

San Mateo County Employees' Retirement Association's  
**Board of Retirement**

will convene a two day meeting at

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

Tuesday, April 24, 2012, starting at 9:00 a.m.

Wednesday, April 25, 2012, starting at 9:00 a.m.

Please take notice that the Chair of Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting of the Board of Retirement to take place at the times at dates listed above. The special meeting is for the purpose of discussing and transacting the following business:

**Day 1: Agenda for Tuesday April 24, 2012**

**PUBLIC SESSION** – The Board will meet in Public Session at 9 a.m.

1. Call to Order and Roll Call
2. Oral Communications
  - 2.1 Communication from the Board
  - 2.2 Communication from the Public
3. Retreat Activities
  - 3.1 Retreat Presentations and Discussions including:
    - *SamCERA* Portfolio Update
    - Assumed Earnings Rates
    - How GASB Changes will Affect *SamCERA* and Its Employers
    - Open Discussion
4. Approval of the Minutes
5. Approval of the Consent Agenda (**Set for 3:15 p.m. time certain.\***)

<ul style="list-style-type: none"><li>○ Applications for Disability Retirement<ul style="list-style-type: none"><li>• Sadesh Majarah- service connected</li><li>• Demetric Coleman- service connected</li></ul></li><li>○ Service Retirements</li><li>○ Continuances</li><li>○ Deferred Retirements</li></ul>	<ul style="list-style-type: none"><li>○ Member Account Refunds</li><li>○ Member Account Rollovers</li><li>○ Trustee Conference Request</li><li>○ SACRS Recommended Ballot -- 2012-13 Officers</li><li>○ Approval of SACRS Voting Delegates</li></ul>
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- 5.1 Consideration of Items, if any, removed from the Consent Agenda
6. Investment Services (**The Investment Committee will not meet in April.**)
  - 6.1 Monthly Portfolio Performance Report
  - 6.2 Approval of Private Equity Investment Opportunity (**may be heard with Portfolio Update**)
  - 6.3 Approval of Agreement with Mondrian to Manage Vivacom Stock
  - 6.4 Report on Annual Manager Review - Franklin Templeton - Global Bonds

# Notice of Special Meeting

SamCERA



7. Board & Management Support Services
  - 7.1 Preliminary Monthly Financial Report for the Period Ending March 31, 2012
  - 7.2 Quarterly Budget Report
  - 7.3 Approval of Sources and Uses Budget

CLOSED SESSION - The board may meet in closed session prior to recess.

- C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session
- C2 Public Employee Performance Evaluation in accordance with Government Code §54957  
Title: Chief Executive Officer

9. Report on Actions Taken in Closed Session
10. Recess until 9:00 a.m. Wednesday, April 25, 2012

*End of Day One – approximate end time 5:00 p.m.*

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## Day 2: Agenda For Wednesday, April 25, 2012

**PUBLIC SESSION** – The Board will reconvene and meet in Public Session at 9 a.m.

1. Call to Order and Roll Call
2. Oral Communications
  - 2.1 Communication from the Board
  - 2.2 Communication from the Public
3. Retreat Activities
  - 3.1 Retreat Presentations and Discussions including:
    - Trading Costs Report
    - Infrastructure Investing
    - Open Discussion

### *12 NOON - BOARD AND STAFF LUNCHEON*

- Determining Permanent Disability
  - New FPPC Regulations Regarding Gifts
  - Status of *SamCERA's* Technology Transitions
  - Open Discussion
4. Management Reports
    - 4.1 Chief Executive Officer's Report
    - 4.2 Assistant Executive Officer's Report
    - 4.3 Chief Investment Officer's Report
    - 4.4 County Counsel's Report

5. Adjournment in memory of the following deceased members:

Hallock, James	February 8, 2012	Beneficiary of Hallock, Maria
Cerelli, Renata	February 19, 2012	Library
Demps, Bernice	February 20, 2012	San Mateo Medical Center
McPartland, Adele	March 2, 2012	Library
McClelland, Jeanne	March 5, 2012	Social Services
Smith, Beverly	March 5, 2012	Beneficiary of Smith, Earl



Stone, William F  
Carlson, Robert  
Rucker-Jackson, Gerladine  
Saq, Ekulalilit  
Reyna, Ambiro  
Lindner, Cecilia  
Tovar, Guillermo  
McGinty, Yva Jean  
De Lario, Dorothy

March 8, 2012  
March 10, 2012  
March 10, 2012  
March 10, 2012  
March 14, 2012  
March 23, 2012  
March 24, 2012  
March 29, 2012  
March 30, 2012

Beneficiary of Stone, Estelle  
Beneficiary of Carlson, Elfreida  
Crystal Springs  
Probation  
Human Services Agency  
San Mateo Medical Center  
District Attorney's Office  
San Mateo Medical Center  
District Attorney's Office

PURSUANT TO GOVERNMENT CODE §54954.3, MEMBERS OF THE PUBLIC, TO THE EXTENT REQUIRED BY LAW, WILL HAVE THE OPPORTUNITY TO DIRECTLY ADDRESS THE BOARD CONCERNING THE ABOVE-MENTIONED BUSINESS.

THIS NOTICE IS TO BE DELIVERED TO EACH MEMBER OF THE BOARD OF RETIREMENT AND TO EACH LOCAL NEWSPAPER OF GENERAL CIRCULATION AND RADIO OR TELEVISION STATION REQUESTING NOTICE IN WRITING. THE NOTICE SHALL BE DELIVERED PERSONALLY OR BY OTHER MEANS, AND SHALL BE RECEIVED AT LEAST 24 HOURS BEFORE THE TIME OF THE MEETING AS SPECIFIED IN THIS NOTICE.

DATED: APRIL 16, 2012



CHAIR, BOARD OF RETIREMENT

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

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

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



# *Agenda & Presenters*

## **Board / Staff Retreat**

April 24 & 25, 2012



San Mateo County Employees' Retirement Association

***SamCERA***

**BOARD / STAFF RETREAT AGENDA**  
**Day One—Tuesday, April 24, 2012**

<u>TIME</u>	<u>TOPIC</u>	<u>SPEAKER</u>
8:30 a.m.	<ul style="list-style-type: none"> <li>• <b>Coffee and Refreshments</b></li> </ul>	
9:00 a.m.	<ul style="list-style-type: none"> <li>• <b>Welcome</b></li> </ul>	<b>David Bailey,</b> Chief Executive Officer, <i>SamCERA</i>
9:15 a.m.	<ul style="list-style-type: none"> <li>• <b>SamCERA Portfolio Update.</b> Review of current investment goals and objectives and how other retirement systems are evolving. What risks do each of our investments address? Do any mandates deserve a larger or smaller allocation? Have our expectations for the performance of the current allocation been born out in recent bull and bear markets? What can we expect the near and long term futures to hold?</li> </ul>	<b>Gary Clifton</b> Chief Investment Officer, <i>SamCERA</i> <b>Patrick Thomas, Jonathan Brody,</b> <b>Faraz Shooshani</b> Strategic Investment Solutions
10:30 a.m.	<ul style="list-style-type: none"> <li>• <b>Break</b></li> </ul>	
10:45 a.m.	<ul style="list-style-type: none"> <li>• Continuation of <b>SamCERA Portfolio Update.</b></li> </ul>	
12 Noon	<ul style="list-style-type: none"> <li>• <b>Lunch</b></li> </ul>	
1:15 p.m.	<ul style="list-style-type: none"> <li>• <b>Assumed Earnings Rates</b></li> <li>• <b>How GASB Changes will Affect SamCERA and Its Employers</b></li> </ul>	<b>Nick Collier,</b> Principal, Consulting Actuary, Milliman, Inc.
2:30 p.m.	<ul style="list-style-type: none"> <li>• <b>Open Discussion</b></li> </ul>	
3:00 p.m.	<ul style="list-style-type: none"> <li>• <b>Break</b></li> </ul>	
3:15 p.m.	<ul style="list-style-type: none"> <li>• <b>Beginning of Regular Board Meeting Agenda</b></li> </ul>	
5 p.m. (approx.)	<ul style="list-style-type: none"> <li>• <b>End of Day One</b></li> </ul>	

**BOARD / STAFF RETREAT AGENDA**  
**DAY TWO—WEDNESDAY, APRIL 25, 2012**

<u>TIME</u>	<u>TOPIC</u>	<u>SPEAKER</u>
8:30 a.m.	<ul style="list-style-type: none"> <li>• Coffee and Refreshments</li> </ul>	
9:00 a.m.	<ul style="list-style-type: none"> <li>• Trading Costs Report</li> </ul>	<b>Brian Greene</b> <b>Vinod Pakianathan</b> Zeno Consulting Group
10:00 a.m.	<ul style="list-style-type: none"> <li>• Break</li> </ul>	
10:15 a.m.	<ul style="list-style-type: none"> <li>• <b>Infrastructure Investing.</b> Global, domestic and local. Educational presentation and discussion.</li> </ul>	<b>Steve Weddell</b> <b>Joel Damon</b> J.P. Morgan
11:15 a.m.	<ul style="list-style-type: none"> <li>• Open Discussion</li> </ul>	
12 noon	<ul style="list-style-type: none"> <li>• Lunch (Board and <i>SamCERA</i> Staff)</li> </ul>	
1:15 p.m.	<ul style="list-style-type: none"> <li>• Determining Permanent Disability</li> </ul>	<b>Gladys Smith</b> <i>SamCERA</i> Benefits Manager <b>Dr. Henry Brodkin</b> <i>SamCERA</i> Medical Advisor
2:00 p.m.	<ul style="list-style-type: none"> <li>• New FPPC Regulations Regarding Gifts</li> </ul>	<b>Brenda Carlson,</b> Chief Legal Counsel
3:00 p.m.	<ul style="list-style-type: none"> <li>• Break</li> </ul>	
3:15 p.m.	<ul style="list-style-type: none"> <li>• Status of <i>SamCERA's</i> Technology Transitions</li> </ul>	<b>Tariq Ali,</b> <i>SamCERA</i> Chief Technology Officer, <b>Ben Lott, Will</b> <b>Morrow</b> L.R. Wechsler, Ltd
4:00 p.m.	<ul style="list-style-type: none"> <li>• Open Discussion</li> </ul>	
4:45 p.m.	<ul style="list-style-type: none"> <li>• End of Retreat</li> </ul>	



*David Bailey*

Chief Executive Officer

San Mateo County Employees Retirement Association

Since January 2005 David Bailey has been Chief Executive Officer of *SamCERA*, the San Mateo County Employees' Retirement Association. *SamCERA* is a \$1.8 billion defined benefit retirement system for the 5500 active and 4500 retired members of the county of San Mateo, California.

At *SamCERA* Bailey has initiated additional member education opportunities and a new service purchase program.

From 1993 through 2004, Bailey was the Deputy Director of the \$45 billion Oregon Public Employees Retirement System (OPERS). During that time he headed the construction of a new headquarters building in Tigard and initiated the agency's actuarial pooling and information technology reengineering programs.

Bailey currently serves as First Vice President on the Board of Directors of the California Association of Public Retirement Systems (CALAPRS). He is a Past-President of the Oregon State Management Association, a professional organization of managers in state government.



*Scott Hood*

Assistant Executive Officer, *SamCERA*



Scott has been at *SamCERA* since 2000 when he was hired on as the Information Technology Manager. Shortly thereafter he assumed the duties and responsibilities as the Assistant Executive Officer where he is currently responsible for the Information Technology and Benefits Divisions.

Scott's career started in the Army where he spent more than 10 years on active duty serving as an Air Defense Artillery and Human Resources Officer. He continues to serve in the Army Reserve as a Colonel in the 351<sup>st</sup> Civil Affairs Command and has been mobilized once for Operation Iraqi Freedom.

Scott holds a Bachelor of Science Degree in Engineering from the U.S. Military Academy and a Master of Science Degree in Computer Information Systems from Boston University.

Scott is originally from Minnesota. He and his wife, Martha, live in Redwood City.

*Gary Clifton*

Chief Investment Officer, San Mateo County Employees' Retirement Association

Responsibilities:

Chief Investment Officer...plans, organizes, directs and executes *SamCERA*'s investment, accounting, budgeting, financial transactions, record keeping and reporting programs...evaluates, implements, and monitors *SamCERA*'s Investment Plan, asset allocation, administrative & professional budgets, system of internal controls and professional services contracts.

Career Path:

Directly involved in investment and finance for the past 39 years...ten years on cash management and fixed income...five years on foreign exchange, international fixed income, and interest & credit rate derivatives...five years as Senior Accountant (Financial Officer) for San Mateo County Treasurer – Retirement Plan...Chief Investment Officer since the inception of San Mateo County Employees' Retirement Association as a “special district” of the plan sponsor in 1994...participates in various industry related organizations.

Education:

B.S. Economics & Political Science.







***PATRICK F. THOMAS, CFA***  
Senior Vice President and Consultant

Patrick F. Thomas is primarily responsible for general consulting SIS. Patrick is a member of SIS' Investment Policy Committee. Prior to joining SIS, he was a Senior Analyst for McKesson Corporation. In that role he was responsible for all aspects of portfolio analysis of the company's combined \$1.2 billion Retirement Plans, ESOPs and Foundation.

Patrick also performed corporate financial analysis and was McKesson's Corporate Cash Manager during his tenure with the company. Before joining McKesson, Patrick was an analyst for Wells Fargo Investment Advisors (now Blackrock) and a Floor Broker for Merrill Lynch on the Pacific Stock Exchange Options Floor.

Patrick earned his Bachelor of Arts degree in English from the University of California at Berkeley and his M.B.A. from Georgetown University. He is a member of the CFA Institute and the Securities Analysts of San Francisco.



***JONATHAN BRODY, CFA***  
Vice President

Jonathan is a senior member of the manager research group at SIS. Jonathan has fifteen years of investment experience and eleven years of manager research experience. He has covered a range of equity asset classes while at SIS, most recently with an emphasis on international and global equity managers.

Prior to joining SIS, he was a Senior Analyst in investment research at mPower Advisors (acquired by Morningstar Associates, LLC), where his responsibilities included fund analysis and quantitative modeling.

Jonathan began his career in the investment industry in 1997 at Franklin Templeton where he completed the firm's management training program. He earned a Bachelor of Arts degree in Philosophy from Reed College, and a Masters and Ph.D. in Philosophy from the Johns Hopkins University, and is a CFA charterholder.



## **FARAZ SHOOSHANI**

*Vice President*

Faraz Shooshani, Vice President, joined SIS in August 2006. He is responsible for private equity consulting and partnership reviews at SIS. He was formerly Associate Director of Investments at Caltech, where he helped manage the university's permanent endowment and life-income portfolios. He founded Catapult Ventures, a consulting company that provided venture development services to IT startup companies. He also served as senior revenue analyst at Intel Corporation for its Profit and Loss Group, and consultant at Booz Allen Hamilton.

Faraz earned his MBA in Finance from Yale School of Management and his Bachelor of Arts in Economics from University of California at Berkeley.





*Nick J. Collier*

ASA, EA, MAA

Principal, Consulting Actuary

Current responsibility

Nick is a principal and consulting actuary with the Seattle office of Milliman. He joined the firm in 1987.

Experience

Nick's area of expertise is the employee benefits field, serving a wide range of public and multiemployer clients. He has assisted clients with many aspects of defined benefit plans, including actuarial valuations, experience studies, asset-liability modeling, projections of costs, and the valuation of postretirement benefits. Additionally, Nick has extensive experience performing actuarial audits. He is the valuation actuary for the California State Teachers' Retirement System (CalSTRS), the Los Angeles County Employees Retirement Association, and the Texas County and District Retirement System, among others.

Nick's projects have included:

- Creating stochastic asset-liability projection
- Designing retirement benefit online calculator
- Analysis of use of reserves in funding policy
- High-level internal quality control reviews

#### Presentation and Publications

Nick has made numerous presentations to retirement boards and legislative bodies. In addition, he presented on “Volatility Adjusted Discount Rates” at the 2010 Conference of Consulting Actuaries meeting.

Nick’s analysis for CalSTRS on their investment return assumption is used as reference material by the National Association of State Retirement Administrators.

#### Professional Designation

- Associate, Society of Actuaries
- Member, American Academy of Actuaries
- Enrolled Actuary, ERISA

#### Education

- BA (cum laude), Mathematics and Economics, Claremont McKenna College



### ***Vinod Pakianathan, Senior Vice President and Consultant***



Vinod joined Zeno Consulting Group, LLC, formerly known as Plexus Plan Sponsor Group, in 1995; and is a Senior Consultant to plan sponsors and fund oversight boards. Vinod also manages Zeno Consulting Group's core consulting product, Sponsor Monitor, in addition to supporting plan sponsor product development. Vinod has been with Zeno for over sixteen years, and has over 20 years of industry experience.

### ***Brian Greene, Senior Vice President, Business Development***



Brian joined Zeno Consulting Group, LLC, formerly known as Plexus Plan Sponsor Group, in 2006. He heads sales and business development of Zeno's three product lines: Trade Cost Analysis, Transition Management Consulting and Directed Brokerage/Soft Dollar Audits. Prior to joining Zeno, Brian has worked for over twelve years' in sales, marketing and servicing the plan sponsor community on trading costs, transition management and directed brokerage programs while working with such firms as BNY Brokerage, Lynch, Jones & Ryan and First Union Securities.



## J.P. Morgan Asset Management Biographies

**Joel V. Damon**, *executive director*, is a client advisor in J.P. Morgan Asset Management's Institutional Americas Group. An employee since 2002, Joel serves the investment needs of U.S. institutional investors, including corporate and public retirement plans, as well as endowments and foundations. As a client advisor, his role is to marshal the firm's extensive resources in the delivery of tailored solutions across a spectrum of alternative (real assets/infrastructure, private equity, hedge funds), and traditional (equities, fixed income) asset classes aiming to exceed the strategic and tactical investment objectives of his clients. Prior to joining the firm, he directed institutional client relationship management for Montgomery Asset Management. Previously, Joel managed the investments for the Bank of America employees' pension and savings plans. Joel has a B.A. in mathematics and psychology from Sterling College and an M.B.A. in finance from the University of California, Berkeley. He holds FINRA Series 7, 63 and 65 licenses and his NFA Series 3 license.



**Steven Weddle**, *executive director*, is a client strategist in the Infrastructure Investments Group. He specializes in the Asian Infrastructure & Related Resources Opportunity Fund. Prior to joining the firm in 2007, Steven was director of Alternative Investments at ING Investment Management Americas where he was responsible for establishing strategy and executing a sales and marketing plan for alternative assets working with the institutional and consultant sales teams. His prior experience includes corporate finance advisory work at Eccles Associates based in South Africa focused on the financial services, transportation and energy sectors. Previously, he was president and CEO of the Southern Africa Enterprise Development Fund in Johannesburg where he opened the South African office. In a prior stint at Eccles Associates, he was based in Lusaka, Zambia where he was internal business advisor to the Zambian Government on a privatization program for a diverse portfolio of state owned companies in the brewing, milling, oil, transportation, spirits and edible oils sectors. Steven has a B.B.A. in finance and marketing and an M.B.A. from the University of Wisconsin. He also holds FINRA Series 7 and 63 licenses.



*Gladys Smith*

Retirement Benefits Manager  
San Mateo County Employees' Retirement Association



Gladys began her public service employment with the County of San Mateo over 20years ago in the Controller's Office, Payroll Division, as a Fiscal Office Assistant. During the next 15 years she was promoted within the Controller's Office to Fiscal Office Services Supervisor in charge of managing a payroll staff of 10, Management Analyst III responsible for the department's budget and performance measures and Payroll Manager overseeing the County of San Mateo's payroll system with an annual payroll of over \$500 million.

In November 2006, Gladys was selected as *SamCERA's* Retirement Benefits Manager. She is responsible for managing all active and retired member transactions along with the educational information *SamCERA* provides to its members.



*Henry Brodtkin*  
MD, FACP

Dr. Brodtkin was born on Long Island and graduated cum laude from Oberlin College in Ohio with a Bachelor's Degree in Psychology. His medical training was done at Case Western Reserve University and he Interned at Kaiser Hospital in San Francisco. Before continuing his training, he spent four years practicing medicine in the Emergency Department at SF Kaiser, then worked at the West Oakland Health Center, and spent two years in the National Health Service Corps establishing a clinic, still in operation, in Downieville, CA. He continued his training at the Santa Clara Valley Medical Center where he completed his Residency and became Board Certified in Internal Medicine

In 1978 he began his career at the Redwood City Kaiser and became Chief of the Medicine Department in 1995. In 2005, he was elected Chair of the Chiefs of Medicine of the Northern California PMG and in 2010 he was presented the "Hero Award" for his outstanding contributions to Redwood City Kaiser members and staff.

Dr. Brodtkin is married and has two grown children and four grandchildren. His hobbies include playing the trombone, chess and tennis.

***Brenda Carlson***

Chief Legal Counsel, SamCERA

Brenda Carlson is SamCERA's Chief Legal Counsel and has 27 years of legal experience. She graduated from Claremont McKenna College and then attended the University of San Francisco School of Law. After law school, she was an associate with McGlynn, McLorg and McDowell, specializing in medical and dental malpractice defense.



She then worked for the San Mateo County Counsel's office for 24 years. In addition to her client advice work, Brenda has extensive litigation experience in state, federal and administrative courts in tort, civil rights and other matters arising from SamCERA and these county clients: Emergency Medical Services, the Sheriff, the District Attorney, Public Works, Elections, and the Expo Center.

Brenda was one of the lead attorneys in a statewide mental health funding case, and as Liaison Counsel for the coordinated retirement litigation, Brenda successfully represented Los Angeles, San Diego, San Bernardino, San Mateo and 11 other retirement systems in a multimillion dollar pension benefit case.

Brenda litigated the following cases resulting in published decisions: *In re Monique T.*, (1992) 2 Cal.App.4th 1372 (Child Protective Services), *Armenio v. County of San Mateo*, (1994) 28 Cal.App.4th 413 (extending trail immunity to paved trails), *County of San Diego v. Brown*, (1993) 19 Cal.App.4th 1054 (mental health funding) *A-1 Ambulance Service, Inc. v. California*, (2000) 202 F.3d 1238, (ambulance selection process) *In re Retirement Cases*, (2003) 110 Cal.App.4th 426 (pension benefit calculations) and *Friends of Bay Meadows v. City of San Mateo*, (2007) 157 Cal.App.4th 1175 (elections). In addition, Brenda spear headed and co-authored the model statewide Grand Jury Manual and the "Health Officer Practice Guide For Community Disease Control in California."



*Mr. Ben Lott*  
**CPA, PMP (Project Director)**

Mr. Lott has over 30 years of professional financial and systems development-related experience. His abilities have assisted him in operational and consulting roles related to administration, finance, marketing, and overall project management in both manufacturing and public employee retirement systems. Over the past 11 years he has focused on supporting the public pension system industry. His clients include over 35 state-wide and municipal, multi-employer retirement systems. He is currently active in LRWL's engagements to provide similar services to a number of California city, county and state retirement systems in their efforts to replace their legacy pension solutions. He currently functions as Chief Operating Officer (COO) of LRWL and serves as program director for a number of LRWL projects, focusing on requirements definition, procurement assistance, oversight project management and BPR activities. Several project managers report directly to him.

***Mr. Will Morrow (Project Manager)***

Mr. Morrow has been involved in over 12 public employee retirement projects while at LRWL (several involving California city, county and state retirement systems) – plus a major system replacement at the Maryland State Retirement Agency; of those, several have included development of comprehensive RFPs, evaluation criteria, and procurement assistance, oversight Project Management / Project Management / Quality Assurance of new system implementations, and development of Information Technology Strategic Plans.

***Mr. Leon Wechsler, PE (Quality Assurance Lead)***

Mr. Wechsler is the president and founder of LRWL. He has assisted more than 50 public retirement system clients over the past 18 years, including several California city, county and state systems. Most of these projects included pension technology and business process reviews aimed at identifying needs, completing feasibility studies, identifying system requirements, and developing strategies / go forward approaches for technology / organizational / processing changes to improve the delivery of customer services. Many of these projects also included the development of comprehensive IT Plans, comprehensive RFPs, procurement support, and subsequent oversight project management and quality assurance services in support of the implementation of the improvement initiatives. Leon serves on the NASRA Associate Advisory Committee (the first technology representative so selected).



## SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

APRIL 24, 2012

### STRATEGIC INVESTMENT SOLUTIONS, INC.

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333 Bush Street, Suite 2000  
San Francisco, CA 94104  
(415) 362-3484

Patrick F. Thomas, CFA  
*Senior Vice President*

Jonathan Brody, CFA  
*Vice President*





# Capital Markets: Long-Term Perspective

- Cycles
  - Economic
  - Stock Markets
  - Availability of Credit/Interest Rates
  - Political, Economic and Security Conditions
  
- The direction of change may be logical but the magnitude is usually extreme, and the duration is unknown.
  - Growth Stocks – Late 60's, Early 70's, Late 90's — Next?
  - PC Stocks – Mid 80's, Late 90's
  - Conglomerates – Late 80's
  - Biotech Stocks – Early 90's
  - Gambling Stocks – Mid 90's
  - Dot Coms/VC – Late 90's
  - Gold Stocks & Gold – Mid 70's, 2005-Current
  - Energy Stocks – Late 70's, 2005-2007
  - Housing Market — Late 80's, 2000-2006
  - Value Investing — Late 80's, Early 90's-Current
  - Reaching for Yield/Leverage/Mega-Buyouts — 2002-2007
  - De-Leveraging/Re-Pricing of Risk – 2007-?
  
- Investment cycles do not last forever and are always self-correcting



## History of SamCERA / SIS Relationship

- Hired for Projects Only in June 2000
- Moved to Full Retainer in September 2001
- Very Contentious Board
- Heavy Indexation – All US, Half Bonds
- No Extended Exposures, US, International, Investment Grade Bonds, Core Real Estate
- Evolve Slowly to Layer in More Active Management
- Preferred Enhanced Index Strategies (Low Risk)
- Recently, More Open to New Ideas

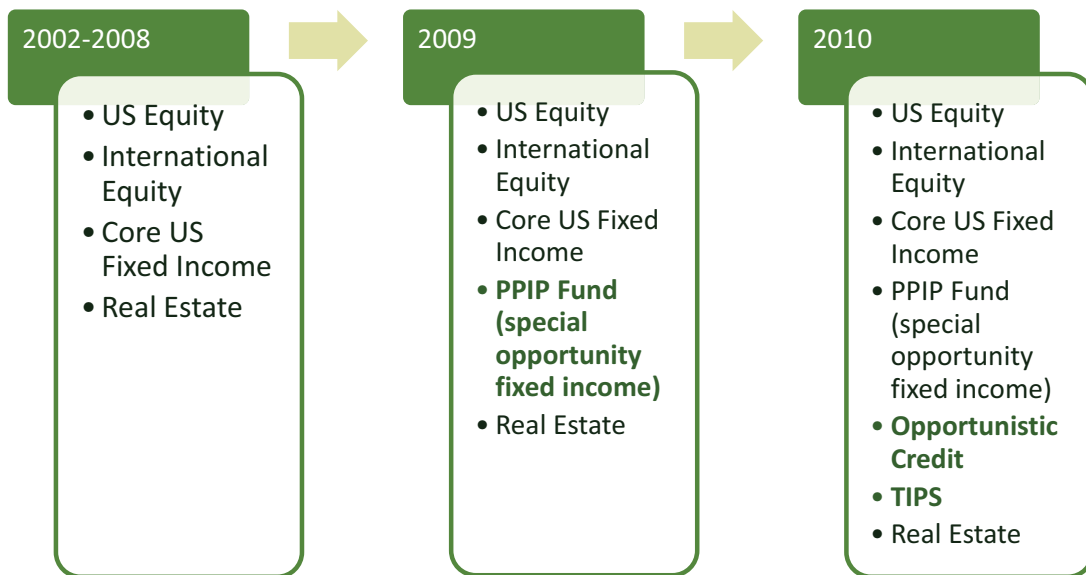


## Recent Portfolio Initiatives

- Diversify US Equity
  - Move Away from Low Risk Quantitative
  - Introduce Style Pure Active
  - Diversified Core
  
- Expand Definition of Fixed Income
  - Introduce Global Mandate
  - Introduce Dedicated Core TIPs Mandate
  - Opportunistic Credit – Public Private Investment Program and Flexible Credit Mandates
  - Address, Hedge Specific Risks
  
- Implementing Alternatives Allocation
  - Private Equity
  - Risk Parity
  - Commodities
  - Hedge Funds

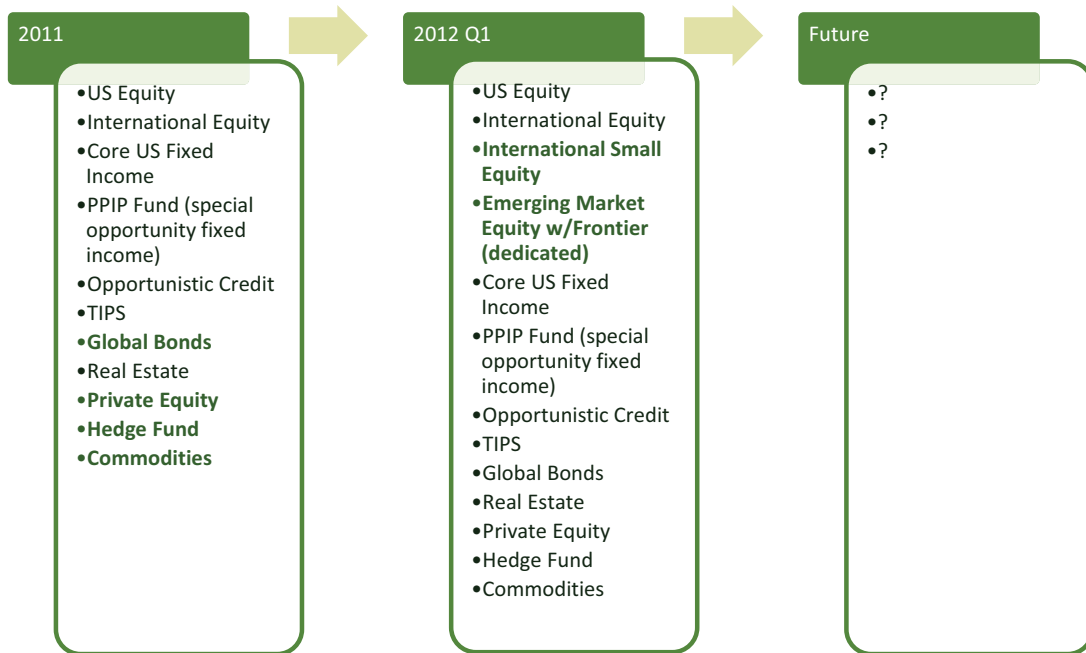
# Timeline

## ■ Asset Class Exposure



# Timeline

## ■ Asset Class Exposure





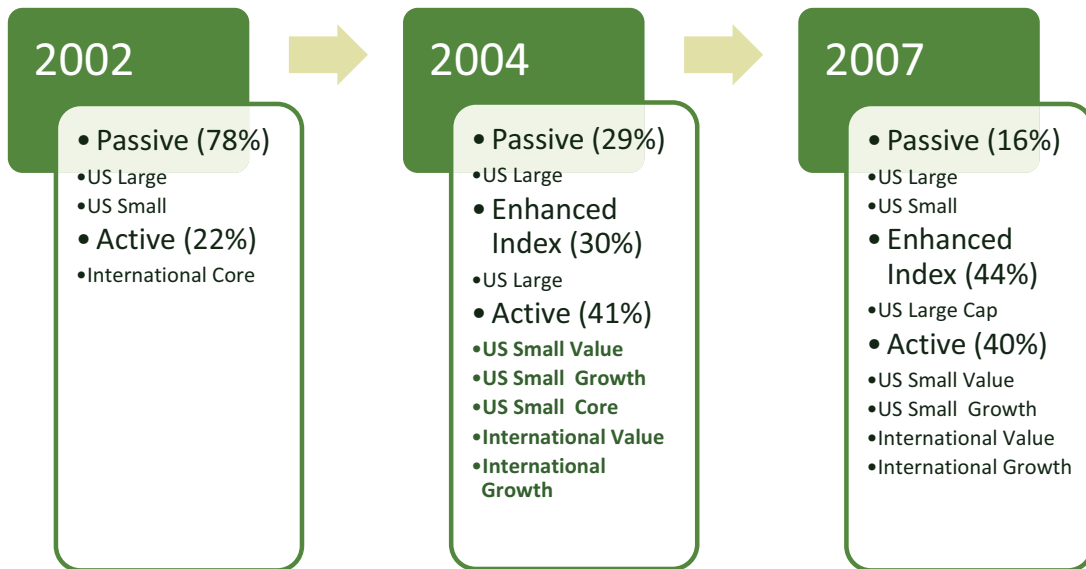
## SamCERA's Public Equity Portfolio

- The Last Ten Years
  - Evolution from Passive to Active
  - Enhanced Indexing as an Intermediate Stage
  - Increased Manager Specialization & Style Dedicated Mandates



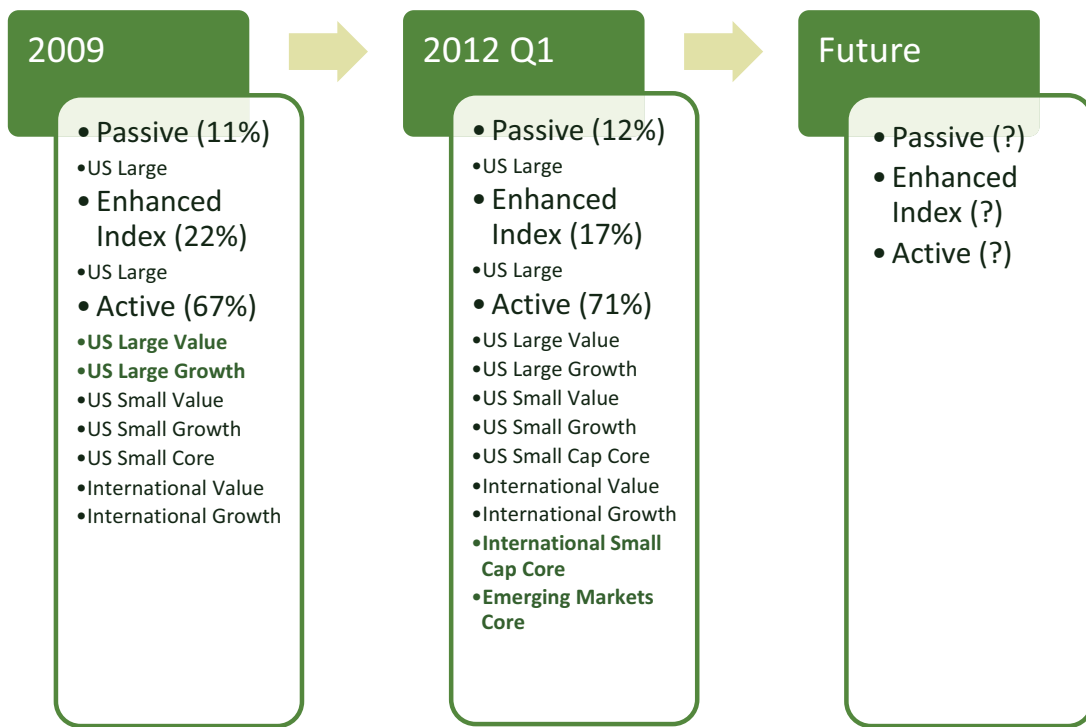
# Timeline

## ■ Public Equity Portfolio

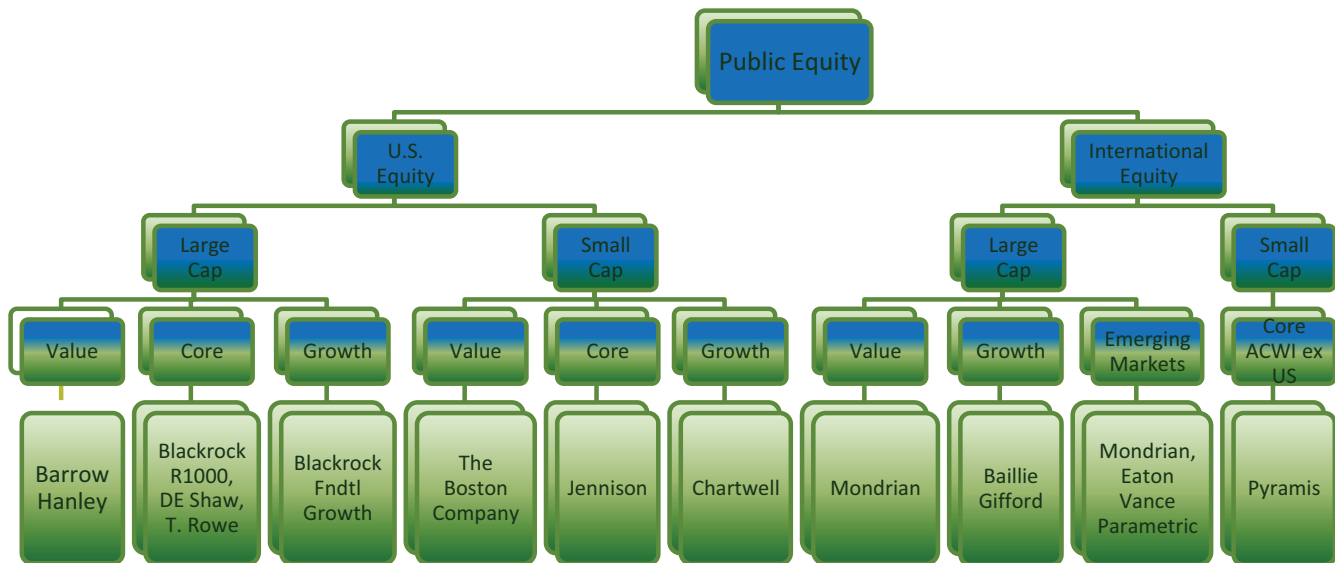


# Timeline

## ■ Public Equity Portfolio



# Public Equity Portfolio





## Future Portfolio Initiatives

- Introduce Direct Inflation Hedge
  - Migrate TIPs Portfolio to Inflation Breakeven Instruments
  
- Re-Evaluate US Equity Structure
  - Convert DE Shaw (Core US Equity Manager) to 130/30
  
- Consider Plan Overlay Strategy
  
- Add to Alternatives Allocation



## Well-Publicized Plan Sponsor Investment Trends

- Meaningful increase in alternatives, especially among public funds
  - Public equity/debt main source of funding
  - Diversification as a main objective
  - Limited Partners demanding more friendly terms/fees on GPs and hedge funds . . . finally!
- Corporate plans increasing fixed income allocations/duration
  - Driven by fiduciary/accounting regulations
- Corporate plans increasing alternatives selectively
  - Large number of ways to diversify from equity beta
- Frustrated institutional real estate investors
  - New asset/liability studies constraining allocations
- Go global – especially towards Asia
  - Easier to find global bond managers than successful global equity managers
- Established asset classes being renamed – matching of risk management schemes
  - Hedge funds being reclassified from asset class to less constrained, more expensive extension of equity/debt allocations
- More acceptance of market timing
  - Opportunity/Special Situations portfolios



# Asset Allocation Issues Today

- Total Fund
  - Many plans lowering return expectations
  - New approaches to asset allocation under exploration
  - Risk monitoring/management front & center
- Fixed Income
  - Yield on Core U.S. Fixed Income at 3-4%
  - Consideration of Alternative Credit strategies to realize higher yield
  - Custom benchmarks to increase control over liquidity and duration
- Equities
  - Equity allocations becoming more global
  - Increasing exposure to Emerging Markets & International Small Cap
  - Greater interest in more flexible strategies (e.g. long/short equity or unconstrained global)
  - Fundamental weighted/tiered indices more popular (alternatives to cap weighted indexing)



## Alternative Asset Allocation Models

### ■ Traditional Asset Allocation

- Primarily public securities; asset allocation typically ranges from 50 Eq/50 FI to 70/30
- Examples: most public pension plans, smaller endowments
- Pros: Liquid; transparent; low cost; ease of modeling
- Cons: High equity risk; limited alpha; constrained investment opportunity set

### ■ Endowment Model

- High allocation to alternatives; total exposure to PE/HF/RE/RA typically > 50%
- Examples: high-profile endowments & foundations; some family office investors
- Pros: Broad diversification; high potential for alpha; flexible implementation
- Cons: Illiquid; expensive; deep internal resources needed; difficult to model

### ■ “Endowment-Lite” Model

- Traditional/Endowment Hybrid
- Alternatives portfolio diversified but limited in size (typically 15-30% of Total Fund)
- Examples: large public pension funds, SWFs
- Pros: “best of both worlds” – higher alpha & risk-adjusted returns with high liquidity
- Cons: “80-20 problem” – 80% of time spent on 20% of portfolio; still requires deep internal resources; more costly than traditional model



## Alternative Asset Allocation Models

- LDI (Liability-Driven Investing) / Cash Flow Immunization Model
  - High allocation to long-duration fixed income & inflation protection strategies; asset mix designed to provide hedge to liabilities; may be implemented via overlay
  - Examples: most Corporate pension plans (esp since PPA '06), public plans increasingly
  - Pros: Liquid; transparent; low cost; economically sensible
  - Cons: If rates rise, high “human nature risk”; limited diversification
- Risk Parity / Fund Level Leverage Model
  - Allocate equally to contributors to risk, not asset classes
  - Examples: Money managers (Bridgewater, PanAgora, etc.), SWIB (to a lesser extent)
  - Pros: Broad diversification; potentially better risk-adjusted returns
  - Cons: Employs leverage; may be hard to model, hard to understand by trustees
- Risk Factor Allocation Model
  - Allocation by assets based on their role in hedging risks (interest rate, inflation, etc.)
  - Examples: some large public funds and SWFs (Texas TRS, Alaska PF)
  - Pros: Broad diversification; more tactical; potentially better risk-adjusted returns
  - Cons: Hard to build consensus on appropriate risk factors; hard to model (limited history of interactions between selected risk factors and liabilities, etc.)





## SIS Capital Markets Expectations Process

- Strategic Purpose – Horizon = 2 to 3 Market Cycles
- Building-Block Approach
- Based on CAPM – Investor Must Be Compensated for Taking Higher Risk
- Long-Term Real Return Corridors, Combined with Mean Reversion
- Data Sources/Return
  - Blue Chip Economic Forecast (Inflation, GDP Growth Estimates)
  - Global Manager and “Sell-Side” Forecasts
  - CAPM (Equity Asset Classes)
  - Historical Data
- Correlations – Most Stable (90-Month Half- Life, 1985 to Present)
- Risks- Stable; Two-Factor Model

## SIS Capital Market Expectations (11/2011)

	EXPECTED RETURN	STANDARD DEVIATION	SHARPE RATIO
U.S. INFLATION	2.3%	-----	-----
U.S. LARGE CAP STOCK	8.2%	18.0%	0.344
U.S. SMALL CAP STOCK	8.5%	21.0%	0.310
U.S. FIXED INCOME	3.3%	4.5%	0.289
INT'L DEVELOP MKT STOCK	8.2%	18.5%	0.335
EMERGING MKT STOCK	8.7%	28.0%	0.239
INT'L FIXED INCOME	3.3%	11.0%	0.118
PRIVATE MARKETS	10.7%	35.0%	0.249
REAL ESTATE	6.7%	18.5%	0.254
U.S. HIGH YIELD	5.8%	10.7%	0.355
EMERGING MKT DEBT	5.5%	12.0%	0.292
U.S. TIPS	2.9%	4.5%	0.200
INT'L ILB	3.2%	4.0%	0.300
FLOATING RATE BANK LOANS	5.2%	8.0%	0.400
INFRASTRUCTURE	7.4%	25.0%	0.216
HARD ASSET EQUITY	7.9%	28.0%	0.211
COMMODITIES	4.3%	30.0%	0.077
HEDGE FUNDS	5.5%	10.0%	0.350
CASH	2.0%	1.0%	0.000

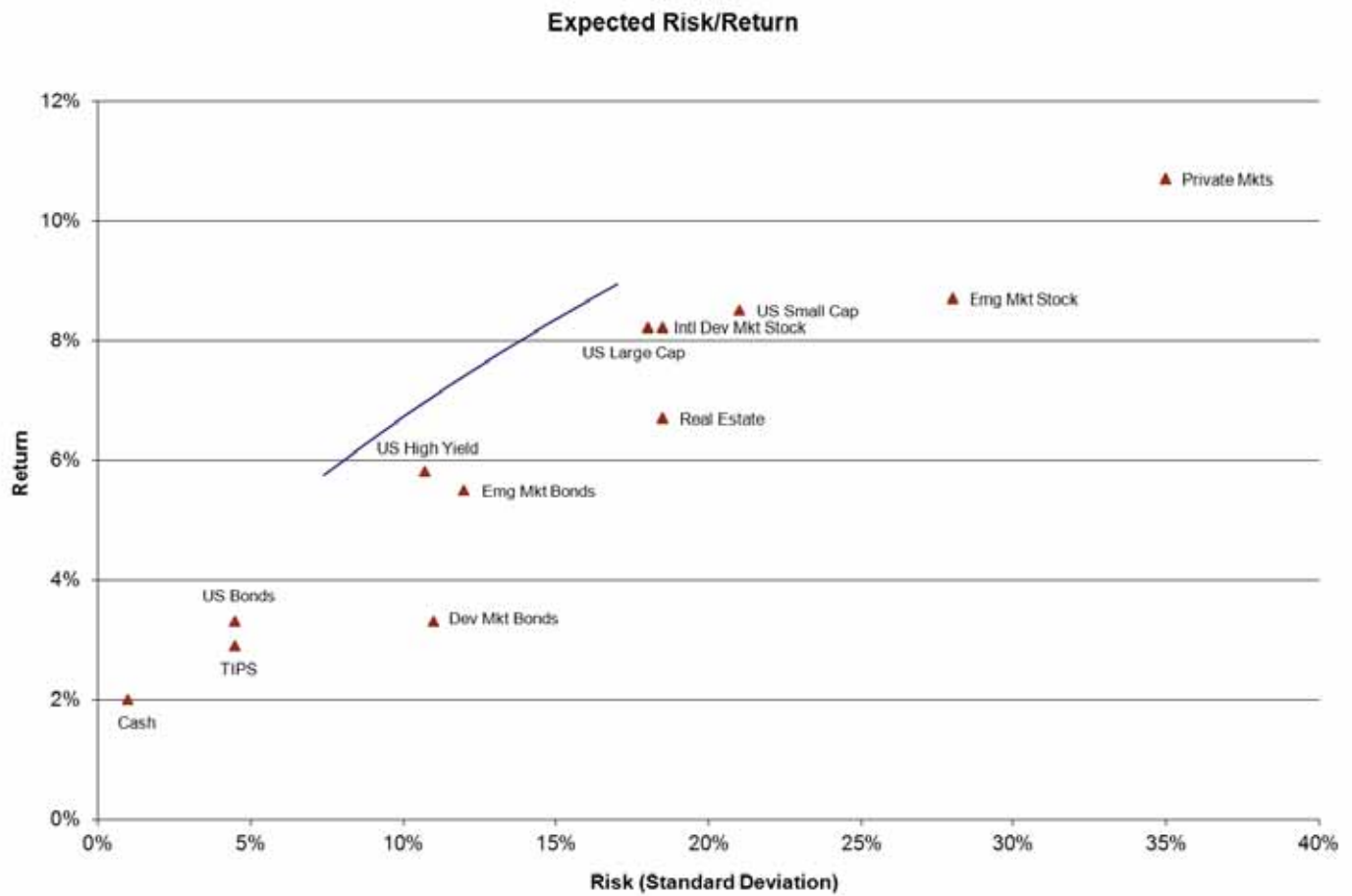
# SIS Capital Market Correlations (11/2011)

	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	COMMOD	INFRAS	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	0.78	0.72	0.08	1.00														
EMERG MKT STK	0.58	0.66	-0.09	0.71	1.00													
INTL FIXED INCOME	0.11	0.01	0.46	0.34	0.11	1.00												
PRIVATE EQUITY	0.63	0.60	-0.08	0.56	0.55	0.00	1.00											
REAL ESTATE	0.63	0.63	0.17	0.57	0.51	0.00	0.31	1.00										
US HIGH YIELD	0.68	0.72	0.36	0.59	0.58	0.30	0.50	0.70	1.00									
EMERG MKT DEBT	0.50	0.52	0.35	0.45	0.53	0.13	0.35	0.43	0.50	1.00								
US TIPS	0.11	0.10	0.58	0.10	0.11	0.43	-0.08	0.27	0.31	0.37	1.00							
FR BK LOAN	0.46	0.32	0.59	0.47	0.15	0.27	0.26	0.42	0.29	0.52	0.34	1.00						
INTL ILB	0.46	0.32	0.59	0.47	0.15	0.49	0.27	0.26	0.42	0.29	0.52	0.34	1.00					
ABSOLUTE RETURN	0.59	0.50	0.30	0.65	0.48	0.23	0.36	0.39	0.34	0.60	0.32	0.45	0.43	1.00				
COMMODITIES	0.27	0.28	-0.06	0.29	0.36	0.08	0.20	0.28	0.15	0.44	0.46	0.24	0.18	0.47	1.00			
INFRASTRUCTURE	0.51	0.53	0.42	0.47	0.42	0.20	0.30	0.64	0.62	0.49	0.40	0.57	0.17	0.57	0.22	1.00		
HARD ASSET	0.49	0.58	0.04	0.59	0.58	0.07	0.30	0.55	0.40	0.43	0.34	0.44	0.32	0.46	0.68	0.44	1.00	
CASH	0.17	0.10	0.34	0.08	-0.03	0.03	0.03	-0.15	-0.15	0.24	0.11	-0.08	0.13	0.55	0.18	0.29	0.03	1.00

## SamCERA Current Allocation

ASSET CLASS	CURRENT WEIGHT	POSSIBLE ENHANCED MIX
US EQUITY	35.0%	32.0%
INTERNATIONAL EQUITY	18.0%	18.0%
FIXED INCOME	22.0%	18.0%
REAL ESTATE	5.0%	6.0%
PRIVATE MARKETS	8.0%	10.0%
RISK PARITY	6.0%	8.0%
HEDGE FUND	3.0%	5.0%
COMMODITIES	3.0%	3.0%
% PUBLIC EQUITIES	53.0%	50.0%
TOTAL RETURN	7.96%	8.13%
TOTAL RISK	13.81%	14.27%
SHARPE RATIO	0.43	0.43

# Efficient Frontier



# Manager Structure Analysis: Domestic Equity

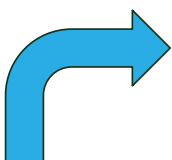
SamCERA's US Equity Benchmark is: 77% Russell 1000 and 23% Russell 2000.

↓

ASSET CLASS SUB-CATEGORY	US Equity Benchmark	Current Dom Eq Structure
US Large Cap Growth	27.0%	29.3%
US Large Cap Value	27.0%	22.2%
US Mid Cap Growth	11.5%	13.2%
US Mid Cap Value	11.5%	14.0%
US Small Cap Growth	11.5%	11.5%
US Small Cap Value	11.5%	9.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

These sub-categories represent the "Russell 6 Corners," which we believe is the best way to represent the various domestic equity sub-categories.

The current SamCERA US equity structure has a slight underweight to Value, and overweight to Growth. The structure has relatively low active risk, and total risk to the benchmark (tracking error).



Style Risk	Our goal is to minimize Style Risk vs. Active Risk while maintaining an attractive level of Alpha. This will produce a higher Information Ratio (alpha per unit of risk).	0.65%
Active Risk		1.54%
Risk to Bench		1.67%
Alpha		0.88%
Information Ratio		0.53

## Quick Recap of Definitions

**Style Risk:** risk due to structural differences between the portfolio and benchmark (i.e. overweight to small cap or value).

**Active Risk:** risk due to portfolio holdings being different than benchmark after controlling for style risk.

**Risk to Benchmark:** the geometric sum of these two sources of risk.

**Alpha:** risk-adjusted excess return over benchmark. This represents manager skill.

**Information Ratio:** the ratio of Alpha over Risk to Benchmark; the higher the IR, the more "efficient" the portfolio.



## Ten Commandments Of Strategic Planning

- I. Don't be Intimidated by the Gravity of the Decision.
- II. Understand *Why* — It's as Important as *What*.
- III. Think as a Citizen of the Globe.
- IV. The Planning — or Investment Horizon — is Crucial.
- V. Use the Right Tools for the Job.
- VI. Understand the Inputs and Their Sensitivity on the End Result.
- VII. Demand Theoretical Underpinning to Support Empirical Observations.
- VIII. Don't Lean on "Fiduciary Crutches" — Use Your Good Common Sense.
- IX. Rebalance Your Portfolio, Even When You Don't Want To.
- X. Do Not Follow the Crowd.



# Q4 2011 PRIVATE EQUITY UPDATE

STRATEGIC INVESTMENT SOLUTIONS, INC.

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**Faraz Shooshani**  
**Vice President**





# Market Environment

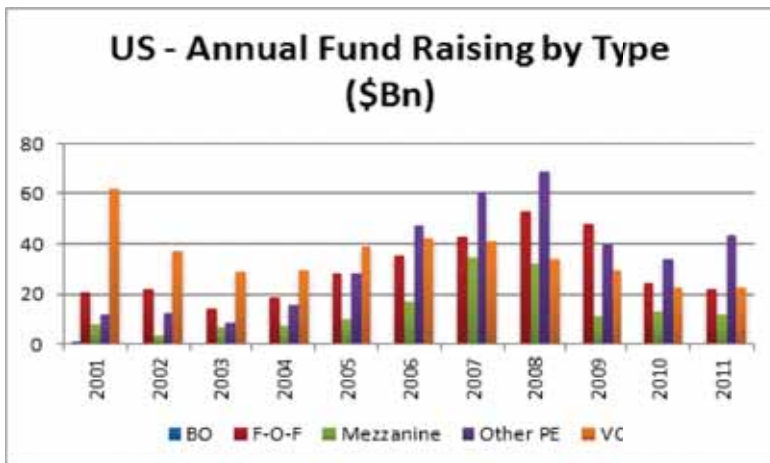


## Investment Horizon Performance

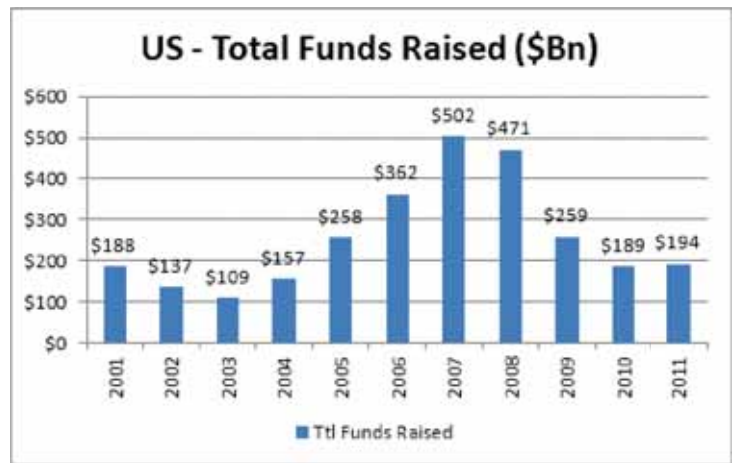
	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS
All VC	18.3%	2.6%	4.2%	1.9%	19.4%
All Buyouts	11.5%	3.8%	4.2%	7.1%	9.5%
Mezzanine	11.5%	1.4%	2.8%	3.1%	6.4%
All Private Equity	13.0%	4.3%	4.9%	6.0%	11.7%
S&P 500	1.1%	1.2%	-1.2%	2.8%	7.6%
Russell 3000	0.6%	1.5%	-0.9%	3.5%	7.8%
BC Aggregate	5.3%	7.8%	6.5%	5.7%	6.7%
Cash	0.1%	0.2%	1.7%	2.0%	3.5%

Thomson Reuters Venture Economics US Returns as of September 30, 2011.

# Fund Raising



Source: Prequin



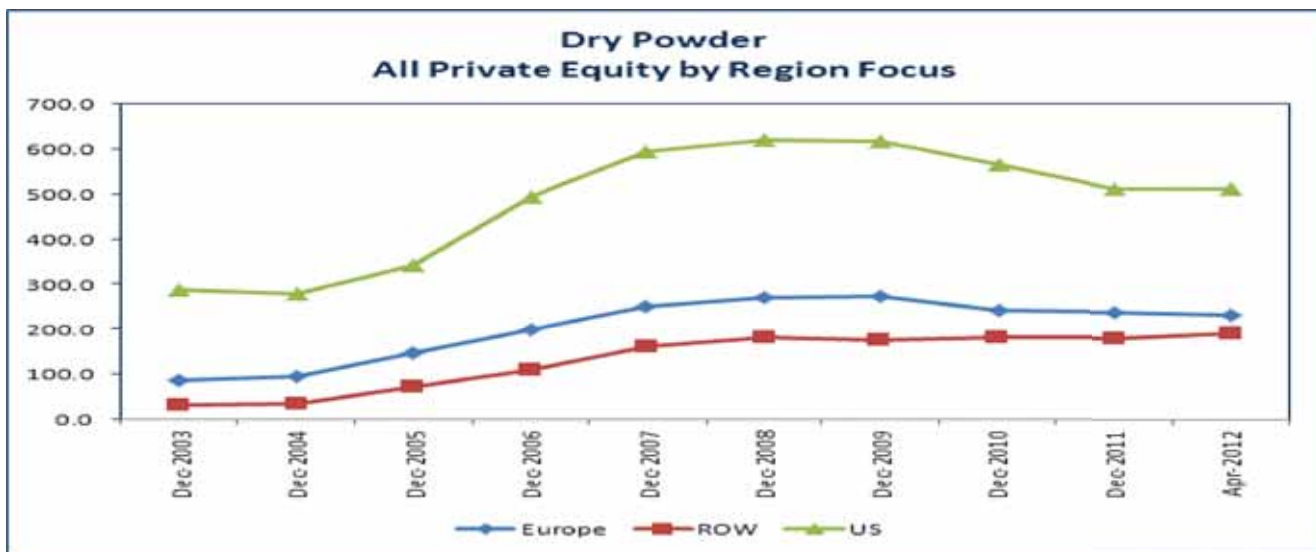
Source: Prequin

## ❑ Back to 2004 Levels

- ❑ Total Funds Raised in 2010 Down 64% from 2007 Peak of \$502 Billion
- ❑ Buyout Fund Raising in 2010 (\$93 Billion) Down 71% from 2007 Peak (\$323 Billion)

## ❑ LPs However are Raising Allocations to Alternatives/Private Equity

## Dry Powder



### Capital Targeting Private Deals:

- Moderating versus 2008 Peak, but...
- ... Still Double the 2003-04 Levels in the U.S. and Europe

### Emerging Markets Private Equity Coming Online

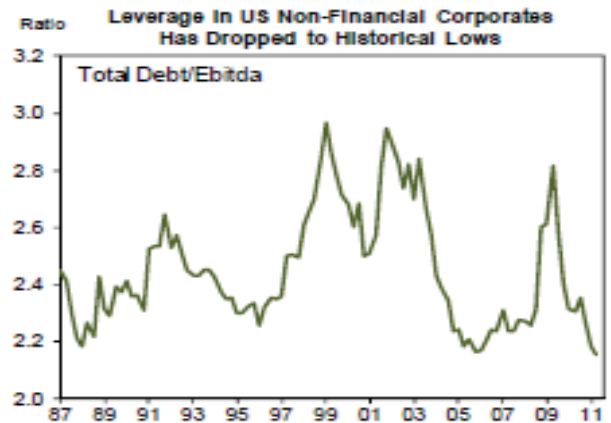
## Expectations as of 11/15/11

(10 + year horizon)

ASSET CLASS	EXPECTED RETURN	EXPECTED RISK	SHARPE RATIO
US EQUITY	8.2%	18.0%	0.344
CORE FIXED INCOME	3.3%	4.5%	0.289
INTERNATIONAL EQUITY	8.2%	18.5%	0.335
EMERGING MARKET EQUITY	8.7%	28.0%	0.239
INTERNATIONAL BONDS	4.1%	10.0%	0.110
REAL ESTATE	6.7%	18.5%	0.254
PRIVATE MARKETS	10.7%	35.0%	0.249
HEDGE FUNDS	5.5%	10.0%	0.350
HIGH YIELD FIXED INCOME	5.8%	10.7%	0.355
EMERGING MARKET DEBT	5.5%	12.0%	0.292
CASH EQUIVALENTS	2.0%	1.0%	0.000
US TIPS	2.9%	4.5%	0.200
COMMODITIES	4.3%	30.0%	0.077

STRATEGIC INVESTMENT SOLUTIONS - CONFIDENTIAL

# Corporate Liquidity



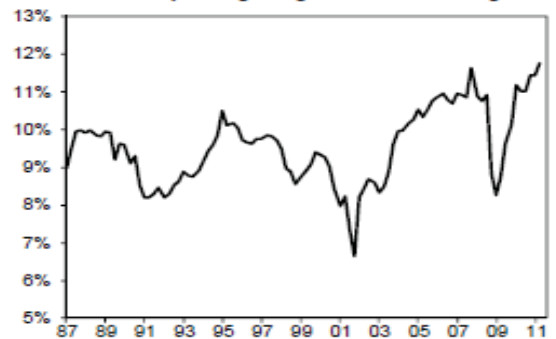
## Financial Deleveraging/Capital Preservation

- ❑ Despite Market Volatility, Corporate Balance Sheets are Healthy
  - ❑ U.S. Corporate Cash and Short Term Investments Increased \$88 Billion in Q2 2011, Reaching an All-Time High of \$2.05 Trillion.
  - ❑ Corporate Margins are at an All-Time High

## Implications

- ❑ Corporate Deleveraging V. Increased Gov't Borrowing
- ❑ Relatively Attractive Corporate Yields...Moody's BAA 5.2%; U.S. Bank Loans 6.7%....U.S. 10-Yr Gov't Bond Yield – 1.9%
- ❑ PE Competition for Acquisitions?

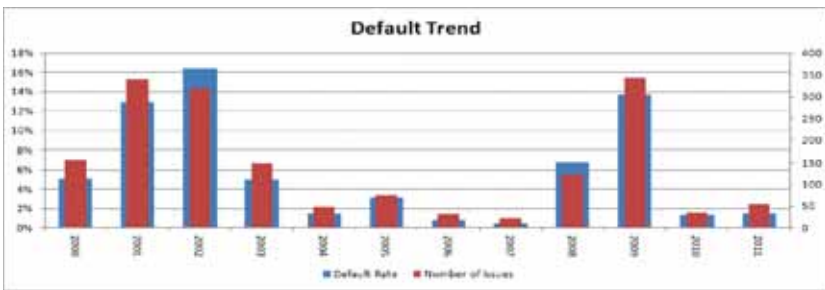
Source: Goldman Sachs





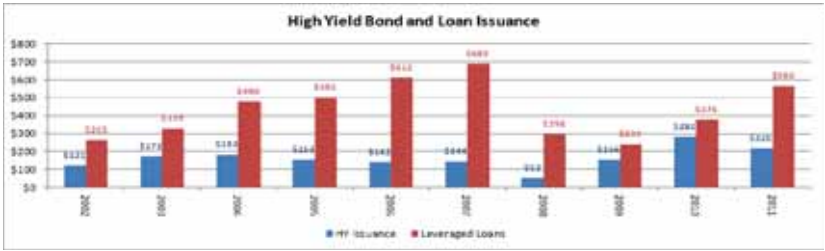
# Buyouts

# Credit Quality



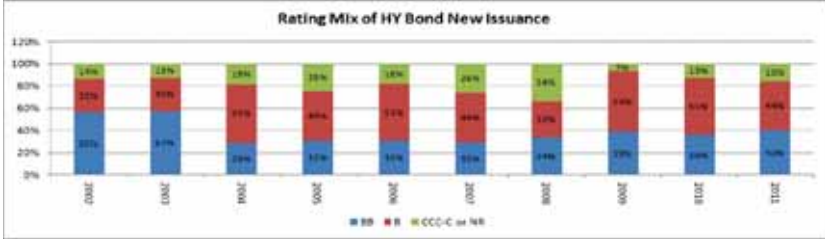
## Low Loss Rate

- ❑ Default Rates Remain Low
- ❑ High Recovery Rates (56% of Par Relative to a 35% Average), + Low Default Rate = Low Loss Rate – 0.33% for 2011 Defaults.



## High Yield Bond Issuance has Remained Strong

- ❑ Companies have Been Able to Refinance at Attractive Rates.
- ❑ Companies are Deleveraging and Increasing Liquid Reserves



All Charts Source: Fitch Ratings



# Buyout Investment Activity



Source: Standard & Poor's



Source: Standard & Poor's

## Buyout Activity Continues on its Path of Recovery

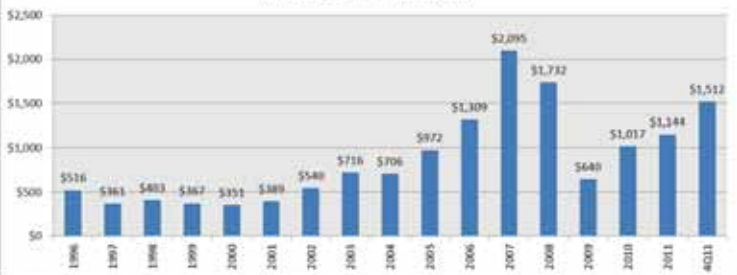
- ❑ LBO Activity Up 40% Y-O-Y in Dollars and 24% in Volume
- ❑ Faster Rate of Recovery Relative to 2001/2002 Downturn

## Total Sponsored Volume (LBOs, Acquisitions, Refinancings, Recaps, etc) Increased 36% Y-O-Y

- ❑ Volume Similar to 2005
- ❑ Equity as a Source of Funding in 2011 was 20% - In Line with Historical Averages
  - ❑ Equity as a Source of Funding 24% in 2007; 29% in 2008; and 30% in 2009

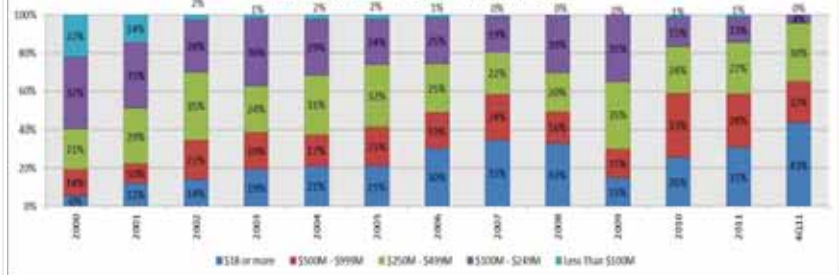
# Transaction Size

Average LBO Size (\$B)



Source: Standard & Poor's

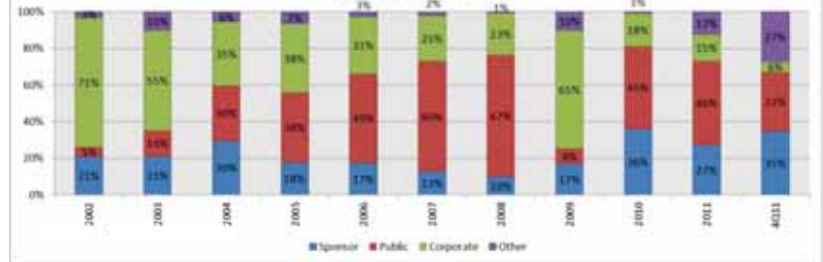
Distribution of LBOs by Transaction Type



Source: Standard & Poor's

- Sponsored Transactions a Greater Proportion of Overall Transaction Volume
- Transactions Greater than \$1B in Value Dominated in Q4 2011 – 43% of Overall Volume
- Average LBO Size in Q4 2011, Increased 49% Relative to 2010
  - Peak: \$2.1B in 2007
  - Trough: \$640mm in 2009

LBO Volume by Type



Source: Standard & Poor's

# Valuations



Source: Standard & Poor's



Source: Standard & Poor's

## ❑ Purchase Multiples 2011, Recovered to Pre-Crisis Highs – 9.4x

- ❑ Multiples Last Cycle Troughed at 6x in 2001 – Current Cycle 7.7x. Last Cycle, Peak Multiple was 7.8x.
- ❑ Senior Debt Contribution Increased from 39% in 2009 to 53% YTD 2011...2007, Senior Debt Contribution was 57%.
- ❑ Equity Contribution has Declined from 49% in 2009 to 40% YTD 2011...2007, Equity Contribution was 37%.
- ❑ Sub-debt Increasingly Becoming a Smaller Part of the Capital Structure – 4% YTD 2011 v. Peak of 20% 2003 and 10% 2009.



Source: Standard & Poor's

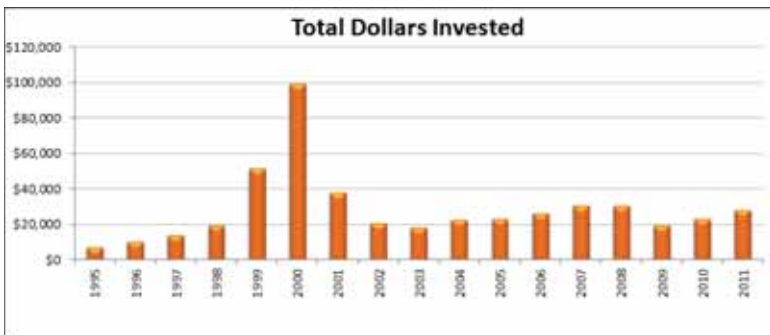
## ❑ Balance Sheets However in Much Better Shape...Cycle Peak?

- ❑ Better to be a Seller and Not a Buyer?



# Venture Capital

# Venture Investment Activity



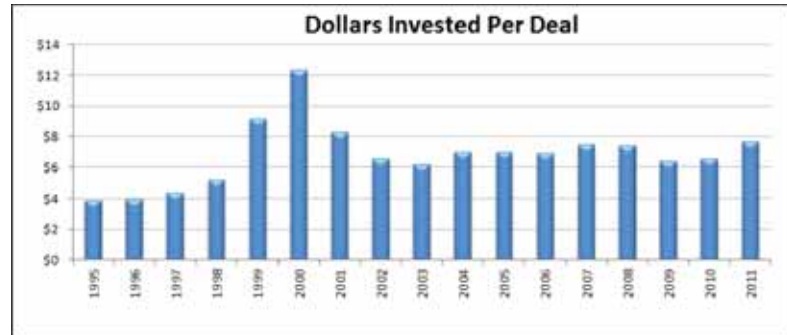
Source: NVCA/Thomson Reuters



Source: NVCA/Thomson Reuters

## Deal Activity Continues to Recover

- ❑ Total Number of Deals Increased 4% Y-O-Y, Off 11% from the 2007 High of 4,124 Deals and 54% from the 2000 Peak of 8,032 Deals.
- ❑ Total Dollars Invested Increased 22% Y-O-Y, Off 8% from the 2007 High of \$30.8B and the 2000 Peak of \$99.2B.
- ❑ Dollars Invested Per Deal Increased 17% Y-O-Y, and Up 3.5% Relative to 2007 However Down 37% Relative to the 2000 Peak



Source: NVCA/Thomson Reuters

# Pricing/Valuation

Series - Percent Down Rounds	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008
<b>B</b>	6%	17%	10%	12%	20%	14%	23%	24%	19%	16%	38%	21%	7%	3%
<b>C</b>	19%	27%	17%	27%	33%	29%	45%	25%	45%	51%	50%	43%	14%	23%
<b>D</b>	25%	28%	25%	23%	30%	36%	18%	47%	56%	67%	39%	22%	12%	14%
<b>E &amp; Higher</b>	19%	33%	12%	17%	38%	33%	27%	26%	39%	67%	60%	45%	15%	19%

Series Financing Round	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
<b>A</b>	18%	19%	18%	13%	20%	18%	24%	23%	17%	8%	13%	16%	16%	15%	17%
<b>B</b>	31%	25%	24%	26%	23%	22%	21%	22%	31%	27%	28%	26%	26%	31%	29%
<b>C</b>	19%	26%	24%	35%	28%	28%	30%	21%	19%	35%	17%	29%	28%	20%	22%
<b>D</b>	14%	15%	20%	14%	9%	20%	11%	17%	16%	13%	20%	14%	17%	19%	13%
<b>E &amp; Higher</b>	18%	15%	14%	12%	20%	12%	14%	17%	17%	17%	22%	15%	13%	15%	19%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Percent Change	Series B	Series C	Series D	Series E & Higher	Q3 2011 - All Series	Q2 2011 - All Series	Q1 2011 - All Series	Q4 2010 - All Series	Q3 2010 - All Series
Up Rounds	139%	103%	99%	60%	112%	138%	91%	104%	81%
Down Rounds	-37%	-79%	-48%	-72%	-62%	-51%	-56%	-45%	-47%
Net Result	121%	44%	56%	18%	69%	71%	52%	61%	28%

Price Change	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
<b>Down</b>	15%	25%	16%	21%	30%	27%	32%	30%	36%	46%	46%	33%	12%	13%	19%
<b>Flat</b>	15%	14%	17%	12%	18%	18%	19%	23%	23%	22%	29%	13%	15%	19%	9%
<b>Up</b>	70%	61%	67%	67%	52%	55%	49%	47%	41%	32%	25%	54%	73%	68%	72%

Industry - Q3 2011	Number of Financings	Up Rounds	Down Rounds	Flat Rounds
Software	44	75%	14%	11%
Hardware	8	63%	12%	25%
Lifescience	18	50%	22%	28%
Internet/Digital Media	11	73%	18%	9%
Cleantech	9	78%	11%	11%
Other	3	100%	0%	0%
Total-All Industries	93	70%	15%	15%

All Charts Source: Fenwick & West

## ❑ Pricing Remains Robust

- ❑ Up-Rounds Exceeded Down Rounds
- ❑ Ninth Quarter in A Row Up-Rounds Exceeded Down Rounds
- ❑ Software and Internet/Digital Media had the Best Valuation Outcomes During the Quarter

# VC Exit Review

Year	Total M&A Deals	M&A Deals with Disclosed Values	Total Disclosed M&A Value	Avg M&A Deal Size	Number of IPOs	Total Offer Amount	Average IPO Offer Amount
2003	284	119	\$7,496	\$63	29	\$2,023	\$70
2004	349	188	\$16,044	\$85	94	\$10,482	\$112
2005	350	165	\$30,862	\$187	57	\$4,485	\$79
2006-1	106	51	\$5,283	\$104	10	\$541	\$54
2006-2	107	40	\$4,019	\$100	19	\$2,011	\$106
2006-3	94	43	\$3,512	\$82	8	\$934	\$117
2006-4	62	25	\$3,881	\$155	20	\$1,631	\$82
2006	369	159	\$16,695	\$105	57	\$117	\$90
2007-1	88	31	\$4,640	\$150	18	2191	\$122
2007-2	90	37	\$3,912	\$106	25	\$4,147	\$166
2007-3	108	55	\$11,262	\$205	12	\$945	\$79
2007-4	93	45	\$9,646	\$214	31	\$3,044	\$98
2007	379	168	\$29,460	\$175	86	\$10,327	\$120
2008-1	109	42	\$4,983	\$119	5	\$283	\$57
2008-2	87	27	\$3,321	\$123	0	50	-
2008-3	89	32	\$3,080	\$96	1	\$188	\$188
2008-4	66	18	\$2,390	\$133	0	50	-
2008	351	119	\$3774.6	\$116	6	471	\$79
2009-1	64	15	\$966	\$44	0	50	-
2009-2	65	13	\$2,570	\$198	5	\$721	\$144
2009-3	69	23	\$1,392	\$61	3	\$572	\$191
2009-4	73	40	\$8,903	\$223	4	\$349	\$87
2009	271	91	\$13,531	\$149	12	\$1,642	\$137
2010-1	122	31	\$5,587	\$180	9	\$936	\$104
2010-2	99	23	\$3,022	\$131	17	\$1,275	\$75
2010-3	111	30	\$4,023	\$134	14	\$1,249	\$89
2010-4	88	36	\$5,676	\$158	32	\$3,557	\$111
2010	420	120	\$18,307	\$153	72	\$7,018	\$97
2011-1	129	50	\$6,123	\$122	14	\$1,376	\$98
2011-2	90	39	\$6,407	\$164	22	\$5,454	\$248
2011-3	118	38	\$6,496	\$171	5	\$443	\$89
2011-4	92	26	\$3,950	\$152	11	\$2,607	\$237
2011	429	153	\$22,976	\$150	52	\$9,880	\$190

Source: NVCA/Thomson Reuters

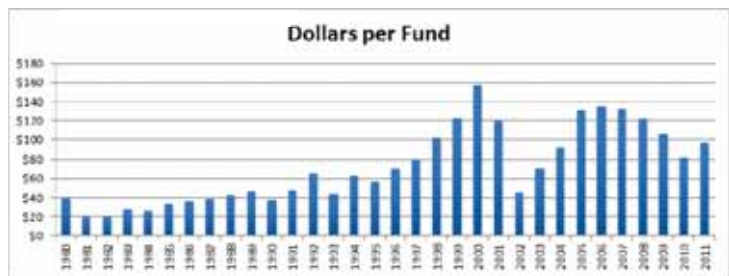
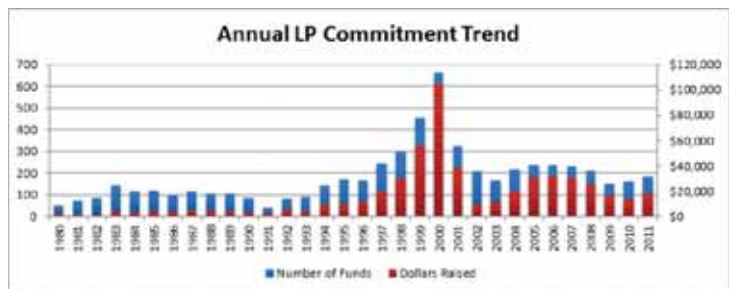


Source: NVCA/Thomson Reuters

- 2010-11 Exits on par with 1999-2000 Levels, but Significantly more M&As than IPOs
- 2011 IPO Activity Down 28% Y-O-Y with M&A Activity Up a Marginal 2.1% in 2011
  - Q4 2011, IPO Activity Down 66% Y-O-Y
  - Total IPO Offer Amount at \$10B Highest Since 2007
  - Largest IPO During the Quarter, Zynga – Priced at \$10, Up 35% as of 2-13-2012
    - Average IPO Filed in Q4 up 16.8% From Offering Price According to NVCA
- Average M&A Deal Size in 2011, Flat Relative to 2010
- Filed for IPO: Facebook (\$75-100 billion valuation)

# Commitment Trends

- ❑ **Commitment Activity Still Significantly Below Recent 2006 Peak of 235 Funds; \$31.8B in Commitments; Average Per Fund \$135.6mm.**
  - ❑ For the Quarter, Total Dollars Raised Increased 2.25x Sequentially However the Number of Funds was Down 27% Sequentially.
  - ❑ For the Year, the Number of Funds Raised Increased 14% Sequentially and 34% when Measured in Dollars.
  
- ❑ **Consolidation of Venture Firms**
  - ❑ LPs Investing More Capital with “Brand Names”
  - ❑ Khosla Ventures IV raised \$1.05B; Bessemer Ventures III Raised \$1.6B; Sequoia Capital Raised \$1.3B



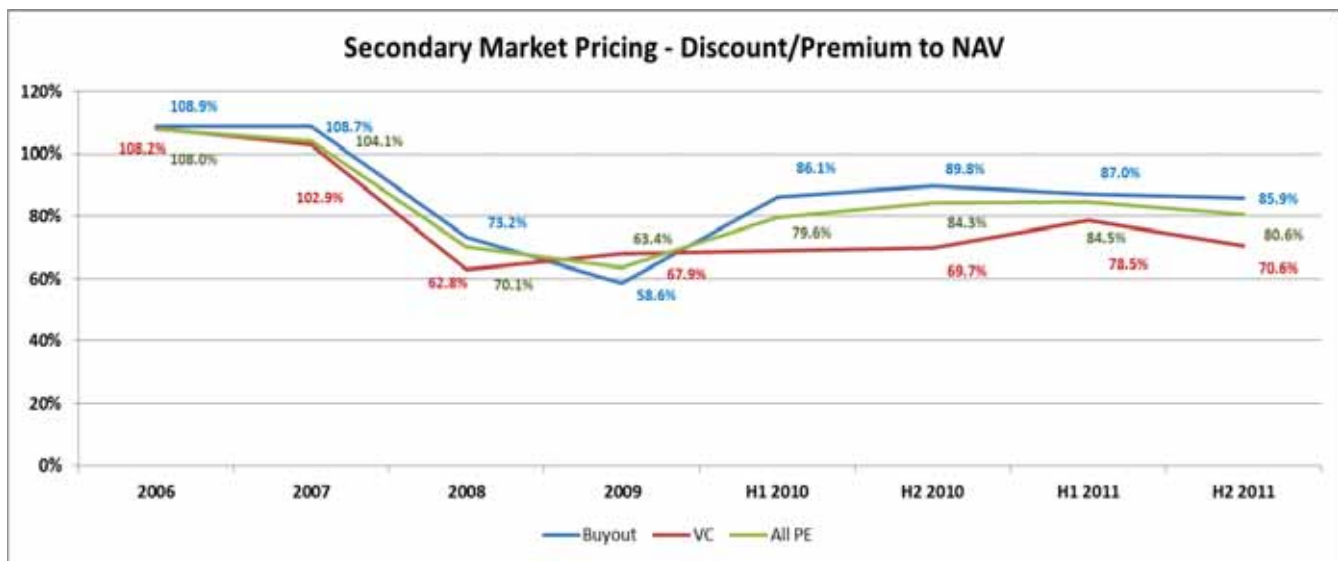
All Charts Source: NVCA/Thomson Reuters





# Secondary Market Review

# Secondary Market Pricing



Source: Cogent

- Pricing appears to have stabilized over the past few quarters
  - H2 2011, pricing decreased, as of 9-30-2011 NAV...S&P 500 also down in Q3, 15.1%
  - S&P 500 performance has improved – up 11.8% in Q4 2011 and up 12.6% in Q1 2012
- Overall transaction volumes continue to increase, reaching an all time high of \$25B in 2011
  - Transaction volumes are expected to remain high as financial institutions are forced to comply with the Volcker rule



# Transaction Cost Analysis and Consulting

**San Mateo County Employees Retirement Association**

2011 Annual Review of Equity Portfolios



## Agenda

Tab A: Trade Cost Primer

Tab B: 2011 Aggregate Fund and Manager Summaries

Tab C: Recommended Manager Follow-up



# Trade Cost Primer





## ZENO's Philosophy on Meaningful TCA:

As prudent fiduciaries, more than ever before, plan sponsors should understand their managers' trading process, what they pay to execute trades, whether they obtained best execution, and its impact on performance.

*The easiest route to the top quartile of performance  
is to be in the bottom quartile of expenses.*

Jack Bogle

ZENO Consulting Group, Inc. is a consulting firm, **not a broker**, that specializes in helping large institutional clients proactively monitor, and manage, their asset manager's trading processes.

*All analytical thought is a function of math, logic, and ethics -  
but math and logic must be subordinate to ethics.*

Zeno of Citium c.335-c.263 B.C. (paraphrased)



## Transaction Costs: A common sense definition

*The loss of asset value associated with Buying and Selling securities in your portfolio.*

### How to Measure Transaction Costs

Value before the transaction	\$X
Value after the transaction	– \$Y
<hr/>	
Cost to complete the trade.	\$X - \$Y

*Nothing tricky here. Simple arithmetic.*



## Where Can Trading Costs Affect a Fund? *(Potential Risk and Drag on Performance)*

- Commission Recapture and other types of Directed Brokerage
- External Manager's day-to-day Trading Activity
- Manager Transitions: Hiring and Firing Managers
- Foreign Exchange: Trade Settlement and Currency Repatriation
- Other Asset Classes





## Interesting concepts, but how much money are we really talking about?

- **The answer is not as simple as it may seem.**
- **Different parties define trading costs differently:**
  - Portfolio Managers view each investment idea as a unique event (which may entail multiple orders to give their Traders over several days).
  - Traders view each **order** they receive from a Portfolio Manager as a unique event (which may entail multiple trades to give to brokers over several days).
  - Brokers view each **trade** they receive from a Trader as a unique event.
- **Each party's view is appropriate - given their responsibilities.**



## For Plan Sponsors, trade cost analysis should reflect the needs of the Plan Sponsor

*If there's a reason for plan sponsors to monitor trading costs (other than as a legal CYA), its to understand the impact those costs have on the returns of their Funds.*

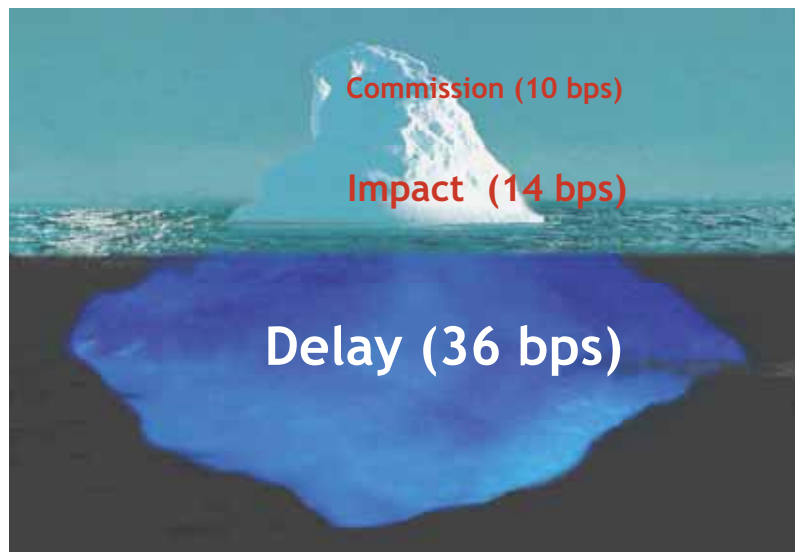
### Common Sense Definition:

*The loss of asset value, incurred by your Fund, as a result of a manager building or unwinding a position in their portfolio.*

- Whether it takes 1, 3, or 10 days for a manager to sell a certain number of shares, if the shares were selling for \$X when trading began, and the manager ultimately sold all the shares at an average price of \$Y per share, then the Fund paid \$X-Y. This is called "implementation shortfall."
- Defining costs as Implementation Shortfall on the total decision size, is consistent with how we calculate overall Fund performance, and helps Fund fiduciaries better understand the true impact trading has on their Fund.

**For Plan Sponsors, trading costs average about -60bp each way (-120bp round trip)!**

*Do you know what you really paid to buy and sell your securities?*



Zeno Trade Cost Universe



## Let's put this into dollars and cents.

Fund Value	\$1,000,000,000
60% Commitment to Active Equities	\$600,000,000
80% Equity turnover	\$480,000,000
<i>(Double for both buying and selling)</i>	\$960,000,000
One-way -60 bps Transaction cost	-\$5,760,000
<b>Impact on return of Active Equities . . . .</b>	<b>-0.96%</b>

***Transaction costs are often the largest expense of the fund!***



## Putting Costs Into Context

- Once you calculate the loss of asset value, you now know what the manager paid in trading costs.
- But that's all you know.
- You don't know whether you should be upset, satisfied, or happy with the trading costs paid by your manager.
- To answer that question, you need a benchmark to juxtapose again those costs, and help put them into context...



## **This Requires a Meaningful Benchmark** *(i.e. Were the costs you paid reasonable?)*

**Zeno employs a three-tier process:**

### **Tier 1**

We utilize the industry standard Implementation Shortfall model to calculate what a fund's absolute costs are.

### **Tier 2**

We then compare those absolute costs to a meaningful Implementation Shortfall benchmark, that takes into account the decision/trades' difficulty. (e.g. trading 10,000 shares of a stock is easier than trading 100,000 shares).

### **Tier 3**

We then rank each Fund and Manager against their Peer Group Universes for: total costs, execution efficiency, brokerage efficiency, and commissions.



## Additional Benchmarks

*Viewing each trade in the context of Multiple benchmarks puts trading results and activity in the proper context, thereby meeting the Fund's needs.*

### Benchmarks in Reports:

- ZENO compiles and maintains proprietary benchmarks on commissions, market impact and total costs.
- ZENO includes several market impact benchmarks (e.g. T-1, VWAP, T+1) that help provide 'color' into market conditions at the time your trades are executed.

### Benchmarks Accessible via in Online Tools:

- Customizable benchmarks numbering over 100+ which clients can use to provide additional context to trading.
- ZENO drill-down facility provides infinite number of views and screens to cut and slice your trade data.



## Why Transaction Cost Analysis Is Important

Some observations; as “food for thought” ...

- Traditional investment products becoming a commodity.
- Loss of investor confidence in ability to understand/manage risks associated with more exotic vehicles.
- Historically, the processes by which investment ideas are implemented, has often been neglected.
- Preservation of asset value - through heretofore ignored oversight of manager trading, can help maximize Fund returns!

***The easiest route to the top quartile of performance is to  
be in the bottom quartile of expense.***

**Jack Bogle**





## Value of Trade Cost Analysis by Plan Sponsors



- Managers typically between 1 - 1½ % in round-trip trading costs (from fund assets) up front
- If a plan sponsor has \$1 billion in equities with outside managers, this can translate into over \$12 million spent annually\* - *before any returns*.
- This is often the single largest expense of the fund (greater even than asset management fees!)
- Responsibility for monitoring execution quality resides ultimately with the fund.
- Meaningful oversight helps fully understand manager performance (along with stock specific returns, sector and market influence etc.), *and* can help control excessive costs, thereby improving fund returns.

\* Assuming turnover rates of 80%



## Why Is Trade Cost Analysis Important for Plan Sponsors?

### Meaningful Trade Cost Analysis: 3 Reasons Why Funds Come to Zeno

- Satisfies legal obligation, as fiduciaries, to monitor your managers (and their brokers) for Best Execution.
- Provides critical transparency, substantive due diligence, and insight into what your managers are handling Fund assets (“*What you don’t know, can hurt you!*”).
- Helps control excessive trade costs (often the single largest expense of the fund!)

## Inconvenient Truth:

*Some managers' trade costs are dramatically worse than their peers. Why is that?*

Zeno Total Trading Costs (one way); Rolling 4 Qtr Avg. US Q410 thru Q311				
	Small Cap Growth	Small Cap Value	Large Cap Growth	Large Cap Value
25th Percentile (Least Expensive)	-57 bps	+47 bps	-29 bps	+4 bps
50th Percentile (median)	-94 bps	-1 bps	-60 bps	-19 bps
75th Percentile (Most Expensive)	-143 bps	-56 bps	-112 bps	-45 bps
<b>Difference Between 25th and 75th Percentile Round Trip Trading Costs</b>	<b>172 bps</b>	<b>206 bps</b>	<b>166 bps</b>	<b>98 bps</b>

\* Zeno Consulting Group 1 Year Total Cost Ranking Universes as of 9/30/11



# Zeno's Sponsor Monitor Equity Oversight Program

## Step One: Quantitative review of report analytics

- I. Review aggregate fund costs, ranking, commissions, brokers, traded returns
- II. Identify which managers are driving costs, commission rates, and broker usage
- III. Review individual managers' costs, ranking, commissions, brokers, traded returns
- IV. Review other items of specific interest to your Fund





## Zeno's Sponsor Monitor Equity Oversight Program

**Step Two: Identify specific issues that may have driven managers' costs and provide questions/recommendations for follow-up**

*For Example:*

- I. Is the managers' trading process consist with their investment mandate?
- II. What are managers' policies and procedures for trading the portfolio?
- III. Is "Assets Under Management" an issue?
- IV. Are client specific instructions, affecting execution quality?

Z E N O consulting group

Sample Fund Aggregate Fourth Quarter 2006

Manager	Investment Strategy	Overall Execution Efficiency				Cost of Orders			
		2006/Q1	2006/Q2	2006/Q3	2006/Q4	2006/Q1	2006/Q2	2006/Q3	2006/Q4
Manager 1	US Large Cap Value	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 2	US Mid Cap Growth	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 3	US Mid Cap Value	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 4	US Small Cap Value	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 5	US Large Cap Value	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 6	Non-US Developed Mkt	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 7	US Mid Cap Value	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 8	US Large Cap Growth	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 9	US Small Cap Growth	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 10	US Small Cap Growth	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
Manager 11	Non-US All Country	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%
<b>Total</b>		88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%	88.2%

Companies are listed in trading for quarter managed/fund performance versus a peer group universe covering the same period.  
 "N/A" indicates no transaction activity for the period.

Zeno Consulting Group, LLC





## Zeno's Sponsor Monitor Equity Oversight Program

### Step Three: Manager specific due diligence and follow-up

*For Example:*

I. Use specific results from reports to identify appropriate "Significant Issues" that warrant follow-up.

II. Given manager's specific mandate and trading style, determine appropriate questions for follow-up with the manager.

III. In partnership with client, schedule three-way calls with highlighted managers to discuss the "Significant Issues".

Sample Fund: Aggregate			Fourth Quarter 2006
			Follow-Up Review
Manager	Investment Strategy	Negative Trends	Significant Issues
Manager 1	US Large Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with traded returns. Explore whether the manager's "buy" trade process matches the requirements of its stock selections. Explore whether "sell" costs or market impact costs are excessive. Explore whether "short" costs are a problem.
Manager 2	US Mid Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with traded returns. Explore whether "buy" costs or market impact costs are excessive. Determine why brokerage costs appear excessive. Explore whether the use of specific brokers/brokers is driving excessive costs. Explore alternatives for uniform commission rates.
Manager 3	US Mid Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with traded returns. Explore whether "short" costs are a problem. Explore alternatives for uniform commission rates.
Manager 4	US Small Cap Value	Use of Brokers	Explore alternatives for uniform commission rates. Explore whether disabled brokers are receiving trade orders outside any mandate.
Manager 5	Non-US Developed Mk		
Manager 6	US Mid Cap Value		
Manager 7	US Large Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with traded returns. Explore whether the manager's "sell" trade process matches the requirements of its stock selections. Explore whether manager process suffers price reversals. Determine why brokerage costs appear excessive. Explore whether the use of specific brokers/brokers is driving excessive costs.
Manager 8	US Small Cap Growth		
Manager 9	US Small Cap Growth		

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## Aggregate Fund; and Manager Summaries





## Aggregate Fund - 2011 Annual Analysis

### Summary

<i>Total Dollars Traded:</i>	\$1,179.3 Million (63% Turnover)
<i>Total Costs:</i>	-68 bps
Delay Cost:	-36 bps
Market Impact:	-25 bps
Commissions:	-7 bps (-1.9 ¢/share)
<i>Total Cost Benchmark:</i>	-56 bps
<i>Value-added:</i>	-12 bps (-\$1.39 Million)

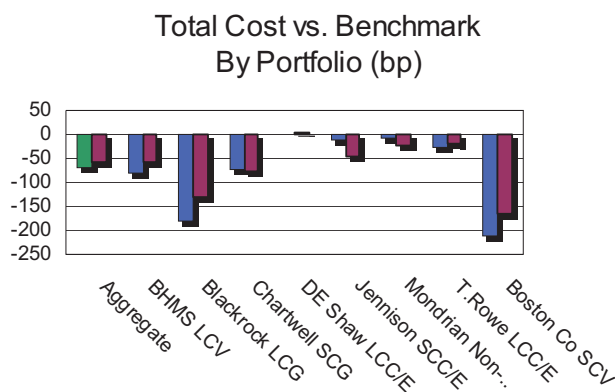
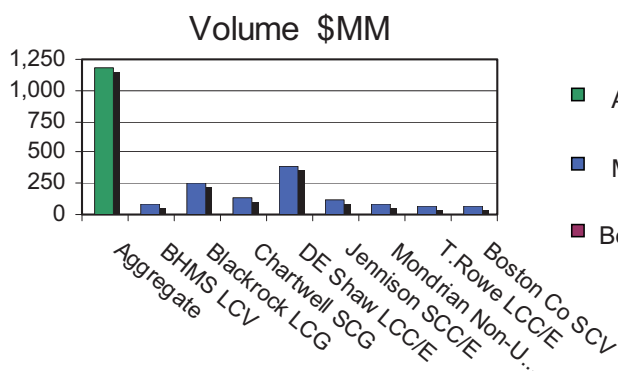
### Observations

- Trading activity fell considerably from a high of \$352 Million in the first quarter of 2011 to a low of \$214 Million in the fourth quarter. DE Shaw's and Blackrock's trading activity drove the overall annual volume.
- Total costs lagged the Total Cost Benchmark by -12 bps. Costs in the third and fourth quarters lagged the benchmark by the largest margins. Costs generated by the trading of Barrow Hanley Mewhinney & Strauss, Blackrock Capital and Boston Company drove the overall results.
- Brokerage costs (-31 bps) lagged the Brokerage Benchmark of -24 bps slightly. Barclays Capital (31%) received the largest allocations of trade volume. DE Shaw uses Barclays Capital for most of their trading. Commissions were in-line with the Zeno Client Universe average (-9 bps).
- Short term traded returns were small gains (15 bps) after accounting for costs. Strong short term returns in the first and third quarters were offset by losses in the fourth and second quarters.





# Aggregate Fund - Annual Analysis 2011



## Observations

- Trading activity of the Blackrock and DE Shaw portfolios was the greatest among the Fund's managers. Turnover rates for the DE Shaw portfolio were also greatest among the portfolios reviewed here.
- Blackrock's and The Boston Company's trading processes generate the greatest total costs in basis points, as well as in absolute dollar terms, though their portfolio trading activity was less than DE Shaw's portfolios.
- Total Costs for trading the Barrow, Hanley, Mewhinney and Strauss' portfolio also lagged their respective Total Cost Benchmarks and ranked in the fourth quartile of Zeno's Peer Group Universes.



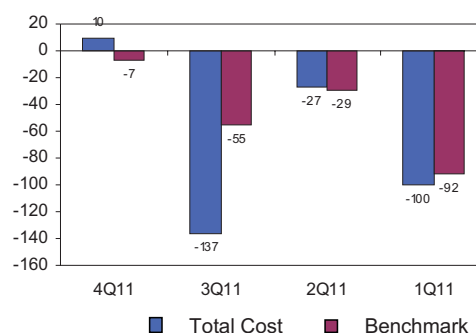


## Barrow Hanley Mewhinney Strauss: US Large Cap Value

### Summary

<i>Total Dollars Traded:</i>	\$81.2 Million (25.9% Turnover)
<i>Total Costs:</i>	-82 bps
Delay Cost:	-42 bps
Market Impact:	-31 bps
Commissions:	-9 bps (-2.8 ¢/share)
<i>Total Cost Benchmark:</i>	-56 bps
<i>Execution Efficiency:</i>	-26 bps (-\$207 Thousand)

**Trend: Total Costs vs. Benchmark (bp)**



### Observations

- BHMS' trading represented 6.9% of all trading activity for the Fund in 2011. While stable most of the year, activity fell significantly in the fourth quarter. Turnover rates were low, even as compared with other Large Value strategies. Over the course of the year, activity was weighted slightly to selling, but in the fourth quarter trading activity was 61% buying.
- Trading was completed for costs, which lagged the Total Cost Benchmark in two of four quarters of 2011. Costs were spread evenly between Delay (or Opportunity) and Market Impact costs. In general deep value strategies pick out of favor stocks which permits them to trade in such a manner as to incur gains.
- Brokerage costs (-40 bps) lagged the Brokerage Benchmark of -23 bps. Liquidnet (15%) and Instinet (13%) received the largest allocations of trade volume. Pipeline trading was used for roughly 3% of trading flow.
- Though annual Commission rates lagged universe averages (of 2.4 ¢) only slightly, rates paid to many individual brokers over the year were 3.5 ¢.
- Short term traded returns were strong (+63 bps) driven by stock selections. Though costs detracted from returns stocks purchased and sold added returns by the end of the quarter.





## Barrow Hanley Mewhinney Strauss: US Large Cap Value

### San Mateo County Employees Retirement

Review Period	Decision Value \$Millions	Total Cost bp	Turnover Ratio %
2011/Q1	28.4	-100	8
2011/Q2	19.4	-27	6
2011/Q3	24.6	-137	9
2011/Q4	8.8	10	3
<b>Total</b>	<b>81.2</b>	<b>-82</b>	<b>26</b>

Trading volumes fell in the fourth quarter.

Commission Rates paid to many brokers were 3.5 cents per share

Total Costs were Driven by a combination of Delay (or Multi-Day) costs and Market-Impact (or Daily) costs.

Turnover rates were low in absolute terms and relative to Large Value Managers.

Broker	--- Trades ---			--- Tra	
	#	Value	%	Commissions	
	#	\$Millions	%	(¢)	bp
Liquidnet	112	11.8	14.6	(-2.0)	-6
Instinet	97	10.5	13.0	(-1.5)	-5
J P Morgan	39	9.2	11.3	(-3.2)	-8
Sanford Bernstein	31	7.5	9.2	(-3.2)	-12
Goldman Sachs	25	5.2	6.4	(-3.5)	-11
Wells Fargo Securities	19	2.8	3.4	(-3.5)	-14
Keefe Bruyette & Woods	14	2.7	3.3	(-3.5)	-10
Pipeline Trading	38	2.6	3.3	(-1.0)	-4
Howard Weil	7	1.9	2.4	(-3.5)	-8
KeyBanc Capital Markets	9	1.9	2.3	(-3.5)	-8

### Components of Cost

Review Period	--- Execution Costs ---				
	Delay	Implicit Cost	Impact	Explicit Costs	Total Cost
	bp		bp	bp (\$)	bp
2011/Q1	-62		-28	-10 (-2.9)	-100
2011/Q2	4		-23	-8 (-3.0)	-27
2011/Q3	-67		-63	-8 (-2.5)	-137
2011/Q4	-12		33	-10 (-3.0)	10
<b>Total</b>	<b>-42</b>		<b>-31</b>	<b>-9 (-2.8)</b>	<b>-82</b>



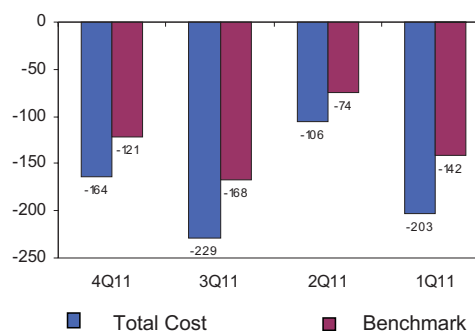


## Blackrock Capital Management: US Large Cap Growth

### Summary

<i>Total Dollars Traded:</i>	\$258.3 Million (81% Turnover)
<i>Total Costs:</i>	-180 bps
Delay Cost:	-102 bps
Market Impact:	-69 bps
Commissions:	-9 bps (-3.2 ¢/share)
<i>Total Cost Benchmark:</i>	-130 bps
<i>Execution Efficiency:</i>	-50 bps (-\$1,208 Thousand)

**Trend: Total Costs vs. Benchmark (bp)**



### Observations

- Trading activity represented 22% of all trading activity for the Fund in 2011. Trading activity was equally weighted between buying and selling. Trade volumes average \$58 Million each quarter except in the third quarter when they rose to \$81 Million. Turnover is slightly greater than average.
- Total Trading Costs were consistently high and lagged the Total Cost Benchmark. Trading of strong stock selections and large positions can occur over two plus weeks, resulting in significant Delay (or Opportunity) costs. Market Impact costs are also significant.
- Brokerage costs (-78 bps) lagged the Brokerage Benchmark (-56 bps). JP Morgan (15%) and Credit Suisse (15%) received the largest allocations of trade volume. Among the long list of brokerage firms used, Pipeline Trading was sent over 8% of trading volume. Commissions ranked in the Fourth quartile of the Zeno Large Growth universe.
- Short term traded returns were weak (-47 bps) driven by losses accumulated from a combination of weak stock selections and high costs. Stocks sold had strong returns (depreciated), while the buys had offsetting losses.





## Blackrock Capital Management: US Large Cap Growth

Review Period	Decision Value	Total Cost	Total Cost Benchmark Actual	Turnover Ratio
	\$Millions	bp	bp	%
2011/Q1	57.6	-203	-142	18
2011/Q2	60.3	-106	-74	18
2011/Q3	81.5	-229	-168	28
	59.0	-164	-121	19
	<b>258.3</b>	<b>-180</b>	<b>-130</b>	<b>81</b>

Total Costs were high and lagged the Zeno Total Cost Benchmark.

Turnover rates were greater than average

Trading volumes were greater in the third quarter.

### San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---	
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added
	#	\$Millions	%	(€)	bp	bp	bp	bp
J P Morgan	158	38.4	14.9	(-3.6)	-12	-83	-95	-25
Credit Suisse	229	38.1	14.8	(-3.5)	-9	-58	-66	-45
Pipeline Trading	249	21.6	8.4	(-1.4)	-3	-100	-102	-64
Instinet	94	20.6	8.0	(-1.1)	-2	-112	-113	-74
Stanley	64	16.7	6.5	(-3.3)	-11	-89	-100	-71
	214	14.8	5.8	(-1.5)	-3	-50	-53	-40
Sachs	74	14.1	5.5	(-3.9)	-8	-13	-21	-23
	46	11.0	4.3	(-3.7)	-16	-56	-72	-56
Global Markets	44	8.6	3.3	(-4.0)	-9	-59	-68	-59
	29	6.3	2.5	(-3.1)	-9	-104	-113	-79

Pipeline received over eight percent of all trading volume

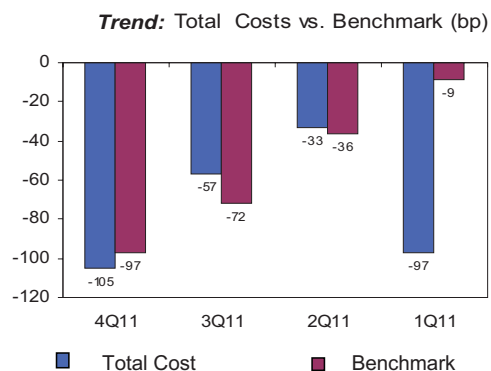




## Chartwell Investment Partners: US Small Cap Growth

### Summary

<i>Total Dollars Traded:</i>	\$138.6 Million (123% Turnover)
<i>Total Costs:</i>	-73 bps
Delay Cost:	-28 bps
Market Impact:	-30 bps
Commissions:	-15 bps (-3.1 ¢/share)
<i>Total Cost Benchmark:</i>	-76 bps
<i>Execution Efficiency:</i>	+3 bps (+\$36 Thousand)



### Observations

- Trading activity represented 11% of the overall Fund's activity for 2011. Turnover rates which fluctuated higher in the first and third quarters, were among the highest for any manager. Trading activity was equally weighted between buying and selling.
- Total Trading Costs were low for a Small Growth portfolio and generally in-line with the Total Cost Benchmark. Costs have risen over the past three quarters, as a result of a rise in both Market Impact and Delay costs.
- Brokerage costs (-45 bps) were in-line with the Brokerage benchmark of -42 bps. Goldman Sachs (39%) and Liquidnet (15%) received the largest allocations of trade volume. Though Commissions were in line with peer averages, 3.9¢ to 4.0¢ commission rates were paid to more than 67% of the brokers used.
- Short term traded returns were strong (+121 bps) driven by excellent stock selections in three of four quarters reviewed. Both the buys and sells produced positive net returns and Total Costs did not detract from returns significantly.



San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNE

Use of Brokers (2011/Q1-2011/Q

Broker	----- Trades -----			----- Trading Cost -----				--- Comparison ---	
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	
Goldman Sachs	958	54.5	39.4	(-2.0)	-10	-41	-51	-50	-1
Liquidnet	269	21.3	15.3	(-4.0)	-18	-21	-39	-31	-8
BNY ConverEx Group	95	8.9	6.5	(-3.9)	-20	27	7	-10	17
Instinet	60	5.0	3.6	(-4.0)	-20	-22	-42	-41	-1
use	32	4.2	3.0	(-3.9)	-16	-104	-120	-87	-33
Capital Markets	41	3.1	2.3	(-3.8)	-26	-24	-50	-51	1
	24	3.0	2.2	(-3.9)	-18	-61	-79	-57	-22
	7	2.9	2.1	(-4.0)	-15	6	-9	-18	9
	16	2.7	1.9	(-3.3)	-15	-28	-44	-20	-23
Bank of America	28	2.5	1.8	(-3.6)	-16	-40	-56	-69	13
Oppenheimer & Co	32	2.2	1.6	(-3.9)	-17	-19	-36	-25	-11
RBC Dain Rauscher	22	2.2	1.6	(-3.9)	-19	-67	-85	-80	-5
Pacific Crest Securities	25	2.0	1.5	(-3.9)	-18	-100	-118	-52	-65
Deutsche Bank	16	2.0	1.5	(-3.9)	-16	6	-10	-21	11
Raymond James	26	1.8	1.3	(-3.9)	-19	-147	-166	-67	-99
Robert W Baird	20	1.6	1.2	(-3.9)	-21	-72	-93	-84	-9
Piper Jaffray	16	1.6	1.2	(-3.9)	-20	-1	-21	-17	-4
Barclays Capital	18	1.4	1.0	(-2.7)	-10	120	110	61	49
SunTrust Robinson Hum	14	1.3	0.9	(-4.0)	-11	4	-7	-30	23
William Blair & Company	11	1.1	0.8	(-3.8)	-18	1	-17	-39	22
Buckingham	8	1.0	0.8	(-3.8)	-16	-61	-77	-61	-16
Janney Montgomery Sco	22	1.0	0.7	(-3.3)	-17	-62	-79	-42	-38
Collins Stewart & Co	6	0.8	0.6	(-3.8)	-12	-113	-125	-131	6
Citigroup Global Markets	8	0.7	0.5	(-3.2)	-16	-131	-147	-143	-4
Stifel Nicolaus	8	0.7	0.5	(-3.9)	-17	148	131	85	47
Keefe Bruyette & Woods	7	0.7	0.5	(-4.0)	-19	-43	-62	-79	18
Morgan Stanley	11	0.7	0.5	(-4.0)	-18	40	22	-28	50
Leerink Swann	14	0.7	0.5	(-3.6)	-22	-8	-30	-32	2
Sidoti & Co	10	0.7	0.5	(-4.0)	-27	37	10	-53	63
Wells Fargo Securities	6	0.5	0.4	(-3.9)	-14	-47	-61	-93	32
Others	93	5.5	4.0	(-3.9)	-18	1	-17	-30	13
<b>Total</b>	<b>1,953</b>	<b>138.5</b>	<b>100.0</b>	<b>(-3.1)</b>	<b>-15</b>	<b>-30</b>	<b>-45</b>	<b>-42</b>	<b>-3</b>

Commissions paid to many of the brokers used were 3.9 or 4.0 cents per share



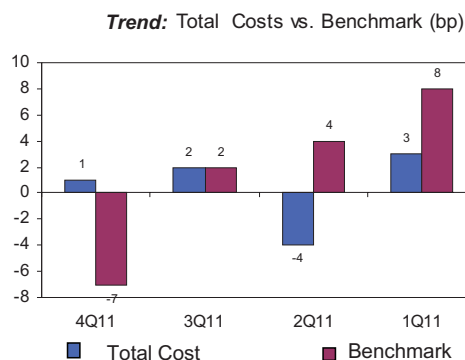




## D.E. Shaw Investment Management: US Large Cap Core/Enhanced

### Summary

<i>Total Dollars Traded:</i>	\$383.1 Million (180% Turnover)
<i>Total Costs:</i>	+1 bps
Delay Cost:	+6 bps
Market Impact:	-5 bps
Commissions:	-0 bps (-0.1 ¢/share)
<i>Total Cost Benchmark:</i>	+4 bps
<i>Execution Efficiency:</i>	-3 bps (-\$106 Thousand)



### Observations

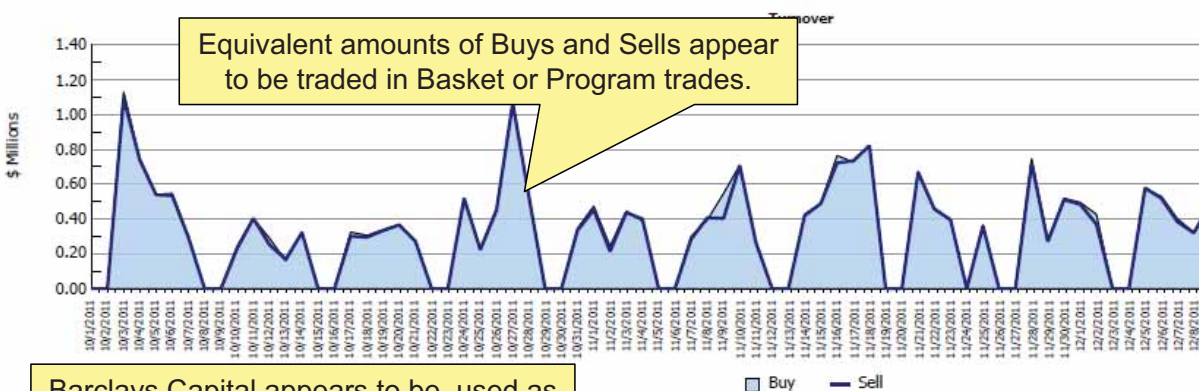
- Trading activity represented roughly 33% of all trading activity for the Fund in 2011. Turnover rates were also the greatest of any portfolio, though trading activity declined in each quarter of 2011. This activity was equally weighted between buying and selling.
- Very low Total Trading Costs were in-line with the Total Cost Benchmark. Most trading is completed on a dollar neutral (equivalent amounts of buys and sells) basis, with heavy use of program or basket trading. It appears the same stock can be traded over multiple days on the same side (buy or sell). The trading process can take up to two weeks to complete.
- Brokerage costs (-5 bps) were in-line with the Brokerage Benchmark of +4 bps. Barclays Capital appears to be used heavily for their program/basket trading. Barclays received 94% of all trading flow. Very low Commission rates are consistent with the use of program or basket trading. Commissions ranked in the top quartile of the universe.
- Short term traded returns were flat, as losses in the third quarter were offset by strong returns in the other three quarters. The buys had strongly positive returns and the sells had losses.





## D.E. Shaw Investment Management: US Large Cap Core/Enhanced

### Daily Trading Activity



Barclays Capital appears to be used as broker for many of the basket trades.

San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap Cor

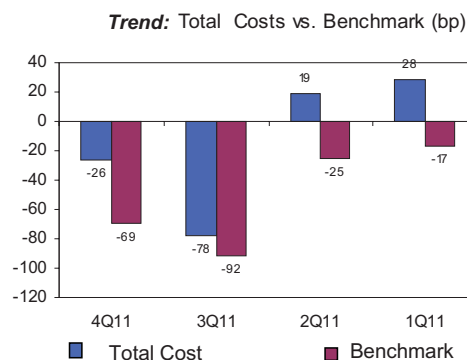
Broker	Trades			Trading Cost			Comparison		Price Trends			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post
	#	\$Millions	%	(€)	bp	bp	bp	bp	bp	bp	bp	bp
Barclays Capital	26,583	359.6	93.9	(-0.0)	-0	-4	5	-9	-3	-2	-2	-1
Penson Financial	126	6.4	1.7	(-0.7)	-2	-12	61	-75	-7	-4	-8	-8



## Jennison Associates: US Small Cap Core/Enhanced

### Summary

<i>Total Dollars Traded:</i>	\$111.9 Million (52% Turnover)
<i>Total Costs:</i>	-13 bps
Delay Cost:	-27 bps
Market Impact:	+27 bps
Commissions:	-13 bps (-2.8 ¢/share)
<i>Total Cost Benchmark:</i>	-48 bps
<i>Execution Efficiency:</i>	+36 bps (+\$399 Thousand)



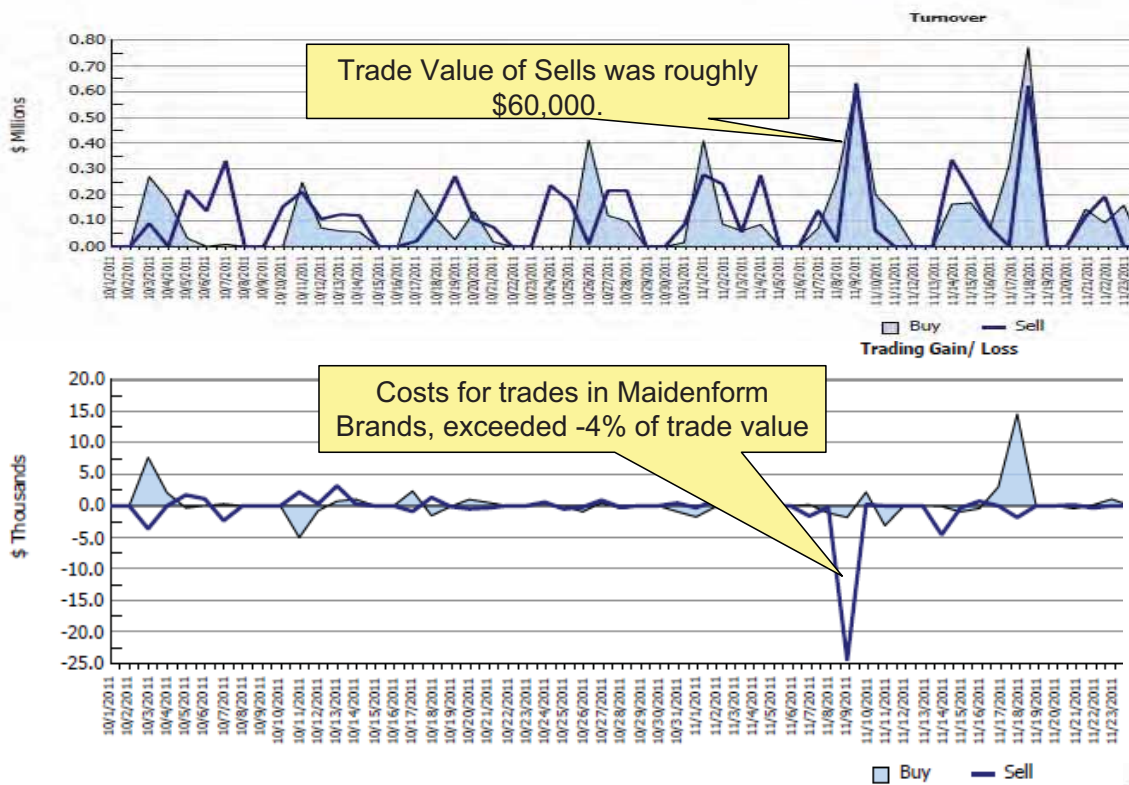
### Observations

- Trading activity represented roughly 9.5% of all trading activity for the Fund in 2011. Turnover rates were average for Small Cap Core portfolios. Trading activity was stable in each quarter except in the fourth quarter 2011. This activity was equally weighted between buying and selling.
- Total Trading Costs beat the Total Cost Benchmark. Trading is generally completed over a two week period. In the third and fourth quarters, strong stock selections saw prices move adversely as stocks were traded over the two week trading period. Consequently costs, driven by delays, rose in the third and fourth quarters. In general, costs are well managed, however.
- Brokerage costs (+14 bps) beat the Brokerage Benchmark of -13 bps. Jefferies (16%) and Knight (13%) received the largest allocations of trading flow. Commissions ranked slightly below the Small Cap Core peer average of 2.6 cents per share.
- On November 9<sup>th</sup>, 2011, several sell trades in Maidenform Brands were completed for costs of over 4%.
- Short term traded returns were strong, and buy driven (172 bps). Stock selections were strong in each of the quarters. Efficient trade execution quality preserved much of the alpha.



# Jennison Associates: US Small Cap Core/Enhanced

## Daily Trading Activity

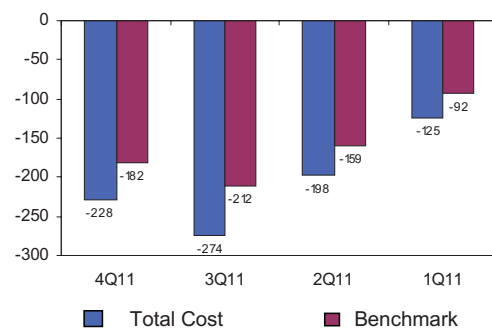


## The Boston Company: US Small Cap Value

### Summary

<i>Total Dollars Traded:</i>	\$61.8 Million (65% Turnover)
<i>Total Costs:</i>	-211 bps
Delay Cost:	-111 bps
Market Impact:	-81 bps
Commissions:	-19 bps (-3.1 ¢/share)
<i>Total Cost Benchmark:</i>	-165 bps
<i>Execution Efficiency:</i>	-46 bps (-\$283 Thousand)

**Trend: Total Costs vs. Benchmark (bp)**

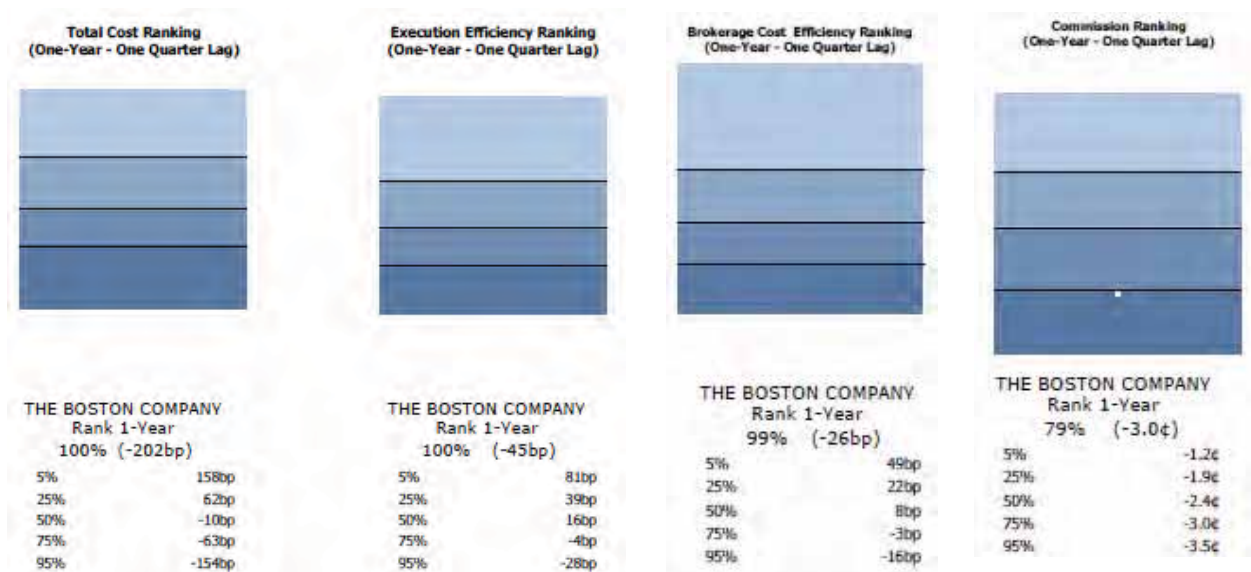


### Observations

- Trading activity represented roughly 5% of all activity for the Fund in 2011. Trading activity fluctuated mildly for this strategy, but was equally weighted between buying and selling. Turnover rates were in-line with other Small Value managers.
- Total Costs lagged the Total Cost Benchmark significantly, and trended worse throughout the year. Trading often took up to two weeks, and involved stocks whose prices trended away. While the long trading periods may have been due to the liquidity demands of the traded securities, TBC still ranked in the 4<sup>th</sup> Quartile of Zeno's Small Cap Value Peer Group Universe.
- Brokerage costs (-99 bps) lagged the Brokerage Benchmark of -76 bps. Stifel Nicolaus (8.5%) and Liquidnet (7.9%) received the largest allocations of trade volume. Commissions were high and trended worse through the year. Brokerage Costs for the top six brokers used lagged their benchmarks. Pipeline trading was used for roughly 4% of the trade flow.
- While the high costs noted above ate up much of the alpha, short term traded returns were typically still positive (+56 bps). Strong returns in the second and third quarters offset losses from trading activity in the first quarter. The positive returns were driven by both selling stocks which subsequently depreciated, and buying stocks which subsequently appreciated in value by the end of the quarter.



## The Boston Company: US Small Cap Value



**The Boston Company's Trading Costs, Trading Cost Efficiency, Brokerage Cost Efficiency and Commission Rates Ranked in the Fourth quartile of the Zeno Small Cap Value Peer Universe, consistently.**



## Recommended Manager Follow-up



## Follow-Up Review - 2011 Annual Analysis

Manager	Comment
Barrow Hanley Mewhinney Strauss	<p><i>Explore manager's execution process and policies regarding long term cost trends.</i></p> <p><i>Explore manager's execution process and policies regarding daily trading (market-impact) costs.</i></p> <p><i>Explore broker allocation and oversight policies regarding long term brokerage cost efficiency especially with regard to the use of Pipeline trading. .</i></p> <p><i>Explore policies and procedures for establishing commission rates.</i></p>
Blackrock Capital Management	<p><i>Explore manager's execution process and policies regarding long term cost trends.</i></p> <p><i>Explore manager's execution process and policies regarding multi-day trading (delay) costs</i></p> <p><i>Explore rationale for high cost sell trades in Green Mountain Coffee on November 10<sup>th</sup>, 2011.</i></p> <p><i>Explore broker allocation and oversight policies regarding long term brokerage cost efficiency, especially with regard to the use of Pipeline trading.</i></p> <p><i>Explore policies and procedures for establishing commission rates.</i></p>
Chartwell Investment Partners	<p><i>Explore policies and procedures for establishing commission rates, particularly with regard to the uniform rates of 3.9 or 4.0 paid to over 67% of the brokers used.</i></p>
Jennison Associates	<p><i>Explore rationale for high cost sell trades completed in Maidenform Brands on November 9<sup>th</sup>, 2011.</i></p>
The Boston Company	<p><i>Explore manager's execution process and policies regarding long term cost trends.</i></p> <p><i>Explore manager's execution process and policies regarding multi-day trading (delay) costs.</i></p> <p><i>Explore broker oversight and allocation policies regarding long-term brokerage cost efficiency especially with regard to the use of Pipeline trading. .</i></p> <p><i>Explore policies and procedures for establishing commission rates..</i></p>





## **Sponsor Monitor**

**San Mateo County Employees Retirement Association**

Fourth Quarter 2011



**Contents**

**Executive Summary**

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Execution Summary
Total Cost and Cost Components Analysis
Decision Review
Daily Trading Activity: Turnover and Trading Gain/Loss
Manager Diagnostics
Use of Brokers (One Quarter)
Use of Brokers (Four Quarters)
Geographical Diagnostics: Total Cost Analysis by Country Within Region
Manager Report Card
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**Individual Managers**

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Execution Summary
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Geographical Diagnostics: Total Cost Analysis by Country Within Region

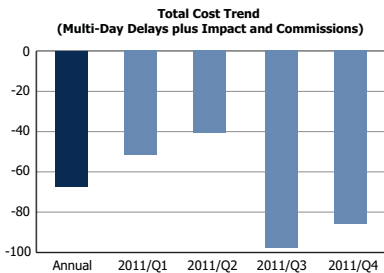
**Execution Summary**

- Total Costs (Multi-Day Delays plus Impact and Commission ) were -87 bp, which underperformed the Total Cost Benchmark of -75 bp by -12 bp
- Brokerage Costs (Impact plus Commission) were -41 bp, which underperformed the Brokerage Cost Benchmark of -32 bp by -9 bp
- The average Commission was -2.2¢ (-9 bp), which was 1.1¢ greater than Zeno Universe Average
- The following managers exhibit negative trends: Barrow Hanley Mewhinney & Strauss, Blackrock Capital, Chartwell Investments, Jennison Associates, and The Boston Company.

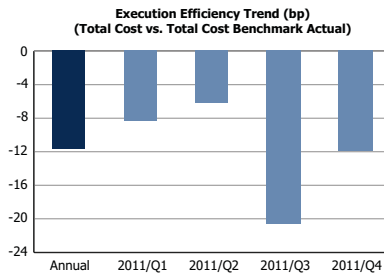
*(To review specific issues warranting follow-up, see the Manager Report Card and Follow-Up Review pages of this report)*

**Implementation Characteristics**

- The fund traded \$214.3 million, which generated an average return of -28 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 47%
- The Average Pre-Trade Price Trend was neutral



Period	Cost (bp)	Cost (\$)
Annual	-68	-\$7,962,640
2011/Q1	-52	-\$1,821,640
2011/Q2	-41	-\$1,244,957
2011/Q3	-99	-\$3,034,699
2011/Q4	-87	-\$1,861,344

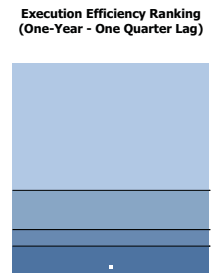


Period	Efficiency (bp)	Cost (\$)
Annual	-12	-\$1,392,734
2011/Q1	-9	-\$301,416
2011/Q2	-6	-\$195,709
2011/Q3	-21	-\$636,565
2011/Q4	-12	-\$259,044



Fund Rank 1-Year:  
79% (-63bp)

Percentile	Cost (bp)
5%	4bp
25%	-38bp
50%	-49bp
75%	-62bp
95%	-84bp



Fund Rank 1-Year:  
84% (-12bp)

Percentile	Cost (bp)
5%	21bp
25%	1bp
50%	-6bp
75%	-8bp
95%	-18bp

San Mateo County Employees Retirement Association: Aggregate

Fourth Quarter 2011

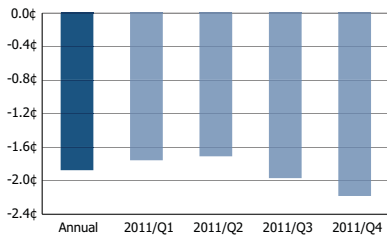
Total Cost Analysis

Review Period	Decision Value \$millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000	bp			Before Costs bp	After Costs bp
2011/Q1	352.5	-52	-43	0	-301	-9	17	582	80	28
2011/Q2	305.0	-41	-34	0	-196	-6	16	-52	38	-2
2011/Q3	307.6	-99	-78	0	-637	-21	19	-1,509	146	47
2011/Q4	214.3	-87	-75	0	-259	-12	12	1,084	59	-28
<b>Total</b>	<b>1,179.3</b>	<b>-68</b>	<b>-56</b>	<b>0</b>	<b>-1,393</b>	<b>-12</b>	<b>63</b>	<b>-36</b>	<b>83</b>	<b>15</b>

Components of Cost Analysis

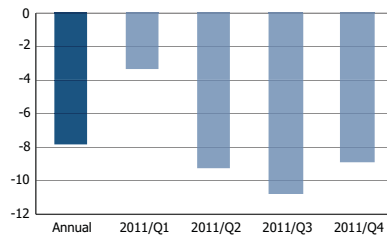
Review Period	---- Execution Costs ----					---- Benchmarks ----				
	Delay bp	Implicit Cost bp	Impact bp	Explicit Costs Commissions bp (\$)	Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp	Commission Benchmark bp (\$)		
2011/Q1	-28	-16	-7	(-1.8)	-52	-43	-20	-10		(-1.1)
2011/Q2	-20	-15	-7	(-1.7)	-41	-34	-12	-10		(-1.1)
2011/Q3	-55	-36	-8	(-2.0)	-99	-78	-33	-9		(-1.1)
2011/Q4	-45	-33	-9	(-2.2)	-87	-75	-32	-9		(-1.1)
<b>Total</b>	<b>-36</b>	<b>-24</b>	<b>-7</b>	<b>(-1.9)</b>	<b>-68</b>	<b>-56</b>	<b>-24</b>	<b>-9</b>		<b>(-1.1)</b>

Commission Rate Trend (¢)



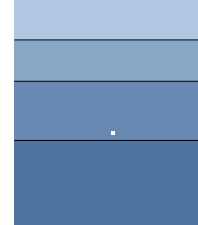
Annual	-1.9¢	(-7bp)
2011/Q1	-1.8¢	(-7bp)
2011/Q2	-1.7¢	(-7bp)
2011/Q3	-2.0¢	(-8bp)
2011/Q4	-2.2¢	(-9bp)

Brokerage Cost Efficiency Trend (bp)  
(Brokerage Cost vs. Brokerage Cost benchmark)



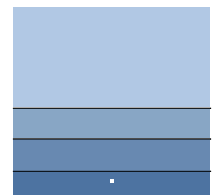
Annual	(-8bp)
2011/Q1	(-3bp)
2011/Q2	(-9bp)
2011/Q3	(-11bp)
2011/Q4	(-9bp)

Commission Ranking  
(One-Year - One Quarter Lag)



Fund Rank 1-Year:	
72%	(-1.8¢)
5%	-0.5¢
25%	-0.9¢
50%	-1.3¢
75%	-1.9¢
95%	-2.7¢

Brokerage Cost Efficiency Ranking  
(One-Year - One Quarter Lag)



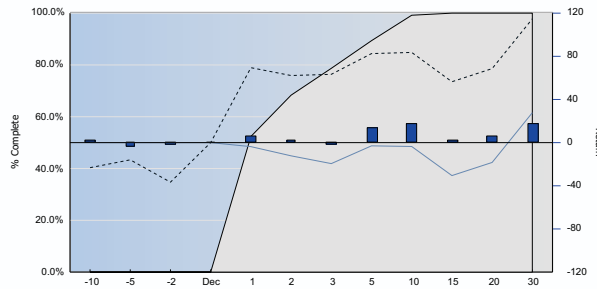
Fund Rank 1-Year:	
84%	(-8bp)
5%	12bp
25%	1bp
50%	-3bp
75%	-6bp
95%	-9bp

\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

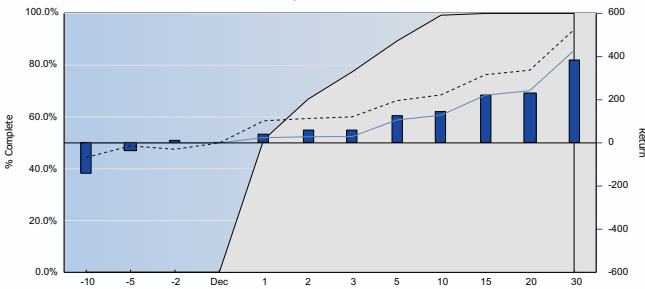
Decision Review

---- Decisions ----			---- Execution Costs ----					---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
#	Value	%	Implicit Cost Delay	Implicit Cost Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$millions	%	bp	bp	bp (¢)	bp	bp	bp	bp	bp	%	%	%	\$billions	000
All	2,866	214.3	100.0	-45	-33	-9 (-2.2)	-87	-75	0	-12	11.8	-0.6	0.8	43.2	3.0
Buy	1,503	108.0	50.8	-57	-26	-9 (-2.3)	-93	-88	0	-5	6.0	-0.8	0.7	42.4	2.8
Sell	1,363	106.3	49.2	-33	-39	-8 (-2.1)	-81	-62	0	-19	5.8	-0.4	1.0	43.9	3.1

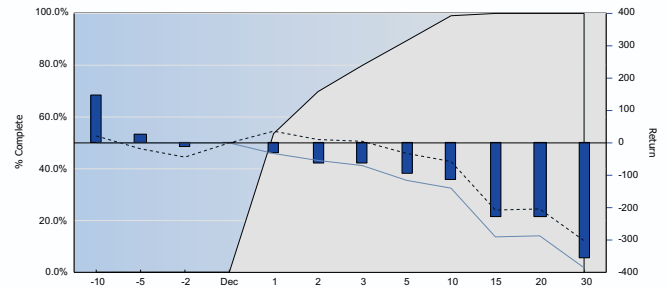
All Decisions



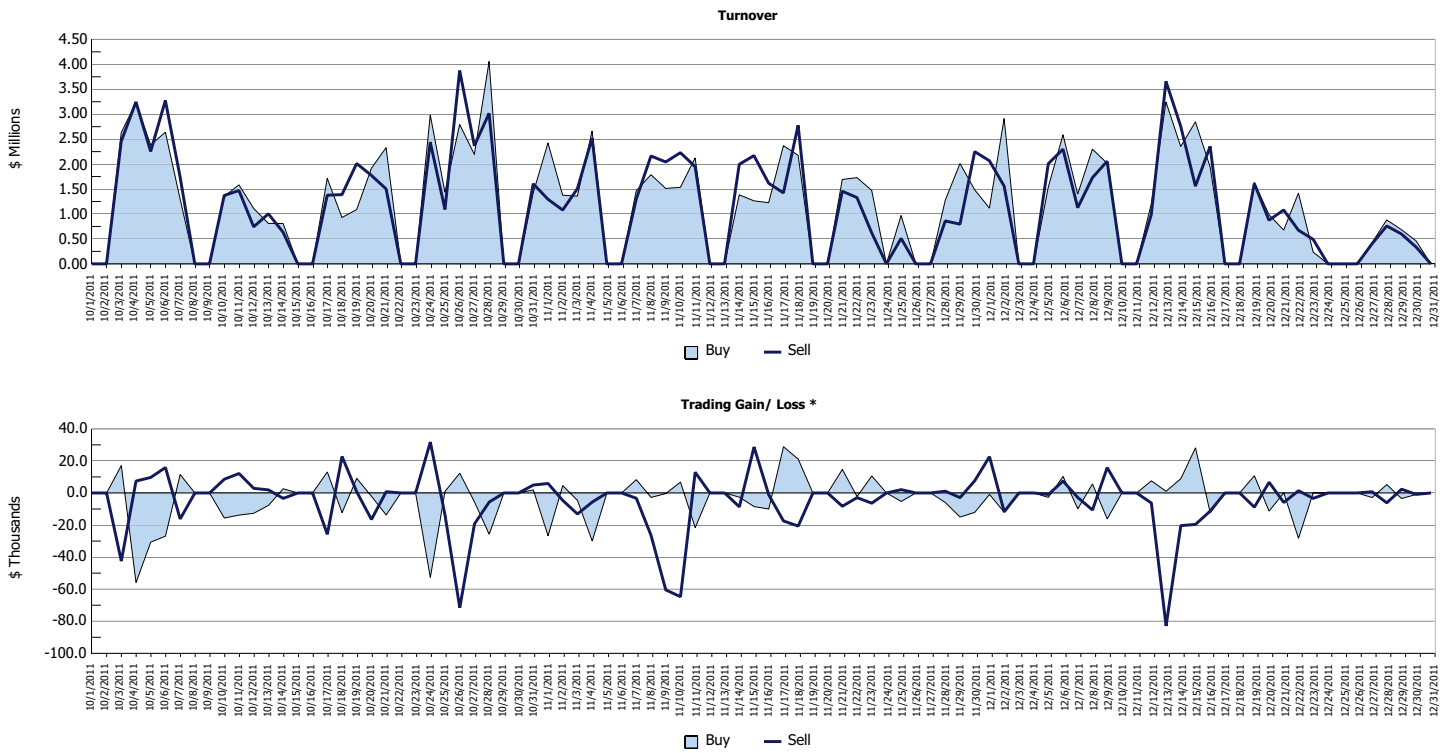
Buy Decisions



Sell Decisions



Daily Trading Activity



\* Displays impact costs incurred on each respective day

Manager Diagnostics

Manager Investment Strategy	Review Period	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost	Benchmark	Value Added (vs. Actual Benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares
		#	\$Millions	%	bp	bp	bp	(€)	bp	bp	bp	bp	%	%	%	\$Billions
<b>BARROW, HANLEY, MEWHINNEY &amp; STRAUSS</b>																
<i>US-Large Cap Value</i>																
2011/Q4		36	8.8	4.1	-12	33	-10 (-3.0)	10	-7	0	17	2.9	0.8	0.5	51.5	9
last 4 quarters		276	81.2	6.9	-42	-31	-9 (-2.8)	-82	-56	0	-26	25.9	-0.3	0.8	33.0	9
<b>BLACKROCK CAPITAL MANAGEMENT, INC.</b>																
<i>US-Large Cap Growth</i>																
2011/Q4		131	59.0	27.5	-88	-66	-10 (-3.4)	-164	-121	0	-42	19.2	-2.1	0.4	62.0	13
last 4 quarters		450	258.3	21.9	-102	-69	-9 (-3.2)	-180	-130	0	-50	80.5	-2.6	0.5	53.8	16
<b>CHARTWELL INVESTMENT PARTNERS</b>																
<i>US-Small Cap Growth</i>																
2011/Q4		213	27.0	12.6	-39	-52	-13 (-3.1)	-105	-97	0	-8	24.0	-0.1	1.9	1.9	6
last 4 quarters		875	138.6	11.7	-28	-30	-15 (-3.1)	-73	-76	0	3	122.9	-0.4	3.6	1.7	7
<b>D.E. SHAW INVESTMENT MANAGEMENT, LLC</b>																
<i>US-Large Cap Core/Enhanced</i>																
2011/Q4		1,798	55.9	26.1	6	-5	-0 (-0.1)	1	-7	0	7	26.1	-0.1	0.1	72.9	1
last 4 quarters		9,281	383.1	32.5	6	-5	-0 (-0.1)	1	4	0	-3	180.1	-0.1	0.1	67.3	1
<b>JENNISON ASSOCIATES</b>																
<i>US-Small Cap Core/Enhanced</i>																
2011/Q4		131	18.9	8.8	-20	10	-15 (-3.0)	-26	-69	0	42	9.8	1.6	3.1	1.8	7
last 4 quarters		666	111.9	9.5	-27	27	-13 (-2.8)	-13	-48	0	36	52.2	1.0	4.8	2.0	8
<b>MONDRIAN INVESTMENT PARTNERS</b>																
<i>NonUS-All Country Growth</i>																
2011/Q4		33	9.4	4.4	5	-1	-5 (-0.5)	-2	-14	0	12	2.5	-0.0	0.5	39.2	31
last 4 quarters		222	79.6	6.8	-12	12	-7 (-0.8)	-7	-22	0	14	20.7	0.3	1.8	46.5	32
<b>T. ROWE PRICE ASSOCIATES</b>																
<i>US-Large Cap Core/Enhanced</i>																
2011/Q4		308	15.4	7.2	-60	-10	-9 (-2.2)	-78	-50	0	-28	7.3	-0.0	0.1	37.4	2
last 4 quarters		1,284	64.8	5.5	-10	-10	-8 (-2.2)	-28	-19	0	-9	30.8	0.3	0.1	38.8	2

ZENO Consulting Group, LLC

San Mateo County Employees Retirement Association: Aggregate

Fourth Quarter 2011

Manager Diagnostics

Manager Investment Strategy	Review Period	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost	Benchmark	Value Added (vs. Actual Benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares
		#	\$Millions	%	bp	bp	bp	(€)	bp	bp	bp	bp	%	%	%	\$Billions
THE BOSTON COMPANY																
<i>US-Small Cap Value</i>																
	2011/Q4	216	19.8	9.3	-124	-87	-17 (-3.3)	-228	-182	0	-47	20.7	-1.9	1.6	1.5	5
	last 4 quarters	681	61.8	5.2	-111	-80	-19 (-3.1)	-211	-165	0	-46	65.1	-1.8	1.8	1.5	6
<b>Total</b>	<b>2011/Q4</b>	<b>2,866</b>	<b>214.3</b>	<b>100.0</b>	<b>-45</b>	<b>-33</b>	<b>-9 (-2.2)</b>	<b>-87</b>	<b>-75</b>	<b>0</b>	<b>-12</b>	<b>11.8</b>	<b>-0.6</b>	<b>0.8</b>	<b>43.2</b>	<b>3</b>
	<b>last 4 quarters</b>	<b>13,735</b>	<b>1,179.3</b>	<b>100.0</b>	<b>-36</b>	<b>-24</b>	<b>-7 (-1.9)</b>	<b>-68</b>	<b>-56</b>	<b>0</b>	<b>-12</b>	<b>63.3</b>	<b>-0.6</b>	<b>1.3</b>	<b>41.6</b>	<b>3</b>

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(€)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Barclays Capital	4,574	55.9	26.0	(-0.2)	-1	-7	-8	-7	-1	-11	-6	-1	5	32.4	0.1	69.4	0.4
Goldman Sachs	358	16.5	7.7	(-2.2)	-9	-51	-60	-50	-10	-12	-43	-8	6	23.7	2.0	9.3	1.9
Credit Suisse	209	15.2	7.1	(-2.7)	-10	-77	-87	-63	-25	-85	-62	-15	-8	27.3	0.7	25.2	2.7
J P Morgan	142	14.2	6.6	(-2.9)	-10	-48	-59	-25	-33	-178	-30	-18	-100	28.5	0.6	57.1	3.5
Liquidnet	219	11.9	5.5	(-3.1)	-11	-33	-44	-32	-12	-49	-22	-11	-14	28.0	1.3	15.7	1.9
Sanford Bernstein	105	8.6	4.0	(-1.2)	-8	11	4	5	-1	25	56	-45	-27	16.5	0.3	56.3	5.0
Morgan Stanley	69	8.2	3.8	(-3.3)	-9	-32	-42	-40	-1	-56	-36	4	10	35.5	0.5	93.6	3.4
RBC Dain Rauscher	153	6.3	2.9	(-2.4)	-10	-91	-101	-59	-42	-293	-60	-30	5	23.8	1.2	13.6	1.7
Knight Equity Markets	151	5.6	2.6	(-3.2)	-15	-76	-90	-97	6	-188	-80	4	151	22.1	2.3	10.4	1.7
Citigroup Global Markets	50	4.8	2.2	(-1.7)	-9	-41	-50	-44	-6	-164	-47	6	-90	19.6	0.5	26.2	4.9
Bank of America	125	4.7	2.2	(-2.9)	-11	-27	-38	-30	-8	-31	-16	-11	-21	26.5	0.6	35.5	1.4
Instinet	35	4.0	1.9	(-1.8)	-3	-9	-12	8	-20	32	20	-29	-80	56.7	0.2	104.4	2.0
Stifel Nicolaus	87	4.0	1.9	(-3.9)	-17	-83	-100	-78	-22	-138	-80	-4	78	23.1	1.2	25.1	2.0
Deutsche Bank	67	4.0	1.8	(-3.6)	-18	-30	-48	-54	6	378	-45	16	38	19.8	4.3	8.4	3.0
Raymond James	56	2.7	1.3	(-3.4)	-18	-173	-191	-108	-83	-261	-129	-44	-59	18.7	1.6	4.2	2.5
Pipeline Trading	59	2.4	1.1	(-1.6)	-7	-49	-55	-46	-10	1	-32	-17	48	23.4	1.2	19.2	1.7
ISI Group	20	2.2	1.0	(-3.9)	-13	-29	-42	-34	-8	-29	-25	-4	29	30.1	0.2	140.6	3.6
KeyBanc Capital Markets	33	2.1	1.0	(-3.6)	-15	-0	-15	-26	11	38	-3	3	56	23.5	1.1	46.8	2.7
UBS Securities	39	2.0	1.0	(-1.1)	-12	-35	-47	-46	-1	-36	-41	6	132	9.8	0.4	25.9	5.6
Weeden & Co	76	2.0	0.9	(-3.4)	-17	-69	-86	-67	-20	-118	-56	-13	-8	19.9	1.3	9.4	1.3
Cantor Fitzgerald	47	2.0	0.9	(-3.5)	-11	9	-2	-20	17	10	-4	12	52	30.7	0.8	74.8	1.4
Wells Fargo Securities	36	1.9	0.9	(-3.8)	-19	-30	-49	-37	-12	8	-21	-9	33	19.7	1.1	11.2	2.6
William Blair & Company	19	1.8	0.9	(-3.8)	-13	-68	-81	-66	-14	-19	-56	-12	-31	29.5	0.4	42.8	3.3
Lazard Freres	25	1.8	0.9	(-3.7)	-20	-22	-42	-31	-11	-22	-6	-16	-5	18.2	1.0	17.2	4.0
Macquarie Securities	28	1.8	0.8	(-3.7)	-11	14	2	15	-13	39	37	-23	24	31.7	1.0	21.1	2.0
Jefferies	45	1.7	0.8	(-2.7)	-14	-3	-17	-80	63	-53	-60	57	246	19.7	6.6	9.6	1.9
Friedman Billings Ramse	15	1.5	0.7	(-3.8)	-14	-103	-117	-64	-53	-60	-69	-34	-184	27.0	0.3	94.9	3.7
Piper Jaffray	24	1.5	0.7	(-3.8)	-16	-36	-51	-36	-15	-54	-40	4	-14	23.6	0.6	19.0	2.6
JonesTrading	23	1.4	0.6	(-3.6)	-19	14	-6	-18	12	49	8	6	-84	18.9	1.2	1.9	3.1
Nomura Securities	17	1.4	0.6	(-0.4)	-6	-47	-53	-49	-4	-82	-51	4	-39	6.5	0.7	15.4	12.2
Others	527	20.8	9.7	(-3.3)	-13	-13	-27	-32	5	-36	-18	5	10	24.1	0.8	26.4	1.6
<b>Total</b>	<b>7,433</b>	<b>214.5</b>	<b>100.0</b>	<b>(-2.2)</b>	<b>-9</b>	<b>-33</b>	<b>-41</b>	<b>-32</b>	<b>-9</b>	<b>-47</b>	<b>-26</b>	<b>-7</b>	<b>-1</b>	<b>25.3</b>	<b>0.8</b>	<b>43.2</b>	<b>1.1</b>



San Mateo County Employees Retirement Association: Aggregate

Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(€)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Barclays Capital	26,884	370.2	31.4	(-0.1)	-0	-4	-4	4	-8	-3	-2	-2	-0	31.1	0.1	65.4	0.4
Goldman Sachs	1,551	91.2	7.7	(-2.2)	-9	-24	-33	-38	5	-29	-35	11	9	23.8	3.7	13.6	2.5
Credit Suisse	731	64.2	5.5	(-3.1)	-10	-36	-46	-32	-13	-67	-28	-8	-7	32.2	3.0	46.2	2.7
J P Morgan	540	63.2	5.4	(-2.9)	-12	-60	-72	-56	-16	-180	-56	-4	19	24.4	1.2	37.7	4.8
Liquidnet	879	53.4	4.5	(-3.0)	-11	-30	-41	-31	-10	-44	-24	-7	4	27.7	2.2	11.6	2.2
Sanford Bernstein	302	37.9	3.2	(-1.4)	-7	5	-3	-5	2	15	14	-9	-1	18.9	0.6	48.1	6.6
Bank of America	525	37.1	3.2	(-2.2)	-13	-15	-28	-33	5	-4	-20	5	20	17.3	0.8	44.8	4.1
Instinet	265	36.3	3.1	(-2.1)	-5	-102	-107	-58	-49	-384	-67	-34	89	41.5	0.9	55.2	3.3
Jefferies	366	33.0	2.8	(-2.3)	-11	-40	-51	-59	8	-132	-50	10	-127	21.0	3.2	10.1	4.3
Morgan Stanley	270	30.1	2.6	(-2.1)	-9	-37	-46	-42	-4	-67	-40	4	1	23.0	0.4	73.3	4.9
Pipeline Trading	507	27.1	2.3	(-1.7)	-5	-76	-81	-52	-29	-85	-63	-14	25	35.8	1.1	16.8	1.5
Knight Equity Markets	451	21.7	1.8	(-3.4)	-14	-18	-32	-33	1	-17	-17	-1	52	24.6	2.2	4.7	2.0
Citigroup Global Markets	260	20.8	1.8	(-1.2)	-8	-27	-35	-35	0	-53	-35	8	47	15.4	0.8	31.8	5.2
RBC Dain Rauscher	495	20.0	1.7	(-2.5)	-12	-47	-60	-47	-13	-119	-38	-10	-7	20.4	1.7	12.0	2.0
Deutsche Bank	231	14.7	1.2	(-3.3)	-12	-15	-27	-20	-6	89	-11	-4	53	28.5	2.6	25.7	2.2
Macquarie Securities	125	14.4	1.2	(-1.3)	-8	14	7	-1	8	7	12	3	25	17.4	0.9	25.4	6.6
ISI Group	106	14.3	1.2	(-3.7)	-15	-55	-69	-55	-14	-154	-51	-4	55	25.3	0.3	103.9	5.3
Stifel Nicolaus	298	14.0	1.2	(-3.5)	-17	-52	-68	-60	-8	-93	-53	1	103	21.2	1.6	17.0	2.2
UBS Securities	216	12.8	1.1	(-1.1)	-10	-7	-17	-31	14	-32	-28	20	108	11.9	0.9	25.9	5.1
Raymond James	189	11.7	1.0	(-3.4)	-13	-45	-58	-39	-19	-111	-36	-9	-32	25.7	1.2	9.8	2.4
BNY ConvergEx Group	120	10.2	0.9	(-3.8)	-18	18	-0	-14	13	2	8	10	50	21.2	2.5	6.2	4.0
KeyBanc Capital Markets	110	9.9	0.8	(-3.8)	-14	-10	-24	-21	-3	26	-4	-6	-57	27.0	1.2	50.4	3.3
Cantor Fitzgerald	157	8.4	0.7	(-2.9)	-15	-46	-61	-40	-21	28	-33	-13	12	19.3	1.4	49.9	2.8
Cowen & Co	97	8.3	0.7	(-3.7)	-15	-30	-45	-29	-16	-57	-21	-9	60	25.6	0.6	32.9	3.4
ITG	358	7.9	0.7	(-1.8)	-6	-55	-62	-61	-1	-133	-66	11	49	27.5	1.9	10.7	0.8
Oppenheimer & Co	85	7.9	0.7	(-3.6)	-15	-33	-48	-30	-18	-39	-29	-4	-38	23.8	1.0	27.5	4.0
Robert W Baird	140	7.1	0.6	(-3.8)	-15	-11	-26	-21	-5	-21	-4	-8	-26	25.6	2.1	3.7	2.0
Wells Fargo Securities	96	7.0	0.6	(-3.4)	-20	-38	-58	-55	-3	3	-34	-4	42	16.9	1.0	27.8	4.3
Lazard Freres	93	6.6	0.6	(-3.4)	-12	-10	-22	-18	-4	-294	2	-11	-9	27.1	1.1	16.6	2.6
Credit Lyonnais	64	6.4	0.5	(-0.8)	-6	-7	-13	-11	-2	-17	-5	-2	4	14.3	1.6	17.3	7.0
Others	2,254	109.8	9.3	(-3.0)	-13	-23	-36	-27	-9	-26	-20	-3	25	22.9	1.9	29.4	2.1
<b>Total</b>	<b>38,765</b>	<b>1,177.8</b>	<b>100.0</b>	<b>(-1.9)</b>	<b>-7</b>	<b>-24</b>	<b>-31</b>	<b>-24</b>	<b>-8</b>	<b>-49</b>	<b>-22</b>	<b>-2</b>	<b>10</b>	<b>25.3</b>	<b>1.3</b>	<b>41.6</b>	<b>1.2</b>

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares
		#	\$Millions	%	bp	bp	bp (€)	bp	bp	bp	bp	%	%	%	\$Billions	000
Asia Pacific ex Japan																
	Australia	6	1.3	0.6	59	6	-5 (-0.2)	60	24	0	35	0.1	0.5	0.6	28.3	62
Europe ex UK																
	France	6	1.2	0.6	11	-12	-5 (-1.9)	-6	3	0	-10	0.1	2.3	0.3	18.4	6
	Germany	3	0.6	0.3	-13	103	-5 (-0.7)	85	-2	0	87	0.0	-2.4	0.1	49.4	16
	Netherlands	1	0.3	0.2	-11	8	-5 (-1.8)	-7	-18	0	10	0.0	0.4	0.1	128.2	10
	Spain	3	1.7	0.8	-133	16	-5 (-0.2)	-122	-70	0	-52	0.1	-0.7	0.6	50.8	142
Japan																
	Japan	8	2.8	1.3	-3	-50	-5 (-1.7)	-58	-59	0	1	0.2	-0.6	0.7	16.6	10
United Kingdom																
	United Kingdom	5	1.1	0.5	203	35	-5 (-1.2)	233	132	0	100	0.1	0.9	0.2	88.1	10
United States																
	United States	2,834	205.1	95.7	-48	-34	-9 (-2.4)	-91	-78	0	-13	11.3	-0.6	0.9	43.3	3
<b>Total</b>		<b>2,866</b>	<b>214.3</b>	<b>100.0</b>	<b>-45</b>	<b>-33</b>	<b>-9 (-2.2)</b>	<b>-87</b>	<b>-75</b>	<b>0</b>	<b>-12</b>	<b>11.8</b>	<b>-0.6</b>	<b>0.8</b>	<b>43.2</b>	<b>3</b>

Manager Report Card

Manager	Investment Strategy	Overall Execution Efficiency			Brokerage Cost Efficiency		
		2011/Q3	2011/Q4		2011/Q3	2011/Q4	
BARROW, HANLEY, MEWHINNEY & STRAUSS	US-Large Cap Value	N/A	4th Q'tile		N/A	4th Q'tile	
BLACKROCK CAPITAL MANAGEMENT, INC.	US-Large Cap Growth	4th Q'tile	4th Q'tile		4th Q'tile	4th Q'tile	
CHARTWELL INVESTMENT PARTNERS	US-Small Cap Growth	2nd Q'tile	1st Q'tile		2nd Q'tile	2nd Q'tile	
D.E. SHAW INVESTMENT MANAGEMENT, LLC	US-Large Cap Core/Enhanced	3rd Q'tile	3rd Q'tile		4th Q'tile	4th Q'tile	
JENNISON ASSOCIATES	US-Small Cap Core/Enhanced	1st Q'tile	1st Q'tile		1st Q'tile	1st Q'tile	
MONDRIAN INVESTMENT PARTNERS	NonUS-All Country Growth	N/A	1st Q'tile		N/A	1st Q'tile	
T. ROWE PRICE ASSOCIATES	US-Large Cap Core/Enhanced	2nd Q'tile	2nd Q'tile		3rd Q'tile	3rd Q'tile	
THE BOSTON COMPANY	US-Small Cap Value	N/A	4th Q'tile		N/A	4th Q'tile	
<b>Total</b>		3rd Q'tile	4th Q'tile		4th Q'tile	4th Q'tile	

Comparisons are based on a one quarter lagged-trailing four quarter manager/total fund performance versus a peer group universe covering the same periods

"N/A" indicates no transaction activity for the period

Follow Up Review

Manager Investment Strategy	Trends and Observations	Significant Issues
<b>BARROW, HANLEY, MEWHINNEY &amp; STRAUSS</b> US-Large Cap Value	..... .....	..... .....
<b>BLACKROCK CAPITAL MANAGEMENT, INC.</b> US-Large Cap Growth	..... .....	..... .....
<b>CHARTWELL INVESTMENT PARTNERS</b> US-Small Cap Growth	..... .....	..... .....
<b>D.E. SHAW INVESTMENT MANAGEMENT, LLC</b> US-Large Cap Core/Enhanced	..... .....	..... .....
<b>JENNISON ASSOCIATES</b> US-Small Cap Core/Enhanced	..... .....	..... .....
<b>MONDRIAN INVESTMENT PARTNERS</b> NonUS-All Country Growth	..... .....	..... .....
<b>T. ROWE PRICE ASSOCIATES</b> US-Large Cap Core/Enhanced	..... .....	..... .....
<b>THE BOSTON COMPANY</b> US-Small Cap Value	..... .....	..... .....

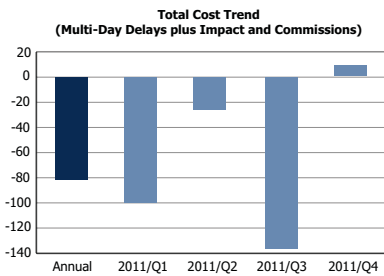
## BARROW, HANLEY, MEWHINNEY & STRAUSS

Execution Summary

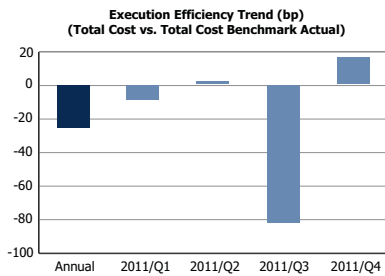
- Total Costs (Multi-Day Delays plus Impact and Commission) were 10 bp, which outperformed the Total Benchmark of -7 bp by 17 bp
- Brokerage Costs (Impact plus Commission) were 22 bp, which outperformed the Brokerage benchmark of 7bp by 15 bp
- The average Commission was -3.0¢ (-10 bp), which was 0.6¢ greater than Zeno Universe Average

Implementation Characteristics

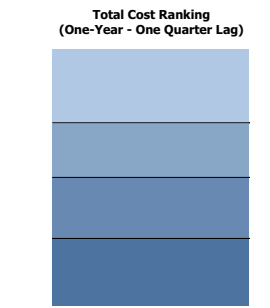
- The fund traded \$8.8 million, which generated an average return of 244 bp, as of quarter-end
- Decisions took up to 8 days to implement
- The Annualized Turnover was 12%
- The Average Pre-Trade Price Trend was neutral



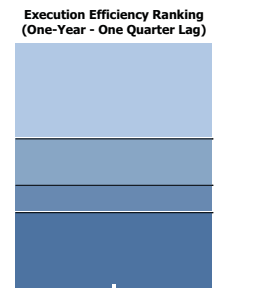
<b>Annual</b>	<b>-82 bp</b>	<b>(-\$666,033)</b>
2011/Q1	-100 bp	(-\$284,874)
2011/Q2	-27 bp	(-\$51,726)
2011/Q3	-137 bp	(-\$338,336)
2011/Q4	10 bp	(\$8,903)



<b>Annual</b>	<b>-26 bp</b>	<b>(-\$207,369)</b>
2011/Q1	-9 bp	(-\$24,622)
2011/Q2	2 bp	(\$4,632)
2011/Q3	-82 bp	(-\$202,298)
2011/Q4	17 bp	(\$14,919)



BARROW, HANLEY, MEWHINNEY & STRAUSS	
96%	(-93bp)
5%	52bp
25%	12bp
50%	-19bp
75%	-54bp
95%	-93bp



BARROW, HANLEY, MEWHINNEY & STRAUSS	
95%	(-31bp)
5%	38bp
25%	11bp
50%	-2bp
75%	-10bp
95%	-31bp

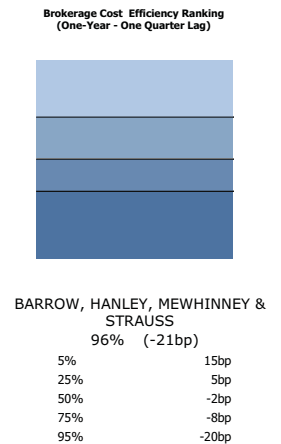
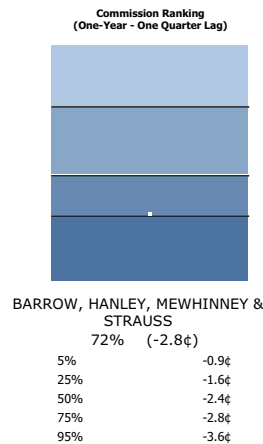
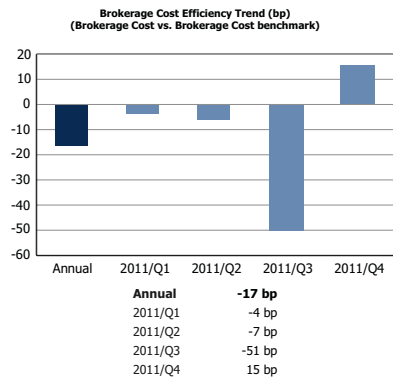
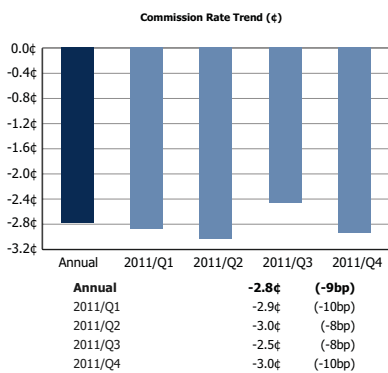
San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

Total Cost Analysis

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp				Before Costs bp	After Costs bp
2011/Q1	28.4	-100	-92	0	-25	-9	8	594	50	-50
2011/Q2	19.4	-27	-29	0	5	2	6	-108	9	-18
2011/Q3	24.6	-137	-55	0	-202	-82	9	-1,459	330	193
2011/Q4	8.8	10	-7	0	15	17	3	1,125	234	244
<b>Total</b>	<b>81.2</b>	<b>-82</b>	<b>-56</b>	<b>0</b>	<b>-207</b>	<b>-26</b>	<b>26</b>	<b>-138</b>	<b>145</b>	<b>63</b>

Components of Cost Analysis

Review Period	---- Execution Costs ----				---- Benchmarks ----				
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp	Commission Benchmark bp (\$)	
2011/Q1	-62	-28	-10	(-2.9)	-100	-92	-34	-8	(-2.4)
2011/Q2	4	-23	-8	(-3.0)	-27	-29	-24	-8	(-2.4)
2011/Q3	-67	-63	-8	(-2.5)	-137	-55	-21	-8	(-2.3)
2011/Q4	-12	33	-10	(-3.0)	10	-7	7	-8	(-2.4)
<b>Total</b>	<b>-42</b>	<b>-31</b>	<b>-9</b>	<b>(-2.8)</b>	<b>-82</b>	<b>-56</b>	<b>-23</b>	<b>-8</b>	<b>(-2.4)</b>



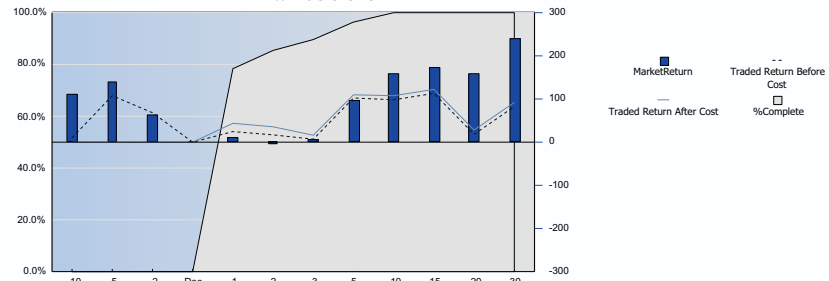
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

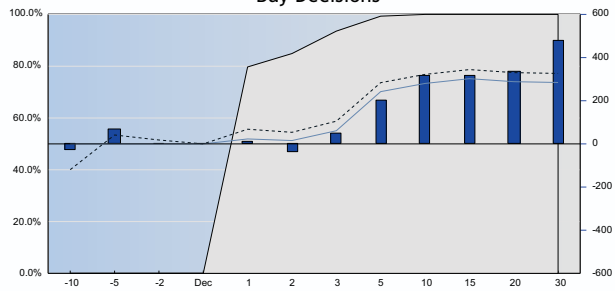
Decision Review

---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	36	8.8	100	-12	33	-10 (-3.0)	10	-7	0	17	2.9	0.8	0.5	51.5	8.6
Buy	23	5.4	61	-22	-11	-8 (-3.0)	-41	-43	0	2	1.8	-0.1	0.4	40.2	6.5
Sell	13	3.5	39	3	100	-13 (-2.9)	90	49	0	40	1.2	2.3	0.7	69.0	12.3

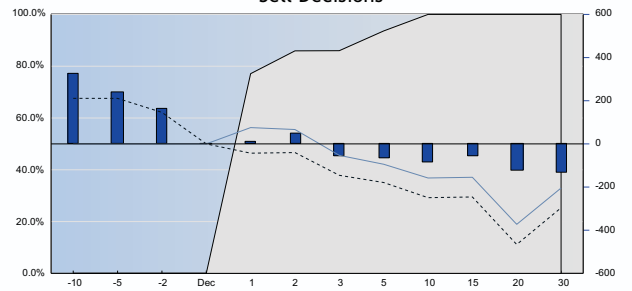
All Decisions



Buy Decisions



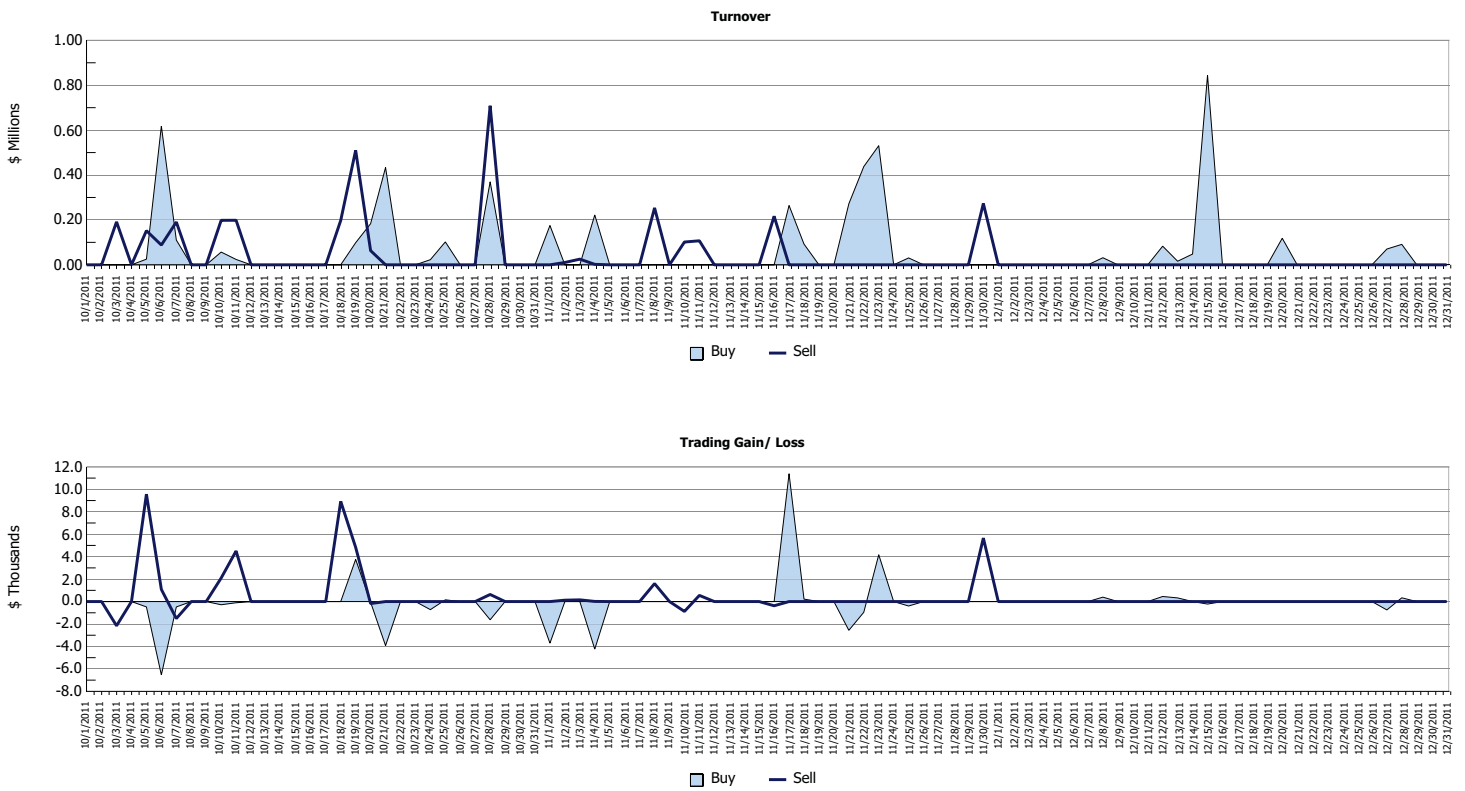
Sell Decisions





San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

Daily Trading Activity



San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Liquidnet	25	1.6	18.7	(-2.0)	-6	-39	-44	-31	-13	37	-23	-16	103	34.9	0.7	63.7	1.9
Sanford Bernstein	3	0.9	9.7	(-3.5)	-11	117	106	38	68	197	70	47	36	32.6	0.1	78.4	8.7
Keefe Bruyette & Woods	1	0.8	9.6	(-3.5)	-6	-3	-9	-29	20	-127	-27	24	105	56.7	0.3	23.1	14.9
Wells Fargo Securities	8	0.7	8.3	(-3.5)	-13	-12	-25	-8	-16	56	0	-12	106	27.6	1.5	26.0	3.3
Island Execution	4	0.6	6.6	(-3.5)	-10	-103	-113	-84	-29	-102	-88	-15	118	36.1	0.1	107.2	4.0
Credit Suisse	2	0.5	6.2	(-3.5)	-14	-53	-68	-45	-23	-39	-38	-16	-215	24.7	0.1	32.9	11.0
Pipeline Trading	3	0.4	4.8	(-1.0)	-7	185	178	141	37	269	181	4	249	14.5	0.1	65.1	9.7
Howard Weil	3	0.3	3.9	(-3.5)	-15	278	263	145	118	364	213	65	-330	22.5	1.2	6.4	5.1
Instinet	2	0.3	3.8	(-1.5)	-5	-124	-129	-77	-52	-142	-116	-8	10	30.3	0.0	83.3	5.6
Guggenheim Capital	2	0.3	3.8	(-3.5)	-8	67	59	62	-3	166	78	-10	-115	43.9	0.1	27.6	3.8
RBC Dain Rauscher	7	0.3	3.1	(-3.5)	-17	37	20	4	16	60	24	13	71	20.6	2.0	3.9	1.9
Buckingham	1	0.3	3.0	(-3.5)	-14	207	193	126	67	507	177	30	-33	24.3	0.0	120.1	11.0
UBS Securities	1	0.2	2.5	(-3.5)	-14	-17	-31	-5	-26	-75	15	-32	322	25.2	0.0	129.0	8.6
Stifel Nicolaus	1	0.2	2.3	(-3.5)	-12	-69	-81	-51	-29	-102	-52	-17	183	29.4	0.3	19.2	6.8
J P Morgan	3	0.2	2.3	(-3.5)	-15	173	158	73	85	313	139	33	264	24.1	1.3	2.4	2.8
KeyBanc Capital Markets	1	0.2	2.2	(-3.5)	-15	106	90	70	21	213	111	-6	-94	22.5	0.0	117.0	8.7
Friedman Billings Ramsey	1	0.2	2.0	(-3.5)	-27	643	615	354	261	695	560	83	240	13.6	0.2	6.9	13.0
Barclays Capital	1	0.2	2.0	(-3.5)	-12	-31	-43	-51	8	-64	-52	20	219	29.4	0.3	19.2	5.9
Dowling & Partners	2	0.2	1.8	(-3.5)	-5	-117	-122	-128	6	-179	-143	26	52	66.3	0.1	18.8	1.2
Scott & Stringfellow	2	0.2	1.7	(-3.5)	-11	-20	-32	-46	14	26	-28	7	50	31.0	3.1	3.1	2.5
Portales Partners	1	0.1	1.1	(-3.5)	-31	100	69	43	26	165	105	-5	-2	11.5	0.2	5.1	8.4
Morgan Stanley	1	0.0	0.5	(-3.5)	-11	1	-10	-26	16	29	-12	13	114	32.0	0.9	3.2	1.4
Pulse Trading	1	0.0	0.2	(-1.0)	-1	-172	-173	-227	54	-310	-266	94	125	66.3	0.1	18.7	0.2
BNY ConverEx Group	2	0.0	0.1	(-3.5)	-14	111	97	39	58	195	73	38	-18	25.8	3.1	3.4	0.2
Aqua Securities	1	0.0	0.1	(-1.0)	-3	75	72	9	63	185	34	41	60	32.0	0.9	3.2	0.2
<b>Total</b>	<b>79</b>	<b>8.8</b>	<b>100.0</b>	<b>(-3.0)</b>	<b>-10</b>	<b>33</b>	<b>22</b>	<b>7</b>	<b>15</b>	<b>74</b>	<b>26</b>	<b>7</b>	<b>59</b>	<b>28.5</b>	<b>0.5</b>	<b>51.5</b>	<b>3.9</b>

San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Liquidnet	112	11.8	14.6	(-2.0)	-6	-27	-33	-21	-12	34	-21	-5	6	32.2	1.3	23.3	3.3
Instinet	97	10.5	13.0	(-1.5)	-5	-121	-125	-34	-92	-112	-51	-69	333	32.8	0.1	48.5	3.3
J P Morgan	39	9.2	11.3	(-3.2)	-8	-28	-36	-39	3	-8	-34	6	67	38.7	0.3	35.6	6.1
Sanford Bernstein	31	7.5	9.2	(-3.2)	-12	-10	-22	-11	-11	6	3	-13	1	27.5	0.9	41.3	8.8
Goldman Sachs	25	5.2	6.4	(-3.5)	-11	-37	-48	-41	-8	14	-37	-1	-38	32.3	1.0	27.1	6.5
Wells Fargo Securities	19	2.8	3.4	(-3.5)	-14	30	16	-11	26	106	24	7	77	24.1	0.8	29.2	6.1
Keefe Bruyette & Woods	14	2.7	3.3	(-3.5)	-10	-25	-35	-22	-13	-69	-19	-6	69	33.2	0.9	12.3	5.7
Pipeline Trading	38	2.6	3.3	(-1.0)	-4	7	3	3	0	19	8	-1	66	22.9	1.8	16.3	3.0
Howard Weil	7	1.9	2.4	(-3.5)	-8	32	24	-3	27	53	12	20	-29	43.9	0.8	7.1	6.2
KeyBanc Capital Markets	9	1.9	2.3	(-3.5)	-8	67	59	45	14	107	72	-5	-176	43.4	1.3	24.8	4.8
Friedman Billings Ramse	8	1.6	2.0	(-3.5)	-12	218	207	134	73	275	193	26	207	29.9	1.0	5.6	6.8
Credit Suisse	8	1.6	2.0	(-3.5)	-17	-51	-68	-54	-13	24	-47	-4	103	20.5	0.1	35.9	9.7
Buckingham	9	1.5	1.9	(-3.5)	-14	-36	-49	7	-56	-25	39	-75	-184	26.0	0.2	84.9	6.6
ISI Group	11	1.5	1.8	(-3.5)	-13	-93	-107	-89	-17	-54	-92	-1	88	25.8	0.5	55.8	5.2
Morgan Stanley	2	1.2	1.5	(-3.5)	-5	-8	-13	-43	30	35	-31	23	66	67.4	1.5	0.1	9.3
JonesTrading	8	1.2	1.4	(-2.5)	-10	-6	-16	29	-45	-69	45	-51	-67	24.8	1.2	81.2	5.8
Stifel Nicolaus	11	1.1	1.4	(-3.5)	-11	-49	-60	-40	-20	-60	-33	-16	38	30.8	0.8	11.1	3.3
Cowen & Co	6	1.1	1.3	(-3.5)	-9	-54	-63	-33	-30	-102	-34	-20	-76	39.0	0.4	18.9	4.6
Barclays Capital	7	1.1	1.3	(-3.5)	-10	-15	-26	1	-27	-92	-25	10	-42	33.3	0.5	8.9	4.6
Jefferies	7	1.0	1.3	(-3.5)	-12	-52	-64	-74	9	-48	-78	26	-20	28.2	1.0	74.4	5.2
Capital Institution Svcs	6	0.9	1.1	(-3.5)	-13	-68	-81	-40	-42	-1	-22	-46	-52	26.0	0.3	21.2	5.9
RBC Dain Rauscher	14	0.9	1.1	(-3.5)	-15	-20	-35	-28	-7	-9	-17	-3	-17	23.0	1.3	6.7	2.8
Deutsche Bank	4	0.9	1.1	(-3.5)	-5	95	90	97	-7	517	110	-15	40	70.4	0.2	98.1	3.2
Guggenheim Capital	3	0.8	1.0	(-2.4)	-5	-42	-46	-5	-42	63	-9	-33	-23	50.4	0.2	41.8	5.5
BNY ConvergeX Group	7	0.8	0.9	(-3.5)	-10	-90	-100	-82	-18	-188	-99	9	-56	33.2	0.3	1.3	3.3
Sterne Agee & Leach	8	0.7	0.9	(-3.5)	-12	-36	-49	-42	-7	-52	-41	5	39	28.6	2.1	8.5	3.0
Bank of America	8	0.7	0.8	(-3.5)	-8	-9	-17	-25	8	218	-12	3	80	45.4	0.7	9.5	1.8
Citigroup Global Markets	4	0.6	0.8	(-3.5)	-3	16	13	-68	81	2	-26	41	133	124.3	4.8	4.0	1.3
Raymond James	8	0.6	0.7	(-3.5)	-10	89	79	45	34	71	69	20	-22	35.1	2.1	5.3	2.0
Island Execution	4	0.6	0.7	(-3.5)	-10	-103	-113	-84	-29	-102	-88	-15	118	36.1	0.1	107.2	4.0
Others	56	4.6	5.7	(-3.1)	-10	-82	-93	-62	-31	-158	-75	-8	-29	30.9	0.8	38.1	2.7
<b>Total</b>	<b>590</b>	<b>81.3</b>	<b>100.0</b>	<b>(-2.8)</b>	<b>-9</b>	<b>-31</b>	<b>-40</b>	<b>-23</b>	<b>-17</b>	<b>-7</b>	<b>-19</b>	<b>-12</b>	<b>54</b>	<b>31.8</b>	<b>0.8</b>	<b>33.0</b>	<b>4.3</b>

San Mateo County Employees Retirement Association: BARROW, HANLEY, MEWHINNEY & STRAUSS : US-Large Cap ValFourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States																	
	United States	36	8.8	100.0	-12	33	-10	(-3.0)	10	-7	0	17	3	0.8	0.5	51.5	9
<b>Total</b>		<b>36</b>	<b>8.8</b>	<b>100.0</b>	<b>-12</b>	<b>33</b>	<b>-10</b>	<b>(-3.0)</b>	<b>10</b>	<b>-7</b>	<b>0</b>	<b>17</b>	<b>3</b>	<b>0.8</b>	<b>0.5</b>	<b>51.5</b>	<b>9</b>

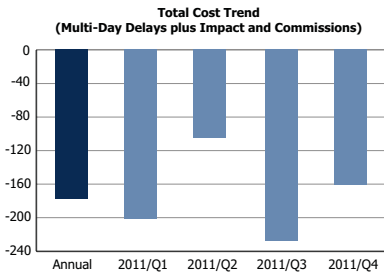
## BLACKROCK CAPITAL MANAGEMENT, INC.

Execution Summary

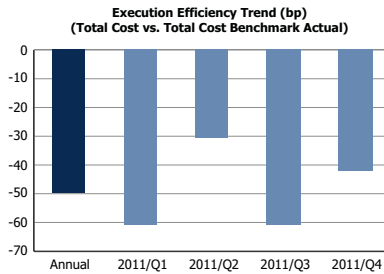
- Total Costs (Multi-Day Delays plus Impact and Commission) were -164 bp, which underperformed the Total Benchmark of -121 bp by -42 bp
- Brokerage Costs (Impact plus Commission) were -76 bp, which underperformed the Brokerage benchmark of -47bp by -29 bp
- The average Commission was -3.4¢ (-10 bp), which was 1.0¢ greater than Zeno Universe Average

Implementation Characteristics

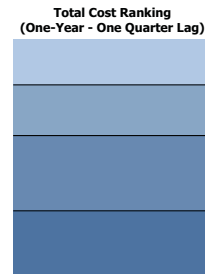
- The fund traded \$59.0 million, which generated an average return of -245 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 77%
- The Average Pre-Trade Price Trend was neutral



<b>Annual</b>	<b>-180 bp</b>	<b>(-\$4,637,025)</b>
2011/Q1	-203 bp	(-\$1,169,011)
2011/Q2	-106 bp	(-\$636,011)
2011/Q3	-229 bp	(-\$1,867,032)
2011/Q4	-164 bp	(-\$964,971)



<b>Annual</b>	<b>-50 bp</b>	<b>(-\$1,288,441)</b>
2011/Q1	-61 bp	(-\$353,475)
2011/Q2	-31 bp	(-\$187,731)
2011/Q3	-61 bp	(-\$498,033)
2011/Q4	-42 bp	(-\$249,202)



BLACKROCK CAPITAL MANAGEMENT, INC.		BLACKROCK CAPITAL MANAGEMENT, INC.	
Rank 1-Year		Rank 1-Year	
97%	(-184bp)	98%	(-52bp)
5%	-4bp	5%	5bp
25%	-35bp	25%	-9bp
50%	-71bp	50%	-19bp
75%	-124bp	75%	-32bp
95%	-171bp	95%	-47bp

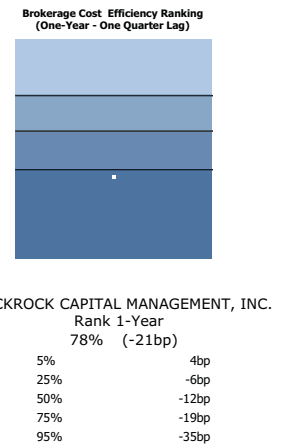
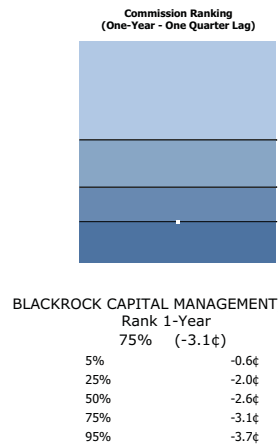
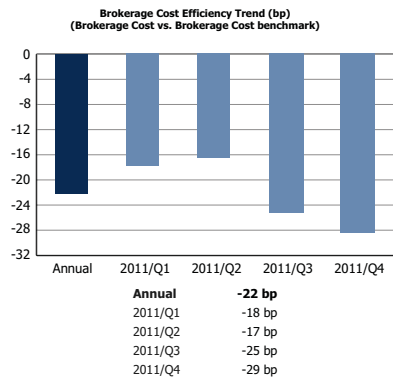
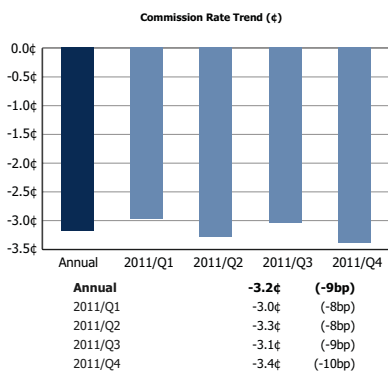
**San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap Growth Fourth Quarter 2011**

**Total Cost Analysis**

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual	bp	\$ 000	bp			Before Costs bp	After Costs bp
2011/Q1	57.6	-203	-142		-353	-61	16	549	257	54
2011/Q2	60.3	-106	-74		-188	-31	18	39	14	-92
2011/Q3	81.5	-229	-168		-498	-61	28	-1,122	286	57
2011/Q4	59.0	-164	-121		-249	-42	19	883	-81	-245
<b>Total</b>	<b>258.3</b>	<b>-180</b>	<b>-130</b>		<b>-1,288</b>	<b>-50</b>	<b>81</b>	<b>-21</b>	<b>132</b>	<b>-47</b>

**Components of Cost Analysis**

Review Period	---- Execution Costs ----					---- Benchmarks ----				
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp		Commission Benchmark bp (\$)	
2011/Q1	-127	-67	-8	(-3.0)	-203	-142	-58		-7	(-2.4)
2011/Q2	-44	-53	-8	(-3.3)	-106	-74	-45		-7	(-2.4)
2011/Q3	-136	-84	-9	(-3.1)	-229	-168	-69		-7	(-2.4)
2011/Q4	-88	-66	-10	(-3.4)	-164	-121	-47		-7	(-2.4)
<b>Total</b>	<b>-102</b>	<b>-69</b>	<b>-9</b>	<b>(-3.2)</b>	<b>-180</b>	<b>-130</b>	<b>-56</b>		<b>-7</b>	<b>(-2.4)</b>



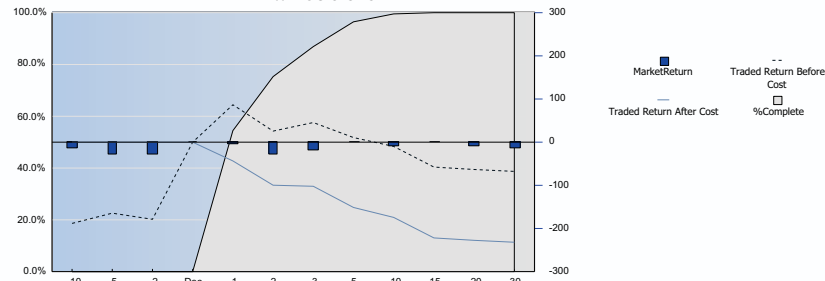
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap GrowFourth Quarter 2011

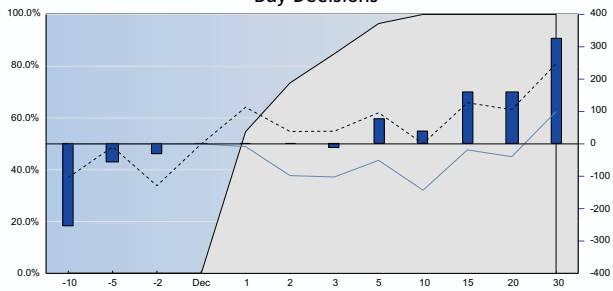
Decision Review

---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	131	59.0	100	-88	-66	-10 (-3.4)	-164	-121	0	-42	19.2	-2.1	0.4	62.0	12.8
Buy	67	29.0	49	-77	-58	-11 (-3.5)	-146	-120	0	-26	9.6	-1.9	0.3	68.2	13.8
Sell	64	30.0	51	-99	-74	-9 (-3.3)	-181	-123	0	-58	9.6	-2.2	0.5	56.0	11.8

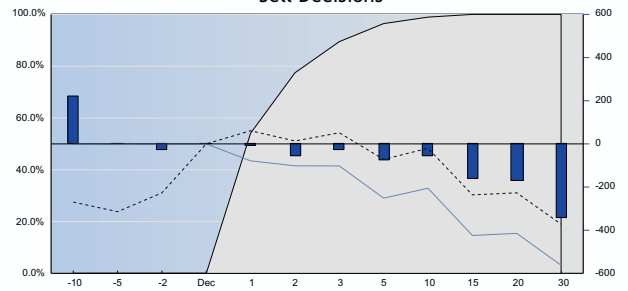
All Decisions



Buy Decisions



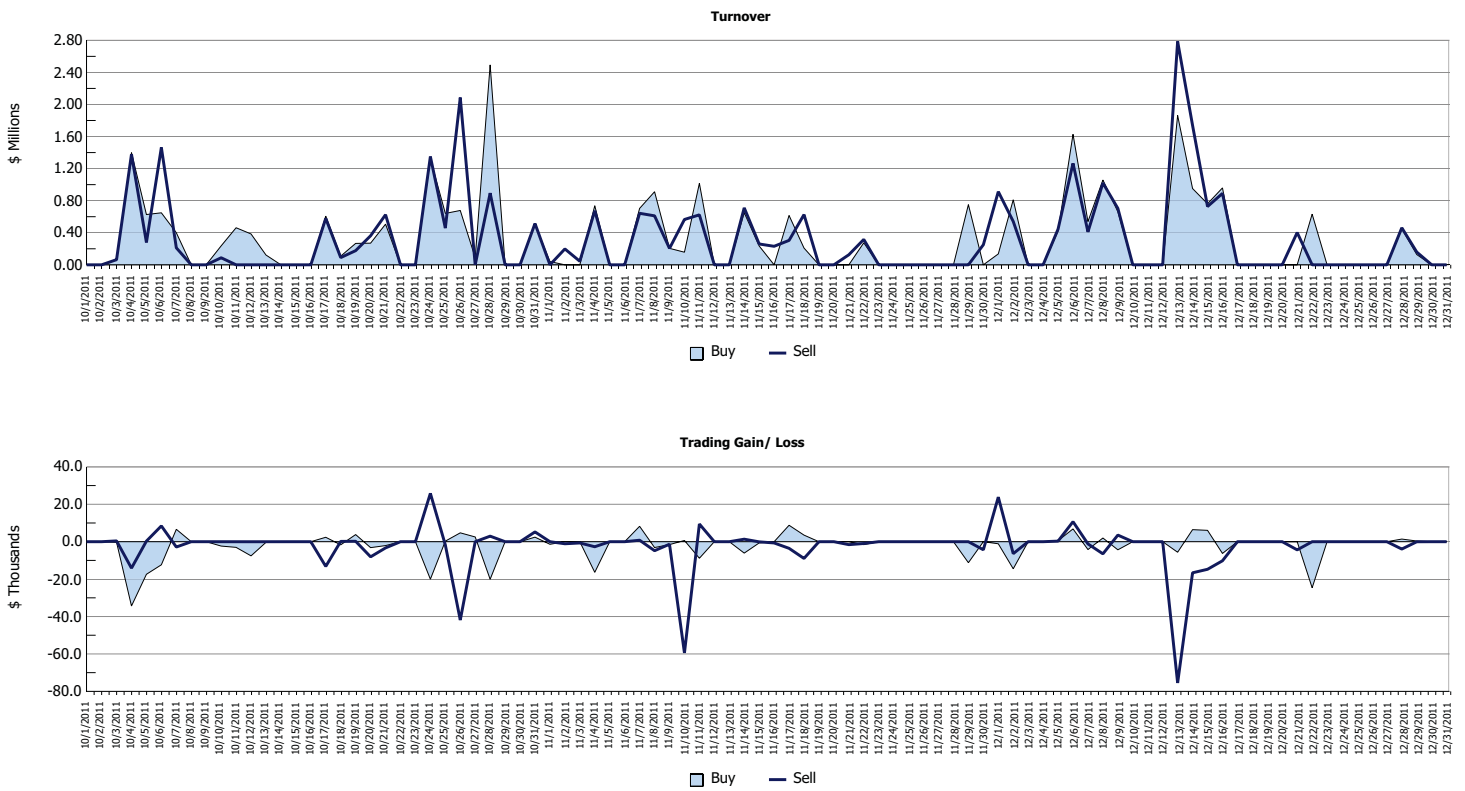
Sell Decisions





San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap Growth Fourth Quarter 2011

Daily Trading Activity



San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap GrowFourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
J P Morgan	48	10.5	17.9	(-3.9)	-10	-60	-70	-26	-44	-230	-36	-24	-151	38.3	0.4	71.9	5.7
Credit Suisse	78	9.9	16.8	(-3.0)	-9	-121	-129	-87	-42	-139	-92	-29	-15	35.8	0.4	27.3	3.6
Morgan Stanley	24	6.0	10.1	(-3.4)	-9	-80	-88	-68	-20	-114	-74	-6	14	39.9	0.6	124.0	6.3
Liquidnet	54	3.2	5.4	(-1.5)	-4	-36	-40	-33	-7	-133	-37	1	-28	36.4	0.6	20.2	1.6
Instinet	18	3.2	5.4	(-1.0)	-1	3	1	25	-24	56	37	-34	-122	84.9	0.1	122.6	2.1
Goldman Sachs	22	3.1	5.2	(-4.0)	-13	33	20	7	13	83	41	-8	-66	31.7	0.3	27.0	4.4
Citigroup Global Markets	17	2.7	4.6	(-4.0)	-10	-53	-63	-53	-11	-244	-57	4	-199	39.8	0.5	29.7	4.0
RBC Dain Rauscher	16	2.3	4.0	(-3.1)	-9	-186	-195	-108	-87	-758	-109	-77	-10	35.3	0.3	28.4	4.1
ISI Group	8	1.9	3.2	(-4.0)	-13	-36	-50	-37	-13	-33	-29	-7	44	30.5	0.1	159.7	7.7
Lazard Freres	14	1.5	2.6	(-3.7)	-21	8	-13	-14	2	41	20	-12	-24	17.6	0.9	19.9	6.0
Pipeline Trading	21	1.4	2.4	(-1.0)	-3	-171	-173	-124	-50	-119	-137	-34	35	35.3	0.5	12.3	1.8
Sanford Bernstein	9	1.4	2.3	(-3.9)	-15	-28	-42	-7	-35	-115	-5	-23	60	26.8	0.1	76.5	5.6
Stifel Nicolaus	5	1.2	2.1	(-4.0)	-14	-70	-84	-66	-18	-65	-68	-2	117	28.6	0.5	68.4	8.6
Bank of America	7	1.0	1.7	(-4.0)	-15	1	-14	-7	-7	-14	13	-12	-111	28.1	0.2	36.2	5.2
BMO Capital Markets	5	1.0	1.7	(-4.0)	-11	-8	-18	-20	2	-407	-33	25	11	38.1	0.3	120.1	5.2
Friedman Billings Ramsey	3	1.0	1.7	(-4.0)	-12	-283	-295	-161	-134	-205	-213	-70	-241	33.9	0.2	134.8	9.6
UBS Securities	10	0.8	1.3	(-4.0)	-14	-33	-47	-64	17	-5	-63	30	192	30.7	0.5	10.0	2.8
Macquarie Securities	3	0.8	1.3	(-4.0)	-10	133	124	129	-5	145	178	-44	-35	41.5	0.7	44.1	6.3
Piper Jaffray	7	0.7	1.2	(-4.0)	-12	-77	-89	-80	-8	-45	-90	13	-33	33.5	0.4	20.4	3.0
Knight Equity Markets	11	0.6	1.1	(-1.6)	-6	-128	-134	-87	-47	-145	-109	-19	168	26.6	0.5	78.7	2.2
William Blair & Company	4	0.6	1.0	(-4.0)	-13	-115	-128	-85	-43	-134	-88	-27	-42	30.9	0.1	75.3	4.8
SunTrust Robinson Hump	2	0.6	0.9	(-4.0)	-13	83	70	48	23	169	88	-4	-210	30.3	0.3	36.1	9.1
Deutsche Bank	5	0.5	0.9	(-4.0)	-12	-226	-238	-180	-59	-555	-256	30	-26	33.8	0.8	20.3	3.3
KeyBanc Capital Markets	2	0.4	0.7	(-4.0)	-17	-92	-109	-82	-27	-122	-77	-14	-20	22.3	0.1	174.1	9.3
CL King	3	0.4	0.7	(-2.0)	-1	-66	-67	-21	-47	-185	-51	-15	-553	195.6	0.0	131.0	0.7
Cowen & Co	3	0.4	0.7	(-4.0)	-33	2	-31	-15	-16	-12	15	-13	-19	12.1	0.4	13.7	10.8
Sterne Agee & Leach	4	0.3	0.5	(-4.0)	-13	-19	-32	-48	15	-45	-35	16	42	30.9	0.9	102.6	2.5
Jefferies	3	0.3	0.5	(-4.0)	-13	20	7	-26	33	-44	-6	26	8	30.0	0.1	35.1	3.0
ITG	5	0.2	0.4	(-1.0)	-2	-32	-34	-28	-6	-10	-35	3	-146	61.2	0.2	19.1	0.8
Pacific Crest Securities	2	0.2	0.4	(-4.0)	-13	134	122	78	44	162	126	9	-59	29.8	0.3	23.6	3.4
Others	8	0.8	1.3	(-3.4)	-10	-85	-95	-85	-10	-80	-102	17	44	35.1	0.3	24.7	2.8
<b>Total</b>	<b>421</b>	<b>58.9</b>	<b>100.0</b>	<b>(-3.4)</b>	<b>-10</b>	<b>-66</b>	<b>-76</b>	<b>-47</b>	<b>-29</b>	<b>-142</b>	<b>-49</b>	<b>-18</b>	<b>-53</b>	<b>35.1</b>	<b>0.4</b>	<b>62.0</b>	<b>4.0</b>

San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap GrowFourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
J P Morgan	158	38.4	14.9	(-3.6)	-12	-83	-95	-70	-25	-275	-76	-7	17	30.2	0.6	45.6	8.1
Credit Suisse	229	38.1	14.8	(-3.5)	-9	-58	-66	-45	-22	-114	-44	-14	-34	39.9	0.5	54.2	4.2
Pipeline Trading	249	21.6	8.4	(-1.4)	-3	-100	-102	-64	-38	-111	-83	-17	23	51.6	0.8	18.9	1.7
Instinet	94	20.6	8.0	(-1.1)	-2	-112	-113	-74	-39	-614	-88	-23	-21	70.3	0.4	71.8	3.2
Morgan Stanley	64	16.7	6.5	(-3.3)	-11	-89	-100	-71	-29	-157	-79	-11	-1	31.1	0.4	104.8	8.4
Liquidnet	214	14.8	5.8	(-1.5)	-3	-50	-53	-40	-13	-101	-45	-5	14	44.6	0.7	19.8	1.6
Goldman Sachs	74	14.1	5.5	(-3.9)	-8	-13	-21	-23	2	6	-14	1	-8	49.2	0.4	49.9	3.9
ISI Group	46	11.0	4.3	(-3.7)	-16	-56	-72	-56	-16	-189	-51	-5	62	23.9	0.3	120.1	10.1
Citigroup Global Markets	44	8.6	3.3	(-4.0)	-9	-59	-68	-59	-9	-141	-74	15	45	42.8	0.5	45.3	4.6
Jefferies	29	6.3	2.5	(-3.1)	-9	-104	-113	-79	-34	14	-97	-7	39	34.2	0.8	31.8	6.4
Sanford Bernstein	19	5.8	2.3	(-4.0)	-8	-25	-33	-22	-11	-56	-26	1	32	49.4	0.4	76.3	6.2
RBC Dain Rauscher	29	5.2	2.0	(-3.6)	-11	-124	-135	-89	-46	-450	-95	-29	19	34.4	0.4	29.6	5.2
Deutsche Bank	26	5.1	2.0	(-4.0)	-8	-16	-24	-18	-7	-194	-23	6	59	49.8	0.5	36.6	4.0
Lazard Freres	41	4.2	1.6	(-3.4)	-13	-19	-32	-20	-12	-465	-3	-15	-8	26.3	1.0	22.6	3.9
Cowen & Co	21	4.0	1.5	(-4.0)	-13	-28	-41	-27	-14	-77	-24	-4	86	29.7	0.3	59.8	6.3
Stifel Nicolaus	19	3.8	1.5	(-3.5)	-16	-74	-91	-77	-14	-107	-80	5	224	21.4	0.4	47.0	9.3
UBS Securities	26	3.7	1.4	(-4.0)	-10	-58	-68	-68	1	-105	-84	27	178	42.0	0.8	47.0	3.5
Oppenheimer & Co	21	3.7	1.4	(-3.4)	-15	5	-10	-8	-1	18	11	-6	5	23.4	0.2	56.6	7.5
Bank of America	22	3.3	1.3	(-3.4)	-16	-27	-44	-38	-5	-23	-20	-8	-50	20.7	0.4	27.8	7.3
Raymond James	14	2.9	1.1	(-4.0)	-7	-20	-27	-20	-7	-18	-20	0	-20	56.8	0.6	23.6	3.6
ITG	33	2.4	0.9	(-1.9)	-4	-235	-240	-176	-64	-452	-237	2	70	45.0	0.7	16.7	1.7
Macquarie Securities	12	2.3	0.9	(-4.0)	-8	53	45	40	5	52	68	-15	14	50.6	0.5	31.8	3.7
BMO Capital Markets	9	2.0	0.8	(-4.0)	-10	-61	-71	-51	-20	-238	-64	2	38	42.0	0.2	82.8	5.4
Friedman Billings Ramse	9	2.0	0.8	(-3.5)	-10	-161	-171	-81	-91	-64	-102	-60	-74	36.7	0.4	83.4	6.2
Knight Equity Markets	28	1.9	0.7	(-1.8)	-6	-152	-158	-93	-65	-222	-114	-37	145	30.3	0.7	35.0	2.3
KeyBanc Capital Markets	4	1.6	0.6	(-4.0)	-9	-57	-66	-51	-15	5	-54	-3	-162	44.0	0.1	272.9	9.0
William Blair & Company	11	1.6	0.6	(-2.4)	-27	-101	-127	-45	-83	-129	-55	-46	323	9.1	0.2	29.7	15.7
Wells Fargo Securities	9	1.5	0.6	(-2.9)	-30	-139	-168	-135	-34	-195	-135	-4	36	10.1	0.5	65.1	17.3
Piper Jaffray	10	1.4	0.5	(-3.7)	-10	-83	-93	-93	-0	-220	-102	19	103	36.8	0.4	16.4	3.8
SunTrust Robinson Humj	4	1.1	0.4	(-4.0)	-16	7	-9	8	-17	28	39	-32	-204	25.2	0.3	42.8	10.9
Others	85	7.6	3.0	(-3.3)	-12	-51	-64	-63	-0	-174	-68	16	39	27.3	0.5	61.8	3.3
<b>Total</b>	<b>1,653</b>	<b>257.4</b>	<b>100.0</b>	<b>(-3.2)</b>	<b>-9</b>	<b>-69</b>	<b>-78</b>	<b>-56</b>	<b>-22</b>	<b>-187</b>	<b>-61</b>	<b>-8</b>	<b>15</b>	<b>35.6</b>	<b>0.5</b>	<b>53.8</b>	<b>4.4</b>

San Mateo County Employees Retirement Association: BLACKROCK CAPITAL MANAGEMENT, INC. : US-Large Cap GrowFourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States	United States	131	59.0	100.0	-88	-66	-10	(-3.4)	-164	-121	0	-42	19	-2.1	0.4	62.0	13
<b>Total</b>		<b>131</b>	<b>59.0</b>	<b>100.0</b>	<b>-88</b>	<b>-66</b>	<b>-10</b>	<b>(-3.4)</b>	<b>-164</b>	<b>-121</b>	<b>0</b>	<b>-42</b>	<b>19</b>	<b>-2.1</b>	<b>0.4</b>	<b>62.0</b>	<b>13</b>

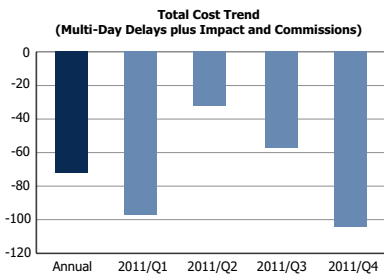
## CHARTWELL INVESTMENT PARTNERS

Execution Summary

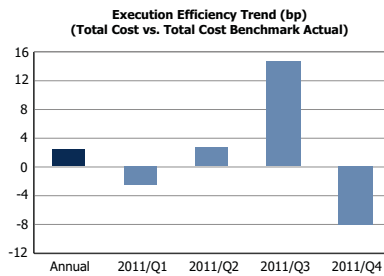
- Total Costs (Multi-Day Delays plus Impact and Commission) were -105 bp, which underperformed the Total Benchmark of -97 bp by -8 bp
- Brokerage Costs (Impact plus Commission) were -66 bp, which underperformed the Brokerage benchmark of -50bp by -16 bp
- The average Commission was -3.1¢ (-13 bp), which was 0.1¢ greater than Zeno Universe Average

Implementation Characteristics

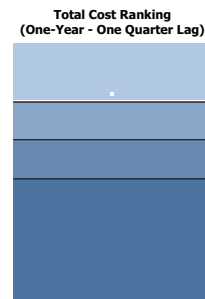
- The fund traded \$27.0 million, which generated an average return of 167 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 96%
- The Average Pre-Trade Price Trend was neutral



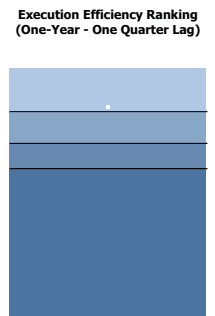
Period	Value (bp)	Value (\$)
Annual	-73	-\$1,012,645
2011/Q1	-97	-\$391,105
2011/Q2	-33	-\$98,960
2011/Q3	-57	-\$238,917
2011/Q4	-105	-\$283,663



Period	Value (bp)	Value (\$)
Annual	3	(\$36,161)
2011/Q1	-3	-\$10,974
2011/Q2	3	(\$8,145)
2011/Q3	15	(\$61,480)
2011/Q4	-8	-\$22,490



Rank 1-Year	Value (bp)
CHARTWELL INVESTMENT PARTNERS	21% (-65bp)
5%	-7bp
25%	-74bp
50%	-116bp
75%	-160bp
95%	-299bp



Rank 1-Year	Value (bp)
CHARTWELL INVESTMENT PARTNERS	21% (5bp)
5%	24bp
25%	3bp
50%	-13bp
75%	-25bp
95%	-99bp

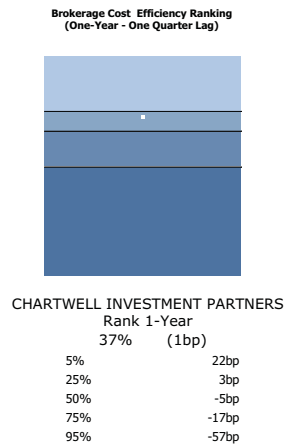
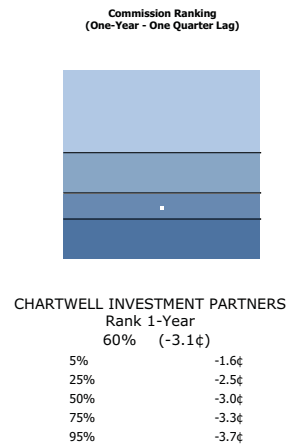
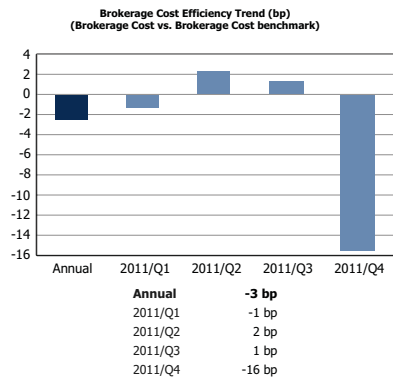
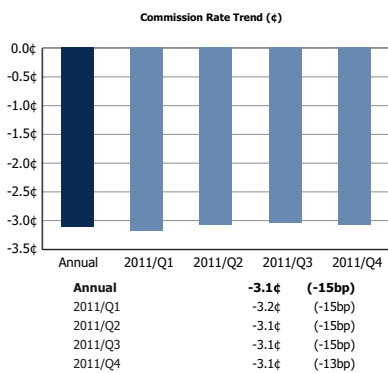
San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNERS : US-Small Cap Growth Fourth Quarter 2011

Total Cost Analysis

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp				Before Costs bp	After Costs bp
2011/Q1	40.2	-97	-95	0	-11	-3	33	820	314	216
2011/Q2	29.7	-33	-36	0	8	3	25	-72	16	-17
2011/Q3	41.7	-57	-72	0	61	15	44	-2,012	156	99
2011/Q4	27.0	-105	-97	0	-22	-8	24	1,293	272	167
<b>Total</b>	<b>138.6</b>	<b>-73</b>	<b>-76</b>	<b>0</b>	<b>36</b>	<b>3</b>	<b>123</b>	<b>-132</b>	<b>194</b>	<b>121</b>

Components of Cost Analysis

Review Period	---- Execution Costs ----				---- Benchmarks ----			
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp	Commission Benchmark bp (\$)
2011/Q1	-35	-47	-15	(-3.2)	-97	-95	-61	-17 (-2.9)
2011/Q2	-18	-0	-15	(-3.1)	-33	-36	-17	-17 (-2.9)
2011/Q3	-21	-21	-15	(-3.1)	-57	-72	-38	-16 (-2.9)
2011/Q4	-39	-52	-13	(-3.1)	-105	-97	-50	-16 (-3.0)
<b>Total</b>	<b>-28</b>	<b>-30</b>	<b>-15</b>	<b>(-3.1)</b>	<b>-73</b>	<b>-76</b>	<b>-42</b>	<b>-17 (-2.9)</b>



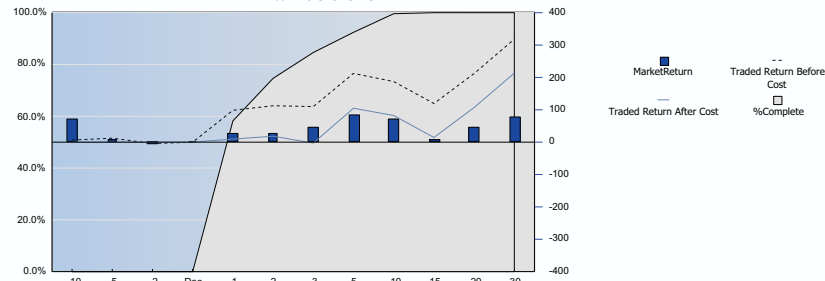
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNERS : US-Small Cap Growth Fourth Quarter 2011

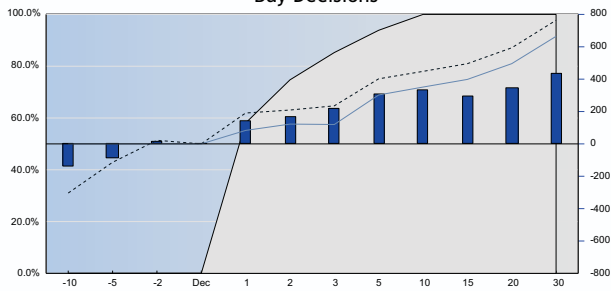
Decision Review

---- Decisions ----			---- Execution Costs ----					---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	213	27.0	100	-39	-52	-13 (-3.1)	-105	-97	0	-8	24.0	-0.1	1.9	1.9	5.5
Buy	110	14.0	52	-50	-32	-12 (-3.0)	-94	-108	0	14	12.6	-0.4	1.8	2.0	5.2
Sell	103	13.0	48	-28	-74	-15 (-3.2)	-117	-85	0	-32	11.4	0.3	2.1	1.8	5.9

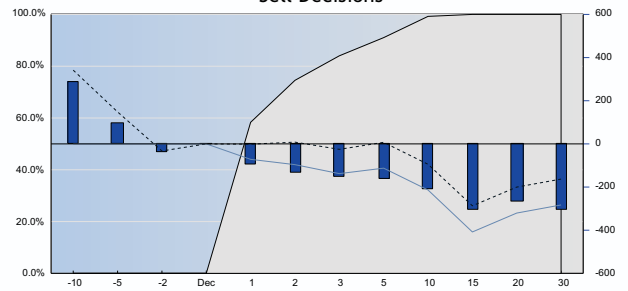
All Decisions



Buy Decisions

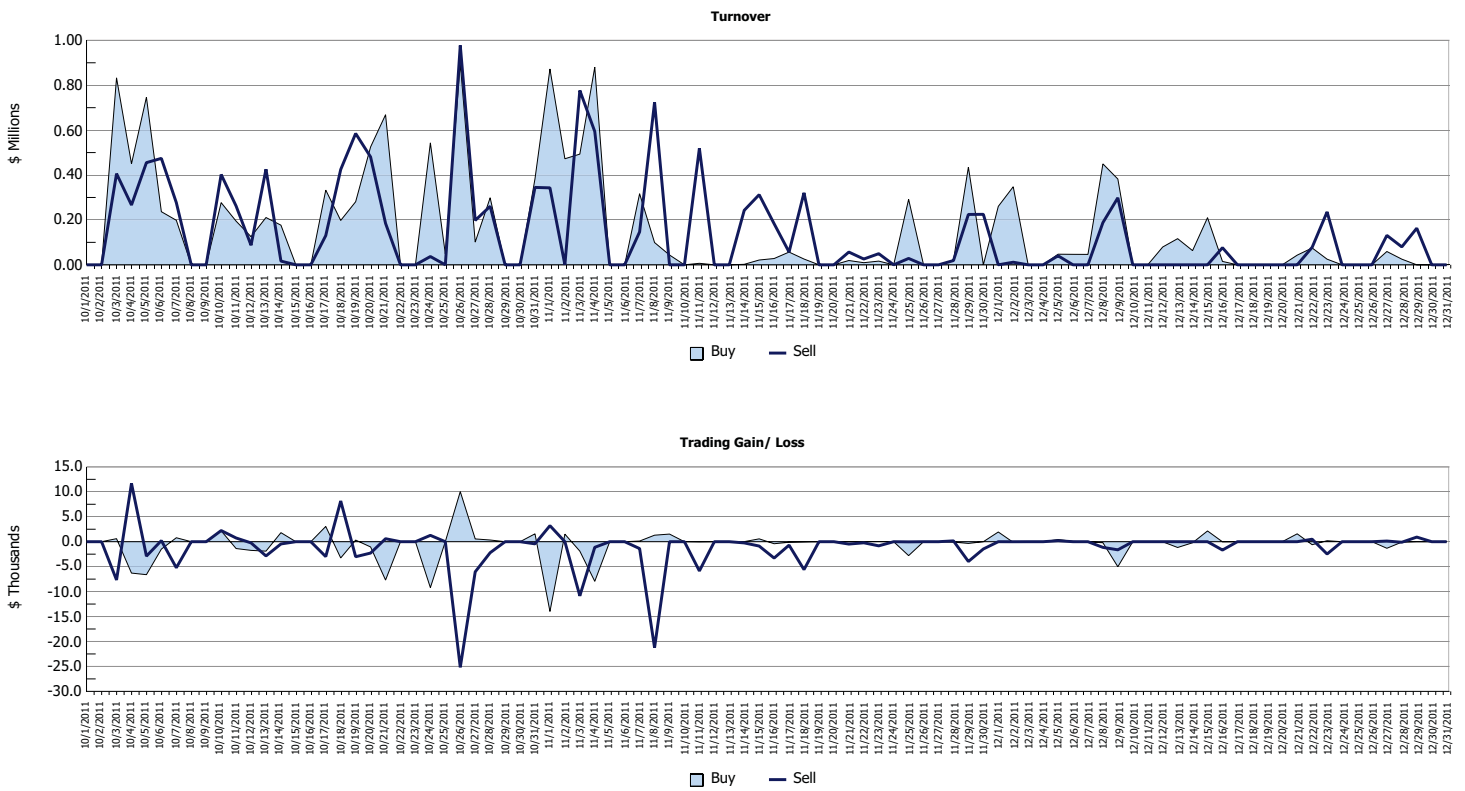


Sell Decisions





Daily Trading Activity



San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNERS : US-Small Cap Growth Fourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Goldman Sachs	205	10.5	38.7	(-2.0)	-9	-84	-93	-74	-19	-39	-77	-8	17	22.8	2.6	1.6	2.2
Liquidnet	60	5.5	20.4	(-4.0)	-16	-32	-48	-24	-24	-5	-5	-26	-49	25.3	1.7	2.4	3.6
BNY ConvergEx Group	15	1.2	4.4	(-4.0)	-18	5	-13	-24	11	-4	-9	15	13	21.7	0.9	2.5	3.7
Credit Suisse	16	0.9	3.4	(-4.0)	-18	24	5	-10	15	88	15	9	-5	22.1	3.7	1.3	2.6
Raymond James	14	0.9	3.3	(-3.9)	-18	-160	-179	-52	-127	-187	-96	-64	-164	21.5	2.2	2.1	3.0
William Blair & Company	5	0.7	2.5	(-4.0)	-12	-71	-82	-62	-20	-79	-54	-16	-14	33.9	0.7	3.3	3.9
J P Morgan	1	0.6	2.1	(0.0)	0	114	114	100	14	141	112	2	-32	25.0	3.6	2.3	22.5
Knight Equity Markets	6	0.5	1.8	(-4.0)	-13	-117	-130	-131	2	188	-107	-10	389	32.1	1.6	1.6	2.6
Buckingham	3	0.5	1.8	(-4.0)	-14	2	-13	-3	-9	48	19	-17	-210	27.1	1.0	1.6	5.8
Collins Stewart & Co	4	0.5	1.8	(-3.7)	-9	-17	-26	-71	44	-40	-56	39	242	37.6	1.0	2.6	3.0
Oppenheimer & Co	6	0.5	1.7	(-4.0)	-21	-179	-200	-96	-104	-102	-129	-50	-118	19.0	0.9	2.2	4.0
Deutsche Bank	5	0.4	1.4	(-4.0)	-20	163	142	108	35	119	133	30	153	19.9	1.7	1.1	4.0
Instinet	6	0.4	1.3	(-4.0)	-19	71	53	-12	65	71	71	0	174	21.6	0.4	1.7	2.7
Jefferies	3	0.4	1.3	(-4.0)	-14	-237	-251	-151	-100	-244	-169	-68	173	28.1	1.2	2.0	4.2
Keefe Bruyette & Woods	3	0.3	1.2	(-4.0)	-14	-64	-78	-86	9	-98	-78	14	-505	28.8	2.1	1.8	3.7
Bank of America	5	0.3	1.1	(-3.1)	-17	-197	-214	-170	-45	-201	-177	-20	277	17.5	0.6	2.7	3.5
Barclays Capital	6	0.3	1.1	(-3.0)	-17	76	59	52	7	162	69	8	-102	17.7	0.2	1.6	2.9
Wells Fargo Securities	4	0.3	1.0	(-3.8)	-17	-68	-85	-102	17	-17	-92	24	194	21.7	0.6	2.0	3.2
Morgan Keegan	5	0.3	1.0	(-4.0)	-30	13	-17	-7	-10	265	45	-32	279	13.3	1.6	0.9	4.2
KeyBanc Capital Markets	3	0.2	0.9	(-3.5)	-19	37	18	-10	28	103	35	2	160	18.5	2.4	2.4	4.5
Pacific Crest Securities	2	0.2	0.9	(-4.0)	-16	-72	-88	-103	15	-165	-100	28	31	25.1	1.2	2.7	4.7
SunTrust Robinson Hump	4	0.2	0.8	(-4.0)	-18	98	79	-46	125	251	88	10	378	22.0	0.9	1.2	2.5
Morgan Stanley	2	0.2	0.8	(-4.0)	-23	121	99	54	45	127	119	2	-14	18.2	0.7	1.6	5.7
Piper Jaffray	3	0.2	0.6	(-4.0)	-27	15	-13	-30	17	-27	-17	32	-42	14.2	0.4	1.7	3.6
Sandler O Neill	1	0.2	0.6	(-4.0)	-39	23	-15	-89	74	69	-47	70	445	10.4	0.4	3.3	15.0
BTIG, LLC	1	0.1	0.5	(-4.0)	-12	-107	-119	-129	10	-147	-120	13	218	33.9	1.4	1.9	3.7
Lazard Freres	4	0.1	0.4	(-3.4)	-26	-134	-160	-126	-34	32	-131	-3	-66	13.5	2.2	0.7	2.1
Wedbush Morgan	1	0.1	0.4	(-4.0)	-12	-205	-216	-189	-28	-232	-225	21	130	33.6	0.4	1.9	3.2
Leerink Swann	1	0.1	0.4	(-4.0)	-11	-127	-138	56	-195	-663	-59	-68	-586	39.0	0.4	2.4	2.7
Reynders Gray	3	0.1	0.3	(-3.3)	-21	-64	-85	-47	-39	11	9	-74	175	15.7	1.0	1.4	1.7
Others	16	0.6	2.3	(-4.0)	-18	-28	-46	-53	7	236	-12	-16	91	22.8	0.5	1.4	1.7
<b>Total</b>	<b>413</b>	<b>27.0</b>	<b>100.0</b>	<b>(-3.1)</b>	<b>-13</b>	<b>-52</b>	<b>-66</b>	<b>-50</b>	<b>-16</b>	<b>-12</b>	<b>-41</b>	<b>-11</b>	<b>13</b>	<b>23.0</b>	<b>1.9</b>	<b>1.9</b>	<b>2.8</b>

San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNERS : US-Small Cap Growth Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Goldman Sachs	958	54.5	39.4	(-2.0)	-10	-41	-51	-50	-1	-60	-48	7	5	20.8	4.4	1.5	2.7
Liquidnet	269	21.3	15.3	(-4.0)	-18	-21	-39	-31	-8	-30	-10	-11	3	22.7	3.7	1.8	3.5
BNY ConvergeX Group	95	8.9	6.5	(-3.9)	-20	27	7	-10	17	17	16	11	56	20.1	2.8	1.9	4.7
Instinet	60	5.0	3.6	(-4.0)	-20	-22	-42	-41	-1	-17	-15	-7	36	19.6	4.7	2.0	4.2
Jefferies	32	4.2	3.0	(-3.9)	-16	-104	-120	-87	-33	-139	-93	-11	-64	24.6	3.4	1.8	5.3
Credit Suisse	41	3.1	2.3	(-3.8)	-26	-24	-50	-51	1	-29	-32	8	10	14.6	4.2	1.5	5.2
KeyBanc Capital Markets	24	3.0	2.2	(-3.9)	-18	-61	-79	-57	-22	-37	-41	-20	-26	20.8	1.9	1.7	6.0
Knight Equity Markets	37	2.9	2.1	(-4.0)	-15	6	-9	-18	9	44	8	-2	18	26.4	2.5	1.7	3.0
J P Morgan	16	2.7	1.9	(-3.3)	-15	-28	-44	-20	-23	-27	-23	-5	-202	21.6	5.1	1.5	7.8
Bank of America	28	2.5	1.8	(-3.6)	-16	-40	-56	-69	13	62	-52	12	20	22.7	1.7	3.0	4.0
Oppenheimer & Co	32	2.2	1.6	(-3.9)	-17	-19	-36	-25	-11	90	-27	8	-14	23.3	1.5	2.2	3.0
RBC Dain Rauscher	22	2.2	1.6	(-3.9)	-19	-67	-85	-80	-5	-63	-68	1	33	20.9	1.7	1.8	4.7
Pacific Crest Securities	25	2.0	1.5	(-3.9)	-18	-100	-118	-52	-65	-258	-72	-28	-186	22.0	7.0	1.6	3.7
Deutsche Bank	16	2.0	1.5	(-3.9)	-16	6	-10	-21	11	73	4	2	154	24.5	1.2	2.3	5.3
Raymond James	26	1.8	1.3	(-3.9)	-19	-147	-166	-67	-99	-526	-100	-47	-177	21.5	2.6	1.7	3.2
Robert W Baird	20	1.6	1.2	(-3.9)	-21	-72	-93	-84	-9	-56	-59	-13	-55	18.9	3.9	1.9	4.3
Piper Jaffray	16	1.6	1.2	(-3.9)	-20	-1	-21	-17	-4	-15	3	-5	-8	19.1	1.8	1.9	5.2
Barclays Capital	18	1.4	1.0	(-2.7)	-10	120	110	61	49	219	107	13	-181	26.1	1.0	2.1	2.9
SunTrust Robinson Huml	14	1.3	0.9	(-4.0)	-11	4	-7	-30	23	146	5	-1	90	34.9	1.9	1.6	2.6
William Blair & Company	11	1.1	0.8	(-3.8)	-18	1	-17	-39	22	576	-15	16	-3	21.9	0.9	2.6	4.7
Buckingham	8	1.0	0.8	(-3.8)	-16	-61	-77	-61	-16	-73	-54	-7	-127	23.8	1.3	1.6	5.4
Janney Montgomery Sco	22	1.0	0.7	(-3.3)	-17	-62	-79	-42	-38	-186	-26	-36	100	18.5	11.2	1.4	2.4
Collins Stewart & Co	6	0.8	0.6	(-3.8)	-12	-113	-125	-131	6	-120	-131	19	202	31.9	1.1	2.2	3.9
Citigroup Global Markets	8	0.7	0.5	(-3.2)	-16	-131	-147	-143	-4	-14	-126	-5	289	19.3	0.8	2.5	4.8
Stifel Nicolaus	8	0.7	0.5	(-3.9)	-17	148	131	85	47	229	142	6	190	23.9	2.3	2.0	3.9
Keefe Bruyette & Woods	7	0.7	0.5	(-4.0)	-19	-43	-62	-79	18	-56	-56	13	-232	21.8	3.9	1.4	4.7
Morgan Stanley	11	0.7	0.5	(-4.0)	-18	40	22	-28	50	158	16	25	-33	21.8	1.1	1.7	3.0
Leerink Swann	14	0.7	0.5	(-3.6)	-22	-8	-30	-32	2	13	-29	21	-49	17.0	1.5	1.9	3.0
Sidoti & Co	10	0.7	0.5	(-4.0)	-27	37	10	-53	63	123	-16	53	195	14.9	9.6	1.3	4.5
Wells Fargo Securities	6	0.5	0.4	(-3.9)	-14	-47	-61	-93	32	104	-54	7	103	27.3	2.8	2.1	3.1
Others	93	5.5	4.0	(-3.9)	-18	1	-17	-30	13	32	-1	2	186	21.6	2.2	1.8	2.8
<b>Total</b>	<b>1,953</b>	<b>138.5</b>	<b>100.0</b>	<b>(-3.1)</b>	<b>-15</b>	<b>-30</b>	<b>-45</b>	<b>-42</b>	<b>-3</b>	<b>-32</b>	<b>-31</b>	<b>1</b>	<b>9</b>	<b>21.3</b>	<b>3.6</b>	<b>1.7</b>	<b>3.3</b>

San Mateo County Employees Retirement Association: CHARTWELL INVESTMENT PARTNERS : US-Small Cap Growth Fourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States	United States	213	27.0	100.0	-39	-52	-13	(-3.1)	-105	-97	0	-8	24	-0.1	1.9	1.9	6
<b>Total</b>		<b>213</b>	<b>27.0</b>	<b>100.0</b>	<b>-39</b>	<b>-52</b>	<b>-13</b>	<b>(-3.1)</b>	<b>-105</b>	<b>-97</b>	<b>0</b>	<b>-8</b>	<b>24</b>	<b>-0.1</b>	<b>1.9</b>	<b>1.9</b>	<b>6</b>

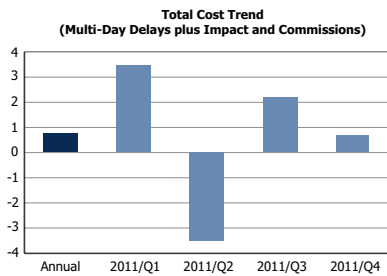
## D.E. SHAW INVESTMENT MANAGEMENT, LLC

Execution Summary

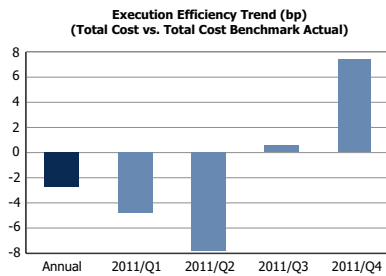
- Total Costs (Multi-Day Delays plus Impact and Commission) were 1 bp, which outperformed the Total Benchmark of -7 bp by 7 bp
- Brokerage Costs (Impact plus Commission) were -5 bp, which underperformed the Brokerage benchmark of -5bp by -0 bp
- The average Commission was -0.1¢ (-0 bp), which was 1.8¢ lesser than Zeno Universe Average

Implementation Characteristics

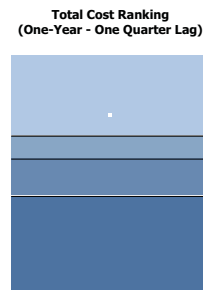
- The fund traded \$55.9 million, which generated an average return of 26 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 104%
- The Average Pre-Trade Price Trend was neutral



<b>Annual</b>	<b>1 bp</b>	<b>(\$31,447)</b>
2011/Q1	3 bp	(\$47,728)
2011/Q2	-4 bp	(-\$37,977)
2011/Q3	2 bp	(\$17,912)
2011/Q4	1 bp	(\$3,783)

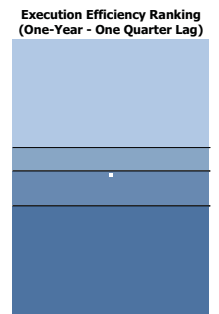


<b>Annual</b>	<b>-3 bp</b>	<b>(-\$105,866)</b>
2011/Q1	-5 bp	(-\$68,031)
2011/Q2	-8 bp	(-\$84,732)
2011/Q3	1 bp	(\$5,274)
2011/Q4	7 bp	(\$41,622)



D.E. SHAW INVESTMENT MANAGEMENT, LLC

15%	(1bp)
5%	30bp
25%	-9bp
50%	-20bp
75%	-39bp
95%	-85bp



D.E. SHAW INVESTMENT MANAGEMENT, LLC

54%	(-4bp)
5%	20bp
25%	0bp
50%	-4bp
75%	-10bp
95%	-29bp

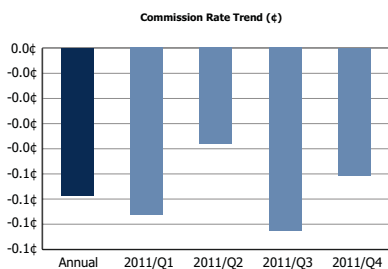
San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

Total Cost Analysis

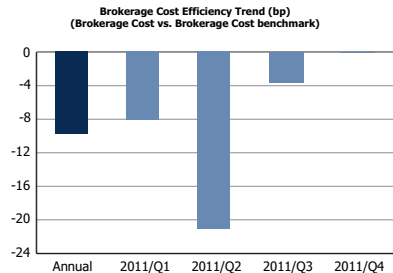
Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp				Before Costs bp	After Costs bp
2011/Q1	138.6	3	8	0	-68	-5	63	571	-3	1
2011/Q2	107.7	-4	4	0	-85	-8	48	-35	46	43
2011/Q3	80.9	2	2	0	5	1	42	-1,292	-58	-56
2011/Q4	55.9	1	-7	0	42	7	26	1,003	26	26
<b>Total</b>	<b>383.1</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>-106</b>	<b>-3</b>	<b>180</b>	<b>70</b>	<b>3</b>	<b>4</b>

Components of Cost Analysis

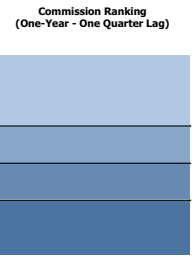
Review Period	---- Execution Costs ----				---- Benchmarks ----			
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp	Commission Benchmark bp (\$)
2011/Q1	8	-4	-0	(-0.1)	3	8	4	-6 (-1.8)
2011/Q2	2	-5	-0	(-0.0)	-4	4	16	-6 (-1.8)
2011/Q3	9	-7	-0	(-0.1)	2	2	-3	-6 (-1.8)
2011/Q4	6	-5	-0	(-0.1)	1	-7	-5	-6 (-1.8)
<b>Total</b>	<b>6</b>	<b>-5</b>	<b>-0</b>	<b>(-0.1)</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>-6 (-1.8)</b>



Period	Value	Value
Annual	-0.1€	(-0bp)
2011/Q1	-0.1€	(-0bp)
2011/Q2	-0.0€	(-0bp)
2011/Q3	-0.1€	(-0bp)
2011/Q4	-0.1€	(-0bp)

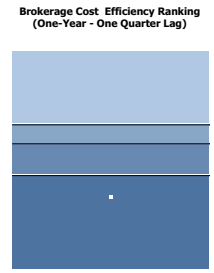


Period	Value	Value
Annual	-10 bp	
2011/Q1	-8 bp	
2011/Q2	-21 bp	
2011/Q3	-4 bp	
2011/Q4	-0 bp	



D.E. SHAW INVESTMENT MANAGEMENT, LLC

Percentile	Value
2%	(-0.1€)
5%	-0.3€
25%	-1.5€
50%	-2.1€
75%	-2.7€
95%	-3.6€



D.E. SHAW INVESTMENT MANAGEMENT, LLC

Percentile	Value
84%	(-11bp)
5%	12bp
25%	0bp
50%	-3bp
75%	-8bp
95%	-23bp

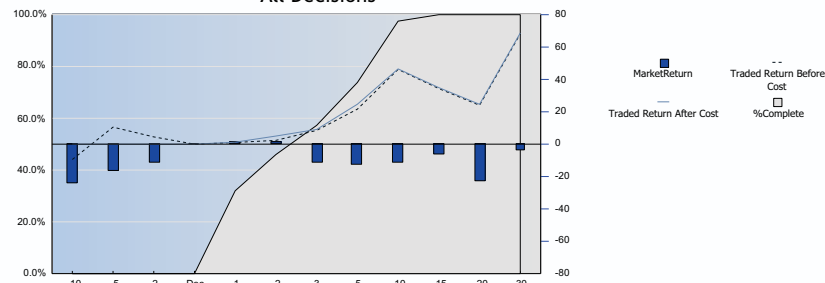
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

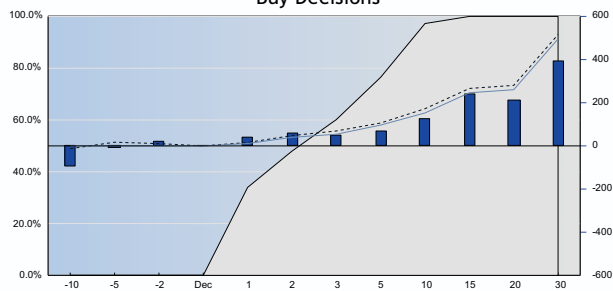
Decision Review

---- Decisions ----			---- Execution Costs ----					---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	1,798	55.9	100	6	-5	-0 (-0.1)	1	-7	0	7	26.1	-0.1	0.1	72.9	0.9
Buy	923	28.4	51	-20	1	-0 (-0.1)	-19	-32	0	12	13.3	-0.1	0.1	68.6	1.0
Sell	875	27.5	49	33	-11	-0 (-0.0)	22	19	0	2	12.9	-0.0	0.1	77.3	0.9

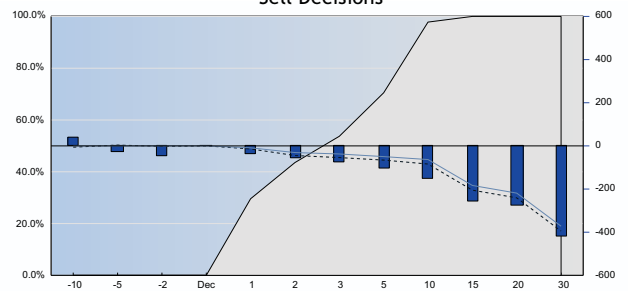
All Decisions



Buy Decisions



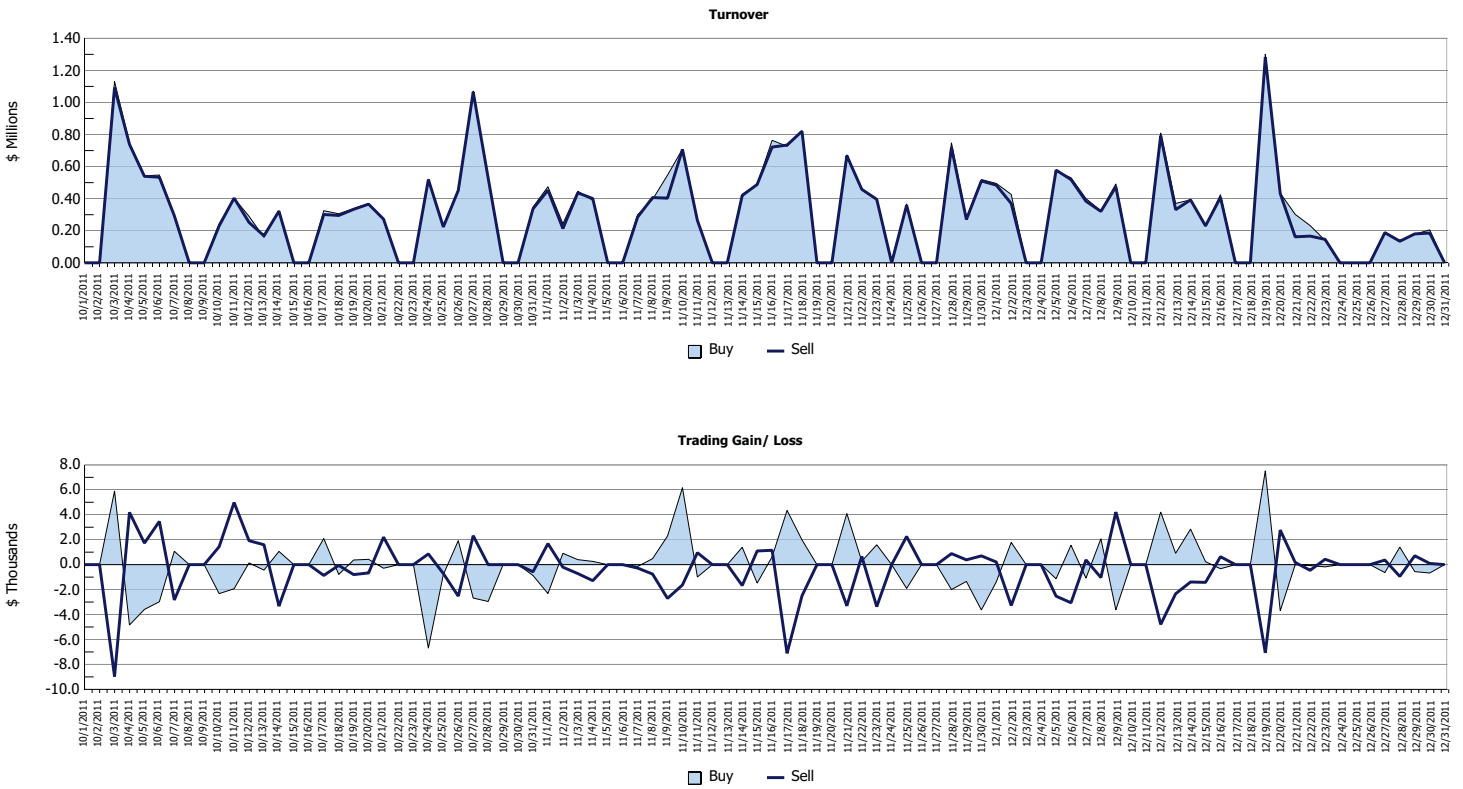
Sell Decisions





San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

Daily Trading Activity



San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Barclays Capital	4,458	52.7	93.9	(-0.0)	-0	-6	-6	-5	-1	-10	-5	-1	6	32.9	0.1	72.9	0.4
Cantor Fitzgerald	19	1.2	2.1	(-2.5)	-4	40	36	1	35	34	8	31	77	64.0	0.1	122.5	1.0
Credit Agricole Indosuez	68	1.0	1.8	(-0.2)	-0	-16	-16	-13	-3	12	-13	-3	-8	50.0	0.1	58.1	0.3
Penson Financial	19	0.6	1.0	(-0.6)	-2	-24	-26	-9	-18	18	-5	-20	16	38.4	0.4	19.9	0.7
Bank of America	6	0.3	0.5	(-2.7)	-4	-2	-6	4	-10	-97	11	-14	16	68.6	0.0	55.0	0.6
Morgan Stanley	1	0.2	0.3	(-3.0)	-5	111	105	72	33	169	128	-17	-32	58.6	0.1	51.4	2.8
Goldman Sachs	4	0.1	0.3	(-0.7)	-1	23	21	6	15	192	2	21	204	52.4	0.4	12.8	0.7
Credit Suisse	1	0.1	0.1	(-2.0)	-6	-55	-61	-206	145	-108	-220	164	-70	34.6	0.3	5.2	1.9
BNY ConvergEx Group	1	0.0	0.1	(-0.7)	-3	-59	-62	-8	-54	-12	-24	-35	169	24.8	0.0	208.5	1.6
<b>Total</b>	<b>4,577</b>	<b>56.1</b>	<b>100.0</b>	<b>(-0.1)</b>	<b>-0</b>	<b>-5</b>	<b>-5</b>	<b>-5</b>	<b>-0</b>	<b>-8</b>	<b>-5</b>	<b>-0</b>	<b>8</b>	<b>33.6</b>	<b>0.1</b>	<b>72.9</b>	<b>0.4</b>

San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Barclays Capital	26,583	359.6	93.9	(-0.0)	-0	-4	-4	5	-9	-3	-2	-1	31.2	0.1	66.8	0.4	
Penson Financial	126	6.4	1.7	(-0.7)	-2	-12	-14	61	-75	-7	-4	-8	39.5	0.3	74.6	1.3	
Credit Agricole Indosuez	316	5.5	1.4	(-0.2)	-0	-21	-22	-12	-10	-59	-18	-4	24	51.0	0.1	53.4	0.3
Cantor Fitzgerald	64	3.9	1.0	(-2.3)	-5	-11	-16	-11	-4	-34	-8	-3	9	46.8	0.1	103.6	1.3
Bank of America	37	3.1	0.8	(-2.2)	-8	-99	-107	-113	7	-268	-137	39	200	27.6	0.2	69.6	3.0
Goldman Sachs	45	1.7	0.4	(-0.8)	-3	4	1	25	-24	-55	-21	25	33	26.3	0.2	84.7	1.4
CA Cheuvreux	38	0.8	0.2	(-0.2)	-1	-10	-11	-2	-9	-63	-1	-9	27	38.4	0.1	67.8	0.5
Murphy & Durieu	9	0.6	0.2	(-0.7)	-2	76	74	58	15	66	81	-5	-12	28.2	0.2	115.8	2.3
BNY ConvergEx Group	15	0.4	0.1	(-0.7)	-2	30	28	37	-9	44	46	-16	113	38.7	0.2	99.6	0.8
Morgan Stanley	4	0.2	0.1	(-2.3)	-11	101	90	59	31	120	109	-8	1	20.8	0.1	76.2	2.6
Jefferies	1	0.2	0.1	(-2.0)	-6	-14	-20	-24	4	-75	-15	2	6	33.3	1.3	5.1	6.2
Credit Suisse	3	0.2	0.1	(-2.1)	-5	-141	-146	-112	-34	-156	-126	-15	-10	40.1	0.1	15.7	1.7
Princeton Securities	1	0.1	0.0	(-0.7)	-4	-77	-81	-42	-39	-8	-58	-20	-57	18.3	0.0	62.0	6.5
J P Morgan	2	0.1	0.0	(-3.0)	-5	-38	-43	-13	-31	-168	-33	-5	40	60.8	0.1	38.0	0.9
<b>Total</b>	<b>27,244</b>	<b>382.8</b>	<b>100.0</b>	<b>(-0.1)</b>	<b>-0</b>	<b>-5</b>	<b>-5</b>	<b>4</b>	<b>-10</b>	<b>-7</b>	<b>-3</b>	<b>-2</b>	<b>2</b>	<b>31.6</b>	<b>0.1</b>	<b>67.3</b>	<b>0.4</b>

San Mateo County Employees Retirement Association: D.E. SHAW INVESTMENT MANAGEMENT, LLC : US-Large Cap CoFourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States																	
	United States	1,798	55.9	100.0	6	-5	-0	(-0.1)	1	-7	0	7	26	-0.1	0.1	72.9	1
<b>Total</b>		<b>1,798</b>	<b>55.9</b>	<b>100.0</b>	<b>6</b>	<b>-5</b>	<b>-0</b>	<b>(-0.1)</b>	<b>1</b>	<b>-7</b>	<b>0</b>	<b>7</b>	<b>26</b>	<b>-0.1</b>	<b>0.1</b>	<b>72.9</b>	<b>1</b>

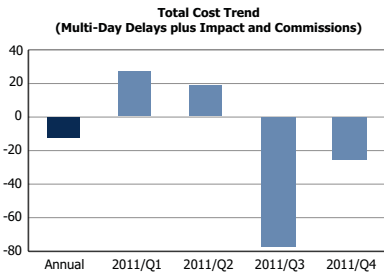
## JENNISON ASSOCIATES

Execution Summary

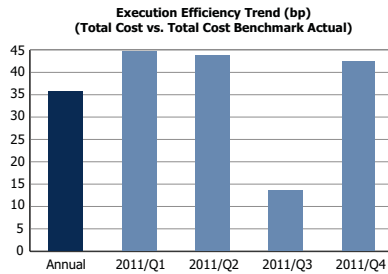
- Total Costs (Multi-Day Delays plus Impact and Commission) were -26 bp, which outperformed the Total Benchmark of -69 bp by 42 bp
- Brokerage Costs (Impact plus Commission) were -6 bp, which outperformed the Brokerage benchmark of -34bp by 29 bp
- The average Commission was -3.0¢ (-15 bp), which was 0.3¢ greater than Zeno Universe Average

Implementation Characteristics

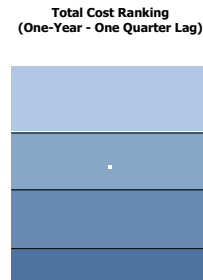
- The fund traded \$18.9 million, which generated an average return of 158 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 39%
- The Average Pre-Trade Price Trend was neutral



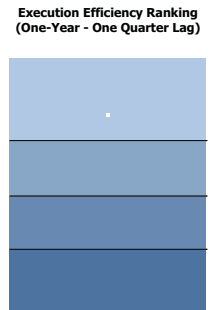
<b>Annual</b>	<b>-13 bp</b>	<b>(-\$140,346)</b>
2011/Q1	28 bp	(\$97,160)
2011/Q2	19 bp	(\$51,671)
2011/Q3	-78 bp	(-\$239,634)
2011/Q4	-26 bp	(-\$49,543)



<b>Annual</b>	<b>36 bp</b>	<b>(\$398,909)</b>
2011/Q1	45 bp	(\$156,728)
2011/Q2	44 bp	(\$120,430)
2011/Q3	14 bp	(\$41,530)
2011/Q4	42 bp	(\$80,221)



<b>JENNISON ASSOCIATES</b>	
Rank 1-Year	
31%	(-10bp)
5%	90bp
25%	23bp
50%	-33bp
75%	-91bp
95%	-124bp



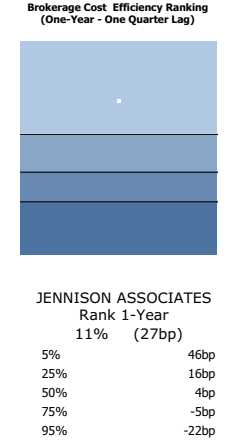
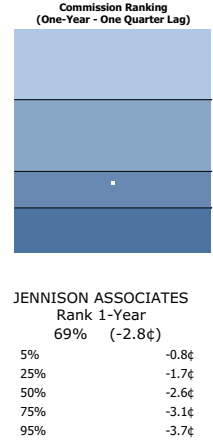
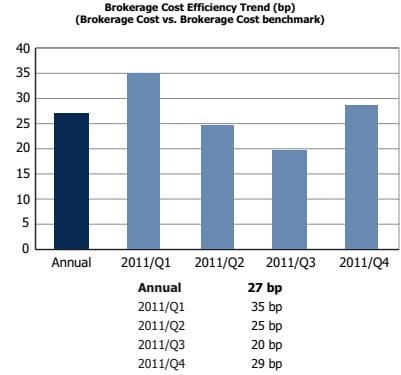
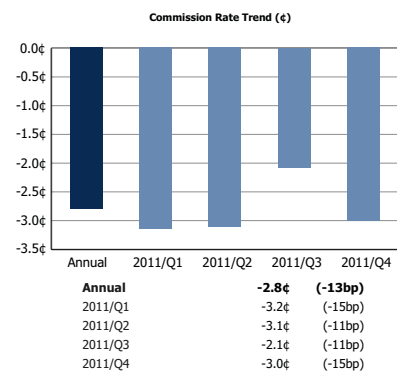
<b>JENNISON ASSOCIATES</b>	
Rank 1-Year	
18%	(34bp)
5%	53bp
25%	26bp
50%	9bp
75%	-8bp
95%	-27bp

**Total Cost Analysis**

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp				Before Costs bp	After Costs bp
2011/Q1	35.0	28	-17	0	157	45	14	681	72	99
2011/Q2	27.4	19	-25	0	120	44	11	-191	27	46
2011/Q3	30.6	-78	-92	0	42	14	18	-1,990	457	378
2011/Q4	18.9	-26	-69	0	80	42	10	1,350	184	158
<b>Total</b>	<b>111.9</b>	<b>-13</b>	<b>-48</b>	<b>0</b>	<b>399</b>	<b>36</b>	<b>52</b>	<b>-150</b>	<b>185</b>	<b>172</b>

**Components of Cost Analysis**

Review Period	---- Execution Costs ----					---- Benchmarks ----				
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp		Commission Benchmark bp (\$)	
2011/Q1	-8	51	-15	(-3.2)	28	-17	1	-14	(-2.8)	
2011/Q2	-4	34	-11	(-3.1)	19	-25	-2	-14	(-2.8)	
2011/Q3	-73	5	-11	(-2.1)	-78	-92	-25	-14	(-2.8)	
2011/Q4	-20	10	-15	(-3.0)	-26	-69	-34	-14	(-2.7)	
<b>Total</b>	<b>-27</b>	<b>27</b>	<b>-13</b>	<b>(-2.8)</b>	<b>-13</b>	<b>-48</b>	<b>-13</b>	<b>-14</b>	<b>(-2.7)</b>	

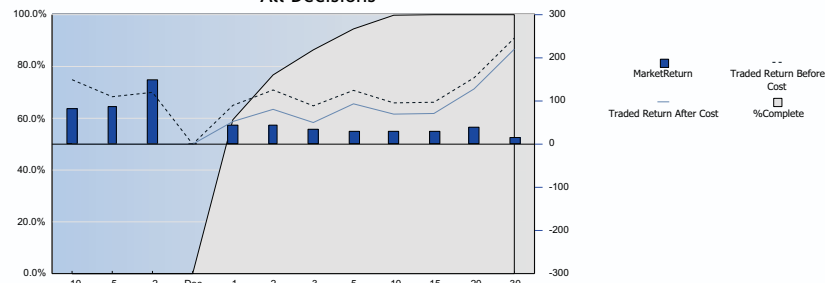


\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

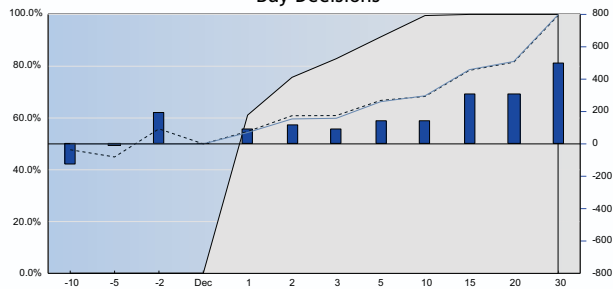
Decision Review

---- Decisions ----			---- Execution Costs ----					---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	131	18.9	100	-20	10	-15 (-3.0)	-26	-69	0	42	9.8	1.6	3.1	1.8	7.4
Buy	67	9.1	48	-29	46	-14 (-2.7)	4	-46	0	50	4.7	1.0	2.7	1.8	6.8
Sell	64	9.8	52	-13	-24	-17 (-3.3)	-54	-89	0	35	5.1	2.2	3.5	1.9	8.0

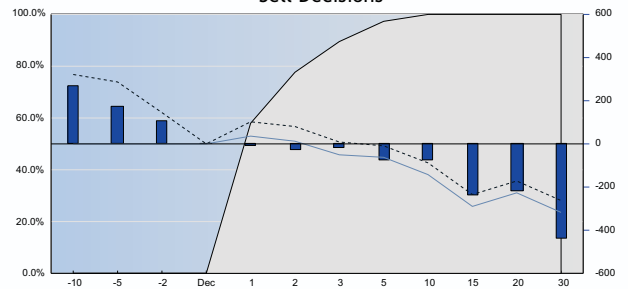
All Decisions



Buy Decisions

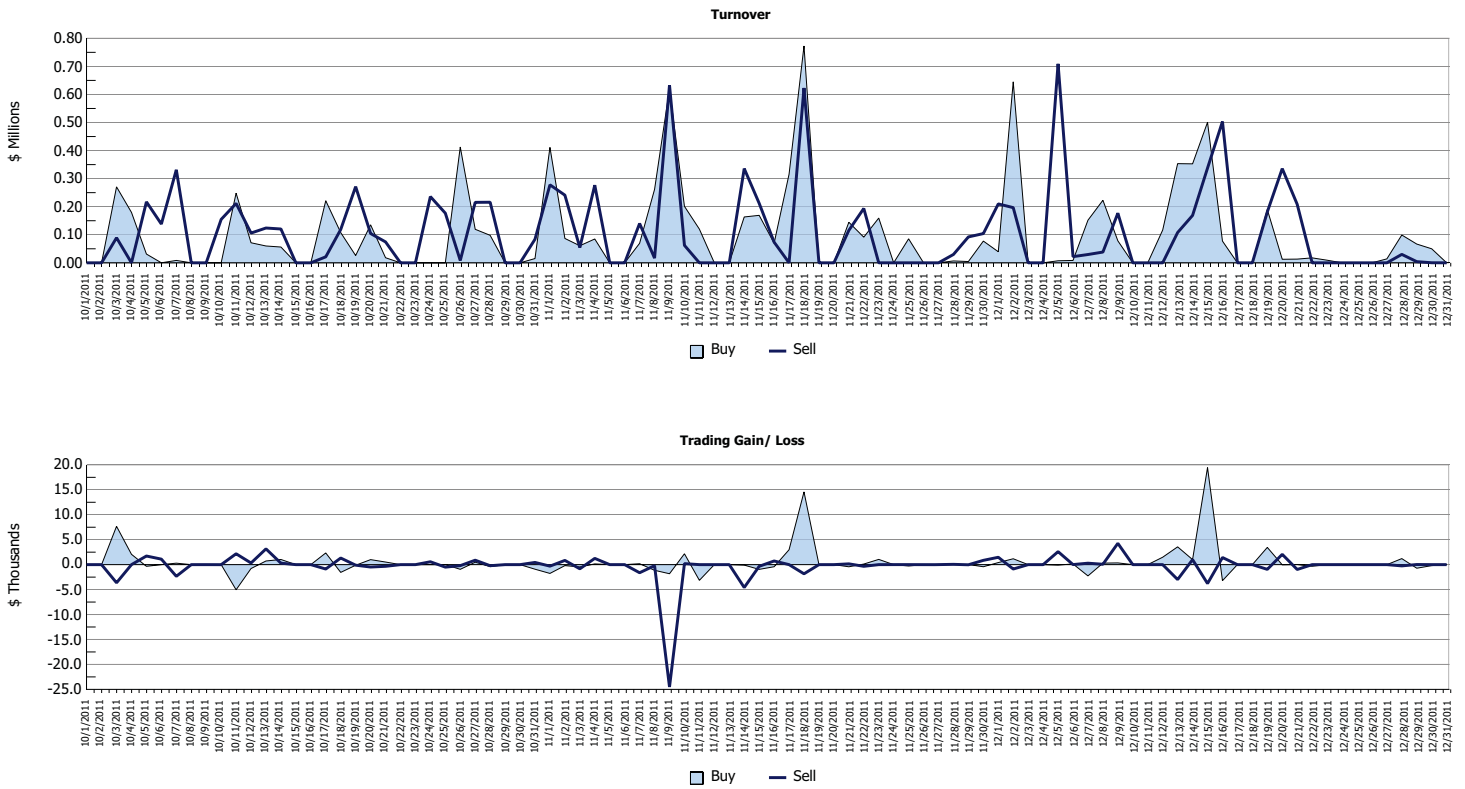


Sell Decisions





Daily Trading Activity



Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Knight Equity Markets	50	3.0	15.6	(-3.7)	-16	-48	-64	-96	32	-285	-66	18	154	24.1	3.1	1.7	2.5
RBC Dain Rauscher	52	2.2	11.5	(-1.9)	-7	32	24	6	18	84	22	10	17	26.0	2.3	1.8	1.6
Deutsche Bank	20	1.8	9.7	(-3.5)	-22	-12	-33	-49	15	1,007	-16	4	36	16.0	8.3	1.8	5.8
Goldman Sachs	51	1.7	8.9	(-1.7)	-10	-15	-25	-28	4	3	-11	-4	13	17.8	2.6	1.5	1.8
Credit Suisse	23	1.5	7.9	(-2.3)	-14	70	55	27	29	54	41	29	113	15.9	1.2	1.7	4.1
KeyBanc Capital Markets	11	0.7	3.9	(-3.7)	-13	36	22	-9	32	195	13	23	106	28.2	1.3	2.2	2.4
Bank of America	11	0.7	3.5	(-3.7)	-16	-75	-91	-98	8	-64	-63	-12	-91	23.9	3.3	1.5	2.5
Morgan Stanley	10	0.6	3.4	(-3.7)	-14	13	-0	-14	14	51	13	1	101	27.0	0.4	2.9	2.4
Weeden & Co	7	0.6	3.4	(-3.7)	-15	-4	-19	-19	-0	18	-5	1	-48	24.5	0.8	3.5	3.7
Barclays Capital	12	0.6	3.2	(-3.7)	-9	39	30	15	15	141	40	-1	-1	40.4	1.2	1.9	1.2
Sanford Bernstein	10	0.5	2.6	(-3.7)	-17	51	34	16	18	131	49	2	-62	21.4	2.0	1.8	2.3
ITG	24	0.5	2.5	(-1.0)	-4	-11	-15	-106	92	-312	-83	73	198	22.6	4.4	1.5	0.9
J P Morgan	6	0.3	1.8	(-3.7)	-34	-47	-81	-79	-2	-95	-53	6	228	10.8	2.8	1.6	5.3
Robert W Baird	4	0.3	1.8	(-3.7)	-10	126	116	53	63	311	110	16	-21	39.3	2.0	2.9	2.2
Jefferies	9	0.3	1.8	(-2.0)	-16	287	271	-148	418	-57	-85	372	1,006	12.5	28.2	1.5	2.9
William Blair & Company	4	0.3	1.6	(-3.7)	-16	-13	-29	-77	48	304	-34	21	-84	23.2	0.9	2.4	3.3
Bloomberg Tradebook	13	0.3	1.5	(-1.0)	-5	-24	-29	-70	41	-45	-73	49	198	18.8	2.3	1.0	1.1
Piper Jaffray	3	0.3	1.4	(-3.7)	-19	92	72	63	9	53	92	-1	102	18.1	1.8	1.0	4.8
Raymond James	11	0.3	1.4	(-3.7)	-29	-197	-225	-197	-28	-208	-202	5	-74	12.9	3.0	1.1	1.9
Evercore Partners	3	0.3	1.4	(-3.7)	-67	177	110	9	100	147	120	56	-177	5.2	2.8	0.6	16.1
JonesTrading	3	0.3	1.4	(-3.0)	-29	0	-28	-34	5	-7	-0	1	-8	10.5	1.8	0.6	8.3
NBCN Clearing	7	0.2	1.2	(-3.7)	-14	188	175	87	88	246	145	44	351	27.9	1.0	2.3	1.2
UBS Securities	3	0.2	0.9	(-3.7)	-10	-25	-34	-29	-5	-6	-19	-5	-18	37.5	0.2	3.6	1.5
Friedman Billings Ramsey	2	0.2	0.8	(-3.7)	-20	197	178	112	66	167	178	20	-451	18.4	0.7	1.7	4.4
Wells Fargo Securities	5	0.2	0.8	(-3.7)	-27	119	93	93	-0	230	164	-45	-270	13.8	1.3	0.9	2.3
SunTrust Robinson Hump	2	0.1	0.7	(-3.7)	-7	-113	-121	-117	-4	86	-108	-6	-230	48.8	0.4	3.7	1.3
Keefe Bruyette & Woods	1	0.1	0.7	(-3.7)	-15	-98	-112	-62	-50	-141	-50	-47	39	25.3	0.6	2.2	5.1
Lazard Freres	4	0.1	0.6	(-3.7)	-13	-303	-316	-168	-148	-885	-233	-71	161	30.0	0.8	1.9	1.0
Guggenheim Capital	3	0.1	0.6	(-3.7)	-9	15	7	-40	47	134	-38	53	-35	43.6	0.4	3.3	0.9
Fidelity Capital Markets	5	0.1	0.5	(-3.7)	-16	-51	-66	-96	30	-5	-67	16	1	24.0	1.5	1.2	0.8
Others	22	0.5	2.9	(-3.6)	-28	34	6	-15	21	-11	5	29	256	12.8	1.5	1.9	1.9
<b>Total</b>	<b>391</b>	<b>18.9</b>	<b>100.0</b>	<b>(-3.0)</b>	<b>-15</b>	<b>10</b>	<b>-6</b>	<b>-34</b>	<b>29</b>	<b>84</b>	<b>-8</b>	<b>18</b>	<b>71</b>	<b>19.5</b>	<b>3.1</b>	<b>1.8</b>	<b>2.5</b>

San Mateo County Employees Retirement Association: JENNISON ASSOCIATES : US-Small Cap Core/Enhanced

Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Jefferies	194	18.1	16.2	(-1.7)	-10	8	-1	-42	41	-185	-17	26	-237	18.3	4.4	1.7	5.1
Knight Equity Markets	253	14.6	13.1	(-3.7)	-15	5	-9	-21	12	11	-1	6	47	25.5	2.5	1.9	2.3
Goldman Sachs	178	9.5	8.5	(-2.4)	-9	70	61	-8	69	76	9	61	81	26.8	3.3	2.1	2.0
Credit Suisse	99	8.1	7.3	(-2.3)	-10	18	8	8	1	17	13	5	60	23.2	19.2	2.0	3.5
RBC Dain Rauscher	105	5.9	5.3	(-2.3)	-10	38	28	2	26	77	31	7	-17	23.4	3.2	2.2	2.4
Bank of America	83	5.5	4.9	(-3.2)	-13	9	-4	-28	24	62	-5	14	112	24.8	2.7	1.8	2.7
Bloomberg Tradebook	126	3.6	3.2	(-1.2)	-5	2	-3	-8	5	-105	-6	8	27	22.1	5.1	1.5	1.3
UBS Securities	44	3.1	2.8	(-3.1)	-12	53	41	-3	44	29	8	45	80	27.0	1.4	2.4	2.6
Raymond James	51	3.1	2.8	(-3.7)	-15	19	4	-16	20	60	9	11	-11	24.7	1.2	2.5	2.4
Deutsche Bank	33	2.4	2.1	(-2.6)	-19	-35	-55	-42	-13	806	-9	-27	14	13.6	13.4	1.7	5.3
ITG	91	2.3	2.0	(-1.5)	-7	62	56	-8	63	25	26	36	177	23.6	4.4	1.7	1.0
Robert W Baird	27	2.2	1.9	(-3.7)	-12	125	113	91	22	179	136	-10	-54	30.0	2.6	3.3	2.7
Piper Jaffray	24	2.1	1.9	(-1.9)	-15	-18	-33	-15	-19	54	13	-31	27	12.8	3.0	1.6	6.9
William Blair & Company	35	1.9	1.7	(-3.7)	-25	-46	-71	-108	37	98	-69	23	77	14.8	6.5	1.9	3.6
KeyBanc Capital Markets	23	1.8	1.6	(-3.7)	-18	35	17	-6	23	105	23	12	17	21.4	1.1	2.8	3.8
Barclays Capital	30	1.7	1.5	(-3.4)	-11	54	43	16	26	97	43	11	38	30.6	2.9	1.6	1.9
Morgan Stanley	21	1.6	1.4	(-3.7)	-13	105	92	39	53	-76	54	51	-52	29.2	1.6	2.5	2.6
Stifel Nicolaus	33	1.5	1.4	(-3.7)	-13	8	-5	-29	24	51	-6	14	-62	28.1	5.3	2.1	1.7
J P Morgan	20	1.2	1.1	(-3.7)	-31	101	70	38	32	105	91	9	199	12.1	2.4	1.8	5.1
Oppenheimer & Co	17	1.1	1.0	(-3.7)	-17	72	55	19	36	175	58	14	-32	23.1	2.4	1.8	3.0
Sanford Bernstein	19	1.1	1.0	(-3.7)	-14	32	18	11	7	92	38	-6	-74	26.8	2.5	2.2	2.1
Citigroup Global Markets	11	1.1	1.0	(-3.7)	-10	142	132	96	36	101	134	8	91	37.8	2.7	2.2	2.6
Guggenheim Capital	9	1.1	1.0	(-3.7)	-19	122	102	-48	150	146	49	72	298	18.4	17.2	1.9	6.4
Collins Stewart & Co	6	1.0	0.9	(-3.7)	-19	12	-7	-8	1	12	14	-2	-8	19.2	10.0	1.7	8.5
Weeden & Co	12	1.0	0.9	(-3.7)	-14	81	67	31	36	106	64	18	-18	26.4	3.7	2.7	3.1
BTIG, LLC	20	0.9	0.8	(-3.0)	-14	16	2	-6	8	183	12	4	4	21.3	1.7	1.8	2.2
SG Americas	5	0.8	0.8	(-3.7)	-16	74	58	14	43	93	59	15	-22	23.8	4.0	2.1	7.1
Friedman Billings Ramse	12	0.8	0.7	(-3.7)	-14	60	46	16	30	85	37	23	61	25.5	0.3	3.7	2.7
Sterne Agee & Leach	13	0.8	0.7	(-3.7)	-13	7	-6	-8	2	-27	1	5	158	29.4	0.9	2.5	2.1
Lazard Freres	19	0.8	0.7	(-3.7)	-11	5	-6	-17	11	-58	5	-0	2	32.3	2.4	1.5	1.2
Others	183	11.2	10.0	(-3.6)	-20	21	1	-14	15	114	11	10	31	18.2	3.4	2.3	3.4
<b>Total</b>	<b>1,796</b>	<b>111.7</b>	<b>100.0</b>	<b>(-2.8)</b>	<b>-13</b>	<b>27</b>	<b>14</b>	<b>-13</b>	<b>27</b>	<b>33</b>	<b>11</b>	<b>17</b>	<b>-1</b>	<b>21.6</b>	<b>4.8</b>	<b>2.0</b>	<b>2.9</b>

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States	United States	131	18.9	100.0	-20	10	-15	(-3.0)	-26	-69	0	42	10	1.6	3.1	1.8	7
<b>Total</b>		<b>131</b>	<b>18.9</b>	<b>100.0</b>	<b>-20</b>	<b>10</b>	<b>-15</b>	<b>(-3.0)</b>	<b>-26</b>	<b>-69</b>	<b>0</b>	<b>42</b>	<b>10</b>	<b>1.6</b>	<b>3.1</b>	<b>1.8</b>	<b>7</b>

## MONDRIAN INVESTMENT PARTNERS

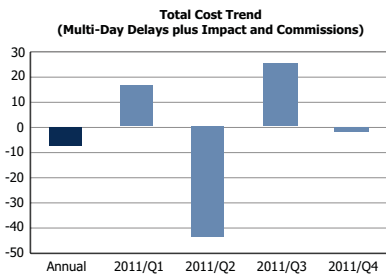
San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Execution Summary

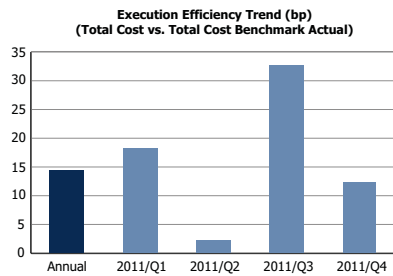
- Total Costs (Multi-Day Delays plus Impact and Commission) were -2 bp, which outperformed the Total Benchmark of -14 bp by 12 bp
- Brokerage Costs (Impact plus Commission) were -6 bp, which outperformed the Brokerage benchmark of -10bp by 3 bp
- The average Commission was -0.5¢ (-5 bp), which was 0.6¢ lesser than Zeno Universe Average

Implementation Characteristics

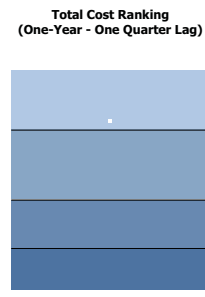
- The fund traded \$9.4 million, which generated an average return of -340 bp, as of quarter-end
- Decisions took up to 10 days to implement
- The Annualized Turnover was 10%
- The Average Pre-Trade Price Trend was neutral



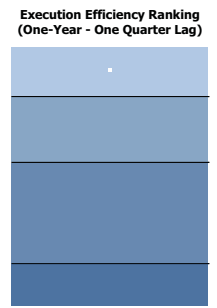
<b>Annual</b>	<b>-7 bp</b>	<b>(-\$58,417)</b>
2011/Q1	17 bp	(\$36,093)
2011/Q2	-44 bp	(-\$137,347)
2011/Q3	26 bp	(\$44,537)
2011/Q4	-2 bp	(-\$1,699)



<b>Annual</b>	<b>14 bp</b>	<b>(\$114,677)</b>
2011/Q1	18 bp	(\$39,164)
2011/Q2	2 bp	(\$7,161)
2011/Q3	33 bp	(\$56,932)
2011/Q4	12 bp	(\$11,420)



<b>MONDRIAN INVESTMENT PARTNERS</b>	
Rank 1-Year	23% (-8bp)
5%	22bp
25%	-13bp
50%	-52bp
75%	-79bp
95%	-103bp



<b>MONDRIAN INVESTMENT PARTNERS</b>	
Rank 1-Year	15% (15bp)
5%	18bp
25%	11bp
50%	0bp
75%	-16bp
95%	-23bp

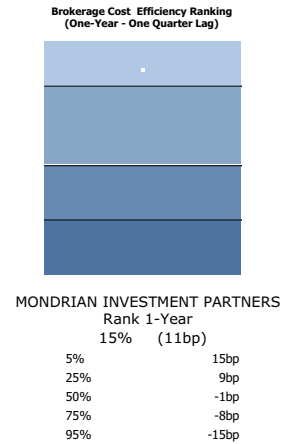
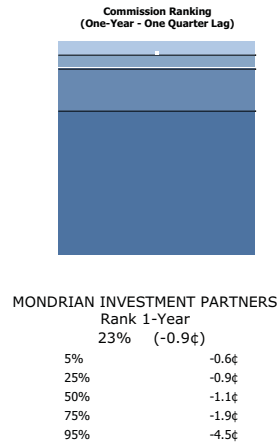
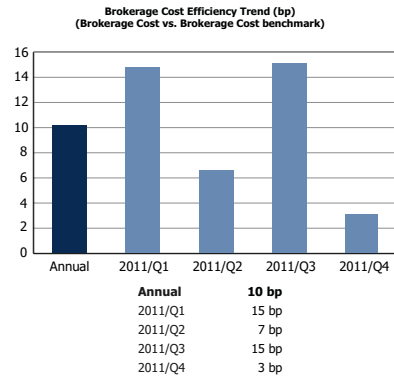
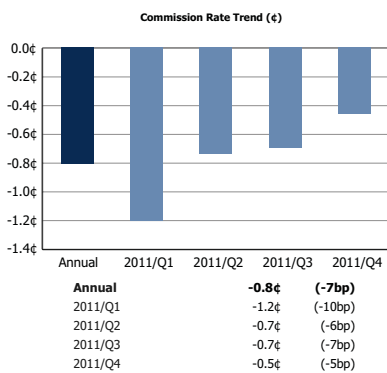
San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Total Cost Analysis

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp				Before Costs bp	After Costs bp
2011/Q1	21.3	17	-1	0	39	18	5	175	-45	-28
2011/Q2	31.5	-44	-46	0	7	2	9	15	-42	-86
2011/Q3	17.4	26	-7	0	57	33	5	-2,063	-545	-520
2011/Q4	9.4	-2	-14	0	11	12	3	639	-338	-340
<b>Total</b>	<b>79.6</b>	<b>-7</b>	<b>-22</b>	<b>0</b>	<b>115</b>	<b>14</b>	<b>21</b>	<b>-322</b>	<b>-188</b>	<b>-195</b>

Components of Cost Analysis

Review Period	---- Execution Costs ----					---- Benchmarks ----				
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp		Commission Benchmark bp (\$)	
2011/Q1	0	26	-10	(-1.2)	17	-1	2	-12	(-1.0)	
2011/Q2	-39	1	-6	(-0.7)	-44	-46	-11	-12	(-1.0)	
2011/Q3	11	21	-7	(-0.7)	26	-7	-0	-12	(-1.0)	
2011/Q4	5	-1	-5	(-0.5)	-2	-14	-10	-12	(-1.0)	
<b>Total</b>	<b>-12</b>	<b>12</b>	<b>-7</b>	<b>(-0.8)</b>	<b>-7</b>	<b>-22</b>	<b>-5</b>	<b>-12</b>	<b>(-1.0)</b>	



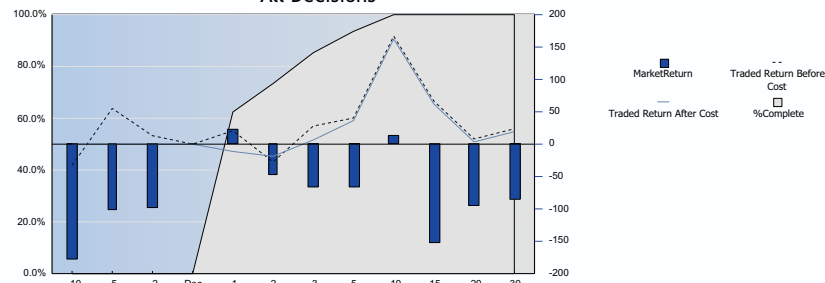
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

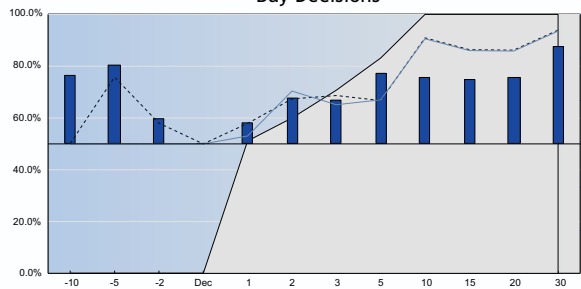
Decision Review

---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp (¢)	bp	bp	bp	bp	%	%	%	\$Billions	000	
All	33	9.4	100	5	-1	-5 (-0.5)	-2	-14	0	12	2.5	-0.0	0.5	39.2	31.1
Buy	18	4.2	44	20	-9	-5 (-0.9)	5	-15	0	20	1.1	0.1	0.4	20.8	12.8
Sell	15	5.2	56	-7	5	-5 (-0.3)	-7	-13	0	6	1.4	-0.1	0.5	53.9	53.1

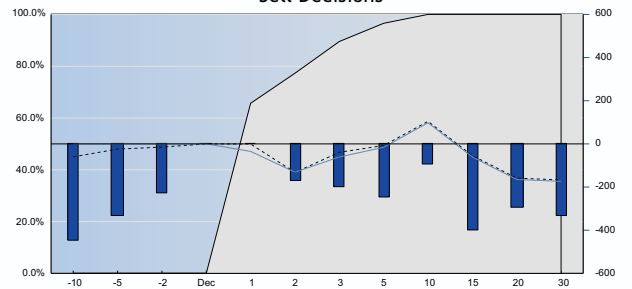
All Decisions



Buy Decisions



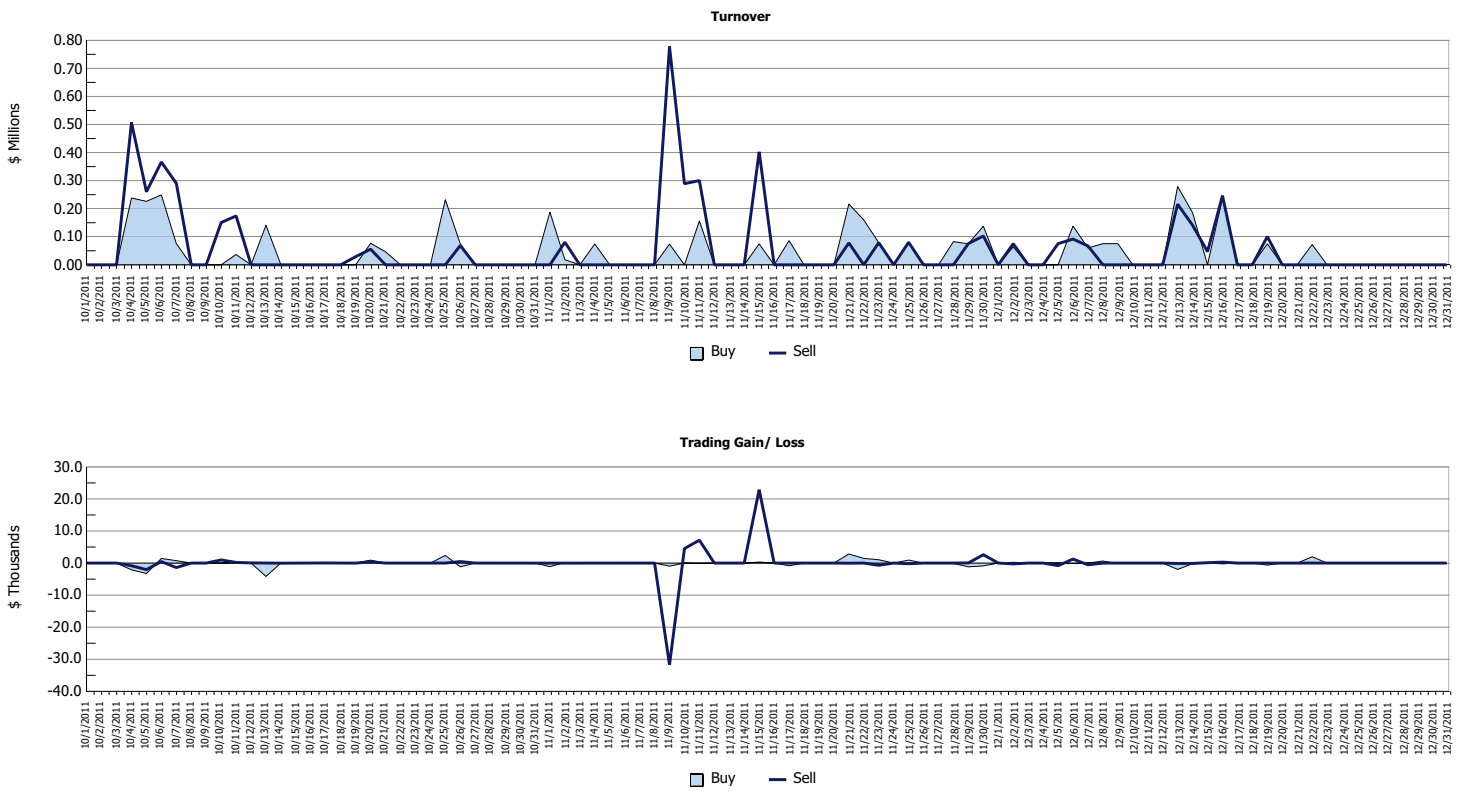
Sell Decisions





San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Daily Trading Activity



San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Sanford Bernstein	25	4.3	46.0	(-0.6)	-5	16	11	0	39	103	-87	-55	11.8	0.4	49.5	14.6	
Citigroup Global Markets	15	1.6	17.6	(-0.5)	-5	-43	-43	-5	-73	-52	9	58	10.9	0.6	21.3	10.1	
Nomura Securities	13	1.2	12.8	(-0.3)	-5	-47	-48	-4	-81	-48	1	-43	6.0	0.8	16.2	15.4	
Credit Suisse	8	0.7	7.0	(-1.1)	-5	48	29	14	48	56	-8	-91	21.1	0.2	108.8	3.8	
Credit Lyonnais	9	0.6	6.6	(-1.3)	-5	-21	-20	-5	-82	-19	-1	36	26.2	0.5	6.6	2.6	
UBS Securities	7	0.6	5.9	(-0.2)	-5	11	-2	8	-1	14	-3	-2	3.5	0.6	26.8	22.9	
J P Morgan	3	0.3	3.4	(-0.2)	-5	-1	-15	9	-0	4	-5	22	3.5	0.6	28.9	30.3	
Deutsche Bank	1	0.1	0.8	(-2.7)	-8	273	-106	370	94	-142	414	610	34.9	0.0	17.9	2.1	
<b>Total</b>	<b>81</b>	<b>9.4</b>	<b>100.0</b>	<b>(-0.5)</b>	<b>-5</b>	<b>-1</b>	<b>-10</b>	<b>3</b>	<b>-7</b>	<b>34</b>	<b>-36</b>	<b>-19</b>	<b>9.2</b>	<b>0.5</b>	<b>39.2</b>	<b>12.7</b>	

San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Sanford Bernstein	104	20.1	25.3	(-0.8)	-6	23	18	5	13	40	35	-11	-6	13.7	0.5	46.1	14.2
Bank of America	60	13.8	17.3	(-1.7)	-15	13	-2	-10	8	6	10	3	-28	11.3	0.5	66.2	20.4
Macquarie Securities	59	9.8	12.3	(-0.8)	-5	6	1	-1	2	-9	6	1	13	14.4	0.9	29.2	11.5
Citigroup Global Markets	65	6.8	8.6	(-0.4)	-5	-1	-6	-12	6	7	-5	4	20	7.1	0.8	30.3	14.9
Credit Lyonnais	64	6.4	8.1	(-0.8)	-6	-7	-13	-11	-2	-17	-5	-2	4	14.3	1.6	17.3	7.0
Morgan Stanley	29	5.8	7.3	(-0.5)	-5	15	10	-16	26	75	-4	20	40	10.8	0.2	59.2	18.7
Credit Suisse	31	5.8	7.2	(-2.6)	-5	25	20	5	15	12	22	3	-10	51.0	0.6	101.2	3.6
Nomura Securities	51	5.6	7.0	(-0.9)	-5	-6	-11	-16	5	-24	-14	8	35	18.5	0.5	36.6	6.0
UBS Securities	31	3.2	4.0	(-0.2)	-5	21	16	-5	21	32	10	11	91	4.3	0.9	18.5	23.9
J P Morgan	8	1.7	2.2	(-0.3)	-6	10	4	-10	14	39	12	-1	-69	4.6	18.2	28.0	47.7
Goldman Sachs	4	0.3	0.4	(-0.2)	-10	13	3	-7	9	-12	13	0	-77	2.4	173.1	38.7	35.0
Deutsche Bank	1	0.1	0.1	(-2.7)	-8	273	265	-106	370	94	-142	414	610	34.9	0.0	17.9	2.1
<b>Total</b>	<b>507</b>	<b>79.5</b>	<b>100.0</b>	<b>(-0.8)</b>	<b>-7</b>	<b>12</b>	<b>5</b>	<b>-5</b>	<b>10</b>	<b>16</b>	<b>11</b>	<b>1</b>	<b>4</b>	<b>11.3</b>	<b>1.8</b>	<b>46.5</b>	<b>13.8</b>

San Mateo County Employees Retirement Association: MONDRIAN INVESTMENT PARTNERS : NonUS-All Country Growth Fourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(€)	bp	bp	bp	bp	%	%	%	\$Billions	000
Asia Pacific ex Japan																	
	Australia	6	1.3	14.0	59	6	-5	(-0.2)	60	24	0	35	0	0.5	0.6	28.3	62
Europe ex UK																	
	France	6	1.2	13.3	11	-12	-5	(-1.9)	-6	3	0	-10	0	2.3	0.3	18.4	6
	Germany	3	0.6	6.8	-13	103	-5	(-0.7)	85	-2	0	87	0	-2.4	0.1	49.4	16
	Netherlands	1	0.3	3.7	-11	8	-5	(-1.8)	-7	-18	0	10	0	0.4	0.1	128.2	10
	Spain	3	1.7	18.3	-133	16	-5	(-0.2)	-122	-70	0	-52	0	-0.7	0.6	50.8	142
Japan																	
	Japan	8	2.8	29.4	-3	-50	-5	(-1.7)	-58	-59	0	1	1	-0.6	0.7	16.6	10
United Kingdom																	
	United Kingdom	5	1.1	12.0	203	35	-5	(-1.2)	233	132	0	100	0	0.9	0.2	88.1	10
United States																	
	United States	1	0.2	2.6	-108	-13	-5	(-2.0)	-126	-101	0	-26	0	-1.3	0.1	0.0	6
<b>Total</b>		<b>33</b>	<b>9.4</b>	<b>100.0</b>	<b>5</b>	<b>-1</b>	<b>-5</b>	<b>(-0.5)</b>	<b>-2</b>	<b>-14</b>	<b>0</b>	<b>12</b>	<b>3</b>	<b>-0.0</b>	<b>0.5</b>	<b>39.2</b>	<b>31</b>

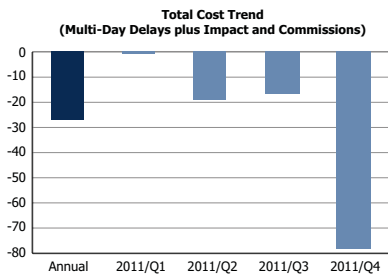
## T. ROWE PRICE ASSOCIATES

Execution Summary

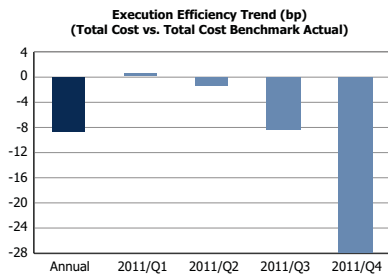
- Total Costs (Multi-Day Delays plus Impact and Commission) were -78 bp, which underperformed the Total Benchmark of -50 bp by -28 bp
- Brokerage Costs (Impact plus Commission) were -19 bp, which underperformed the Brokerage benchmark of -10bp by -8 bp
- The average Commission was -2.2¢ (-9 bp), which was 0.4¢ greater than Zeno Universe Average

Implementation Characteristics

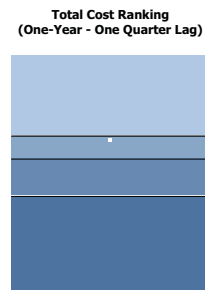
- The fund traded \$15.4 million, which generated an average return of 32 bp, as of quarter-end
- Decisions took up to 10 days to implement
- The Annualized Turnover was 29%
- The Average Pre-Trade Price Trend was neutral



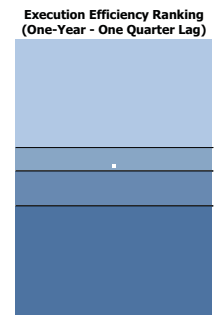
Period	Cost (bp)	Cost (\$)
Annual	-28	-\$178,255
2011/Q1	-1	-\$2,647
2011/Q2	-19	-\$25,844
2011/Q3	-17	-\$28,704
2011/Q4	-78	-\$121,061



Period	Efficiency (bp)	Cost (\$)
Annual	-9	-\$58,238
2011/Q1	1	(\$1,124)
2011/Q2	-2	-\$2,037
2011/Q3	-8	-\$14,141
2011/Q4	-28	-\$43,184



Percentile	Rank	Cost (bp)
5%	30bp	
25%	-9bp	
50%	-20bp	
75%	-39bp	
95%	-85bp	
Actual	32%	-12bp



Percentile	Rank	Cost (bp)
5%	20bp	
25%	0bp	
50%	-4bp	
75%	-10bp	
95%	-29bp	
Actual	48%	-3bp

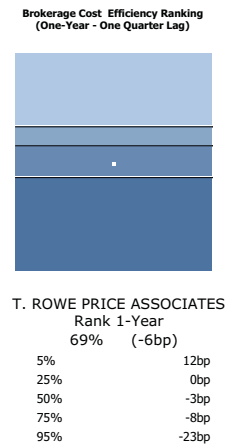
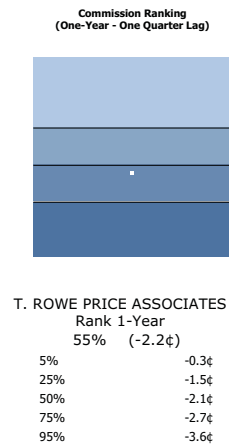
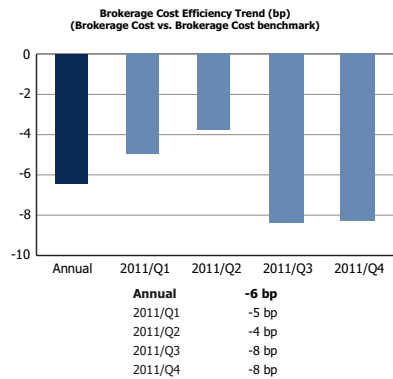
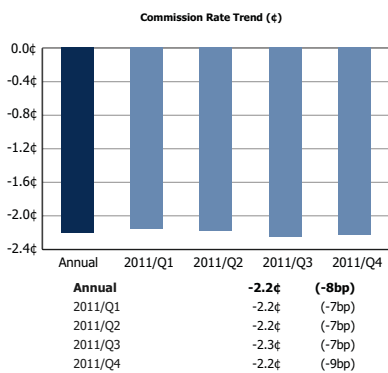
San Mateo County Employees Retirement Association: T. ROWE PRICE ASSOCIATES : US-Large Cap Core/Enhanced Fourth Quarter 2011

Total Cost Analysis

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp	bp			Before Costs bp	After Costs bp
2011/Q1	19.0	-1	-2	0	1	1	9	542	-75	-77
2011/Q2	13.4	-19	-18	0	-2	-2	6	-39	52	33
2011/Q3	16.9	-17	-9	0	-14	-8	9	-1,433	13	-4
2011/Q4	15.4	-78	-50	0	-43	-28	7	1,287	110	32
<b>Total</b>	<b>64.8</b>	<b>-28</b>	<b>-19</b>	<b>0</b>	<b>-58</b>	<b>-9</b>	<b>31</b>	<b>85</b>	<b>18</b>	<b>-9</b>

Components of Cost Analysis

Review Period	---- Execution Costs ----					---- Benchmarks ----				
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp		Commission Benchmark bp (\$)	
2011/Q1	12	-7	-7	(-2.2)	-1	-2	-9	-6	(-1.8)	
2011/Q2	-6	-7	-7	(-2.2)	-19	-18	-10	-6	(-1.8)	
2011/Q3	7	-16	-7	(-2.3)	-17	-9	-15	-6	(-1.8)	
2011/Q4	-60	-10	-9	(-2.2)	-78	-50	-10	-6	(-1.8)	
<b>Total</b>	<b>-10</b>	<b>-10</b>	<b>-8</b>	<b>(-2.2)</b>	<b>-28</b>	<b>-19</b>	<b>-11</b>	<b>-6</b>	<b>(-1.8)</b>	



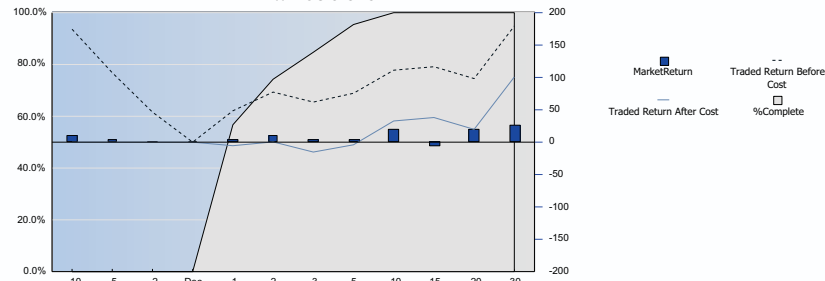
\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

San Mateo County Employees Retirement Association: T. ROWE PRICE ASSOCIATES : US-Large Cap Core/Enhanced Fourth Quarter 2011

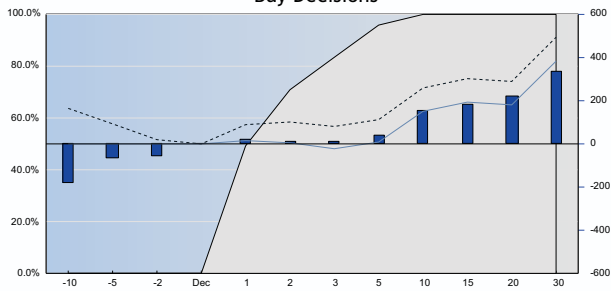
Decision Review

---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp (¢)	bp	bp	bp	bp	%	%	%	\$Billions	000	
All	308	15.4	100	-60	-10	-9 (-2.2)	-78	-50	0	-28	7.3	-0.0	0.1	37.4	2.0
Buy	152	7.9	51	-94	-2	-11 (-2.2)	-107	-67	0	-40	3.8	-0.3	0.1	37.6	2.5
Sell	156	7.5	49	-24	-17	-7 (-2.2)	-48	-33	0	-16	3.5	0.3	0.1	37.2	1.5

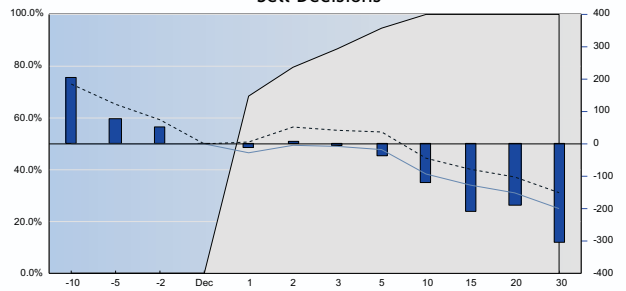
All Decisions



Buy Decisions



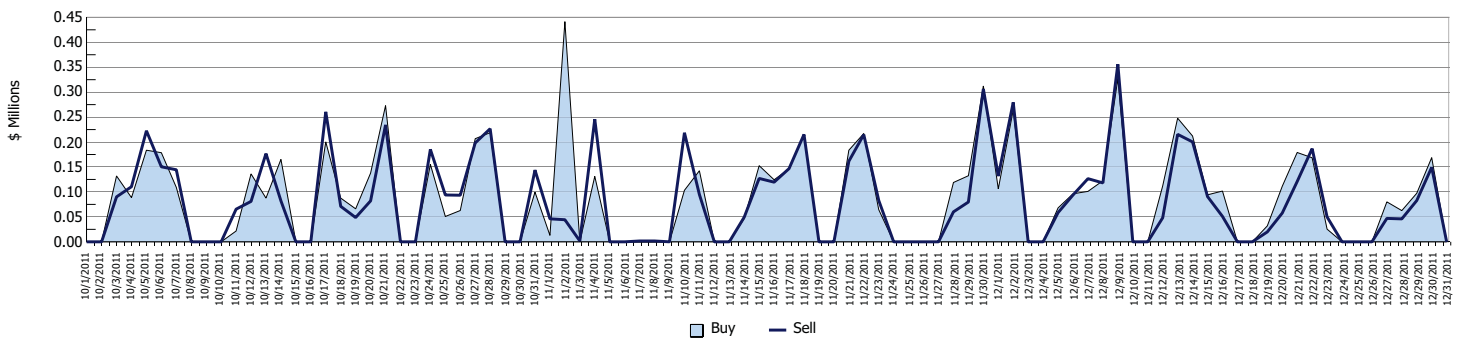
Sell Decisions



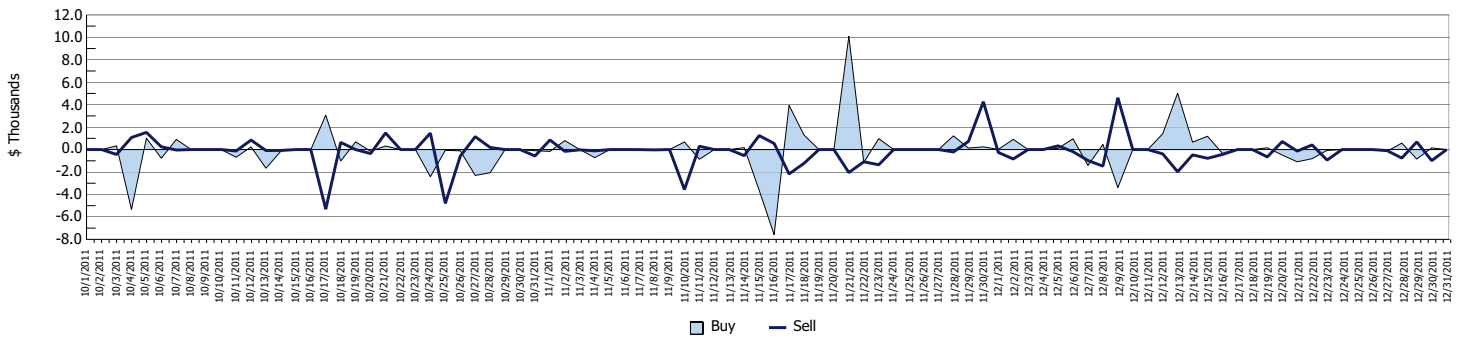


Daily Trading Activity

Turnover



Trading Gain/ Loss



San Mateo County Employees Retirement Association: T. ROWE PRICE ASSOCIATES : US-Large Cap Core/Enhanced Fourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Bank of America	93	2.2	14.5	(-2.0)	-7	6	-1	5	-5	25	15	-9	-0	29.7	0.1	49.8	0.8
Sanford Bernstein	58	1.6	10.4	(-1.1)	-4	-37	-41	-20	-21	-20	-23	-14	-48	28.0	0.1	62.2	1.0
Credit Suisse	73	1.5	9.6	(-2.0)	-12	-53	-64	-58	-6	-36	-55	2	55	17.3	0.1	13.4	1.2
Barclays Capital	57	1.2	7.7	(-2.3)	-9	-22	-31	-18	-13	3	-8	-14	-97	25.5	0.0	28.6	0.8
Morgan Stanley	30	1.1	7.4	(-2.6)	-9	137	128	55	73	130	83	55	-84	28.5	0.2	17.4	1.4
J P Morgan	44	1.1	7.1	(-2.4)	-7	7	0	8	-8	41	18	-12	-8	35.2	0.0	33.5	0.7
Goldman Sachs	45	0.8	5.0	(-1.2)	-4	-4	-7	0	-8	-30	12	-15	40	29.9	0.0	62.8	0.6
RBC Dain Rauscher	38	0.8	4.9	(-2.2)	-19	-191	-210	-83	-127	-266	-134	-57	-10	11.7	0.1	17.8	1.7
Deutsche Bank	20	0.5	3.5	(-3.0)	-9	-19	-27	-19	-8	-48	-14	-5	-37	35.2	0.1	29.4	0.8
CL King	7	0.3	2.2	(-3.4)	-4	-96	-100	-65	-36	-43	-84	-12	192	82.5	0.1	37.1	0.6
Citigroup Global Markets	11	0.3	2.0	(-2.9)	-17	105	88	55	33	51	89	15	-58	17.6	0.0	28.8	1.6
William Blair & Company	6	0.3	1.8	(-3.1)	-11	-22	-34	-27	-7	16	-16	-7	8	26.6	0.0	111.7	1.8
Weeden & Co	12	0.3	1.8	(-3.4)	-8	-49	-57	-26	-31	-84	-31	-18	-55	42.5	0.0	54.6	0.5
Stifel Nicolaus	9	0.3	1.8	(-3.2)	-9	8	-1	1	-2	-58	3	5	44	37.1	0.0	33.7	0.8
Raymond James	10	0.3	1.7	(-2.1)	-24	186	162	154	8	98	197	-11	-270	8.0	0.1	21.5	2.9
Piper Jaffray	10	0.2	1.6	(-3.1)	-13	-65	-78	-58	-20	-103	-59	-6	100	24.8	0.0	51.9	1.0
ITG	26	0.2	1.4	(-0.9)	-3	-8	-11	-10	-1	-22	-2	-5	-59	28.4	0.1	36.0	0.3
Pacific Crest Securities	5	0.2	1.4	(-3.0)	-15	-78	-92	-71	-21	-57	-66	-11	-54	20.1	0.0	67.2	2.1
Jefferies	10	0.2	1.3	(-3.3)	-14	-44	-58	-24	-34	-61	-13	-31	-0	22.7	0.0	22.0	0.9
ISI Group	8	0.2	1.3	(-3.4)	-9	20	11	3	8	55	14	6	-101	37.3	0.0	32.2	0.7
Liquidnet	12	0.2	1.1	(-1.5)	-5	221	216	143	73	192	181	40	242	30.3	0.2	12.6	0.5
Robert W Baird	9	0.2	1.1	(-3.3)	-8	-65	-73	-63	-9	-155	-68	3	-44	43.3	0.1	6.3	0.4
UBS Securities	15	0.2	1.1	(-2.8)	-13	-70	-82	-65	-18	-86	-73	4	174	21.4	0.1	14.8	0.5
Sterne Agee & Leach	7	0.1	0.8	(-3.8)	-12	-6	-18	-22	4	-96	-14	8	-45	32.8	0.0	42.6	0.6
Cowen & Co	4	0.1	0.8	(-3.0)	-11	59	48	49	-1	90	77	-18	29	26.7	0.1	17.7	1.2
Samuel A. Ramirez & Co	4	0.1	0.7	(-2.0)	-4	-27	-31	-8	-22	-147	-8	-19	7	55.8	0.1	64.4	0.5
KeyBanc Capital Markets	7	0.1	0.7	(-2.3)	-17	-38	-55	-44	-11	-49	-30	-8	75	13.3	0.0	11.5	1.1
Allen & Co	3	0.1	0.6	(-3.0)	-16	53	37	15	22	-66	43	10	75	18.6	0.0	36.9	1.6
Penserra Securities	4	0.1	0.5	(-2.0)	-4	-143	-147	-106	-41	-186	-139	-5	55	51.5	0.1	33.0	0.4
Friedman Billings Ramsey	4	0.1	0.5	(-4.0)	-10	-112	-123	-64	-59	-274	-73	-40	-39	39.8	0.0	107.3	0.5
Others	33	0.6	3.6	(-3.2)	-9	11	2	3	-1	1	17	-7	84	36.4	0.0	20.8	0.5
<b>Total</b>	<b>674</b>	<b>15.5</b>	<b>100.0</b>	<b>(-2.2)</b>	<b>-9</b>	<b>-10</b>	<b>-19</b>	<b>-10</b>	<b>-8</b>	<b>-13</b>	<b>-4</b>	<b>-6</b>	<b>-8</b>	<b>24.9</b>	<b>0.1</b>	<b>37.4</b>	<b>0.9</b>

San Mateo County Employees Retirement Association: T. ROWE PRICE ASSOCIATES : US-Large Cap Core/Enhanced Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Bank of America	273	7.6	11.7	(-2.0)	-7	-33	-40	-28	-12	14	-23	-10	-20	28.3	0.1	55.0	1.0
Credit Suisse	291	6.5	10.1	(-1.9)	-7	-19	-25	-20	-6	11	-15	-3	38	28.5	0.1	36.3	0.8
J P Morgan	192	6.0	9.2	(-2.0)	-8	21	13	11	2	48	26	-5	-25	25.0	0.1	40.7	1.2
Barclays Capital	175	4.7	7.3	(-1.6)	-6	-4	-9	-7	-3	32	-1	-3	15	29.7	0.0	37.1	0.9
Goldman Sachs	193	4.0	6.1	(-1.8)	-5	-8	-13	-8	-5	23	-5	-3	-7	39.1	0.1	32.0	0.5
Morgan Stanley	134	3.6	5.5	(-2.6)	-8	17	9	5	4	20	6	11	-62	32.4	0.1	26.1	0.8
Deutsche Bank	122	3.2	5.0	(-2.8)	-8	-17	-25	-13	-12	-24	-7	-10	-7	36.5	0.1	28.5	0.7
Sanford Bernstein	125	3.1	4.8	(-1.3)	-4	-25	-28	-17	-12	-8	-16	-8	-25	33.7	0.1	45.0	0.7
Citigroup Global Markets	111	2.6	4.0	(-2.4)	-9	-36	-45	-33	-12	-60	-30	-6	-2	27.7	0.1	22.5	0.8
RBC Dain Rauscher	112	2.6	3.9	(-2.0)	-11	-74	-84	-40	-45	-59	-49	-25	-32	19.1	0.1	23.2	1.2
UBS Securities	100	2.0	3.2	(-2.0)	-9	4	-6	-7	2	52	7	-3	23	22.4	0.1	29.3	0.9
ITG	160	1.9	2.9	(-0.9)	-2	12	9	9	0	36	14	-2	-33	36.1	0.1	20.1	0.3
Stifel Nicolaus	57	1.5	2.3	(-3.4)	-11	4	-7	-5	-2	21	9	-5	3	32.1	0.0	23.7	0.8
ISI Group	42	1.4	2.2	(-3.4)	-7	-17	-24	-21	-3	-26	-17	-0	-54	45.5	0.0	48.7	0.8
Raymond James	38	1.2	1.9	(-2.6)	-11	38	26	28	-1	42	43	-5	-66	22.5	0.1	24.6	1.4
Weeden & Co	36	0.8	1.3	(-3.6)	-7	-19	-27	-12	-14	-58	-10	-9	13	48.1	0.0	58.6	0.5
Allen & Co	14	0.8	1.2	(-2.9)	-11	19	7	0	7	22	18	1	45	25.5	0.0	140.2	2.1
Robert W Baird	36	0.7	1.1	(-3.1)	-10	-2	-12	-5	-7	46	5	-6	-40	30.7	0.1	8.4	0.6
Cowen & Co	21	0.7	1.0	(-3.0)	-14	-44	-58	-34	-24	-52	-32	-12	-4	21.5	0.1	17.9	1.5
Piper Jaffray	24	0.6	1.0	(-3.3)	-9	-14	-23	-10	-13	-15	-1	-13	38	35.7	0.0	56.2	0.8
Liquidnet	51	0.6	0.9	(-1.5)	-5	87	83	62	21	69	84	4	-3	31.8	0.1	11.2	0.4
Jefferies	23	0.6	0.9	(-3.2)	-13	-67	-79	-50	-30	-53	-43	-23	33	24.5	0.0	18.1	1.0
William Blair & Company	11	0.4	0.6	(-3.1)	-11	-56	-67	-48	-19	-12	-48	-8	-32	28.5	0.0	91.1	1.3
CL King	10	0.4	0.6	(-3.4)	-6	-85	-92	-59	-32	-49	-74	-11	169	52.6	0.1	33.8	0.7
Wells Fargo Securities	18	0.4	0.5	(-3.7)	-8	30	22	19	3	87	39	-9	-11	47.3	0.1	22.2	0.4
Samuel A. Ramirez & Co	14	0.4	0.5	(-2.0)	-3	-56	-59	-47	-12	-75	-54	-2	97	57.8	0.0	40.7	0.4
Sidoti & Co	14	0.3	0.5	(-3.2)	-10	18	9	-7	15	29	8	11	-67	32.4	0.0	81.1	0.8
Penserra Securities	16	0.3	0.5	(-2.0)	-4	-68	-72	-59	-13	-100	-68	0	52	50.8	0.0	40.2	0.4
Pacific Crest Securities	10	0.3	0.5	(-3.0)	-13	-99	-112	-80	-33	-90	-81	-17	6	22.7	0.0	44.3	1.5
Avondale Partners	14	0.3	0.5	(-3.8)	-7	-45	-52	-37	-14	-49	-43	-2	14	54.5	0.0	26.4	0.4
Others	239	5.3	8.2	(-3.0)	-10	19	9	6	3	40	23	-4	17	30.1	0.0	51.4	0.7
<b>Total</b>	<b>2,676</b>	<b>64.8</b>	<b>100.0</b>	<b>(-2.2)</b>	<b>-8</b>	<b>-10</b>	<b>-17</b>	<b>-11</b>	<b>-6</b>	<b>10</b>	<b>-4</b>	<b>-5</b>	<b>-6</b>	<b>29.5</b>	<b>0.1</b>	<b>38.8</b>	<b>0.8</b>

San Mateo County Employees Retirement Association: T. ROWE PRICE ASSOCIATES : US-Large Cap Core/Enhanced Fourth Quarter 2011

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Cost Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
United States	United States	308	15.4	100.0	-60	-10	-9	(-2.2)	-78	-50	0	-28	7	-0.0	0.1	37.4	2
<b>Total</b>		<b>308</b>	<b>15.4</b>	<b>100.0</b>	<b>-60</b>	<b>-10</b>	<b>-9</b>	<b>(-2.2)</b>	<b>-78</b>	<b>-50</b>	<b>0</b>	<b>-28</b>	<b>7</b>	<b>-0.0</b>	<b>0.1</b>	<b>37.4</b>	<b>2</b>

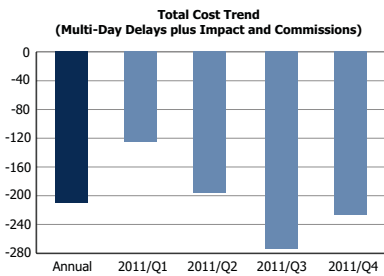
## THE BOSTON COMPANY

Execution Summary

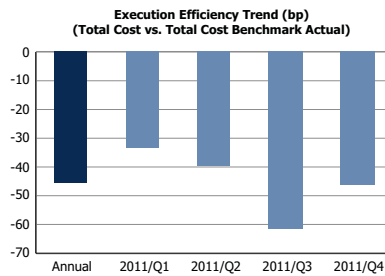
- Total Costs (Multi-Day Delays plus Impact and Commission) were -228 bp, which underperformed the Total Benchmark of -182 bp by -47 bp
- Brokerage Costs (Impact plus Commission) were -104 bp, which underperformed the Brokerage benchmark of -86bp by -18 bp
- The average Commission was -3.3¢ (-17 bp), which was 0.8¢ greater than Zeno Universe Average

Implementation Characteristics

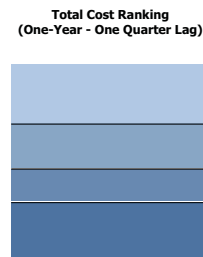
- The fund traded \$19.8 million, which generated an average return of 4 bp, as of quarter-end
- Decisions took up to 11 days to implement
- The Annualized Turnover was 83%
- The Average Pre-Trade Price Trend was neutral



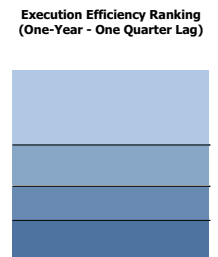
Period	Cost (bp)	Total Cost (\$)
Annual	-211 bp	(-\$1,301,365)
2011/Q1	-125 bp	(-\$154,985)
2011/Q2	-198 bp	(-\$308,763)
2011/Q3	-274 bp	(-\$384,525)
2011/Q4	-228 bp	(-\$453,093)



Period	Efficiency (bp)	Total Cost (\$)
Annual	-46 bp	(-\$282,566)
2011/Q1	-33 bp	(-\$41,330)
2011/Q2	-40 bp	(-\$61,578)
2011/Q3	-62 bp	(-\$87,308)
2011/Q4	-47 bp	(-\$92,350)



Rank	Cost (bp)
100%	-202bp
5%	158bp
25%	62bp
50%	-10bp
75%	-63bp
95%	-154bp



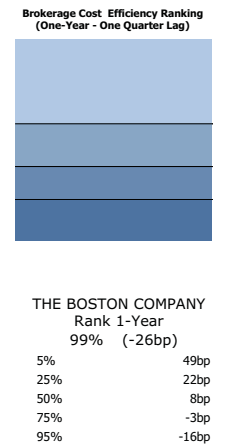
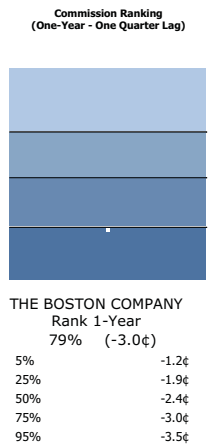
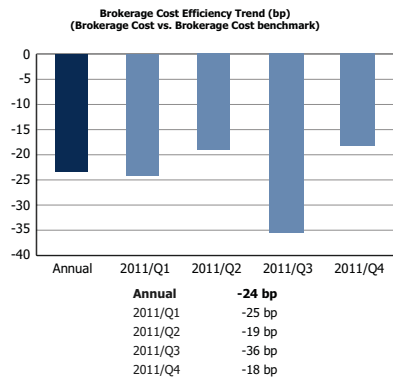
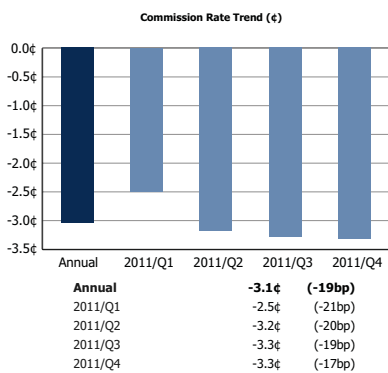
Rank	Cost (bp)
100%	(-45bp)
5%	81bp
25%	39bp
50%	16bp
75%	-4bp
95%	-28bp

Total Cost Analysis

Review Period	Decision Value \$Millions	Total Cost bp	Total Cost Benchmark		Value Added (Versus Actual Cost Benchmark)		Turnover Ratio %	Index Return bp	Traded Returns*	
			Actual bp	Adjusted bp	\$ 000 bp	bp			Before Costs bp	After Costs bp
2011/Q1	12.4	-125	-92	0	-41	-33	12	539	-25	-150
2011/Q2	15.6	-198	-159	0	-62	-40	15	-314	333	134
2011/Q3	14.0	-274	-212	0	-87	-62	17	-1,967	497	223
2011/Q4	19.8	-228	-182	0	-92	-47	21	1,409	232	4
<b>Total</b>	<b>61.8</b>	<b>-211</b>	<b>-165</b>	<b>0</b>	<b>-283</b>	<b>-46</b>	<b>65</b>	<b>35</b>	<b>266</b>	<b>56</b>

Components of Cost Analysis

Review Period	---- Execution Costs ----				---- Benchmarks ----			
	Delay bp	Implicit Cost Impact bp	Explicit Costs Commissions bp (\$)		Total Cost bp	Total Cost Benchmark bp	Brokerage Cost Benchmark bp	Commission Benchmark bp (\$)
2011/Q1	-44	-60	-21	(-2.5)	-125	-92	-57	-17 (-2.5)
2011/Q2	-107	-72	-20	(-3.2)	-198	-159	-73	-17 (-2.5)
2011/Q3	-158	-97	-19	(-3.3)	-274	-212	-81	-17 (-2.5)
2011/Q4	-124	-87	-17	(-3.3)	-228	-182	-86	-17 (-2.5)
<b>Total</b>	<b>-111</b>	<b>-80</b>	<b>-19</b>	<b>(-3.1)</b>	<b>-211</b>	<b>-165</b>	<b>-76</b>	<b>-17 (-2.5)</b>

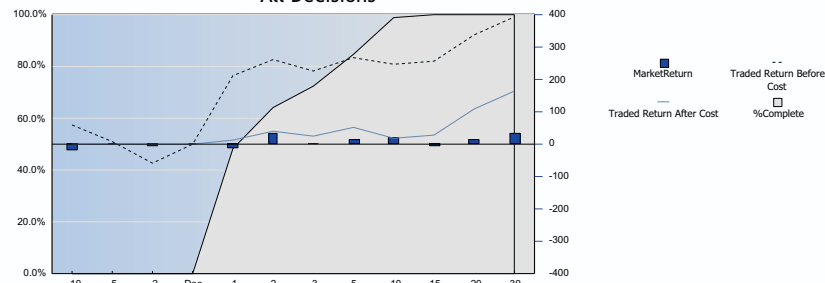


\* Represents change in value of stocks purchased or sold through the end of the quarter (Total represents the dollar weighted average of prior 4 quarters.)

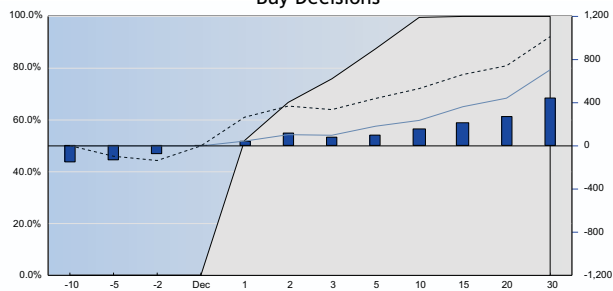
Decision Review

---- Decisions ----			---- Execution Costs ----					---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----				
#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Momentum	Liquidity (%MDV)	Market Cap	Shares	
#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	%	%	%	\$Billions	000	
All	216	19.8	100	-124	-87	-17 (-3.3)	-228	-182	0	-47	20.8	-1.9	1.6	1.5	4.8
Buy	143	10.1	51	-166	-102	-20 (-3.3)	-288	-231	0	-57	10.8	-2.8	1.2	1.3	4.3
Sell	73	9.8	49	-80	-72	-14 (-3.4)	-166	-131	0	-35	10.1	-1.0	1.9	1.7	5.6

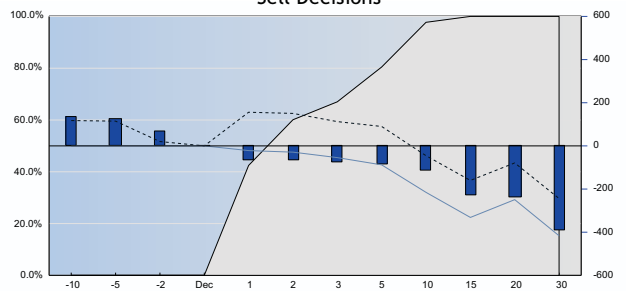
All Decisions



Buy Decisions



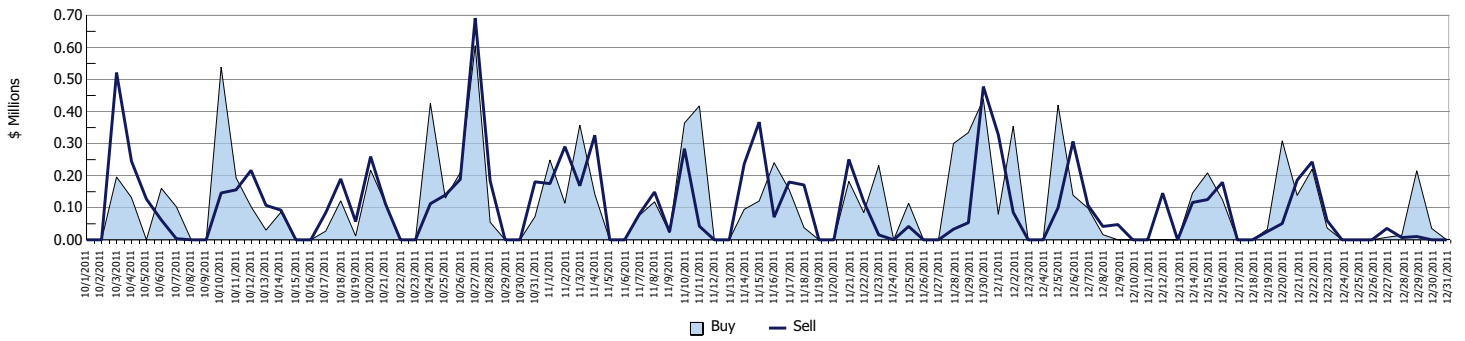
Sell Decisions



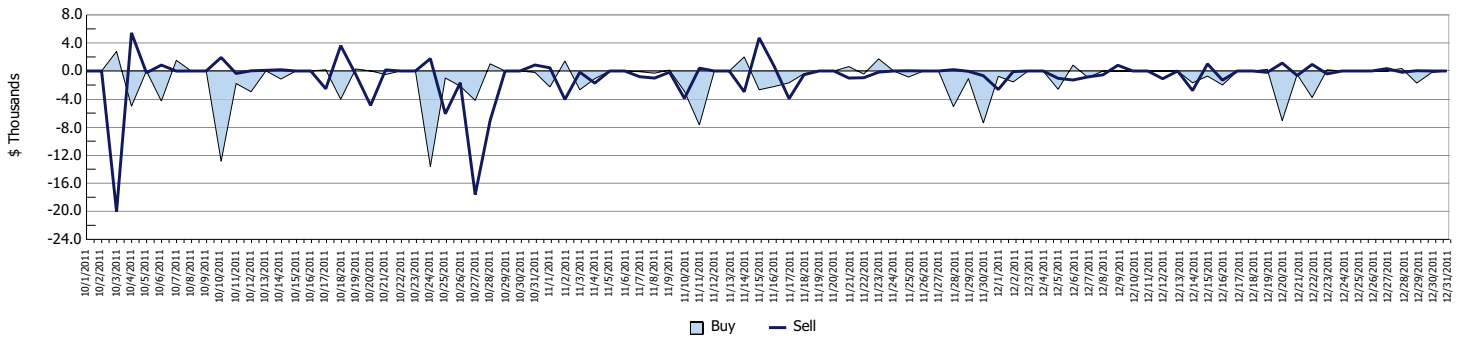


Daily Trading Activity

Turnover



Trading Gain/ Loss



San Mateo County Employees Retirement Association: THE BOSTON COMPANY : US-Small Cap Value

Fourth Quarter 2011

Use of Brokers

Broker	---- Trades ----			---- Trading Cost ----				--- Comparison ---		----Price Trends----				-Average Trade Characteristics-			
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Stifel Nicolaus	72	2.3	11.3	(-3.9)	-20	-103	-123	-97	-26	-190	-99	-4	52	19.8	1.7	1.2	1.6
Knight Equity Markets	84	1.5	7.4	(-2.9)	-17	-93	-110	-91	-19	-144	-86	-7	58	16.3	1.8	1.1	1.1
Liquidnet	68	1.3	6.6	(-2.9)	-14	-61	-76	-88	13	-172	-81	20	-17	20.2	1.9	1.4	1.0
Raymond James	20	1.2	5.8	(-3.5)	-15	-250	-265	-178	-87	-402	-197	-53	83	23.6	1.3	2.0	2.4
JonesTrading	19	1.1	5.5	(-4.0)	-17	12	-5	-18	13	58	5	7	-104	23.3	1.1	2.2	2.5
J P Morgan	37	1.1	5.5	(-3.4)	-11	-127	-138	-119	-19	-231	-131	4	67	30.2	1.0	1.5	1.0
Weeden & Co	57	1.1	5.4	(-3.3)	-20	-113	-133	-105	-28	-207	-94	-19	28	16.0	2.0	1.1	1.2
Barclays Capital	40	0.9	4.7	(-3.9)	-16	-101	-116	-92	-24	-207	-96	-5	90	23.9	1.6	1.4	1.0
Macquarie Securities	23	0.9	4.5	(-3.5)	-13	-82	-95	-78	-17	-58	-77	-5	75	25.9	1.3	1.9	1.5
Cantor Fitzgerald	23	0.7	3.5	(-4.0)	-23	-39	-61	-50	-11	-109	-34	-5	7	17.9	1.9	1.6	1.7
Wells Fargo Securities	17	0.7	3.4	(-3.9)	-25	-83	-108	-83	-25	-120	-71	-12	-36	15.4	0.9	1.5	2.6
RBC Dain Rauscher	39	0.7	3.4	(-2.4)	-12	-99	-111	-93	-18	-112	-95	-3	13	20.0	1.9	1.3	0.9
Deutsche Bank	16	0.6	2.8	(-3.9)	-22	-85	-107	-93	-14	-147	-85	-0	22	17.4	1.4	2.0	2.0
Pipeline Trading	35	0.5	2.7	(-3.0)	-18	82	64	8	56	98	71	10	-75	17.1	3.5	1.0	0.9
Jefferies	20	0.5	2.5	(-2.1)	-11	-24	-36	-39	3	83	-16	-9	36	18.3	2.4	1.3	1.3
Robert W Baird	11	0.5	2.3	(-4.0)	-28	-99	-128	-97	-30	-252	-76	-23	-58	13.9	0.5	1.9	3.0
Cowen & Co	13	0.4	2.2	(-3.0)	-13	-71	-84	-75	-9	-106	-68	-3	97	21.8	1.2	1.5	1.6
KeyBanc Capital Markets	9	0.4	2.1	(-3.8)	-14	-33	-47	-50	3	-179	-26	-6	50	27.3	1.9	1.5	1.7
Goldman Sachs	31	0.4	2.0	(-1.8)	-8	-104	-113	-79	-34	-125	-87	-18	116	20.8	1.7	1.2	0.6
Canaccord Capital	11	0.4	1.8	(-4.0)	-21	-214	-235	-160	-75	-298	-178	-36	-122	18.2	0.8	1.5	1.7
ITG	15	0.3	1.5	(-2.5)	-16	-57	-73	-55	-18	-95	-33	-24	164	15.9	1.5	1.6	1.3
BTIG, LLC	9	0.2	1.1	(-4.0)	-37	125	88	41	47	68	115	10	142	11.0	1.2	1.6	2.3
SunTrust Robinson Hum	6	0.2	1.0	(-4.0)	-12	25	13	-17	29	73	20	5	-102	33.0	3.4	2.0	1.0
Credit Suisse	8	0.2	0.9	(-4.0)	-15	-152	-167	-122	-45	-176	-155	3	-204	27.2	2.0	1.4	0.8
DA Davidson	3	0.2	0.8	(-3.1)	-32	-142	-175	-102	-73	-418	-86	-57	-199	9.1	0.8	1.2	5.7
Bank of America	3	0.2	0.8	(-2.8)	-25	-172	-198	-156	-42	-331	-157	-16	-98	10.8	0.5	1.9	4.9
Pulse Trading	29	0.2	0.8	(-2.0)	-11	-65	-75	-52	-23	-146	-45	-20	19	18.5	1.8	1.2	0.3
Instinet	9	0.1	0.7	(-1.3)	-5	-177	-183	-122	-61	-190	-142	-35	19	24.5	0.7	1.3	0.6
Citation	7	0.1	0.6	(-3.0)	-17	-40	-57	-13	-43	-114	8	-48	-105	18.3	1.7	1.2	1.0
Fidelity Capital Markets	5	0.1	0.6	(-2.0)	-8	-105	-112	-120	7	14	-118	13	109	24.8	1.1	1.2	0.9
Others	58	1.2	5.8	(-2.9)	-16	-81	-98	-77	-20	-143	-83	2	46	17.7	1.2	1.4	1.1
<b>Total</b>	<b>797</b>	<b>19.9</b>	<b>100.0</b>	<b>(-3.3)</b>	<b>-17</b>	<b>-87</b>	<b>-104</b>	<b>-86</b>	<b>-18</b>	<b>-149</b>	<b>-80</b>	<b>-7</b>	<b>24</b>	<b>19.3</b>	<b>1.6</b>	<b>1.5</b>	<b>1.3</b>

San Mateo County Employees Retirement Association: THE BOSTON COMPANY : US-Small Cap Value

Fourth Quarter 2011

Use of Brokers (2011/Q1-2011/Q4)

Broker	---- Trades ----			---- Trading Cost ----			--- Comparison ---		----Price Trends----				-Average Trade Characteristics-				
	#	Value	%	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1-Day Pre	Open to VWAP	VWAP to Execution	1-Day Post	Share Price	Liquidity (%MDV)	Market Cap	Shares	
	#	\$Millions	%	(¢)	bp	bp	bp	bp	bp	bp	bp	bp	\$	%	\$Billions	000	
Stifel Nicolaus	170	5.3	8.5	(-3.5)	-21	-97	-118	-98	-20	-210	-96	-1	95	16.9	2.0	1.2	1.8
Liquidnet	233	4.9	7.9	(-2.9)	-16	-35	-51	-44	-7	-138	-34	-1	-32	17.8	2.4	1.4	1.2
J P Morgan	105	3.9	6.3	(-3.8)	-23	-136	-159	-132	-27	-309	-137	1	122	16.6	1.7	1.4	2.2
RBC Dain Rauscher	213	3.4	5.5	(-1.7)	-15	-55	-70	-57	-13	-68	-49	-6	-35	11.1	2.3	1.2	1.4
Cantor Fitzgerald	78	3.4	5.5	(-3.0)	-28	-82	-110	-76	-34	107	-68	-14	-2	10.8	2.2	1.6	4.1
Weeden & Co	124	3.0	4.9	(-3.0)	-24	-75	-100	-73	-27	-142	-54	-21	-39	12.0	1.8	1.4	2.0
Pipeline Trading	207	2.7	4.4	(-2.6)	-21	29	8	-8	16	24	27	2	3	12.7	3.1	1.2	1.1
Jefferies	80	2.6	4.2	(-3.1)	-19	-115	-134	-82	-52	-164	-91	-23	56	16.2	2.1	1.4	2.0
Raymond James	52	2.2	3.6	(-2.8)	-16	-166	-182	-132	-50	-270	-140	-26	52	17.4	1.2	1.8	2.5
Knight Equity Markets	131	2.2	3.6	(-2.6)	-16	-85	-101	-80	-21	-108	-75	-10	49	16.3	1.7	1.1	1.0
JonesTrading	52	2.2	3.5	(-4.0)	-18	5	-13	-17	4	46	1	4	-61	22.0	1.2	1.9	1.9
Robert W Baird	48	2.0	3.3	(-3.9)	-17	-98	-115	-80	-35	-174	-82	-17	-17	23.6	1.1	1.6	1.8
Goldman Sachs	74	1.9	3.1	(-2.5)	-13	-95	-108	-71	-37	-116	-78	-16	58	19.4	1.1	1.8	1.3
Barclays Capital	71	1.7	2.8	(-3.8)	-17	-86	-104	-81	-23	-161	-84	-3	113	21.7	1.5	1.5	1.1
Wells Fargo Securities	38	1.6	2.6	(-3.7)	-24	-88	-112	-75	-36	-60	-69	-19	14	15.4	1.5	1.3	2.7
Cowen & Co	36	1.6	2.6	(-3.7)	-16	-125	-141	-101	-40	-176	-102	-24	134	23.0	0.8	2.0	1.9
KeyBanc Capital Markets	38	1.3	2.2	(-3.9)	-13	-7	-21	-20	-1	-32	-2	-6	47	29.0	1.3	1.8	1.2
Friedman Billings Ramse	41	1.3	2.1	(-4.0)	-31	-284	-315	-223	-92	-515	-212	-72	123	12.9	2.1	1.4	2.5
Macquarie Securities	33	1.3	2.1	(-3.4)	-13	-90	-103	-83	-21	-84	-89	-1	62	25.3	1.1	1.8	1.6
ITG	73	1.3	2.0	(-2.4)	-16	-13	-29	-35	6	-55	-18	5	-97	15.2	2.7	1.2	1.1
Canaccord Capital	30	1.2	1.9	(-4.0)	-18	-93	-111	-61	-50	-133	-66	-27	-109	21.8	1.0	1.7	1.8
Keefe Bruyette & Woods	31	1.1	1.8	(-4.0)	-24	-84	-108	-68	-41	-165	-63	-21	-51	16.7	2.0	1.4	2.1
Deutsche Bank	29	1.0	1.5	(-3.8)	-20	-119	-139	-104	-36	-165	-105	-14	79	18.9	1.2	2.1	1.7
Citation	30	0.8	1.3	(-3.6)	-18	-45	-63	-47	-16	-21	-36	-9	-3	19.9	2.2	1.4	1.3
Credit Suisse	29	0.8	1.3	(-4.0)	-25	-128	-153	-91	-62	-213	-100	-28	-15	15.9	1.5	1.3	1.7
Lazard Freres	14	0.8	1.2	(-2.5)	-9	6	-2	-5	2	19	2	4	20	28.2	0.7	2.4	1.9
Bank of America	14	0.7	1.1	(-1.6)	-9	-80	-89	-77	-13	-107	-86	6	143	17.6	1.3	1.8	2.8
Pulse Trading	78	0.6	1.0	(-2.0)	-11	-121	-132	-86	-46	-195	-97	-24	28	18.5	2.2	1.5	0.4
BTIG, LLC	16	0.5	0.8	(-3.7)	-35	15	-20	-68	48	34	-18	33	247	10.6	1.2	1.2	2.8
DA Davidson	8	0.4	0.6	(-2.3)	-19	-130	-149	-87	-62	-542	-99	-31	-131	12.4	1.5	1.3	4.1
Others	170	4.2	6.9	(-2.9)	-16	-71	-88	-72	-16	-88	-69	-3	40	17.4	1.5	1.6	1.4
<b>Total</b>	<b>2,346</b>	<b>61.8</b>	<b>100.0</b>	<b>(-3.1)</b>	<b>-19</b>	<b>-80</b>	<b>-99</b>	<b>-76</b>	<b>-24</b>	<b>-128</b>	<b>-70</b>	<b>-10</b>	<b>28</b>	<b>16.1</b>	<b>1.8</b>	<b>1.5</b>	<b>1.6</b>

Geographical Diagnostics

Region	Country	---- Decisions ----			---- Execution Costs ----				---- Comparison to Benchmarks ----			---- Average Decision Characteristics ----					
		#	Value	%	Implicit Cost Delay	Cost Impact	Explicit Costs Commissions	Total Cost	Total Cost Actual	Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom.	Liquidity (%MDV)	Market Cap	Shares	
		#	\$Millions	%	bp	bp	bp	(¢)	bp	bp	bp	bp	%	%	%	\$Billions	000
United States	United States	216	19.8	100.0	-124	-87	-17	(-3.3)	-228	-182	0	-47	21	-1.9	1.6	1.5	5
<b>Total</b>		<b>216</b>	<b>19.8</b>	<b>100.0</b>	<b>-124</b>	<b>-87</b>	<b>-17</b>	<b>(-3.3)</b>	<b>-228</b>	<b>-182</b>	<b>0</b>	<b>-47</b>	<b>21</b>	<b>-1.9</b>	<b>1.6</b>	<b>1.5</b>	<b>5</b>



Z E N O

consulting group

# Sponsor Monitor

## *How to read a Sponsor Monitor report*



## Who is ZENO?

- Independent trade cost consultant, and Registered Investment Advisor\*, acting solely in the plan sponsor's interest.
- 55+ clients collectively monitoring over \$720 billion and 1,300 equity strategies.
- Web-based drill down facility, peer group universes, and comprehensive end-to-end analytics - systematically identify trading outliers and flag key issues warranting follow-up.
- Specialist in constructing meaningful oversight programs, with follow-up Action Items and Recommendations.
- ZENO's Consultants act as extension of client's staff - so clients enjoy *immediate benefits without the need to allocate precious time and resources!*

\* Under the Investment Advisors Act of 1940



## ZENO's Philosophy on Meaningful TCA:

As prudent fiduciaries, more than ever before, asset owners should understand their managers' trading process, what they pay to execute trades, whether they obtained best execution, and its impact on performance.

*The easiest route to the top quartile of performance  
is to be in the bottom quartile of expenses.*  
Jack Bogle

ZENO Consulting Group, Inc. is a consulting firm, **not a broker**, that specializes in helping large institutional clients proactively monitor and manage, their asset manager's trading processes.

*All analytical thought is a function of math, logic, and ethics -  
but math and logic must be subordinate to ethics.*  
Zeno of Citium c.335-c.263 B.C. (paraphrased)



## Reference Section - Index

1. Introduction	<i>Page 5</i>
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3. Total Cost and Components of Cost Analysis	<i>Pages 12-18</i>
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6. Manager Diagnostics	<i>Pages 25-29</i>
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8. Manager Report Card	<i>Pages 38-40</i>
9. Follow-up Review	<i>Pages 41-43</i>



## Introduction

*Sponsor Monitor*<sup>™</sup> measures and benchmarks the loss in asset value that occurs when Money Management firms buy and sell stocks on behalf of a Pension, Mutual fund or any other entity exercising oversight.

Each quarter, Zeno Consulting Group collects the equity trade data of all Managers - typically from the custodial bank. A proprietary software process then analyzes each record, (scrubbing trade files for bad data, fixed income, real-estate or warrant securities).

The analysis begins by determining the point in time when a Manager first decides to buy or sell a particular stock. All trades in that stock, on the same side (buy/sell) and within three trading days of the preceding trade are termed a "Decision." The execution costs associated with implementing a Decision are then calculated by comparing the stock value at the point in time the Manager first decided to trade, to the actual execution prices achieved.

Once the Total Execution Costs are determined, Zeno Consulting Group performs an attribution analysis of the Total Execution Costs to help measure its component parts: commissions, market-impact and delay costs. Brokerage Costs (commissions and market-impact) represent the portion of the Manager's Total Execution Costs incurred by Broker/Dealers are also reviewed.

Both the Total Execution and Brokerage Costs are then juxtaposed against Zeno Consulting Group's proprietary benchmark algorithms and peer group Universes to assess the relative execution quality of each Manager and their use of Broker/Dealers.

Reviewing these costs, making relevant comparisons, and evaluating how costs accrue, can provide meaningful insights into each Manager's trading process, and the execution quality achieved. In particular Zeno Consulting Group emphasizes monitoring for recurring trends over multiple quarters. Identifying trends and patterns (which are often indicative of systematic trading processes) can help ascertain the likelihood of sustained performance.



## All Pages: Page Header

### Significant Issues

- Name of manager
- Investment mandate and peer group universe
- Period for which data is being analyzed

#### **Manager name and Investment Strategy:**

The manager and investment mandate assigned to a particular group of assets defines the peer group universe, and is often indicative of the implementation process used.

Sample Fund: Manager 2: US-Mid Cap Growth



Fourth Quarter 2006

**Review Period:** The quarter (or period) that this review is focused on.



# Executive Summary

## Page Layout

- **Executive Summary**

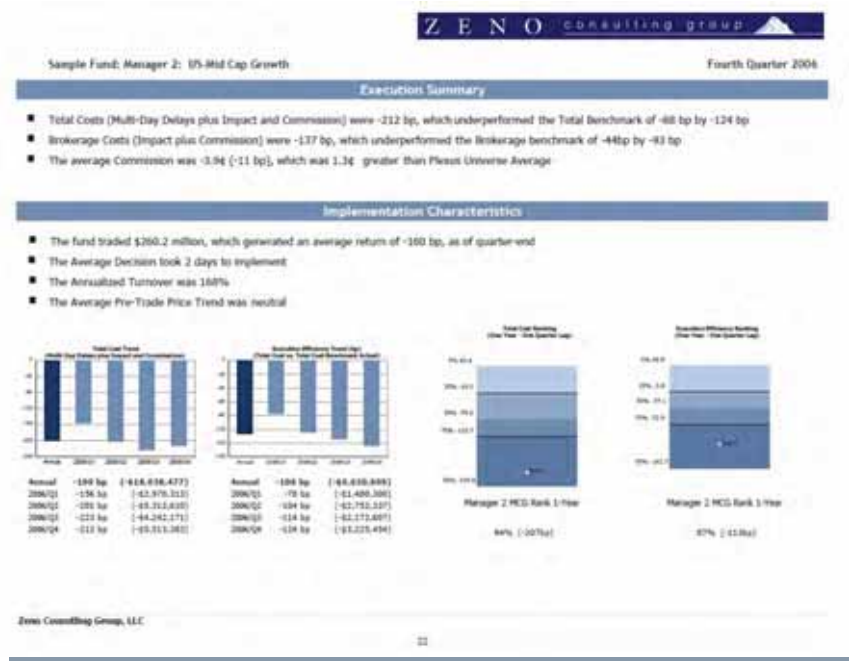
- Total Costs
- Brokerage Costs
- Commissions
- Negative Trends

- **Implementation Characteristics**

- Decision Value
- Decision Duration
- Turnover
- Momentum

- **Ranking and Trend Graphs**

- Trend Graphs  
(Execution Cost, Execution Efficiency)
- Ranking Graphs  
(Execution Cost, Execution Efficiency)





## Executive Summary Details

### Significant Issues

- Are this quarter's Total costs in line with their benchmark?
- Are Brokerage costs in line with their benchmark?
- Are average commission rates in line with peer group universe averages?
- Which managers, if any, exhibited negative trends in their trade Implementation?

**Total Costs** : A Description of the fund's or a specific manager's total costs (Sum of Delay, Impact and Commission) *for this quarter* as compared with their Post-Trade ACE (PTA) Benchmark.

**Brokerage Costs** : A description of the fund's or a specific manager's Brokerage Costs (Sum of Impact, and Commission) *for this quarter* as compared with their Brokerage Post Trade ACE (PTA) benchmark.

### Executive Summary

- Total Costs (Multi-Day Delays plus Impact and Commission) were -12 bp, which underperformed the Total Benchmark of -88 bp by -124 bp
- Brokerage Costs (Impact plus Commission) were -137 bp, which underperformed the Brokerage benchmark of -44bp by -93 bp
- The average Commission was -3.9¢ (-11 bp), which was 1.3¢ greater than Plexus Universe Average

**Commission rates** : A Description of the fund's or a manager's Commissions as compared with the appropriate Zeno Consulting Group peer group universe\* average Commission.

\* Peer group universes are one quarter lagged and are constructed using four quarters of results. Each data point therefore is representative of a year of data. Two types of universes are maintained, the first for the fund as an aggregate, and others based on the investment strategy assigned to each managed portfolio. Universes are re-generated at the end of each calendar quarter



## Implementation Characteristics Details

### Significant Issues

- Have Decision values changed significantly?
- What was the contribution of traded activity to quarterly returns?
- Have turnover rates changed consistently with Decision values? Is Turnover consistent with Investment Mandate?
- Is pre-trade Momentum consistent with the costs paid to implement trades (i.e. more adverse momentum leads to higher cost, while favorable momentum is associated with lower costs)?

**Decision Value :**  
Dollar Value of stock picks in Millions before any trading has occurred.

**Time to Implement :** The dollar-weighted average number of days (for the fund or manager) from the point where an investment decision is initiated to the time the last trade is executed.

**Traded Returns After Costs :** Change in value of stocks purchased or sold from trade date to the last day of the quarter

### Implementation Characteristics

- The fund traded \$1,833.9 million, which generated an average return of -26 bp, as of quarter-end
- The Average Decision took 3 days to implement
- The Annualized Turnover was 70%
- The Average Pre-Trade Price Trend was neutral

**Annualized Turnover :** The average of buy plus sell decision values *for this quarter* divided by the total net assets placed with Manager(s) (multiplied by four to annualize).

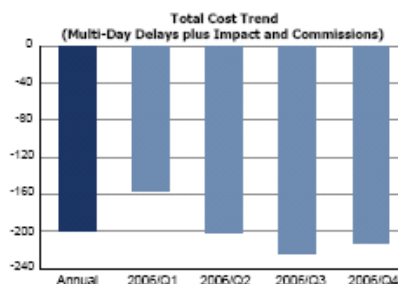
**2-Day Pre-Trade Momentum:** Indicates two day price trend just prior to trades.  
 Strongly Adverse or difficult (<-7% avg. price move)  
 Adverse or difficult (>-7% and <-4% avg. price move)  
 Neutral or flat (>-4% and <4% avg. price move)  
 Favorable or easier (>4% and <7% avg. price move)  
 Strongly Favorable or easier (>7% avg. price move)



## Trend Graphs

### Significant Issues

- Are Total Costs stable, varying, or trending in one direction or another?
- Are Total Costs in basis points reasonable?
- Have total execution costs deteriorated or improved versus their cost benchmark?
- If Total Costs are expensive and/or have deteriorated, review other pages to try and identify cause.



Period	Total Cost (bp)	Total Cost (\$)
Annual	-199 bp	-\$18,038,477
2006/Q1	-156 bp	-\$2,970,313
2006/Q2	-201 bp	-\$5,312,610
2006/Q3	-223 bp	-\$4,242,171
2006/Q4	-212 bp	-\$5,513,383



Period	Execution Efficiency (bp)	Execution Efficiency (\$)
Annual	-106 bp	-\$9,630,699
2006/Q1	-78 bp	-\$1,480,300
2006/Q2	-104 bp	-\$2,752,337
2006/Q3	-114 bp	-\$2,172,607
2006/Q4	-124 bp	-\$3,225,454

**Total Cost Trend (bp) (\$):** Four-quarter trend analysis of Total Costs (sum of Delay, Impact and Commission) in basis points and Dollars (Decision Value times Total Cost).

**Execution Cost Efficiency (bp) (\$):** Four quarter trend analysis of execution quality (sum of Delay, Impact and Commission less Total Cost Benchmark) resulting from Manager's trade implementation.

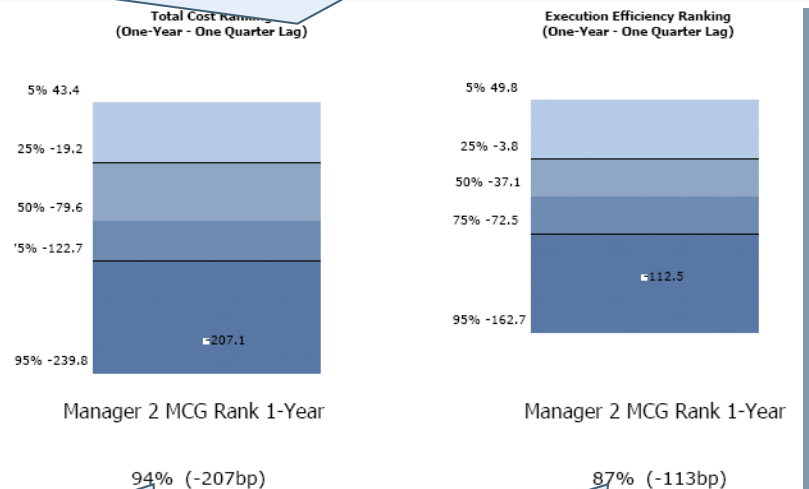


## Ranking Graphs

### Significant Issues

- Are Total Costs reasonable versus peers?
- Has Total Cost deteriorated or improved versus their peers?
- Is Execution Efficiency reasonable versus peers?
- Has Execution Efficiency deteriorated or improved versus peers?
- Do Execution Efficiency results rank in the third or fourth quartile consistently versus peers?

Universe Period : Universes are based on one year (four quarters) of data, one quarter lagged.



**Total Cost Ranking (bp)** : Ranking of Total Costs (Sum of Delay, Impact and Commission) versus like strategies in Zeno Consulting Group's peer group universe\* (100% is worst).

**Execution Efficiency Ranking (bp)** : Ranking of execution quality (Sum of Delay, Impact and Commission less Total Cost Benchmark) versus like strategies in Zeno Consulting Group's peer group universe\* (100% is worst).

\* Peer group universes are one quarter lagged and are constructed using four quarters of results. Each data point therefore is representative of a year of data. Two types of universes are maintained, the first for the fund as an aggregate, and others based on the investment strategy assigned to each managed portfolio. Universes are re-generated at the end of each calendar quarter.





# Total Costs and Components of Cost Analysis

## Page Layouts

- Total Cost Analysis**

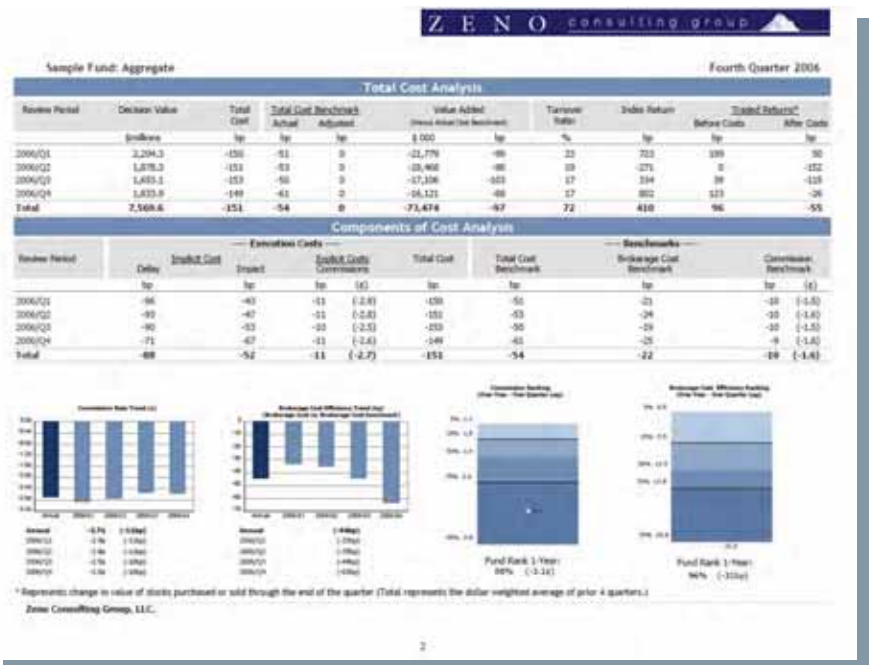
Decision Value and Statistics  
 Total Costs and Value Added  
 Turnover and Returns

- Components of Cost Analysis**

Execution Costs  
 (Delay, Impact, Commissions, Total Cost)  
 Benchmarks  
 (Total Costs, Brokerage, Commissions)

- Components of Cost Analysis**

Trend Graphs  
 (Commission, Brokerage Efficiency)  
 Ranking Graphs  
 (Commission, Brokerage Efficiency)







## Total Cost Analysis

### Significant Issues

- Are Total Costs in line with expectations for trading just your account (i.e. Actual Benchmark)?
- Are Total Costs in line with expectations for trading the manager's overall strategy (i.e. Adjusted Benchmark)?
- Is execution quality impacted by the manager's total assets under management (i.e. Actual vs. Adjusted Benchmark)?
- Are quarterly trade volume (i.e. Decision Value) and turnover in line with expectations and mandates?

**Review Period:** Results for prior four quarters and total are displayed

**Actual Benchmark :** Zeno's experienced based estimate of the average Execution Cost incurred by managers trading orders with similar characteristics (Based on shares traded for your account).

**Adjusted Benchmark :** Zeno's statistical experienced based estimate of Execution Cost. Based on estimated shares traded in manager's total strategy (inclusive of your account and all other client accounts in the same strategy).

Review Period	Total Cost Analysis					
	Decision Value	Total Cost	Total Cost Benchmark		Value Added	
			Actual	Adjusted	(Versus Actual Cost Benchmark)	
	\$Millions	bp	bp	bp	\$ 000	bp
2006/Q1	190.6	-156	-78	-85	-1,480	-78
2006/Q2	264.4	-201	-97	-101	-2,752	-104
2006/Q3	190.2	-223	-109	-112	-2,173	-114
2006/Q4	260.2	-212	-88	-95	-3,225	-124
<b>Total</b>	<b>905.5</b>	<b>-199</b>	<b>-93</b>	<b>-98</b>	<b>-9,631</b>	<b>-106</b>

**Decision Value<sup>1</sup>:** Dollar Value of stock picks in Millions before any trading has occurred.

**Total (or Execution) Cost:** Amount of fund assets paid to buy and sell stocks in portfolio (Sum of Delay, Market Impact and Commissions)

**Value added (\$000):** Execution quality of Manager(s) in dollars (Total Cost minus Actual Benchmark multiplied by Decision Value).

**Value added (bp):** Execution quality of Manager(s) in Basis Points (Total Cost minus Actual Benchmark).

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



## Total Cost Analysis Continued

### Significant Issues

- Are quarterly trade volumes (i.e. Decision Value) and turnover in line with expectations and mandates?
- Are short term traded returns, before costs, strong (i.e. good ideas)?
- Are short term returns, after costs, consistent with the strength of the quarterly index return?
- Are short term returns, stable, varying, or trending in one direction or another?
- Are short term returns significantly affected by costs?

**Turnover Ratio:** The average of buy plus sell decision values divided by the net assets placed with the manager.

**Traded Returns Before Costs :** Change in value of stocks purchased or sold from decision date to the last day of the quarter.

Turnover Ratio	Index Return	Traded Returns*	
		Before Costs	After Costs
%	bp	bp	bp
23	723	199	50
19	-271	0	-152
17	334	39	-115
17	802	123	-26
<b>72</b>	<b>410</b>	<b>96</b>	<b>-55</b>

**Index Return:** The change in the value of the Index assigned to this strategy from the first day of the quarter to the last day of the quarter, expressed as a return.

**Traded Returns After Costs:** Change in value of stocks purchased or sold from trade date to the last day of the quarter (also calculated as Traded Returns before Costs minus Total Costs).



## Components of Cost Analysis

### Significant Issues

- Does a single cost component consistently drive Execution Costs?
- Are trends consistent over time?
- Are high commissions justified by lower Impact and/or Delay costs?

**(Market) Impact (bp):** Daily cost from brokers working trades (Days Opening 10-minute VWAP price compared to Trade Price). Impact calculated without time-stamps essentially represents the teamwork of manager and broker.

**Total (or Execution) Cost (bp):** Amount of fund assets paid to buy and sell stocks in portfolio (Sum of Delay, Impact and Commissions).

Components of Cost Analysis				
Execution Costs ----				
Delay	Implicit Cost	Impact	Explicit Costs Commissions	Total Cost
bp		bp	bp (¢)	bp
-96		-43	-11 (-2.9)	-150
-93		-47	-11 (-2.8)	-151
-90		-53	-10 (-2.5)	-153
-71		-67	-11 (-2.6)	-149
<b>-88</b>		<b>-52</b>	<b>-11 (-2.7)</b>	<b>-151</b>

**Delay (bp):** Multi-day costs from managers working their orders (Decision price<sup>1</sup> compared to each trade days Opening 10-Minute VWAP price).

**Commissions (¢) (bp):** Explicit fees paid to brokers to execute trades.

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



## Components of Cost Analysis Continued

### Significant Issues

- Are Total Costs in line with expectations?
- Does the Total Cost Benchmark reveal a trend to higher/lower costs (i.e. more/less difficult orders)?
- Are Brokerage Costs (Impact and commissions) in line with expectations?
- Does the Brokerage Cost Benchmark reveal a trend to higher/lower costs (i.e. more/less difficult trades)?
- If peer group universe commission trends reflect falling rates, are this manager's commission rates falling?

**Total Cost (Actual) Benchmark :**  
Zeno Consulting Group's experienced based estimate of the average Execution Cost incurred by managers trading orders with similar characteristics.

**Commission Benchmark (¢) (bp) :**  
Zeno Consulting Group's peer group universe\* average (based on cents per share figures) for similar investment strategies. Benchmark figures reflect share weighted totals.

---- Benchmarks ----			
Total Cost Benchmark	Brokerage Cost Benchmark	Commission Benchmark	
bp	bp	bp	(¢)
-51	-21	-10	(-1.5)
-53	-24	-10	(-1.6)
-50	-19	-10	(-1.5)
-61	-25	-9	(-1.6)
<b>-54</b>	<b>22</b>	<b>-10</b>	<b>(-1.6)</b>

**Brokerage Cost Benchmark:** Zeno Consulting Group's statistical experienced based estimate of brokerage costs to execute similar trades.

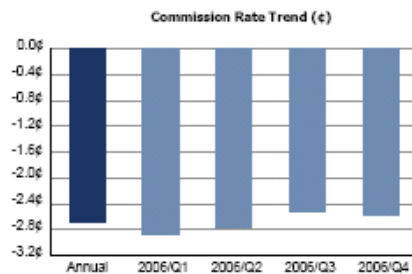
\* Peer group universes are one quarter lagged and are constructed using four quarters of results. Each data point therefore is representative of a year of data. Two types of universes are maintained, the first for the fund as an aggregate, and others based on the investment strategy assigned to each managed portfolio. Universes are re-generated at the end of each calendar quarter



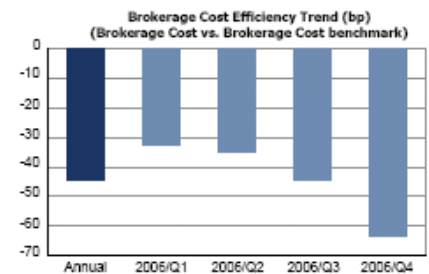
## Components of Cost Analysis Trend Graphs

### Significant Issues

- Are commission rates stable, varying, or trending in one direction or another?
- Are commissions in cents per share (basis points if international) reasonable?
- Have Brokerage Costs deteriorated or improved versus their cost benchmark?



Annual	-2.7¢	(-11bp)
2006/Q1	-2.9¢	(-11bp)
2006/Q2	-2.8¢	(-11bp)
2006/Q3	-2.5¢	(-10bp)
2006/Q4	-2.6¢	(-10bp)



Annual	-44bp
2006/Q1	-33bp
2006/Q2	-35bp
2006/Q3	-44bp
2006/Q4	-63bp

**Commission Rate Trend (¢) (bp)** : Four-quarter trend analysis of commission rates in cents per share and basis points.

**Brokerage Cost Efficiency (bp)<sup>3</sup>** : Four quarter trend analysis of execution quality (sum of Impact and Commission Cost less Brokerage Benchmark) resulting from Manager -Broker partnership.

<sup>3</sup> Any differences between *reported* Brokerage Cost Efficiency, and *values calculated* by taking the difference between Brokerage Costs and the Brokerage Cost Benchmark, are either the result of rounding dollar weighted averages, or excluding trade outliers from the Brokerage Cost Efficiency calculation.

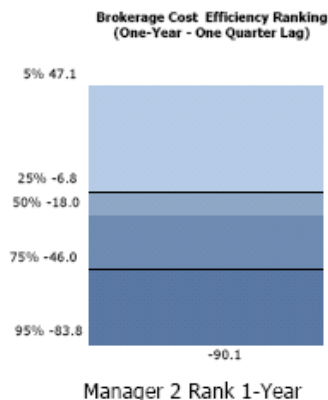
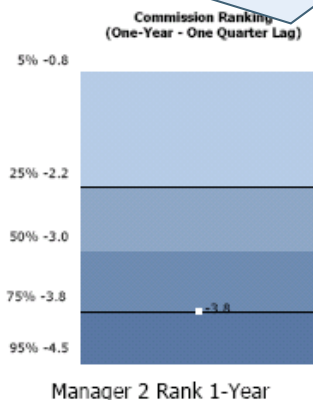


## Components of Cost Analysis Ranking Graphs

### Significant Issues

- Are commissions rates excessive relative to peers?
- Have commission rates increased relative to peers?
- Is Brokerage Cost Efficiency reasonable relative to peers?
- Has Brokerage Cost Efficiency deteriorated or improved relative to peers?
- Does Brokerage Cost Efficiency rank in the fourth quartile consistently versus peers?

Universe Period : Universes are based on one year (four quarters) of data, one quarter lagged.



74% (-3.8¢)

97% (-90bp)

**Commission Ranking (¢)** : Ranking of commissions in cents per share versus like strategies in Zeno Consulting Group's peer group universe\* (100% is worst).

**Brokerage Cost Efficiency (bp)** : Ranking of brokerage value added (sum of Impact and commissions less Brokerage Benchmark)<sup>3</sup> for this strategy versus like strategies in Zeno Consulting Group's peer group universe\* (100% is worst).

\* Peer group universes are one quarter lagged and are constructed using four quarters of results. Each data point therefore is representative of a year of data. Two types of universes are maintained, the first for the fund as an aggregate, and others based on the investment strategy assigned to each managed portfolio. Universes are re-generated at the end of each calendar quarter



# Decision Review Report

## Page Layouts

- **Decision Review (Total, Buys, Sells)**

Decisions

(Number, Value and Weighting)

Execution Costs

(Delay, Impact, Commissions, Total Cost)

Benchmarks

(Total Costs: Actual and Adjusted)

Decision Characteristics

(Turnover, Momentum, Mkt. Cap, Dec. Size)

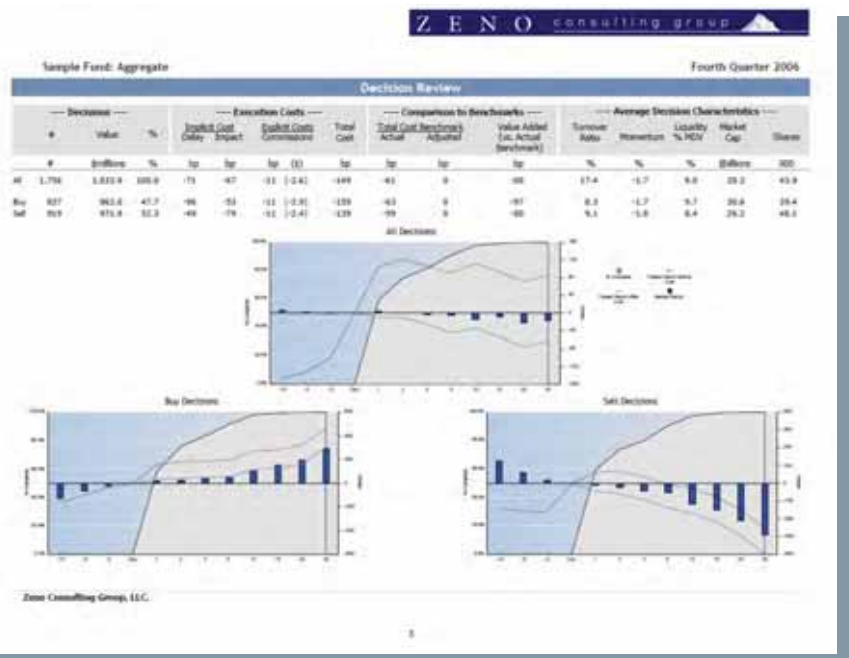
- **Decision Graphs (Total, Buys, Sells)**

Decision Return

Realized Return

Percent Traded

Market Return





## Decision Review - Results Table

### Significant Issues

•Is trade activity over-weighted towards buying or selling? Is this consistent with expectations?

•Are Buy costs significantly greater (or less) than the costs of Sells?

•Are Buy or Sell Market Impact costs consistently greater (or less) than corresponding Delay Costs?

**Decision Value<sup>1</sup>:** Dollar Value of stock picks in Millions before any trading has occurred.

**Delay (bp):** Multi-day costs from managers working their orders (Decision price<sup>1</sup> compared to each trade day's Opening 10-Minute VWAP price).

**(Market) Impact (bp):** Daily cost from brokers working trades (Days Opening 10-minute VWAP price compared to Trade Price)

	---- Decisions ----			---- Execution Costs ----				
	#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions	Total Cost	
	#	\$Millions	%	bp	bp	bp (\$)	bp	
All	127	260.2	100	-75	-126	-11 (-3.9)	-212	
Buy	74	123.7	48	-65	-115	-10 (-3.9)	-190	
Sell	53	136.5	52	-85	-135	-12 (-3.9)	-232	

**# :** Amount of discrete Decisions<sup>1</sup> executed in the quarter.

**%:** Percent of Decision value (Buy or Sell).

**Commissions (¢) (bp):** Explicit fees paid to brokers to execute trades.

**Total Cost (bp):** Amount of fund assets paid to buy and sell stocks in portfolio (Sum of Delay, Impact and Commissions).

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.







## Decision Review Page – Results Table Continued

### Significant Issues

- Is execution quality (value added vs. Benchmark) for Buys in line with execution quality of Sells?
- Are Total Costs of Buys and/or Sells in line with expectations for trading just your account (i.e. Actual Benchmark)?
- Are Total Costs of Buys and/or Sells in line with expectations for trading the manager’s overall strategy (i.e. Adjusted Benchmark)?

**Actual Benchmark** : Zeno Consulting Group’s experienced based estimate of the average Execution Cost incurred by managers trading orders with similar characteristics (Based on shares traded for your account).

**Adjusted Benchmark** : Zeno Consulting Group’s statistical experienced based estimate of Execution Cost. Based on estimated shares traded in manager’s total strategy (inclusive of your account and all other client accounts in the same strategy).

---- Comparison to Benchmarks ----		
Total Cost Benchmark		Value Added (vs. Actual Benchmark)
Actual	Adjusted	
bp	bp	bp
-88	-95	-124
-84	-90	-106
-92	-100	-140

**Value added (bp):** Execution quality of Manager(s) in Basis Points (Total Cost minus Actual Benchmark) for Total (top row) Buys (middle row) and sells (bottom row).



## Decision Review Page – Results Table Continued

### Significant Issues

- Is quarterly turnover (Total, Buy and Sell) ratio in line with expectations and mandates?
- Do stock picks appear consistent with their “Investment Mandate”? (e.g. Growth managers stock picks have adverse pre-trade momentum)
- How do trade characteristics look? (e.g. Illiquid decisions, adverse momentum.)
- Are managers “drifting”? (e.g. Large cap manager selling large cap and buying small cap stocks.)

**Turnover Ratio:** The average of buy plus sell decision values divided by the net assets placed with the manager.

**Decision Size:** Trade Size as a percentage of the average volume traded in the market (Decision<sup>1</sup> Shares divided by the prior 21 day rolling average of market volume)

### Average Decision Characteristics

Turnover Ratio	Momentum	Liquidity % MDV	Market Cap	Shares
%	%	%	\$billions	000
17.4	-1.7	9.0	28.3	43.9
8.3	-1.7	9.7	30.6	39.4
9.1	-1.8	8.4	26.2	48.1

**2-Day Pre-Trade Momentum:** Price movement of traded securities in the two days prior to execution (negative numbers indicate adverse momentum)

**Capitalization (\$Bil):** The average capitalization of traded stocks. (Shares outstanding times Price)

**Shares (000):** Average shares, in thousands, per Decision<sup>1</sup>.

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



## Decision Graphs

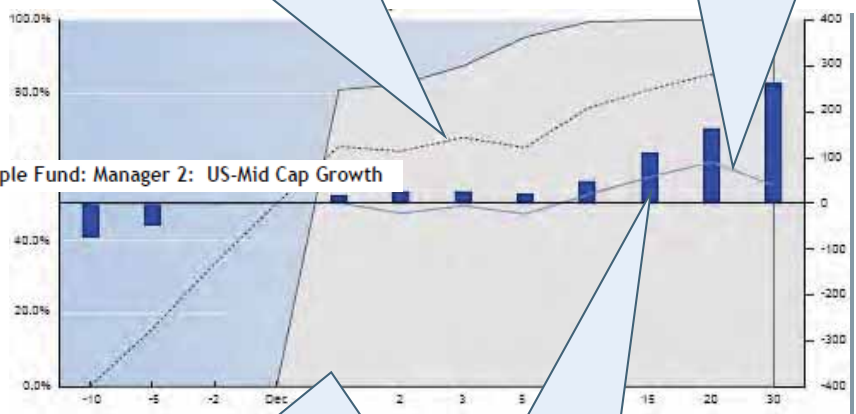
### Significant Issues

- What is the trade implementation style? (e.g. averaging into trade positions, trades in one day, selects stocks with weak (or strong) pre-decision price-trend)
- Is trade execution style consistent with investment mandate?
- Does the trading speed match the requirements of their stock picks? (i.e. Quicker trading when buy prices appreciate quickly, slower trading when buy prices are falling.)
- Does the trade execution style differ for buys and sells?
- Do Realized and or Decision Returns outperform Market Returns?

**Decision Return (the "dotted" line)<sup>2</sup>:** Potential returns on stock picks, before netting out Execution Cost. Tracked from 10 days prior, to 30 days after initial trade. Return values shown on Right Y-axis. Days shown on the X-axis (Decision occurs at "Dec" on X-Axis)

**Realized Return (The solid line)<sup>2</sup>:** Actual thirty day returns on stock picks, after netting out Execution Cost. Begins at the ("Dec") point on the graph and runs left to right. Read values on Right Hand Axis.

Sample Fund: Manager 2: US-Mid Cap Growth



**Percent Traded (Gray Shaded Area):** How quickly were stocks traded after the Investment Decision ("Dec") was made? Percent completed (traded) by each day shown on Left Y-axis. Days shown on the X-axis.

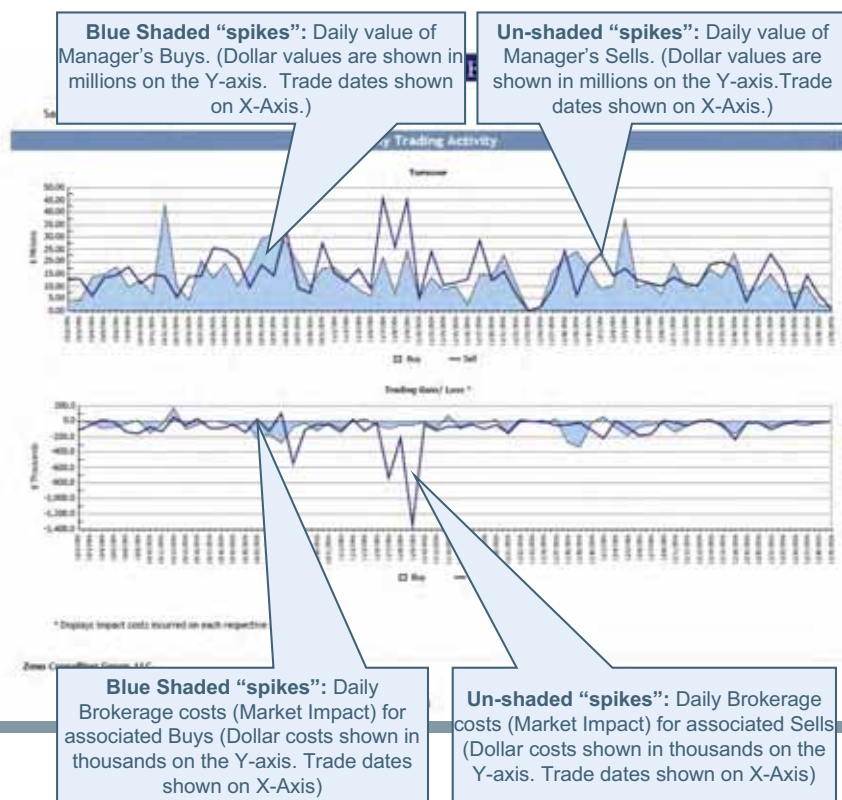
**Market Return (Blue "bars")<sup>2</sup>:** Returns from theoretical buys (or sells) in appropriate indices, assuming they coincide with the timing and dollar value of the managers buys (or sells).

<sup>2</sup> For the Sell Decision graph, rising return lines indicate falling prices, and falling return lines indicate rising prices. This is consistent with standard return computations.

## Daily Trading Activity Page

### Significant Issues

- Are large volumes of trades being executed at quarter end (i.e. maybe evidence of window dressing)?
- Are large Buy or Sell trades (on upper graph) generating high brokerage costs (on lower graph)?
- Are Basket/Portfolio trades done effectively?
- Are managers selling stock to raise cash effectively? (i.e. if Sell costs are excessive, and/or associated Buys are not executed within a reasonable time frame.)





# Manager Diagnostics Report

## Page Layouts

- Manager Diagnostics
  - Quarterly and Annual Results

### Decisions

(Number, Value and Weighting)

### Execution Costs

(Delay, Impact, Commissions, Total Cost)

### Benchmarks

(Total Cost: Actual and Adjusted)

### Decision Characteristics

Turnover, Momentum, Mkt. Cap, Dec. Size

ZEN O consulting group

Simple Fund: Aggregate Fourth Quarter 2006

Manager Investment Strategy	Review Period	Decisions			Execution Costs				Comparison to Benchmarks			Average Decision Characteristics				
		#	Value	%	Trade Cost Dollars	Trade Cost Percent	Execution Commissions	Total Cost	Total Cost Benchmark Actual	Total Cost Benchmark Adjusted	Value Added (vs. Actual Benchmark)	Turnover Ratio	Mom.	Liquidity % FCV	Market Cap	Dec. Size
		#	\$ Billions	%	\$	\$	\$	\$	\$	\$	\$	%	%	%	\$ Billions	000
Manager 1	US Large Cap Value	92	183.4	8.8	-61	-05	-4 (-5.2)	-65	-25	0	-96	20.9	-0.8	3.7	61.6	41
	2006/Q4	436	756.8	8.3	-71	-25	-4 (-5.8)	-80	-22	0	-71	28.7	-2.3	3.4	43.1	39
Manager 2	US Mid Cap Growth	127	260.2	14.2	-75	-126	-61 (-3.8)	-112	-88	0	-124	42.0	-3.1	8.8	5.4	58
	2006/Q4	549	905.5	13.0	-62	-125	-62 (-3.8)	-109	-83	0	-106	34.1	-3.8	8.2	5.7	50
Manager 3	US Mid Cap Value	280	283.9	25.4	-118	-31	-12 (-4.3)	-145	-41	0	-132	26.5	-0.8	8.4	9.1	31
	2006/Q4	1,128	956.9	32.8	-85	-25	-12 (-4.2)	-122	-58	0	-84	28.5	-2.5	10.2	9.6	25
Manager 4	US Small Cap Value	88	22.2	1.2	87	-8	-12 (-3.4)	87	-17	8	84	5.4	0.7	12.7	1.8	12
	2006/Q4	324	88.6	1.1	27	-12	-13 (-3.3)	2	-31	0	-33	34.3	0.2	14.6	3.2	16
Manager 5	US Large Cap Value	170	31.9	0.5	-8	1	-4 (-1.3)	-4	-12	0	4	0.0	0.1	3.6	44.9	7
Manager 6	US Small Cap Growth	31	58.2	3.2	67	2	-6 (-2.8)	65	2	0	63	2.2	0.8	5.4	26.1	107
	2006/Q4	232	446.1	6.6	28	32	-6 (-5.7)	81	-1	0	82	18.8	0.8	15.7	25.4	105
Manager 7	US Mid Cap Value	23	25.7	1.4	-71	48	-3 (-1.8)	-34	-4	0	-18	4.4	-0.9	4.8	5.3	32
	2006/Q4	151	205.6	2.7	-86	34	-4 (-1.2)	-27	-17	0	-10	16.6	0.1	8.3	5.7	47
Manager 8	US Large Cap Growth	39	180.8	0.4	-66	-156	-6 (-1.2)	-129	-80	0	-134	8.2	-2.8	8.4	74.1	269
	2006/Q4	174	1,254.5	18.8	-131	-74	-7 (-1.2)	-114	-56	0	-136	66.6	-1.7	4.3	66.7	106
Manager 9	US Small Cap Growth	548	129.6	7.1	-88	-21	-17 (-1.4)	-105	-49	0	-57	16.6	-0.2	4.4	2.8	12

Zeno Consulting Group, LLC.



## Manager Diagnostics Report

### Decisions and Execution Costs

#### Significant Issues

- Are particular Managers consistently driving costs (i.e. are some manager's costs and Decision Value high)?
- Are costs for this quarter significantly different than the last four quarters?
- Which managers are trading the most?
- Are Costs driven by Delays or Market-Impact

Manager Investment Strategy	Review Period	--- Decisions ---			--- Execution Costs ---				Total Cost
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions		
		#	\$Millions	%	bp	bp	bp	(¢)	bp
<b>Manager 1</b>									
US-Large Cap Value	2006/Q4	92	163.4	8.9	-61	-16	-4	(-1.7)	-81
	last 4 quarters	436	700.8	9.3	-71	-20	-4	(-1.8)	-95
<b>Manager 2</b>									
US-Mid Cap Growth	2006/Q4	127	260.2	14.2	-75	-126	-11	(-3.9)	-212
	last 4 quarters	49	905.5	12.0	-62	-125	-12	(-3.9)	-199

**2006/4 :** Results for current quarter.

**Last 4 Quarters:** Results for trailing 4 quarters (dollar weighted averages).

**#:** Number of unique investment Decisions <sup>1</sup>.

**Decision Value<sup>1</sup>:** Dollar Value of stock picks in Millions before any trading has occurred.

**Manager Long Name**  
: Name of entity managing portfolio.

**Mandate:** Mandate or Investment Strategy that defines peer group universe.

**%:** Percent of Decision value accounted for by this manager.

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.





## Manager Diagnostics Report Decisions and Execution Costs

### Significant Issues

- Are particular Managers consistently driving costs (i.e. are some manager's costs and Decision Value high)?
- Are costs for this quarter significantly different than the last four quarters?
- Which managers are trading the most?
- Are Costs driven by Delays or Market-Impact

**Delay (bp):** Multi-day costs from managers working their orders (Decision price<sup>1</sup> compared to each trade day's Opening 10-Minute VWAP price).

**(Market) Impact (bp):** Daily cost from brokers working trades (Days Opening 10-minute VWAP price compared to Trade Price). Impact calculated without time-stamps essentially represents the teamwork of manager and broker.

Manager Investment Strategy	Review Period	---- Decisions ----			Execution Costs ----				Total Cost
		#	Value	%	Implicit Costs		Explicit Costs		
					Delay	Impact	Commissions	Total	
#	\$Millions	%	bp	bp	bp	(¢)	bp		
<b>Manager 1</b>									
<i>US-Large Cap Value</i>	2006/Q4	92	163.4	8.9	-61	-16	-4	(-1.7)	-81
	last 4 quarters	436	700.8	9.3	-71	-20	-4	(-1.8)	-95
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<i>US-Mid Cap Growth</i>	2006/Q4	127	260.2	14.2	-75	-126	-11	(-3.9)	-212
	last 4 quarters	549	905.5	12.0	-62	-125	-12	(-3.9)	-199

**Commissions (¢) (bp):**  
Explicit fees paid to brokers to execute trades.

**Total Cost (bp):** Amount of fund assets paid to buy and sell stocks in portfolio.  
(Sum of Delay, Impact and Commissions).

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



## Manager Diagnostics Report Benchmarks

### Significant Issues

- Are Total Costs for a particular manager in line with expectations for trading just your account (i.e. Actual Benchmark)?
- Are Total Costs for a particular manager in line with expectations for trading the manager's overall strategy (i.e. Adjusted Benchmark)?
- Is execution quality of a particular manager impacted by their total assets under management (i.e. Actual vs. Adjusted Benchmark)?
- Are benchmarks for a particular manager consistently higher/lower than other managers (i.e. harder/easier trades)?
- Is Value Added (Execution Quality) for specific managers consistent between the current quarter and the trailing four-quarter period?

**Actual Benchmark** : Zeno Consulting Group's experienced based estimate of the average Execution Cost incurred by managers trading orders with similar characteristics (Based on shares traded for your account).

**Adjusted Benchmark** : Zeno Consulting Group's statistical experienced based estimate of Execution Cost. Based on estimated shares traded in manager's total strategy (inclusive of your account and all other client accounts in the same strategy)

--- Comparison to Benchmarks ---

Total Cost Benchmark		Value Added (vs. Actual Benchmark)
Actual	Adjusted	
bp	bp	bp
-25	-30	-56
-22	-28	-73

**Value added (bp)**: Execution quality of Manager(s) in Basis Points (Total Cost minus Actual Benchmark).





## Manager Diagnostics Report

### Decision Characteristics

#### Significant Issues

(Per Manager)

- Are quarterly and annual turnover ratios in line with expectations and mandates?
- Do Manager's stock picks appear consistent with their "Investment Mandate" (e.g. Growth managers stock picks have adverse pre-trade momentum)?
- Have trade characteristics changed over time? (e.g. Illiquid decisions, adverse momentum.)
- Are managers "drifting"? (e.g. Large cap manager selling large cap and buying small cap stocks.)

**Turnover Ratio:** The average of buy plus sell decision values divided by the net assets placed with the manager.

**% MDV:** Decision<sup>1</sup> Size as a percentage of the median volume traded in the market (Decision<sup>1</sup> Shares divided by the prior 21 days median market volume)

Average Decision Characteristics				
Turnover Ratio	Mom.	Liquidity % MDV	Market Cap	Shares
%	%	%	\$Billions	000

20.9  
89.7

-0.6  
0.5

3.7  
3.4

41.6  
43.1

41  
39

**2-Day Pre-Trade Momentum:**  
Price movement of traded securities in the two days prior to execution (negative numbers indicate adverse momentum)

**Capitalization (\$Bil):** The average capitalization of traded stocks. (Shares outstanding times Price)

**Shares (000):** Average shares, in thousands, per Decision<sup>1</sup>.

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



# Use of Brokers Report

## Page Layouts

### • Broker Analysis

#### • Brokers

##### Trades

(Number, Value and Weighting)

##### Trading Costs

(Impact, Commissions, Brokerage)

##### Comparisons

(Brokerage Benchmark, value added)

##### Price Trends

(1-Day, Open to VWAP VWAP to Execn, 1 Day Post)

##### Average Trade Characteristics

(Price, %ADV, Market Cap, Shares)

Sample Fund: Aggregate

Fourth Quarter 2004

Broker	Trades			Trading Cost			Comparisons			Price Trends			Average Trade Characteristics				
	#	Value	%	Commissions	Impact Cost	Brokerage	Brokerage Benchmark	Value Added	1 Day Pre	Open to VWAP	VWAP to Execn	1 Day Post	Share Price	Liquidity	Market Cap		
Morgan Stanley	215	105.1	8.7	(1.7)	8	42	42	47	84	24	28	1	20.7	4.1	42.3	25.9	
Merrill Lynch	227	136.7	7.6	(2.5)	9	430	430	44	105	107	77	63	20	26.1	5.6	45.0	23.3
Goldman Sachs	113	130.9	7.1	(3.1)	13	40	40	44	44	44	45	23	23.2	6.5	24.5	11.0	
Lehman Brothers	98	114.2	6.2	(2.1)	8	101	101	46	109	107	40	71	4	26.7	7.1	33.2	87.3
Credit Suisse	201	112.1	6.3	(2.8)	10	76	76	48	43	42	46	39	7	17.2	7.0	22.9	23.1
Citigroup Global Markets	76	86.7	4.4	(3.8)	12	36	36	40	32	34	25	11	9	25.7	5.4	43.6	35.6
UBS	156	77.8	4.2	(2.6)	12	111	129	45	89	124	40	71	86	22.9	3.9	35.3	25.4
TD	255	67.6	3.7	(1.7)	8	29	29	4	144	22	2	33	35.2	6.1	19.6	7.6	
Liquidnet	309	64.7	3.5	(2.2)	8	18	18	13	15	29	24	5	2	20.7	11.9	5.9	7.9
Deutsche Bank	74	58.6	2.9	(3.1)	12	42	44	11	41	148	25	17	25	20.7	5.1	31.3	29.9
Bank of America	157	44.7	2.4	(3.8)	11	40	40	25	31	18	41	1	128	30.5	10.9	20.4	12.7
J.P. Morgan	120	39.6	3.2	(2.8)	14	49	43	30	31	106	37	12	22	11.3	10.8	41.0	13.8
Jefferies	113	31.5	1.7	(4.0)	14	42	76	35	41	202	44	10	29	28.8	10.9	4.3	6.6
Paribas	10	28.2	1.5	(4.3)	11	8	10	13	7	19	4	6	3	30.6	4.8	30.1	12.8
Raymond James	10	26.8	1.5	(4.1)	10	122	122	52	100	112	40	39	76	40.3	7.6	4.2	21.4
Thomas Weiss Partners	118	24.2	1.4	(5.3)	14	34	10	34	24	52	40	104	104	23.2	20.8	5.5	9.2
RBC Dyer Reardon	34	24.3	1.3	(4.9)	11	204	204	41	179	206	109	45	17	30.3	8.4	6.3	39.8
SG Cowen	37	23.7	1.3	(4.1)	10	46	55	9	43	109	52	11	8	32.8	6.7	9.0	20.4
CIBC World Markets	11	21.9	1.2	(4.1)	10	122	122	42	70	107	113	6	16	40.3	7.3	30.0	15.4
Wachovia Securities	32	21.5	1.1	(4.3)	12	40	72	24	68	229	71	11	10	35.4	10.0	1.7	15.8
Piedmont Brokerage	17	21.1	1.1	(3.6)	7	30	17	8	30	44	27	4	4	40.4	7.4	32.6	1.3
Guarini & Co	11	20.7	1.1	(2.6)	9	2	5	9	2	26	4	2	13	61.0	5.7	94.3	10.2
Invest	96	20.7	1.1	(3.3)	11	39	49	10	31	42	37	1	37	32.2	6.1	28.4	7.7
ADP Clearing	27	17.8	1.0	(3.6)	7	112	139	10	119	110	106	17	10	14.4	5.7	2.3	12.1
BNY Securities	26	15.9	1.0	(1.2)	10	2	18	8	8	8	1	4	27	7.7	7.6	18.5	20.9
Bank of America Securities	11	16.6	0.9	(3.7)	16	130	146	47	79	103	98	11	60	22.9	3.5	4.0	14.3
Piper Jaffray	72	16.0	0.9	(3.8)	17	45	62	21	45	29	46	1	12	22.6	11.3	2.9	5.8
ADN Arca	8	15.4	0.8	(8.0)	15	64	69	30	39	122	49	6	72	5.2	1.0	54.3	493.0
Wentz & Co	70	14.9	0.8	(2.8)	7	11	4	7	11	100	7	4	3	40.7	8.3	18.9	11.8
Oppenheimer & Co	29	14.4	0.8	(4.7)	10	13	13	13	7	99	26	10	30	29.6	10.0	3.3	15.6
Chen	1,267	175.8	20.0	(2.7)	12	46	10	24	33	45	41	4	2	22.8	14.0	28.0	13.1
<b>Total</b>	<b>4,599</b>	<b>3,837.4</b>	<b>100.0</b>	<b>(2.4)</b>	<b>11</b>	<b>47</b>	<b>76</b>	<b>25</b>	<b>51</b>	<b>135</b>	<b>48</b>	<b>18</b>	<b>12</b>	<b>21.8</b>	<b>9.0</b>	<b>26.3</b>	<b>16.8</b>

Zeno Consulting Group, LLC



## Use of Brokers Report Trades and Trade Characteristics

### Significant Issues

- Which brokers receive the greatest trade volume (for both the current quarter and trailing four-quarter period)?
- Are trade characteristics consistent with investment mandates? (i.e. capitalization, pre-trade price trends and liquidity.)
- Are Directed Brokers receiving trade volume outside any mandate?

**Broker Long Name:**  
Top 30 brokers sorted by Traded Value.  
Remaining brokers aggregated in "Other" row.

**# of Trades:**  
Number of Trades executed by each broker.

**Trade Value \$Millions:**  
Value of trades executed by each broker.

**Trades %:**  
Percent of trades sent to this broker

**Liquidity % MDV:**  
Trade Size as a percentage of the median traded market volume  
(Trade Shares divided by the median of the prior 21 days of market volume)

Broker	Trades		Trading Cost				Comparison			Price Trends			Average Trade Characteristics				
	#	Value	Commissions	Impact Cost	Brokerage Cost	Brokerage Benchmark	Value Added	1 Day	Open to	Vol% to	1 Day	Share Price	Liquidity	Market Cap	Share		
Morgan Stanley	215	180.1	8.7	(-4.7)	-8	-52	-60	-13	-47	-84	-24	18	1	20.7	42.0	75.8	
Merrill Lynch	227	138.7	7.8	(-3.2)	-9	-130	-139	-94	-108	-187	-77	-53	20	26.1	6	43.8	33.3
Goldman Sachs	153	130.9	7.1	(-3.1)	-13	-80	-94	-94	-55	-94	-25	23	23.2	6.5	24.3	31.8	
Lehman Brothers	86	114.9	6.2	(-3.1)	-6	-151	-159	-50	-105	-80	-71	4	7	7.1	33.2	37.3	
Credit Suisse	241	112.1	6.1	(-3.8)	-11	-78	-81	-38	-69	-55	-26	7	2	7.0	22.9	31.1	
Citigroup Global Markets	76	85.7	4.4	(-3.8)	-12	-58	-48	-15	-37	-74	-25	-11	8	7	5.4	42.8	35.6
SBC	156	77.0	4.2	(-3.8)	-12	-111	-124	-25	-57	-124	-80	-31	3	2.8	3.8	35.3	5.4
ITG	250	67.6	3.7	(-3.7)	-5	-20	-25	-20	5	-248	-22	2	1	16.2	8.1	39.5	7.6
Lazard	309	64.7	3.5	(-3.1)	-8	-18	-26	-13	-79	-24	5	2	26.7	11.8	5	7.3	
Deutsche Bank	74	50.6	2.8	(-3.1)	-12	-42	-54	-25	-43	-140	-25	-17	4	25.7	5.1	31	6.5
Bear Stearns	127	46.7	2.4	(-3.8)	-13	-43	-54	-25	-31	-67	-43	-17	4	30.8	10.9	1	1.7

**Share Price:**  
Share weighted average trade price.

**Market Cap (\$Bil):**  
Average capitalization of traded stocks in Billions.  
(Shares outstanding times Price)

**Avg. Shares(1000):**  
Average shares, in thousands, per trade





## Use of Brokers Report Trading Costs and Comparisons

### Significant Issues

- Are managers receiving best-execution from their brokers (this quarter and annually)?
- Are high commission rates justified by lower Impact costs?
- Are different commission rates negotiated for different brokers?
- Are managers purchasing significant amounts of research through soft-dollars?
- Are Soft-dollar and Directed brokers providing best-execution?

**Impact Cost:** Daily cost of brokers working trades. (Opening 10-Minute VWAP price compared to Trade Price)

**Brokerage Cost<sup>3</sup>:** Daily cost for broker to work trades plus commissions (Impact plus Commissions)

**Brokerage Benchmark<sup>3</sup>:** Zeno Consulting Group's statistical experienced based estimate of brokerage costs to execute similar trades

Sample Fund: Aggregate Fourth Quarter 2006

Broker	Trades		Trading Cost			Commissions		Value Added		Price Trends			Average Trade Characteristics				
	#	\$/Share	Impact Cost	Brokerage Cost	Commissions	Value Added	1-Day	3-Day	5-Day	1-Day	3-Day	5-Day	Size	Quality	Market	Turn	
Morgan Stanley	215	180.1	8.7	-1	-8	-52	-60	-12	-47	-24	-28	1	20.7	4.1	42.0	23.9	
Merrill Lynch	227	138.7	7.8	1	-9	-330	-138	-34	-105	-105	-77	-63	20	24.1	5.6	41.8	23.3
Goldman Sachs	813	130.8	7.1	21	-13	-80	-94	-24	-39	-34	-35	23	23.2	8.5	24.3	12.8	
Lehman Brothers	66	124.3	6.2	13	-8	-251	-130	-60	-109	-107	-71	-6	25.7	7.1	31.2	67.3	
Credit Suisse	283	122.3	6.2	10	-15	-76	-81	-28	-43	-121	-10	26	7	27.2	7.0	22.9	25.1
Chiyonaka Global Markets	76	80.7	4.2	13	-12	-56	-46	-25	-31	-34	-25	7	8	29.7	5.4	42.8	38.8
UBS	136	77.0	4.2	12	-12	-115	-124	-25	-88	-124	-80	30	22.9	3.9	25.2	21.4	
ITG	250	67.6	4.2	12	-12	-25	-25	-25	-6	-24	-12	31	26.2	8.1	19.9	7.6	
Liquidnet	308	66.7	4.2	12	-12	-36	-32	-17	-76	-34	-1	2	28.7	11.9	5.9	7.3	
Deutsche Bank	74	50.6	4.2	12	-12	-42	-54	-11	-41	-140	-25	-1	25.7	5.1	31.3	26.5	
Barclays	137	46.7	4.2	12	-12	-43	-56	-25	-31	-18	-42	-1	20.5	10.9	26.4	15.7	

**Commissions (¢) & (bp):** Explicit fees paid to brokers for trade executions.

**Value Added<sup>3</sup>:** Execution quality of Manager - Broker partnership (Brokerage Cost versus Brokerage Benchmark)

<sup>3</sup> Any differences between reported Brokerage Cost Efficiency (Value Added), and values calculated by taking the difference between Brokerage Costs and the Brokerage Cost Benchmark, are either the result of rounding dollar weighted averages, or excluding trade outliers from the Brokerage Cost Efficiency calculation.

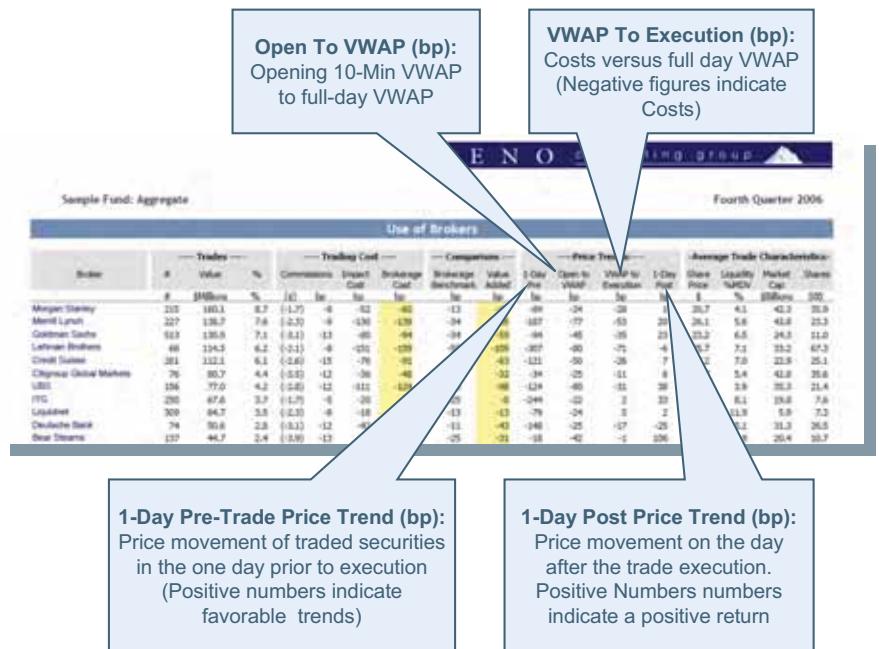




## Use of Brokers Report Price Trends

### Significant Issues

- Are VWAP-based costs (i.e. “VWAP to Execution”) lower than “Brokerage Cost” and/or “Brokerage Value Added” (such trading practices may be detrimental to Fund assets)?
- Did trades experience a price reversion after execution (i.e. both pre-and post-trade price trends are negative.)?
- How are prices moving from the day before through the day after the trade?
- Where was the average price in relation to the prior day’s close, the trade-date’s open, the full day VWAP, and the next day’s closing price?





# Geographical Diagnostics Report

## Page Layouts

### • Region And Country Analysis

Decisions  
(Number, Value and Weighting)

Execution Costs  
(Delay, Impact, Commissions, Total Cost)

Benchmarks  
(Total Costs: Actual and Adjusted)

Decision Characteristics  
(Turnover, Momentum, Mkt. Cap, Dec. Size)

Sample Fund: Aggregate

Fourth Quarter 2006

Region	Country	Decisions		Execution Costs				Comparison to Benchmarks			Average Decision Characteristics					
		#	Value %	Impact Cost Delay	Impact Cost Impact	Impact Cost Commissions	Total Cost	Total Cost Benchmark Actual	Total Cost Benchmark Adjusted	Value Added (vs. actual benchmark)	Turnover Ratio	Mom. % Mkt	Liquidity % Mkt	Market Cap	Shares	
Asia Pacific ex Japan																
	Australia	4	9.3 0.3	-105	-2	-11	(-6.3)	-118	-53	0	-65	0.2	-0.9	9.8	21.9	112
	Hong Kong	7	25.2 1.4	44	-44	-19	(-9.3)	3	-47	0	-48	0.2	-0.4	13.8	42.8	1,326
	Singapore	1	1.2 0.1	131	137	-5	(-9.4)	264	71	0	191	0.0	2.5	4.2	14.3	204
Emerging Asia																
	South Korea	1	6.6 0.4	-13	-19	-15	(-10.8)	72	-17	0	-15	0.2	-0.8	2.4	97.0	10
	Taiwan	9	7.3 0.4	-8	-159	-24	(-6.3)	-245	-46	0	-179	0.1	-1.9	1.2	11.0	84
Europe ex UK																
	Austria	1	0.2 0.0	0	-1	-4	(-2.7)	-5	0	0	-12	0.2	0.1	1.0	23.4	2
	Belgium	6	9.6 0.5	-17	-22	-16	(-13.9)	-44	-29	0	-25	0.1	-0.5	4.4	29.0	18
	Denmark	2	4.0 0.2	0	-103	-16	(-6.7)	-119	-43	0	-80	0.0	-7.6	-3.1	7.0	47
	France	19	62.9 2.4	-90	-79	-15	(-8.4)	-123	-34	0	-149	0.0	-1.4	-2.7	40.3	57
	Germany	18	37.3 2.0	-12	-13	-13	(-12.7)	-78	-47	0	-11	0.4	-1.4	2.9	26.3	23
	Greece	1	2.0 0.1	-120	43	-19	(-9.7)	-47	-114	0	-17	0.1	-1.0	10.7	7.0	76
	Italy	3	7.9 0.4	-3	-1	-13	(-1.1)	-19	-9	0	-19	0.1	-0.9	1.9	20.4	343
	Netherlands	6	13.0 0.7	-9	-21	-11	(-9.4)	-41	-13	0	-19	0.1	-0.4	1.9	22.0	74
	Norway	1	6.5 0.4	-129	-12	-13	(-1.8)	-95	-15	0	-21	0.1	-1.0	2.4	34.9	111
	Spain	2	13.0 0.7	-5	-28	-19	(-3.2)	-11	-17	0	-8	0.1	-0.6	0.0	40.7	241
	Sweden	4	11.7 0.6	1	39	-18	(-6.4)	34	-49	0	89	0.4	-0.4	1.1	52.9	722
	Switzerland	17	43.0 2.3	-19	-44	-13	(-7.3)	-120	-49	0	-96	0.1	-1.4	-4.9	45.2	53
Japan																
	Japan	70	162.3 8.0	-79	-105	-9	(-4.8)	-192	-51	0	-110	1.6	-2.6	3.6	27.3	105
North America ex US																
	Canada	7	8.6 0.3	0	-1	-4	(-1.8)	-4	-40	0	31	0.1	-3.0	4.9	16.0	40
United Kingdom																
	Britain	22	103.0 5.7	-40	-79	-11	(-1.1)	-127	-52	0	-75	0.0	-1.1	2.4	36.0	204
United States																
	United States	1,849	1,208.4 70.3	-70	-44	-10	(-1.2)	-133	-43	0	-92	12.2	-1.7	11.0	23.3	27
<b>Total</b>																
		1,794	1,813.9 100.0	-71	-47	-13	(-1.4)	-189	-63	0	-88	13.8	-1.7	9.0	20.1	44

## Geographical Diagnostics Report Decisions and Execution Costs

### Significant Issues

- Is market exposure consistent with investment mandates?
- In which markets are managers trading efficiently?
- Are particular markets consistently expensive?
- Are costs optimal in all markets? (i.e a consistent imbalance in Delay and Impact costs may be indicative of problems with manager's process)

**Decision Value<sup>1</sup>:** Dollar Value of stock picks in Millions before any trading has occurred.

**Delay (bp):** Multi-day costs from managers working their orders (Decision price<sup>1</sup> compared to each trade day's Opening 10-Minute VWAP price).

**(Market) Impact (bp):** Daily cost from brokers working trades (Days Opening 10-minute VWAP price compared to Trade Price)

Region	Country	--- Decisions ---			--- Execution Costs ---				Total Cost
		#	Value	%	Implicit Cost Delay	Impact	Explicit Costs Commissions		
		#	\$Millions	%	bp	bp	bp (€)	bp	
Asia Pacific ex Japan									
	Australia	4	9.3	0.5	-105	-2	-11 (-2.3)	-118	
	Hong Kong	7	25.3	1.4	64	-44	-19 (-0.5)	2	
	Singapore	1	1.2	0.1	131	137	-5 (-0.6)	264	
Emerging Asia									
	South Korea	1	6.6	0.4	-23	-25	-25 (-160.8)	-72	
	Taiwan	5	7.3	0.4	-8	-210	-24 (-5.3)	-241	

**Region :**  
Region of the world that the traded country is in.

**Country:**  
Name of the country where traded security is listed.

**Commissions (€) (bp):** Explicit fees paid to brokers to execute trades.

**Total Cost (bp):**  
Amount of fund assets paid to buy and sell stocks in portfolio (Sum of Delay, Impact and Commissions).



## Geographical Diagnostics Report Benchmarks

### Significant Issues

- Are benchmarks for particular markets consistently more expensive?
- Are there significant differences between adjusted and actual benchmarks between markets?
- Are costs optimal in all markets? (i.e. If costs consistently under-perform both the adjusted and actual benchmarks in individual markets significantly, it may be indicative of problems with the manager's process.)

**Actual Benchmark** : Zeno Consulting Group's experienced based estimate of the average Execution Cost incurred by managers trading orders with similar characteristics (Based on shares traded for your account).

**Adjusted Benchmark** : Zeno Consulting Group's statistical experienced based estimate of Execution Cost. Based on estimated shares traded in manager's total strategy (inclusive of your account and all other client accounts in the same strategy)

---- Comparison to Benchmarks ----

Total Cost Benchmark		Value Added (vs. actual benchmark)
Actual	Adjusted	
bp	bp	bp
-55	-75	-63
-47	-60	48
73	80	191

**Value added (bp)**: Execution quality of Manager(s) in Basis Points (Total Cost minus Actual Benchmark).





## Geographical Diagnostics Report

### Decision Characteristics

#### Significant Issues

##### (Per country/region)

- Are quarterly turnover (Country and region specific) ratios in line with expectations and mandates?
- Do Manager's stock picks appear consistent with their "Investment Mandate" (e.g. Growth managers stock picks have strong pre-trade momentum)?
- How do trade characteristics look? (e.g. Illiquid decisions, adverse momentum.)
- Are managers "drifting"? (e.g. Large cap manager selling large cap and buying small cap stocks.)

**Turnover Ratio:** The average of buy plus sell decision values divided by the net assets placed with the manager.

**% MDV:** Decision<sup>1</sup> Size as a percentage of the median volume traded in the market (Decision<sup>1</sup> Shares divided by the prior 21 days median market volume)

--- Average Decision Characteristics ---

Turnover Ratio	Mom.	Liquidity % MDV	Market Cap	Shares
%	%	%	\$Billions	000

0.1	-0.9	6.6	31.9	112
0.2	-0.4	13.9	42.8	1,356
0.0	2.5	4.2	14.3	94

**2-Day Pre-Trade Momentum:** Price movement of traded securities in the two days prior to execution (negative numbers indicate adverse trends)

**Capitalization (\$Bil):** The average capitalization of traded stocks. (Shares outstanding times Price)

**Shares (000):** Average shares, in thousands, per Decision<sup>1</sup>.

<sup>1</sup> Trades on the same side (Buy or Sell) in the same stock and within three trade days of the prior trade are considered part of the same Investment Decision. We assume that the investment Decision occurred at the Opening ten minute VWAP on the day of the first trade in each Decision.



# Manager Report Card

## Page Layouts

- **Manager Report Card**

Investment Strategy

Overall Execution Efficiency

Trailing Four quarter peer group Universe ranking

Use of Brokers

Trailing Four quarter peer group Universe ranking

ZEN O consulting group

Sample Fund Aggregate Fourth Quarter 2006

Manager	Investment Strategy	Overall Execution Efficiency				Use of Brokers			
		2006/Q1	2006/Q2	2006/Q3	2006/Q4	2006/Q1	2006/Q2	2006/Q3	2006/Q4
Manager 1	US-Large Cap Value	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 2	US-Mid Cap Growth	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 3	US-Mid Cap Value	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 4	US-Small Cap Value	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 11	US-Large Cap Value	N/A	N/A	88.0%	N/A	N/A	N/A	88.0%	N/A
Manager 5	NonUS-Developed Mkts	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 6	US-Mid Cap Value	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 7	US-Large Cap Growth	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 8	US-Small Cap Growth	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
Manager 9	US-Small Cap Growth	88.0%	88.0%	N/A	88.0%	88.0%	88.0%	N/A	88.0%
Manager 10	NonUS-All Country	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%
<b>Total</b>		88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%	88.0%

Competitors are based on trailing four quarter manager/fund performance versus a peer group universe covering the same periods.  
 \*N/A\* indicates no transaction activity for the period.

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## Manager Report Card

### Significant Issues

- Does a manager’s Overall Execution Efficiency consistently beat or lag the results of their peers?
- Are managers consistently in the fourth quartile for Overall Execution Efficiency and do they lag their total cost benchmark by >-50 bp in three or more review periods (most likely indicative of poor trading cost performance)?
- Are managers consistently in the fourth quartile for Use of Brokers and do they lag their quarterly brokerage cost benchmark by > -25 bp in three or more review periods (most likely indicative of poor use of the brokers they chose to use)?

**Investment strategy or mandate:** The investment strategy assigned to a particular asset manager’s portfolio. It defines the peer group Universe that manager’s data will be compared against.

Manager	Investment Strategy
Manager 1	US-Large Cap Value
Manager 2	US-Mid Cap Growth
Manager 3	US-Mid Cap Value
Manager 4	US-Small Cap Value
Manager 11	US-Large Cap Value

**Manager Name:** The name of the entity managing a particular group of assets



## Manager Report Card

### Significant Issues

- Does a manager's Overall Execution Efficiency consistently beat or lag the results of their peers?
- Are managers consistently in the fourth quartile for Overall Execution Efficiency and do they lag their total cost benchmark by >-50 bp in three or more review periods (most likely indicative of poor trading cost performance)?
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**Use of Brokers** : Quarterly percentile rank of each manager and fund's Brokerage Cost Efficiency (Sum of Impact and Commission less Brokerage Benchmark)<sup>3</sup> within their respective peer group universe.\* The quartile displayed in each period represents the ranking calculated for the trailing four-quarter period.

Manager Report Card							
Overall Execution Efficiency				Use of Brokers			
2006/Q1	2006/Q2	2006/Q3	2006/Q4	2006/Q1	2006/Q2	2006/Q3	2006/Q4
4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile
4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile
4th Q'tile	4th Q'tile	4th Q'tile	4th Q'tile	3rd Q'tile	3rd Q'tile	4th Q'tile	3rd Q'tile

**Overall Execution Efficiency** : Quarterly percentile rank of each manager and fund's overall Execution Efficiency (Sum of Delay, Impact and Commission less Total Cost Benchmark) within their respective peer group universe.\* The quartile displayed in each period represents the ranking calculated for the trailing four-quarter period.

\* Peer group universes are one quarter lagged and are constructed using four quarters of results. Each data point therefore is representative of a year of data. Two types of universes are maintained, the first for the fund as an aggregate, and others based on the investment strategy assigned to each managed portfolio. Universes are re-generated at the end of each calendar quarter



# Follow-Up Review

## Page Layouts

- Follow Up Review

Investment Strategy

Trends and Observations

Overall Execution Efficiency

Use of Brokers

Significant Issues

Sample Fund: Aggregate		Fourth Quarter 2006
ZEN O consulting group		
Follow Up Review		
Manager	Negative Trends	Significant Issues
Investment Strategy		
Manager 1 US-Large Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with tracked returns. Explore whether the manager's "buy" trade process matches the requirements of its stock selections. Explore whether delay costs or market impact costs are excessive. Explore whether round size is a problem.
Manager 2 US-PM Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with tracked returns. Explore whether delay costs or market impact costs are excessive. Determine why brokerage costs appear excessive. Explore whether the use of specific broker/brokers is driving excessive costs. Explore rationale for uniform commission rates.
Manager 3 US-PM Cap Value	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with tracked returns. Explore whether round size is a problem. Explore rationale for uniform commission rates.
Manager 4 US-Small Cap Value	Use of Brokers	Explore rationale for uniform commission rates. Explore whether directed brokers are receiving trade volume outside any mandate.
Manager 5 Non-US-Developed Mkt		
Manager 6 US-PM Cap Value		
Manager 7 US-Large Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with tracked returns. Explore whether the manager's "sell" trade process matches the requirements of its stock selections. Explore whether manager process suffers price reversion. Determine why brokerage costs appear excessive. Explore whether the use of specific broker/brokers is driving excessive costs.
Manager 8 US-Small Cap Growth		
Manager 9 US-Small Cap Growth		
Zen Consulting Group, LLC		
81		



## Follow-Up Review

### Significant Issues

- Does a manager's Overall Execution Efficiency consistently beat or lag the results of their peers?
- Are managers consistently in the fourth quartile for Overall Execution Efficiency and do they lag their total cost benchmark by >-50 bp in three or more quarters or review periods (most likely indicative of poor execution quality)?
- Are managers consistently in the fourth quartile for Use of Brokers and do they lag their quarterly brokerage cost benchmark by > -25 bp in three or more quarters or review periods (most likely indicative of poor use of the brokers they chose to trade with)?

**Investment strategy or mandate:** The investment strategy assigned to a particular manager's portfolio. It defines the peer group Universe that manager's data will be compared against.

Manager	Investment Strategy	Negative Trends	Significant Issues
Manager 1	US Large Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with traded returns. Explore whether the manager's "buy" trade process matches the requirements of its stock selections. Explore whether delay costs or market impact costs are excessive. Explore whether asset size is a problem.
Manager 2	US Mid Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if total execution costs are consistent with traded returns. Explore whether delay costs or market impact costs are excessive. Determine why brokerage costs appear excessive. Explore whether the use of specific brokers/dealers is driving excessive costs. Explore utilization for uniform commission rates.
Manager 3	US Mid Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with traded returns. Explore whether asset size is a problem.

**Manager Name:** The name of the entity managing a particular group of assets



## Follow-Up Review

### Significant Issues

(See Next Page)

- Does a manager's Overall Execution Efficiency consistently lag the results of their peers?
- Does a manager's Use of Brokers consistently lag the results of their peers?
- See the next page for a listing of the Significant Issues monitored in the report, and the rules for flagging them on the Significant Issues column.

**Trends and Observations:** Trends are grouped under one of two headings, Overall Execution Efficiency (if there are issues significantly impacting execution quality) and, Use of Brokers, which is indicative of manager skill in budgeting their commissions and use of brokers.

Sample Fund: Aggregate Fourth Quarter 2006

Follow Up Review		
Manager	Negative Trends	Significant Issues
Manager 1 US Large Cap Value	Overall Execution Efficiency	Determine if execution costs are consistent with traded returns. Explore whether manager's "Buy" trade process matches the requirements of its stock selections. Explore whether costs or market-impact costs are excessive. Explore whether this is a problem.
Manager 2 US Mid Cap Growth	Overall Execution Efficiency Use of Brokers	Determine if execution costs are consistent with traded returns. Explore whether market impact costs are excessive. Determine why. Explore whether this includes a timing execution costs. Explore whether this includes a timing execution costs.
Manager 3 US Mid Cap Value	Overall Execution Efficiency	Determine if total execution costs are consistent with traded returns. Explore whether...

**Significant Issues:** Zeno Consulting Group's consultants review quarterly reports to identify critical issues and trends that aid in explaining the cause of high costs and negative trends.



## Significant Issues

Issues Monitored	Issue Rules
<b>Overall Execution Efficiency</b>	
1 Explore manager's execution process and policies regarding long-term cost trends.	Total Value Add (annual) <-50 bp, + 3 of 4 Qtrs in 4th Q'tile
2 Explore manager's execution process and policies regarding multi-day executions (delay costs).	If (Rule) 1 = true: + Delays are >than 70% of Total Costs
3 Explore manager's execution process and policies regarding their daily trading (market impact costs).	If (Rule) 1 = true: + Impact is > than 40% of Total Costs
4 Explore manager's execution process and policies regarding Buys.	If (Rule) 1 = true: + Buy costs > 70% of Total Costs
5 Explore manager's execution process and policies regarding Sells.	If (Rule) 1 = true: + Sell costs > 70% of Total Costs
6 Discuss impact of execution costs, turnover, and/or portfolio size on total fund performance.	If (Rule) 1 = true: Decision Value is among Top 3 for Fund.
7 Discuss the overall execution process and policies with regard to asset growth.	If (Rule) 1 = true: + Total Costs lag Adj. BM by < -25 bp

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## Significant Issues

<u>Issues Monitored</u>	<u>Issue Rules</u>
<b>Use of Brokers</b>	
1 Explore broker oversight and allocation policies regarding long-term brokerage cost efficiency.	Total Broker Value Add (annual) <-25 bp; + 3 of 4 Qtrs in 4th Q'tile
2 Explore broker oversight and allocation policies regarding with use of "Specific Brokers".	If (Rule) 1= true: Brokerage Value Add <-50 bp; + > 5% Vol; + >10 trades
3 Explore rationale for expensive trade completed on "YYMMDD" in "stock xyz".	If (Rule) 1=true: individual trade >5% impact cost and represents >25% of dollar impact
4 Discuss whether overall execution process suffers price reversions.	If (Rule) 1 = true: Heavily Used Brokers Have Price Reversion < -25 bp.
5 Discuss commission allocation and oversight policies.	Commission rates in 3 of 4 recent Qtrs are in 4th Qtile of peer universe.
6 Explore rationale for uniform commission rates.	In the most current qtr, 2/3rds of Brokers paid the same Commission rate (particularly in North American markets).
7 Explore whether the use of affiliated B/D's are within mandate.	Use of Broker/Dealers owned by manager/sub-advisor.
8 Explore whether directed brokers are receiving trade volume outside any mandate.	Are trades credited to known Directed Brokers.

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**J.P. Morgan Asset Management —  
Global Real Assets**

**Infrastructure Investing**

April 25, 2011

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**J.P.Morgan**  
Asset Management

## Biographies – Today’s Presenters

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**Joel V. Damon**, Executive Director, is a client advisor in the Marketing & Relationship Management Group. An employee since 2002, Joel is responsible for institutional client service and sales in the western region. Prior to joining the firm, he directed institutional client service for Montgomery Asset Management. Prior to joining Montgomery in 1994, he managed the investments for the Bank of America employees’ pension and savings plans. Joel has a B.A. in mathematics and psychology from Sterling College and an M.B.A. in finance from the University of California, Berkeley.



**Steven Weddle**, Executive Director, is a client portfolio manager in the Infrastructure Investments Group, advising clients on the opportunities and risks associated with Infrastructure and Maritime investing. Prior to joining the client strategy team, Steven was Director of Alternative Investments at ING Investment Management Americas where he was responsible for establishing strategy and executing a sales and marketing plan for alternative assets working with the institutional and consultant sales teams. His prior experience includes corporate finance advisory work at Eccles Associates based in South Africa focused on the financial services, transportation and energy sectors. From 1995-2001, he was President and CEO of the Southern Africa Enterprise Development Fund in Johannesburg where he opened the South African office and managed an 18 member Board of Directors appointed by President Clinton and reported to the Chairman, Ambassador Andrew Young. In a prior stint at Eccles Associates from 1993-1995, he was based in Lusaka, Zambia where he was internal business advisor to the Zambian Government on a privatization program for a diverse portfolio of state owned companies in the brewing, milling, oil, transportation, spirits and edible oils sectors. Steven has a B.B.A. in finance and marketing and an M.B.A. from the University of Wisconsin. He also holds FINRA Series 7 and 63 licenses.

## Agenda

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- **Global real assets and the evolution of asset allocation**
- **What is infrastructure investing?**
- **Investment characteristics of Infrastructure**
- **How does infrastructure fit in a total portfolio?**
- **How did infrastructure behave before and during the recent economic cycle?**
- **Infrastructure market outlook**
- **Gaining exposure to infrastructure**



## Global real assets and the evolution of asset allocation

## J.P. Morgan Asset Management – Global Real Assets (“GRA”)

GRA is one of the industry’s premier real assets investment managers

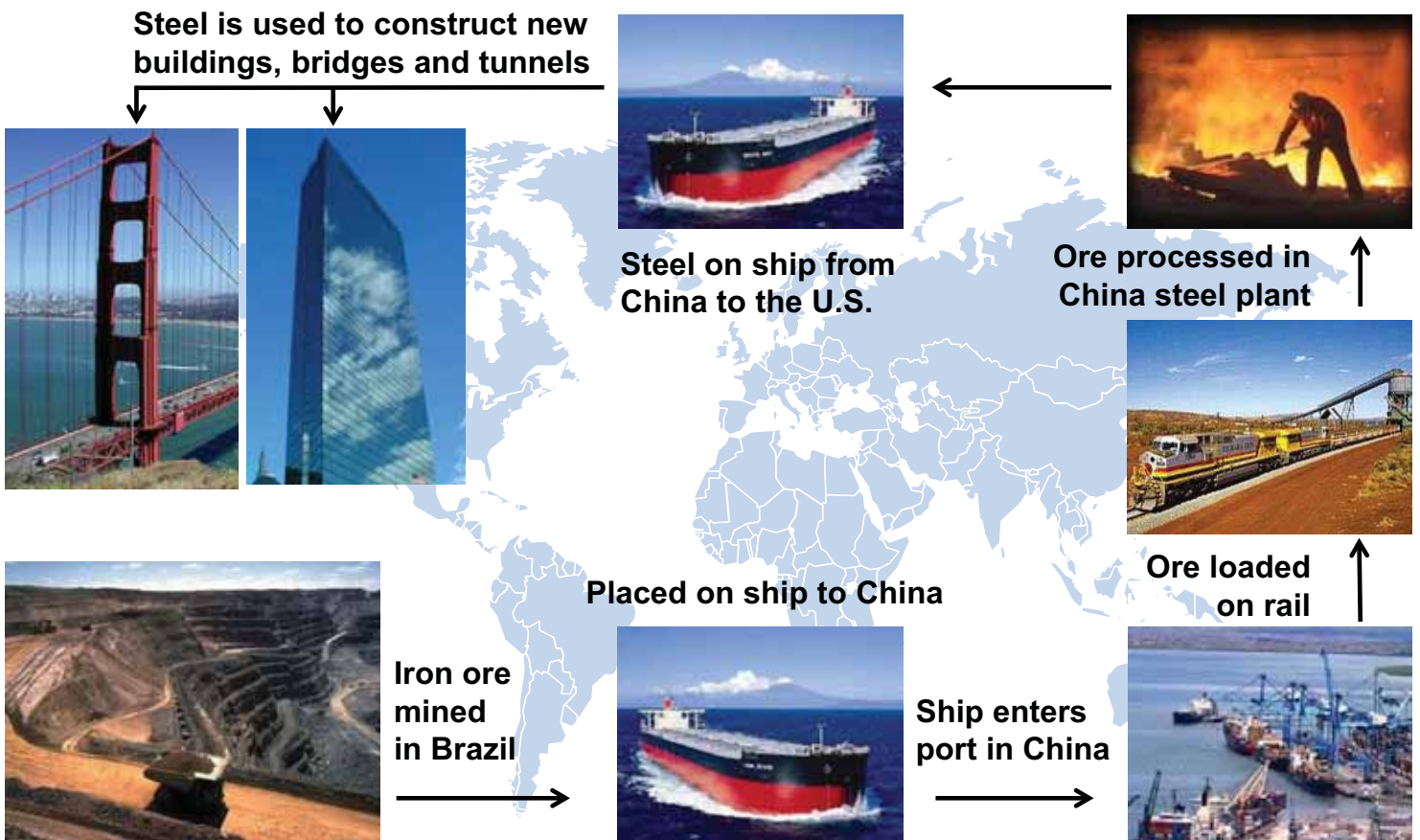
<b>Scale, Stability and Strength</b>	<ul style="list-style-type: none"><li>■ \$1.3 trillion in total assets under management<sup>1</sup></li><li>■ ~\$55 billion in real assets AUM including over \$5 billion in infrastructure and maritime AUM</li><li>■ Providing client service since 1873; 40 years of real assets investment management experience</li><li>■ Trusted advisor to some of the world’s most respected corporations, governments, institutions and high net worth investors</li></ul>
<b>Depth and Experience</b>	<ul style="list-style-type: none"><li>■ Truly global platform of real estate, infrastructure and maritime/transport strategies driven by local investment talent</li><li>■ 392 dedicated real assets professionals in the United States, Europe and Asia</li><li>■ A disciplined investment process consistently implemented across investment types and regions</li><li>■ Experience across all strategies, sectors, and regions and with complex transactions</li></ul>
<b>Information Advantage</b>	<ul style="list-style-type: none"><li>■ Dedicated research team provides market research and portfolio construction analysis</li><li>■ Independent and objective views on individual transactions</li><li>■ Macro-economic analysis as well as knowledge of local markets incorporated in acquisition and buy/hold decisions</li><li>■ Large organization provides access to outstanding internal and external data sources</li></ul>
<b>Client Focus</b>	<ul style="list-style-type: none"><li>■ A legacy of trusted partnership built on a promise to put client interests ahead of our own</li><li>■ A passionate focus on achieving client objectives</li><li>■ A partnership based on open communication and shared information</li><li>■ Client satisfaction is our most important benchmark</li></ul>

All data as of 6/30/11. Source : J.P. Morgan Asset Management

<sup>1</sup> Inclusive of all assets managed by J.P. Morgan Asset Management, the combined asset management businesses of J.P. Morgan Chase & Co

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## Real assets are critical links to both globalization and urbanization

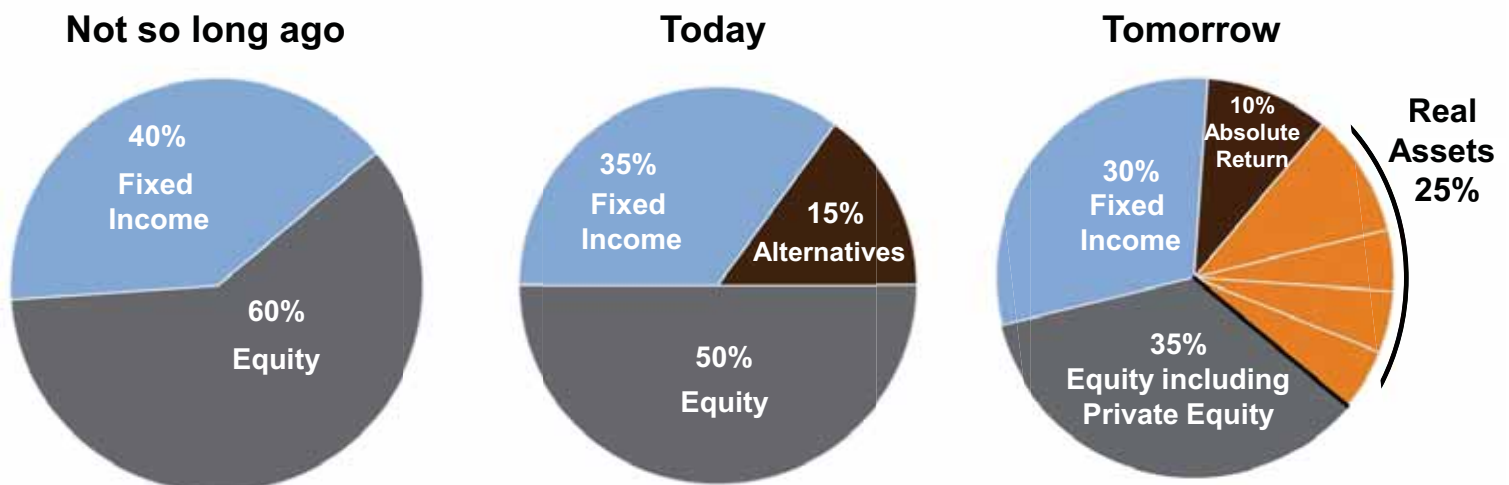




## Our prediction

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- “Real Asset” allocations may grow to 25% or more of investor portfolios by 2020
- Large Canadian pension plans, such as Ontario Teachers and OMERS, already have one-third of their portfolios allocated to Real Assets



Source: J.P. Morgan  
The above charts are shown for illustrative and discussion purposes only. Estimates, forecasts and projections are based on current market conditions constitute our judgment and are subject to change without notice.

## The evolution of asset allocation

- 32% of UK institutional investors plan to invest in infrastructure <sup>1</sup>
- North American Investors expect to increase their allocations to infrastructure by 32% (from 4.3% to 5.7% of their portfolios) over the next 2-3 years <sup>2</sup>



Source: J.P. Morgan

The above charts are shown for illustrative and discussion purposes only. Estimates, forecasts and projections are based on current market conditions constitute our judgment and are subject to change without notice.

<sup>1</sup> Source: JPMAM's UK Alternative Assets Survey, October 2010

<sup>2</sup> Source: JPMAM's North American Alternative Assets Survey, June 2010

## Why a portfolio of real assets and not just one asset class?

- Degrees of non-correlation among real assets can help portfolio diversification

20 year correlation matrix, U.S. Dollar denominated returns

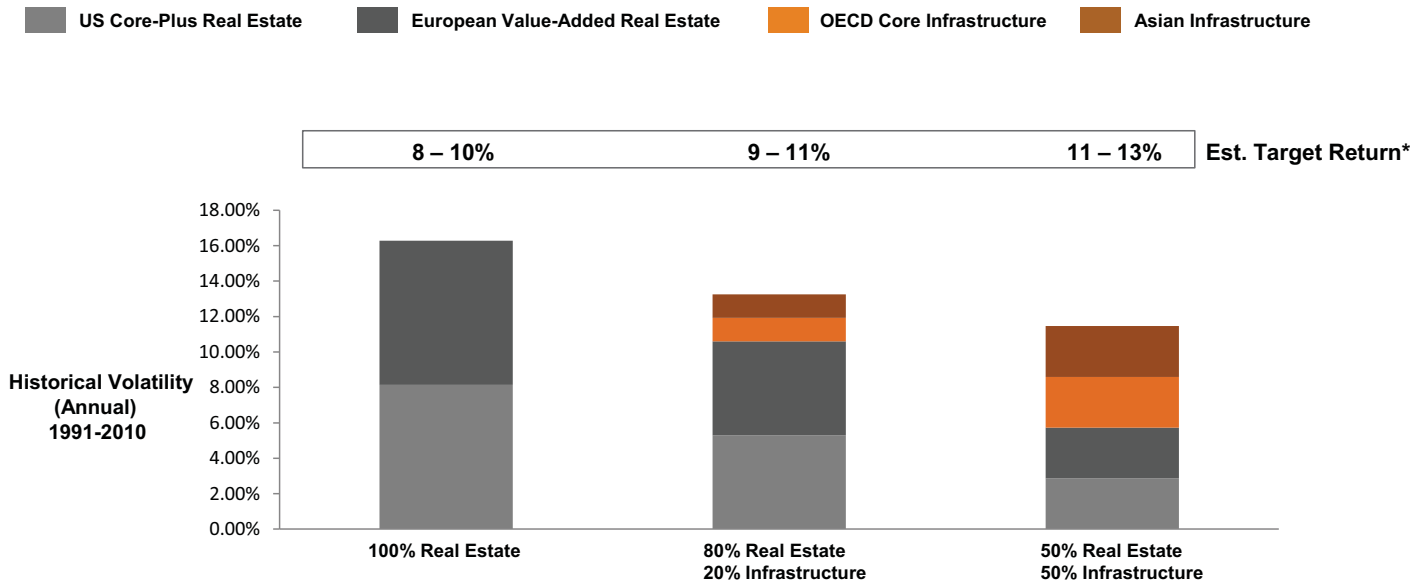
Annual 1991 – 2010	US Core Plus Real Estate	US Opportunistic Real Estate	European Value-added Real Estate	India Real Estate	China Real Estate	Global Maritime	Asian Infrastructure	OECD Infrastructure
US Core Plus Real Estate	1.00							
US Opportunistic Real Estate	0.92	1.00						
European Value-added Real Estate	0.67	0.74	1.00					
India Real Estate	0.28	0.35	0.30	1.00				
China Real Estate	-0.10	-0.04	-0.22	0.46	1.00			
Global Maritime	0.50	0.58	0.61	0.59	0.29	1.00		
Asian Infrastructure	-0.17	-0.13	-0.16	0.31	0.65	0.25	1.00	
OECD Infrastructure	0.20	0.20	0.30	-0.01	-0.35	0.24	0.21	1.00

Source: NCREIF ODCE, NCREIF Townsend, DTZ Research, RBI, Propequity, Jones Lang LaSalle, Clarkson Research, S&P, J.P. Morgan GRA Research.

Note: The European Value-Added Real Estate returns are based on a time series constructed from yields and rent data of European markets published by DTZ that is adjusted for value-added risk profile using JPM estimates. The China real estate returns represents base data published by Jones Lang LaSalle for Shanghai and Hong Kong office and residential real estate - The data is levered using JPM GRA Research estimates. India Real Estate returns are based on an analysis on Propequity data and Reserve Bank of India series representative of national-level residential prices in combination with GDP and sensex data. Past performance is not indicative of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss.

# Potential to de-risk your portfolio without degrading your returns

Adding infrastructure to a real estate portfolio can lead to better risk-adjusted returns



Source: NCREIF ODCE, DTZ Research, JP Morgan GRA Research, S&P, ACLI.

Stacked bars represent the strategy weights within the portfolio. Risk/return measures are based upon proprietary J.P. Morgan Asset Management research and may be changed at any time without notice.

Diversification does not guarantee investment returns and does not eliminate the risk of loss. The Target Return has been established by J.P. Morgan Investment Management Inc. "J.P. Morgan" based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to the risks set forth herein and to be set forth more fully in the Memorandum. The target returns are for illustrative purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the target returns shown above. Because of the inherent limitations of the target returns, potential investors should not rely on them when making a decision on whether or not to invest in the strategy. The target returns cannot account for the impact that economic, market, and other factors may have on the implementation of an actual investment program. Unlike actual performance, the target returns do not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of the strategy. The manager's ability to achieve the target returns is subject to risk factors over which the manager may have no or limited control. There can be no assurance that the Fund will achieve its investment objective, the Target Return or any other objectives. The return achieved may be more or less than the Target Return. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request.

# Infrastructure Investing

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## What is infrastructure?

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- Essential facilities and services, upon which the economic productivity of a community depends
- Assets involved in the movement of goods, people, water and energy

### Transportation assets



- Bridges and tunnels
- Toll roads
- Railroads
- Rapid transit links
- Airports
- Seaports

### Regulated assets



- Electricity transmission
- Oil and gas pipelines
- Electricity and gas distribution
- Water distribution
- Water/wastewater collection and treatment

### Communication assets



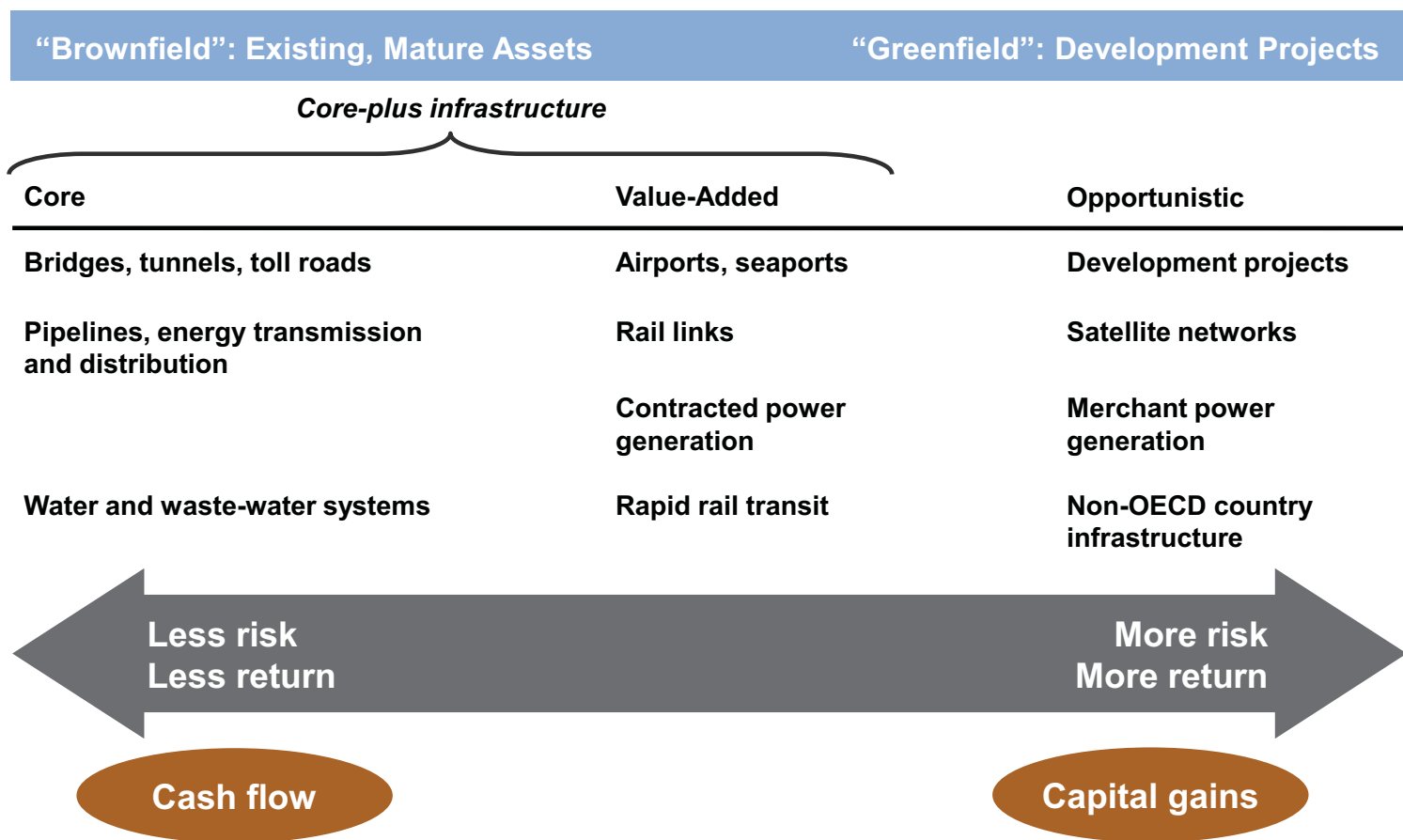
- Radio / TV broadcast towers
- Wireless towers
- Cable systems
- Satellite networks

### Social infrastructure



- Hospitals
- Schools
- Prisons
- Courthouses

## The spectrum of infrastructure investing



## Europe has significant infrastructure investment needs

EC's estimate for total investment needs is €1.3 trillion over the next decade

### Transportation infrastructure investments in Europe

<i>(€ Billion)</i>	Investments 2000 - 2006		Investment needs 2010 - 2020
	Total	Private	
Germany	150	3	180
Spain	107	9	100
France	110	<1	120
Italy	136	<1	120
Netherlands	74	<1	50
UK	160	4	150
<b>EU-25</b>	<b>€810</b>	<b>€27</b>	<b>€1,300</b>



Source: European Commission Directorate General for Regional Policy

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## US infrastructure is also “failing”

ASCE estimates that the U.S. needs to spend \$2.2 trillion over the next five years to modernize the nation’s infrastructure

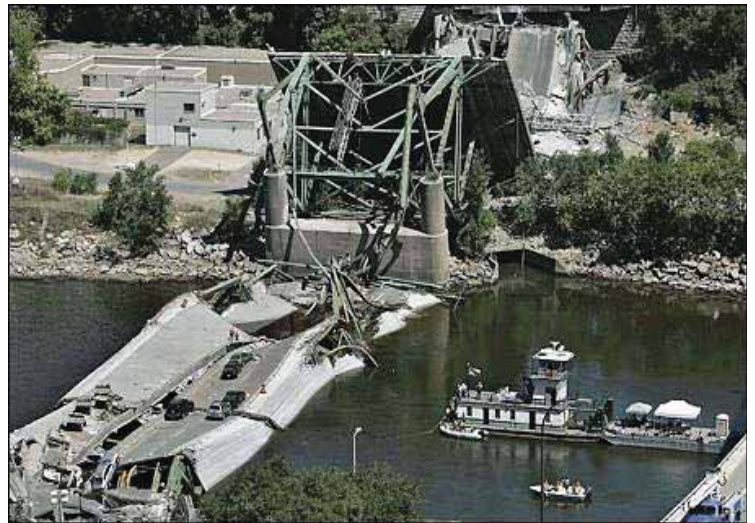
### 2009 ASCE report card for America’s infrastructure

Subject	2009 grade
Airports	D
Bridges	C
Roads	D-
Dams	D
Drinking water	D-
Wastewater	D-
Transit	D
Energy (national grid)	D+
Overall	D

**Estimated 5-year investment  
need: \$2.2 trillion**

### Key drivers

- Age
- Deferred maintenance
- Increased demand
  - population
  - usage



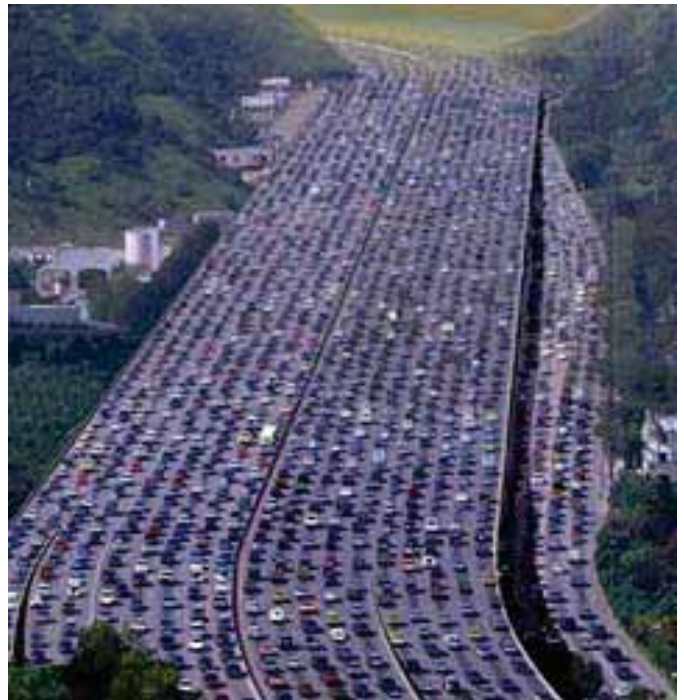
Source: American Society of Civil Engineers

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## Asia's overall infrastructure needs for the next ten years is estimated to be \$8 trillion

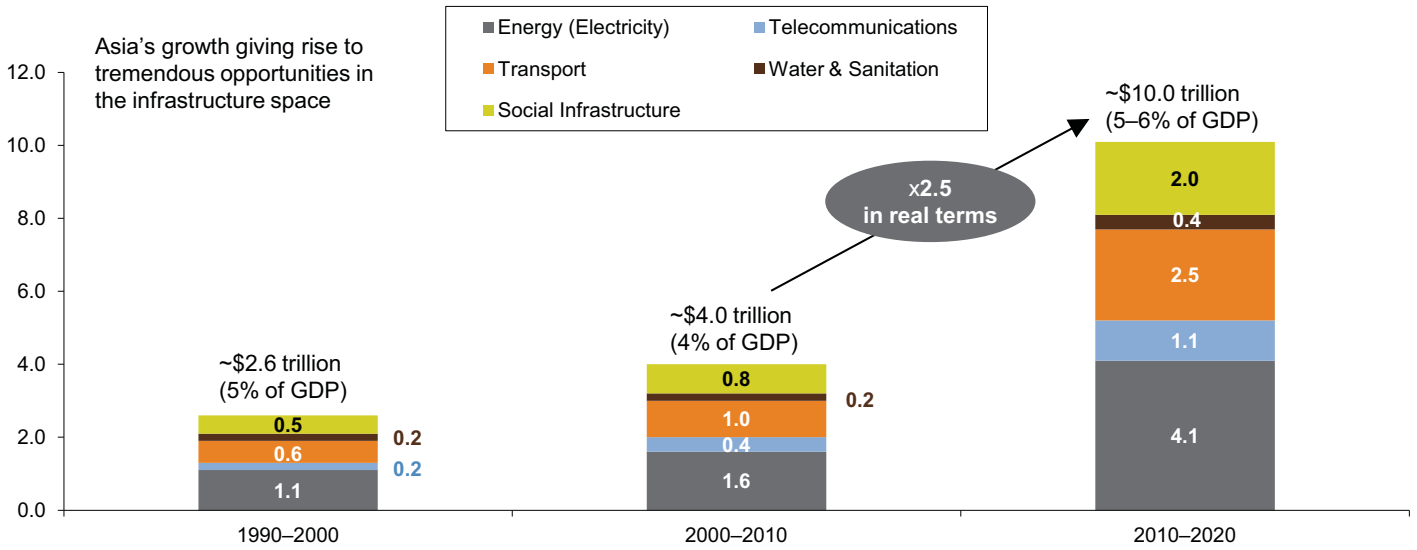
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Between 2000 and 2025, the urban populations of China and India will double to nearly 1bn and 500mm people, respectively



# Asia's infrastructure need: USD 1 trillion per year

## Growth rates to drive infrastructure investment



Source: ADB, Infrastructure for a Seamless Asia, 2009; ADB's estimates (Asia ex-Japan, all data in 2008 U.S.\$)

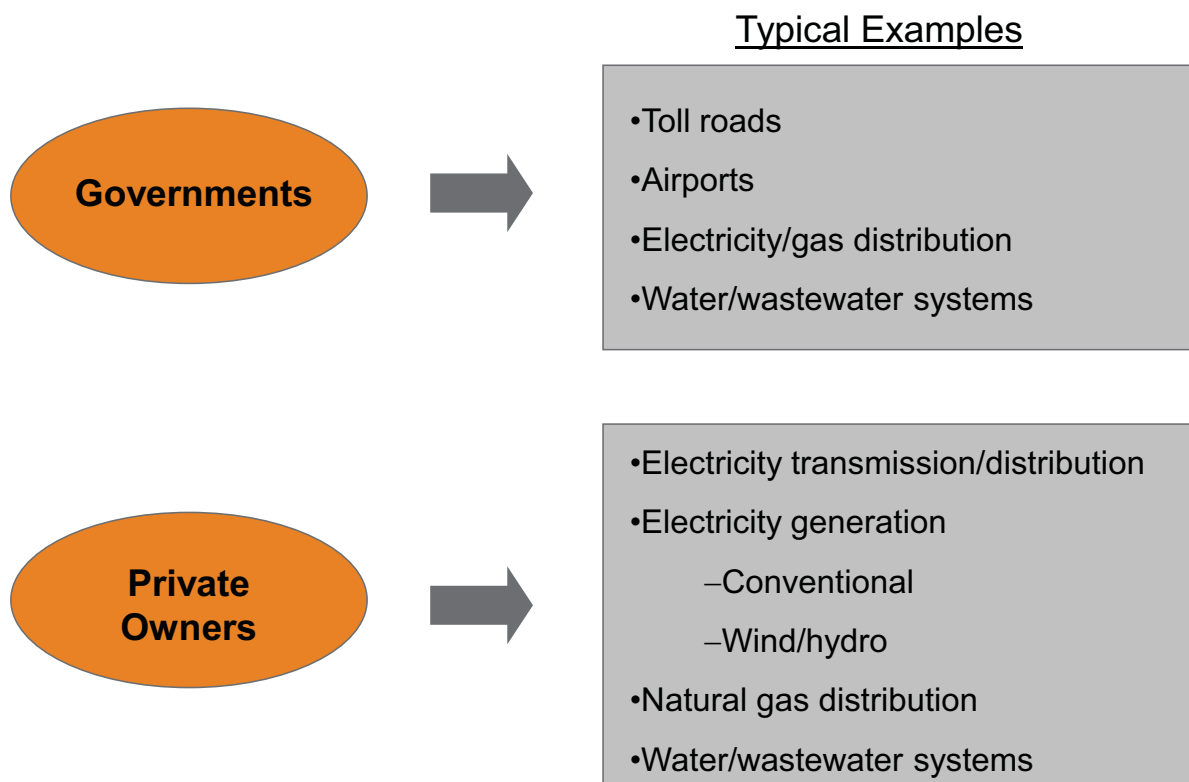
Source: ADB "Infrastructure for a Seamless Asia, 2009"

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## Two sources of deals for infrastructure investors

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*While there's much discussion about Privatizations and Public Private Partnerships, many infrastructure transactions are still private-to-private.*



## Characteristics of OECD infrastructure

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- Long-term, **monopolistic or quasi-monopolistic** assets, low risk of obsolescence
  - stable, predictable cash flows
  - relatively insensitive to economic cycles
  - relatively price inelastic
- Relatively **stable income** supported by contractual cash flows
- Real return asset with **inflation-protection**
- **Diversification resulting from low correlation** of returns with other asset classes
- Potential to achieve **favorable risk-adjusted returns**

## A bottom-up approach to infrastructure cash flows

- Gathered EBITDA data of 229 entities in the following sub-sectors in US and EU from 1986 to 2010

### Regulated Assets

Electricity

Natural gas

Water and Sewer

### Transportation Assets

Toll roads and bridges

Airports

Seaports

### Correlation coefficients of cash flows, annual data 1986 – 2010

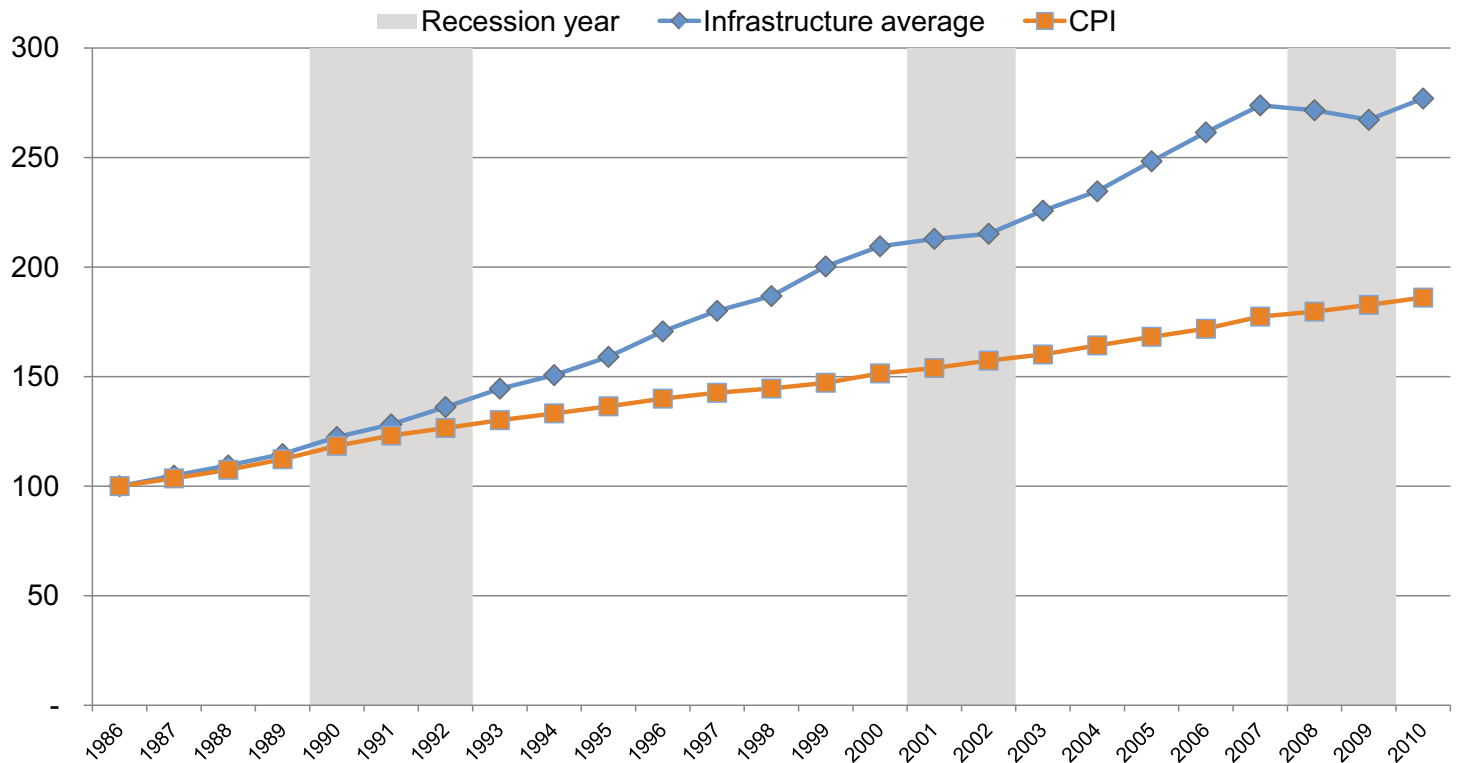
	Infrastructure EBITDA	S&P 500 EBITDA	Real Estate NOI	CPI inflation
Infrastructure EBITDA	1.00	0.66 <sup>1</sup>	0.50	0.38 <sup>2</sup>
S&P 500 EBITDA		1.00	0.38	0.30
Real Estate NOI			1.00	0.19
CPI inflation				1.00

<sup>1</sup> Correlation of S&P 500 stocks with private infrastructure (total returns) is much lower

<sup>2</sup> Correlation with inflation is low due to differences in timing and calculation of inflation measures

## Infrastructure cash flows grew faster than the CPI in the OECD

Indices of annual cash flows for US and EU-15 infrastructure against average high income OECD CPI, 1986 – 2010

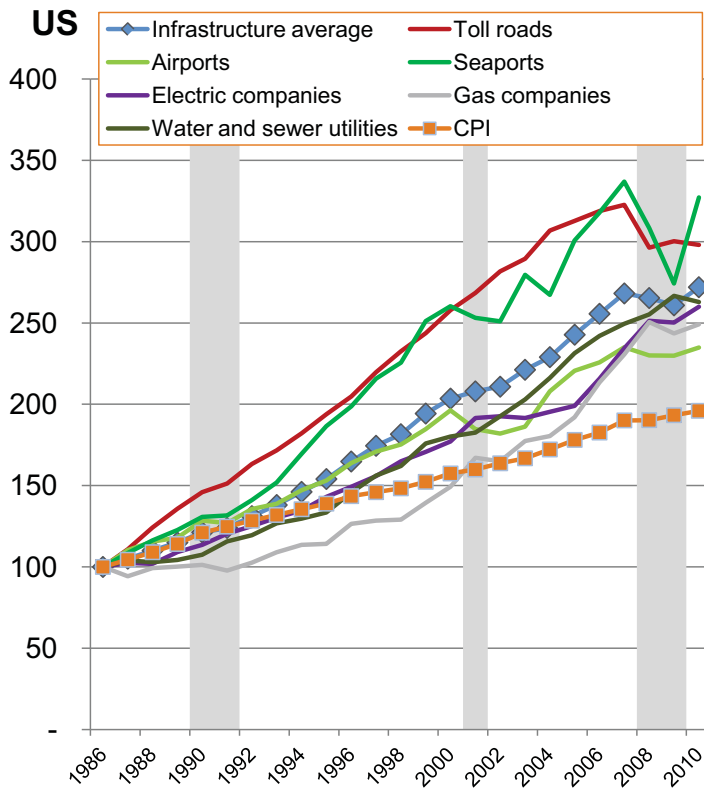


Source: J.P. Morgan Asset Management GRA Research

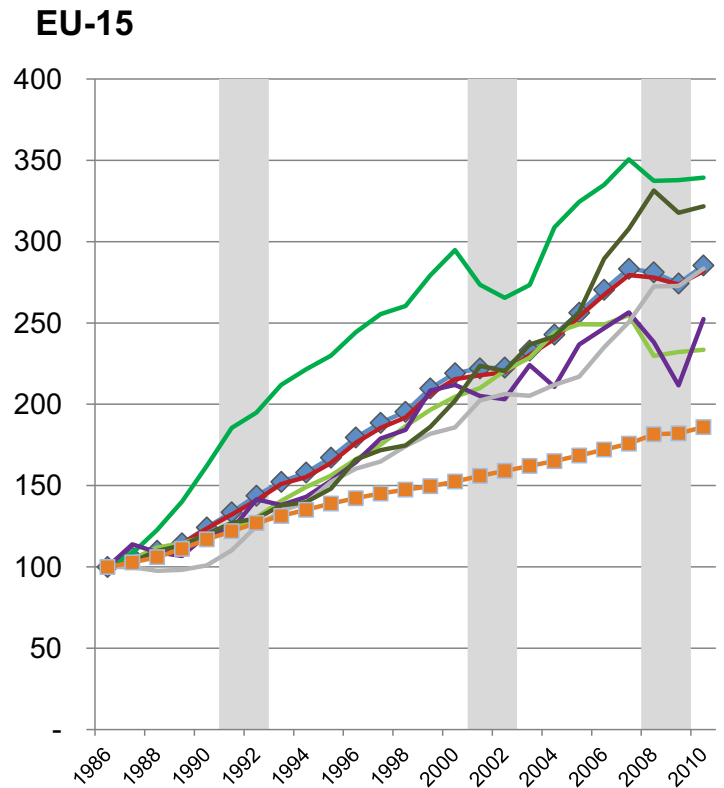
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## The cash flow growth trends are similar in the US and EU

### Indices of annual cash flows for US and EU-15 infrastructure against CPI, 1986 – 2010



Source: J.P. Morgan Asset Management GRA Research



Source: J.P. Morgan Asset Management GRA Research

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## Infrastructure sub-sectors provide diversification benefits

### Correlation coefficients of annual cash flow growth rates in the US

	Toll roads	Airports	Seaports	Electric companies	Gas companies	Water and sewer utilities
Toll roads	1.00	0.58	0.26	-0.32	-0.23	0.20
Airports		1.00	0.29	-0.27	-0.16	0.30
Seaports			1.00	-0.02	0.09	-0.09
Electric companies				1.00	0.40	-0.08
Gas companies					1.00	0.18
Water and sewer utilities						1.00

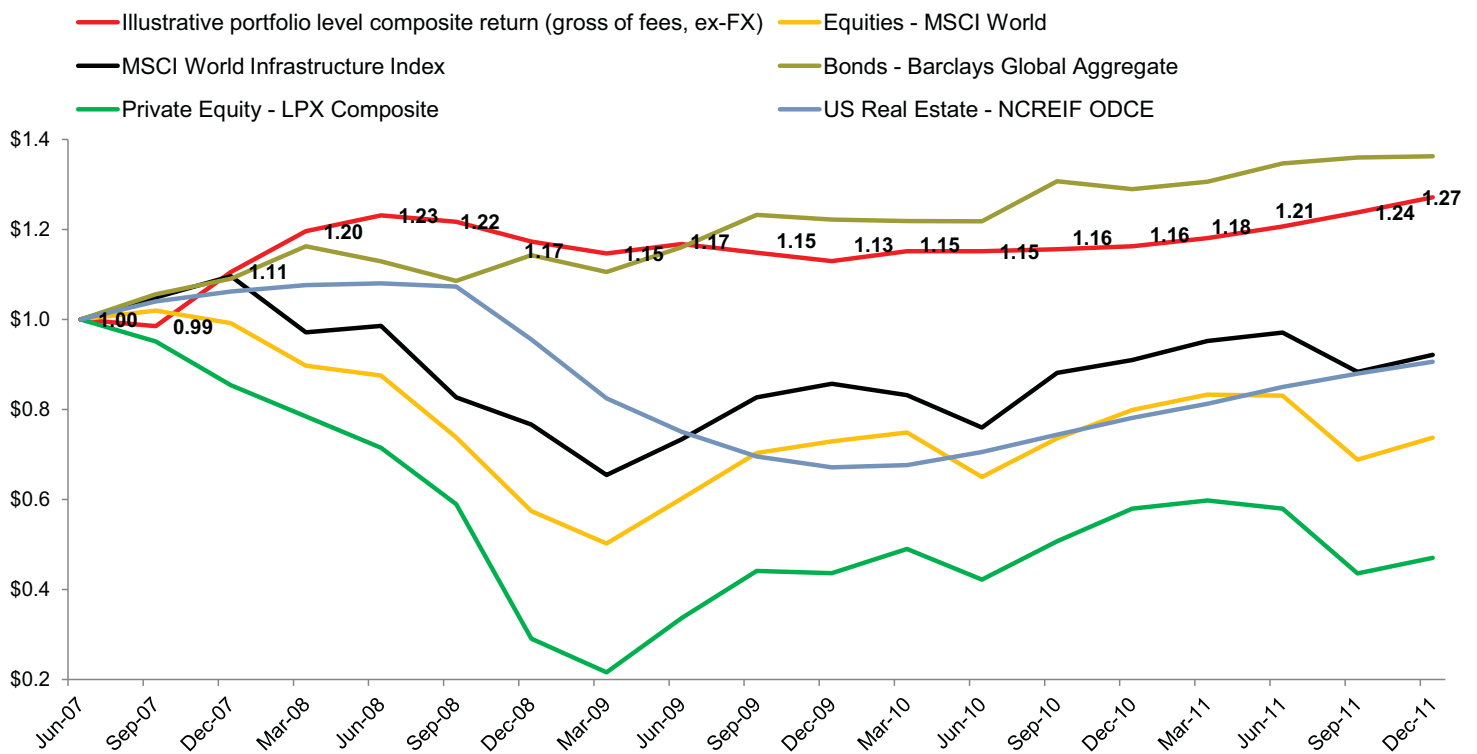
### Standard deviations, CAGRs and correlation with CPI

	Infrastructure portfolio	Toll roads	Airports	Seaports	Electric companies	Gas companies	Water and sewer utilities
STDEV	2.3%	3.7%	4.6%	7.1%	3.0%	4.1%	3.1%
CAGR	4.3%	4.2%	4.5%	4.5%	4.3%	4.5%	4.1%
Correlation with inflation	0.45	0.54	0.74	0.16	-0.22	-0.14	0.07

Source: J.P. Morgan Asset Management GRA Research

# Illustrative infrastructure portfolio outperformed most major asset classes with less volatility

## Evolution of \$1 invested in Q2 2007



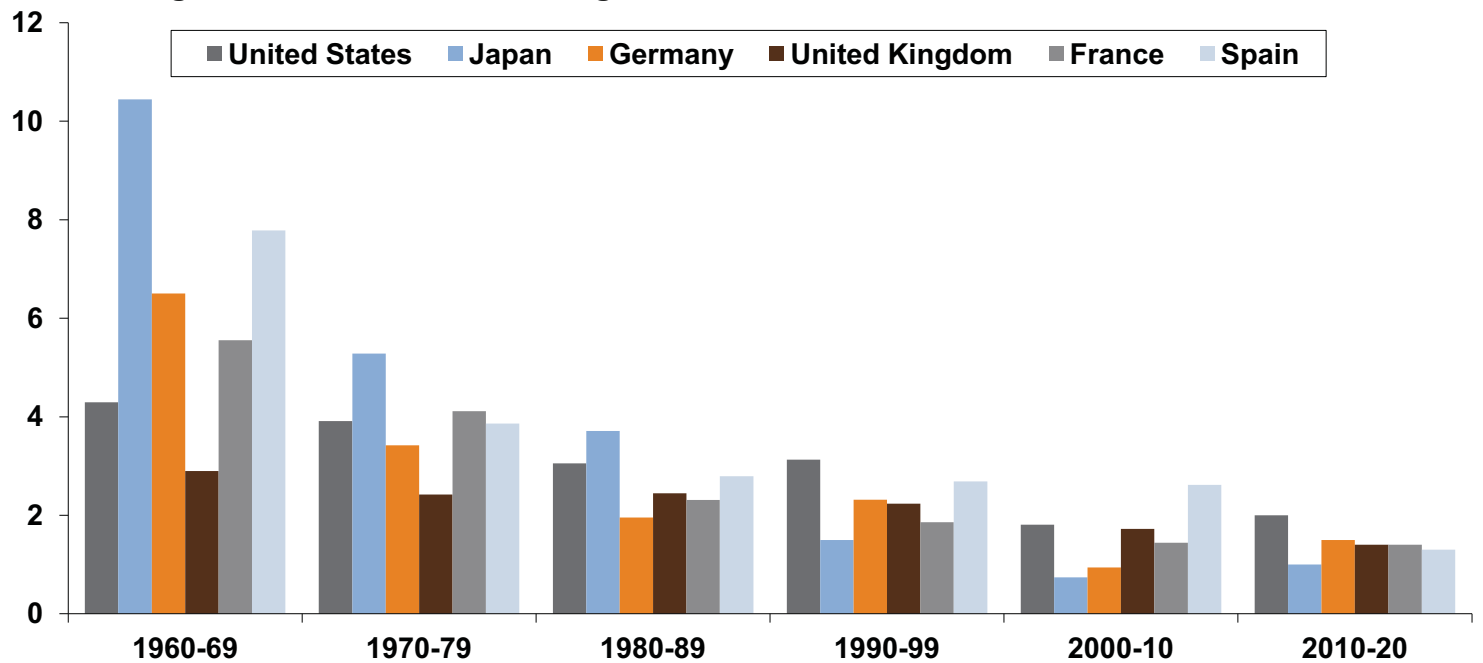
Sources: Bloomberg, Barclays, NCREIF, LPX, J.P.Morgan. All indices are in USD. As of Dec 31, 2011.  
 IIF's gross of fees and gross of FX performance illustrates aggregate asset performance in local currencies.  
 Past performance is not indicative of future results. Indices do not include fees or operating expenses and are not available for actual investment.

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## Infrastructure market outlook

## GDP growth in developed markets is diminishing

### Real GDP growth rates, decade averages



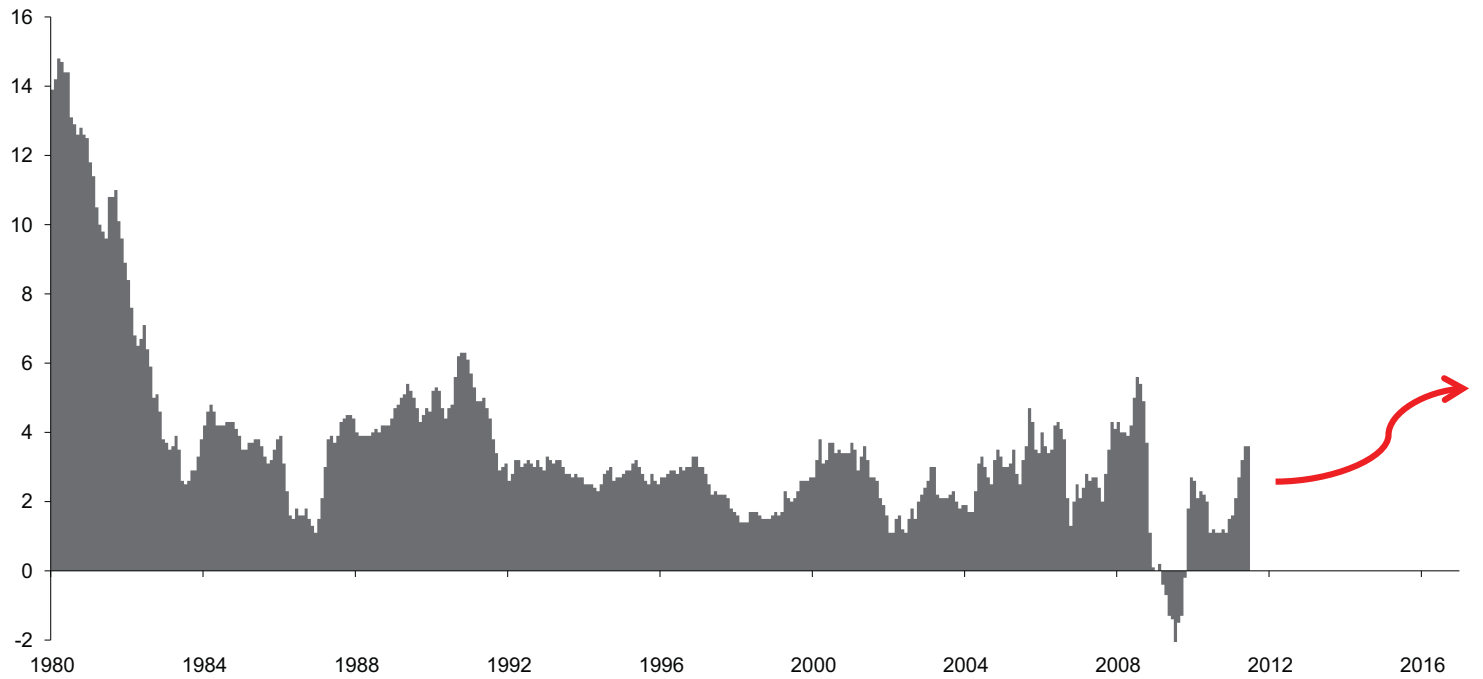
Source: Bloomberg and J.P. Morgan Asset Management.

### Advantaged sectors

- Regulated utilities
- Long term contracted assets
- Ports / airports / toll roads  
(with a focus on appropriate growth expectations)

## Outlook: Inflation is likely to be a medium-term threat

### U.S. inflation



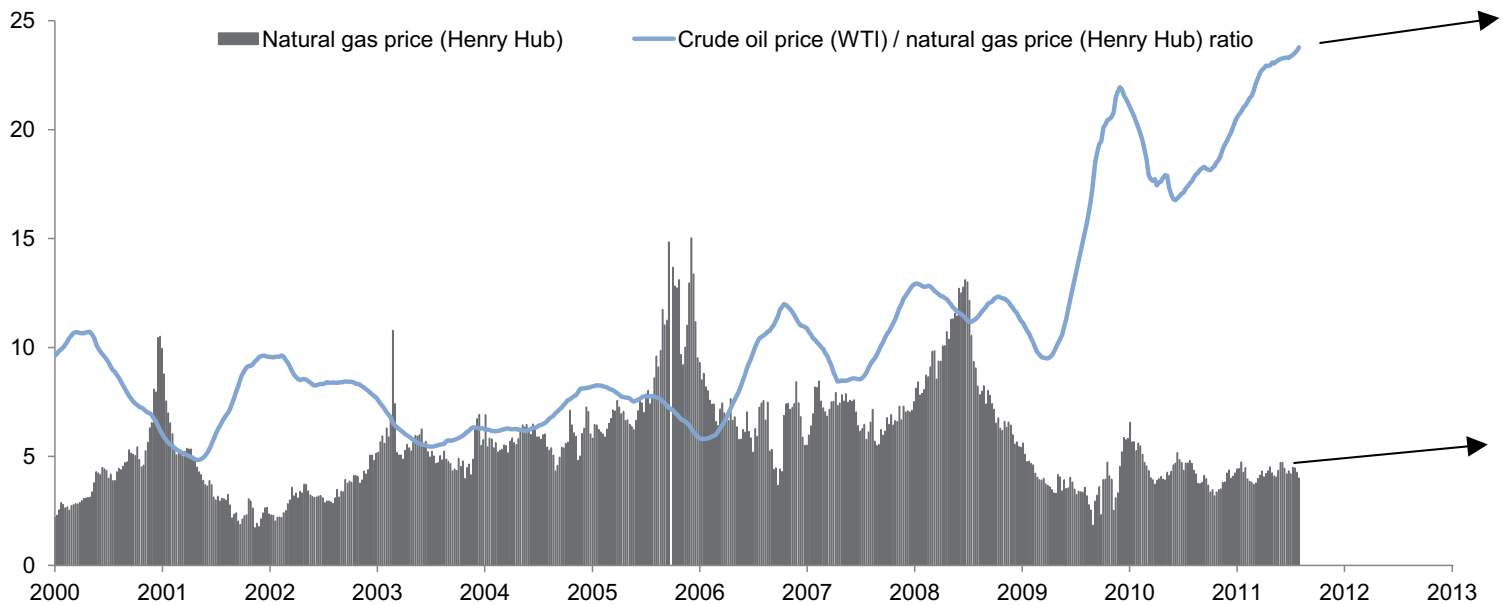
### Advantaged sectors

- Regulated utilities
- Toll roads / parking where rates are indexed to inflation
- Other inflation indexed assets

Source: Bloomberg and J.P. Morgan Asset Management.

## Outlook: Stable and lower natural gas prices in the foreseeable future

### Natural gas price and oil/gas ratio



#### Advantaged sectors

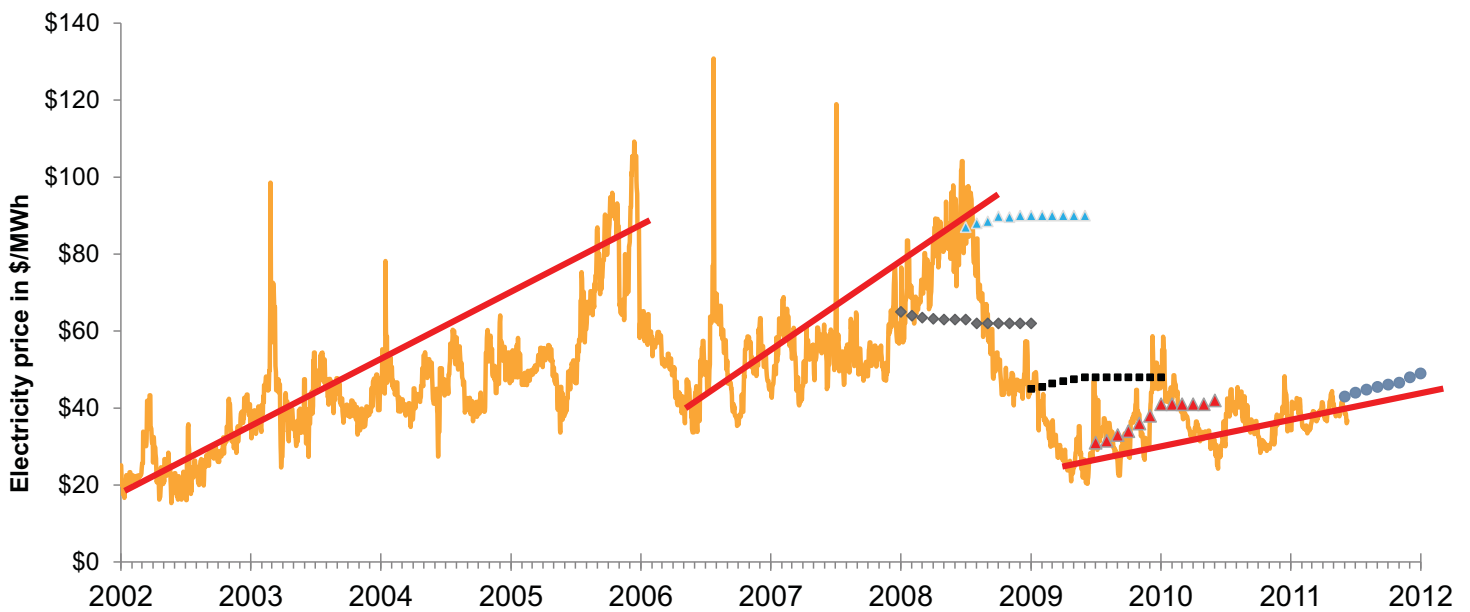
- Regulated gas distribution
- Demand-based gas pipelines
- Gas-fired generation assets

Source: Bloomberg and J.P. Morgan Asset Management.

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## Outlook: Electricity prices appear to be turning up in response to industrial demand

Average daily spot prices of electricity and forecasts at various points of time



### Advantaged sectors

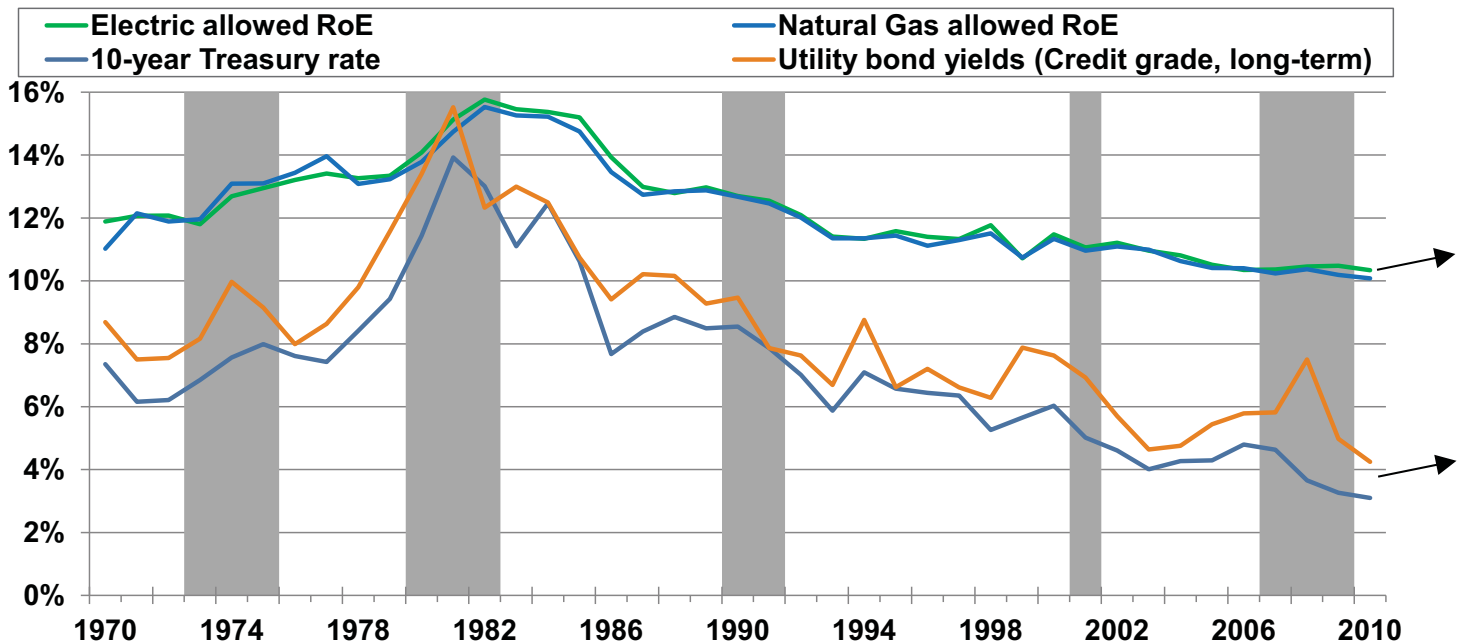
- Regulated electricity distribution
- Electricity transmission

Source: Bloomberg. Electricity price is the simple average of NEPOOL, PJM, ERCOT, CAISO, Four Corners and Mid-Columbia daily averages. Natural gas price is measured at Henry Hub. Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

## Outlook: Allowed return on equity for OECD utilities should trend upwards as interest rates and inflation rise

- ROEs rose the last time we experienced rising interest rates, inflation and severe recession

Average Allowed Return on Equity for Electric and Natural Gas Utilities and Interest Rates in the US, 1970 – 2010



### Advantaged sectors

- Regulated utilities

Sources: Regulatory Research Associates, Barclays Capital and J.P. Morgan Asset Management

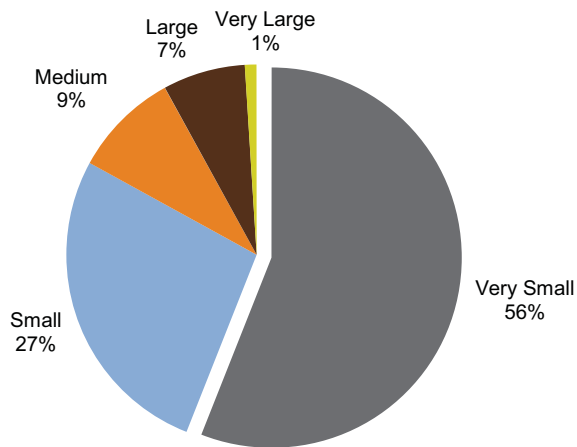
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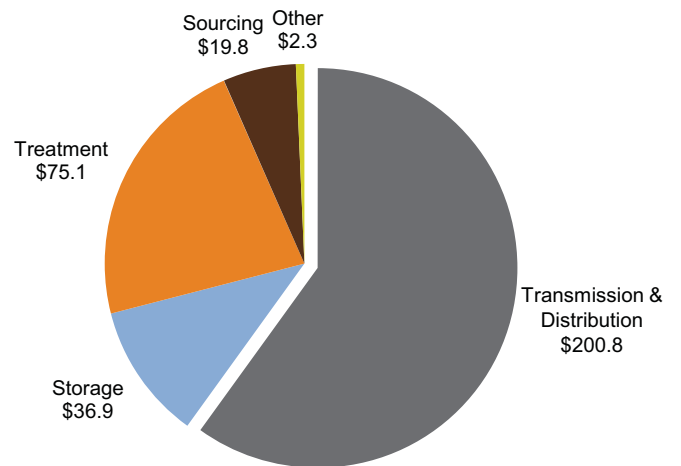
## Outlook: Consolidation is coming to the U.S. water sector

Highly fragmented water sector with more than 50,000 independent systems which are mostly municipally owned cannot cope with huge capex needs

U.S. water utility systems by size (# of connections)



Capex needs through 2026, USD billion



### Advantaged sectors

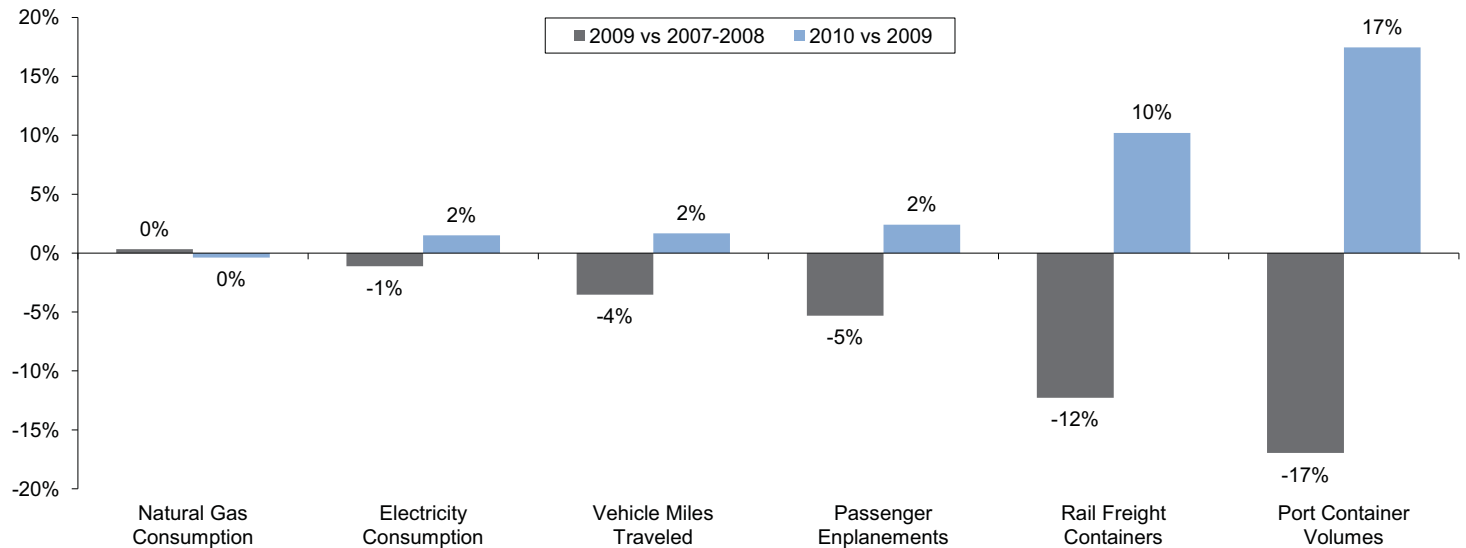
- Large water/wastewater utilities capable of making acquisitions and funding capital expenditures
- Storage and treatment facilities in dry areas

Source: U.S. Environmental Protection Agency.

## Outlook: Improving economic activity suggests adding higher beta assets

### Infrastructure usage in the U.S.

- Less debt availability for transportation assets also drives an increased need for equity investment



#### Advantaged sectors

- Transportation assets

Source: Energy Information Administration (Electricity and Natural Gas consumption), Federal Highway Administration (VMT), Bureau of Transportation Statistics (Passenger enplanements), Ports of LA, Long Beach, NY-NJ, Oakland, Savannah, Seattle, Tacoma (collectively handling more than 70% of the container traffic in the U.S.), and J.P. Morgan Asset Management  
 \* Natural gas and electricity consumption by residential and commercial consumers only.

## Gaining exposure to infrastructure

## Gaining exposure to infrastructure

### Fund Options:

	Fund of Funds	Closed-End Single Manager Fund	Open-End Single Manager Fund
Diversification	High	Low/medium	High
Fees	Double layer of fees	2 & 20 style	Asset management fee structure
Transparency to Investments/ Performance	Limited transparency to underlying funds	Full transparency	Full transparency
Access	No access to underlying managers	Direct access to manager / team	Direct access to manager / team
Liquidity	Generally very limited	Very limited	Liquid with a soft lock

### Geographic Options:

Country specific	Regional	Global
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## Tailoring exposures - Accessing the asset class: strategies available

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- Another impact of the developing market has been the expansion of investment options, or evolution of investor preferences, to gain exposure to infrastructure investments:

### **Listed Securities (direct or via a fund)**

- Tradable investments in listed infrastructure investment funds (HICL, INPP) or related businesses (Vinci, Balfour Beatty etc)
- Provides liquidity, mark-to-market risk, stability of underlying infrastructure cash flows may be negated by market shocks
- Fees for trading in/out of position and management fees embedded in P&L
- Infrastructure Indexes have been created to benchmark portfolio performance

### **Closed-end fund**

- Typically 10+ years with extension options, limited investment period in early years (e.g. 4 years from first close)
- Intended exit route and timing may be kept vague, market conditions at the time may play a large part on overall returns
- Fee structures typically include a management fee and a performance fee / carried interest
- Benchmark is typically actual performance versus target total return, or a premium over inflation

### **Open-end fund**

- Perpetual structure with frequent closes and ongoing investment activity rather than a fixed investment period
- Exit is not assumed as the long-term cash flows match the long-term liabilities of many investors
- Fee structures typically includes a management fee and a performance fee / carried interest
- Benchmark is typically actual performance versus target total return, or a premium over inflation

## Tailoring exposures - Accessing the asset class: strategies available

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### **Fund of funds**

- Closed-end structure where the manager does the due diligence on individual infrastructure funds / managers
- Fee structures are an overlay of management and performance fees to the fees paid at the individual fund level
- Limited or no control over the decisions of the funds, no control over decisions at underlying asset level
- May provide manager diversification and a greater degree of asset diversification
- Potential mismatch between maturity of FoF vehicle and underlying infrastructure fund maturities may limit investment options

### **Direct / Co-invest**

- Increased exposure to selected investment opportunities, potentially with additional governance/veto rights
- Potential to reduce average management fee for the LP
- Increased involvement in acquisitions and asset management requires resourcing, including potential Board representation
- May be structured as a co-invest where the Manager is also investing on behalf of an infrastructure fund it manages for the LP

### **Separate / Segregated Account Investing**

- Suitable for larger scale investors seeking a greater degree of involvement in the investment process
- Provides for tailored governance and investment mandate / remit
- Meaningful involvement in asset management and strategic direction of the investment vehicle and underlying investments through Board representation and voting rights
- Requires significant internal expertise and an investment committee process capable of moving at the pace of an M&A deal

## Tailoring exposures - Open versus closed: pros and cons

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- Many investors look to unlisted investment vehicles and assess the suitability of closed or open ended structures to invest in long-term infrastructure assets:

### **Is the structure consistent with the underlying risk-return profile of infrastructure investments?**

- Target assets are often similar despite the differing investment horizons of the fund structures:
  - Does holding a 99-year lease / concession asset for 10 or less years dilute or enhance value?
  - Should returns largely come from stable long-term operational cash flow or from lumpy assumed exits?
  - Which structure is more appropriate for investments requiring significant ongoing investment (e.g. regulated utilities)?
  - Will one structure be more palatable to the public sector during a privatisation process or where regulator approval is required?

### **Does the structure suit the liability matching aims (yield) or total return target profile of the investor?**

- How do investors manage re-investment risk when their funds are returned yet they want long-term exposure to infrastructure?
- To what degree might fixed exit timing be impacted by economic conditions?
- Can a fixed and limited investment period “force” managers to deploy capital, potentially during inopportune market conditions?
- What component of the return profile is based on cash yield versus assumed exit values?
- Is the remuneration of the manager incentivising total return over yield?

## Open versus closed: pros and cons

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### How might the approach to asset management differ as a result of the structure?

- Open ended funds can provide permanent and patient capital with no short-term bias:
  - Supportive long-term capital enables management teams to make investment decisions on their merits rather than based on short-term shareholder returns
  - Short-term investors may lack of appetite for further investment due to being too near to the fund maturity
  - Capital expenditure which improves revenues or provides efficiencies over the medium to long-term may be viewed unfavorably with a bias to short-term improvements
  - Focus for open-ended funds is on improving long-term cash flow generation whilst closed-end funds tend to focus on improving the short-term capital value and may artificially enhance earnings ahead of an exit
  - Open-ended funds can attract investment partners other than financial investors as they are viewed as long-term partners
  - Regulators and public sector counterparties tend to look favourably on managers who they can develop a long-term stable relationship with
  - Open ended structures with longer holding periods may allow time to recover from “shock events” and downturns
  - Open ended funds continue to invest, bringing greater expertise and resources into the portfolio and team; for example, a closed-end fund with a single regulated investment would see little sense in developing in-house regulatory expertise
  - Where a non-performing asset or fund may see no performance fees payable to the manager, their focus may move elsewhere



## Open versus closed: pros and cons

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### How does the structure impact on diversification?

- Closed ended funds can only deploy capital during a limited investment window:
  - Will the Manager be ‘forced’ to deploy capital regardless of how attractive the market is at the time, limiting vintage diversification?
  - Once the investment period is completed, is the portfolio suitably diversified?
  - If a new investment is pursued, can it influence overall portfolio returns (+ / -) or is there sufficient scale in the portfolio to ensure each incremental investment can only impact overall returns to a limited degree?
  - Is there any potential to re-invest in, or through, the portfolio companies to increase exposure to attractive or better performing assets or to gain operational and financial synergies?
  - Does the Manager have time to “learn lessons” and put the intellectual capital to work on subsequent investments?
  - Is there a risk that long-term lease / concessioned privatization assets may not be available to closed-end investors as public agencies are conscious of the “embarrassment factor” created by profits on exits?
  - How can an investor assess the diversification of a closed-end fund before investing (i.e. blind pool) versus an existing portfolio?
  - Is there a risk of over-concentration if a Manager pursues investments based on a target final close (e.g. \$4 billion) and closes at a far lower level (e.g. \$1.5 billion)?
  - Can the debt for individual investments and the portfolio impact on value:
    - Higher leverage may be utilised in a trade off between yield and total return, increasing the risk of financial distress in a downturn
    - Debt packages typically contain change of control clauses which may dilute exit value

## Tailoring exposures - Open versus closed: pros and cons

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### Does either structure provide liquidity?

- Infrastructure investments are long-term strategies and investors have limited liquidity events:
  - Open-ended
    - funds with perpetual fundraisings may be able to facilitate a redemption from new capital raised
    - typically large scale funds with diverse investor bases (by geography and investor type) providing a spread of investors who are unlikely to need to seek liquidity at the same time
    - greater flexibility to or trade out of investments to facilitate redemptions
    - secondary markets may be deeper given perpetual nature of the fund investment
    - may have more prudent cash reserving
  - Closed-ended
    - liquidity options are limited, with asset sales / fund exit likely to be the only source of cash available
    - secondary market trades are possible but will be impacted by remaining life of fund and current performance to a higher degree than for an open ended structure
    - limited cash reserves likely to be held as the drag on returns may be enhanced due to the shorter fund life

## Summary of risks and mitigating factors in investing in OECD infrastructure

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### Potential Risks

- Regulatory risk
- Political risk
- Asset liquidity
- An emerging investment strategy: inefficiencies, lack of robust data
- Varying sub-sector risks
- Investor liquidity

### Mitigating factors

- Invest in transparent regulatory environments, due diligence
- Enforceable contracts, strong judicial system
- Premium for holding illiquid assets
- Early investors may benefit from increasing efficiency/value increases
- Build a well diversified portfolio
- Varies among fund structures (open vs. closed-end)

## Appendix

## J.P. Morgan Asset Management: Infrastructure investing

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Contracted power generation



Regulated water distribution



Regulated electricity distribution



Contracted wind power



Water distribution/wastewater treatment



Airports



Social infrastructure - hospitals

## JPMorgan Infrastructure Investments Fund



These examples represent some of the investments in Real Assets funds. However, you should not assume that these types of investments will be available to or, if available, will be selected for investment by any fund in the future. There can be no guarantee of future success.

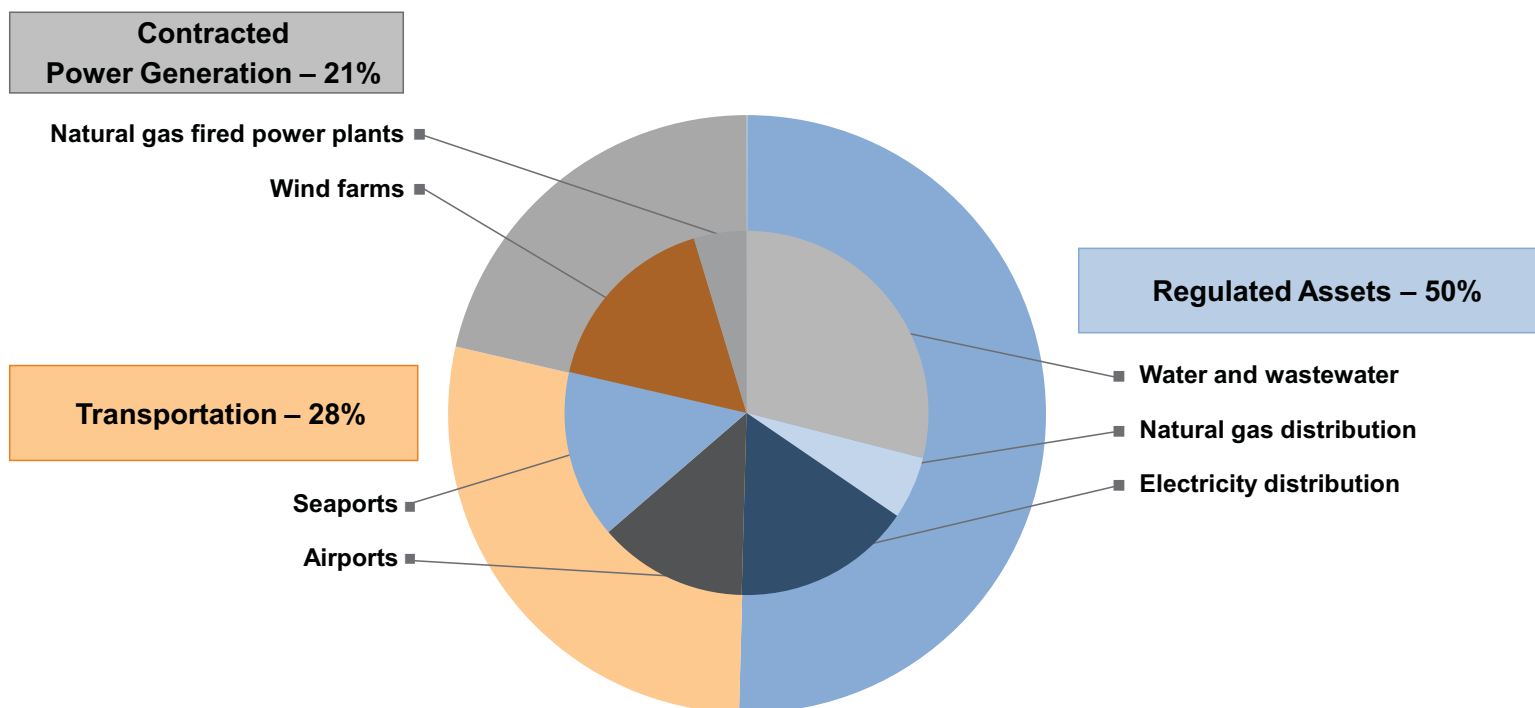
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## JPMorgan Infrastructure Investments Fund

Strategy	■ Core+ infrastructure
Geographic focus	■ Global OECD
Structure	■ Open-ended, perpetual life fund
Target return	■ 10–12% net IRR <sup>1</sup> with a significant portion coming from yield
Currency	■ USD denominated, targeting diverse currency
Sector focus	■ Regulated assets, transportation assets and contracted assets
Asset characteristics	■ Inflation protection ■ Current income
Diversification	■ ~\$3 billion portfolio diversified globally across seven sub-sectors

<sup>1</sup> The target return has been established by J.P. Morgan Investment Management Inc. "J.P. Morgan" based on its assumptions and calculations using data available to it and in light of current market conditions and available investment opportunities and is subject to the risks set forth herein and to be set forth more fully in the Memorandum. The target returns are for illustrative purposes only and are subject to significant limitations. An investor should not expect to achieve actual returns similar to the target returns shown above. Because of the inherent limitations of the target returns, potential investors should not rely on them when making a decision on whether or not to invest in the strategy. The target returns cannot account for the impact that economic, market, and other factors may have on the implementation of an actual investment program. Unlike actual performance, the target returns do not reflect actual trading, liquidity constraints, fees, expenses, and other factors that could impact the future returns of the strategy. The manager's ability to achieve the target returns is subject to risk factors over which the manager may have no or limited control. There can be no assurance that the Fund will achieve its investment objective, the Target Return or any other objectives. The return achieved may be more or less than the Target Return. The data supporting the Target Return is on file with J.P. Morgan and is available for inspection upon request. The information above is subject to the Fund's memorandum. The memorandum is the only binding document and shall always prevail.

## No Blind pool risk – asset and sector diversification reduces volatility



Long-term target ranges: Regulated assets: 40 to 60%; Transportation: 40 to 60%; Power generation: 0 to 20%

Note: Numbers may not add up due to rounding



## Established portfolio of more than 50 assets globally

Sub-sector	Asset		Description	Investment Characteristics
<b>Regulated assets</b>				
<b>Water and Wastewater</b>	SWWC	U.S.	<ul style="list-style-type: none"> <li>1 million customers with primary operations in California, Texas and Alabama</li> </ul>	<ul style="list-style-type: none"> <li>Stable customer bases</li> <li>Regulated, inflation linked returns</li> </ul>
	SWS	U.K.	<ul style="list-style-type: none"> <li>2.3 million water and 4.3 million waste water customers in Southeast England</li> </ul>	
<b>Distribution-Electricity</b>	ENW	U.K.	<ul style="list-style-type: none"> <li>Regulated electricity distribution serving 2.3 million customers in the U.K.</li> </ul>	<ul style="list-style-type: none"> <li>Stable usage profile and predictable cash flows</li> <li>Strong growth potential</li> </ul>
<b>Distribution-Natural Gas</b>	Summit	U.S.	<ul style="list-style-type: none"> <li>Regulated local gas distribution companies serving 25,000 customers in Colorado and Missouri</li> </ul>	<ul style="list-style-type: none"> <li>Stable usage profile and predictable cash flows</li> <li>Strong growth potential</li> <li>Platform to acquire other gas distribution assets</li> </ul>
<b>Power Generation</b>				
<b>Wind</b>	Coastal	U.S.	<ul style="list-style-type: none"> <li>3 wind farms in Oregon, Texas and New York with generation capacity of 350 megawatts</li> </ul>	<ul style="list-style-type: none"> <li>Long-term power purchase agreements or hedges</li> </ul>
	Zephyr	U.K.	<ul style="list-style-type: none"> <li>17 wind farms in the U.K. with generation capacity of 391 megawatts</li> </ul>	<ul style="list-style-type: none"> <li>Diversified portfolios</li> </ul>
<b>Natural gas</b>	SWG	U.S.	<ul style="list-style-type: none"> <li>7 gas-fired power plants totaling 970 megawatts in California, Colorado, Nevada, and New Mexico</li> </ul>	<ul style="list-style-type: none"> <li>Long-term power purchase agreements or hedges</li> <li>Diversified portfolios</li> </ul>
<b>Transportation</b>				
<b>Airports</b>	NQA	Australia	<ul style="list-style-type: none"> <li>Cairns and Mackay airports in Queensland, Australia serving 4.5 million passengers annually</li> </ul>	<ul style="list-style-type: none"> <li>Strong growth potential</li> <li>Favorable demographics and economic conditions</li> </ul>
<b>Ports</b>	Noatum	Spain	<ul style="list-style-type: none"> <li>15 terminals handling 3.2 million container movements and 5.4 million tons of freight annually</li> </ul>	<ul style="list-style-type: none"> <li>Long-term concessions</li> <li>Major trade routes</li> </ul>

# JPMorgan Infrastructure Investments Fund - Overview of current portfolio

## Regulated Assets: Water

### SouthWest Water Company

- Acquired 90% in September 2010
- Take private transaction (Nasdaq: "SWWC")
- U.S. water utility consolidation platform; high reinvestment potential
- IIF NAV: \$302 million, 10.6% of total portfolio
- Key value drivers: Capital delivery (IT), volume and tariff growth, and service contract optimization



### Southern Water Services

- Acquired 26.3% (lead holding) in October 2007
- Purchased via auction process
- Long-term stable operating business with transparent U.K. regulatory regime
- IIF NAV: £337 million, 18.4% of total portfolio
- Key value drivers: Operational enhancements, capital delivery strategy, revenue correction and 5-year regulatory reset in 2014



### Platform Investment Company

Opportunity for reinvestment, expansion, and growth

## Regulated Assets: Energy

### Summit Utilities

- Acquired 81% in May 2007; acquired remaining 19% in September 2010
- Purchased from current management team
- High growth natural gas distribution company
- IIF NAV: \$79 million, 2.8% of total portfolio
- Key value drivers: Operational improvements and enhanced delivery systems, network expansion, development opportunities, long-term price advantage to competing energy sources and management team development capabilities



### Southern Missouri Natural Gas

- Acquired 98% in July 2008; acquired remaining 2% in February 2011
- Off-market purchase
- High growth natural gas distribution company
- IIF NAV: \$79 million, 2.8% of total portfolio



### Electricity North West

- Acquired 50% in December 2007
- Purchased via auction process
- Stable electricity distribution in the U.K.; long-term natural local monopoly
- IIF NAV: £291 million, 15.9% of total portfolio
- Key value drivers: ASA in-sourcing, capital and operating efficiencies, and 8-year regulatory reset in 2016



## Contracted Power Generation

### Southwest Generation

- Acquired 44.9% in July 2008
- Purchased via auction process
- Portfolio of 7 natural gas-fired plants (974MW) located in the southwest U.S.
- IIF NAV: \$133 million, 4.7% of total portfolio
- Key value drivers: In-sourcing operations, long-term recontracting, and Harbor Plant (CA) upgrade and lease extension



### Coastal Winds

- Acquired 100% in December 2008
- Partnered with strategic operator for a 354 MW portfolio of wind farms in NY, TX, and OR
- Entitled to 99% of distributions until earlier of 2015 or equity repayment
- IIF NAV: \$311 million, 10.9% of total portfolio
- Key value drivers: Operational enhancements and wind yield



### Zephyr Wind

- Acquired 33.33% in August 2007
- Pre-empted sale process
- Large (400 MW) strategic U.K. onshore established wind portfolio
- IIF NAV: £106 million, 5.8% of total portfolio
- Key value drivers: Re-powering, wind yield, O&M efficiencies and availability performance



## Transportation

### Noatum Ports

- Acquired 66.7% in December 2010
- Manage the other 33.3% on behalf of APG
- Negotiated process with Spanish group ACS
- Portfolio of port terminals throughout Spain
- IIF NAV: €329 million, 15.0% of total portfolio
- Key value drivers: Efficient integration, volume growth, operational optimization and commercial development



### North Queensland Airports

- Acquired 50% in January 2009
- Privatization from State of Queensland
- Two airports (Cairns & Mackay) with approx. 6 million passengers per annum
- IIF NAV: A\$369 million, 13.2% of total portfolio
- Key value drivers: DTR completion, tariff increases, new routes and base growth



### Aggregate Fund Overview

Total annualized Revenues	\$2.6bn
Total annualized EBITDA	\$1.5bn
Total number of employees	7,600

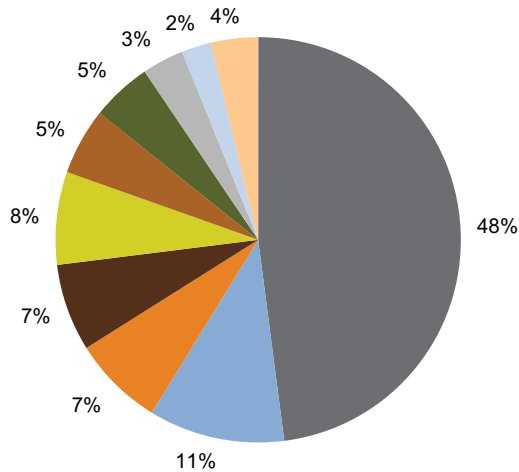
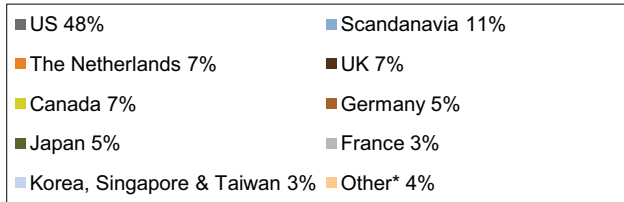
Description of assets in appendix. IIF NAV and percentages of total portfolio are preliminary values as of Q4 2011; the fund is currently undergoing its annual audit. These examples represent some of the investments of the Fund. However, you should not assume that these types of investments will be available to or, if available, will be selected for investment by the Fund in the future.

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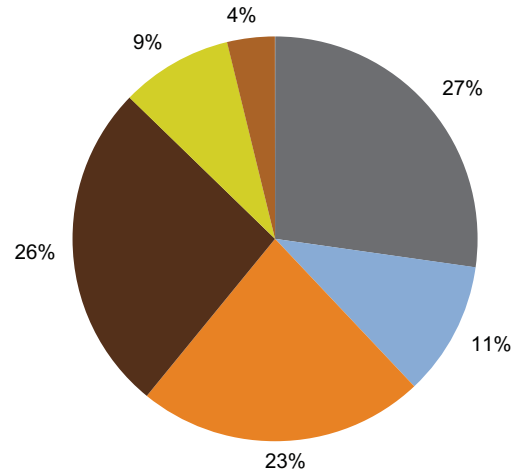
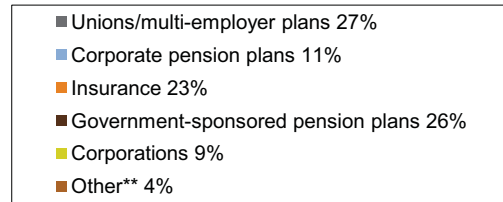
# JPMorgan Infrastructure Investments Fund - Investor commitments since inception

76 institutional investors across 15 different countries as of December 31, 2011

## Commitments by geography



## Commitments by investor type



Source: J.P. Morgan Asset Management  
 \*Other includes Bahamas, Cayman Islands, Mexico, Switzerland and Spain.  
 The charts and/or graphs shown above and throughout the presentation are for illustration and discussion purposes only.

\*\* Other includes sponsor commitment, fund of funds, endowments & foundations and HNWI.

# J.P. Morgan Asset Management

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

April 24, 2012

Agenda Item 4.0

**March 27, 2012 – Board Agenda**

- 1.0 Call to Order, Roll Call and Miscellaneous Business
- 2.0 Oral Communications
  - 2.1 Oral Communications From the Board
  - 2.2 Oral Communications From the Public
- 3.0 Approval of the Minutes
- 4.0 Approval of the Consent Agenda

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

  - Disability Retirements
    - Jeffrey Kosmala
  - Service Retirements
  - Continuances
  - Deferred Retirements
  - Member Account Refunds
  - Member Account Rollovers
- 5.0 Benefit & Actuarial Services
  - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
- 6.0 Investment Services *(There is no investment committee meeting this month)*
  - 6.1 Acceptance of the Preliminary Monthly Portfolio Performance Report
  - 6.2 Ratification of the execution of agreement with Emergence Capital Partners III L.P.
  - 6.3 Approval of Investment Management Agreement with Baillie Gifford Overseas Limited
- 7.0 Board & Management Support Services
  - 7.1 Acceptance of the Monthly Financial Report
  - 7.2 Approval of Amendments to SamCERA's Conflict of Interest Code
  - 7.3 Approval of Estimated Employer Contribution Amount for Fiscal Year 2012/2013
  - 7.4 Discussion of SamCERA's Sources, Uses & Budget for Fiscal Year 2012/2013
  - 7.5 Report on the Status of SamCERA's Annual Board Retreat on April 24 & 25, 2012
- 8.0 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

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

**March 27, 2012 – Board Minutes**

- 0312.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:00 p.m.
- 0312.1 **Roll Call:** *Present:* Ms. Arnott, Mr. David, Mr. Tashman, Ms. Agnew, Mr. Hackleman, Ms. Salas (for Mr. Spinello) and Mr. Murphy. Mr. Bowler and Ms. Kwan Lloyd arrived after roll was called.  
*Excused:* Ms. Settles and Mr. Spinello.  
*Staff:* Mr. Hood, Mr. Clifton, Ms. Carlson, Ms. Smith, Ms. Wong and Ms. Perez.  
*Consultants:* Mr. Thomas and Mr. Shooshani from Strategic Investment Solutions.
- 0312.2.1 **Oral Communications From the Board:** Mr. David presented Gary Clifton with a resolution from the Board commemorating Mr. Clifton's career and achievements at *SamCERA*. Mr. Clifton thanked the Trustees and staff. Mr. David extended an invitation for everyone to enjoy cake and coffee after the meeting. Mr. Hackleman reported on his attendance at the CALAPRS General Assembly on March 4 - 6; other staff and Board members Ms. Arnott, Ms. Salas, Mr. Spinello and Ms. Settles were also in attendance. Ms. Agnew reported her attendance at a conference on real assets.
- 0312.2.2 **Oral Communications From the Public:** None.
- 0312.3 **Approval of the Minutes:** Ms. Arnott requested an addition be made to the February 28 minutes on item 8.1-8.2, clarifying that applications received were for the "Chief Investment Officer" position.  
**Action:** Ms. Arnott moved to approve the minutes from the regular meeting held on February 28, 2012 with the noted addition, and to approve the minutes of the special meeting held on March 15, 2012. The motion was seconded by Ms. Salas, and carried unanimously.
- 0312.4 **Approval of the Consent Agenda:** Mr. David asked if there were any items to be removed from the consent calendar, there were none.  
**Action:** Mr. Hackleman moved to approve the following items listed on the consent agenda. The motion was seconded by Ms. Agnew and carried unanimously.

**Consent Agenda**

**Disability Retirements**

The Board found that Jeffery Kosmala is (1) unable to perform his usual duties as a Carpenter, (2) found that his disability is service-connected and (3) granted his application for a service-connected disability retirement.

**Service Retirements**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Ramos, Leticia	January 5, 2012	Def'd from San Mateo Med Ctr
Armenta, Cathy	January 6, 2012	Def'd from Treasurer/Tax Collector
Mabubay, Melinda	January 6, 2012	Plan 3 Only
Ho, Maggie	January 7, 2012	Dept. of Child Support Services
Jew, Vanessa	January 7, 2012	Human Services Agency
Sundar, Roshini	January 7, 2012	Dept. of Child Support Services
Schmeidel, Cheryl	January 12, 2012	Plan 3 Only
Lunny, Raymond	January 28, 2012	Sheriff's Office
Curran, Florencia	January 30, 2012	Def'd from District Attorney

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

**Service Retirements (Continued)**

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Devoy, Michael	January 31, 2012	Def'd from District Attorney
Calivo, Kathleen	February 1, 2012	Human Services Agency
Hennen, Patrice	February 1, 2012	QDRO of Hennen, Joseph
Quinlan, Gerald	February 1, 2012	Sheriff's Office

**Continuances**

<b>Survivor's Name</b>	<b>Beneficiary of</b>
Burnett, Deborah	Burnett, Charles
Giannini, Celeste	Giannini, Roland
Koelling, Betty	Koelling, Ervin
Mack, Stephen	Mack, Joan

**Deferred Retirements**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Durand, Lori	G4 Vested
Zialcita, Patricia	3 Non-vested - Reciprocity

0312.4

**Member Account Refunds**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Lucero, Gilbert	G4 Non-vested
Mathews, Jeffrey	G4 Non-vested
May, April	Beneficiary of May, Sharen
May, Gina	Beneficiary of May, Sharen
May Joseph	Beneficiary of May, Sharen
Newbury, Jennifer	G4 Vested
Nunez-Avila, Aracela	G4 Vested
Orbeta, Cristina	Beneficiary of Orbeta, Ireneo
Orbeta, Ricardo	Beneficiary of Orbeta, Ireneo
Orbeta, Roberto	Beneficiary of Orbeta, Ireneo
Wenceslao, Priscilla	G4 Vested

**Member Account Rollovers**

<b>Member Name</b>	<b>Retirement Plan Type</b>
Aguilar, Paolo	G4 Non-vested
Helena, Eric	G4 Non-vested
Leddy, Linda	G2 Vested
Lopez, Marian	G4 Non-vested
Paul, Adam	G4 Non-vested

0312.5

**Benefit & Actuarial Service**

0312.5.1

**Consideration of Agenda Items, if any, removed from the Consent Agenda:**  
No items were removed from the Consent Agenda.

**Investment Services**

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

0312.6

0312.6.1 **Presentation of the Preliminary Monthly Portfolio Performance Report:** Mr. Clifton presented the monthly performance report to the Board. With no objections noted, the report was accepted.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	957,234,051	4.68	3.70	0.42
International Equity	382,805,230	4.85	-6.03	-2.65
Total Equity	1,340,039,281	4.73	0.59	-0.51
Private Equity	12,652,769	6.18	-78.82	
Risk Parity	151,726,680	4.32		
Hedge Fund	69,270,600	1.92		
Fixed Income	601,939,649	1.90	7.63	6.22
Real Estate	142,552,672	0.00	16.91	0.07
Aggregate				
Commodities	71,972,730	4.61		
Cash Equivalents	39,325,037	0.07	0.77	1.00
<b>TOTAL FUND</b>	<b>2,429,479,418</b>	<b>3.54</b>	<b>3.41</b>	<b>1.60</b>
Benchmark		0.62	7.75	7.75

0312.6.2 **Ratification of the Execution of an Agreement with Emergence Capital Partners III L.P.**

Mr. Faraz Shooshani, from Strategic Investment Solutions, presented the report on Emergence Capital Partners and answered questions from Board members.

**Action:** Mr. Bowler moved to adopt a resolution ratifying the execution of an agreement with Emergence Capital Partners III L.P. for private equity investment management services, and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement. The motion was seconded Mr. Hackleman and carried unanimously.

0312.6.3 **Approval of Investment Management Agreement with Baillie Gifford Overseas Limited**

Mr. Clifton presented the staff report, stating the Board had approved an agreement with Baillie Gifford in February. He explained after Board approval and prior to execution of the document, Baillie Gifford had requested changes to the conditions of the agreement; and the revised agreement is being presented for Board approval at this meeting. Board members discussed the changes with Mr. Clifton.

**Action:** Mr. Bowler moved to adopt a resolution approving the agreement with Baillie Gifford and Company, and authorizing the Board Chair, the Vice Chair and the Chief Executive Officer to execute the agreement. The motion was seconded by Ms. Agnew and carried unanimously.

0312.7 **Board & Management Support Services**

0312.7.1 **Acceptance of the Monthly Financial Report**

Ms. Wong presented the monthly financial report to the Board. With no objections noted, the report was accepted.

0312.7.2 **Approval of Amendments to SamCERA's Conflict of Interest Code**

Ms. Carlson presented the staff report. She explained the minor changes in SamCERA's Conflict of Interest Code, which will clarify the language regarding identification by designated consultants of which of their staff will be Form 700 filers.

**Action:** Ms. Agnew moved to approve the amendments to SamCERA's Conflict of Interest Code. 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**

- 0312.7.3     **Approval of Estimated Employer Contribution Amount for Fiscal Year 2012/2013**  
Ms. Wong presented the staff report. She discussed the County's prepayment and discounted rate and answered questions from Board members. With no objections noted, the report was accepted.
- 0312.7.4     **Discussion of SamCERA's Sources, Uses & Budget for Fiscal Year 2012/2013**  
Ms. Wong gave Board members an update on staff's work on the FY 2012/2013 budget. This item was for discussion only and no action was taken.
- 0312.7.5     **Report on the Status of SamCERA's Annual Board Retreat on April 24 & 25, 2012**  
Mr. Hood went over the agenda for the upcoming retreat with the Board members. He noted that staff members of the County Manager's and Controller's offices will be sitting in on portions of the retreat. He further noted that there is time built into the retreat schedule for "open discussion".
- 0312.8       **Management Reports**
- 0312.8.1 – 8.2     **Chief Executive Officer/ AEO's Report:**  
Mr. Hood reminded Board members to file their Form 700 statements by April 2. He updated the Board on the work of the succession committee, stating interviews for the CIO position would be held April 18 and 19. Mr. Hood announced several upcoming events and noted more information could be found in the "day of" meeting folders.
- 0312.8.3     **Chief Investment Officer's Report:** None
- 0312.8.4     **Chief Legal Counsel's Report:** Ms. Carlson reported that she is working with Colin Bishop, Retirement Communications Specialist on revising member forms and pamphlets addressing several issues including divorce and splitting member benefits and purchasing of service credit.

**CLOSED SESSION**

- C1     **Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session:** None
- 0312.9     **Report on Actions Taken in Closed Session:** There was no closed session.
- 0312.10    **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 1:32 p.m., in memory of the following deceased members:

Merritt, Lester	January 6, 2012	Beneficiary of Merritt, Bertha
Nelson, Janet	January 18, 2012	Social Services
De La Vega, Bruno	January 31, 2012	Aging & Adults Services
Jensen, Olga	February 8, 2012	Public Health
Alaimo, Robert	February 11, 2012	Public Works
Barauk , Alice	February 14, 2012	Behavioral Health
Howell, Mavis	February 16, 2012	Coroner
Orbeta, Ireneo	February 19, 2012	Health Services
Woodward, Billie	February 23, 2012	Probation
Willemsen, Johanna	February 25, 2012	Behavioral Health
Pierce, Veronica	February 29, 2012	Behavioral Health

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Scott Hood  
Assistant Executive Officer

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Kristina Perez  
Retirement Executive Secretary

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

April 24, 2012

Agenda Item 5.0 (a)

To: Board of Retirement

From: Gladys Smith, Retirement Benefits Manager



Subject: Approval of Consent Agenda

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

**Disability Retirements**

1. The Board finds that **Demetric Coleman** is (1) disabled from performing his usual and customary duties as a Medical Office Assistant II, (2) finds that his disability is not service-connected, (3) denies his application for a service-connected disability and (4) grants him a non-service connected disability retirement.
2. The Board finds that **Sadesh Maharaj** is (1) disabled from performing her usual and customary duties as a Patient Services Assistant II, (2) finds that her disability is service-connected and (3) grants her application for a service-connected disability retirement.

**Service Retirements**

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

<b>Member Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Hunter, Angelina	January 20, 2011	Assessor
Scholle, Gavin	October 21, 2011	QDRO of Scholle, Lynn
Szentkuti, Katherine	February 4, 2012	Library
Tyler, Eldoretha	February 9, 2012	Def'd from San Mateo Medical Center
Counts, James	February 11, 2012	Mosquito and Vector Control District
Fasshauer, Nora	February 11, 2012	District Attorney
Amideo, William	February 15, 2012	Def'd from District Attorney
Henkin-Haas, Susan	February 15, 2012	Def'd from Human Services Agency
Galindo, Paul	February 18, 2012	Public Health

Dhingra, Shashi	February 20, 2012	Def'd from San Mateo Medical Center
Addis, Jean	February 24, 2012	Def'd from San Mateo Medical Center
Bello, Carol	March 1, 2012	Sheriff's Office
Cooper, Brenda	March 1, 2012	Def'd from Behavioral Health
Curran, Donald	March 1, 2012	Parks

**Continuances**

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

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Alaimo, Loralynn	Alaimo, Robert
Andersen, Barbara	Andersen, John
De La Vega, Catalina	De La Vega, Bruno
Nelson, Thomas	Nelson, Janet

**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>
Day, Christopher	G2 Vested - Reciprocity
Schofield, Lani	G4 Vested - Reciprocity
Lenz, Sarah	G4 Vested - Reciprocity
McKee-Parks, Craig	S4 Vested

**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>
Billingsley, Janon	G4 Non-vested
Contreras, Nancy	G5 Non-vested
Cortes, Cynthia	G5 Non-vested
Dela Vega, Marie	G4 Vested
Lodge, Adam	G4 Non-vested

McLane, Jeffrey	G4 Non-vested
Salada, Claudia	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>
Brennan, Robert	S4 Non-vested
Dunham, Allan	3/ G2 Vested
Villegas-Hernandez, Cristina	G4 Non-vested

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

April 24, 2012

Agenda Item 5.0

TO: Board of Retirement



FROM: Scott Hood, Assistant Executive Officer

SUBJECT: Trustee Request for Conference Approval

**Issue**

Approval of a board member's attendance at the Take Action 2012 Impact Investing Summit.

**Background**

The *SamCERA* Education Policy allows trustees to expend system funds for continuing education. The limit for a trustee during the first two years on the board is higher than the limit after that period. The policy also states that, "the board may approve participation in additional educational activities..."

Trustee Lauryn Agnew is not within her first two years on the board. She would like to attend the Take Action 2012 Impact Investing Summit, in San Francisco. The estimated cost for this conference is \$1750 and will not cause her education expenses to exceed the policy limit. According to the Conference literature, more than 200 attendees, representing more than \$4.5 trillion dollars in assets will gather to discuss the latest trends and opportunities in impact investing. The draft agenda is attached.

**Staff Recommendation**

Staff recommends approval of attendance at the above-mentioned educational event.



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**AGENDA Day One | Tuesday, May 22, 2012 | Downtown San Francisco**

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8:00 – 9:00 am      **Registration**

9:00 – 9:30 am      **Welcome: Impact Investing – Past, Present & Future**  
*Georgette Wong, CEO, Correlation Consulting*  
 Q&A: How can this convening help you achieve your goals?

9:30 – 10:00 am      **Keynote: Value Creation**  
 The intersection of above-market financial returns with the creation of social and environmental benefit. When do the world’s greatest challenges create great investment opportunities?

10:00 – 10:30 am      **Break**

10:30 am – 12:00 pm      **Case Studies in Value Creation**  
 Five leading practitioners in impact investing describe their investment goals, strategies, landscape of opportunities, and lessons learned.

- Conservation & Climate Change
- Job Creation & Community Economic Development
- Addressing the Base of the Pyramid

12:00 – 1:30 pm      **Lunch**

1:30 – 2:45 pm      **Concurrent Break-Out Sessions**

- Five Easy Things You Can Do To Get Started (Asset owners only)
- Take Your Portfolio to the Next Level (Asset owners only)
- Choosing a Financial Advisor (Asset owners only)
- Financial Advisor Collaboration (open to all Summit participants)

2:45 – 3:15 pm      **Break**

3:15 – 5:00 pm      **Investment Showcase**  
 Hear new and exciting investments (recommended by fellow asset owners) across all asset classes in a rapid pitch format. Funds, funds of funds and companies may present in the following areas:

- Climate
- Conservation
- Poverty Alleviation, Job Creation & Housing
- Food & Water

5:00- 6:30 pm      **Networking Reception**

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## AGENDA Day Two | Wednesday, May 23, 2012 | Downtown San Francisco

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8:00 – 9:00 am

### **Breakfast/Networking**

9:00 – 9:15 am

### **Introduction to Today & Recap of Yesterday**

Georgette Wong, CEO, Correlation Consulting

9:15 – 9:45 am

### **Keynote: Transforming the Economy**

9:45 – 10:30 am

### **Panel: Creating What's Next - New Fund Creation**

Looking to have an impact on a particular issue in a particular geography but no such fund yet exists? Hear from practitioners who identified underinvested market opportunities and created new investment vehicles to catalyze hundreds of millions of dollars for impact.

10:30 – 10:45 am

### **Break**

10:45 am – 12:00 pm

### **Concurrent Break-Out Sessions: Transforming the Economy**

- An Alternative Look at Modern Portfolio Theory
- Measuring Value
- Housing: Changing the Paradigm
- Crowdfunding and Its Implications
- Incentivizing Collaboration

12:00 – 1:30 pm

### **Lunch**

1:30 – 2:15 pm

### **On the Horizon: Unconventional Perspectives**

What are opportunities that we routinely overlook, undervalue or do not yet know how to create as viable investment opportunities?

2:45 – 3:15 pm

### **Break**

3:15 – 4:00 pm

### **The Innovation Genome: Moving From Invention to Innovation**

*Bill O'Connor, Corporate Strategy & Engagement, Autodesk*

The Innovation Genome Project researches the 1,000 most important innovations in world history, and how they moved from invention (the sparkle of an idea) to innovation (sustainable over time). How can the patterns and insights from the Innovation Genome apply to you and support your work for the long-term?

4:00 pm

### **Closing Reception & Networking**

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

April 24, 2012

Agenda Item 5.0

**TO:** Board of Retirement



**FROM:** Scott Hood, Assistant Executive Officer

**SUBJECT:** SACRS Recommended Ballot -- 2012-13 Officers

**Issue**

The SACRS Nominating Committee has provided their recommended slate of officers for the 2012-2013 year.

**Background**

The Nominating Committee's Recommended ballot was provided to the board at the March 27, 2012, board meeting. The attached memo from the SACRS Nominating Committee Chair provides more detail.

**Staff Recommendation**

This is an information-only item. The *SamCERA* Voting Delegate is authorized to utilize his/her best judgment in voting at the SACRS Business Meeting. Therefore, no action is required.





## SACRS MEMORANDUM

**April 1, 2012**

**Attn: SACRS Administrators**

**From: Raymond McCray, SACRS Nominating Committee Chair  
SACRS Nominating Committee**

**Re: SACRS Board of Director Elections 2012-2013 – Final Ballot**

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### **Per SACRS Bylaws, Article VI ~ Section 2 – Election, Qualification and Term of Office**

*“The officers of SACRS shall be regular members of SACRS. The officers shall be elected by majority vote of the quorum of delegates and alternate delegates present at the first meeting in each calendar year and shall hold office for one (1) year and until a successor is elected.”*

### **Per SACRS Bylaws, Article VI ~Section 4 - Officer Elections**

*“...The Board of any regular member County Retirement System may submit write-in candidates to be included in the Nominating Committee’s final ballot provided the Nominating Committee receives those write-in candidates prior to March 25<sup>th</sup> .*

*The Nominating Committee will report a final ballot to each regular member County Retirement System prior to April 1.*

*The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee’s recommended ballot and final ballot to each trustee and placing the election of SACRS Officers on his or her Board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee...”*

Below is the final ballot/slate – As in the past, a voting delegate may entertain a motion to vote by individual officer positions or by complete ballot/slate. Please be sure to authorize your voting delegate to vote either way.

*Continued*



The elections will be held at the upcoming SACRS Spring Conference May 8 – 11, 2012 at the Squaw Creek Resort in Olympic Valley, CA. Elections will be held during the Annual Business meeting on Friday, May 11<sup>th</sup>, 2012 at 9:15 a.m.

Please distribute the ballot/slate to all standing/eligible board members for approval and authorization for your voting delegate. As stated above, Administrators are required to send acknowledgement of completion to our office at [sulema@sacrs.org](mailto:sulema@sacrs.org) .

**SACRS Nominating Committee Recommended 2012-2013 Nominees/Candidates:**

<b>President</b>	<b>Doug Rose, San Diego CERA</b>
<b>Vice President</b>	<b>Yves Chery, Los Angeles CERA</b>
<b>Treasurer</b>	<b>Tom Ford, Sonoma CERA</b>
<b>Secretary</b>	<b>John Kelly, Sacramento CERS</b>

If you have any questions or require assistance, please contact me directly at 209-468-2163 or [raym1@sbcglobal.net](mailto:raym1@sbcglobal.net) . Thank you for your prompt attention to this timely matter.

Sincerely,

*Raymond McCray*

Raymond McCray, San Joaquin County  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Administrator

Attachment

RMC:shp

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

April 24, 2012

Agenda Item 5.0

**TO:** Board of Retirement



**FROM:** Scott Hood, Assistant Executive Officer

**SUBJECT:** Approval of SACRS Voting Delegates

**Issue**

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegates and alternate voting delegates at the conference business meeting.

**Background**

*SamCERA* normally selects the highest ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. *SamCERA's* conference attendees will be:

**Trustees**

Al David  
David Spinello  
Michal Settles  
Alma Salas

**Staff**

David Bailey  
Scott Hood  
Brenda Carlson  
Gladys Smith

The business meeting occurs on the last morning of the conference, 9:45 a.m., Friday, May 11.

**Staff Recommendation**

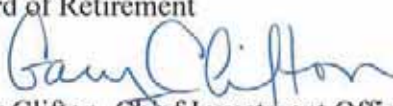
Staff recommends the board designate **Al David**, Board Chair, as the Voting Delegate, **David Spinello**, Safety Board Member, as the First Delegate Alternate, and **David Bailey**, CEO, as the Second Delegate Alternate to cast *SamCERA's* votes at the Spring 2012 SACRS Conference.

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

April 25, 2012

Agenda Item 6.1

To: Board of Retirement

From:   
Gary Clifton, Chief Investment Officer

Subject: Preliminary Monthly Portfolio Performance Report for the Period Ending **March 31, 2012.**

COMMENT: This preliminary report is intended to provide the reader with 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. Due to the timing of certain portfolio performance statements, this agenda item does not reflect the monthly performance of all portfolios. As of this writing, monthly performance for Angelo Gordon's PPIP, AQR's risk parity, AQR's hedge fund, most private equity and Invesco's core real estate portfolios have not been reported.

The fund's preliminary return for the trailing twelve months is 3.79%. The twelve-month period is 396 basis points (bps) below the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 67 basis point behind *SamCERA's* Total Plan Policy Benchmark of 4.44%. As a reminder, *SamCERA* should expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

U.S. equity markets continued their positive run in March, although returns were less vigorous than those generated in the first two months of the quarter. Foreign markets suffered a weak month, managing to post a solid first quarter, but not as robust as U.S. markets. The performance differential largely reflects the firming U.S. economy, which appears to be growing at a moderate rate. One of the most important data points for investors and consumers alike is the U.S. unemployment rate, which continues to improve, dropping to 8.3% after its recent 2009 peak of 10%. In addition, the government reported that consumer spending rose 0.8% in February, the largest one-month increase since last summer. More encouraging housing data also boosted investors' optimism about a potential recovery. Stocks were buoyed by increased expectations that the Federal Reserve will maintain its accommodative stance as the economic outlook improves.

The Barclays Capital U.S. Aggregate Bond Index posted a total return of -0.55% in March as rates rose across the yield curve. The passage of Greece's second bailout by the relevant European governing bodies helped ease market angst, and the subsequent "credit event" caused by the accompanying write-down of Greek sovereign debt proved to be a non-event. U.S. markets were further buoyed by the announcement that most large US banks had essentially passed the US Federal Reserve's (Fed) latest round of stress tests. While the crisis in Europe may have receded for now, the Continent languishes in recession with austerity measures fomenting popular discontent and further impeding growth. China is experiencing large increases in wages while a recent report suggests that Chinese manufacturing activity has been slowing sharply.

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

Portfolio	Trailing One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months
BlackRock Russell 1000	3.13%	12.91%	26.30%	7.92%
D.E. Shaw Investment Management, LLC	4.09%	15.88%	30.37%	12.09%
T. Rowe Price Associates	3.31%	13.63%	26.95%	9.52%
Barrow, Hanley, Mewhinney & Strauss	3.35%	11.67%	26.96%	5.24%
BlackRock Capital Management, Inc.	3.68%	15.74%	24.25%	1.81%
Large Cap Aggregate	3.49%	13.87%	26.67%	6.58%
The Boston Company	2.35%	12.58%	35.23%	3.62%
Chartwell Investment Partners	2.15%	14.93%	36.71%	5.18%
Jennison Associates	0.08%	10.52%	27.40%	1.11%
Small Cap Aggregate	1.23%	12.27%	31.83%	2.97%
Artio Global Investors	-0.77%	11.43%	14.12%	-12.29%
Baillie Gifford	N/A	N/A	N/A	N/A
Eaton Vance - Parametric	N/A	N/A	N/A	N/A
Mondrian Investment Partners	0.02%	7.96%	12.69%	-0.97%
Pyramis Global Advisors -	N/A	N/A	N/A	N/A
International Aggregate	-0.31%	9.61%	13.41%	-6.60%
Total Equity	2.01%	12.28%	23.38%	1.81%
Aberdeen Asset Management	-0.21%	1.99%	3.57%	8.54%
Angelo Gordon	0.00%	12.50%	14.28%	-3.35%
Brigade Capital Management	0.57%	5.22%	8.71%	6.91%
Brown Brothers Harriman	-1.09%	0.85%	3.55%	12.88%
Franklin Templeton	-1.90%	8.76%	10.69%	4.00%
Pyramis Global Advisors	-0.37%	1.08%	2.42%	7.99%
Western Asset Management	0.05%	2.47%	3.90%	8.65%
Total Fixed Income	-0.54%	3.78%	5.67%	7.00%
Private Equity (1)	-1.20%	5.72%	-5.08%	-13.16%
AQR's Global Risk Premium (Risk Parity)	0.00%	6.21%	11.28%	9.96%
AQR's Delta Fund (Hedge Fund)	0.00%	2.62%	5.24%	N/A
SSgA/SSARIS Commodity	-0.16%	9.02%	7.24%	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	0.00%	3.11%	12.60%
Cash	0.07%	0.20%	0.31%	0.76%
Total Portfolio	0.97%	8.27%	14.88%	3.79%

(1) As month end, SamCERA has committed to five private equity investments totaling \$80 million.

**San Mateo County**

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending March 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>DOMESTIC EQUITY</b>													
BLACKROCK RUSSELL 1000 INDEX FUND	169,417,443	3.13	12.91	26.30	7.77	7.92	12.26	24.12	4.26	2.26	4.57	8.49	04/01/1995
DE SHAW INVESTMENT MGT, LLC	124,279,598	4.09	15.88	30.37	10.96	12.09	13.01					18.08	08/01/2009
<i>RUSSELL 1000</i>		3.13	12.90	26.27	7.73	7.86	12.19	24.03	4.18	2.19	4.53		
T. ROWE PRICE ASSOCIATES	120,547,158	3.31	13.63	26.95	9.33	9.52	12.04					16.60	08/01/2009
<i>S&amp;P 500</i>		3.29	12.59	25.89	8.43	8.54	12.04					16.65	
BARROW HANLEY	168,680,817	3.35	11.67	26.96	4.16	5.24	10.75					16.20	08/01/2009
<i>RUSSELL 1000 VALUE</i>		2.96	11.12	25.68	5.32	4.79	9.85					15.49	
BLACKROCK	177,386,052	3.68	15.74	24.25	3.46	1.81	10.92					15.71	08/01/2009
<i>RUSSELL 1000 GROWTH</i>		3.29	14.09	26.85	10.19	11.02	14.58					18.87	
LARGE CAP AGGREGATE	760,311,068	3.49	13.87	26.67	6.51	6.58	11.23	23.08	3.60	0.94	4.10	8.22	04/01/1995
<i>RUSSELL 1000</i>		3.13	12.90	26.27	7.73	7.86	12.19	24.03	4.18	2.19	4.53	8.47	
BOSTON COMPANY ASSET MGT, LLC	53,944,781	2.35	12.58	35.23	8.05	3.62	10.81					17.63	08/01/2009
<i>RUSSELL 2000 VALUE</i>		3.10	11.59	29.41	1.62	-1.07	9.24					16.33	
CHARTWELL INVESTMENT MGMT	64,623,155	2.15	14.93	36.71	6.75	5.18	19.96	32.09	7.14	5.19		7.40	12/01/2004
<i>RUSSELL 2000 GROWTH</i>		2.03	13.28	30.26	1.28	0.68	14.86	28.36	7.71	4.16		6.03	
JENNISON ASSOCIATES	88,788,195	0.08	10.52	27.40	1.31	1.11	14.83	29.85	8.51			8.51	04/01/2008
SMALL CAP AGGREGATE	207,356,131	1.23	12.27	31.83	4.42	2.97	15.31	31.88	5.69	0.39	5.08	5.48	07/01/1999
<i>RUSSELL 2000</i>		2.58	12.44	29.83	1.45	-0.18	12.05	26.90	6.31	2.13	6.45	6.16	
DOMESTIC EQUITY AGGREGATE	967,667,199	2.97	13.52	27.91	6.00	5.71	12.06	24.71	4.06	0.89	4.33	7.46	07/01/1995
<i>SAMCERA DOMESTIC EQUITY BENCHMA</i>		3.00	12.80	27.11	6.30	6.01	12.12	24.60	4.62	2.20	4.96		

**San Mateo County**

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending March 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>INTERNATIONAL EQUITY</b>													
ARTIO GLOBAL INVESTOR	151,233,129	-0.77	11.43	14.12	-11.97	-12.29	-1.33	13.04	-7.38	-5.57		3.44	12/01/2004
<i>MSCI ACWI ex US GROWTH (GROSS)</i>		-0.73	11.85	16.49	-6.93	-5.95	4.03	19.24	-2.07	-0.47		8.07	
EATON VANCE MANAGEMENT	55,161,079												03/01/2012
<i>MSCI Em Markets (USD) GDR</i>		-3.32										-3.32	
MONDRIAN INVESTMENT PARTNERS	194,894,333	0.02	7.96	12.69	-3.80	-0.97	4.63	17.61	-1.67	-1.23		6.01	12/01/2004
<i>MSCI ACWI EX US VALUE (GROSS)</i>		-1.92	10.84	14.60	-7.69	-7.55	1.80	20.06	-1.99	-1.79		5.74	
PYRAMIS	44,949,735												03/01/2012
<i>MSCI ACWI ex US Small Cap Gross</i>		-1.21										-1.21	
TOTAL INTERNATIONAL EQUITY	446,238,276	-0.31	9.61	13.41	-7.78	-6.60	1.71	15.39	-4.49	-3.36	5.42	5.52	10/01/1996
<i>MSCI AC WORLD ex US (GROSS)</i>		-1.32	11.34	15.55	-7.31	-6.75	2.93	19.65	-2.01	-1.11	7.74	5.44	
TOTAL EQUITY AGGREGATE	1,413,905,474	2.01	12.38	23.38	1.62	1.81	8.80	21.88	1.40	-0.37	4.45	7.11	04/01/1995
<i>SAMCERA TOTAL EQUITY BENCHMARK</i>		1.53	12.33	23.12	1.55	1.58	9.00	22.95	2.49	1.15	5.48		
<b>PRIVATE EQUITY</b>													
ABRY ADVANCED SEC II LP	5,771,446	0.00	13.26	-5.56	-5.38							-17.02	06/01/2011
ABRY PARTNERS VII LP	2,094,275	0.00	4.67	-5.36								5.14	09/01/2011
GENERAL CATALYST GROUP	100,000	0.00										0.00	02/01/2012
REGIMENT CAPITAL FUND	3,759,898	-0.00	3.59	2.95								2.95	08/01/2011
SHERIDAN PRODUCTION PARTNERS	1,901,000	-7.54	-7.54	-14.79	-2.10	-7.15						-81.25	11/01/2010
<i>RUSSELL 3000 + 3%</i>		3.33	13.67	28.36	9.60	10.39						18.86	
TOTAL PRIVATE EQUITY	13,626,619	-1.20	5.72	-5.08	-4.70	-13.16						-82.12	11/01/2010
<i>PRIVATE EQUITY BENCHMARK</i>		3.33	13.67	28.36	9.60	10.39							

**San Mateo County**

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending March 31, 2012



STATE STREET

	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>RISK PARITY</b>													
AQR GLOBAL RISK PREM III LP	154,371,700	0.00	6.21	11.28	6.29	9.96						9.83	03/01/2011
TOTAL RISK PARITY	154,371,700	0.00	6.21	11.28	6.29	9.96						9.83	03/01/2011
<i>RISK PARITY BENCHMARK</i>		1.63	7.72	16.05	6.85	7.82							
<b>HEDGE FUND</b>													
AQR DELTA FUND II, L.P.	69,636,840	0.00	2.62	5.24	0.17							0.23	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.11	3.18							3.53	
HEDGE FUND COMPOSITE	69,636,840	-0.00	2.62	5.24	0.17							0.23	06/01/2011
<i>LIBOR + 4%</i>		0.35	1.05	2.11	3.18							3.53	
<b>COMMODITIES</b>													
SSGA MULTISOURCE ACT COMM NL	71,860,145	-0.16	9.02	7.24								-4.19	08/01/2011
TOTAL COMMODITIES	71,860,145	-0.16	9.02	7.24								-4.19	08/01/2011
<i>DJ-UBS COMMODITY</i>		-4.14	0.87	1.21								-12.84	
<b>DOMESTIC FIXED INCOME</b>													
ABERDEEN ASSET MANAGEMENT	109,366,835	-0.21	1.99	3.57	6.38	8.54	8.40	12.74	5.45	4.78	5.39	6.14	06/01/2000
ANGELO GORDON GECC PPI FUND	32,407,568	0.00	12.50	14.28	0.99	-3.35	13.06					17.77	12/01/2009
PYRAMIS GLOBAL ADVISORS	89,117,881	-0.37	1.08	2.42	5.48	7.99	7.56	10.92	7.52	6.62		6.39	02/01/2006
WESTERN ASSET MGMT	88,082,404	0.05	2.47	3.90	6.28	8.65	8.87	13.22	7.86	6.51		5.97	11/01/2004
<i>BC AGGREGATE</i>		-0.55	0.30	1.43	5.30	7.71	6.41	6.83	5.90	6.25	5.80		
BRIGADE CAPITAL MANAGEMENT	52,819,965	0.57	5.22	8.71	5.34	6.91						10.11	08/01/2010
<i>BC BA INTERMEDIATE HIGH YIELD INDEX</i>		-0.46	4.18	10.14	6.11	7.49						9.58	



**San Mateo County**

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending March 31, 2012



STATE STREET

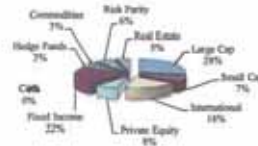
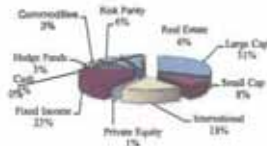
	MKT VAL	1 Month	QTR	6 Month s	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
<b>BROWN BROTHERS HARRIMAN &amp; CO</b>	78,385,561	-1.09	0.85	3.55	8.84	12.88						9.82	08/01/2010
<i>BARCLAYS US TIPS INDEX</i>		-1.13	0.81	3.58	8.56	12.59						9.81	
<b>INTERNATIONAL FIXED INCOME</b>													
FRANKLIN TEMPLETON INVESTMENTS	107,520,771	-1.90	8.76	10.69	1.30	4.00						6.02	01/01/2011
<i>BC MULTIVERSE</i>		-0.69	1.09	1.50	2.17	5.28						5.34	
<b>TOTAL FIXED INCOME</b>													
TOTAL FIXED INCOME AGGREGATE	557,700,985	-0.54	3.78	5.67	5.01	7.00	8.60	12.62	7.19	6.17	6.01	6.14	01/01/1996
<i>SAMCERA TOTAL FIXED INCOME BENCH</i>		-0.72	0.85	2.33	5.53	8.41	7.10	7.30	6.24	6.52	5.94	5.92	
<b>REAL ESTATE</b>													
INVESCO REAL ESTATE	142,552,672	0.00	0.00	3.11	5.29	12.60	16.65	0.86	-3.39	-0.72		5.76	10/01/2004
TOTAL REAL ESTATE AGGREGATE	142,552,672	0.00	0.00	3.11	5.29	12.60	16.65	0.86	-3.39	-0.72	7.60	7.51	01/01/1997
<i>SAMCERA NCREIF NFI ODCE EW (Gross)</i>		0.00	0.00	3.02	6.41	10.60	15.18	1.92	-3.90	-0.63	6.31	7.39	
<b>CASH EQUIVALENTS</b>													
SAMCERA GENERAL ACCOUNT	12,858,349	0.02	0.04	0.07	0.10	0.39	0.30	0.30	0.68	1.52	2.08	2.70	07/01/1999
SAMCERA TREASURY & LAIF	13,219,195	0.07	0.21	0.45	0.72	1.02	1.08	1.13	-0.02	0.87	2.02	3.37	07/01/1994
TOTAL CASH AGGREGATE	26,077,544	0.07	0.20	0.31	0.50	0.76	0.91	0.99	0.12	0.93	2.02	2.62	07/01/1999
<i>91 DAY T-BILL</i>		0.01	0.01	0.01	0.03	0.06	0.11	0.13	0.40	1.23	1.91	2.55	
<b>TOTAL FUND</b>													
TOTAL FUND	2,449,731,979	0.97	8.27	14.88	2.55	3.79	9.01	16.99	2.86	1.61	5.37	6.35	01/01/1996
<i>SAMCERA TOTAL PLAN POLICY BENCHM</i>		0.90	8.25	15.99	3.65	4.44	9.58	17.89	3.86	3.12	6.06	6.63	
<i>ACTUARIAL DISCOUNT RATE</i>		0.62	1.88	3.80	5.76	7.75	7.75	7.75	7.75	7.75	7.89		

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

Actual versus Target Allocation

Portfolio	Market Value	Allocation		Percentage Off Target	Rebalance Range
		Current	Target *		
BlackRock Russell 1000	\$189,417,443	6.92%	6.50%	0.42%	±3%
D.E. Shaw Investment Management, LLC	\$124,279,598	5.07%	4.25%	0.82%	±3%
T. Rowe Price Associates	\$120,547,158	4.92%	4.25%	0.67%	±3%
Barrow, Hanley, Mewhinney & Strauss	\$168,680,817	6.89%	6.50%	0.39%	±3%
BlackRock Capital Management, Inc.	\$177,386,052	7.24%	6.50%	0.74%	±3%
<b>Large Cap Aggregate</b>	<b>\$760,311,068</b>	<b>31.03%</b>	<b>28.00%</b>	<b>3.03%</b>	
The Boston Company	\$53,944,781	2.20%	1.75%	0.45%	±3%
Chartwell Investment Partners	\$64,623,155	2.64%	1.75%	0.89%	±3%
Jennison Associates	\$88,788,195	3.62%	3.50%	0.12%	±3%
<b>Small Cap Aggregate</b>	<b>\$207,356,131</b>	<b>8.40%</b>	<b>7.00%</b>	<b>1.40%</b>	
Artis (Transferred to Baillie Gifford on April 3rd)	\$151,233,129	6.17%	6.00%	0.17%	±3%
Eaton Vance - Parametrics Emerging Markets	\$55,161,079	2.25%	2.25%	0.00%	±3%
Mondrian Investment Partners	\$194,894,333	7.96%	8.00%	-0.04%	±3%
Pyramis Global Advisers - Int'l. Small Cap	\$44,949,735	1.83%	1.75%	0.08%	±3%
<b>International Aggregate</b>	<b>\$446,238,276</b>	<b>18.21%</b>	<b>18.00%</b>	<b>1.68%</b>	±3%
<b>Total Equity</b>	<b>\$1,413,905,475</b>	<b>57.71%</b>	<b>53.00%</b>	<b>4.71%</b>	
Aberdeen Asset Management	\$109,366,835	4.46%	3.75%	0.71%	±2%
Angelo Gordon	\$32,407,568	1.32%	1.63%	-0.30%	±2%
Brigade Capital Management	\$52,819,965	2.16%	1.63%	0.53%	±2%
Brown Brothers Harriman	\$78,385,561	3.20%	3.00%	0.20%	±2%
Franklin Templeton	\$107,520,771	4.39%	4.50%	-0.11%	±2%
Pyramis Global Advisers	\$89,117,881	3.64%	3.75%	-0.11%	±2%
Western Asset Management Company	\$88,082,404	3.60%	3.75%	-0.15%	±2%
<b>Total Fixed Income</b>	<b>\$557,700,985</b>	<b>22.76%</b>	<b>22.00%</b>	<b>0.76%</b>	
Private Equity	\$13,776,619	0.50%	8.00%	-7.44%	N/A
AQR Global Risk Premium	\$154,371,700	6.30%	6.00%	0.30%	N/A
AQR Delta Fund (Hedge Fund)	\$69,636,840	2.84%	3.00%	-0.16%	N/A
SSGASSARIS Multisource Commodities	\$71,860,145	2.93%	3.00%	-0.07%	N/A
<b>Alternative Investments</b>	<b>\$309,645,304</b>	<b>12.64%</b>	<b>20.00%</b>	<b>-7.36%</b>	
INVESCO Realty Advisors	\$142,552,672	5.82%	5.00%	0.82%	±2%
Cash	\$26,077,544	1.06%	0.00%	1.06%	
<b>Total</b>	<b>\$2,449,881,980</b>	<b>100.00%</b>	<b>100.00%</b>		

\* Some CERA 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 March 31, 2012

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	\$169,417,443	\$164,269,482	3.1%	\$204,356,600	-17.1%
D.E. Shaw Investment Management, LLC	\$124,279,598	\$119,392,769	4.1%	\$110,874,516	12.1%
T. Rowe Price Associates	\$120,547,158	\$116,683,497	3.3%	\$110,065,166	9.5%
Barrow, Hanley, Mewhinney & Strauss	\$168,680,817	\$163,207,035	3.4%	\$170,829,084	-1.3%
BlackRock Capital Management, Inc.	\$177,386,052	\$171,085,098	3.7%	\$174,226,422	1.8%
Large Cap Aggregate	\$760,311,068	\$734,637,881	3.5%	\$770,351,788	-1.3%
The Boston Company	\$53,944,781	\$52,706,571	2.3%	\$52,057,956	3.6%
Chartwell Investment Partners	\$64,623,155	\$63,260,477	2.2%	\$61,441,791	5.2%
Jennison Associates	\$88,788,195	\$106,629,122	-16.7%	\$124,306,487	-28.6%
Small Cap Aggregate	\$207,356,131	\$222,596,170	-6.8%	\$237,806,234	-12.8%
Artio	\$151,233,129	\$180,949,737	-16.4%	\$224,593,167	N/A
Baillie Gifford funded on April 3rd	\$0	\$0	N/A	\$0	N/A
Eaton Vance - Parametrics Emerging Markets	\$55,161,079	\$0	N/A	\$0	N/A
Mondrian Investment Partners	\$194,894,333	\$201,855,493	-3.4%	\$223,072,241	-12.6%
Pyramis Global Advisors - Intl. Small Cap	\$44,949,735	\$0	N/A	\$0	N/A
International Aggregate	\$446,238,276	\$382,805,230	16.6%	\$447,665,408	-0.3%
Total Equity	\$1,413,905,475	\$1,340,039,281	5.5%	\$1,455,823,430	-2.9%
Aberdeen Asset Management	\$109,366,835	\$109,595,181	-0.2%	\$119,910,965	-8.8%
Angelo Gordon	\$32,407,568	\$33,446,358	-3.1%	\$41,141,453	-21.2%
Brigade Capital Management	\$52,819,965	\$52,519,365	0.6%	\$49,406,670	6.9%
Brown Brothers Harriman	\$78,385,561	\$79,249,989	-1.1%	\$46,809,411	67.5%
Franklin Templeton	\$107,520,771	\$109,607,403	-1.9%	\$103,382,627	4.0%
Pyramis Global Advisors	\$89,117,881	\$109,448,552	-18.6%	\$110,460,660	-19.3%
Western Asset Management Company	\$88,082,404	\$108,072,800	-18.5%	\$113,844,260	-22.6%
Total Fixed Income	\$557,700,985	\$601,939,649	-7.3%	\$584,956,047	-4.7%
Private Equity	\$13,776,619	\$12,802,769	7.6%	\$255,000	5302.6%
Risk Parity	\$154,371,700	\$151,726,680	1.7%	\$140,000,000	10.3%
Hedge Funds	\$69,636,840	\$69,270,600	0.5%	\$0	N/A
Comodities	\$71,860,145	\$71,972,730	-0.2%	\$0	N/A
Alternative Investments	\$309,645,304	\$305,772,779	1.3%	\$140,255,000	N/A
INVESCO Realty Advisors	\$142,552,672	\$142,552,672	0.0%	\$122,302,877	16.6%
Cash	\$26,077,544	\$39,325,037	-33.7%	\$2,794,361	833.2%
Total	\$2,449,881,980	\$2,429,629,418	0.8%	\$2,306,131,715	6.2%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	57.7%	55.2%	2.6%	63.1%	-5.4%
Total Fixed Income	22.8%	24.8%	-2.0%	25.4%	-2.6%
Alternative Investments	12.6%	12.6%	0.1%	6.1%	6.6%
Real Estate	5.8%	5.9%	0.0%	5.3%	0.5%
Cash	1.1%	1.6%	-0.6%	0.1%	0.9%
Total	100.0%	100.0%		100.0%	

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Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) Nine Months	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	\$1,413,905,475	2.01%	12.38%	23.38%	1.81%	1.62%	8.80%	21.88%	-0.37%	4.45%
Equity Composite Benchmark		1.53%	12.33%	23.12%	1.58%	1.55%	9.00%	22.95%	1.15%	5.48%
<b>Variance</b>		<b>0.48%</b>	<b>0.05%</b>	<b>0.26%</b>	<b>0.23%</b>	<b>0.07%</b>	<b>-0.20%</b>	<b>-1.07%</b>	<b>-1.52%</b>	<b>-1.03%</b>
Private Equity Aggregate	\$13,776,619	-1.20%	5.72%	-5.08%	-13.16%	-4.70%	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		3.33%	13.67%	28.36%	10.39%	9.60%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-4.53%</b>	<b>-7.95%</b>	<b>-33.44%</b>	<b>N/A</b>	<b>-14.30%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Risk Parity Aggregate	\$154,371,700	0.00%	6.21%	11.28%	9.96%	6.29%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		1.63%	7.72%	16.05%	7.82%	6.85%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-1.63%</b>	<b>-1.51%</b>	<b>-4.77%</b>	<b>N/A</b>	<b>-0.56%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Hedge Fund Aggregate	\$69,636,840	0.00%	2.62%	5.24%	N/A	0.17%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.05%	2.11%	N/A	3.18%	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>-0.35%</b>	<b>1.57%</b>	<b>3.13%</b>	<b>N/A</b>	<b>-3.01%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Commodities	\$71,860,145	-0.16%	9.02%	7.24%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		-4.14%	0.87%	1.21%	N/A	N/A	N/A	N/A	N/A	N/A
<b>Variance</b>		<b>3.98%</b>	<b>8.15%</b>	<b>6.03%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Fixed Income Aggregate	\$557,700,985	-0.54%	3.78%	5.67%	7.00%	5.01%	8.60%	12.62%	6.17%	6.01%
Fixed Income Composite Benchmark		-0.72%	0.85%	2.33%	8.41%	5.53%	7.10%	7.30%	6.52%	5.94%
<b>Variance</b>		<b>0.18%</b>	<b>2.93%</b>	<b>3.34%</b>	<b>-1.41%</b>	<b>-0.52%</b>	<b>1.50%</b>	<b>5.32%</b>	<b>-0.35%</b>	<b>0.07%</b>
Real Estate Aggregate (2)	\$142,552,672	0.00%	0.00%	3.11%	12.60%	5.29%	16.65%	0.86%	-0.72%	7.60%
NCREIF NFI ODCE EW (Gross)		0.00%	0.00%	3.02%	10.60%	6.41%	15.18%	1.92%	-0.63%	6.31%
<b>Variance</b>		<b>0.00%</b>	<b>0.00%</b>	<b>0.09%</b>	<b>2.00%</b>	<b>-1.12%</b>	<b>1.47%</b>	<b>-1.06%</b>	<b>-0.09%</b>	<b>1.29%</b>
Cash Aggregate	\$26,077,544	0.07%	0.20%	0.31%	0.76%	0.50%	0.91%	0.99%	0.93%	2.02%
91 Day Treasury Bill		0.01%	0.01%	0.01%	0.06%	0.03%	0.11%	0.13%	1.23%	1.91%
<b>Variance</b>		<b>0.06%</b>	<b>0.19%</b>	<b>0.30%</b>	<b>0.70%</b>	<b>0.47%</b>	<b>0.80%</b>	<b>0.86%</b>	<b>-0.30%</b>	<b>0.11%</b>
Total Fund Returns	\$2,449,881,980	0.97%	8.27%	14.88%	3.79%	2.55%	9.01%	16.99%	1.61%	5.37%
Total Plan Policy Benchmark		0.90%	8.25%	15.99%	4.44%	3.65%	9.58%	17.89%	3.12%	6.06%
<b>Variance</b>		<b>0.07%</b>	<b>0.02%</b>	<b>-1.11%</b>	<b>-0.65%</b>	<b>-1.10%</b>	<b>-0.57%</b>	<b>-0.90%</b>	<b>-1.51%</b>	<b>-0.69%</b>

Performance versus Actuarial Discount Rate

Total Fund Returns	\$2,449,881,980	0.97%	8.27%	14.88%	3.79%	2.55%	9.01%	16.99%	1.61%	5.37%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	5.56%	7.75%	7.75%	7.75%	7.89%
<b>Variance</b>		<b>0.35%</b>	<b>6.39%</b>	<b>11.08%</b>	<b>-3.96%</b>	<b>-3.01%</b>	<b>1.26%</b>	<b>9.24%</b>	<b>-6.14%</b>	<b>-2.52%</b>

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

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



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Manager & Benchmark Performance

Manager Performance

Portfolio	(1)					One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date						
BlackRock Russell 1000	3.13%	12.91%	26.30%	7.92%	7.77%	7.92%	12.26%	24.12%	4.26%	2.26%	4.57%
D.E. Shaw Investment Management, LLC	4.09%	15.88%	30.37%	12.09%	10.96%	12.09%	13.01%	N/A	N/A	N/A	N/A
T. Rowe Price Associates	3.51%	13.63%	26.95%	9.52%	9.53%	9.52%	12.04%	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	3.35%	11.67%	26.96%	5.24%	4.16%	5.34%	10.75%	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	3.68%	15.74%	24.25%	1.81%	3.46%	1.81%	10.92%	N/A	N/A	N/A	N/A
Large Cap Aggregate	3.49%	13.87%	26.67%	6.58%	6.51%	6.58%	11.23%	23.08%	3.60%	0.94%	4.10%
The Boston Company	2.35%	12.58%	35.23%	3.62%	8.07%	3.62%	16.81%	N/A	N/A	N/A	N/A
Charwell Investment Partners	2.15%	14.93%	36.71%	5.18%	6.79%	5.18%	19.96%	32.09%	7.14%	5.19%	N/A
Jennison Associates	0.08%	10.52%	27.40%	1.11%	1.31%	1.11%	14.83%	39.85%	8.51%	N/A	N/A
Small Cap Aggregate	1.23%	12.27%	31.83%	2.97%	4.42%	2.97%	15.31%	31.88%	5.69%	0.39%	5.08%
Artio	-0.77%	11.43%	14.12%	-12.39%	-11.97%	-12.39%	-1.33%	13.04%	-7.38%	-5.57%	N/A
Baillie Gifford	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eaton Vance - Parametrics Emerging Markets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mondrian Investment Partners	0.02%	7.96%	12.69%	-0.97%	-3.80%	-0.97%	4.63%	17.61%	-1.67%	-1.23%	N/A
Pyramis Global Advisors - Intl. Small Cap	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
International Aggregate	-0.31%	9.61%	13.41%	-6.60%	-7.78%	-6.60%	1.71%	15.39%	-4.49%	-3.36%	5.42%
Total Equity	2.01%	12.38%	23.38%	1.81%	1.62%	1.81%	8.80%	21.88%	1.40%	-0.37%	4.45%
Aberdeen Asset Management	-0.21%	1.99%	3.57%	8.54%	6.38%	8.54%	8.40%	12.74%	5.45%	4.78%	5.39%
Angelo Gordon	0.00%	12.50%	14.28%	-3.35%	0.99%	-3.35%	13.06%	N/A	N/A	N/A	N/A
Brigade Capital Management	0.57%	5.22%	8.71%	6.91%	5.34%	6.91%	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	-1.09%	0.85%	3.55%	12.88%	8.84%	12.88%	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	-1.90%	8.76%	10.69%	4.09%	1.30%	4.09%	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	-0.37%	1.08%	2.42%	7.99%	5.48%	7.99%	7.56%	10.92%	7.52%	6.62%	N/A
Western Asset Management Company	0.05%	2.47%	3.90%	8.65%	6.28%	8.65%	8.87%	13.22%	7.86%	6.51%	N/A
Total Fixed Income	-0.54%	3.78%	5.67%	-7.00%	5.01%	7.00%	8.60%	12.62%	7.19%	6.17%	6.01%
Private Equity	-1.20%	5.72%	-5.08%	-13.16%	-4.70%	-13.16%	N/A	N/A	N/A	N/A	N/A
Risk Parity	0.00%	6.21%	11.28%	9.96%	6.29%	9.96%	N/A	N/A	N/A	N/A	N/A
Hedge Funds	0.00%	2.62%	5.24%	N/A	0.17%	N/A	N/A	N/A	N/A	N/A	N/A
SSeA	-0.16%	9.02%	7.24%	N/A	N/A	N/A	N/A	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	N/A	N/A
INVESCO Realty Advisors	0.00%	0.00%	3.11%	12.60%	5.29%	12.60%	16.65%	0.86%	-3.39%	-0.72%	7.60%
Cash	0.07%	0.30%	0.31%	0.26%	0.50%	0.76%	0.91%	0.99%	0.12%	0.93%	2.02%
Total	0.97%	8.27%	14.88%	3.79%	2.55%	3.79%	9.01%	16.99%	2.86%	1.61%	5.37%

Benchmark Performance

Russell 1000	3.13%	12.90%	26.27%	7.86%	7.73%	7.86%	12.19%	24.03%	4.18%	2.19%	4.53%
S&P 500	3.20%	12.59%	25.89%	8.54%	8.43%	8.54%	12.04%	N/A	N/A	N/A	N/A
Russell 1000 Value	2.96%	11.12%	25.68%	4.79%	5.32%	4.79%	9.85%	N/A	N/A	N/A	N/A
Russell 1000 Growth	3.29%	14.69%	26.85%	11.62%	10.19%	11.02%	14.58%	N/A	N/A	N/A	N/A
Russell 2000	2.56%	12.44%	29.83%	-0.18%	1.45%	-0.18%	12.05%	26.90%	6.31%	2.13%	6.45%
Russell 2000 Value	3.10%	11.59%	29.41%	-1.07%	1.62%	-1.07%	9.24%	N/A	N/A	N/A	N/A
Russell 2000 Growth	2.03%	13.28%	30.26%	0.68%	1.28%	0.68%	14.86%	38.56%	7.71%	4.16%	N/A
MSCI ACWI ex US (Gross)	-1.32%	11.34%	15.55%	-6.75%	-7.31%	-6.75%	2.93%	19.65%	-2.01%	-1.11%	7.74%
MSCI ACWI ex US Growth (Gross)	-0.73%	11.85%	16.49%	-5.95%	-6.93%	-5.95%	4.03%	19.24%	-2.07%	-0.47%	N/A
MSCI ACWI ex US Value (Gross)	-1.92%	10.84%	14.60%	-7.53%	-7.69%	-7.53%	1.80%	20.06%	-1.99%	-1.79%	N/A
Russell 3000 + 3% (Private Equity)	3.33%	13.67%	28.36%	10.39%	9.66%	10.39%	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	1.63%	7.72%	16.05%	7.82%	6.85%	7.82%	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.05%	2.11%	N/A	3.18%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	-4.14%	0.87%	1.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	-0.55%	0.30%	1.43%	7.71%	5.30%	7.71%	6.41%	6.83%	5.90%	6.25%	5.80%
Barclays U.S. TIPS Index	-1.13%	0.81%	3.58%	12.59%	8.56%	12.59%	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	-0.46%	4.18%	10.14%	7.49%	6.11%	7.49%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	-0.69%	1.09%	1.50%	5.28%	2.17%	5.28%	N/A	N/A	N/A	N/A	N/A
NCREIF NPI ODCE EW (Gross)	0.00%	0.00%	3.02%	10.60%	6.41%	10.60%	15.18%	13.25%	-3.90%	-0.63%	6.31%
91 Day Treasury Bill	0.01%	0.01%	0.01%	0.06%	0.02%	0.06%	0.11%	0.13%	0.40%	1.23%	1.91%
SanCERA Plan Policy Benchmark	0.90%	8.25%	15.99%	4.44%	3.65%	4.44%	9.58%	17.89%	3.86%	3.12%	6.06%
SanCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	5.56%	7.75%	7.75%	7.75%	7.75%	7.75%	7.89%

(1) SanCERA Fiscal Year is 7/1 through 6/30

(2) Refer to page 11 for benchmark details

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Realized & Unrealized Gain / (Loss)

Portfolio	Beginning Book Balance As of 07/01/2011	(1) Realized Gain / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Book Balance As of 03/31/2012	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 03/31/2012
BlackRock Russell 1000	\$116,239,675.42	4,747,118	15,000,000	\$135,986,793.01	\$25,789,141	\$7,641,509	\$169,417,443
D.E. Shaw Investment Management LLC	\$104,437,429.03	4,399,648		\$108,837,076.78	\$7,566,467	\$7,876,054	\$124,279,598
T. Rowe Price Associates	\$90,671,733.96	3,722,696		\$94,394,429.54	\$19,588,947	\$6,563,782	\$120,547,158
Barrow Hanley	\$137,062,910.95	5,099,263	(10,000,000)	\$132,162,174.41	\$35,541,811	\$976,831	\$168,680,817
BlackRock	\$137,507,026.05	1,046,346		\$138,553,371.83	\$33,938,711	\$4,893,969	\$177,386,052
The Boston Company	\$42,422,535.09	3,597,465		\$46,019,999.90	\$7,503,042	\$421,740	\$53,944,781
Chartwell Investment Partners	\$49,714,955.60	2,907,168		\$52,622,123.11	\$10,820,841	\$1,180,191	\$64,623,155
Jennison Associates	\$96,873,436.26	8,043,120	(33,000,000)	\$71,916,555.91	\$27,187,483	(\$10,315,844)	\$88,788,195
Artio Global Investors	\$176,118,388.40	2,722,977	(28,500,000)	\$150,341,365.40	\$27,844,377	(\$26,952,614)	\$151,233,129
Baillie Gifford	\$0.00			\$0.00	\$0	\$0	\$0
Eaton Vance - Parametrics	\$0.00		55,000,000	\$55,000,000.00	\$0	\$161,079	\$55,161,079
Mondrian Investment Partners	\$199,643,052.53	8,064,885	(7,000,000)	\$200,707,937.14	\$10,221,090	(\$16,034,694)	\$194,894,333
Pyramis Global Advisors - Int'l Small Cap	\$0.00	45,000,000		\$45,000,000.00	\$0	(\$50,265)	\$44,949,735
Aberdeen Asset Management	\$121,263,066.81	7,429,044	(20,000,000)	\$108,692,110.77	\$1,082,815	(\$408,090)	\$109,366,835
Angelo Gordon	\$30,056,249.00		(6,667,500)	\$23,388,749.00	\$8,809,096	\$209,723	\$32,407,568
Bridage Capital Management	\$45,000,000.00			\$45,000,000.00	\$5,141,745	\$2,678,220	\$52,819,965
Brown Brothers Harriman	\$47,586,488.24	2,720,690	25,000,000	\$75,307,178.58	\$958,745	\$2,119,638	\$78,385,561
Franklin Templeton Investments	\$102,493,815.00	3,475,794		\$105,969,608.74	\$3,650,077	(\$2,098,915)	\$107,520,771
Pyramis Global Advisors - Core Bond	\$81,745,258.37	9,274,763	(30,000,000)	\$61,020,021.70	\$31,162,641	(\$3,064,782)	\$89,117,881
Western Asset Management Company	\$116,975,047.04	5,907,760	(35,000,000)	\$87,882,806.56	(\$601,561)	\$801,159	\$88,082,404
Private Equity (Sheridan & ABRY)	\$3,327,419.00	(261,820)	10,711,020	\$13,776,618.87	\$0	\$0	\$13,776,619
AQR's Global Risk Premium	\$140,000,000.00			\$140,000,000.00	\$0	\$14,371,700	\$154,371,700
AQR's Delta Fund (Hedge Fund)	\$70,000,000.00			\$70,000,000.00	\$0	(\$363,160)	\$69,636,840
SSGA/SSARIS Multisource Commodities	\$0.00		75,000,000	\$75,000,000.00	\$0	-\$3,139,854.89	\$71,860,145
INVESCO Core US Real Estate Fund	\$136,831,829.92	2,318,303		\$139,150,132.86	\$0	\$3,402,539	\$142,552,672
Cash	\$5,273,627.54			\$26,077,544.00	\$0	\$0	\$26,077,544
<b>Total</b>	<b>\$2,051,243,944.21</b>	<b>\$120,215,217.53</b>	<b>\$10,543,519.91</b>	<b>\$2,202,806,598.11</b>	<b>\$256,205,466.60</b>	<b>-\$9,130,085.29</b>	<b>\$2,449,881,979.42</b>

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

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

Cash Flows and Fiscal Year to Date Return

Portfolio	Beginning Market Value Balance As of 07/01/2011	(1) Earnings / (Loss) for the FYTD	Contributions/ (Withdrawals) for the FYTD	Ending Market Value Balance As of 03/31/2012	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	\$116,239,675	\$4,747,118	\$15,000,000	\$169,417,443	7.77%	7.73%
D.E. Shaw Investment Management, LLC	\$104,437,429	\$4,399,648	\$0	\$124,279,598	10.96%	7.73%
T. Rowe Price Associates	\$90,671,734	\$3,722,696	\$0	\$120,547,158	9.33%	8.43%
Barrow, Hanley, Mewhinney & Strauss	\$137,062,911	\$5,099,263	-\$10,000,000	\$168,680,817	4.16%	5.32%
BlackRock Capital Management, Inc.	\$137,507,026	\$1,046,346	\$0	\$177,386,052	3.46%	10.19%
The Boston Company	\$42,422,535	\$3,597,465	\$0	\$53,944,781	8.05%	1.62%
Chartwell Investment Partners	\$49,714,956	\$2,907,168	\$0	\$64,623,155	6.75%	1.28%
Jennison Associates	\$96,873,436	\$8,043,120	-\$33,000,000	\$88,788,195	1.31%	1.45%
Artio (Transferred to Baillie Gifford on April 3rd)	\$176,118,388	\$2,722,977	-\$28,500,000	\$151,233,129	-11.97%	-7.31%
Baillie Gifford (Funded Aril 3rd)	\$0	\$0	\$0	\$0	N/A	-7.69%
Eaton Vance - Parametrics Emerging Markets	\$0	\$0	\$55,000,000	\$55,161,079	N/A	-7.69%
Mondrian Investment Partners	\$199,643,053	\$8,064,885	-\$7,000,000	\$194,894,333	-3.80%	9.60%
Pyramis Global Advisors - Int'l. Small Cap	\$0	\$45,000,000	\$0	\$44,949,735	N/A	6.85%
Aberdeen Asset Management	\$121,263,067	\$7,429,044	-\$20,000,000	\$109,366,835	6.38%	5.30%
Angelo Gordon	\$30,056,249	\$0	-\$6,667,500	\$32,407,568	0.99%	5.30%
Brigade Capital Management	\$45,000,000	\$0	\$0	\$52,819,965	5.34%	12.22%
Brown Brothers Harriman	\$47,586,488	\$2,720,690	\$25,000,000	\$78,385,561	8.84%	8.56%
Franklin Templeton	\$102,493,815	\$3,475,794	\$0	\$107,520,771	1.30%	2.17%
Pyramis Global Advisors	\$81,745,258	\$9,274,763	-\$30,000,000	\$89,117,881	5.48%	5.30%
Western Asset Management Company	\$116,975,047	\$5,907,760	-\$35,000,000	\$88,082,404	6.28%	5.30%
Private Equity	\$3,327,419	-\$261,820	\$10,711,020	\$13,776,619	-4.70%	9.60%
AQR Global Risk Premium	\$140,000,000	\$0	\$0	\$154,371,700	6.29%	6.29%
AQR Delta Fund (Hedge Fund)	\$70,000,000	\$0	\$0	\$69,636,840	0.17%	0.17%
SSGA/SSARIS Multisource Commodities	\$0	\$0	\$75,000,000	\$71,860,145	N/A	N/A
INVESCO Realty Advisors	\$136,831,830	\$2,318,303	\$0	\$142,552,672	5.29%	6.41%
Cash	\$5,273,628	-\$3,162,231	\$23,762,627	\$26,077,544	0.50%	0.03%
<b>Total</b>	<b>\$2,051,243,944</b>	<b>\$117,052,987</b>	<b>\$34,306,147</b>	<b>\$2,449,881,979</b>	<b>2.55%</b>	<b>3.65%</b>

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



San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending March 31, 2012

Professional Services Fees

Investment Management Fees	Market Value As of 03/31/2012	For the Quarter Ending				Fiscal Year 2011 / 2012	Estimated Annual Fee (1)
		Estimated 09/30/2010	12/31/2010	03/31/2011	06/30/2011		
BlackRock Russell 1000	\$ 169,417,442.76	\$16,500	\$16,700	\$19,500		\$52,700	\$95,000
D.E. Shaw Investment Management, LLC	\$ 124,279,597.91	\$131,000	\$134,900	\$149,300		\$415,200	\$475,000
T. Rowe Price Associates	\$ 120,547,158.02	\$89,000	\$92,500	\$101,800		\$283,300	\$350,000
Barrow, Hanley, Mewhinney & Strauss	\$ 168,680,816.79	\$167,500	\$169,800	\$181,100		\$518,400	\$650,000
BlackRock Capital Management, Inc.	\$ 177,386,052.42	\$180,700	\$180,400	\$195,200		\$556,300	\$675,000
The Boston Company	\$ 53,944,781.41	\$94,400	\$100,400	\$111,500		\$306,300	\$375,000
Chartwell Investment Partners	\$ 64,623,154.51	\$98,900	\$105,000	\$117,300		\$321,200	\$350,000
Jennison Associates	\$ 88,788,194.90	\$197,800	\$195,100	\$198,400		\$591,300	\$775,000
Artio (Transferred to Baillie Gifford on April 3rd)	\$ 151,233,128.56	\$225,400	\$216,200	\$212,000		\$653,600	\$975,000
Baillie Gifford	\$ -	\$0	\$0	\$0		\$0	\$0
Eaton Vance - Parametrics Emerging Markets	\$ 55,161,078.99	\$0	\$0	\$0		\$0	\$0
Mondrian Investment Partners	\$ 194,894,333.23	\$90,900	\$94,100	\$73,600		\$258,600	\$375,000
Pyramis Global Advisors - Int'l. Small Cap	\$ 44,949,735.00	\$0	\$0	\$0		\$0	\$0
Aberdeen Asset Management	\$ 109,366,835.09	\$77,000	\$74,600	\$75,900		\$227,500	\$375,000
Angelo Gordon	\$ 32,407,567.56	N/A	N/A	N/A		N/A	\$350,000
Brigade Capital Management	\$ 52,819,965.00	\$100,000	\$100,000	\$97,900		\$297,900	\$225,000
Brown Brothers Harriman	\$ 78,385,561.02	\$25,200	\$29,100	\$29,600		\$83,900	\$75,000
Franklin Templeton	\$ 107,520,770.70	\$102,700	\$100,100	\$105,500		\$308,300	N/A
Pyramis Global Advisors	\$ 89,117,881.41	\$49,200	\$48,600	\$47,500		\$145,300	\$275,000
Western Asset Management Company	\$ 88,082,404.24	\$78,400	\$76,800	\$75,000		\$230,200	\$425,000
Private Equity	\$ 13,776,618.87	\$0	\$180,000	\$200,200		\$380,200	N/A
AQR' Global Risk Premium (Risk Parity)	\$ 154,371,700.00	\$144,000	\$145,500	\$149,600		\$439,100	N/A
AQR's Delta Fund (Hedge Fund)	\$ 69,636,840.00	\$170,300	\$172,200	\$172,400		\$514,900	N/A
Ssga/SSARIS Commodities	\$ 71,860,145.11	\$93,800	\$93,700	\$95,200		\$282,700	N/A
INVESCO Realty Advisors	\$ 142,552,672.00	\$155,800	\$160,500	\$158,200		\$474,500	\$650,000
Sub-Total	\$2,423,804,436	\$2,288,500	\$2,486,200	\$2,566,700	\$0	\$7,341,400	\$7,470,000
<b>Investment Consultant Fees</b>							
Strategic Investment Solutions		\$100,000	\$100,000	\$100,000		\$300,000	\$400,000
<b>Global Custodian Fees</b>							
State Street Bank & Trust		\$54,000	\$62,800	\$64,600		\$181,400	\$125,000
<b>Actuarial Consultant Fees</b>							
Milliman, Inc.		\$141,500	\$6,750	\$4,400		\$152,650	\$175,000
Sub-Total		\$295,500	\$169,550	\$169,000	\$0	\$634,050	\$700,000
Total		\$2,584,000	\$2,655,750	\$2,735,700	\$0	\$7,975,450	\$8,170,000



**San Mateo County  
Benchmark History**

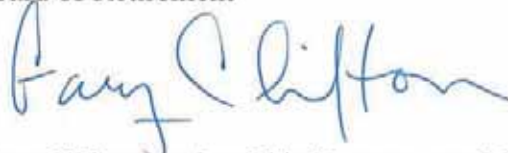
<b>Total Plan Policy</b>	<b>1/1/2011</b>	<b>10/1/2010</b>	<b>1/1/2009</b>	<b>5/1/2007</b>	<b>6/1/2000</b>	<b>3/1/1999</b>	<b>9/1/1998</b>	<b>7/1/1996</b>
Russell 1000	27.0%	28.0%	37%	37%	40%	22%	20%	20%
Russell 2000	8.0%	7.0%	9%	9%	10%	15%	15%	15%
S&P 500								5%
Russell 1000 Value						5%	5%	
MSCI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

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

April 25, 2012

Agenda Item 6.2

To: Board of Retirement



From: Gary Clifton, Acting Chief Investment Officer

Subject: Discussion and Approval of Private Investment Opportunity

**STAFF RECOMMENDATION:** Staff recommends that the Board of Retirement discuss and approve the private equity investment opportunity discussed at the board meeting.

**Comment:** Strategic Investment Solution's Faraz Shooshani will be present at the investment committee to review the investment opportunity and to answer the committee's questions. Distributed with this agenda item under a confidential cover are: (1) Strategic Investment Solution's Executive Summary, (2) the investment's private placement memorandum and (3) the supplement to the private placement memorandum.

**ALTERNATIVE INVESTMENTS RECORDS  
EXEMPTION FROM PUBLIC DISCLOSURE**

**(CA Gov. Code §6254.26)**

**DO NOT REPRODUCE**

**DO NOT DISTRIBUTE**

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

April 25, 2011

Agenda Item 6.3

To: Board of Retirement  
  
From: Gary Clifton, Acting Chief Investment Officer  
Subject: Approval of Agreement with Mondrian to Manage Vivacom Stock

**STAFF RECOMMENDATION:** Adopt a resolution authorizing (1) the Chair to execute an agreement with Mondrian Investment Partners for management of Vivacom, an illiquid equity that was in the terminated Artio Investment Partner's portfolio and (2) authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement.

**COMMENT:** When transitioning the Artio Investment Partners portfolio, BlackRock informed *SamCERA* that the portfolio contained 148,109 shares of an illiquid security. The security is Vivacom (sedol # BOCWLS8), a Bulgarian telecommunications company. BlackRock estimates the security may take several months to liquidate. Upon further research, staff determined the best course of action is to request one of *SamCERA's* current international investment managers to oversee the equity and liquidate it when the timing is right.

Below is some preliminary information regarding Vivacom that were provided by Franklin Templeton's Hong Kong and European trading desks:

- The stock trades by appointment which means it doesn't trade daily and when it does trade the volume is less than 100 shares on an average per day.
- The stock has traded a total of 28,754 shares this year @ average price of 4.7763, last price (April 5th, 2010) 5.35.
- On the positive side the stock is +21.59% Year to date.
- The total price of the issue may be \$528,000 USD so this is manageable.

Attached is a letter of agreement between Mondrian Investment Partners and the Board of Retirement for Mondrian to manage Vivacom until it is liquidated. In the agreement, *SamCERA* stipulates to conditions that limit the impact upon Mondrian's performance should the security become worthless.



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 11-12-\_\_\_\_

Resolution authorizing the Chair to execute an agreement with Mondrian Investment Partners Ltd for management of Vivacom and authorizing the Chief Investment Officer to take all actions necessary to initiate, implement and monitor the agreement

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

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

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

**WHEREAS**, in liquidating the Artio Investment Partners portfolio *SamCERA* became aware of a Bulgarian security, Vivacom (sedol # BOCWLS8), which is extremely illiquid; and

**WHEREAS**, *SamCERA*'s internal staff is not equipped to track and trade equities, the Board of Retirement determined one of *SamCERA*'s current investment managers should be requested to manage that security through liquidation; and

**WHEREAS**, Mondrian Investment Partners, one of *SamCERA*'s international equity managers has agreed to perform this service; therefore, be it

**RESOLVED** that the Board hereby approves the agreement between the Board and Mondrian Investment Partners for an open term, the Board may terminate the contract on thirty days written notice. Be it further.

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

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

April 25, 2012

Albert P. David, Chair  
Board of Retirement  
San Mateo County Employees' Retirement Association

*Re: Transfer and holding of Vivacom Stock*

Dear Mr David,

Please accept this letter as confirmation of the terms that we have mutually agreed in relation to the transfer of 148,109 shares of Vivacom, sedol: B0CWLS8 (the "Stock") into San Mateo County Employees' Retirement Association's ("*SamCERA*") international equity portfolio (the "Portfolio") for which we serve as investment manager. The Stock will be transferred into the Portfolio on or before April 30, 2012 by *SamCERA* and is being transferred because *SamCERA* have not been able to sell this position elsewhere due to its lack of liquidity. We have therefore agreed to accept and place the Stock in *SamCERA*'s Portfolio on the following basis:

Acknowledgements and Undertakings by *SamCERA*

1. *SamCERA* acknowledges that the Stock is illiquid and would not have been purchased by Mondrian for the Portfolio;
2. *SamCERA* acknowledges that it may not be possible to sell the Stock position in whole or in part at any price;
3. *SamCERA* acknowledges that it may take a significant amount of time to sell the Stock position in its entirety *if at all*;
4. *SamCERA* acknowledges that Mondrian shall not be in breach of the Portfolio guidelines by holding the Stock in the Portfolio;
5. *SamCERA* acknowledges that although there is a price feed for the Stock it is not representative of the current value of the Stock given its illiquidity and that *SamCERA* and Mondrian have agreed to value the Stock at 50% of the price provided by Reuters. An external pricing service, on the date that it is transferred into the Portfolio (the "Valuation"). Documentation evidencing the transfer and the price provided by Reuters shall be attached to this letter and incorporated by reference. The Stock shall be included in the Portfolio for the purposes of calculating management fees to be paid by *SamCERA* to Mondrian and shall be set at 50% of the Valuation until an accurate and on-going market price can be established.
6. *SamCERA* acknowledges that Mondrian shall have no obligation to monitor or to re-value the Stock after its transfer into the Portfolio or make any "fair value" adjustments to the Valuation unless specific material information in relation to the Stock comes to Mondrian's attention;

7. *SamCERA* acknowledges that if the Stock becomes worthless or it is sold or re-valued at less than the Valuation, Mondrian may remove or restate its value from the Portfolio so that the performance of the Portfolio over the entire holding period is not adversely affected.

Acknowledgements and Undertakings by Mondrian

1. Mondrian acknowledges that it will use reasonable efforts to sell the Stock but it will not have fiduciary obligations in relation thereto;
2. Mondrian will use reasonable efforts to obtain market intelligence in relation to the Stock and will discuss the position with *SamCERA* at portfolio review meetings or upon the request of *SamCERA*.

*SamCERA* may terminate this arrangement by transferring the Stock out of *SamCERA*'s Portfolio at any time upon 30 days prior notice. Please confirm your agreement by countersigning one copy of this letter and returning it.

Sincerely,

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Mondrian Investment Partners Limited

Dated: April 25, 2012

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Albert P. David  
Chair, Board of Retirement  
San Mateo County Employees' Retirement Association



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
Board of Retirement

April 25, 2011

Agenda Item 6.4

To: Board of Retirement  
  
From: Gary Clifton, Acting Chief Investment Officer  
Subject: Annual Investment Manager Review – Franklin Templeton Institutional – Global Fixed Income Mandate

Staff Comments: The board instructed *SamCERA's* staff and investment consultant to perform the annual review of *SamCERA's* investment managers and report back to the board. On April 5, 2012, staff interviewed *SamCERA's* global bond manager in *SamCERA's* offices.

Franklin Templeton Institutional was interviewed at approximately 8:00 a.m. Those present were:

Lauryn Agnew – *SamCERA* Trustee  
Patrick Thomas – Strategic Investment Solutions' Investment Consultant  
Gary Clifton – *SamCERA's* Acting Chief Investment Officer  
Sonal Desai - Portfolio Manager, Director of Research Vice President, PH.D.  
Thomas J. Dickson Senior Vice President, Client Services

The presentation materials used by Franklin Templeton for the review are attached.

BACKGROUND: The board, with Strategic Investment Solutions' assistance, initiated a review of *SamCERA's* fixed income structure at the July 2009 board meeting. In August, the trustees vetted a list of portfolio structures and opined to further research ones that included credit opportunities, Treasury Inflation-Protected Securities (TIPS) and global bonds.

In September, Strategic Investment Solutions reminded the board that fixed income assets generate stable cash flows and provide diversification benefits, having a low correlation to other asset classes. Fixed income may also provide a hedge against liabilities, financial accidents, and periods of unanticipated deflation. The board discussed a structure that could take advantage of some of those hedges through a low cost approach centered on a core enhanced strategy with limited core plus exposure.

It was unanimously determined that the association's fixed income strategies be further diversified. Further diversification would be accomplished through the addition of an allocation to credit opportunities, Treasury Inflation-Protected Securities (TIPS), and global bonds. The new structure retains the two core managers and the core-plus manager with each having 16.7% of the total fixed income portfolio. Additions to the portfolio are allocations to credit opportunities, 15.0%; TIPS, 15.0%; and global bonds, 20.0%.

DISCUSSION: On May 25, 2010, Strategic Investment Solutions provided an educational overview for global bonds. One reason to add a global allocation is to reduce home country bias because the United States no longer dominates world bond markets. The mandate provides diversification benefits with a



low correlation to both U.S. and non-U.S. equities. It opens up dozens of potential markets, both developed and emerging, versus primarily one domestic market. A global manager is able to access the varying economic conditions, business cycles and interest rate structures around the world. A multi-country bond strategy does not need to rely on being correct with specific predictions. It is able to focus on identifying countries with attractive relative performance. Global bonds have an expanded opportunity set by geographical area, sectors, and derivatives. This greater opportunity set adds \$21 trillion in bonds to a portfolio's investable universe. In conclusion, the strategy is more of a top-down approach relative to U.S. core/core plus strategies. The analysis is primarily based on global and country specific macroeconomic factors such as GDP growth, employment, fiscal and monetary policies, exchange rates, and trade surpluses or deficits. The primary drivers are country selection, duration/yield curve positioning and currency exposures. Sector rotation and security selection are still important, but a secondary focus.

In April 2010, SIS identified ten qualified firms to manage a new allocation to global bond strategies within the fixed income portfolio. Based on the initial screening and evaluation process the board selected four candidates for further consideration. They were:

Firm Name	Product Name
Brandywine Global Investment Management	Global Opportunistic Fixed Income
Franklin Templeton	Global Multi-Sector Plus
Loomis Sayles & Company, L.P.	Global Bond
Pacific Investment Management Company LLC (PIMCO)	Global Government Unhedged

The board invited the firms to participate in interviews at the July 27, 2010, board meeting. Franklin Templeton was selected as the finalist, subject to a successful due diligence review. On September 16, 2010, SamCERA conducted a site visit and further due diligence with the firm. The details of the visit were presented to the board at the September board meeting. At the conclusion of the due diligence, staff and SIS recommended moving forward with Franklin Templeton to implement a global bond mandate.

On December 24, 2010, SamCERA entered into an agreement with Franklin Advisors, Inc. for a global bond mandate. The Mandate was funded December 31, 2009, in the amount of \$100 million.

Below are excerpts from eVestment Alliance's data base.

### **Franklin Templeton Institutional Global Bond Portfolio**

#### **General Firm Information**

**Firm Legal Name:** Franklin Resources, Inc.

**Firm Headquarters:** One Franklin Parkway  
San Mateo, California 94403  
United States

**Firm Website Address:** [www.franklintempleton.com](http://www.franklintempleton.com)

**Year Firm Founded:** 1947

**Registered Investment Advisor:** Yes



## **Firm Background**

Having established a global footprint well in advance of the competition, Franklin Templeton is uniquely positioned to distribute its investment expertise to clients worldwide. Headquartered in San Mateo, California, the firm is a leader in global investing, offering investment products and services in over 170 countries, with offices in over 30 countries. Their strong global platform and rapidly expanding distribution channels are supported by on-the-ground research capabilities and innovative technology.

Franklin Resources, Inc., operating as Franklin Templeton Investments, was founded in New York in 1947 and moved to San Mateo, California in 1973, and consists of the following independent investment management groups:

- Franklin Equity Group (formerly Franklin Global Advisers)
- Templeton
- Franklin Templeton Real Asset Advisors
- Franklin Templeton Fixed Income
- Mutual Series
- Darby Investments

Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties. This enables Franklin Templeton Investments to offer one of the most comprehensive product lines in the world.

Franklin Equity Group (Formerly the Franklin Global Advisers) combines the equity expertise of Franklin and Fiduciary. Franklin was founded in New York in 1947, and moved its offices to California in 1973, following the acquisition of Winfield & Company, a San Mateo-based investment firm. Fiduciary was founded in New York in 1931, and was acquired by Franklin in 2001. In January 2007 Fiduciary's institutional equity research and portfolio management teams were combined with those of Franklin to create Franklin Global Advisers. In 2010, Franklin Global Advisers and Franklin Advisory Services were combined under the umbrella name, the Franklin Equity Group. The Franklin Equity Group is led by Ed Jamieson and Bill Lippman and encompasses five expert portfolio teams each with its own distinctive style and mandate.

Templeton - traces its origins to 1940, and launched the Templeton Growth Fund, the first to utilize John Templeton's research-intensive investment approach, in 1954. In 1979 the firm began to manage private and institutional accounts building upon the same approach. Franklin completed the acquisition of Templeton in October 1992.

Franklin Templeton Real Asset Advisors - was formerly the Fiduciary Global Real Estate Group, and was re-branded in January 2007. The group has been investing in listed and unlisted real estate globally since 1984.

Franklin Templeton Fixed Income Group - was officially formed in January 2006, by integrating the fixed income teams of Franklin and Fiduciary. The teams had operated a shared credit research platform since 2003, leveraging their complementary strengths.

Darby - a leading provider of private equity and mezzanine capital in emerging markets, was founded in 1994 by former U.S. Treasury Secretary Nicholas F. Brady, and was acquired by Franklin Templeton in October 2003.

Mutual Series - was established in 1949, and has a deep value investment approach. Franklin Templeton merged with Heine Securities, the investment adviser to Mutual Series, in November 1996.

Franklin Resources, Inc. (operating worldwide as Franklin Templeton Investments) is one of the largest publicly-traded investment management companies in the world, with offices in over 30 countries and 8,458 staff globally. The company is listed on the New York Stock Exchange under the ticker BEN, and is a constituent of the S&P 500 Index.

The shares of the Franklin Resources, Inc. common stock were owned by over 700 institutional investors as well as employees and other private investors. Directors and officers owned approximately 35% of the outstanding shares.

In addition, management-level employees, as well as all portfolio managers and analysts, receive a portion of their annual compensation in Franklin Resources, Inc. stock as part of the company's long-term incentive plan.

### **Joint Ventures**

Franklin Resources, Inc. is the holding company for various subsidiaries that form the global investment management organization known as Franklin Templeton Investments. It is comprised of the following six distinct investment management platforms:

- Franklin Equity Group (formerly Franklin Global Advisers)
- Templeton, Franklin Templeton Real Asset Advisors
- Franklin Templeton Fixed Income
- Mutual Series
- Darby Investments

Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties. This enables Franklin Templeton Investments to offer one of the most comprehensive product lines in the world.

Franklin Templeton Investments currently has joint ventures with partners in Taiwan, Republic of China, Bahamas, Hong Kong, Vietnam and Boston.

### **Prior or Pending Ownership Changes**

None Listed

### **Prior or Pending Litigation**

Yes

### **Explanation of Litigation**



From time to time Franklin Resources, Inc. and certain of its subsidiaries may receive requests for documents or other information from governmental authorities or regulatory bodies or also may become the subject of governmental or regulatory examinations or investigations. Material findings of any such examinations or investigations of Franklin's investment advisers that are registered with the U.S. Securities and Exchange Commission (SEC) will be reported, to the extent required by law, on the particular adviser's Form ADV.

Since June 2006, Franklin Templeton Investments (Franklin) has been a voluntary participant in a U.S. Securities and Exchange Commission (SEC) pilot program for oversight of large investment advisers, known as the "Monitoring Team Program" or "Program". The Program was designed to determine if the SEC could leverage firms' strong compliance cultures, effective compliance programs and capable chief compliance officers, in its regulatory oversight. Firms participating in the Program have been assigned a core team of examiners who monitor all investment management operations of the firm and its affiliates. The initial portion of the program was generally referred to as "Phase I". Phase I consisted of routine SEC examination of Franklin's investment advisory activities, including investment management, fund administration, distribution and transfer agency.

As the Monitoring Team substantiated that Franklin maintained an effective compliance program, the Program evolved to where the Monitoring Team places greater reliance on Franklin's internal compliance program and less on standard SEC examination routines. This aspect of the pilot program is generally referred to as "Phase II". Since April 2008, Franklin has been participating in Phase II of the Program.

Phase II has generally consisted of periodic discussions with the Monitoring Team with occasional on site meetings to discuss the continued effectiveness of the Franklin's compliance controls, monitoring activities and policies and procedures. In view of these periodic discussions, the Monitoring Team does not send examination comment letters to Franklin, unless it deems it warranted. No such letters have been received since Franklin joined the Program in 2006.

Although there have been a number of changes at the SEC in recent years, Franklin believes that in the near term it will continue to participate in the Program.

### **Additional Comments**

The information in the "Financial Information" section is provided as of Franklin Templeton's fiscal year end, September 30. The current information is as of the fiscal year ending September 30, 2011.

## **Franklin Templeton Global Multi-Sector Plus**

### **Research & Screening Process**

The Global Multisector Plus investment team seeks to identify and capitalize on short-term market inefficiencies in the global fixed income and currency markets. Fundamental research focuses on the analysis of currencies, interest rates (duration), and credit to identify economic imbalances that could lead to value in the global markets.



Utilizing significant Fixed Income Group resources, the research process combines qualitative bottom-up sector-specific research with quantitative analysis unconstrained by the benchmark. The process allows for shifts in portfolio holdings to reflect anticipated changes in interest rates and yield curve spreads in developed and emerging markets.

### **Currency analysis:**

The strategy uses a multi-tiered approach to find value in currencies beginning with a fundamentals-based valuation analysis using proprietary macroeconomic-based models to objectively analyze the relative value of currencies. The team's country experts perform in-depth analysis to understand trends and reveal catalysts that may drive a currency's revaluation. Relative GDP growth, interest rates, capital, and current account balances, as well as monetary policy frameworks and political risks are among factors considered. The team conducts scenario analysis to position the strategy for anticipated changes in the global economy and stress tests the portfolio for unanticipated shocks.

### **Interest rate (duration) analysis:**

Interest rate analysis combines global macroeconomic and country-specific research with proprietary interest rate valuation models. Research analysts consider changes in global and local short-term interest rates, inflationary expectations and liquidity, and anticipated policy responses. Franklin scrutinizes the shape of the interest rate curve to pinpoint the maturity and issue that may be mispriced or under temporary pressure.

### **Credit analysis:**

#### **Sovereign credit -**

Sovereign credit research is a global effort by a dedicated team of investment professionals based around the world. The global sovereign and emerging markets debt team located in San Mateo, New York, London, and Singapore as well as the local credit analysts in China, Brazil, India, South Korea, and the U.A.E. provide insight on sovereign credits and regional markets. Similar to the currency research process, credit analysis examines a variety of macroeconomic factors, specifically solvency and liquidity issues.

#### **Corporate credit -**

The goal of their disciplined bottom-up investment approach is to optimize asset exposure. Although issue size and expected trading liquidity are evaluated and bond ratings are considered, investment decisions are based primarily on an internal, fundamental research process. Rather than relying on rating agency or Wall Street sell-side research, they build credit models based on their own fundamental analysis enhanced by the best external research available. Portfolio managers and research analysts also keep in touch with central bank officials, government policy makers, and regional local business leaders to assess fundamental economic prospects and market trends.

The very broad, global perspective of their independent research process looks beyond the predominantly developed core markets that get the most attention to the peripheral markets which can not only provide excellent sources of diversification, but also offer higher return potential.



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

Portfolio construction is based on fundamental analysis of isolated risk exposures strategically allocated across global markets, sectors, and securities within a risk-adjusted framework. At the beginning of the process, the Global Multisector Plus team establishes desired risk-return parameters to reflect the most attractive risk exposures relative to current valuations. To establish these limits, the team utilizes significant Fixed Income Group resources ranging from the global macroeconomic outlook generated by the Fixed Income Policy Committee to bottom-up research by sector analysts combined with risk management tools and techniques.

The optimal country and duration strategy and the appropriate yield curve strategy within each country are determined through bottom-up fundamental and quantitative analysis. Duration risk is a function of optimizing the overall risk budget relative to the investment team's views on currency, interest rates, and credit allocations. A fundamental, technical profile is developed for each country considered to be a potential investment opportunity. This profile includes monetary and fiscal policy, macroeconomic disequilibria, political risks, and policy implementation analysis. Coupled with regular, extensive country visits that include meetings with senior policy makers, the profiles provide the investment team with important information on specific markets and expectations for a specific country's currency, interest rates, and sovereign credit.

Portfolio managers work closely with traders and analysts to determine optimal security selection, consistent with their own interest rate outlook based on relative pricing, rich-cheap analysis, and trading liquidity. On a security-by-security basis, the team builds portfolios within a specific risk budget, which can shift due to relative attractiveness of each security during global economic and credit cycles. Proprietary and third-party tools are used to measure risk, including scenario analysis which models potential crises and their impact on currency values and interest rates.

Risk management is inherent throughout the portfolio construction process, providing the Global Multisector Plus team with an ongoing and timely active risk assessment to keep the risk/return profile in line with the team's more qualitative views of investment opportunities from both top-down and bottom-up perspectives.

### **Buy/Sell Discipline**

Each investment decision is based on probability weighted expected return analysis, and the tenure of each investment decision is a function of the following: (1) reaching the price target, or (2) fundamentally reassessing the risk-reward profile and hence changes in the price target resulting in a buy or sell decision.

The sell discipline varies depending on the sector in which they are invested. Generally, however, bonds are sold or trimmed for one or more of the following reasons:

- Substantially greater value in another name on investment opportunities list;
- Positions reach target sell levels set by analysts;
- The fundamentals change and thus warrant a revaluation of the expected return.



## **Trading Strategy**

Trading plays an integral role in the investment process for all Franklin Templeton Fixed Income Group strategies. Trades are executed by either dedicated traders or portfolio managers and analysts, depending on the sector.

## **Trading Responsibility**

Dedicated traders execute trades in the corporate credit, bank loans, and global sovereign/emerging market debt markets, actively collaborating with portfolio managers and research analysts in the development of trading strategies. Contributing to the security selection process, they offer real-time assessments of market conditions and recommend investments.

The trading role is not functionally separate in the municipal bond, U.S. Treasury, and mortgages/structured finance sectors. Trades in these markets are placed by portfolio managers or analysts, who are in frequent contact with the broker-dealer community, enabling them to assess existing trading inventories, which is essential when making buy/sell decisions for these sectors.

Trading for the regional markets in South Korea, India, China, Brazil, Japan, Vietnam, Malaysia, and the U.A.E. is handled by colleagues in the local asset management offices in these countries or by select traders in the New York, San Mateo, or London offices.

Although the trading process is synergetic, portfolio managers are responsible for final buy/sell decisions.

## **Best Execution**

Minimizing transaction costs is a primary trading consideration. Since most fixed income securities trade in the over-the-counter markets, no set transaction costs or commissions are paid to broker-dealers. Consequently, the optimal way to lower transaction costs is to negotiate directly with those broker-dealers who have demonstrated a willingness to work with Franklin in an effort to achieve best execution. They typically seek competitive bids/offers from multiple broker-dealers on their approved broker list. These bids/offers are then compared with pricing sources and screened according to bid/offer spreads. The trade is usually placed with the broker offering the best price except when a dealer has an interested party prepared to pay a higher price than the market and is willing to accept a lower spread. With more than US\$298 billion in assets under management, the Fixed Income Group can leverage its size to receive favorable pricing.

However, Franklin is mindful of the impact high-volume trading might have on the market and may execute trades in stages to minimize that impact.

## **Other Trading Considerations**

Portfolio managers evaluate a number of factors when making trading decisions, including issue size and expected trading liquidity in the context of historical market premiums/discounts applied to issue and issuer size. They also consider the proportion of individual issues and of an issuer's overall debt securities that they will own to determine the expected liquidity of an issue going forward. To find attractive entry and exit trading points, market liquidity is monitored via direct contacts at all major broker-dealers and through asset class flow information. If desired bond issues



are not available or are trading at unrealistic bid-offer spreads, trading may be delayed until market conditions are more conducive to investing.

### **Trading System**

The Fixed Income Group uses the Charles River Investment Management System to manage the trade flow process from order entry to trade execution, allocation, and settlement.

In addition, they use Tradeweb for trading European government and U.S. Treasury securities. A global internet-based fixed income transaction tool, Tradeweb provides live bids and offers from multiple dealers. The confirmed price for an order is entered into Charles River for settlement and allocation.

Post-trade activities are handled electronically by a proprietary system linked to Charles River and the accounting program.

### **Soft Dollar Arrangements:**

The Fixed Income Group does not engage in client commission arrangements (soft dollar arrangements), as no set commissions are paid to trading partners due to the over-the-counter nature of the fixed income markets. However, the Fixed Income Group strives to secure the best combination of security price and intermediary value given the investment strategy and portfolio objectives, in compliance with the Franklin Templeton policy on best execution.

### **Additional Comments**

#### **In reference to Risk Control Methodology:**

Risk management is incorporated in every stage of the investment process. The Global Multisector Plus team views risk as a limited resource to be allocated prudently within the portfolio's defined risk budget. The portfolio manager makes the final risk management decisions, relying on the Quantitative Research Group and the Performance Analysis and Investment Risk team to analyze and monitor portfolio risk and recommend risk control measures.

#### **Primary Risk Measure**

Franklin looks at risk in this strategy on an absolute basis, preferring to use measures such as value at risk (VaR) and expected shortfall. The risks are primarily associated with individual bottom-up risk positions rather than overarching thematic views. Although they do look at tracking error versus the benchmark, place more emphasis on absolute risk measures.

#### **Portfolio Risk Reports**

The Quantitative Research Group, which plays an active role in the portfolio construction process, also monitors portfolio risk exposures. Seamlessly integrated with the Fixed Income Group portfolio management teams, quantitative analysts produce detailed risk reports with risk metrics that include risk exposures related to duration, yield curve, credit, sector, country, and currency positions. The portfolio management team utilizes these daily reports to effectively integrate risk management into the portfolio construction process.



## **Independent Portfolio Risk Monitoring**

The Performance Analysis and Investment Risk Group (PAIR) further increases risk awareness by quantifying the sources and levels of portfolio risk. As an independent risk management team, PAIR does not have direct reporting lines to portfolio management and conducts periodic reviews of Franklin Templeton portfolios across all asset classes. PAIR suggests methods of effective risk deployment and assists in determining whether portfolio diversification is adequate and whether the appropriate level of risk is being taken to generate excess or incremental returns within prescribed guidelines.

## **Use of Derivatives**

### **Derivatives Used in Managing This Product: Yes**

#### **Explanation of How Derivatives Are Utilized in Managing This Product:**

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

Derivatives are used only when portfolio guidelines permit and are not used to generate alpha.

RESPONSE TO COMPLIANCE CERTIFICATION STATEMENT FROM

## San Mateo County Employees' Retirement Association

Franklin Templeton Global Multi-Sector Plus

February 15, 2012

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

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**GENERAL COMPLIANCE ISSUES**

1. **Has the firm acted as a fiduciary and invested its assets for the sole benefit of SamCERA? (15.4(a))**

**Yes**             **No**

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

**Yes**             **No**

The benchmark for the SamCERA portfolio is the Barclays Capital Multiverse Index.

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

3. **Has the firm's insurance coverage been sustained? (15.4(c))**

**Yes**             **No**

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

**Yes**             **No**

5. **Have there been any significant portfolio developments, major changes in firm ownership, organizational structure and personnel? (15.4(j))**

**Yes**             **No**

**Portfolio Developments**

There have been no significant developments to the SamCERA portfolio over the last six months ending December 31, 2011.

**Firm Ownership**

There have been no material changes to the ownership structure of the firm during the past six months ending December 31, 2011.

**Organizational Structure**

Over the last six months ending December 31, 2011, the following organizational development took place within Franklin Resources, Inc. the parent company of Franklin Advisers, Inc.:

In July 2011, Franklin Templeton acquired Balanced Equity Management Pty. Limited, an Australian equity manager with a strong, long-term track record of managing large cap Australian equity portfolios dating back to 1988. The firm, which is highly regarded within Australia's asset management industry, employs a fundamental value approach and internal bottom-up analysis with a focus on environmental, social and governance (ESG) considerations as well as after-tax benefits for clients.

**Personnel**

The lead portfolio managers of the SamCERA portfolio are Dr. Michael Hasenstab and Canyon Chan, CFA. The lead portfolio managers are supported by the investment resources of the larger Franklin Templeton Fixed Income Group and more specifically, the Franklin Templeton Global Bond Team. There have been no changes to this portfolio management team over the past six months ending December 31, 2011.

**6. Have there been any changes in the firm's investment approach? (15.4(e))**

Yes       No

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

Yes       No

**8. Has the firm, during the reporting period, been the subject of any matters responsive to Item 11 of Form ADV as filed with the SEC?**

Yes       No

**9. Have proxy ballots been voted in accordance with the firm's proxy voting policy? (18.0)**

Yes       No

Not applicable. Fixed income products do not have proxy voting authority.

**10. For domestic equity managers, has the firm supported SamCERA's commission recapture program? (15.4(g))**

Yes       No

Not applicable. The SamCERA portfolio is a fixed income account.

**DERIVATIVE INVESTMENTS**

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

Yes       No

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

Yes       No

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

Yes       No

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

Yes       No

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

Yes       No

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

Yes       No

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

Yes       No

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

Yes       No

If no, please explain.

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

The largest exposure to a single counter-party is ING America Issuance (structured note).

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

Yes       No

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

Yes       No

**Has the firm developed any new purposes for derivative investments?**

Yes       No

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

Yes       No

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

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

Not applicable.

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

Yes       No

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

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

Yes       No

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

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

Yes       No

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

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

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

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

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

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

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

Yes       No

If yes, please explain.



## INVESTMENT MANAGER GUIDELINES

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

Yes       No

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

Yes       No

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

**CASH & EQUIVALENTS**

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

Yes       No

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

Yes       No

**DOMESTIC EQUITY PORTFOLIOS (LARGE, MID & SMALL)**

This section is not applicable. The SamCERA portfolio is a Global Multi Sector Plus Fixed Income Portfolio.

- 1. Please state the percentage of the portfolio held in each of the following types of securities: common stock, preferred stock; convertible securities; and, cash & equivalents. (15.4j)**
- 2. What is the firm's market value allocation to large, mid and small stocks? (15.4j) Please specify percentages.**
- 3. Specify the percentage of the portfolio that is invested in American Depository Receipts (ADR's). (15.4j) Also, specify the percentage of the portfolio invested in ADR securities that are 144A securities. If greater than 10%, explain why.**
- 4. What is the largest percentage of the portfolio represented by a single security? (15.4j) If any securities were above 5% at the time of purchase, please list and explain why.**
- 5. Based on NAICS codes, what is the largest percentage of the portfolio represented by a single industry? (10.3a) Please specify all industries above 15%.**

**INTERNATIONAL EQUITY PORTFOLIOS – DEVELOPED**

This section is not applicable. The SamCERA portfolio is a Global Multi Sector Plus Fixed Income Portfolio.

1. **Specify the percentage of the portfolio held in each of the following types of securities: foreign ordinary shares; ADR's; cash & equivalents (foreign or domestic). (15.4j)**
2. **Specify the large, mid and small capitalization exposure of the portfolios. (15.4j)**
3. **Is the firm monitoring the country, currency, sector and security selection risks associated with its portfolio? (15.4j)**

Yes             No

If no, please explain.

4. **Does the portfolio currently employ a currency hedging strategy?**

Yes             No

5. **Is the firm in compliance with the Retirement Association's derivatives investment policy? (Appendix C)**

Yes             No

If no, please explain.

**GLOBAL MULTI SECTOR FIXED INCOME PORTFOLIOS**

1. State the percentage of the portfolio held in each of the following types of securities: (a) debt issued by governments, government-related entities, supranationals and municipal and local/provincial governments; (b) corporate debt; (c) private placement debt securities; (d) structured notes/products; (e) mortgage-backed securities; (f) CDOs and CLOs; (g) other securitized assets; (h) money market instruments, cash and cash equivalents; (i) exchange traded funds/notes, mutual funds, and other open-end investment structures; (j) forward currency exchange contracts; (k) OTC and exchange-traded options; (l) swaps; (m) futures and options on futures; and (n) other derivatives. (11.3)

The following table shows the sector weightings for the SamCERA portfolio as of December 31, 2011. Please note the specific sector weightings for the categories (a-n) listed above are not available.

Types of Securities	Investment Objective	Percentage of Portfolio (%)
Cash & Cash Equivalents		7.26
Corporate Bonds		14.72
	Non-Investment Grade	14.72
International Government/Agency Bonds		68.20
	Investment Grade	46.51
	Non-Investment Grade	21.69
Others		0.78
Sovereign Bonds		9.04
	Investment Grade	2.79
	Non-Investment Grade	6.25
Total		100

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

Yes       No

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

3. Does the firm conduct horizon analysis testing? (15.4j)

Yes       No

4. **Are derivative investments in compliance with SamCERA's investment policies and the Investment Objectives, Guidelines and Fee Agreement as set forth in Exhibit C to the IMA with the firm? (Appendix C)**

Yes       No

5. **State the percentage of the portfolio that is invested in securities that are below investment grade. (11.3(b))**

The percentage of the SamCERA portfolio that contains a BBB- rating or lower is 49.85% as of December 31, 2011. High yield or below investment grade exposure (below BBB-Baa3 or not rated) is limited to 50% of total net assets. As a high alpha seeking strategy, Global Multi Sector Plus will hold positions that the investment team believes have the best potential to maximize risk-adjusted total return.

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

As of June 30, 2011, 4.3% of the portfolio was held in Rule 144A securities. December 31, 2011 data was not available at the time of this writing.

**SEPARATE PROPERTY REAL ESTATE PORTFOLIOS**

This section is not applicable. The SamCERA portfolio is a Global Multi Sector Plus Fixed Income Portfolio.

- 1. What is the current product type and geographic diversification of the portfolio?
- 2. Is the portfolio achieving a TTWRR equal to the specified NCREIF benchmark?

Yes             No

If no, please explain.

- 3. Does any individual asset constitute more than 20% of the market value in the real estate portfolio?
- 4. Is the portfolio leverage within the 30% guideline?



Signed By:

Name: Breda Beckerle

Title: Chief Compliance Officer

Dated: Monday, February 13, 2012

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

RESPONSE TO COMPLIANCE CERTIFICATION STATEMENT FROM

## San Mateo County Employees' Retirement Association

Franklin Templeton Global Multi-Sector Plus

February 17, 2012

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<p>Tom Dickson Senior Vice President – Institutional Relationship Manager Franklin Templeton Institutional Tel: (650) 312-3203 Email: <a href="mailto:TDickson@Templeton.com">TDickson@Templeton.com</a></p>
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- a. **A general statement from the manager that his/her portfolio is in compliance with the Retirement Trust's derivatives policy.**

The SamCERA account is in compliance with the Retirement Trust's Derivatives Investment Policy.

- b. **When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.**

N/A - No limited allocation derivative investments are held in the SamCERA portfolio.

- c. **A statement of the risks (credit risk--an evaluation of potential counter-party default on obligations, market risk--percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.**

The account holds derivatives in the form of currency forwards and credit-linked notes. The risks inherent from these derivatives exposures are market risks (interest rate risk, liquidity risk, currency risk, etc.), and counterparty risk. The current exposure to credit-linked notes as represented by the market value of the position as of 02/15/2012 is circa \$2.3 or 2.15% of total market value, and our only counterparty is ING Groep NV. The currency forward exposure as represented by the market-to-market gains, is circa \$ 4.5 million or 4.19% of total market value, and is well diversified across several counterparties (Barclays Bank PLC, Citibank, Credit Suisse AG, Deutsche Bank AG, Goldman Sachs International, HSBC Bank PLC, JP Morgan Chase, Morgan Stanley and Co LLC). More than half of the currency forward exposure i.e. \$1.26 million is collateralized, which leaves us with a uncollateralized exposure of circa \$0.95 million i.e. less than 1% of the value of the portfolio.

- d. **Potential adverse impact on market values if extreme adverse market movements occur.**

The potential adverse impact on market values if extreme market movements were to occur, is measured by the expected shortfall a.k.a. conditional value-at-risk at the 99% confidence level. Expected Shortfall at the 99% confidence level is the average of the 1% extreme loss that the portfolio could experience during extreme market conditions. Under extreme market conditions, and provided that the portfolio performance is worse than the underperformance predicted by the Value-at-Risk, there is a 1% probability that the portfolio could lose on average 1268.9 bps in a month. Looking at the portfolio positioning, a likely scenario for an extreme loss of that magnitude would be an extreme flight-to-quality. Under a flight-to-quality, investors would shy away from risky assets and invest in safe havens. As a result, the demand for high quality securities such as US treasuries would be high, while the demand for low quality securities such as emerging market bonds would be low. Typically, the US dollar and other safe haven currencies (JPY, CHF) would strengthen versus emerging market currencies. The analysis of the portfolio expected shortfall at the 99% confidence level, reveals that around 80% of the losses would be driven by the weakness of our FX positions versus the US dollar; the remainder can be attributed to widening emerging market spreads 14%, and to credit spreads 6%. Note that the curve exposure would have a negative contribution to that underperformance (i.e. a gain), as the positive returns from our exposures to safe-haven yield curves (US, Eurozone) would more than offset the negative returns from our exposures to emerging market countries yield curves.

**e. A statement regarding the liquidity of the derivative investments.**

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

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

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

**f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.**

The Counterparty Credit Committee (CCC) meets at least monthly, and ad hoc as required, to evaluate counterparties and their status. The committee is comprised of senior representatives from trading, portfolio management, money market, compliance, settlements, risk management, and legal departments. We monitor counterparties closely and frequently change limits and/or status in these discussions. We have status levels of Active, Watch, DVP Only, and Do Not Trade. Our list of counterparties with status, limits, and exposures is considered proprietary and we do not release it. However we do have documented policies and procedures which we can distribute, and we can also provide current counterparty exposures for your account upon request.

**g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.**

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

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APRIL 5, 2012

## San Mateo County Employees' Retirement Association

**Sonal Desai, PH.D.**

Portfolio Manager, Director of Research  
International Bond Department  
Franklin Templeton Fixed Income Group

**Thomas J. Dickson**

Senior Vice President  
Franklin Templeton Institutional  
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Data as of February 29, 2012



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## Table of Contents

Firm and Investment Platform Overview	Tab 1
Investment Philosophy, Strategy, Teams and Process	Tab 2
Portfolio Summary and Performance	Tab 3
Holdings	Tab 4
Appendix	Tab 5

This presentation is intended only as a general overview of the Global Multisector Plus mandate and is for informational purposes only, and should not be construed or relied upon as investment advice. It has been provided to the recipient for use in a private and confidential meeting to discuss an existing investment advisory relationship and may not be reproduced or used for any other purpose. It is intended solely for the Client identified hereon. It is not meant for the general public. Information provided in this presentation is as of February 29, 2012, unless otherwise indicated.  
For a complete list of portfolio holdings, please refer to the most recent statement of investments for this account.

## Investment Platform Overview

Franklin Templeton Investments offers a full range of investment capabilities from a breadth of investment management platforms.

FRANKLIN TEMPLETON INVESTMENTS									
Total Combined Assets Under Management (AUM) : US\$670.3 Billion									
Institutional AUM : US\$136.9 Billion									
Single Business Development, Relationship Management, and Consultant Relations Platform									
EQUITY				FIXED INCOME	SPECIALIZED STRATEGIES				
	Franklin Equity Group	Templeton Emerging Markets Group	Templeton Global Equity Group	Mutual Series	Franklin Templeton Fixed Income Group	Franklin Templeton Local Asset Management	Franklin Templeton Real Asset Advisors	Darby	Franklin Templeton Multi-Asset Strategies
<b>Established</b>	1947	1987	1940	1949	1970	1993	1984	1994	1982
<b>Focus</b>	<ul style="list-style-type: none"> <li>U.S. Equity</li> <li>Global Equity</li> <li>International Equity</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Markets Equity</li> </ul>	<ul style="list-style-type: none"> <li>Global Equity</li> <li>International Equity</li> </ul>	<ul style="list-style-type: none"> <li>Global Equity</li> <li>International Equity</li> <li>U.S. Equity</li> <li>Distressed Debt &amp; Merger Arbitrage</li> </ul>	<ul style="list-style-type: none"> <li>Global Fixed Income</li> <li>Regional Fixed Income</li> <li>Emerging Market Debt</li> </ul>	<ul style="list-style-type: none"> <li>Global Equity and Fixed Income</li> <li>Regional Equity and Fixed Income</li> <li>Single-Country Equity and Fixed Income</li> </ul>	<ul style="list-style-type: none"> <li>Global Private Real Estate</li> <li>Global Listed Real Estate Securities</li> <li>Global Private Infrastructure and Real Resources</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Markets Private Equity &amp; Mezzanine Finance</li> <li>Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Multi-Asset Strategies</li> <li>Fund-of-Funds Strategies</li> <li>Global Tactical Asset Allocation</li> </ul>
<b>Style</b>	Growth, Value, Core/Hybrid	Core Value	Core Value	Deep Value	Single Sector, Multi-Sector	Multi-Sector, Single or Multi-Region	Multi-Sector, Multi-Region	Multi-Sector	Multi-Style
<b>AUM</b>	US\$126.1 Billion	US\$44.0 Billion	US\$91.6 Billion	US\$57.5 Billion	US\$292.7 Billion	US\$23.1 Billion	US\$4.1 Billion	US\$1.8 Billion	US\$27.5 Billion

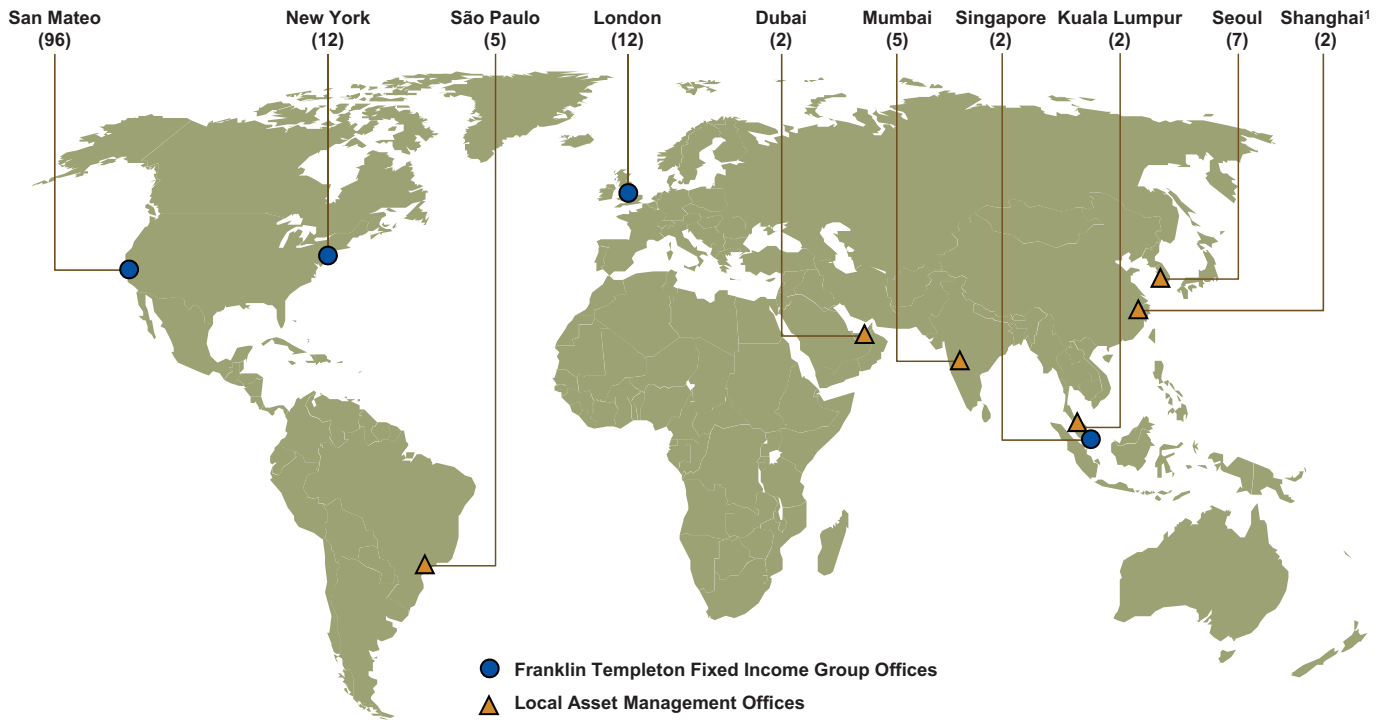
Source: Franklin Templeton Investments (FTI), as of December 31, 2011, unless otherwise noted. Assets under management (AUM) combines the U.S. and non-U.S. AUM of the investment management subsidiaries of the parent company, Franklin Resources, Inc. [NYSE: BEN], a global investment organization operating as Franklin Templeton Investments. AUM includes discretionary and advisory accounts, including pooled investment vehicles, separate accounts and other vehicles, as well as some accounts that may not be eligible for inclusion in composites as defined by the firm's policies. AUM may also include advisory accounts with or without trading authority. In addition, the Firm may provide asset allocation advisory services, and if the assets are not allocated to FTI products, then the assets are not included in AUM. Numbers may not equal 100% due to rounding. Please note that the table above does not include all affiliates under FTI.

Franklin Templeton Multi-Asset Strategies (FTMAS) AUM as of November 30, 2011. FTMAS invests in various Franklin Templeton and external investment platforms; AUM for FTMAS is reported under each utilized investment platform, as well as for FTMAS.

Each local asset manager may be considered as an entity affiliated with or associated to Franklin Templeton Investments by virtue of being wholly-owned subsidiaries, or other entities or joint ventures in which Franklin Resources, Inc., owns a partial interest, which may be a minority interest. Local asset management AUM includes AUM for Franklin Templeton Investments (ME) Limited and Balanced Equity Management Pty. Limited. Franklin Templeton Investments (ME) Limited and Balanced Equity Management Pty. Limited are both indirect wholly-owned subsidiaries of Franklin Resources, Inc.

Please refer to the "Important Disclosures" slide for additional information.

**Franklin Templeton Fixed Income Group - Global Investment Professional Presence**



The Franklin Templeton Fixed Income Group consists of more than 100 investment professionals providing comprehensive coverage of potential alpha opportunities across sectors and around the world.<sup>2</sup>

1. Includes individuals that are not employees of Franklin Resources, Inc. (FRI) or wholly owned subsidiaries of FRI. However, these individuals are part of our joint venture or strategic partnership relationships worldwide and are an integral component of our overall fixed income research efforts.  
 2. Investment professionals include portfolio managers, analysts and traders.  
 As of December 31, 2011.

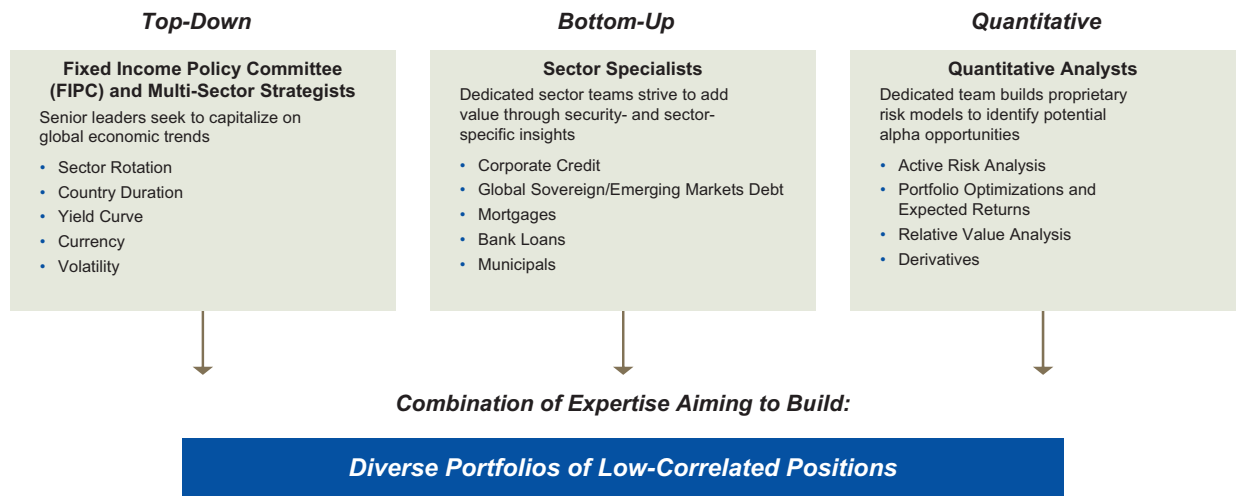
## Franklin Templeton Fixed Income Group Overview

### Broad Capabilities and Deep Resources in One Platform

- Global platform with more than 30 years of investment experience
- Pursuit of diversified sources of potential alpha across securities, sectors and global markets

### Multiple Sources of Expertise

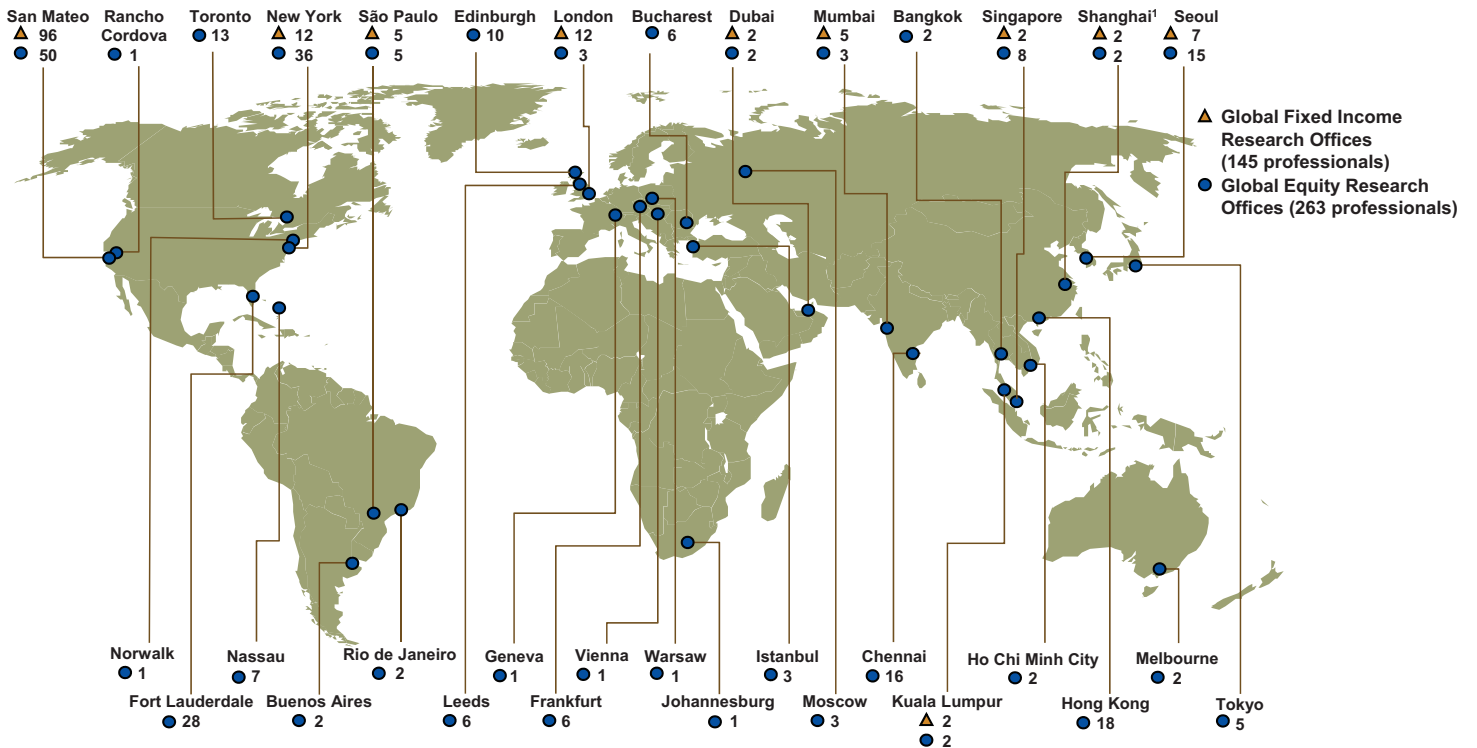
- More than 100 investment professionals globally seek return opportunities across sectors around the world<sup>1</sup>



1. Investment professionals include portfolio managers, analysts and traders.



### Global Fixed Income and Equity Research Offices



Global Resources Supporting Seasoned Local Teams<sup>2</sup> to Identify Opportunities and Execute Transactions

1. Includes individuals that are not employees of Franklin Resources, Inc. (FRI) or wholly owned subsidiaries of FRI. However, these individuals are part of our joint venture or strategic partnership relationships worldwide and are an integral component of our overall fixed income research efforts.  
 2. Through affiliated entities.  
 As of December 31, 2011.

## Franklin Templeton Fixed Income Group Organizational Structure

### CHIEF INVESTMENT OFFICER

Christopher Molumphy, CFA

### FIXED INCOME POLICY COMMITTEE

Co-Chairs: Christopher Molumphy and Michael Materasso

### Sector Teams

CORPORATE CREDIT	GLOBAL SOVEREIGN/ EMERGING MARKETS	MORTGAGES	BANK LOANS	MUNICIPALS	LOCAL ASSET MANAGEMENT <sup>1</sup>
Eric Takaha, CFA	John Beck Michael Hasenstab, Ph.D. William Ledward	Roger Bayston, CFA	Mark Boyadjian, CFA	Sheila Amoroso Rafael Costas	Stephen Dover, CFA Brazil, China, <sup>2</sup> India, Korea, and UAE
33 Professionals	25 Professionals	9 Professionals	17 Professionals	29 Professionals	23 Professionals

### Additional Resources

**QUANTITATIVE:** David Yuen, CFA, FRM, 7 Professionals

Over 100 Dedicated Fixed Income Investment Professionals  
49 CFA Charterholders, 13 Ph.D.s, 40 M.B.A.s

1. This unit is comprised of investment professionals located in affiliates and joint venture partners within Franklin Templeton Investments. The Local Asset Management Group is not a part of, but does share research with, Franklin Templeton Fixed Income Group.

2. Includes individuals that are not employees of Franklin Resources, Inc. (FRI) or wholly owned subsidiaries of FRI. However, these individuals are part of our joint venture or strategic partnership relationships worldwide and are an integral component of our overall fixed income research efforts.

Investment professionals include portfolio managers, analysts and traders.

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

As of December 31, 2011.

## Global Multisector Plus Strategy Overview

### Investment Objectives<sup>1</sup>

- Seeks to maximize total return (current income and capital appreciation) subject to expected volatility
- Investment universe: Global fixed income across all sectors, global currencies and related derivatives
- Performance benchmark: Barclays Capital Multiverse Index
- The strategy is managed in a benchmark unconstrained manner, focusing on overall expected volatility and potential total return, rather than tracking error against an index. Consistent with this approach, the strategy does not have rigid risk constraints or volatility limits
  - While we do not manage to the following ranges for the reason described above, under normal market conditions, we would expect that the strategy's risk and return profile would typically be as follows:
    - Absolute volatility: 7–10%<sup>1</sup> (annualized, gross of fees)
    - Tracking error: 4–7%<sup>1</sup> (annualized, gross of fees)
    - Alpha: 4–7%<sup>1</sup> (annualized, gross of fees)

### Anticipated Sources of Value Added

- Both positive and negative directional risk exposures to these sources will be utilized:
  - Duration positioning
  - Currency allocation
  - Sovereign credit allocation
  - Spread sector allocation
  - Security selections/sub-sector allocation

1. There is no assurance that the strategy will achieve its investment objectives. As stated above, the strategy is managed in a benchmark unconstrained manner, so the expected risk and return profile is provided solely to illustrate the manager's expectations with respect to strategy characteristics, based on the strategy's historical experience during normal market conditions. Past performance does not guarantee future results. **Thus, the characteristics do not take into account future market risks or changing economic conditions and are not a prediction or guarantee of future performance.** An investor in the strategy may experience significantly different risk and return characteristics including greater volatility, higher tracking error and lower returns than the expected characteristics, including the potential for loss of principal amounts invested. Risk and return characteristics do not take into account management fees or other expenses an investor would incur in the management of its account, which would reduce any returns and affect the risk characteristic measurements.

## Global Multisector Plus Investment Philosophy and Process

### Investment Philosophy

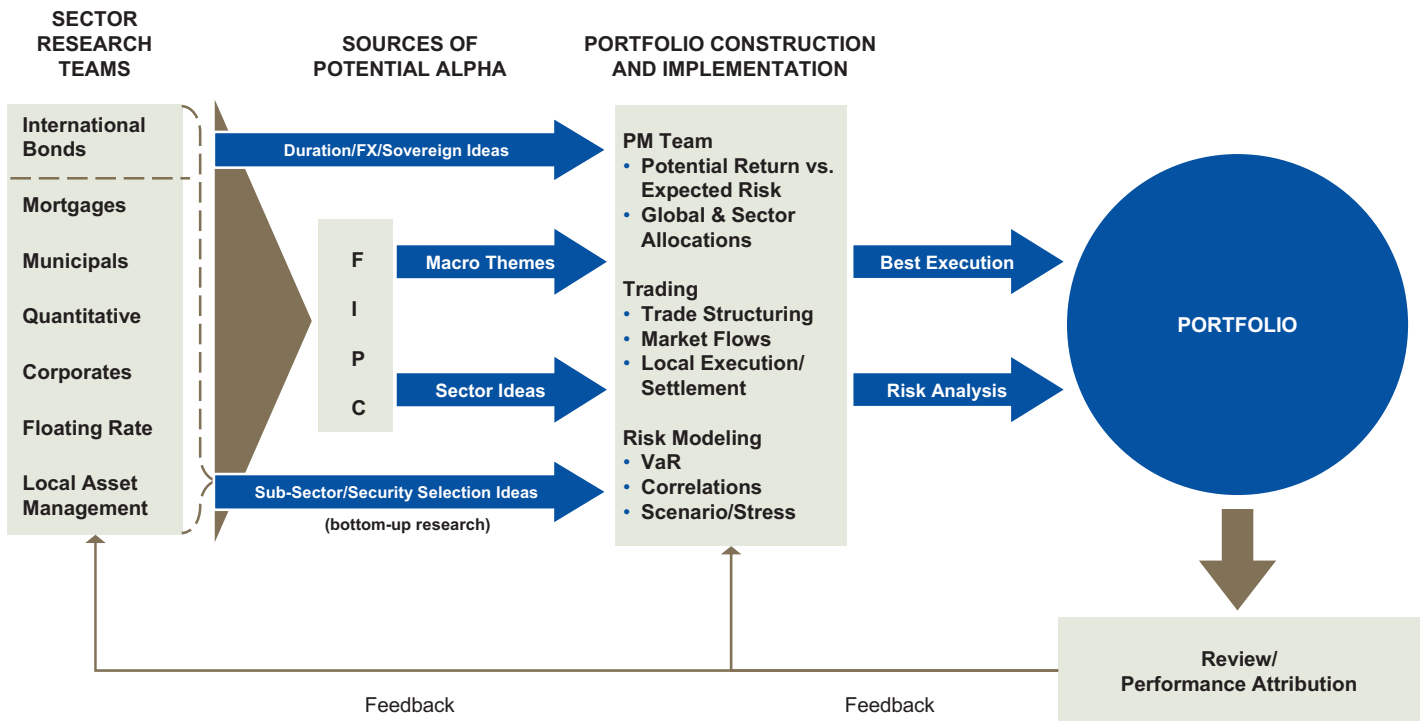
We believe that applying a fundamental, research-driven approach focused on identifying potential sources of total return (current income and capital appreciation) worldwide and seeking to capitalize on ideas across the entire fixed income opportunity set provide the best potential for solid risk-adjusted returns over time. The portfolio is run independently of its benchmark, allowing the manager to hold only the positions it believes have the best potential to maximize risk-adjusted returns. This is a high alpha seeking strategy that invests globally and may include allocations to both developed and emerging markets, with the potential to invest a substantial portion of its assets in developing markets. However, below investment grade exposure is limited to no more than 50% of total assets.

### Investment Strategy

#### Long-Term, Opportunistic Value Approach

- Long-term, fundamentally driven investment focus
- Total return approach that is not benchmark driven
- Identify economic imbalances that may lead to value opportunities in:
  - Interest rates (duration)
  - Currencies
  - Sovereign credit
  - Corporate/spread sectors
  - Bottom-up security selection/sub-sector allocation
- Active positioning across these areas
  - Precisely isolate desired exposures
  - Risk budget composition will shift based on relative attractiveness during global economic and credit cycles

**Investment Process - Adding Credit/Spread Sectors to Global Positioning**



The above chart is for illustrative and discussion purposes only.

## Portfolio Summary

### San Mateo County Employees' Retirement Association

As of February 29, 2012

Portfolio Overview	
Investment Mandate	Global Fixed Income
Benchmark	Barclays Capital Multiverse Index
Inception Date	January 1, 2011
Portfolio Manager(s)	Michael Hasenstab
Relationship Manager	Tom Dickson
Total Net Assets (USD)	109,144,885
Cash & Cash Equivalents	8.3%
Number of Holdings	134

All portfolio holdings are subject to change.

## Historical Performance

### San Mateo County Employees' Retirement Association

As of February 29, 2012

#### Average Annual Total Returns (%)

	Inception Date	1 Mth*	3 Mths*	YTD*	1 Yr	Since Incept
San Mateo County Employees' Retirement Association—Gross of Fees	1.1.2011	4.1	10.8	10.2	7.4	7.7
San Mateo County Employees' Retirement Association—Net of Fees		4.1	10.6	10.1	7.0	7.3
Barclays Capital Multiverse Index		0.1	2.5	1.8	6.5	6.4

\*Cumulative Total Returns

## Portfolio Characteristics

### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012

	Portfolio	Index
Average Duration	3.0 Yrs	5.8 Yrs
Average Weighted Maturity	3.8 Yrs	7.6 Yrs
Yield to Maturity	6.9%	2.3%
Yield to Worst	6.9%	2.3%

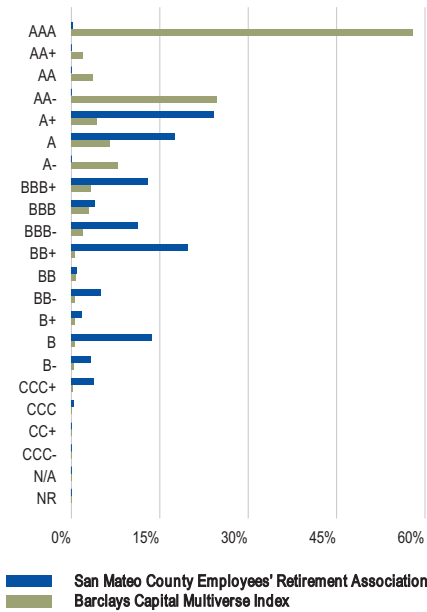
Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Yield figures quoted should not be used as an indication of the income to be received.



## Quality Allocation

### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012



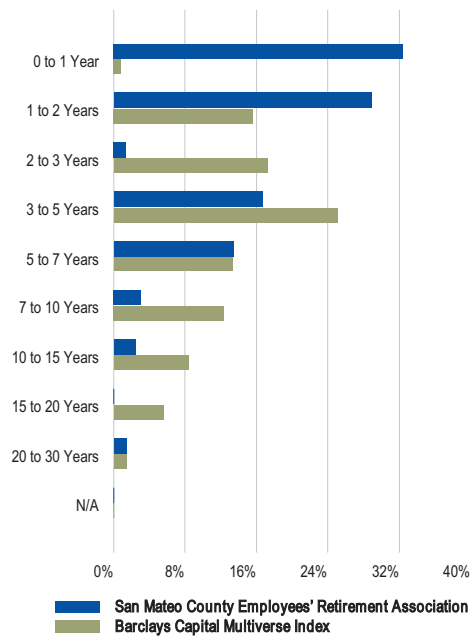
	Portfolio %	Index %	Over/Under
AAA	0.3	48.3	-48.0
AA+	0.0	1.7	-1.7
AA	0.0	3.0	-3.0
AA-	0.0	20.6	-20.6
A+	20.3	3.6	16.6
A	14.7	5.4	9.3
A-	0.0	6.7	-6.7
BBB+	10.8	2.8	8.0
BBB	3.4	2.5	0.8
BBB-	9.5	1.6	7.9
BB+	16.6	0.6	16.0
BB	0.8	0.7	0.2
BB-	4.2	0.4	3.7
B+	1.5	0.6	0.9
B	11.4	0.4	10.9
B-	2.8	0.4	2.4
CCC+	3.3	0.2	3.1
CCC	0.4	0.1	0.3
CC+	0.0	0.0	0.0
CCC-	0.0	0.0	0.0
N/A	0.0	0.1	-0.1
NR	0.0	0.0	0.0

Weightings as percent of total. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Ratings shown are assigned by one or more Nationally Recognized Statistical Credit Rating Organizations (NRSRO), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. If listed, the NR category consists of rateable securities that have not been rated by an NRSRO; the N/A category consists of nonrateable securities (e.g., equities). Cash and equivalents (defined as bonds with stated maturities, or that can be redeemed at intervals, of seven days or less) as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets.

## Duration Breakdown

### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012

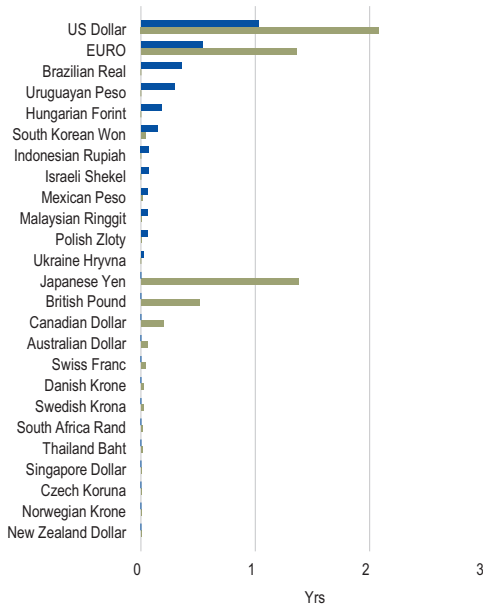


	Portfolio %	Index %	Over/Under
0 to 1 Year	32.4	0.9	31.6
1 to 2 Years	28.9	15.6	13.3
2 to 3 Years	1.4	17.3	-15.8
3 to 5 Years	16.7	25.1	-8.4
5 to 7 Years	13.4	13.3	0.2
7 to 10 Years	3.1	12.4	-9.3
10 to 15 Years	2.5	8.4	-5.9
15 to 20 Years	0.0	5.6	-5.6
20 to 30 Years	1.5	1.5	0.0
N/A	0.0	0.0	0.0

### Duration Contribution by Currency

#### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012



■ San Mateo County Employees' Retirement Association  
 ■ Barclays Capital Multiverse Index

	Portfolio (Yrs)	Index (Yrs)	Over/Under
US Dollar	1.0	2.1	-1.1
EURO	0.5	1.4	-0.8
Brazilian Real	0.4	0.0	0.4
Uruguayan Peso	0.3	0.0	0.3
Hungarian Forint	0.2	0.0	0.2
South Korean Won	0.1	0.0	0.1
Indonesian Rupiah	0.1	0.0	0.1
Israeli Shekel	0.1	0.0	0.1
Mexican Peso	0.1	0.0	0.0
Malaysian Ringgit	0.1	0.0	0.0
Polish Zloty	0.1	0.0	0.0
Ukraine Hryvna	0.0	0.0	0.0
Japanese Yen	0.0	1.4	-1.4
British Pound	0.0	0.5	-0.5
Canadian Dollar	0.0	0.2	-0.2
Australian Dollar	0.0	0.1	-0.1
Swiss Franc	0.0	0.0	0.0
Danish Krone	0.0	0.0	0.0
Swedish Krona	0.0	0.0	0.0
South Africa Rand	0.0	0.0	0.0
Thailand Baht	0.0	0.0	0.0
Singapore Dollar	0.0	0.0	0.0
Czech Koruna	0.0	0.0	0.0
Norwegian Krone	0.0	0.0	0.0
New Zealand Dollar	0.0	0.0	0.0

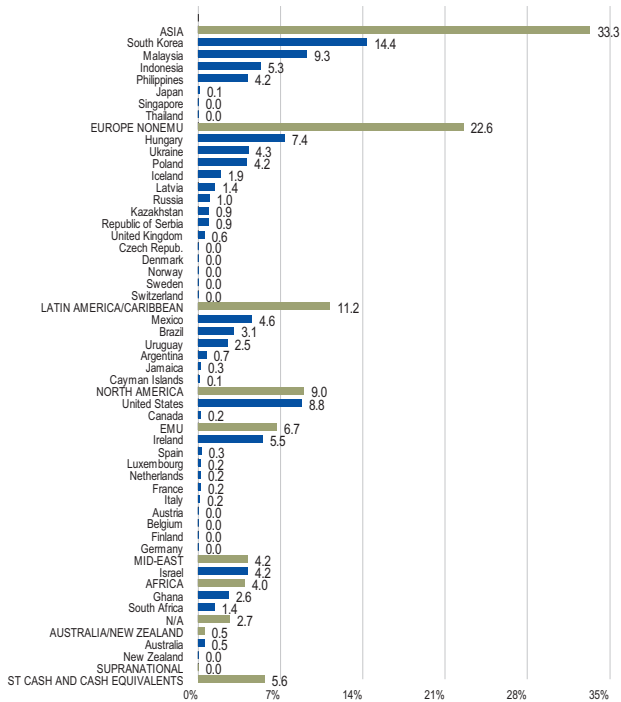
All portfolio holdings are subject to change.

### Geographic Allocation

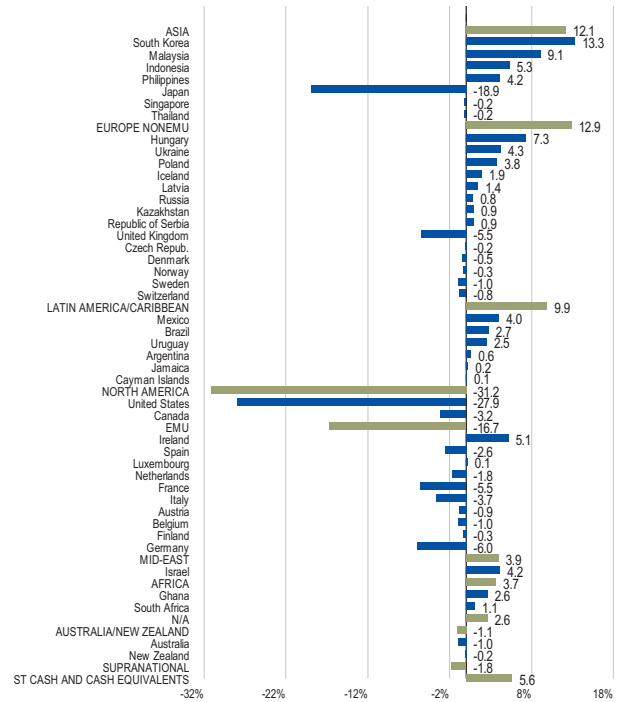
#### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012

#### Geographic Allocation



#### Benchmark Deviations



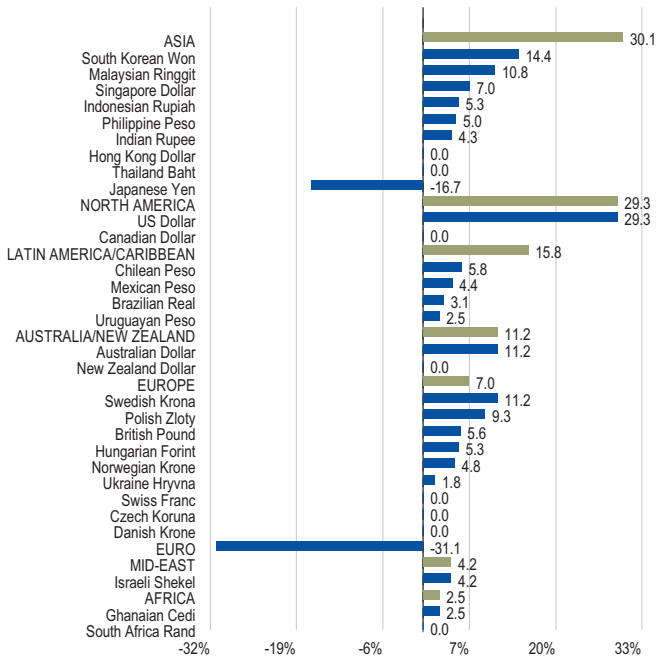
Weightings as percent of total. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

### Currency Allocation

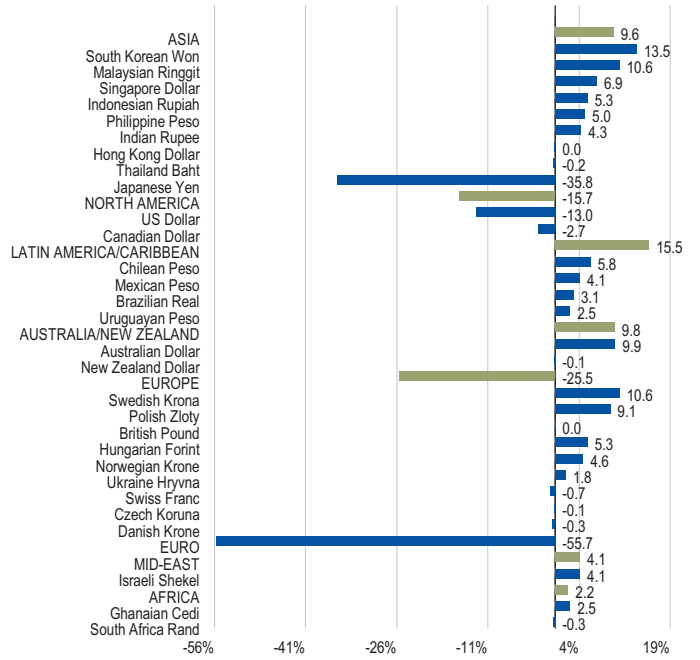
#### San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of February 29, 2012

#### Currency Allocation



#### Benchmark Deviations



Weightings as percent of total. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

## Holdings

### San Mateo County Employees' Retirement Association

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Argentina	ARGENTINA REPUBLIC OF 0.00% 08/03/2012 FRN	Government Bonds Sector	USD	6,300,000.0	772,578.2	0.70
<b>Argentina Total</b>					772,578.2	0.70
Australia	FMG RESOURCES AUG 2006 6.875% 02/01/2018 144A	Materials	USD	250,000.0	265,000.0	0.24
Australia	NEW SOUTH WALES TREASURY CORP 6.00% 05/01/2012	Government Bonds Sector	AUD	300,000.0	325,067.9	0.30
<b>Australia Total</b>					590,067.9	0.54
Brazil	NOTA DO TESOURO NACIONAL NTN B 6.00% 05/15/2015 INDEX LINKED	Government Bonds Sector	BRL	1,300.0	1,684,732.3	1.56
Brazil	NOTA DO TESOURO NACIONAL NTN B 6.00% 05/15/2045 INDEX LINKED	Government Bonds Sector	BRL	1,200.0	1,630,311.0	1.51
<b>Brazil Total</b>					3,315,043.3	3.06
Canada	CHC HELICOPTER SA 9.25% 10/15/2020 144A	Energy	USD	250,000.0	251,875.0	0.24
<b>Canada Total</b>					251,875.0	0.24
Cayman Islands	UPCB FINANCE II LTD 6.375% 07/01/2020 144A	Consumer Discretionary	EUR	100,000.0	133,770.0	0.12
<b>Cayman Islands Total</b>					133,770.0	0.12
France	CIE GENERALE DE GEOPHYSIQUE-VERITAS 7.75% 05/15/2017	Energy	USD	250,000.0	261,562.5	0.24
<b>France Total</b>					261,562.5	0.24

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Ghana	GHANA GOVT 13.00% 06/02/2014	Government Bonds Sector	GHS	120,000.0	68,937.3	0.07
Ghana	GHANA GOVT 13.45% 02/17/2014	Government Bonds Sector	GHS	3,060,000.0	1,802,940.3	1.65
Ghana	GHANA GOVT 14.99% 02/23/2015	Government Bonds Sector	GHS	1,520,000.0	907,007.8	0.83
Ghana	GHANA GOVT 14.99% 03/11/2013	Government Bonds Sector	GHS	40,000.0	24,033.2	0.02
<b>Ghana Total</b>					2,802,918.6	2.56
Hungary	HUNGARY GOVERNMENT BOND 5.50% 02/12/2016	Government Bonds Sector	HUF	669,400,000.0	2,836,508.9	2.59
Hungary	HUNGARY GOVERNMENT BOND 6.50% 06/24/2019	Government Bonds Sector	HUF	2,400,000.0	9,987.9	0.01
Hungary	HUNGARY GOVERNMENT BOND 6.75% 02/12/2013	Government Bonds Sector	HUF	2,000,000.0	9,222.5	0.01
Hungary	HUNGARY GOVERNMENT BOND 6.75% 08/22/2014	Government Bonds Sector	HUF	38,600,000.0	174,432.7	0.16
Hungary	HUNGARY GOVERNMENT BOND 6.75% 11/24/2017	Government Bonds Sector	HUF	35,700,000.0	153,930.7	0.14
Hungary	HUNGARY GOVERNMENT BOND 7.50% 11/12/2020	Government Bonds Sector	HUF	215,000,000.0	940,890.3	0.88
Hungary	HUNGARY GOVERNMENT BOND 8.00% 02/12/2015	Government Bonds Sector	HUF	1,600,000.0	7,407.5	0.01
Hungary	REPUBLIC OF HUNGARY 4.375% 07/04/2017	Government Bonds Sector	EUR	560,000.0	634,722.6	0.60
Hungary	REPUBLIC OF HUNGARY 5.50% 02/12/2014	Government Bonds Sector	HUF	220,000,000.0	978,455.7	0.89
Hungary	REPUBLIC OF HUNGARY 5.75% 06/11/2018	Government Bonds Sector	EUR	1,780,000.0	2,103,516.6	2.00
Hungary	REPUBLIC OF HUNGARY 6.75% 02/24/2017	Government Bonds Sector	HUF	9,900,000.0	43,084.5	0.04
<b>Hungary Total</b>					7,892,159.7	7.32

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Iceland	REPUBLIC OF ICELAND 4.875% 06/16/2016 144A	Government Bonds Sector	USD	2,020,000.0	2,050,067.7	1.88
<b>Iceland Total</b>					2,050,067.7	1.88
Indonesia	INDONESIA RETAIL BOND 7.95% 08/15/2013	Government Bonds Sector	IDR	50,000,000,000.0	5,816,850.0	5.31
<b>Indonesia Total</b>					5,816,850.0	5.31
Ireland	IRELAND REP OF 4.40% 06/18/2019	Government Bonds Sector	EUR	905,000.0	1,081,003.6	1.02
Ireland	IRELAND REP OF 4.50% 04/18/2020	Government Bonds Sector	EUR	459,000.0	528,657.7	0.50
Ireland	IRELAND REP OF 4.50% 10/18/2018	Government Bonds Sector	EUR	690,000.0	841,487.8	0.78
Ireland	IRELAND REP OF 5.00% 10/18/2020	Government Bonds Sector	EUR	808,000.0	956,400.4	0.89
Ireland	IRELAND REP OF 5.40% 03/13/2025	Government Bonds Sector	EUR	1,020,000.0	1,194,954.7	1.15
Ireland	IRELAND REP OF 5.90% 10/18/2019	Government Bonds Sector	EUR	286,000.0	364,667.8	0.34
Ireland	IRISH GOVERNMENT 4.60% 04/18/2016	Government Bonds Sector	EUR	637,000.0	839,435.4	0.79
<b>Ireland Total</b>					5,806,607.3	5.47
Israel	ISRAEL GOVERNMENT BOND 3.50% 09/30/2013	Government Bonds Sector	ILS	16,920,000.0	4,541,603.6	4.19
<b>Israel Total</b>					4,541,603.6	4.19



**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Italy	WIND ACQUISITION FIN SA 11.75% 07/15/2017 144A	Telecommunication Services	USD	200,000.0	206,125.0	0.19
<b>Italy Total</b>					206,125.0	0.19
Jamaica	DIGICEL GROUP LTD 8.875% 01/15/2015 144A	Telecommunication Services	USD	275,000.0	281,187.5	0.26
<b>Jamaica Total</b>					281,187.5	0.26
Japan	EACCESS LTD 8.375% 04/01/2018 144A	Information Technology	EUR	100,000.0	125,074.9	0.12
<b>Japan Total</b>					125,074.9	0.12
Kazakhstan	HALYK SAVINGS BANK OF KAZAKHSTAN JSC 7.25% 01/28/2021 144A	Financials	USD	1,000,000.0	1,002,335.0	0.92
<b>Kazakhstan Total</b>					1,002,335.0	0.92
Latvia	REPUBLIC OF LATVIA 5.25% 02/22/2017 144A	Government Bonds Sector	USD	780,000.0	795,600.0	0.72
Latvia	REPUBLIC OF LATVIA 5.25% 06/16/2021 144A	Government Bonds Sector	USD	800,000.0	777,252.0	0.72
<b>Latvia Total</b>					1,572,852.0	1.44
Luxembourg	INTELSAT JACKSON HOLDINGS SA 7.25% 10/15/2020	Telecommunication Services	USD	250,000.0	265,000.0	0.25
<b>Luxembourg Total</b>					265,000.0	0.25
Malaysia	MALAYSIA GOVT 2.509% 08/27/2012	Government Bonds Sector	MYR	270,000.0	89,964.5	0.08
Malaysia	MALAYSIA GOVT 3.21% 05/31/2013	Government Bonds Sector	MYR	750,000.0	251,403.4	0.23

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Malaysia	MALAYSIA GOVT 3.461% 07/31/2013	Government Bonds Sector	MYR	1,860,000.0	625,911.9	0.57
Malaysia	MALAYSIA GOVT 3.70% 05/15/2013	Government Bonds Sector	MYR	490,000.0	165,174.4	0.15
Malaysia	MALAYSIA GOVT 3.702% 02/25/2013	Government Bonds Sector	MYR	5,469,000.0	1,840,580.0	1.67
Malaysia	MALAYSIA GOVT 3.718% 06/15/2012	Government Bonds Sector	MYR	15,490,000.0	5,182,766.3	4.75
<b>Malaysia Total</b>					8,155,800.5	7.46
Mexico	CEMEX SAB DE CV 9.00% 01/11/2018 144A	Materials	USD	200,000.0	186,208.0	0.17
Mexico	MEXICAN FIXED RATE BONDS 8.00% 12/19/2013	Government Bonds Sector	MXN	148,700.0	1,227,192.1	1.13
Mexico	MEXICAN FIXED RATE BONDS 9.00% 6/20/2013	Government Bonds Sector	MXN	425,000.0	3,503,737.2	3.24
<b>Mexico Total</b>					4,917,137.2	4.54
Netherlands	INTERGEN NV 9.00% 06/30/2017 _144A	Utilities	USD	250,000.0	265,156.3	0.25
<b>Netherlands Total</b>					265,156.3	0.25
Philippines	PHILIPPINE GOVERNMENT 5.25% 01/07/2013 SER 3-19	Government Bonds Sector	PHP	59,680,000.0	1,421,669.6	1.30
Philippines	PHILIPPINE GOVERNMENT 6.25% 01/27/2014	Government Bonds Sector	PHP	9,880,000.0	242,205.1	0.22
Philippines	PHILIPPINE GOVERNMENT 7.00% 01/27/2016	Government Bonds Sector	PHP	9,430,000.0	239,419.6	0.22
Philippines	PHILIPPINE GOVERNMENT 8.75% 03/03/2013 SER 7-43	Government Bonds Sector	PHP	96,090,000.0	2,357,587.2	2.23
Philippines	PHILIPPINE GOVERNMENT 9.125% 09/04/2016	Government Bonds Sector	PHP	5,030,000.0	136,842.7	0.13
<b>Philippines Total</b>					4,397,724.2	4.10

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Poland	POLAND GOVERNMENT 10/25/2012 STRIP	Government Bonds Sector	PLN	7,400,000.0	2,340,126.2	2.13
Poland	POLAND GOVERNMENT 5.75% 04/25/2014	Government Bonds Sector	PLN	6,400,000.0	2,126,412.0	2.03
<b>Poland Total</b>					4,466,538.2	4.15
Russia	ALFA BANK (ALFA BOND) 7.75% 04/28/2021 144A	Financials	USD	1,050,000.0	1,044,750.0	0.98
<b>Russia Total</b>					1,044,750.0	0.98
Serbia, Republic of	SERBIA (REPUBLIC OF) 7.25% 09/28/2021 144A	Government Bonds Sector	USD	940,000.0	954,687.5	0.89
<b>Serbia, Republic of Total</b>					954,687.5	0.89
South Africa	EDCON HOLDINGS PROPRIETARY LTD06/15/2015 FRN 144A	Consumer Discretionary	EUR	150,000.0	169,189.3	0.16
South Africa	EDCON PROPRIETARY LTD 9.50% 03/01/2018 144A	Consumer Discretionary	USD	1,010,000.0	924,150.0	0.88
South Africa	EDCON PROPRIETARY LTD 9.50% 03/01/2018 144A	Consumer Discretionary	EUR	300,000.0	370,043.9	0.35
<b>South Africa Total</b>					1,463,383.2	1.39
South Korea	KOREA TREASURY BOND 3.00% 12/10/2013	Government Bonds Sector	KRW	295,000,000.0	261,785.5	0.24
South Korea	KOREA TREASURY BOND 3.75% 06/10/2013	Government Bonds Sector	KRW	8,500,000,000.0	7,625,511.5	6.99
South Korea	KOREA TREASURY BOND 4.25% 12/10/2012	Government Bonds Sector	KRW	8,500,000,000.0	7,643,993.9	7.02
<b>South Korea Total</b>					15,531,290.9	14.25

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**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Spain	GRIFOLS INC 8.25% 02/01/2018	Health Care	USD	100,000.0	108,750.0	0.10
Spain	NARA CABLE FUNDING 8.875% 12/01/2018 144A	Consumer Discretionary	USD	200,000.0	196,000.0	0.18
<b>Spain Total</b>					304,750.0	0.28
Ukraine	FINANCING OF INFRASTRUCTURE PROJECTS STATE ENTER 7.40% 04/20/2018 144A	Government Bonds Sector	USD	2,410,000.0	2,019,881.3	1.90
Ukraine	ING AMERICAS ISSUANCE BV 12.25% 4/16/2013 CNV 144A*CLN*UKRAN	Government Bonds Sector	UAH	5,900,000.0	685,674.4	0.62
Ukraine	ING AMERICAS ISSUANCE BV 5.50% 08/21/2015 *CLN UKRAINE*	Government Bonds Sector	UAH	12,110,000.0	1,226,173.9	1.12
Ukraine	UKRAINE GOVERNMENT 7.95% 02/23/2021 144A	Government Bonds Sector	USD	740,000.0	673,400.0	0.61
<b>Ukraine Total</b>					4,605,129.5	4.25
United Kingdom	CEVA GROUP PLC 11.625% 10/01/2016 144A	Industrials	USD	100,000.0	105,250.0	0.10
United Kingdom	CEVA GROUP PLC 8.375% 12/01/2017 144A	Industrials	USD	100,000.0	100,250.0	0.10
United Kingdom	EXPRO FINANCE LUXEMBOURG 8.50% 12/15/2016 144A	Energy	USD	250,000.0	225,625.0	0.21
United Kingdom	INEOS GROUP HOLDINGS LTD 7.875% 02/15/2016 144A	Materials	EUR	75,000.0	89,291.5	0.08
United Kingdom	INEOS GROUP HOLDINGS LTD 8.50% 02/15/2016 144A	Materials	USD	100,000.0	91,750.0	0.08
<b>United Kingdom Total</b>					612,166.5	0.57
United States	ALPHA NATURAL RESOURCES INC 6.25% 06/01/2021	Energy	USD	100,000.0	97,500.0	0.09
United States	AMERICAN AIRLINES INC 7.50% 03/15/2016 144A **DEFAULT**	Industrials	USD	100,000.0	83,750.0	0.08

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
United States	CAESARS ENTERTAINMENT OPERATING CO INC 11.25% 06/01/2017	Consumer Discretionary	USD	275,000.0	302,500.0	0.28
United States	CALPINE CORP 7.875% 01/15/2023 144A	Utilities	USD	100,000.0	109,500.0	0.10
United States	CCO HLDGS LLC / CCO HLDGS CAP 8.125% 04/30/2020	Consumer Discretionary	USD	275,000.0	309,375.0	0.29
United States	CDW LLC/FINANCE CORP 8.50% 04/01/2019	Information Technology	USD	200,000.0	215,000.0	0.20
United States	CHAPARRAL ENERGY INC 8.25% 09/01/2021	Energy	USD	200,000.0	223,000.0	0.21
United States	CHESAPEAKE ENERGY CORP 6.625% 08/15/2020	Energy	USD	200,000.0	210,000.0	0.19
United States	CIT GROUP INC 7.00% 05/02/2017 144A	Financials	USD	250,000.0	250,625.0	0.23
United States	CLEAR CHANNEL COMMUNICATIONS INC 9.00% 03/01/2021	Consumer Discretionary	USD	200,000.0	185,000.0	0.18
United States	CLEAR CHANNEL WORLDWIDE HLDGS INC 7.625% 03/15/2020 144A	Consumer Discretionary	USD	100,000.0	100,000.0	0.09
United States	CLUBCORP CLUB OPERATIONS INC 10.00% 12/01/2018	Consumer Discretionary	USD	100,000.0	103,500.0	0.10
United States	COMMUNITY HEALTH SYSTEMS INC 8.875% 07/15/2015	Health Care	USD	150,000.0	157,500.0	0.15
United States	CRICKET COMMUNICATIONS INC 7.75% 10/15/2020	Telecommunication Services	USD	250,000.0	249,687.5	0.23
United States	DEL MONTE CORPORATION 7.625% 02/15/2019	Consumer Staples	USD	200,000.0	201,500.0	0.18
United States	ECHOSTAR DBS CORP 7.125% 02/01/2016	Consumer Discretionary	USD	200,000.0	222,000.0	0.20
United States	EMERGENCY MEDICAL SERVICES CORPORATION 8.125% 06/01/2019	Health Care	USD	100,000.0	105,500.0	0.10
United States	ENERGY XXI GULF COAST INC 9.25% 12/15/2017	Energy	USD	250,000.0	278,125.0	0.26
United States	EURAMAX INTERNATIONAL INC 9.50% 04/01/2016	Materials	USD	100,000.0	90,750.0	0.09
United States	FIRST DATA CORP 8.25% 01/15/2021 144A	Information Technology	USD	100,000.0	97,250.0	0.09
United States	FORD MOTOR CREDIT CO LLC 5.75% 02/01/2021	Consumer Discretionary	USD	100,000.0	111,894.6	0.10

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**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
United States	FREESCALE SEMICONDUCTOR INC 10.75% 08/01/2020	Information Technology	USD	67,000.0	74,370.0	0.07
United States	FREESCALE SEMICONDUCTOR INC 8.05% 02/01/2020	Information Technology	USD	100,000.0	99,500.0	0.09
United States	FREESCALE SEMICONDUCTOR INC 9.25% 04/15/2018 144A	Information Technology	USD	50,000.0	55,250.0	0.05
United States	FRONTIER COMMUNICATIONS CORP 8.50% 04/15/2020	Telecommunication Services	USD	200,000.0	217,500.0	0.20
United States	GMAC CAPITAL TRUST I 8.125% PFD	Financials	USD	5,800.0	136,184.0	0.12
United States	GMAC INC 8.00% 12/31/2018	Financials	USD	125,000.0	135,000.0	0.12
United States	GOODYEAR TIRE & RUBBER CO 8.25% 08/15/2020	Consumer Discretionary	USD	50,000.0	54,875.0	0.05
United States	HCA HOLDINGS INC 7.75% 05/15/2021	Health Care	USD	100,000.0	105,750.0	0.10
United States	HCA INC 5.875% 03/15/2022	Health Care	USD	100,000.0	102,750.0	0.09
United States	INTERNATIONAL LEASE FINANCE CORP 8.25% 12/15/2020	Financials	USD	250,000.0	279,307.3	0.26
United States	JBS USA LLC/FINANCE INC 8.25% 02/01/2020 144A	Consumer Staples	USD	100,000.0	103,500.0	0.10
United States	LINN ENERGY LLC/FINANCE CORP 7.75% 02/01/2021	Energy	USD	250,000.0	270,000.0	0.25
United States	MGM MIRAGE INC 6.625% 07/15/2015	Consumer Discretionary	USD	125,000.0	127,187.5	0.12
United States	MGM RESORTS INTERNATIONAL 8.625% 02/01/2019 144A	Consumer Discretionary	USD	100,000.0	107,000.0	0.10
United States	MICHAELS STORES INC 7.75% 11/01/2018	Consumer Discretionary	USD	150,000.0	159,375.0	0.15
United States	MYLAN INC 7.875% 07/15/2020 144A	Health Care	USD	50,000.0	56,125.0	0.05
United States	PBF HOLDING CO LLC 8.25% 02/15/2020 144A	Financials	USD	100,000.0	100,500.0	0.09
United States	PINNACLE FOODS FINANCE LLC 8.25% 09/01/2017	Consumer Staples	USD	200,000.0	217,500.0	0.21
United States	PLAINS EXPLORATION & PRODUCTION CO 7.625% 06/01/2018	Energy	USD	250,000.0	270,000.0	0.25

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**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
United States	QUICKSILVER RESOURCES INC 9.125% 08/15/2019	Energy	USD	100,000.0	101,250.0	0.09
United States	RBS GLOBAL & REXNORD CORP 8.50% 05/01/2018	Industrials	USD	250,000.0	270,625.0	0.25
United States	REYNOLDS GRP ISS/REYNOLD 8.50% 05/15/2018 144A	Materials	USD	275,000.0	277,750.0	0.26
United States	RITE AID CORP 8.00% 08/15/2020	Consumer Staples	USD	100,000.0	114,500.0	0.10
United States	RITE AID CORP 9.75% 06/12/2016	Consumer Staples	USD	100,000.0	111,000.0	0.11
United States	RSC EQUIPMENT RENTAL INC/RSC HOLDINGS III LLC 8.25% 02/01/2021	Industrials	USD	100,000.0	106,500.0	0.10
United States	SAMSON INVESTMENT CO 9.75% 02/15/2020 144A	Utilities	USD	200,000.0	210,750.0	0.19
United States	SANDRIDGE ENERGY INC 8.00% 06/01/2018 144A	Energy	USD	250,000.0	260,000.0	0.24
United States	SPRINT NEXTEL CORP 7.00% 03/01/2020 144A	Telecommunication Services	USD	100,000.0	101,875.0	0.09
United States	SPRINT NEXTEL CORP 9.00% 11/15/2018 144A	Telecommunication Services	USD	150,000.0	167,625.0	0.16
United States	SUNGARD DATA SYSTEMS INC 7.625% 11/15/2020	Information Technology	USD	250,000.0	271,250.0	0.25
United States	TCEH CO LLC/TCEH FINANCE INC 11.50% 10/01/2020 144A	Utilities	USD	250,000.0	170,000.0	0.16
United States	UNITED RENTALS NORTH AMERICA INC 8.375% 09/15/2020	Industrials	USD	250,000.0	260,000.0	0.25
United States	UNIVISION COMMUNICATIONS INC 6.875% 05/15/2019 144A	Consumer Discretionary	USD	200,000.0	205,000.0	0.19
United States	VANGUARD HEALTH SYSTEMS INC 02/01/2016 ZERO	Health Care	USD	3,000.0	1,987.5	0.00
United States	VISANT CORP (JOSTENS) 10.00% 10/01/2017	Consumer Discretionary	USD	200,000.0	185,000.0	0.18
United States	WEST CORP 7.875% 01/15/2019	Telecommunication Services	USD	200,000.0	217,250.0	0.20
<b>United States Total</b>					<b>9,407,993.4</b>	<b>8.72</b>

**Holdings (continued)****San Mateo County Employees' Retirement Association**

As of February 29, 2012

Country	Security	Sector	Trade Currency	Number of Shares	Market Value in Base	% of Portfolio
Uruguay	URUGUAY REPUBLIC OF 4.375% 12/15/2028	Government Bonds Sector	UYU	47,083,572.6	2,693,580.8	2.47
<b>Uruguay Total</b>					2,693,580.8	2.47
Cash & Equivalents Total					9,021,558.5	8.21
Forward Foreign Exchange Total					2,957,360.0	2.69
<b>Account Total</b>					108,486,684.6	100.00



## Management Profile



**MICHAEL HASENSTAB, PH.D.**  
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Co-Director, International Bond Department  
Franklin Templeton Fixed Income Group

Franklin Advisers, Inc.  
San Mateo, California, United States

Dr. Michael Hasenstab, Ph.D., is a senior vice president of Franklin Advisers, Inc. and co-director of the international bond department, overseeing the global fixed income portfolio management team. The group offers a variety of investment vehicles ranging from retail mutual funds to unregistered, privately offered hedge funds. In addition, he is a member of the group's Fixed Income Policy Committee and is a portfolio manager for a number of Franklin Templeton funds, including Templeton Global Bond Fund and Templeton Global Total Return Fund.

Dr. Hasenstab has won numerous awards globally, including being named Morningstar's 2010 Fixed Income Manager of the Year and recognized as one of the most influential fund managers by Investment News in 2010. Bloomberg Markets named him Top Global Bond Fund Manager in 2010 and Top U.S. and Global Bond Fund Manager in 2009. Additionally, he was named Global Bond Manager of the Year by Investment Week in 2008, 2010, and 2011, and also Best Global Manager by Standard & Poor's/BusinessWeek in 2006.

Dr. Hasenstab initially joined Franklin Templeton Investments in July 1995. After a leave of absence to obtain his doctor of philosophy (Ph.D.) degree, he rejoined the company in April 2001. He specializes in global macroeconomic analysis with a focus on currency, interest rate and sovereign credit analysis of developed and emerging market countries. Dr. Hasenstab has worked and traveled extensively abroad, with a special focus on Asia.

Dr. Hasenstab holds a Ph.D. in economics from the Asia Pacific School of Economics and Management at Australian National University, a master's degree in economics of development from the Australian National University and a B.A. in international relations/political economy from Carleton College in the United States.

## Management Profile

**SONAL DESAI, PH.D.**

Portfolio Manager, Director of Research  
International Bond Department  
Franklin Templeton Fixed Income Group

Franklin Advisers, Inc.  
San Mateo, California, United States

Sonal Desai, Ph.D., is a portfolio manager and director of research for the Franklin Templeton Fixed Income Group's international bond department. She is responsible for shaping the research agenda of the international bond department and providing macroeconomic analysis to the fixed income team. This includes facilitating broader research efforts leveraging the fixed income group's local resources across several emerging markets. Dr. Desai acts as a key resource for the firm's Fixed Income Policy Committee, which provides policy views on sectors, markets and currencies.

Dr. Desai has over 16 years of experience in the financial sector. She joined Franklin Templeton in 2009 from Thames River Capital in London, where she was responsible for shaping the top-down global view on macroeconomic and market developments. Dr. Desai started her career as an assistant professor of economics at the University of Pittsburgh, and then worked for over six years at the International Monetary Fund, in Washington DC. She was involved in the negotiation and monitoring of IMF programs in several emerging market countries and in the assessment of the overall design and effectiveness of IMF adjustment programs. Following this, she joined the private financial sector and worked for about five years as director and senior economist for Dresdner Kleinwort Wasserstein in London.

Dr. Desai holds a Ph.D. in economics from Northwestern University and earned a B.A. with honors from Delhi University in New Delhi.

## Management Profile



**THOMAS J. DICKSON**  
Senior Vice President  
Franklin Templeton Institutional

Franklin Templeton Institutional, LLC  
San Mateo, California, United States

Thomas Dickson is senior vice president at Franklin Templeton Institutional with responsibilities for new business development and client relations in the Western region of the United States. He has a broad range of investment experience working with institutional clients and consultants including public and corporate pension plans, as well as foundations and endowments.

Mr. Dickson started his career at Franklin Templeton in 1992. Prior to his current responsibilities, Mr. Dickson was a portfolio manager and research analyst with the Templeton Global Fixed Income Group in Ft. Lauderdale from 1994-2001.

Mr. Dickson earned his B.S. in managerial economics from the University of California, Davis, and an M.B.A. with emphasis in international business from the University of Miami. He is a member of the Security Analysts of San Francisco (SASF), the CFA Institute, and holds FINRA Series 6, 7 and 63 licenses.

## Important Disclosures

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Indexes are unmanaged and one cannot invest directly in an index.

### **Additional Information for Investment Platform Overview Slide:**

FTI AUM includes AUM for Rensburg Fund Management Limited, a wholly-owned subsidiary of Franklin Resources, Inc. Franklin Equity Group (formerly Franklin Global Advisers), a unit of Franklin, combines the expertise of the Franklin Advisers, Inc., and Fiduciary Global Advisors equity teams (with origin dating back to 1947 and 1931, respectively). Franklin Templeton Fixed Income Group, a unit of Franklin, combines the expertise of the Franklin Advisers, Inc., and Fiduciary Trust Company International fixed income teams (originating in 1970 and 1973, respectively). Franklin Templeton Real Asset Advisors originated in 1984 as the global real estate team of Fiduciary Trust Company International. FTMAS is a global investment management group dedicated to multi-strategy solutions and is comprised of individuals from various registered entities within Franklin Resources, Inc. Certain individuals based in Canada that advise FTMAS mandates are part of the Fiduciary Trust Company of Canada, a wholly-owned subsidiary of Franklin Resources, Inc., that originated in 1982. FTMAS was formed in 2007 to combine the research and oversight of all multi-strategy investment solutions offered by Franklin Resources, Inc.



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

April 24, 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 March 31, 2012

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

**Statement of Fiduciary Net Assets**

*SamCERA's* Net Assets Held in Trust for Pension Benefits as of month end, totaled \$2,446,882,603.

**Statement of Changes in Fiduciary Net Assets**

Net assets held in trust for pension benefits increased by approximately \$16.7 million, month over month. The increase is primarily due to market appreciation in assets.

The following reports are attached to this agenda item:

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Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
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Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	7

**San Mateo County Employees' Retirement Association**  
**Statement of Fiduciary Net Assets - YTD Comparative**  
**March 2012**  
**PRELIMINARY**

	March 2012	March 2011
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	56,926,786	44,300,302
SECURITIES LENDING CASH COLLATERAL	184,315,176	142,597,377
<b>TOTAL CASH</b>	<b>241,241,962</b>	<b>186,897,680</b>
<b>RECEIVABLES</b>		
Contributions	0	0
Due from Broker for Investments Sold	153,423,806	144,299,181
Investment Income	5,838,371	5,383,157
Securities Lending Income	55,172	69,235
Other Receivable	113,646	113,078
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>159,430,995</b>	<b>149,864,651</b>
PREPAID EXPENSE	7,669	7,669
<b>INVESTMENTS AT FAIR VALUE</b>		
Domestic Fixed Income Securities	551,890,120	580,952,807
Domestic Equities	957,950,599	1,000,472,187
International Equities	438,432,810	440,242,012
Real Estate	142,552,672	126,673,968
Private Equities	13,995,120	255,000
Risk Parity	154,371,698	140,894,740
Hedge Funds	69,636,864	0
Commodities	71,860,145	0
Held for Securities Lending	0	0
Other Investment	0	0
	<b>2,400,690,028</b>	<b>2,289,490,714</b>
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>2,801,370,654</b>	<b>2,626,260,713</b>
<b>LIABILITIES</b>		
Investment Management Fees	2,741,083	2,232,173
Due to Broker for Investments Purchased	166,639,369	172,157,019
Collateral Payable for Securities Lending	184,315,176	142,597,377
Other	792,423	574,196
<b>TOTAL LIABILITIES</b>	<b>354,488,051</b>	<b>317,560,766</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,446,882,603</b>	<b>2,308,699,948</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - YTD Comparative**  
**March 2012**  
**Preliminary**

	March 2012	March 2011	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer Contribution	149,121,925	144,082,928	5,038,997
Employee Contribution	34,348,230	34,872,038	(523,809)
<b>TOTAL CONTRIBUTIONS</b>	<u>183,470,155</u>	<u>178,954,966</u>	<u>4,515,189</u>
<b>INVESTMENT INCOME</b>			
Interest and Dividends	39,270,025	28,803,378	10,466,648
Net Appreciation (Depreciation) in fair value of investments	27,277,127	394,026,681	(366,749,554)
Less Investment Expense	(12,551,938)	(8,175,365)	(4,376,573)
Less Asset Management Expense	0	(469,128)	469,128
<b>NET INVESTMENT INCOME</b>	<u>53,995,215</u>	<u>414,185,565</u>	<u>(360,190,351)</u>
<b>SECURITIES LENDING INCOME</b>			
Earnings	325,836	439,950	(114,114)
Less: Securities Lending Expenses	132,818	(123,831)	256,649
<b>NET SECURITIES LENDING INCOME</b>	<u>458,655</u>	<u>316,119</u>	<u>142,535</u>
<b>OTHER ADDITIONS</b>			
	28,766	60,490	(31,724)
<b>TOTAL ADDITIONS</b>	<u>237,952,791</u>	<u>593,517,141</u>	<u>(355,564,350)</u>
<b>DEDUCTIONS</b>			
<b>ASSOCIATION BENEFITS</b>			
Service Retirement Allowance	90,282,824	84,688,665	5,594,159
Disability Retirement Allowance	11,500,529	10,831,004	669,525
Survivor, Death and Other Benefits	536,125	592,361	(56,236)
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>102,319,478</u>	<u>96,112,030</u>	<u>6,207,448</u>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>			
	2,883,906	2,049,856	834,050
<b>ADMINISTRATIVE EXPENSE</b>	3,569,658	2,497,464	1,072,195
<b>OTHER EXPENSE</b>	72,974	54,299	18,675
<b>TOTAL DEDUCTIONS</b>	<u>108,846,016</u>	<u>100,713,648</u>	<u>8,132,368</u>
<b>NET INCREASE</b>	<b>129,106,775</b>	<b>492,803,493</b>	<b>(363,696,718)</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,446,882,603	2,308,699,948	



4/24/2012

San Mateo County Employees' Retirement Association  
 CHANGES IN FIDUCIARY NET ASSETS - TRAILING NINE MONTHS  
 For the Month Ending March 31, 2012  
 PRELIMINARY

Agenda Item 7.1

	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	YTD
<b>ADDITIONS</b>							
<b>CONTRIBUTIONS</b>							
Employee Contributions	2,756,075	3,502,213	3,674,023	3,658,973	3,659,268	5,653,099	22,944,490
Employer Contributions - Regular	5,858,439	7,215,021	7,338,753	7,336,610	7,305,524	11,055,204	46,264,611
Employer Contributions - COLA	3,261,580	4,060,393	4,080,186	4,078,143	4,087,841	6,138,083	25,716,225
Employer Profunded Contribution	60,704,548	(11,323,480)	(11,387,910)	(11,399,760)	(11,399,333)	61,841,085	77,036,458
<b>TOTAL CONTRIBUTIONS</b>	<b>72,521,642</b>	<b>3,563,147</b>	<b>3,705,052</b>	<b>3,674,030</b>	<b>3,705,299</b>	<b>64,687,531</b>	<b>171,360,784</b>
<b>INVESTMENT INCOME</b>							
Interest and Dividends	2,674,939	4,171,591	4,363,867	3,940,798	4,299,476	5,851,805	25,142,476
Net Appreciation (Depreciation) in fair value of investments	(10,365,881)	(110,856,942)	(135,779,761)	141,339,199	(28,574,223)	(2,336,682)	(153,172,391)
Securities Lending Income	36,000	29,250	32,457	35,914	30,947	55,107	208,767
Other Additions							0
Other Investment Related Expense	(463,387)	(474,387)	(770,222)	(197,381)	(513,027)	(403,838)	(2,354,254)
Securities Lending Expense	3,410	(4,030)	17,798	3,166	26,387	35,196	81,918
<b>TOTAL ADDITIONS</b>	<b>57,305,095</b>	<b>(103,976,478)</b>	<b>(127,309,824)</b>	<b>148,836,624</b>	<b>(21,813,145)</b>	<b>87,629,119</b>	<b>41,897,361</b>
<b>DEDUCTIONS</b>							
<b>ASSOCIATION BENEFITS</b>							
Retiree Annuity	2,877,870	2,803,168	2,608,554	2,607,079	2,215,376	2,803,919	15,813,966
Retiree Pension	6,081,746	6,213,436	6,141,097	6,173,786	6,206,238	6,119,179	36,905,482
Retiree COLA	2,583,422	2,567,502	2,563,624	2,561,767	2,541,841	2,526,785	15,344,942
Retiree Deaths and Modified Work Benefit	3,579	3,579	3,579	3,579	3,579	3,579	21,475
Active Member Death Benefit	0	0	0	0	0	0	0
Voies and Release	0	0	0	0	0	0	0
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>11,246,618</b>	<b>11,387,685</b>	<b>11,314,354</b>	<b>11,346,211</b>	<b>11,367,030</b>	<b>11,253,462</b>	<b>67,915,865</b>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>	<b>193,618</b>	<b>323,124</b>	<b>208,836</b>	<b>314,565</b>	<b>199,181</b>	<b>372,822</b>	<b>1,762,145</b>
<b>ACTUARIAL FEES</b>	<b>32,790</b>	<b>111,290</b>	<b>(2,300)</b>	<b>2,250</b>	<b>2,290</b>	<b>2,290</b>	<b>148,290</b>
<b>CONSULTANT FEES - INVESTMENT (SIS)</b>	<b>33,333</b>	<b>33,333</b>	<b>33,333</b>	<b>33,333</b>	<b>33,333</b>	<b>33,333</b>	<b>199,999</b>
<b>CUSTODIAN FEES - STATE STREET</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>	<b>116,836</b>
<b>INVESTMENT MANAGEMENT FEE - R1000 INDEX</b>	<b>5,628</b>	<b>5,470</b>	<b>5,405</b>	<b>5,596</b>	<b>5,559</b>	<b>5,579</b>	<b>33,208</b>
<b>INVESTMENT MANAGEMENT FEE - ABERDEEN</b>	<b>27,574</b>	<b>23,680</b>	<b>25,719</b>	<b>24,813</b>	<b>24,776</b>	<b>25,000</b>	<b>151,563</b>
<b>INVESTMENT MANAGEMENT FEE - PYRAMS</b>	<b>16,867</b>	<b>15,879</b>	<b>16,411</b>	<b>16,195</b>	<b>16,324</b>	<b>16,124</b>	<b>97,801</b>
<b>INVESTMENT MANAGEMENT FEE - BROWN BROTHERS</b>	<b>6,306</b>	<b>10,512</b>	<b>8,411</b>	<b>9,622</b>	<b>9,723</b>	<b>9,698</b>	<b>54,271</b>
<b>INVESTMENT MANAGEMENT FEE - BRIDGE CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON</b>	<b>35,092</b>	<b>34,924</b>	<b>32,659</b>	<b>34,194</b>	<b>32,450</b>	<b>33,483</b>	<b>202,811</b>
<b>INVESTMENT MANAGEMENT FEE - CHARTWELL</b>	<b>36,804</b>	<b>31,200</b>	<b>30,945</b>	<b>34,690</b>	<b>35,387</b>	<b>34,942</b>	<b>203,867</b>
<b>INVESTMENT MANAGEMENT FEE - D E SHAW</b>	<b>46,529</b>	<b>42,946</b>	<b>41,600</b>	<b>44,717</b>	<b>44,797</b>	<b>45,259</b>	<b>265,853</b>
<b>INVESTMENT MANAGEMENT FEE - T ROWE PRICE</b>	<b>31,601</b>	<b>28,143</b>	<b>28,311</b>	<b>30,810</b>	<b>30,634</b>	<b>30,988</b>	<b>181,485</b>
<b>INVESTMENT MANAGEMENT FEE - BLACKROCK</b>	<b>64,729</b>	<b>58,521</b>	<b>57,473</b>	<b>60,959</b>	<b>59,684</b>	<b>59,739</b>	<b>361,104</b>
<b>INVESTMENT MANAGEMENT FEE - BARROW HANLEY</b>	<b>60,870</b>	<b>53,054</b>	<b>53,621</b>	<b>56,364</b>	<b>56,386</b>	<b>56,970</b>	<b>337,265</b>
<b>INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY</b>	<b>34,359</b>	<b>30,553</b>	<b>29,627</b>	<b>32,840</b>	<b>33,686</b>	<b>33,816</b>	<b>194,779</b>
<b>INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES</b>	<b>76,350</b>	<b>68,428</b>	<b>63,029</b>	<b>64,851</b>	<b>65,553</b>	<b>64,307</b>	<b>382,919</b>
<b>INVESTMENT MANAGEMENT FEE - MORGAN</b>	<b>32,441</b>	<b>30,065</b>	<b>28,417</b>	<b>30,543</b>	<b>29,484</b>	<b>29,561</b>	<b>186,011</b>
<b>INVESTMENT MANAGEMENT FEE - ARTIO</b>	<b>82,213</b>	<b>73,789</b>	<b>69,364</b>	<b>73,716</b>	<b>72,260</b>	<b>70,261</b>	<b>441,602</b>
<b>INVESTMENT MANAGEMENT FEE - WESTERN ASSET</b>	<b>27,287</b>	<b>24,934</b>	<b>26,191</b>	<b>25,598</b>	<b>25,490</b>	<b>25,716</b>	<b>155,196</b>
<b>INVESTMENT MANAGEMENT FEE - INVESCO CORE</b>	<b>51,937</b>	<b>51,937</b>	<b>51,937</b>	<b>50,082</b>	<b>52,723</b>	<b>37,440</b>	<b>301,056</b>
<b>INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150,000</b>	<b>0</b>	<b>0</b>	<b>150,000</b>
<b>INVESTMENT MANAGEMENT FEE - ABRYS ADVANCED</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INVESTMENT MANAGEMENT FEE - ABRYS PARTNERS</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>INVESTMENT MANAGEMENT FEE - AGR GLOBAL RISK PARITY</b>	<b>48,540</b>	<b>50,082</b>	<b>48,785</b>	<b>48,317</b>	<b>48,177</b>	<b>47,590</b>	<b>289,491</b>
<b>INVESTMENT MANAGEMENT FEE - AGR DELTA FUND</b>	<b>58,322</b>	<b>58,004</b>	<b>57,835</b>	<b>55,371</b>	<b>56,331</b>	<b>56,948</b>	<b>342,511</b>
<b>INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE</b>	<b>26,087</b>	<b>25,205</b>	<b>23,525</b>	<b>24,114</b>	<b>23,444</b>	<b>23,053</b>	<b>145,466</b>
<b>TOTAL PROFESSIONAL FEE</b>	<b>603,543</b>	<b>670,806</b>	<b>747,904</b>	<b>834,345</b>	<b>785,707</b>	<b>760,098</b>	<b>4,302,341</b>
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>	<b>151,218</b>	<b>236,478</b>	<b>220,549</b>	<b>240,481</b>	<b>243,639</b>	<b>302,097</b>	<b>1,473,461</b>
<b>ADMIN EXPENSE - SERVICES &amp; SUPPLIES</b>	<b>150,314</b>	<b>109,626</b>	<b>104,665</b>	<b>177,895</b>	<b>191,027</b>	<b>180,387</b>	<b>1,028,985</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>300,532</b>	<b>346,104</b>	<b>325,214</b>	<b>418,376</b>	<b>434,666</b>	<b>542,483</b>	<b>2,502,446</b>
<b>INTEREST FOR PREPAID CONTRIBUTION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,500,700</b>	<b>1,500,700</b>
<b>OTHER DEDUCTIONS</b>	<b>31,671</b>	<b>13,151</b>	<b>3,037</b>	<b>9,973</b>	<b>17,964</b>	<b>10,837</b>	<b>86,636</b>
<b>TOTAL DEDUCTIONS</b>	<b>12,621,982</b>	<b>12,948,820</b>	<b>12,898,945</b>	<b>13,823,460</b>	<b>12,764,555</b>	<b>14,442,391</b>	<b>78,792,163</b>
<b>NET INCREASE</b>	<b>45,273,023</b>	<b>(116,811,288)</b>	<b>(146,828,779)</b>	<b>135,813,153</b>	<b>(13,777,899)</b>	<b>73,196,727</b>	<b>(36,834,862)</b>



4/24/2012

**San Mateo County Employees' Retirement Association  
CHANGES IN FIDUCIARY NET ASSETS - TRAILING EIGHT MONTHS  
For the Month Ending March 31, 2012  
PRELIMINARY**

Agenda Item 7.1

	December YTD 2011	January 2012	February 2012	March 2012	YTD
<b>ADDITIONS</b>					
<b>CONTRIBUTIONS</b>					
Employee Contribution	22,944,430	3,653,189	3,805,165	3,945,428	34,348,230
Employer Contributions - Regular	46,264,811	7,724,967	7,370,689	7,410,529	68,770,797
Employer Contributions - COLA	25,718,225	4,290,783	4,091,409	4,184,367	38,202,777
Employer Profunded Contribution	77,038,458	(11,983,088)	(11,429,133)	(11,474,916)	47,148,352
<b>TOTAL CONTRIBUTIONS</b>	<b>171,965,794</b>	<b>3,685,853</b>	<b>3,838,131</b>	<b>3,965,398</b>	<b>183,476,155</b>
<b>INVESTMENT INCOME</b>					
Interest and Dividends	25,142,476	5,351,594	4,403,911	4,372,045	39,270,025
Net Appreciation (Depreciation) in fair value of Investments	(153,172,391)	82,487,374	76,445,194	21,543,717	27,305,894
Securities Lending Income	358,767	31,518	38,502	46,649	305,836
Other Additions	0	0	0	0	0
Other Investment Related Expense	(2,384,294)	(387,120)	(384,297)	(58,346)	(3,074,017)
Securities Lending Expense	81,918	28,837	6,475	15,588	132,818
<b>TOTAL ADDITIONS</b>	<b>41,867,381</b>	<b>81,328,546</b>	<b>84,428,516</b>	<b>29,907,649</b>	<b>247,436,712</b>
<b>DEDUCTIONS</b>					
<b>ASSOCIATION BENEFITS</b>					
Retiree Annuity	15,613,966	2,635,642	2,681,917	2,658,230	23,570,755
Retiree Pension	36,300,482	6,222,540	6,281,472	6,367,215	55,804,709
Retiree COLA	15,344,942	2,524,330	2,526,501	2,514,525	22,909,852
Retiree Death and Modified Work Benefit	21,475	3,579	3,579	3,579	32,212
Active Member Death Benefit	0	0	0	0	0
Volts and Reserve	0	0	0	0	0
<b>TOTAL ASSOCIATION BENEFITS</b>	<b>67,919,865</b>	<b>11,386,090</b>	<b>11,473,469</b>	<b>11,544,049</b>	<b>102,318,478</b>
<b>REFUND OF MEMBER CONTRIBUTIONS</b>					
	1,762,145	73,926	610,964	436,870	2,883,906
<b>ACTUARIAL FEES</b>					
	148,290	2,290	1,310	833	152,643
<b>CONSULTANT FEES - INVESTMENT (SIG)</b>					
	199,999	33,333	33,333	33,333	299,999
<b>CUSTODIAN FEES - STATE STREET</b>					
	116,836	17,574	31,072	15,947	181,430
<b>INVESTMENT MANAGEMENT FEE - R1000 INDEX</b>					
	33,208	6,391	6,507	6,566	52,722
<b>INVESTMENT MANAGEMENT FEE - ABERDEEN</b>					
	151,563	25,244	25,379	25,277	227,463
<b>INVESTMENT MANAGEMENT FEE - PYRAMS</b>					
	97,801	16,396	16,418	14,713	145,327
<b>INVESTMENT MANAGEMENT FEE - BROWN BROTHERS</b>					
	54,271	8,924	9,900	9,804	83,900
<b>INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL</b>					
	0	230,924	33,467	33,467	297,858
<b>INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON</b>					
	202,811	34,480	36,154	34,795	308,239
<b>INVESTMENT MANAGEMENT FEE - CHARTWELL</b>					
	203,867	37,414	40,246	38,682	320,209
<b>INVESTMENT MANAGEMENT FEE - D E SHAW</b>					
	265,853	47,601	50,712	51,029	415,195
<b>INVESTMENT MANAGEMENT FEE - T ROWE PRICE</b>					
	181,485	32,566	34,521	34,671	283,243
<b>INVESTMENT MANAGEMENT FEE - BLACKROCK</b>					
	361,154	62,331	66,372	66,452	556,209
<b>INVESTMENT MANAGEMENT FEE - BARRON HALEY</b>					
	337,265	58,597	61,189	61,445	518,407
<b>INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY</b>					
	194,775	38,246	37,545	37,722	306,288
<b>INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES</b>					
	302,918	68,021	69,881	60,407	591,228
<b>INVESTMENT MANAGEMENT FEE - MORGAN</b>					
	185,011	26,054	22,810	24,685	258,561
<b>INVESTMENT MANAGEMENT FEE - ARTIQ</b>					
	441,602	73,046	76,899	82,068	653,616
<b>INVESTMENT MANAGEMENT FEE - WESTERN ASSET</b>					
	155,196	25,457	26,193	23,326	230,172
<b>INVESTMENT MANAGEMENT FEE - INVESCO CORE</b>					
	301,056	68,007	62,723	52,723	474,509
<b>INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS</b>					
	190,000	0	0	0	190,000
<b>INVESTMENT MANAGEMENT FEE - ABRV ADVANCED</b>					
	0	133,599	0	0	133,599
<b>INVESTMENT MANAGEMENT FEE - ABRV PARTNERS</b>					
	0	96,621	0	0	96,621
<b>INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARTY</b>					
	389,491	48,480	50,576	50,576	438,123
<b>INVESTMENT MANAGEMENT FEE - AQR DELTA FUND</b>					
	342,511	56,639	57,883	57,883	514,916
<b>INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE</b>					
	149,466	65,311	36,515	35,402	287,693
<b>TOTAL PROFESSIONAL FEE</b>	<b>4,932,341</b>	<b>1,312,418</b>	<b>877,657</b>	<b>832,807</b>	<b>7,915,221</b>
<b>ADMIN EXPENSE - SALARIES &amp; BENEFITS</b>					
	1,473,481	261,951	273,319	268,334	2,276,086
<b>ADMIN EXPENSE - SERVICES &amp; SUPPLIES</b>					
	1,208,995	82,446	86,122	115,011	1,292,573
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>2,682,476</b>	<b>344,397</b>	<b>361,441</b>	<b>381,345</b>	<b>3,503,655</b>
<b>INTEREST FOR PREPAID CONTRIBUTION</b>					
	1,502,700	0	0	0	1,502,700
<b>OTHER DEDUCTIONS</b>					
	86,636	(10,080)	(1,921)	(1,190)	72,974
<b>TOTAL DEDUCTIONS</b>	<b>78,792,163</b>	<b>13,104,250</b>	<b>13,321,609</b>	<b>13,193,915</b>	<b>118,323,837</b>
<b>NET INCREASE</b>	<b>(36,834,862)</b>	<b>78,121,796</b>	<b>71,106,796</b>	<b>16,713,134</b>	<b>129,106,775</b>

March 2012 Financials.xls

**San Mateo County Employees' Retirement Association**  
**Statement of Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending March 31, 2012**

	March 2012	February 2012	Increase/(Decrease)	% of Incri/Decr
<b>ASSETS</b>				
CASH AND CASH EQUIVALENTS	56,926,786	85,971,354	(29,044,568)	-33.78%
SECURITIES LENDING CASH COLLATERAL	184,315,176	184,315,176	0	0.00%
<b>TOTAL CASH</b>	<b>241,241,962</b>	<b>270,286,530</b>	<b>(29,044,568)</b>	<b>(0)</b>
<b>RECEIVABLES</b>				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	153,423,806	168,534,602	(15,110,796)	-8.97%
Investment Income	5,838,371	5,792,754	45,617	0.79%
Securities Lending Income	55,172	38,312	16,861	44.01%
Other Receivable	113,646	113,762	(115)	-0.10%
<b>TOTAL ACCOUNTS RECEIVABLES</b>	<b>159,430,995</b>	<b>174,479,429</b>	<b>(15,048,434)</b>	<b>-8.62%</b>
PREPAID EXPENSE	7,669	7,669	0	0.00%
<b>INVESTMENTS AT FAIR VALUE</b>				
Domestic Fixed Income Securities	551,890,120	596,084,295	(44,194,175)	-7.41%
Domestic Equities	957,950,599	945,984,886	11,965,713	1.26%
International Equities	438,432,810	367,127,969	71,304,841	19.42%
Real Estate	142,552,672	142,552,672	0	0.00%
Private Equity	13,995,120	13,342,298	652,822	4.89%
Risk Parity	154,371,898	154,371,898	0	N/A
Hedge Funds	69,636,864	69,636,864	0	N/A
Commodities	71,860,145	71,972,730	(112,584)	-0.16%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	<b>2,400,690,028</b>	<b>2,361,073,412</b>	<b>39,616,616</b>	<b>1.68%</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>2,801,370,654</b>	<b>2,805,847,040</b>	<b>(4,476,386)</b>	<b>-0.16%</b>
<b>LIABILITIES</b>				
Investment Management Fees	2,741,083	2,120,550	620,532	29.26%
Due to Broker for Investments Purchased	166,639,369	188,511,697	(21,872,328)	-11.60%
Collateral Payable for Securities Lending	184,315,176	184,315,176	0	0.00%
Other	792,423	730,147	62,275	8.53%
<b>TOTAL LIABILITIES</b>	<b>354,488,051</b>	<b>375,677,571</b>	<b>(21,189,520)</b>	<b>-5.64%</b>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	<b>2,446,882,603</b>	<b>2,430,169,469</b>	<b>16,713,134</b>	<b>0.69%</b>

**San Mateo County Employees' Retirement Association**  
**Statement of Changes in Fiduciary Net Assets - Monthly Comparative**  
**For the Month Ending March 31, 2012**

	March 2012	February 2012	
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS</b>			
Employer Contribution	149,121,925	149,081,954	39,971
Employee Contribution	34,348,230	30,402,805	3,945,425
<b>TOTAL CONTRIBUTIONS</b>	<u>183,470,155</u>	<u>179,484,759</u>	<u>3,985,396</u>
<b>INVESTMENT INCOME</b>			
Interest and Dividends	39,270,025	34,897,981	4,372,045
Net Appreciation (Depreciation) in fair value of investments	27,277,127	5,758,267	21,518,860
Less Investment Expense	(12,551,938)	(11,660,786)	(891,152)
Less Asset Management Expense	0	0	0
<b>NET INVESTMENT INCOME</b>	<u>53,995,215</u>	<u>28,995,462</u>	<u>24,999,752</u>
<b>SECURITIES LENDING INCOME</b>			
Earnings	325,836	279,188	46,649
Less: Securities Lending Expenses	132,818	117,230	15,588
<b>NET SECURITIES LENDING INCOME</b>	<u>458,655</u>	<u>396,418</u>	<u>62,237</u>
OTHER ADDITIONS	28,766	1,909	26,857
<b>TOTAL ADDITIONS</b>	<u>237,952,791</u>	<u>208,878,548</u>	<u>29,074,243</u>
<b>DEDUCTIONS</b>			
<b>ASSOCIATION BENEFITS</b>			
Service Retirement Allowance	90,282,824	80,145,133	10,137,691
Disability Retirement Allowance	11,500,529	10,153,296	1,347,233
Survivor, Death and Other Benefits	536,125	477,000	59,125
<b>TOTAL ASSOCIATION BENEFITS</b>	<u>102,319,478</u>	<u>90,775,429</u>	<u>11,544,049</u>
REFUND OF MEMBER CONTRIBUTIONS	2,883,906	2,447,036	436,870
ADMINISTRATIVE EXPENSE	3,569,658	3,188,313	381,345
OTHER EXPENSE	72,974	74,130	(1,156)
<b>TOTAL DEDUCTIONS</b>	<u>108,846,016</u>	<u>96,484,908</u>	<u>12,361,108</u>
<b>NET INCREASE</b>	<b>129,106,775</b>	<b>112,393,640</b>	<b>16,713,134</b>
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,430,169,469	2,317,775,829	
End of Period	2,446,882,603	2,430,169,469	

San Mateo County Employees' Retirement Association  
Board of Retirement

April 24, 2012

Agenda Item 7.2

To: Board of Retirement

From: Mabel Wong, Finance Officer



Subject: Preliminary Third Quarter Budget Report

DISCUSSION: *SamCERA's* budget consists of three components, an administrative budget and a technology budget authorized by Government Code §31580.2, and a professional services budget authorized by Government Code §31596.1.

Professional Services Budget - Attachment One provides an overview of the accrued professional services expenditures. Investment management fees are driven by contractual agreements and based on total assets under management. Fees for the actuarial services, investment consulting services and global custodian services are based on services detailed in the contractual agreements. The preliminary annualized aggregate professional services fee as of March 31, 2012, is approximately 37.8 basis points versus the expected fee of 36.3 basis points.

*SamCERA's* Administrative Budget –The adopted administrative budget by category, versus the preliminary fiscal expenditures is shown in the table below.

**Attachment Two** provides a review of the line item administrative appropriations versus the preliminary expenditures. Through the third quarter, *SamCERA* expended 71.7% of the approved appropriations. Under **Salaries & Benefits** *SamCERA* budgets all positions and benefits. Those expenditures are on pace with expectations. Under **Services & Supplies** the association budgets all overhead and operational expenditures. Staff wishes to point out that Medical Evaluations and Leased Facilities expenditures are over their appropriation. The need for medical evaluations varies from year to year and the original appropriation is an estimate based on prior experience. In fiscal year 2011-2012 *SamCERA* is experiencing a higher than average need for evaluations. The overage in Leased Facilities is a result of the acquisition of additional space. It includes the preparation of the new space and reconfiguration of existing space. Regarding **Capital Assets**, *SamCERA* prefers to expense as much of its expenditures as possible. Therefore, there has not been an allocation for **Capital Assets** in this fiscal year's budget.

***SamCERA's* Administrative Budget**

	Adopted Budget	YTD Preliminary
Salaries & Benefits	\$3,465,963	\$2,275,086
Services & Supplies	\$1,268,237	\$ 1,119,926
Capital Assets	\$ 0	\$ 0
Total	\$4,734,200	\$3,395,012



**Attachment Three** provides a review of the line item technology appropriations versus the preliminary expenditures. Staff is in the process of evaluating a Request For Proposal (RFP) to select a consultant to assist *SamCERA* in its information technology modernization project. Once the RFP is completed, work will begin and expenses will be realized on appropriations that fall under IT Infrastructure.

***SamCERA's Technology Budget***

	Adopted Budget	YTD Preliminary
Property & Equipment	\$60,000	\$25,827
IT Infrastructure	\$1,806,000	\$148,820
<b>IT Total</b>	<b>\$1,866,000</b>	<b>\$174,647</b>

San Mateo County Employees' Retirement Association  
**Board of Retirement**

April 24, 2012  
 Attachment One

Third Quarter Analysis  
 03-31-2011

Agenda Item 7.2

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, *"The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:*

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.*
- (b) The compensation of any bank or trust company performing custodial services.*
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.*
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.*
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."*

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	FEE (1)	2011-2012 YTD EXPENSE (ACCRUED)	2011-2012 ESTIMATE
Milliman (3)	Actuarial Consulting	0.1 bp	\$152,650	\$150,000
Strategic Investment Solutions	Investment Consulting	0.4 bp	\$300,000	\$400,000
State Street Bank & Trust	Global Custody	0.1 bp	\$181,400	\$200,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			\$634,050	\$750,000
<i>Estimated Market Value 06-30-2012</i>			\$2.6 Billion	\$2.6 Billion
Average Basis Points (2)			3.3 bp	2.9 bp

- (1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes a market value of \$2.6 billion
- (3) The YTD expenses for Milliman included charges from Segal Company for actuarial audit.

The contractual fee schedule for investment managers appears on the following page.



CONTRACTOR	SERVICE	FEE	2011-2012 YTD EXPENSE (ACCRUED)	2011-2012 ESTIMATE
BlackRock – Russell 1000 Index Fund	Domestic Large Cap Equity	4.1 bp	52,700	\$95,000
D.E. Shaw Investment Management,	Domestic Large Cap Enhanced	49.5 bp	415,200	\$475,000
T. Rowe Price Associates	Domestic Large Cap Enhanced	35.0 bp	283,300	\$350,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	43.0 bp	518,400	\$650,000
BlackRock Capital Management	Domestic Large Cap Growth	45.1 bp	556,300	\$675,000
The Boston Company	Domestic Small Cap Equity	84.4 bp	306,300	\$375,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0 bp	321,200	\$350,000
Jennison Associates	Domestic Small Cap Equity	75.0 bp	591,300	\$775,000
Artio Global Investors	International Equity	47.2 bp	653,600	\$975,000
Baillie Gifford	International Equity	N/A	N/A	N/A
Eaton Vance – Parametric	International Equity	N/A	N/A	N/A
Mondrian Investment Partners	International Equity	27.0 bp	258,600	\$375,000
Pyramis Global Advisors	International Equity	N/A	N/A	N/A
ABRY II	Private Equity	N/A	N/A	N/A
ABRY VII	Private Equity	N/A	N/A	N/A
General Catalyst Group	Private Equity	N/A	N/A	N/A
Regiment Capital Fund IV	Private Equity	N/A	N/A	N/A
Sheridan Production Partners	Private Equity	N/A	N/A	N/A
AQR Risk Parity	Risk Parity Portfolio	40.0 bp	439,100	\$550,000
AQR Delta Hedge Fund	Hedge Fund	100.0 bp	514,900	\$650,000
SSgA/SSARIS Commodities	Commodities	75.0 bp	282,700	\$400,000
Aberdeen Asset Management	Domestic Fixed Income	24.3 bp	227,500	\$375,000
Angelo Gordon (PIIP)	Domestic Fixed Income	N/A	N/A	N/A
Brigade Capital Management	Domestic Credit Opportunity Fixed Income	43.8 bp	297,900	\$250,000
Brown Brothers Harriman	Treasury Inflation Protection Securities	15.0 bp	83,900	\$125,000
Franklin Templeton	Global Fixed Income	39.3 bp	308,300	\$425,000
Pyramis Global Advisors	Domestic Fixed Income	17.6 bp	145,300	\$200,000
Western Asset Management	Domestic Fixed Income	27.6 bp	230,200	\$350,000
INVESCO Realty Advisors	Real Estate Management	14.3 bp	474,500	\$650,000
SUB-TOTAL INVESTMENT MANAGERS			\$6,691,200	\$8,685,000
Average Basis Points (1)			51.5 bp	40.3 bp
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			\$634,050	\$750,000
Average Basis Points (2)			3.3 bp	2.9 bp
TOTAL ESTIMATED CONTRACT FEES			\$7,325,250	\$9,435,000
<i>Estimated Market Value 06-30-2012</i>			\$2.6 billion	\$2.6 billion
Average Basis Points (2)			37.8 bp	36.3 bp

- (1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes a market value of \$2.6 billion

SamCERA's  
Administrative Budget  
Fiscal Year 2011-2012  
3rd Quarter  
as of March 31, 2012  
PRELIMINARY

	<b>Budget Allotment (as Amended)</b>	<b>Year to Date Expenditures</b>	<b>Percentage Expended</b>	<b>Remaining Balance</b>	<b>Remaining Percentage</b>
Salaries	\$2,313,000	\$1,474,708	63.8%	\$838,292	36.2%
Benefits	\$1,152,963	\$800,378	69.4%	\$352,585	30.6%
<b>Salaries &amp; Benefits</b>	<b>\$3,465,963</b>	<b>\$2,275,086</b>	<b>65.6%</b>	<b>\$1,190,877</b>	<b>34.4%</b>
Board Expense	\$10,500	\$6,000	57.1%	\$4,500	42.9%
Insurance	\$77,000	\$57,750	75.0%	\$19,250	25.0%
Medical Evaluation	\$45,000	\$84,061	186.8%	-\$39,061	-86.8%
Member Education	\$45,000	\$38,748	86.1%	\$6,252	13.9%
Education & Conference	\$148,700	\$51,357	34.5%	\$97,343	65.5%
Transportation and Lodging	\$126,500	\$55,644	44.0%	\$70,856	56.0%
Property & Equipment	\$0	\$3,545	0.0%	-\$3,545	0.0%
General Office Supplies	\$25,000	\$22,050	88.2%	\$2,950	11.8%
Postage & Printing	\$125,000	\$49,968	40.0%	\$75,032	60.0%
Leased Facilities	\$295,000	\$438,137	148.5%	-\$143,137	-48.5%
County Services	\$325,037	\$269,655	83.0%	\$55,382	17.0%
Audit Services	\$45,500	\$40,819	89.7%	\$4,681	10.3%
Other Administration	\$0	\$2,193	0.0%	-\$2,193	0.0%
<b>Services &amp; Supplies</b>	<b>\$1,268,237</b>	<b>\$1,119,926</b>	<b>88.3%</b>	<b>\$148,311</b>	<b>11.7%</b>
<b>Capital Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>
<b>Depreciation</b>		<b>\$0</b>			
<b>Grand Total</b>	<b>\$4,734,200</b>	<b>\$3,395,012</b>	<b>71.7%</b>	<b>\$1,339,188</b>	<b>28.3%</b>



SamCERA's  
Information Technology Budget  
Fiscal Year 2011-2012  
3rd Quarter  
as of March 31, 2012  
PRELIMINARY

	<b>Budget Allotment (as Amended)</b>	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Property & Equipment	\$60,000	\$25,827	43.0%	\$34,173	57.0%
IT Infrastructure	\$1,806,000	\$148,820	8.2%	\$1,657,180	91.8%
<b>IT Total</b>	<b>\$1,866,000</b>	<b>\$174,647</b>	<b>9.4%</b>	<b>\$1,691,353</b>	<b>90.6%</b>

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

**Board of Retirement**

April 24, 2012

Agenda Item 7.3

To: Board of Retirement

From: Mabel Wong, Finance Officer 

Subject: Approval of *SamCERA's Sources, Uses, and Budget Report* for Fiscal year 2012/2013

STAFF RECOMMENDATION: Staff recommends that the Board of Retirement approve the attached budget resolution, which approves *SamCERA's* 2012/2013 Administrative, Technology, and Professional Budgets.

COMMENT: *SamCERA's* budget consists of three components, a professional services budget authorized by Government Code §31596.1, an administrative budget and a technology budget authorized by Government Code §31580.2.

*SamCERA's Professional Services Budget* - Investment management fees are driven by contractual agreements and based on total assets under management. These fees are budgeted using the following methodology. The portfolio growth is projected at the CAPM rate then the negotiated management fee is applied on an annualized basis. Fees for the actuarial services, investment consulting services and global custodian services are based per-service and/or per-retainer as detailed in the contractual agreements. An overview of the projected professional services expenditures appears at the end of this document.

*SamCERA's Administrative Budget* - Government Code Section 31580.2 of the County Employees Retirement Law of 1937 was amended in 2010 to limit *SamCERA's* administrative budget to twenty-one hundredths of 1 percent (0.21%) or 21 basis points (bps) of the total accrued actuarial liability of the retirement system. In addition, the amendment states that expenditures for computer software, hardware, and consulting services in support of computer products are not to be considered as administrative cost. The technology budget is shown separately after the administrative budget. This year's proposed administrative budget is 16.61 bps. It is based on the beginning accrued actuarial liability of \$3.247 billion as of June 30, 2011 as determined by the system's actuarial firm, Milliman.

The budget consists of three major categories. The first is staff salaries and benefits. Totals in this category represent compensation and benefits for individual job classifications, including those that have been negotiated through various bargaining units. The next category is services and supplies. This category is comprised of various line items covering administrative overhead. Details of the line items are provided later in this document. The final category is capital assets. *SamCERA's* policy is to expense capital assets in the current year whenever possible. There are no monies appropriated for capital assets in this year's budget.

It should be noted that there is a 13.9% increase in appropriation request year over year. This is due to the inclusion of three positions anticipated to be hired in the fiscal year, and an increase in service from hearing officers and potential lease of additional space.

The proposed administrative budget by category is:

***SamCERA's Administrative Budget***

	<b>Proposed Budget</b>	<u>Basis Points</u>
Salaries & Benefits	\$3,895,420	
Services & Supplies	\$1,496,380	
Capital Assets	<u>\$ 000,000</u>	
Total	\$5,391,800	16.61 bps



**SamCERA's Administrative Services Line Item Budget:**

San Mateo County Employees' Retirement Association						
Proposed Fiscal Year 2012-2013 Administrative Budget						
	FY 2010-2011	FY 2011-2012	FY 2011-2012	FY 2011-2012	FY 2012-2013	Percentage Change
Expenditure Object	Actual	As Adopted	Actual FYTD	Projected Total	Proposed	Year/Year
Salaries	\$1,873,921	\$2,313,000	\$1,474,708	\$2,313,000	\$2,584,060	11.72%
Benefits	\$965,888	\$1,152,963	\$800,378	1,152,963	1,311,360	13.74%
<b>Salaries &amp; Benefits</b>	<b>\$2,839,810</b>	<b>\$3,465,963</b>	<b>\$2,275,086</b>	<b>\$3,465,963</b>	<b>\$3,895,420</b>	<b>12.39%</b>
Board Expense	\$8,600	\$10,500	\$6,000	\$10,500	\$10,500	0.00%
Insurance (General & Fiduciary)	\$76,698	\$77,000	\$57,750	\$77,000	\$80,000	3.90%
Medical Record/Hearing Service	\$100,143	\$45,000	\$84,061	\$130,000	\$100,000	122.22%
Member Education	\$48,077	\$45,000	\$38,748	\$45,000	\$45,000	0.00%
Education & Conference	\$61,462	\$148,700	\$51,357	\$148,700	\$103,858	-30.16%
Transportation & Lodging	\$82,921	\$126,500	\$55,644	\$126,500	\$158,297	25.14%
Property & Equipment	\$13,134	\$0	\$3,545	\$8,000	\$22,500	N/A
General Office Supplies	\$20,811	\$25,000	\$22,050	\$30,000	\$33,500	34.00%
Postage & Printing	\$60,902	\$125,000	\$49,968	\$75,000	\$125,000	0.00%
Leased Facilities	\$242,826	\$295,000	\$438,137	\$295,000	\$366,200	24.14%
County Services	\$359,443	\$325,037	\$269,655	\$325,037	\$356,025	9.53%
Audit Services	\$41,495	\$45,500	\$40,819	\$45,500	\$45,500	0.00%
Other Administration	\$112,934	\$0	\$2,193	\$8,000	\$50,000	N/A
<b>Services &amp; Supplies</b>	<b>\$1,229,447</b>	<b>\$1,268,237</b>	<b>\$1,119,927</b>	<b>\$1,324,237</b>	<b>\$1,496,380</b>	<b>17.99%</b>
Capital Assets	\$0	\$0	\$0	\$0	\$0	N/A
<b>Grand Total</b>	<b>\$4,069,256</b>	<b>\$4,734,200</b>	<b>\$3,395,013</b>	<b>\$4,790,200</b>	<b>\$5,391,800</b>	<b>13.89%</b>

**SamCERA's Administrative Expenses (GC§31580.2):**

For comparison purpose, the administrative expenses for the current and past years have been restated to the current definition which include asset management expense and exclude technology expenses. GC§31580.2 authorizes the allocation of 21/100's of 1% of the accrued actuarial liability of the fund to defray administrative costs. Administrative Expense is estimated to be 14.8/100's of 1% during the fiscal year ending June 30, 2012 and is projected to be 16.6/100's of 1% in fiscal year 2012-2013. Both numbers are based on accrued actuarial liabilities of \$3.247 billion as of June 30, 2011.

Administrative expenses represented approximately 3% percent of the total disbursements of the association for the fiscal year ending June 30, 2011. During fiscal year 2011-2012 legislative limit on administrative appropriations changed from 23 basis points of assets to 21 basis points of liabilities. The administrative expenses for fiscal year 2011-2012 are projected to be 3.3% of total disbursements; the increase is due to addition of the system's dedicated chief legal counsel and executive secretary. The fiscal year 2012-2013 proposed appropriation is estimated to be 3.6% of total disbursements. The increase is mainly due to the inclusion of funds for three positions anticipated to be hired during the fiscal year; two positions related to the implementation of technology projects to replace SamCERA's core information technology, and one position to support the increasingly complex investment portfolio. The FY 2012-2013 budget also include \$60,000 for a potential lease of new office space for technology projects.



Each line item is budgeted based upon a pre-determined need or a new objective and is based upon past costs, vendor proposals, or estimates. Supporting schedules provide details for related expenditures grouped as one line item. Line item projected expenditures are grouped into the following categories: Salaries & Benefits, Services & Supplies and Capital Assets.

The Board of Retirement reviews year-to-date actual expenses quarterly for budget compliance.

### Salaries & Benefits

**SamCERA's Staff:** *SamCERA's* operations are managed by the Chief Executive Officer (CEO) who serves at the pleasure of the Board of Retirement. The CEO is a county employee and *SamCERA* member who serves under contract to the board.

*SamCERA's* staff is responsible for administering the policies and programs approved by the board. Reporting to the CEO are the Assistant Executive Officer, the Chief Investment Officer, Chief Legal Counsel, and the Finance Officer.

The Assistant Executive Officer and his staff administer *SamCERA's* Benefit, Communication & Information Technology programs.

The *SamCERA* Benefits Division is committed to serving active and retired members and their beneficiaries in a caring, fair, accurate, timely, knowledgeable and professional manner. The Benefits Division is responsible for providing accurate and timely preparation of retiree payroll, purchase contracts, benefit estimates, updates to retiree information, establishing incoming and outgoing reciprocity, processing disability retirements, counseling retirement and disability applicants, and providing retirement education to its members.

The benefits staff constantly strives to identify ways to keep members informed on how they can enhance their retirement benefits. Likewise, the benefits staff constantly looks for ways to insure that members are receiving only the benefits they are entitled to receive. This is done through a number of ways to include verification of data in our database.

The Chief Investment Officer and his staff are responsible for overseeing and monitoring the board's independent investment managers and other consultants.

The Finance Officer and her staff are responsible for: (1) establishing and maintaining internal controls designed to protect the assets of the fund; (2) maintaining the accounting records of the association; (3) compiling data necessary for, and preparing, financial statements in conformity with generally accepted accounting principals and applicable requirements; and (4) preparing and monitoring *SamCERA's* annual budgets.

The Chief Legal Counsel serves as legal advisor to the Board of Retirement and staff; represents *SamCERA* in civil cases; provides legal advice and assistance to the Board on issues involving Board governance, Conflict of Interest reporting requirements, the Brown Act and the Public Records Act, analyzes state and federal legislation and regulations; conducts legal research of complex pension issues and formulates draft policies and Board regulations, drafts contracts, resolutions, and other documents, coordinates and oversees the work of outside counsel.

*SamCERA's Staff*

	2011	2012	2013*	
<b>Total Plan</b>	<b>20</b>	<b>20</b>	<b>20</b>	
Benefits Section	9	9	9	
Finance Section	4	4	4	
Investment Section	2	2	2	
Technology Section	2	2	2	
Legal Section	1	1	1	
Executive Section	2	2	2	

\*The Salaries and Benefits appropriation cover the projected cost of the twenty full time employees and includes the cost of three full time positions anticipated to be added in FY 2012-2013. One of these positions will be investment related to support the increasingly complex investment portfolio structure; the classification is pending the filling of the newly retired Chief Investment Officer position. The other two positions will be related to the implementation of technology projects and contingent on the outcome of business process redesign study and staffing study scheduled to begin in the 4<sup>th</sup> quarter of the current fiscal year.

The salaries and benefits appropriation also allows for projected overtime and extra help hours that will be necessary to complete specific special projects throughout the fiscal year.



## Special Projects Completed in 2011/2012

- ✓ Collaborated with the County's Human Resources Department, Information Services Department and the Controller's Payroll Division to implement the new negotiated retirement plans, which required new employee entry age contribution rate tables, the creation of new tiers and a COLA share component for new employees and required the implementation of separate contribution rates and COLA shares for an existing bargaining unit during the current contribution year.
- ✓ Created new First Things First booklets, New Hire Enrollment Forms and Revocation Forms for Probation Members hired on or after July 10, 2011; General Members hired on or after August 7, 2011; and Safety Members hired on or after January 8, 2012.
- ✓ Accomplished the File Scrub Project due to the anticipated Electronic Document Management System (EDMS) implementation. Staff reviewed over 10,000 active, terminated, disability and deferred member files and removed unnecessary documents so that only appropriate documents are imaged; insuring that resources are not wasted when scanning, indexing and storing of documents begins.
- ✓ Completed the Actuarial Valuation Cards Project, which required the Benefits staff to transfer manual index cards containing necessary information such as old employee identification numbers to PensionGold. This will allow staff to retrieve historical payroll files necessary in the event a member returns to work for the county.
- ✓ Completed the Alive & Well Project targeting retirees between the ages of 95 and up. The purpose of this project is to confirm that retirement benefits are being paid to the correct individuals. This was accomplished by sending correspondence along with Certification of Eligibility for Payment forms to two hundred and thirty members.
- ✓ Improved member communication by redesigning *SamCERA's Ready to Retire, First Things First, Dissolution of Marriage, Disability and Understanding Reciprocity* booklets. The new smaller, compact booklets are filled with informative material and graphics to help members understand their benefits.
- ✓ Drafted a Communications Plan to help outline *SamCERA's* communications plan efforts for the year, which involve new and better ways for *SamCERA* staff to communicate with its stakeholders through a variety of communication media.
- ✓ Worked with new Board Medical Advisor to provide guidance and clarification on the disability process along with improving the process by going green and utilizing DropBox to view medical records in lieu of hard copies.
- ✓ Revised *SamCERA* forms and purchase agreements for consistency and created a master form list to insure

only current up-to-date forms are being utilized.

- ✓ Redesigned the Comprehensive Annual Financial Report (CAFR) to a professional level. Improved the layout of text, charts, and tables; added colors and graphics to enhance the look and feel of the annual report.
- ✓ Improved the dissemination of information with regards to *SamCERA* sponsored financial classes. *SamCERA* partnered with Public Works to display the class schedules on the County's electronic boards.
- ✓ Worked in conjunction with Human Resources' Training Division to offer the financial classes to the Consortium Group, which consists of all the cities within San Mateo County.
- ✓ Coordinated efforts with the County's Human Resources' Benefit Division to offer new hire workshops on a bi-weekly basis.

**The major projects to be accomplished in FY 2012-13 are:**

- **Clean-Up of Member Information in PensionGold** – In preparation for the implementation of a new Pension Administration System (PAS), data in member records in PensionGold will be reviewed. Inconsistent member information, such as plan type for terminated employees in PensionGold will be fixed so that information transferred to the new PAS will be accurate.
- **Organization of Offsite Storage Boxes** – There are currently 59 boxes stored offsite filled with terminated employee files and information. When the boxes were originally submitted, their contents were not documented. Staff will work to sort it by year of termination and create a spreadsheet documenting what is in each box. This will help staff to easily retrieve terminated member information.
- **Create Member Education Master Plan** – The main objectives in developing a member education master plan will be to strengthen members' understanding of their *SamCERA* benefits and provide them with the financial knowledge and tools to make smart choices for the future. Benefits Staff will achieve this by updating all member education materials, offering different avenues of receiving information, such as web based retirement presentations, re-evaluating current classes offered by Financial Knowledge Network, and creating a retirement planning checklist for members.
- **Organization of Q Drive** – A major undertaking of the Benefits Division is to organize the "Q" Drive Benefits Directory, which contains valuable member communications, source forms, calculations, purchase information and notes and correspondence to members. Staff is working to arrange the information in a more logical and easy to retrieve manner.
- **Update *SamCERA*'s Cross Reference Table** – In preparation for *SamCERA*'s request for a tax determination letter and the completion of the supervisors' resolutions project, staff organized the



governing documents for the plan. *SamCERA* has an outdated cross reference table that needs to be updated. Currently *SamCERA* has an indexed version of the Board of Retirement Resolutions and a clean copy of the Board of Retirement Regulations. Staff also maintains a current copy of the 1937 Act and a searchable collection of the Board of Supervisors Resolutions that pertain to the retirement plan. Updating the cross reference table will be one of the best ways to determine if the searchable collection of Board of Supervisors Resolutions is missing any key documents. More importantly, it will be a valuable resource to find the applicable governance citation when conducting research. This project will be time consuming.

**The Benefits Division will be faced with the following challenges in the coming fiscal year:**

- Balancing current workload along with completing new and ongoing project objectives. This is especially true with system implementations like Enterprise Content Management (ECM), which will require staff to expend their time in describing procedures to project personnel and validating and testing software as the vendors produce their solutions.
- Maintaining high customer satisfaction ratings and providing timely service because of increased workload due to early retirement offers and layoffs at the County caused by structural budget deficits and by identified IT and Benefits projects.

**Services and Supplies**

**Board Expense**

Government Code allows for a \$100 stipend per board and committee meeting for the four appointed members of the board and the elected retired member and the elected retired member alternate.

**Insurance (General & Fiduciary)**

This category appropriates monies for *SamCERA's* general liability and fiduciary insurance. *SamCERA* engages Travelers as its fiduciary insurance carrier.

**Medical Record and Hearing Officer Service**

This expenditure provides for the cost of referring a disability applicant to an independent medical examiner (IME) and paying the cost of obtaining medical records from non-responsive medical offices through the use of a medical records collection service. Although staff believes last fiscal year's expenditure, the highest on record, is an aberration, it is recommended that the higher amount be apportioned this year.

This item also provides for hearing officer service after a member's service-connected disability application is denied by the board. The member may appeal the board decision through a hearing officer.

**Member Education**

*SamCERA's* Strategic Plan calls for a member education program and based upon the results of the member surveys, the membership has a strong desire to receive financial education that can meet the needs of early, mid-career and those members ready to retire. This budget item allows staff to continue with a program initiated last year with a vendor, Financial Knowledge Network, that provides 'conflict free education' on a wide range of financial topics.



Benefits Staff will also update all member education materials, offering different avenues of receiving information, such as web-based retirement presentations and creating a retirement planning checklist for members.

**Education & Conference**

*SamCERA* has an education policy, which stipulates that “all trustees and staff shall participate to the fullest extent possible in approved educational activities, and that each trustee and staff member shall be expected to complete at least three endorsed educational activities each year.” Each year trustees and staff must submit for approval an educational request form. The approved form is used to estimate the costs related to the educational activities. The Board of Retirement may have two or more new trustees after July 1, 2012. The association wishes new trustees to become informed regarding the retirement industry as soon as possible. Therefore, the education policy allows a new trustee to spend up to \$15,000 each of their first two years. The budget assumes each will spend their allotted amount. This line item includes annual membership fees and the cost of registering for conferences and seminars.

**Transportation & Lodging**

This line item is associated with *SamCERA's* education policy. In addition, *SamCERA* has in place a travel policy that governs the amount allowable for transportation and lodging.

**Property & Equipment**

Monies in this line item are for photocopy lease and usage, office equipment and furniture. It also includes general electronics, computers, and lifecycle of computer equipments.

**General Office Supplies**

This category includes expenditures for the everyday supplies required to transact the association’s business.

**Postage & Printing**

The Communication Specialists has began to standardize and redesign *SamCERA's* member publications. Appropriations in this category are used to publish and distribute member newsletters, member statements, Comprehensive Annual Financial Statement (CAFR) and Popular Annual Financial Statement (PAFR) throughout the fiscal year. Monies are set aside for distribution of board packets.

**Leased Facilities**

*SamCERA* has a seven-year lease, which expires 12/31/2014, for office space located at 100 Marine Parkway. This budget includes allowance for leasing additional office space for implementation of *SamCERA's* major information technology projects, which include the electronic content management and imaging project, the pension benefit administration system project, and the data cleansing project.

**County Services**

*SamCERA* purchases certain services from the County of San Mateo. The costs of those services are listed as line items, which appear below.

County Services	FY 10-2011 Actual	FY 11-12 Adopted	FY 11-12 FYTD	FY 11-12 Projected	FY12-13 Proposed	Percentage Change Year/Year
Information Services Dept	\$88,440	\$94,980	\$76,303	\$94,980	\$113,408	19.4%
Human Resources	\$95,090	\$106,278	\$94,840	\$106,278	\$109,869	3.4%
County Counsel	\$104,873	\$25,000	\$14,693	\$25,000	\$25,000	0%
Controller's Office	\$61,608	\$70,955	\$70,955	\$70,955	\$79,924	12.6%
Dept of Hospitals & Clinics	\$21,923	\$20,000	\$5,668	\$20,000	\$20,000	0%
Elections Office	\$0	\$7,500	\$0	\$7,500	\$7,500	0%
Sheriff's Office	\$324	\$324	\$324	\$324	\$324	0%
<b>Total</b>	<b>\$371,258</b>	<b>\$325,037</b>	<b>\$262,783</b>	<b>\$330,222</b>	<b>\$356,025</b>	<b>9.5%</b>

**Audit Services**

*SamCERA* has a three-year not to exceed contract in place with the board's external auditor, Brown Armstrong Paulden McCown Starbuck Thornburgh & Keeter, a Certified Public Accounting firm hired to perform an audit of *SamCERA*'s financial statements.

**Other Administration**

*SamCERA* submitted the IRS tax determination letter in January 2011. This appropriation sets aside up to \$50,000 to complete the tax determination letter project.

**Capital Assets**

**Capital Assets Policy:** The provisions of this policy apply to assets costing \$5,000 or more with useful lives of three or more years. Capital Assets are recorded at historic cost. Depreciation expense is calculated using the straight-line method over the estimated life of the assets. Depreciation is pro-rated for the year the asset is acquired, and in the last year of the asset's useful life. A full year's depreciation is taken in all other years.

Association plans for projects requiring the purchase of Capital Assets are incorporated into the administrative budget process, and are subject to budgetary review and approval.

Because of the limited amount of property and equipment owned by the Association, a capital asset ledger maintains inventory of these types of assets. Accordingly, designation as a capital asset simply affords internal administrative and accounting controls over the assets in question. Practically speaking, the Association's capital assets consist only of computers and software. Even major scheduled replacements, such as those proposed for 2012-2013 and later years, have no material impact on current or future year's operations. Were it not for the internal administration and accounting controls provided by capitalization, these expenditures would routinely be budgeted, and accounted for, as repair and maintenance or supply type of expenditures.

**Capital Assets Appropriations:** Staff does not anticipate a need for capital expenditures in the 2012/2013 budget.



SamCERA's Technology Budget - Government Code §31580.2(b) governs the budgeting of monies to manage the association's assets. The 2010 amendment states that expenditures for computer software, hardware, and consulting services in support of computer products are not to be considered as administrative cost. Government Code Section 31580.3 which allowed for Expenditures for software, hardware, and computer technology is repealed January 1, 2013 by its own terms. The proposed budget includes all software, hardware, and related consultant fees for projects. As in past practice, we have included the entire cost of projects that are scheduled to begin in FY 2012-2013 for disclosure; the completion of some of these projects will extend beyond FY 2012-2013.

It should be noted that there is no longer a legislative limit on technology budget. There is an increase of 11.85% in the proposed budget year over year based on updated project estimates.

**SamCERA's Technology Budget**

	<b>Proposed Budget</b>	<u>Basis Points</u>
Salaries & Benefits	\$ 0	
Services & Supplies	\$ 2,087,200	
Capital Assets	<u>\$ 000,000</u>	
Total	\$ 2,087,200	6.43 bps informational only

<b>SamCERA's Technology Line Item Budget:</b>						
<b>San Mateo County Employees' Retirement Association</b>						
<b>Proposed Fiscal Year 2012- 2013 Technology Budget</b>						
Expenditure Object	FY 2010- 2011 Actual	FY 2011-2012 As Adopted	FY 2011-2012 Actual FYTD	FY 2011-2012 Projected Total	FY 2012-2013 Proposed	Percentage Change Year/Year
Technology Infrastructure	\$ 139,470	\$ 1,806,000	\$ 148,820	\$ 350,000	\$ 2,039,200	12.91%
Property & Equipment	\$ 33,107	\$ 60,000	\$ 25,827	\$ 50,000	\$ 48,000	-20.00%
<b>Grand Total</b>	<b>\$ 172,577</b>	<b>\$ 1,866,000</b>	<b>\$ 174,647</b>	<b>\$ 400,000</b>	<b>\$ 2,087,200</b>	<b>11.85%</b>

***SamCERA's PROFESSIONAL SERVICES BUDGET (GC§31596.1):***

*SamCERA* prepares a professional services budget annually for review by the board. The professional services budget is utilized by the board to assess, meet and monitor its contractual obligations related to the management of the association. The expenditure authority for each professional services contract is set forth in the terms of the individual contracts. GC§31596.1 authorizes the board to expend funds from the investment earnings of the fund for specific professional services.

Professional Services expenses include investment management, investment consulting, global custody, actuarial and contract legal.

The Board of Retirement employs professional investment managers to maximize the return on assets and minimize risk. Investment management fees are primarily dependent upon the market value of the assets under management and the negotiated fee schedule of the individual investment management agreements (IMA). They are performance driven to the extent that as market values increase so do management fees. The converse relationship is also true.

Other professional services expenses related to investments are driven by contractual agreement.

Although investment fees are netted from investment income for financial reporting purposes, they are reflected at gross for budgetary purposes.

Investment management expenses are budgeted to increase at the same rate as projected annual market values. The accrual basis of accounting is used to record professional expenses for budget and financial statement purposes.

*SamCERA's* average annual investment fees compared to average invested assets, are approximately 45.9 basis points, which compares favorably with rates reported by other public pension funds.

Performance of the investment managers is reviewed monthly and quarterly by the combined efforts of the investment consultant, the Chief Investment Officer and the board.

Professional service expenses are reviewed quarterly to verify conformance with the respective contracts.

PROFESSIONAL SERVICES BUDGET: Government Code §31596.1 states that, "The expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.
- (b) The compensation of any bank or trust company performing custodial services.
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."

The board has entered into the following contracts pursuant to §31596.1:

CONTRACTOR	SERVICE	EE (1)	2011-2012 YTD EXPENSE (ACCRUED)	2012-2013 ESTIMATE
Milliman	Actuarial Consulting	0.05 bp		\$50,000
Strategic Investment Solutions	Investment Consulting	0.15 bp		\$400,000
State Street Bank & Trust	Global Custody	0.07 bp		\$200,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES				\$650,000
<i>Estimated Market Value 06-30-2013</i>				\$2.7 Billion
Average Basis Points (2)				2.4 bp

- (1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes an average market value of \$2,700.0 million

The contractual fee schedule for investment managers appears on the following page.



CONTRACTOR	SERVICE	FEE	QUARTERLY PROJECT EXPENSE	2012-2013 ESTIMATE
BGI - Russell 1000 Index Fund	Domestic Large Cap Equity	5.0	\$20,000	\$80,000
D.E. Shaw Investment Management, LLC	Domestic Large Cap Enhanced	50.0	175,000	700,000
T. Rowe Price Associates	Domestic Large Cap Enhanced	35.0	120,000	480,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	45.0	205,000	820,000
BlackRock Capital Management	Domestic Large Cap Growth	45.0	220,000	880,000
The Boston Company	Domestic Small Cap Equity	85.0	125,000	500,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0	135,000	540,000
Jennison Associates	Domestic Small Cap Equity	75.0	200,000	800,000
Baillie Gifford	International Equity	45.0	200,000	800,000
Eaton Vance - Parametric	International Equity	25.0	160,000	640,000
Mondrian Investment Partners	International Equity	25.0	100,000	400,000
Pyramis Global Advisors	International Equity	90.0	110,000	440,000
ABRY II	Private Equity	N/A	N/A	N/A
ABRY VII	Private Equity	N/A	N/A	N/A
General Catalyst Group	Private Equity	N/A	N/A	N/A
Regiment Capital Fund IV	Private Equity	N/A	N/A	N/A
Sheridan Production Partners	Private Equity	N/A	N/A	N/A
AQR Risk Parity	Risk Parity	40.0	150,000	600,000
AQR Delta Hedge Fund	Hedge Fund	100.0	200,000	800,000
SSGA- SSARIS Multisource Commodities	Commodities	75.0	100,000	400,000
Aberdeen Asset Management	Domestic Fixed Income	25.0	90,000	360,000
Angelo Gordon (PPIP)	Domestic Fixed Income	100.0	85,000	340,000
Brigade Capital Management	Domestic Fixed Income	45.0	115,000	460,000
Brown Brothers Harriman	Domestic Fixed Income	15.0	30,000	120,000
Franklin Templeton	Global Fixed Income	40.0	110,000	440,000
Pyramis Global Advisors	International Equity	15.0	45,000	180,000
Western Asset Management	Domestic Fixed Income	30.0	70,000	280,000
INVESCO Realty Advisors	Real Estate Management	15.0	175,000	700,000
SUB-TOTAL INVESTMENT MANAGERS			\$2,935,000	\$11,740,000
Average Basis Points (1)				43.5 bp
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)				\$650,000
Average Basis Points (2)				2.4
TOTAL ESTIMATED CONTRACT FEES				\$12,390,000
<i>Estimated Market Value 06-30-2013</i>				\$2.7 billion
Average Basis Points (2)				45.9%

- (1) The Actuary, Custodian and Investment Consultant fees expressed in basis points utilize total assets while the Investment Manager calculations utilize assets under management.
- (2) The calculation utilizes an average market value of \$2,700.0 million