Hedge Funds includes a range of activities, including overall hedge fund portfolio structure (e.g., fund of funds vs. direct), Hedge Fund of Funds searches, and ad-hoc due diligence on specialized fund of funds such as hedge fund seeding platforms.

Our primary performance reporting system is State Street, although we are currently in the process of transitioning to InvestorForce. In addition, we utilize the Markov Processes International (“MPI”) Stylus Pro platform for a variety of returns-based analytics and more detailed reporting, including custom reports that include strategy/manager weights and relevant portfolio characteristics. We also have the ability to incorporate elements from reports provided by Hedge Fund of Funds managers or 3rd-party aggregators such as RiskMetrics into a consolidated custom reporting package.

## **Hedge Fund Due Diligence**

SIS is constantly networking with Fund of Funds and Direct Hedge funds as a means of sourcing new hedge fund managers. New hedge fund of funds would undergo the same due diligence process as those more established funds. A description of our due diligence process is provided below. SIS reviews basic data on new hedge fund of funds in order to determine appropriateness for our institutional clients. Some factors we consider during this process include:

- Assets under management – although we do not impose hard limits with respect to minimum AUM, firms that manage under \$500 mm are generally eliminated unless there are compelling factors that warranted further due diligence or if the client is specifically looking to hire an emerging hedge fund of funds manager;
- Team size – similar to AUM, no hard limits are imposed but firms with investment teams of five or less are typically excluded from further consideration as we believe managing a diversified portfolio of hedge funds requires a certain level of depth in terms of personnel and resources;
- Location – although we attempt to avoid home-country bias when performing searches, we also believe that FoHF should have a significant U.S. presence in order to effectively service U.S. clients and diligence/monitor hedge funds based in the U.S.;
- Product fit –SIS looks for firms with a core, multi-strategy commingled fund that is open to new investments;
- Length of track record similar to AUM and team size, no hard limits are imposed but SIS likes to see a minimum track record of five years managing institutional assets, unless the client is specifically looking for an emerging manager;

Once SIS reviews the criteria above and determines further due diligence is warranted, we will send a request for information on the following:

Pitch book and fact sheets

- AUM breakdown by product and client type
- Organizational structure
- Bios of key investment professionals
- Basic fund information such as objectives, overall approach, strategy exposures, etc.
- Term sheet(s)
- Monthly net returns since inception for all applicable multi-strategy commingled funds and/or composites

This request for information allows SIS to drill down on the following information:

- Overall firm reputation
- Past exposure to fraud or “blowup” situations
- Performance (e.g., level and consistency of returns, risk measures, correlations and drawdowns)
- Composition of the client base
- AUM stability and in particular any liquidity issues during 2008/2009
- Team structure, size and experience
- Unique features or capabilities
- Level of transparency, including access to manager names, risk analytics and internal reports
- Attractiveness of fees and terms relative to peers
- Ability to manage custom mandates

At this juncture, SIS will determine if the hedge fund of funds is a viable candidate for further due diligence. Due to extensive nature of our due diligence process, SIS is constantly evaluating whether a hedge fund of funds warrants additional consideration. Those which do are sent and RFI consisting of three distinct parts:

- Combined investment and operational due diligence questionnaire
- Excel spreadsheet to collect relevant data elements (e.g., AUM breakdown and flows, strategy/geographic exposures and fund characteristics, fund lineup, personnel turnover)
- Supporting documents as attachments (e.g., sample reports, financial statements, form ADV Part II, subscription documents)

Detailed evaluation of each firm’s RFI response focused on the following main categories:

- Organization
  - Strategy Focus & Scope/Scale
  - Ownership Structure

- Composition & Stability of Client Base
- Operations/Back Office Infrastructure
- Legal/Regulatory Issues
- Investment Team
  - Experience & Stability
  - Size & Depth of Resources
  - Key Person Risk
- Investment Strategy
  - Portfolio Composition
  - Investment Process
  - Risk Management
  - Exposure to Risk Factors (e.g., leverage, liquidity)
  - Capacity & Manager Sourcing Capabilities
- Performance
  - Returns (rolling period, trailing periods, quarterly batting average)
  - Risk (standard deviation, semi-standard deviation, VaR)
  - Risk-Adjusted Measures (Sharpe ratio, loss ratio, omega ratio, Calmar ratio)
  - Correlations
  - Drawdowns/Recoveries
- Fees/Terms
  - Management & Incentive Fees
  - Liquidity Terms
  - Other Fees & Terms
- Additional Considerations
  - Alignment of Interest & Co-Investment
  - Custom Mandate Capabilities
  - Client Service, Transparency & Reporting

Based on the results of this phase SIS will schedule onsite due diligence visits by three senior members of our manager research group. These are generally full-day meetings with a range of both investment and operations staff, and cover the following areas in depth:

- Organization
- Investment Team
- Investment Due Diligence Process
- Operational Due Diligence Process
- Portfolio Construction & Risk Management
- Demonstration of Analytics and Other Software
- Back Office/Operations/Compliance/Legal

Following the onsite visits, reference checks with current and former clients, underlying hedge funds and 3rd-party service providers are conducted on candidates that are being considered for client mandates.

Our general monitoring process for both Hedge Fund of Funds and direct hedge funds would include the following:

- Monthly:
  - Collect returns from manager
  - Evaluate returns vs. expectations, peers and relevant indices
  - Review automated performance exception rules (e.g., +/- 2 s.d. “bands”), conduct follow up if any violations occur
  - Monitor industry news sources for headline events, personnel turnover, etc.
- Quarterly:
  - Collect portfolio exposures and characteristics using custom Excel template
  - Review client reports and letters
  - Conduct conference call/meeting with the manager
  - Prepare standard report covering performance, risk statistics, portfolio exposures and a narrative section detailing any organizational changes, commentary on performance and positioning, etc.
- Annually:
  - Refresh due diligence questionnaire (DDQ)
  - Conduct onsite visit, meet with both investment team members and back office staff
  - Attend client meeting, if one is sponsored
  - Update Investment Memo summarizing all aspects of the due diligence process
  - Hedge Fund Investment Committee reviews and re-approves each manager/fund

Specifically with respect to monitoring underlying managers within Hedge Funds of Funds, while we do not have a formal process we routinely meet with direct hedge funds, receive performance updates, and participate in monthly/quarterly conference calls. We believe these activities associated with direct hedge funds gives us good coverage of a fair number of underlying managers and much better insight into Hedge Fund of Funds portfolios.

## OUTLOOK

34. What is Strategic Investment Solutions' outlook for the capital markets? Provide your firm's Capital Market Assumptions. Include an explanation of how SIS arrives at its Capital Market Assumptions.

### SIS CAPITAL MARKET PROJECTIONS AS OF MAY 2012

	EXPECTED RETURN	STANDARD DEVIATION	SHARPE RATIO
U.S. INFLATION	2.4%	-----	-----
U.S. LARGE CAP STOCK	8.0%	18.0%	0.333
U.S. SMALL CAP STOCK	8.3%	21.0%	0.300
U.S. FIXED INCOME	2.8%	4.5%	0.178
INT'L DEVELOP MARKET STOCK	8.0%	18.5%	0.324
EMERGING MARKET STOCK	8.5%	27.5%	0.236
INT'L FIXED INCOME	2.8%	11.0%	0.073
PRIVATE MARKETS	10.5%	33.0%	0.258
REAL ESTATE	6.6%	18.5%	0.249
U.S. HIGH YIELD	5.3%	10.0%	0.330
EMERGING MARKET DEBT	5.1%	11.0%	0.282
U.S. TIPS	2.7%	4.5%	0.156
INT'L ILB	2.8%	4.0%	0.200
FLOATING RATE BANK LOANS	4.8%	8.0%	0.350
INFRASTRUCTURE	7.1%	25.0%	0.204
HARD ASSET EQUITY	7.6%	28.0%	0.200
COMMODITIES	4.3%	30.0%	0.077
HEDGE FUNDS	5.3%	10.0%	0.330
CASH	2.0%	1.0%	0.000

### CORRELATION COEFFICIENTS AS OF MAY 2012

	US LRG CAP STK	US SML CAP STK	US FI	INTL DEV STK	EMERG MKT STK	INTL FI	PVT EQ.	REAL EST	HIGH YIELD	EM DEBT	TIPS	FR BK LOAN	INTL ILB	ABS RETURN	COMMOC	INFRAST	HARD ASSET	CASH
US LARGE CAP STK	1.00																	
US SMALL CAP STK	0.86	1.00																
US FIXED INCOME	0.18	0.10	1.00															
INTL STK	0.77	0.72	0.07	1.00														
EMERG MKT STK	0.58	0.65	-0.09	0.71	1.00													
INTL FIXED INCOME	0.11	0.01	0.46	0.35	0.12	1.00												
PRIVATE EQUITY	0.63	0.60	-0.08	0.58	0.57	0.00	1.00											
REAL ESTATE	0.63	0.61	0.17	0.58	0.52	0.01	0.31	1.00										
US HIGH YIELD	0.64	0.73	0.35	0.62	0.62	0.29	0.51	0.65	1.00									
EMERGMKTDEBT	0.52	0.52	0.34	0.46	0.56	0.13	0.43	0.47	0.49	1.00								
US TIPS	0.11	0.10	0.61	0.09	0.10	0.44	-0.08	0.27	0.32	0.40	1.00							
FR BK LOAN	0.63	0.62	0.15	0.60	0.57	0.10	0.41	0.65	0.76	0.48	0.26	1.00						
INTL ILB	0.45	0.35	0.59	0.46	0.20	0.49	0.26	0.26	0.41	0.33	0.52	0.34	1.00					
ABSOLUTE RETURN	0.64	0.57	0.22	0.66	0.54	0.14	0.46	0.46	0.37	0.61	0.24	0.49	0.38	1.00				
COMMODITIES	0.27	0.28	-0.07	0.29	0.37	0.08	0.18	0.28	0.13	0.44	0.45	0.25	0.17	0.49	1.00			
INFRASTRUCTURE	0.51	0.51	0.42	0.50	0.45	0.20	0.30	0.64	0.62	0.53	0.38	0.57	0.17	0.55	0.22	1.00		
HARD ASSET	0.49	0.52	0.04	0.59	0.58	0.07	0.30	0.55	0.40	0.42	0.33	0.44	0.31	0.45	0.69	0.44	1.00	
CASH	0.16	0.10	0.34	0.08	0.04	0.03	0.03	-0.16	-0.16	0.18	0.08	-0.08	0.13	0.58	0.18	0.30	0.04	1.00

Our ongoing capital markets research supports the projections that we use for our strategic asset allocation models (expected returns, standard deviations and correlations). Our capital market projections for strategic asset allocation (expected returns, standard deviations and correlations) represent our best judgments regarding probable return behavior over the next two to three market cycles (15 to 20 years). The projections are based on long-term premiums adjusted for recent market dynamics and consensus financial forecasts and expectations. SIS also develops tactical asset allocation projections which can be used in implementation and rebalancing of the strategic allocation. SIS utilizes and analyzes several models and approaches in developing our strategic and tactical capital market projections. The following outlines some of the results SIS develops and examines:

- Proprietary econometric models; linear, GARCH, exponential smoothing, etc.
- Results from SIS global manager research
- Risk premia analysis as implied by the capital markets
- Latest developments in financial theory
- Historical returns
- Qualitative adjustments based on discrepancies between all of the above and obvious statistical anomalies

SIS surveys global research oriented investment managers about their views on the expected returns of numerous asset classes and currencies. This survey gives us a good consensus of the practitioners, many of whom are investing clients' assets in global asset allocation assignments. We also receive projections and consensus surveys from numerous Wall Street investment strategies (e.g., Merrill Lynch, Goldman Sachs, Morgan Stanley) that allow us to check the veracity of our capital market assumptions.

We meet with the global investment manager firms we survey on capital market projections to understand how they developed the information provided to SIS and their views about the future.

We also tap into the capital markets research resources of The Frank Russell Company as part of our alliance with them.

Finally, all of this information is reviewed and discussed regularly by SIS' Investment Policy Committee (IPC). The IPC ensures that the portfolios comprising the efficient frontier are reasonable and that the frontier is stable, i.e., that small changes in risk do not trigger large changes in allocation. The IPC meets at least twice a year to review our assumptions. Special meetings are held when significant developments in the capital markets and the economy come to play. The final result of our research effort is SIS' Capital Markets Outlook.

**35. What other issues or concerns have been brought up by your other clients in regards to products, markets, education and governance?**

Our clients are still grappling with the aftermath of the enormous loss of market value of assets experienced in 2008. The crisis broadly speaking left pension boards with the conflicting desires for greater downside risk control on the one hand and high returning, uncorrelated assets on the other. The other great concern, which also runs counter to the desire for higher returns, is a concern about liquidity and loss of current marketability of certain plan assets. On the governance side, boards are requiring quicker action and more discrete recommendations from their service providers. In our view, many plans have learned the lesson of the last crisis far too well, and have over-reacted to it by focusing too much on short term risk and harvesting too much public equity from their portfolios. SIS believes that SamCERA took strong action to diversify its portfolio through a measured approach to alternative investments, while keeping a high but prudent exposure to public equity in place in its portfolio. SamCERA has also required SIS to make more discrete recommendations on all strategic issues facing the Association, and has pledged to hold SIS accountable to the results of its advice.

## CONCLUSION

**36. Is there any information which would be timely per *SamCERA's Investment Policy* or relative to this review?**

All current information about SIS is disclosed in SamCERA's consultant questionnaire.

**37. Are your clients making significant changes in their asset mixes? Please describe these changes. Do you see any trends in asset allocation?**

Many SIS clients, like SamCERA, are in the early stages of the implementation of alternatives allocations investment programs anchored with Private Equity and including other non-traditional investments including Absolute Return, Commodities, etc. Given its strong embrace of the Alternatives pool concept, and its diligence in implementation over the last two years, SamCERA has actually passed some other SIS clients on the path to a fully diversified portfolio. The most salient trends we see in asset allocation is the greater focus on parsing and assessing discrete portfolio risk (nominal interest rate, inflation, credit, equity) and assessing portfolio behavior relative to distinct market and economic scenarios.

**38. What market opportunities should *SamCERA* be considering?**

SIS believes that SamCERA should continue to build out its Private Equity allocation. We also believe that SamCERA should seriously consider an inflation-hedging Real Return pool comprised of Real Estate, TIPS, Commodities, Infrastructure, Emerging Market debt and other instruments that perform well in an inflationary environment.

**39. Please provide your recommendations/thoughts regarding impact / sustainable investing and the role it should play in the portfolio.**

We believe that a strong investment program by definition will include an assessment of not only the immediate financial return on investment, but also the social and environmental impacts of the investment, which in the end impinge directly on the quality of the investment. As such, we believe that the concept of sustainability plays a critical role in a long term investment portfolio like SamCERA's.

**40. Please provide your recommendations/thoughts regarding infrastructure investing and the role it should play in the portfolio.**

In recent years, and especially during the initial wave of interest in the early 2000's, SIS was quite cautious in the area of Infrastructure. Although in principle we believed that the area had merit and was potentially quite attractive for our clients, in practice we did not believe that the vehicles available to investors were of institutional quality. To a degree that has changed. The practices followed by managers and the terms offered to investors have improved in this area. We now believe that a carefully-selected Infrastructure fund could be a useful addition to the SamCERA portfolio as a part of an inflation-hedging real return portfolio.

**41. Please outline your ability to provide educational presentations to Trustees. Please list previous educational programs you have provided to your clients.**

Trustee education workshops are conducted by our senior consultants and specialty consultants (*e.g.*, asset allocation, private markets investing, hedge funds). Our investment professionals have an average of nearly 20 years of industry experience and have individually been providing trustee and staff education for decades, throughout multiple market cycles and investment trends. We are also active in exploring new investment strategies.

SIS has conducted trustee and staff education for most of our clients on special client-directed topics, and especially as the prelude to the strategic planning process. Our consultants participate as resource persons in our client "investment retreats." We have also been retained by some clients – notably, a foreign sovereign fund – to conduct market overviews for private assets investing. We have also conducted trustee workshops on the subject of ethics and fiduciary responsibility.

The area in which we most frequently provide education is during the initial stages of a relationship or at the outset of an asset allocation/asset liability study. SIS typically organizes a Trustee education program at the onset of the strategic planning process. Since asset/liability studies are generally conducted every three to five years, trustees who may be new to the process benefit from such a



program. The education phase will help to assure all interested parties that the Board is making an informed decision at the conclusion of the project.

For example, an asset allocation planning workshop would aim to achieve the following goals:

- Familiarize decision-makers with the philosophy, concepts, and jargon of asset allocation modeling (strategic versus tactical asset allocation, understanding normal distribution, role of inflation, Monte Carlo Simulation, etc.)
- Review capital markets theory, SIS's capital markets assumptions, and process for determining risk/reward profile and correlation of major asset classes
- Review of current asset mix and potential asset classes to be considered for the study
- Review key decision areas of the study and their implications
- Work on an action plan/timeline for the project

The objectives of the education session(s) would vary greatly from topic to topic. By working closely with the Staff and Board, we are best able to tailor the session around the issues of greatest interest and relevance.

To give you a better idea of the kind of educational programs we can offer, the following is a sample curriculum of an educational program that we conducted for the Board of a large plan sponsor client in connection with their investment policy development process.

**I. OVERVIEW OF THE PENSION INDUSTRY (30 minutes)**

- Current Trends

**II. PENSION INDUSTRY PARTICIPANTS (30 minutes)**

- What Is Everyone's Role?

**III. FIDUCIARY RESPONSIBILITIES, LIABILITIES AND DUTIES (45 minutes)**

- Public Fund Fiduciaries
- Statutory Framework
- Implications of Fiduciary Responsibility
- Ethics (Link to Investment Decisions)

**IV. DEFINING INVESTMENT TERMS AND UNDERSTANDING PORTFOLIO RISK (1 hour)**

- MPT, CAPM, Efficient Markets

- Correlation and Diversification
- Time Diversification
- New Theories/Obsolete Theories
- Global Implications
- Passive Versus Active

**V. INVESTING IN THE U.S. MARKETS (2 hours)**

- Stocks, Bonds, Cash
- Equity Styles
- Fixed Income Styles
- Mortgages, Real Estate, Alternative Investments
- Investment Organizations' Structures
- Private Equity

**Other Educational Session Topics**

Risk Management  
 Asset Liability Modeling  
 Hedge Fund Investing  
 Private Equity Investing  
 Bonds 101  
 Fiduciary Responsibility  
 Benchmarking  
 Risk Parity  
 Active Management

- 42. Please provide a preliminary recommendation of what your work plan for the next 12 months should look like given SamCERA's current plan structure. Please also look forward to the next 5 to 10 years, at which point the plan, assuming that actuarial assumptions are achieved, will be closer to fully funded with lower employer contributions. How should the plan be managed in this scenario?**

**12 Month Proposed Investment Plan**

1. Search and selection of an futures overlay service provider.
2. Determine if ALM study makes sense
3. Finish new Investment Policy Statement
4. Continue Private Equity portfolio implementation
5. Determine new domestic equity manager structure: Address passive exposure in large-cap, rationalize roster of managers, introduce 130/30 mandate

6. Investigate whether to add a new global / value-add fund to complement Invesco Core in Real Estate
7. Investigate whether to add a new risk parity manager to complement AQR; perhaps make Risk Parity a separate allocation in policy
8. Investigate role of infrastructure in portfolio, investigate creation of new real return asset class
9. Enhance Hedge Fund allocation with funds complementary to existing core exposure

In the case of fully-funded plans, our asset/liability risk/reward analyses typically justify the maintenance or reduction of total fund risk levels, as additional risk provides no benefit in terms of achieving more than full-funding, neither is there a surplus to provide a cushion from the adverse effects of additional risk-taking. However, our opinion is always subject to a specific asset/liability analysis. For example, if full-funding leads to the establishment of additional benefits, the risk/reward tradeoff will change.

Appendix A  
SIS Code of Ethics, Policy  
and  
Implementation Statement

# Strategic Investment Solutions, Inc.

## CODE OF ETHICS, POLICY AND IMPLEMENTATION STATEMENT

### Requirements

SEC Rule 204A-1 requires Registered Investment Advisers (RIA) to adopt a *Code of Ethics*. The code must set forth standards of conduct and require compliance with federal securities laws. It must also require that supervised personnel report personal securities holdings and transactions and obtain pre-approval of certain investments.

The Insider Trading and Securities Fraud Enforcement Act of 1988 amended Sections 204A and 214A of the Investment Advisers Act of 1940 to require that all RIA adopt a written *Policy Statement* and a written *Implementation Statement*. The *Policy Statement* sets forth what specific steps the RIA is taking to police the dissemination of material, nonpublic information. The *Implementation Statement* sets forth how the principals of the advisory firm are making sure that the firm-wide policy is observed.

All officers, shareholders, directors, associated persons, and clerical personnel must receive each of these statements and acknowledge in writing that they have received them. This document incorporates all three statements.

### Purpose

The Code of Ethics, Policy and Implementation Statement (“Code”) of Strategic Investment Solutions, Inc. (“SIS,” “the Company”) sets forth a standard of business conduct required of all employees. The Code supplements the policies and procedures contained in the Company’s *Compliance Manual* and subsidiary departmental manuals.

### Standards of Business Conduct

SIS will consider plan participants and their beneficiaries to be our clients, and our consulting services will be directed toward their sole benefit. Our consultants and professional staff will remain cognizant of the fact that we are advising fiduciaries and, therefore, have a fiduciary responsibility to act solely in our clients’ best interests.

SIS, and its employees, will not accept fees from investment managers for any service whatsoever. SIS will accept only cash payments from its clients. SIS, and its employees, will not accept “finder’s fees” or financial rewards that are dependent on our clients’ procurement decisions.

SIS will not manage client assets, directly or indirectly.

Our employees will refrain from discussing confidential client information with anyone other than the client or SIS employees who have a need to know. Discussing facts about a client's fund, using a client's name in promotional materials or communications intended for public consumption without the client's permission shall be forbidden.

Employees of the firm shall comply with all applicable federal and state securities laws. The Code is designed to guard against violations of securities laws and to protect the reputation of the Company.

### **Conflicts of Interest**

The Company and its employees are expected to avoid situations where their personal interests could conflict or appear to conflict with their fiduciary responsibilities to clients.

Employees should avoid any investment, interest, association, or other relationship that interferes, might interfere, or might be thought to interfere, with the independent exercise of good judgment. Any material transaction or relationship that could reasonably be expected to give rise to a conflict of interest must be disclosed to the Chief Compliance Officer.

### **Access Persons**

An "access person" is any director, officer, or employee who is involved in making securities recommendations to clients, has access to nonpublic information concerning any client's sale or purchase of securities, is involved in making securities recommendations to clients that are not yet public, who has access to such recommendations that are nonpublic, or who has access to information regarding investment company clients. Administrative, technical, clerical, and client service representatives may also be access persons if their functions or duties make them privy to nonpublic information.

For all practical purposes, every employee of the Company is considered to be an access person because of the small size of the Company and the open access to all client files, both hardcopy and electronic, for the performance of his/her duties.

### **Holdings Reports**

Each access person shall provide a complete report of their securities holdings within 10 days of becoming an access person. Brokerage statements may be used as the basis of the report as long as the statement is current as of a date no more than 45 days prior to the date the person became an access person.

Thereafter, access persons shall file an annual securities holdings report at least once each 12-month period thereafter. The information must be current as of a date no more than 45 days prior to the date the report was submitted.

Holdings reports may take any form, but shall contain the following information, as a minimum:

- A unique description of each security, number of units, and total value of each reportable security in which the access person has any direct or indirect beneficial ownership;
- The name of any broker, dealer, or bank with which the access person maintains an account in which any securities are held for the access person's direct or indirect benefit; and
- The date the access person submits the report.

Under Rule 204A-1, holdings reports are required for "reportable securities" only (see below). The Chief Compliance Officer shall initial and date the reports submitted by access persons.

### **Transaction Reports**

Under Rule 204A-1, access persons must submit transaction reports for "reportable securities" in which the access person has, or acquires, any direct or indirect beneficial ownership. Transaction reports must be submitted no later than 30 days after the end of each calendar quarter. Duplicate confirmations and account statements may be used to fulfill the reporting requirement.

Rule 204A-1 does not require a report be filed to confirm the absence of reportable transactions in a quarter where no such transactions were effected.

Transaction reports may take any form, but shall contain the following information, as a minimum, about each transaction involving a reportable security in which the access person had, or as a result of the transaction acquired, any direct or indirect beneficial ownership:

- A unique description, and the number of units, of each reportable security involved;
- The nature of the transaction (i.e., purchase, or sale or any other type of acquisition or disposition);
- The price of the security at which the transaction was effected;
- The name of any broker, dealer, or bank with or through which the transaction was effected; and
- The date the access person submits the report.

The Chief Compliance Officer shall initial and date the reports submitted by access persons.

## **Reportable Securities**

Most securities in which an access person has, or acquires, any direct or indirect beneficial ownership are “reportable securities.” The following securities are not considered reportable securities:

- Direct obligations of the Government of the United States;
- Money market instruments (bankers’ acceptances, bank CDs, commercial paper, repurchase agreements and other high quality short-term debt instruments);
- Shares of money market funds;
- Shares of other types of mutual funds, unless the adviser or a control affiliate acts as the investment adviser or principal underwriter for the fund; and
- Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds.

Personal securities reporting are not required when:

- Transactions are effected pursuant to an automatic investment plan;
- Securities are held in accounts over which the access person has no direct or indirect influence or control;

## **Restricted Lists**

The Company shall maintain a list of issuers of securities about which the Company has inside information. Access persons are prohibited from trading personally or trading for clients in securities of any such issuers.

## **Blackout Periods**

The Company shall establish a blackout period or prohibit personal trading during any situation in which trading ahead of a client or allocating trades in a particular manner may defraud a client.

## **Pre-clearance of Trades**

Pre-clearance of trades by access persons is not required, except that access persons shall obtain advance permission from the Chief Compliance Officer before investing in an initial public offering (IPO) or a private placement.

## **Insider Trading Policy Statement**

The Company shall restrict access to material nonpublic information about client transactions. Access to client information is provided to employees on a need-to-know basis. Files may not be removed from the office except for meetings with clients outside of the office. Employees shall safeguard client files that are removed from the office.



Employees may not recommend trading in a security to any clients or other parties based on material nonpublic information. Employees may not execute a trade based on nonpublic information. If an employee obtains nonpublic information about a security, he or she must immediately report any personal transactions or the transactions of any related parties in that security to the Chief Compliance Officer. Employees are also obligated to report violations of this policy by other employees.

Violations of the provisions of this policy are cause for immediate discipline. In addition, the violation will be reported by the Company to the appropriate regulatory agency.

### **Insider Trading Implementation Statement**

The Chief Compliance Officer shall review personal securities transaction reports for possible insider trading.

Each employee shall review this Code and the incorporated insider trading statements annually and agree, in writing, to comply.

### **Enforcement**

The Chief Compliance Officer shall maintain and enforce this Code, including reviewing the securities holdings and transaction reports of access persons to identify improper trades or patterns of trading. Implementation shall be in accordance with the Company's *Compliance Manual*.

The Chief Compliance Officer shall take into account any changes in the business of the Company or the scope of that business, the nature of the Company's clients, the nature of the investment activities of the Company, and the developments in the investment industry and securities markets.

### **Reporting of Violations**

Any employee of the Company who becomes aware of actual or potential violations of this Code or who has concerns regarding questionable matters involving the Company or an employee should contact the Chief Compliance Officer immediately.

The Company shall affirmatively act to foster an environment supportive of regulatory compliance. Employees shall not be subject to recrimination for the reporting of actual or potential violations of the Code.

### **Consequences of Violations**

Any violation of this Code may result in disciplinary action including, but not limited to, the following:

- Disciplinary action (up to and including suspension or termination of employment);
- Cancellation of trades, disgorgement of profits and/or selling positions at a loss;

- Pursuit of any and all remedies available to the Company for any damages or harm resulting to the Company from a violation, including injunctive relief; and
- Referral of matters to appropriate legal or regulatory authorities for investigation and prosecution.

Directing or pressuring others to violate a provision of this Code, failure to properly report Code violations, or retaliation against an employee for reporting a concern or violation with respect to this Code will also result in disciplinary action.

### **Annual Training**

The Chief Compliance Officer shall ensure that the Code (and any amendments) is provided in writing to each employee annually. Each employee shall acknowledge, in writing, his/her receipt of the Code.

### **Client Awareness**

The Company shall include a brief description of this Code at the end of Item 9 in Part II of its Form ADV. Clients shall be provided a copy of this Code upon request at no cost.

### **Recordkeeping and Disclosure**

The company shall maintain copies of its Code and any amendments thereto for a period of five years after the last date it was in effect.

The Company shall maintain a record of the names of all access persons, which must include every person who was an access person at any time within the past five years, even if some are no longer access persons or have terminated employment.

The Company shall maintain copies of each access person's written acknowledgment of the annual receipt of the Code for five years after the person ceases to be an access person.

The Company shall maintain records showing the holdings reported by access persons, and evidence of the review of these holdings.

The Company shall maintain records showing the transactions reported by access persons, and evidence of the review of these transactions.

The Company shall maintain records of decisions approving an access person's acquisition of securities in IPOs and private placements.

The Company shall maintain records of violations of the Code and actions taken as a result of the violations.

**Additional Code of Ethics**

The Company abides by the CFA Institute (formerly, the Association for Investment Management and Research [AIMR]) Code of Ethics and Professional Responsibility, which is incorporated herein by reference.

# AIMR CODE OF ETHICS AND STANDARDS OF PROFESSIONAL CONDUCT

## The Code of Ethics

**Members of the Association for Investment Management and Research shall:**

- Act with integrity, competence, dignity, and in an ethical manner when dealing with the public, clients, prospects, employers, employees, and fellow members.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on members and their profession.
- Strive to maintain and improve their competence and the competence of others in the profession.
- Use reasonable care and exercise independent professional judgment.

### Standards of Professional Conduct

#### **STANDARD I: FUNDAMENTAL RESPONSIBILITIES**

Members shall:

**A.** Maintain knowledge of and comply with all applicable laws, rules, and regulations (including AIMR's Code of Ethics and Standards of Professional Conduct) of any government, governmental agency, regulatory organization, licensing agency, or professional association governing the members' professional activities.

**B.** Not knowingly participate or assist in any violation of such laws, rules, or regulations.

#### **STANDARD II: RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE PROFESSION**

##### **A. Use of Professional Designation.**

1. AIMR members may reference their membership only in a dignified and judicious manner. The use of the reference may be accompanied by an accurate explanation of the requirements that have been met to obtain membership in these organizations.
2. Those who have earned the right to use the Chartered Financial Analyst designation may use the marks "Chartered Financial Analyst" or "CFA" and are encouraged to do so, but only in a proper, dignified, and judicious manner. The use of the designation may be accompanied by an accurate

explanation of the requirements that have been met to obtain the right to use the designation.

3. Candidates in the CFA Program, as defined in the AIMR Bylaws, may reference their participation in the CFA Program, but the reference must clearly state that an individual is a candidate in the CFA Program and cannot imply that the candidate has achieved any type of partial designation.

#### **B. Professional Misconduct.**

1. Members shall not engage in any professional conduct involving dishonesty, fraud, deceit, or misrepresentation or commit any act that reflects adversely on their honesty, trustworthiness, or professional competence.
2. Members and candidates shall not engage in any conduct or commit any act that compromises the integrity of the CFA designation or the integrity or validity of the examinations leading to the award of the right to use the CFA designation.

#### **C. Prohibition against Plagiarism.**

Members shall not copy or use, in substantially the same form as the original, material prepared by another without acknowledging and identifying the name of the author, publisher, or source of such material. Members may use, without acknowledgment, factual information published by recognized financial and statistical reporting services or similar sources.

### **STANDARD III: RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE EMPLOYER**

#### **A. Obligation to Inform Employer of Code and Standards. Members shall:**

1. Inform their employer in writing, through their direct supervisor, that they are obligated to comply with the Code and Standards and are subject to disciplinary sanctions for violations thereof.
2. Deliver a copy of the Code and Standards to their employer if the employer does not have a copy.

#### **B. Duty to Employer.**

Members shall not undertake any independent practice that could result in compensation or other benefit in competition with their employer unless they obtain written consent from both their employer and the persons or entities for whom they undertake independent practice.

#### **C. Disclosure of Conflicts to Employer.**

Members shall:

1. Disclose to their employer all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to interfere with their duty to their employer or ability to make unbiased and objective recommendations.
2. Comply with any prohibitions on activities imposed by their employer if a conflict of interest exists.

#### **D. Disclosure of Additional Compensation Arrangements.**

Members shall disclose to their employer in writing all monetary compensation or other benefits that they receive for their services that are in addition to compensation or benefits conferred by a member's employer.

#### **E. Responsibilities of Supervisors.**

Members with supervisory responsibility, authority, or the ability to influence the conduct of others shall exercise reasonable supervision over those subject to their supervision or authority to prevent any violation of applicable statutes, regulations, or provisions of the Code and Standards. In so doing, members are entitled to rely on reasonable procedures designed to detect and prevent such violations.

### **STANDARD IV: RELATIONSHIPS WITH AND RESPONSIBILITIES TO CLIENTS AND PROSPECTS**

#### **A. Investment Process.**

##### **A.1 Reasonable Basis and Representations.**

Members shall:

- a. Exercise diligence and thoroughness in making investment recommendations or in taking investment actions.
- b. Have a reasonable and adequate basis, supported by appropriate research and investigation, for such recommendations or actions.
- c. Make reasonable and diligent efforts to avoid any material misrepresentation in any research report or investment recommendation.
- d. Maintain appropriate records to support the reasonableness of such recommendations or actions.

##### **A.2 Research Reports.**

Members shall:

- a. Use reasonable judgment regarding the inclusion or exclusion of relevant factors in research reports.
- b. Distinguish between facts and opinions in research reports.

c. Indicate the basic characteristics of the investment involved when preparing for public distribution a research report that is not directly related to a specific portfolio or client.

### **A.3 Independence and Objectivity.**

Members shall use reasonable care and judgment to achieve and maintain independence and objectivity in making investment recommendations or taking investment action.

## **B. Interactions with Clients and Prospects.**

**B.1 Fiduciary Duties.** In relationships with clients, members shall use particular care in determining applicable fiduciary duty and shall comply with such duty as to those persons and interests to whom the duty is owed. Members must act for the benefit of their clients and place their clients' interests before their own.

### **B.2 Portfolio Investment Recommendations and Actions.**

Members shall:

- a. Make a reasonable inquiry into a client's financial situation, investment experience, and investment objectives prior to making any investment recommendations and shall update this information as necessary, but no less frequently than annually, to allow the members to adjust their investment recommendations to reflect changed circumstances.
- b. Consider the appropriateness and suitability of investment recommendations or actions for each portfolio or client. In determining appropriateness and suitability, members shall consider applicable relevant factors, including the needs and circumstances of the portfolio or client, the basic characteristics of the investment involved, and the basic characteristics of the total portfolio. Members shall not make a recommendation unless they reasonably determine that the recommendation is suitable to the client's financial situation, investment experience, and investment objectives.
- c. Distinguish between facts and opinions in the presentation of investment recommendations.
- d. Disclose to clients and prospects the basic format and general principles of the investment processes by which securities are selected and portfolios are constructed and shall promptly disclose to clients and prospects any changes that might significantly affect those processes.

**B.3 Fair Dealing.** Members shall deal fairly and objectively with all clients and prospects when disseminating investment recommendations, disseminating

material changes in prior investment recommendations, and taking investment action.

**B.4 Priority of Transactions.** Transactions for clients and employers shall have priority over transactions in securities or other investments of which a member is the beneficial owner so that such personal transactions do not operate adversely to their clients' or employer's interests. If members make a recommendation regarding the purchase or sale of a security or other investment, they shall give their clients and employer adequate opportunity to act on the recommendation before acting on their own behalf. For purposes of the Code and Standards, a member is a "beneficial owner" if the member has

- a. a direct or indirect pecuniary interest in the securities;
- b. the power to vote or direct the voting of the shares of the securities or investments;
- c. the power to dispose or direct the disposition of the security or investment.

**B.5 Preservation of Confidentiality.** Members shall preserve the confidentiality of information communicated by clients, prospects, or employers concerning matters within the scope of the client-member, prospect-member, or employer-member relationship unless the member receives information concerning illegal activities on the part of the client, prospect, or employer.

**B.6 Prohibition against Misrepresentation.** Members shall not make any statements, orally or in writing, that misrepresent

- a. the services that they or their firms are capable of performing;
- b. their qualifications or the qualifications of their firm;
- c. the member's academic or professional credentials.

Members shall not make or imply, orally or in writing, any assurances or guarantees regarding any investment except to communicate accurate information regarding the terms of the investment instrument and the issuer's obligations under the instrument.

**B.7 Disclosure of Conflicts to Clients and Prospects.** Members shall disclose to their clients and prospects all matters, including beneficial ownership of securities or other investments, that reasonably could be expected to impair the member's ability to make unbiased and objective recommendations.



**B.8 Disclosure of Referral Fees.** Members shall disclose to clients and prospects any consideration or benefit received by the member or delivered to others for the recommendation of any services to the client or prospect.

**STANDARD V: RELATIONSHIPS WITH AND RESPONSIBILITIES TO THE INVESTING PUBLIC**

**A. Prohibition against Use of Material Nonpublic Information.** Members who possess material nonpublic information related to the value of a security shall not trade or cause others to trade in that security if such trading would breach a duty or if the information was misappropriated or relates to a tender offer. If members receive material nonpublic information in confidence, they shall not breach that confidence by trading or causing others to trade in securities to which such information relates. Members shall make reasonable efforts to achieve public dissemination of material nonpublic information disclosed in breach of a duty.

**B. Performance Presentation.**



1. Members shall not make any statements, orally or in writing, that misrepresent the investment performance that they or their firms have accomplished or can reasonably be expected to achieve.
2. If members communicate individual or firm performance information directly or indirectly to clients or prospective clients, or in a manner intended to be received by clients or prospective clients, members shall make every reasonable effort to assure that such performance information is a fair, accurate, and complete presentation of such performance.

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

December 11, 2012

Agenda Item 7.1

To: Board of Retirement

From: Chezelle Milan, Retirement Senior Accountant  
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending October 31, 2012

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 \$2,517,704,122.

**Statement of Changes in Fiduciary Net Assets**

Net assets held in trust for pension benefits decreased by approximately \$14.8 million, month over month. The decrease is due to the market depreciation in assets for the month of October 2012.

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
Statement of Fiduciary Net Assets (YTD Monthly Comparative)	5
Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	6

**San Mateo County Employees' Retirement Association**  
**Statement of Fiduciary Net Assets - YTD Comparative**  
**October 2012**  
**PRELIMINARY**

	October 2012	October 2011
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	48,584,917	93,307,303
SECURITIES LENDING CASH COLLATERAL	146,324,362	202,231,041
<b>TOTAL CASH</b>	<b>194,909,279</b>	<b>295,538,344</b>
<b>RECEIVABLES</b>		
Contributions	0	0
Due from Broker for Investments Sold	120,548,876	230,925,008
Investment Income	4,661,859	5,017,251
Securities Lending Income	55,888	32,015
Other Receivable	113,337	113,513
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>125,379,961</b>	<b>236,087,788</b>
PREPAID EXPENSE	70,511	7,669
<b>INVESTMENTS AT FAIR VALUE</b>		
Domestic Fixed Income Securities	457,595,784	475,799,878
International Fixed Income Securities	107,674,489	91,443,016
Domestic Equities	945,150,227	814,456,072
International Equities	464,310,890	354,878,596
Real Estate	150,954,465	138,282,516
Private Equities	37,748,664	12,368,811
Risk Parity	163,095,532	144,530,974
Hedge Funds	70,137,593	67,596,825
Commodities	76,207,155	69,326,995
Held for Securities Lending	0	0
Other Investment	0	0
	2,472,874,799	2,168,683,683
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
<b>TOTAL ASSETS</b>	<b>2,793,234,550</b>	<b>2,700,317,483</b>
<b>LIABILITIES</b>		
Investment Management Fees	1,905,821	3,272,513
Due to Broker for Investments Purchased	126,649,568	252,736,487
Collateral Payable for Securities Lending	146,324,362	202,231,041
Other	650,678	555,504
<b>TOTAL LIABILITIES</b>	<b>275,530,428</b>	<b>458,795,544</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,517,704,122</b>	<b>2,241,521,939</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - YTD Comparative**  
**October 2012**  
**Preliminary**

	October 2012	October 2011	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer Contribution	71,558,980	69,932,875	1,626,106
Employee Contribution	15,305,478	13,632,083	1,673,395
<b>TOTAL CONTRIBUTIONS</b>	<u>86,864,458</u>	<u>83,564,958</u>	<u>3,299,501</u>
<b>INVESTMENT INCOME</b>			
Interest and Dividends	18,858,421	15,191,194	3,667,226
Net Appreciation (Depreciation) in fair value of investments	110,306,241	(122,262,612)	232,568,853
Less Investment Expense	(6,184,281)	(4,813,936)	(1,370,346)
Less Asset Management Expense	0	0	0
<b>NET INVESTMENT INCOME</b>	<u>122,980,381</u>	<u>(111,885,353)</u>	<u>234,865,734</u>
<b>SECURITIES LENDING INCOME</b>			
Earnings	177,927	133,714	44,214
Less: Securities Lending Expenses	91,849	20,335	71,514
<b>NET SECURITIES LENDING INCOME</b>	<u>269,776</u>	<u>154,048</u>	<u>115,728</u>
<b>OTHER ADDITIONS</b>	53,375	1,127	52,248
<b>TOTAL ADDITIONS</b>	<u>210,167,990</u>	<u>(28,165,220)</u>	<u>238,333,211</u>
<b>DEDUCTIONS</b>			
<b>ASSOCIATION BENEFITS</b>			
Service Retirement Allowance	43,150,641	40,003,330	3,147,311
Disability Retirement Allowance	5,423,263	5,051,539	371,724
Survivor, Death and Other Benefits	229,624	240,499	(10,875)
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>48,803,528</u>	<u>45,295,368</u>	<u>3,508,160</u>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	2,524,883	1,230,143	1,294,741
<b>ADMINISTRATIVE EXPENSE</b>	1,399,420	1,505,327	(105,907)
<b>OTHER EXPENSE</b>	39,692	57,832	(18,141)
<b>TOTAL DEDUCTIONS</b>	<u>52,767,522</u>	<u>48,088,669</u>	<u>4,678,853</u>
<b>NET INCREASE</b>	<b>157,400,468</b>	<b>(76,253,890)</b>	<b>233,654,358</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>			
Beginning of Period	2,360,303,654	2,317,775,829	
End of Period	2,517,704,122	2,241,521,939	

12/11/2012

**San Mateo County Employees' Retirement Association**  
**CHANGES IN FIDUCIARY NET ASSETS - TRAILING FOUR MONTHS**  
**For the Month Ending October 31, 2012**  
**PRELIMINARY**

	July 2012	August 2012	September 2012	October 2012	YTD
<b>ADDITIONS</b>					
<b>CONTRIBUTIONS</b>					
Employee Contribution	2,820,513	4,100,889	3,467,750	4,916,326	15,305,478
Employer Contributions - Regular	5,227,912	6,787,153	6,846,971	6,826,372	25,688,408
Employer Contributions - COLA	3,066,756	4,108,293	4,143,138	4,134,035	15,452,222
Employer Prefunded Contribution	63,167,221	(10,867,076)	(10,947,830)	(10,933,964)	30,418,351
<b>TOTAL CONTRIBUTIONS</b>	<b>74,282,402</b>	<b>4,129,259</b>	<b>3,510,029</b>	<b>4,942,769</b>	<b>86,864,458</b>
<b>INVESTMENT INCOME</b>					
Interest and Dividends	3,439,690	5,715,491	4,881,626	4,821,614	18,858,421
Net Appreciation (Depreciation) in fair value of investments	31,115,382	43,176,516	46,639,709	(10,571,991)	110,359,617
Securities Lending Income	46,312	41,612	47,442	42,561	177,927
Other Additions					0
Other Investment Related Expense	(705,036)	(291,493)	(404,449)	(252,445)	(1,653,423)
Securities Lending Expense	13,766	11,940	50,541	15,602	91,849
<b>TOTAL ADDITIONS</b>	<b>108,192,516</b>	<b>52,783,324</b>	<b>54,724,898</b>	<b>(1,001,890)</b>	<b>214,698,849</b>
<b>DEDUCTIONS</b>					
<b>ASSOCIATION BENEFITS</b>					
Retiree Annuity	2,806,579	2,818,038	2,832,582	2,825,523	11,282,722
Retiree Pension	6,585,517	6,636,640	6,644,559	6,627,254	26,493,970
Retiree COLA	2,764,110	2,755,009	2,753,454	2,739,947	11,012,520
Retiree Death and Modified Work Benefit	3,579	3,579	3,579	3,579	14,316
Active Member Death Benefit	0	0	0		0
Voids and Reissuue	0	0	0		0
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>12,159,785</b>	<b>12,213,266</b>	<b>12,234,174</b>	<b>12,196,303</b>	<b>48,803,528</b>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	<b>360,892</b>	<b>630,225</b>	<b>1,329,046</b>	<b>204,720</b>	<b>2,524,883</b>
<b>ACTUARIAL FEES</b>					
ACTUARIAL FEES	1,250	1,250	11,250	52,517	66,267
<b>CONSULTANT FEES - INVESTMENT (SIS)</b>					
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	33,333	33,333	133,333
<b>CUSTODIAN FEES - STATE STREET</b>					
CUSTODIAN FEES - STATE STREET	14,968	18,000	18,000	11,297	62,265
<b>OTHER PROFESSIONAL FEES</b>					
OTHER PROFESSIONAL FEES	0	0	0	0	0
INVESTMENT MANAGEMENT FEE - R1000 INDEX	6,182	6,631	6,482	8,403	27,697
INVESTMENT MANAGEMENT FEE - ABERDEEN	25,974	26,091	26,147	16,316	94,528
INVESTMENT MANAGEMENT FEE - PYRAMIS	14,584	14,611	14,645	21,233	65,072
INVESTMENT MANAGEMENT FEE - ANGELO GORDON	116,667	29,167	29,167	(58,333)	116,667
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	10,342	10,319	10,391	10,473	41,525
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	35,844	35,844	35,844	37,542	145,076
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,509	36,313	36,730	37,238	145,791
INVESTMENT MANAGEMENT FEE - CHARTWELL	37,402	39,705	39,747	39,644	156,499
INVESTMENT MANAGEMENT FEE - D E SHAW	50,916	52,172	52,644	52,212	207,943
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	34,450	35,590	35,947	35,546	141,533
INVESTMENT MANAGEMENT FEE - BLACKROCK	63,847	66,697	66,900	110	197,554
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,540	62,216	62,695	62,995	248,445
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	36,320	38,004	38,374	38,297	150,996
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	57,011	58,841	59,498	59,405	234,754
INVESTMENT MANAGEMENT FEE - MONDRIAN	28,186	28,792	27,214	22,849	107,041
INVESTMENT MANAGEMENT FEE - ARTIO	(369)	0	0	0	(369)
INVESTMENT MANAGEMENT FEE - PYRAMIS SELECT	24,396	37,770	36,108	37,856	136,129
INVESTMENT MANAGEMENT FEE - EATON VANCE	45,207	50,619	50,627	53,150	199,603
INVESTMENT MANAGEMENT FEE - BAILLIE GIFFORD	57,923	61,928	61,660	62,960	244,472
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	22,985	23,094	23,217	23,358	92,653
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,345	51,345	51,345	64,580	218,614
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	25,008	25,000	25,000	25,000	100,008
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	72,320	0	51,514	0	123,834
INVESTMENT MANAGEMENT FEE - ABRY PARTNERS	98,470	0	34,461	0	132,931
INVESTMENT MANAGEMENT FEE - REGIMENT	0	0	73,551	0	73,551
INVESTMENT MANAGEMENT FEE - GENERAL CATALYST	37,500	37,500	37,500	37,500	150,000
INVESTMENT MANAGEMENT FEE - SYCAMORE PARTNERS	31,250	31,250	31,250	31,250	125,000
INVESTMENT MANAGEMENT FEE - SYCAMORE SIDECAR	171	171	171	171	683
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARIT	50,876	53,213	53,930	54,985	213,004
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	58,053	59,396	58,058	57,730	233,237
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	32,976	37,445	36,158	37,943	144,521
<b>TOTAL PROFESSIONAL FEE</b>	<b>1,271,436</b>	<b>1,062,307</b>	<b>1,229,556</b>	<b>967,559</b>	<b>4,530,859</b>
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>					
ADMIN EXPENSE - SALARIES & BENEFITS	166,062	221,855	228,953	236,156	853,025
<b>ADMIN EXPENSE - SERVICES &amp; SUPPLIES</b>					
ADMIN EXPENSE - SERVICES & SUPPLIES	148,663	106,051	149,640	142,041	546,394
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>314,724</b>	<b>327,906</b>	<b>378,593</b>	<b>378,196</b>	<b>1,399,420</b>
<b>INTEREST FOR PREPAID CONTRIBUTION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>OTHER DEDUCTIONS</b>	<b>6,067</b>	<b>1,589</b>	<b>10,619</b>	<b>21,416</b>	<b>39,692</b>
<b>TOTAL DEDUCTIONS</b>	<b>14,112,905</b>	<b>14,235,294</b>	<b>15,181,987</b>	<b>13,768,195</b>	<b>57,298,381</b>
<b>NET INCREASE</b>	<b>94,079,611</b>	<b>38,548,031</b>	<b>39,542,911</b>	<b>(14,770,085)</b>	<b>157,400,468</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending October 31, 2012**

	October 2012	September 2012	Increase/(Decrease)	% of Incr/Decr
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	48,584,917	61,263,727	(12,678,810)	-20.70%
SECURITIES LENDING CASH COLLATERAL	146,324,362	176,187,904	(29,863,542)	-16.95%
<b>TOTAL CASH</b>	<b>194,909,279</b>	<b>237,451,631</b>	<b>(42,542,352)</b>	<b>-17.92%</b>
<b>RECEIVABLES</b>				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	120,548,876	126,428,470	(5,879,594)	-4.65%
Investment Income	4,661,859	5,494,548	(832,689)	-15.15%
Securities Lending Income	55,888	95,708	(39,820)	-41.61%
Other Receivable	113,337	113,437	(100)	-0.09%
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>125,379,961</b>	<b>132,132,164</b>	<b>(6,752,202)</b>	<b>-5.11%</b>
PREPAID EXPENSE	70,511	101,931	(31,421)	-30.83%
<b>INVESTMENTS AT FAIR VALUE</b>				
Domestic Fixed Income Securities	457,595,784	463,243,153	(5,647,369)	-1.22%
International Fixed Income Securities	107,674,489	105,339,536	2,334,953	2.22%
Domestic Equities	945,150,227	962,649,487	(17,499,260)	-1.82%
International Equities	464,310,890	462,362,243	1,948,647	0.42%
Real Estate	150,954,465	146,917,122	4,037,343	2.75%
Private Equity	37,748,664	28,672,667	9,075,997	31.65%
Risk Parity	163,095,532	164,953,605	(1,858,073)	-1.13%
Hedge Funds	70,137,593	69,213,680	923,913	1.33%
Commodities	76,207,155	79,365,774	(3,158,619)	-3.98%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	<b>2,472,874,799</b>	<b>2,482,717,267</b>	<b>(9,842,467)</b>	<b>-0.40%</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>2,793,234,550</b>	<b>2,852,402,992</b>	<b>(59,168,443)</b>	<b>-2.07%</b>
<b>LIABILITIES</b>				
Investment Management Fees	1,905,821	2,444,446	(538,625)	-22.03%
Due to Broker for Investments Purchased	126,649,568	140,566,542	(13,916,974)	-9.90%
Collateral Payable for Securities Lending	146,324,362	176,187,904	(29,863,542)	-16.95%
Other	650,678	729,894	(79,217)	-10.85%
<b>TOTAL LIABILITIES</b>	<b>275,530,428</b>	<b>319,928,786</b>	<b>(44,398,358)</b>	<b>-13.88%</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,517,704,122</b>	<b>2,532,474,207</b>	<b>(14,770,085)</b>	<b>-0.58%</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending October 31, 2012**

	October 2012	September 2012	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	71,558,980	71,532,537	26,443
Employee Contribution	15,305,478	10,389,152	4,916,326
<b>TOTAL CONTRIBUTIONS</b>	<u>86,864,458</u>	<u>81,921,690</u>	<u>4,942,769</u>
INVESTMENT INCOME			
Interest and Dividends	18,858,421	14,036,807	4,821,614
Net Appreciation (Depreciation) in fair value of investments	110,306,241	120,088,340	(9,782,098)
Less Investment Expense	(6,184,281)	(4,964,277)	(1,220,004)
Less Asset Management Expense	0	0	0
<b>NET INVESTMENT INCOME</b>	<u>122,980,381</u>	<u>129,160,870</u>	<u>(6,180,489)</u>
SECURITIES LENDING INCOME			
Earnings	177,927	135,366	42,561
Less: Securities Lending Expenses	91,849	76,247	15,602
<b>NET SECURITIES LENDING INCOME</b>	<u>269,776</u>	<u>211,613</u>	<u>58,163</u>
OTHER ADDITIONS			
	53,375	843,268	(789,892)
<b>TOTAL ADDITIONS</b>	<u>210,167,990</u>	<u>212,137,439</u>	<u>(1,969,449)</u>
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	43,150,641	32,371,085	10,779,556
Disability Retirement Allowance	5,423,263	4,063,922	1,359,341
Survivor, Death and Other Benefits	229,624	172,218	57,406
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>48,803,528</u>	<u>36,607,225</u>	<u>12,196,303</u>
REFUND OF MEMBER CONTRIBUTIONS	2,524,883	2,320,163	204,720
ADMINISTRATIVE EXPENSE	1,399,420	1,021,223	378,196
OTHER EXPENSE	39,692	18,275	21,416
<b>TOTAL DEDUCTIONS</b>	<u>52,767,522</u>	<u>39,966,886</u>	<u>12,800,636</u>
<b>NET INCREASE</b>	<b>157,400,468</b>	<b>172,170,553</b>	<b>(14,770,085)</b>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,532,474,207	2,360,303,654	
End of Period	2,517,704,122	2,532,474,207	

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

December 11, 2012

Agenda Item 7.2

**TO:** Board of Retirement

**FROM:** Tariq Ali, Chief Technology Officer



**SUBJECT:** Approval of Resolution Authorizing Contract with BCS Systems, Inc. for Imaging Services

**Staff Recommendation:**

At the December 11 board meeting, staff will discuss the progress of its Technology Modernization Project, and specifically its Electronic Content Management vendor contract negotiations. Staff had intended to request approval of a contract for an imaging implementation vendor at the December meeting. However, negotiations continue and should be completed in time for consideration at the January board meeting.

**Background:**

As a part of the larger IT Modernization project, LRWL performed an in depth analysis of SamCERA's current document management practices (paper and electronic). LRWL examined various technologies available to aid SamCERA in modernizing these practices and recommended the use of San Mateo County's Autonomy document management system.

SamCERA will need to image, categorize and index over 300,000 pages of paper documents, and possibly transition about 80,000 electronic documents (90 Gigabytes of data).

**Discussion:**

BCS Systems is the vendor that implemented and supports the Autonomy system for the County. BCS Systems has the experience and expertise required to help SamCERA move forward with the ECM effort. BCS Systems will provide project management, implementation services, and help SamCERA define an ongoing process for managing incoming and newly created paper and electronic documents.

**Attachments:**

None.



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

December 11, 2012

Agenda Item 7.3

TO: Board of Retirement



FROM: Mabel Wong, Retirement Finance Officer

SUBJECT: Extension of Resolution Authorizing Contract Extension for Brown Armstrong

**Staff Recommendation:**

Approve a resolution authorizing the Chief Executive Officer to execute a First Amendment to the agreement with Brown Armstrong Paulden McCown Starbuck & Keeter Accountancy Corporation (Brown Armstrong) for audit services.

**Background**

Brown Armstrong, who was initially selected through a Request For Proposal (RFP) process, has performed financial audits for SamCERA since June 30, 2003. In November 2009, SamCERA issued another RFP for audit services and received responses from two firms, Macias Gini & O'Connell LLP and Brown Armstrong. Both firms are highly qualified and were invited for oral interviews with the Board at its March 30, 2010, meeting. The Board selected Brown Armstrong and awarded it an audit services contract with a term of three years.

**Discussion:**

Brown Armstrong's service agreement ends April 30, 2013. At last month's Board meeting, the Board performed an annual review of Brown Armstrong. Both the Board and staff are pleased with their services.

Due to the upcoming changes in the GASB reporting requirements, Brown Armstrong's past performance and deep knowledge of 1937 Act systems, staff believes it is in SamCERA's best interests to have continuity in auditing services.

At the October 23, 2012, Audit Committee meeting, the Committee approved a recommendation to the full Board to extend the Brown Armstrong contract for an additional three years. Following the October meeting, staff contacted the firm regarding the contract extension. The proposed extension retains the current fee structure and makes no changes to the terms and conditions of the contract other than to extend for three years from April 30, 2013, until April 30, 2016. The agreement may be terminated with thirty days written notice.

RESOLUTION 12-13-\_\_

**RESOLUTION AUTHORIZING THE CHIEF EXECUTIVE OFFICER TO EXECUTE A  
FIRST AMENDMENT TO THE AGREEMENT WITH BROWN ARMSTRONG  
PAULDEN MCCOWN STARBUCK & KEETER ACCOUNTANCY CORPORATION  
FOR AUDIT SERVICES**

**WHEREAS**, on April 30, 2010, this Board entered into an agreement with Brown Armstrong Paulden Mccown Starbuck & Keeter Accountancy Corporation ("Brown Armstrong") for provision of certain auditing services to SamCERA for a period of three years; and

**WHEREAS**, the Board has determined that it is in the best interest of *SamCERA* to extend the agreement with Brown Armstrong by three years through April 30, 2016.

**RESOLVED**, that the Chief Executive Officer is hereby authorized and directed to execute the First Amendment to the Agreement with Brown Armstrong Paulden Mccown Starbuck & Keeter Accountancy Corporation on behalf of the San Mateo County Employees' Retirement Association to provide of certain auditing services.

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

December 11, 2012

Agenda Item 7.4

**TO:** Board of Retirement



**FROM:** Mabel Wong, Finance Officer

**SUBJECT:** Update on Audit Research Regarding Final Average Compensation Calculations

**Staff Recommendation:** Staff recommends that the Board accept staff's oral report on the current status of research on final average compensation calculations.

**Background:** During the FY2011-2012 independent financial audit, it was noted that one (1) retiree's final average compensation used was inaccurate and resulted in a shortage of \$3.36 in the base benefit payment. The final average compensation was incorrect due to a special pay code, just outside of the final one year, which was not included. This condition prompted staff to do further research to determine if this was an isolated incident. Staff began looking at certain classes of retirees with special pay codes and with retirement dates from 1999 to March 2006.

**Discussion:** Staff has reviewed 190 retirees in three job classes with most special pay codes across General, Safety, and Probation Safety tiers. Staff noted that the many processes have changed in the last 13 years, including the definition of one year for final average compensation. Staff is working with auditors regarding changed practices and will present an oral report on the current status of the research.

**Attachments:** None