Notice of Special Meeting

SamCERA

The Board of Retirement

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

Tuesday, October 25, 2011, at 8:00 A.M.

Please take notice that the Chair of the Board of Retirement, acting pursuant to the authority of Government Code §54956, hereby calls a special meeting to take place on October 25, 2011, at 8:00 a.m. in *SamCERA's* Board Room. The special meeting is for the purpose of discussing and transacting the following business:

1. Call to order

2. Roll Call

3. Public Comment

4. Interview Finalists for *SamCERA's* Emerging Market Manager Mandate (Regular Agenda Item 6.2)
   6.2 a Dimensional Fund Advisors: Emerging Markets Core Equity Portfolio
   6.2 b Eaton Vance Management (Parametric): Structured Emerging Markets Equity
   6.2 c Schroeder Investment Management: Emerging Markets Equity

5. Discussion & Selection of *SamCERA's* Emerging Market Manager (Regular Agenda Item 6.3)

6. Adjournment

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: October 07, 2011 ______________________________
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 *Free Parking is available in all lots in the vicinity of the building.*

A copy of the Board of Retirements' agenda packet is available for review in the office reception area, and on our website. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

Notice of Public Meeting

SamCERA

The Board of Retirement

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

Tuesday, October 25, 2011, at 1:00 P.M.

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

1. Call to Order, Roll Call and Miscellaneous Business
2. Oral Communications
   - 2.1 Oral Communications From the Board
   - 2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda
   (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
     - Gene Palo
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Placement Agent Policy
5. Benefit & Actuarial Services
   - 5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   - 5.2 Approval of Fiscal Year 2012-13 Contribution Rates for New Plans
   - 5.3 Approval of Amendment to Agreement with Milliman, Inc.
6. Investment Services
   - 6.1 Presentation of the Monthly Portfolio Performance Report
   - 6.2 Interview Finalists for *SamCERA's* Emerging Market Manager Mandate (Special Meeting Item 4)
   - 6.3 Discussion and Selection of *SamCERA's* Emerging Market Manager (Special Meeting Item 5)
   - 6.4 Selection of Finalists to Interview for *SamCERA's* International Small Cap Manager Search
   - 6.5 Report on the Annual Review of *SamCERA's* Bond "Strategy" Portfolios
     - 6.5 a Angelo Gordon & Company – AG GECC Public-Private Investment Fund
     - 6.5 b Brigade Capital Management -
     - 6.5 c Brown Brothers Harriman - Treasury Inflation Protected Securities (TIPS)
     - 6.5 d Franklin Templeton Institutional – Global Multi-Sector Plus
   - 6.6 Presentation of Private Equity Investment Opportunity
7. Board & Management Support Services
   - 7.1 Presentation of the Monthly Financial Report
   - 7.2 Approval of the Financial Audit Report for the Period Ended June 30, 2011
   - 7.3 Approval of Comprehensive Annual Financial Report (CAFR) for the Period Ended June 30, 2011
   - 7.4 Annual Review of *SamCERA's* Independent Auditor
   - 7.5 Discussion and Approval of *SamCERA's* Internal Control Structure
   - 7.6 Presentation of Quarterly Budget Report for Period Ended September 30, 2011
   - 7.7 Discussion of Items for the Fall SACRS Business Meeting
   - 7.8 Discussion of Board/Staff Retreat Agenda, Scheduled for **April 24 & 25, 2012**
   - 7.9 Appointment of Ad Hoc CEO Review Committee
8. Management Reports
   - 8.1 Chief Executive Officer's Report
   - 8.2 Assistant Executive Officer's Report
   - 8.3 Chief Investment Officer's Report
   - 8.4 Chief Legal Counsel's Report

[Continued on page 2 – Printed 10/19/11]

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

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

C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session

C2 Conference with Legal Counsel – Existing Litigation
Frias v. Dendreon Corp. et al
U.S.D.C. Western District of Washington, Seattle Office
2:11-CV-01291

9. Report on Actions Taken in Closed Session

10. Adjournment in memory of the following deceased members:

Eisenberg, Esther	August 24, 2011	Chope Hospital
Morse, Robert	September 2, 2011	District Attorney's Office
Hocking, Bonnie	September 5, 2011	Library
Clark, Marjorie	September 8, 2011	Health Services
Nance, E. Jean	September 10, 2011	Mental Health Dept.
Stiefelmaier, Charles	September 20, 2011	Parks Dept.
McMillan, Robert	September 23, 2011	Social Services
Carey, Sally	September 25, 2011	Library
Tibbs, Jacqueline	September 29, 2011	General Hospital

David Bailey, Chief Executive Officer

Printed: 10/19/11

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

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

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

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160,
WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD SHORES.
Detailed directions are available on the "Contact Us" page of the website www.samcera.org
Free Parking is available in all lots in the vicinity of the building.
A copy of the Board of Retirements' agenda packet is available for review in the office reception area, and on our website. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

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

October 25, 2011 **Agenda Item 3.0**

September 27, 2011 – Special Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 8:00 a.m.

1. Call to Order and Roll Call
2. Roll Call
3. Public Comment
4. Interview Investment Managers – International Developed Market Large Cap Growth Mandate (Regular Agenda Item 6.2)
   6.2a Baille Gifford & Company – EAFE Plus Focus
   6.2b Franklin Templeton Investments – Franklin Non-US Equity
   6.2c Gryphon International Investment Corporation – EAFE Equities
5 Discussion and selection of International Developed Market Large Cap Growth Manager (Regular Agenda Item 6.3)
6 Adjournment

September 27, 2011 – Special Board Minutes

1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement's Special Meeting to order at 8:05 a.m., September 27, 2011, in *SamCERA*'s Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

2 **Roll Call:** Ms. Arnott, Mr. David, Ms. Kwan Lloyd, Mr. Tashman, Ms. Agnew, Mr. Spinello, Mr. Hackleman and Ms. Settles. *Excused:* Mr. Bowler. *Other Board Members in Attendance:* Mr. Murphy, Ms. Salas. *Staff*: Mr. Bailey, Ms. Carlson, Mr. Hood, Ms. Dames, Ms. Meitz. *Consultants*: Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Retirees*: 0, Public: 0.

3 **Public Comment:** None

4. **Interview Investment Managers – International Developed Market Large Cap Growth Mandate (Regular Agenda Item 6.2)**

6.2a **Baille Gifford & Company – EAFE Plus Focus:** Mr. Gerard Callahan, Head of UK Equities, Ms. Anne-Marie Gillon, Client Service Director, and Ms. Larysa Bemko, Marketing Director, of Baille Gifford & Company, provided a 45-minute presentation and answered trustees' questions and concerns.

6.2b **Franklin Templeton Investments – Franklin Non-US Equity:** Mr. John P. Remmert, Senior Portfolio Manager, and Thomas J. Dickson, Senior Vice President, of Franklin Templeton Investments, provided a 45-minute presentation and answered trustees' questions and concerns.

6.2c **Gryphon International Investment Corporation – EAFE Equities:** Mr. Larry McManus, President and Chief Executive Officer of Gryphon International, and Ms. Robin P. Armour, AMD Capital, LLC (Gryphon's third party marketing firm), provided a 45-minute presentation and answered trustees' questions and concerns.

5 **Discussion and selection of International Developed Market Large Cap Growth Manager (Regular Agenda Item 6.3):** After reviewing the finalists, the Board of Retirement selected Baille Gifford & Company. Mr. Hacklman noted he learned a lot from the interviews.

Motion by Arnott, second by Kwan Lloyd, opposed by Hackleman, Settles abstained.

6 Adjournment : There being no further business, Mr. David adjourned the meeting at 12:50 p.m.

San Mateo County Employees' Retirement Association

Minutes of the Meeting of the Board of Retirement

October 25, 2011 Agenda Item 3.0

September 27, 2011 – Board Agenda

PUBLIC SESSION – The Board will meet in Public Session at 1:00 p.m.

1. Call to Order and Roll Call
   1.1 Appointment of Committees
2. Oral Communications
   2.1 Oral Communications From the Board
   2.2 Oral Communications From the Public
3. Approval of the Minutes
4. Approval of the Consent Agenda
   (Any items removed from the Consent Agenda for discussion will be inserted into the Regular Agenda and considered in the order chosen by the board chair.)
   - Disability Retirements
     - Linda Fitzgibbon
     - Gunvanti Khalasi
   - Service Retirements
   - Continuances
   - Deferred Retirements
   - Member Account Refunds
   - Member Account Rollovers
   - Pending Litigation – One Matter: EADS N.V
   - Trustee Request for Conference Approval
5. Benefit & Actuarial Services
   5.1 Consideration of agenda items, if any, removed from the Consent Agenda
   5.2 Presentation of the June 30, 2011, Actuarial Valuation Report by Milliman, Inc.
   5.3 Presentation of the June 30, 2011, Actuarial Valuation Audit by Segal Company
   5.4 Approval of 2012-2013 Fiscal Year and New Hire Employer & Employee Contribution Rates recommended by Milliman, Inc.
   5.5 Annual Review of *SamCERA's* Actuary – Milliman Inc.

6 Investment Services (The Investment Committee will not meet in September)
   6.1 Presentation of the Monthly Portfolio Performance Report
   6.2 Interviews of International Developed Market Large Cap Growth Managers. (Special Meeting Item 4)
   6.3 Discussion and selection of International Developed Market Large Cap Growth Manager (Special Meeting Item 5)
   6.4 Selection of Finalists to Interview for *SamCERA's* Emerging Market Manager Search
   6.5 Report on the Annual Review of *SamCERA's* Domestic and International Equity Growth Portfolios
      6.5 a Aberdeen Asset Management –U.S. Core Fixed Income
      6.5 b Pyramis Global Advisors – Broad Market Duration
      6.5 c Western Asset Management - U.S. Core Full

7. Board & Management Support Services
   7.1 Presentation of the Monthly Financial Report
   7.2 Presentation of the Monthly Financial Report
   7.3 Approval of *SamCERA's* Investment Costs Budgeting Approach
   7.4 Approval of SACRS Voting Delegate and Alternates

8. Management Reports
   8.1 Chief Executive Officer's Report
   8.2 Assistant Executive Officer's Report
   8.3 Chief Investment Officer's Report

8.4 County Counsel's Report

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

C1 Consideration of disability items, if any, removed from the Consent Agenda and appropriate for closed session

C2 Conference with legal counsel-existing litigation (Government Code Section 54956(a)
One Matter: EADS N.V.—if removed from the Consent Agenda

C3 Conference with legal counsel—anticipated litigation (Government Code Section 54956.9(b))
One matter

9. Report on Actions Taken in Closed Session

10. Adjournment

September 27, 2011 – Board Minutes

0811.1 **Call to Order:** Mr. David, Chair, called the Public Session of the Board of Retirement to order at 1:06 p.m., September 27, 2011, in *SamCERA*'s Board Room, 100 Marine Parkway, Suite 160, Redwood Shores, California.

Roll Call: Ms. Arnott, Mr. David, Ms. Kwan Lloyd, Mr. Tashman, Ms. Agnew, Mr. Spinello, Mr. Hackleman, Ms. Settles, *Excused* Mr. Bowler. *Other Board Members in Attendance:* Mr. Murphy, Ms. Salas. *Staff*: Mr. Bailey, Ms. Carlson, Mr. Hood, Ms. Dames, Ms. Meitz Ms. Wong, and Ms. Smith. *Consultants*: Mr. Brody and Mr. Thomas, Strategic Investment Solutions. *Retirees*: 0, *Public*: 7.

0811.2.1 **Oral Communications From the Board:** Ms. Agnew reported attending two conferences in San Francisco: SOCAP Impact Investing Conference and Real Assets/Infrastructure Conference, both were enjoyable. Ms. Settles also attended the Information Management Network, in Florida, and said it was a very good conference.

0811.2.2 **Oral Communications From the Public:** None.

0811.3 **Approval of the Minutes:** Ms.Arnott submitted one change to the minutes: Member's first name was missing in ***Member Account Refunds***. Corrected to show: **Mekathikom, Theeraputhst.** Mr. Murphy submitted a change to the ***2012 Board/Staff Retreat*** date ~~April 26, and April 27~~. Date corrected to show **April 24 and April 25, 2012.**

Motion by Spinello, second by Arnott, carried unanimously to approve the board minutes of the August 23, 2011 meeting, as amended.

0811.4 **Approval of the Consent Agenda:** Mr. David removed the one matter regarding the anticipated litigation from the consent agenda to be taken under consideration in closed session.
Motion by Hackleman, second by Spinello, carried unanimously to approve the day's consent agenda as follows:

Disability Retirements:
The board found that **Linda Fitzgibbon** is disabled from performing her usual and customary duties as a Courtroom Clerk II, and grants her a service-connected disability retirement.

The board found that **Gunvanti Khalasi** is disabled from performing her usual and customary duties as a Custodian, and grants her a service-connected disability retirement.

Service Retirements:

Member Name	Effective Retirement Date	Department
Covall-Alves, Sandra	June 28, 2011	Def'from Business Administration
Montoya, Mary	July 1, 2011	Public Health
Zarganis, Nadine	July 1, 2011	Probation
Aguilera, Jose	July 3, 2011	Plan 3 Only
Ho, Gary	July 9, 2011	San Mateo Medical Center
Peterson, Marie	July 9, 2011	County Manager's Office
Arvold, Nancy	July 13, 2011	Def'd from Mental Health
Ancheta, Princesita	July 14, 2011	Probation
Arndt, Justin	July 14, 2011	Human Services Agency
Dekovic Cecilia	July 14, 2011	Human Services Agency
Hoodye, Belinda	July 14, 2011	Public Safety Commission
McCabe-Wackwitz, Ellen	July 14, 2011	Human Services Agency
Munson, Darla	July 14, 2011	Human Services Agency
Folau, Teresa	July 16, 2011	Public Health
Uribe, Thelma	July 18, 2011	Def'd from Child Support Svcs
Williams, Leroy	July 21, 2011	Human Services Agency
Mayer, Dennis	July 24, 2011	Sheriff's Office
Jenkins, Jackie	July 30, 2011	San Mateo Medical Center
Sifuentes, Teresa	July 30, 2011	Human Services Agency

Continuance of Benefits:

Member Name	Beneficiary of:
Ham, Shirley	Ham, James

Deferred Retirements:

Member Name	Retirement Plan Type
Tyler, Eldoretha	G4 Vested
Grandados, Michelle	G4 Vested
Silvestri, Gloria	G4 Vested
Chan, Curtis	G4-Reciprocity
Diaz, Claudia	G4 Vested - Reciprocity

Member Account Refunds:

Member Name	Retirement Plan Type
Arramdani, Rosa	G2 Vested
Chrisman, Vanessa	G4 Vested
Debbs, Louis	QDRO of Debbs,
Gonzalez, Justine	G4 Vested
Guerrero De Alfaro,	G4 Non-vested
Guevara, Maria	G4 Non-vested
Jimenez, Bernadette	G4 Non vested
Johnsen, Christina	G4 Vested
Mendoza, Martin	G4 Vested
Randall, Lisa	G4 Non-vested
Sinipata, Vika	G4 Non-vested

Member Account Rollovers:

Member Name	Retirement Plan Type
Hilario, Melinda	G4 Vested
Labatch, Justine	G4 Non-vested
Linhares, Lisa	G4 Non-vested
Nguyen, Brian	G4 Non-vested
Onwuka, Mabel	G4 Non-vested

0811.5 **Benefit & Actuarial Services**

0811.5.1 **Consideration of Benefit & Actuarial Items, if any, removed from the Consent Agenda:** Please see agenda item 9.0 for Report on Actions Taken in Closed Session.

0811.5.2 **Presentation of the June 30, 2011, Actuarial Valuation Report by Milliman, Inc.:** Mr. Nick Collier was present to discuss the results of Milliman's June 30, 2011, Actuarial Valuation Report. In his summary, he mentioned last year's actuarial valuation process that resulted in a decrease in the recommended average employer contribution rate from 34.0% to approximately 31.4% of pay. He noted that the Board of Retirement kept the rate at 34%, with the knowledge that the employer contribution rate would likely increase in future years. This action was supported by the County Manager and approved by the Board of Supervisors. This year's valuation calculated the employer rate at 31.0%. Although the financial situation has improved, it was recommended that the average employer rate be held steady at 34%. Mr. Collier, the County Manager and staff supported this proposal. Mr. Bailey mentioned he will be taking the new tier rates to the Board of Supervisors. Mr. Collier mentioned this year's valuation also resulted in an improvement in the funded ratio of the system from 70.3% to 74.1%.
Ms. Settles mentioned being interested in Mr. Collier's views on the new GASB rules.

No board action was taken. The report was informational.

0811.5.3 **Presentation of June 30, 2011, Actuarial Valuation Audit by Segal Company:** Mr. Paul Angelo and Mr. Andy Yeung, of Segal Company, were present to review their actuarial valuation audit report. The valuation results were prepared using the actuarial assumptions approved by the Board for the 2011 valuation. Mr. Angelo reported that Segal's present value of futre benefits is 100% of Milliman's present value of future benefits. This key result is the basis for all other liability and cost calculations in the valuation. In reviewing the actuarial processes by Milliman, some recommended improvements were suggested. Segal recommended a change in the next valuation, and suggested *SamCERA* and Milliman explore for the next valuation having *SamCERA's* pension and accounting system maintain the asset share.

No board action was taken. The report was informational.

0811.5.4 **Approval of 2012-2013 Fiscal Year and New Hire Employee Contribution Rates Recommended by Milliman, Inc.:** Mr. Bailey introduced a resolution recommending that the current 2011-12 employer contribution rates for the County of San Mateo, the San Mateo County Courts, and the Mosquito & Vector Control District, be retained and in effect for the 2012-13 fiscal year for all members hired prior to the implementation of new benefit formulas in 2011 and 2012. Mr. Bailey reported that adoption of the resolution will result in a slight, less than 1% of pay increase in member contribution rates for current members. He also stated that maintaining the current rates will lower the level of expected future increases and steer *SamCERA* on the path toward greater fiscal strength.

Motion by Hackleman, second by Kwan Lloyd, carried unanimously to adopt
Resolution 11-12-09

RESOLUTION ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board…"shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary…; and

WEREAS, the Board has received and accepted the June 30, 2011, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, maintaining payment of the 2011-12 employer rates will lower the level of expected future increases and help keep *SamCERA* on a path toward greater fiscal strength, and

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

Therefore, be it

RESOLVED, that the Board hereby accepts the employer and member contribution rates as set forth below for the fiscal year 2012-2013.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for members hired prior to the implementation of new benefit formulas in 2011 and 2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedule provided by Milliman, Inc. entitled "Update to county Contribution Rates for fiscal Year Beginning July 1, 2012" as a percentage of covered salaries, effective July 1, 2012, in accordance with the:

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of supervisors adopt the recommended entry age **member contribution rates** for members hired prior to the implementation of new benefit formulas in 2011 and 2012 of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules set forth in the attachments provided by Milliman, Inc., entitled *"Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates, and "Exhibit D-3: Basic*

Plus Cost-Sharing Member Contribution Rates, With 25% COLA Share" as a percentage of covered salaries, effective July 1, 2012.

Be if further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2012.

0811.5.5 **Annual Review of SamCERA's Actuary – Milliman Inc.:** Mr. Bailey reported *SamCERA's* actuaries completed a self-performance evaluation. Milliman rated themselves a solid 4. Staff rated Milliman as a 5, while the Board's average rating was 4.5. Comments on the overall evaluation were positive. Mr. Bailey noted that he personally believes Mr. Collier does a great job and noted that actuarial audits are performed every six years. Mr. Bailey will look into including actuarial information, as an educational tool, in the upcoming retreat in addition to the new GASB rules.

0811.6 **Investment Services**

0811.6.1 **Presentation of the Monthly Portfolio Performance Report:** As an informational report, Mr. Bailey reported that *SamCERA's* -4.34% Total Fund Return for the month underperformed the Total Plan Policy Benchmark return of -4.15%. He said that the fund's returns for the trailing twelve-month and twenty-four months are 14.81% and 10.48% respectively. The twelve-month period is 706 basis points (bps) above the Actuarial Discount rate of 7.75%. For the same period the total fund return is 12 basis points behind *SamCERA's* Total Plan Policy Benchmark of 14.93%. It was reported that, *SamCERA* should expect to underperform the total Plan Policy Benchmark in the initial stages of its private equity implementation. It was also noted that the above portfolio returns do not reflect the performance of all portfolios. As of the board meeting, monthly performance for Angelo Gordon's PPIF, AQR's risk parity, AQR's hedge fund, various private equity and Invesco's core real estate portfolio have not been reported.

Asset Class	Market Value	1-Month	1-year TTWRR*	5-year TTWRR*
Domestic Equity	*801,901,079*	*-7.47%*	*19.25%*	*-0.37%*
International Equity	*375,325,437*	*-8.45%*	*8.54%*	*-0.58%*
Total Equity	1,177,226,516	-7.78%	15.81%	-0.45%
Private Equity	8,928,175	3.49%	N/A	N/A
Risk Parity	150,245,200	0.00%	N/A	N/A
Hedge Fund	69,604,360	0.00%	N/A	N/A
Fixed Income	584,285,796	0.07%	7.19%	6.29%
Real Estate Aggregate	135,475,106	0.00%	24.80%	0.18%
Commodities	73,086,065	-2.55%	N/A	N/A
Cash Equivalents	54,234,196	0.09%	1.00%	1.40%
TOTAL FUND	**2,253,085,414**	**-4.34%**	**14.81%**	**1.94%**
Benchmark		*-4.15%*	*14.93%*	*3.25%*

* Total Time-Weighted Rate of Return

0811.6.2 **Interviews of International Developed Market Large Cap Growth Managers**
See minutes of September 27, 2011, Special Board meeting.

0811.6.3 **Discussion and Selection of International Developed Market Large Cap Growth Manager:** Baille Gifford & Company was selected at the 8:00 a.m. special meeting by the Board of Retirement.

0811.6.4 **Selection of Finalists to interview for *SamCERA's* Emerging Market Manager Search:** Mr. Brody reported sending out 10 Request for Information packets in search of finalists to interview. Based on information gathered from the responses, SIS and staff recommended the board consider three of the four and invite the finalists to the October Board meeting. The four include: Dimensional Fund Advisors, Eaton Vance Management, Quantitative Management Associates, and Schroder Investment.

Motion by Settles, second by Agnew, carried unanimously to select Eaton Vance Management, Dimensional Fund Advisors, and Schroder Investment for interviews.

0811.6.5 **Reports on Annual Reviews of *SamCERA's* Core Bond Portfolio Managers**

6.5a Aberdeen asset Management- Mr.Thomas provided an overview of Aberdeen Asset Management's annual review held on September 15, 2011. Those present were: John Nicolini, SIS Investment Consultant, Mr. Clifton, Mr. Christopher Gagnier, AAMI's Head of Investments and Boris Karol, AAMI's Client Relationship Manager. Staff and consultant reviewed *SamCERA's* Core and Core-plus bond managers. He reported that all three managers have been performing very well for over the last year and a half. Aberdeen continues to see real value and to hold a big weight in non-index exposure.

6.5b Pyramis Global Advisor: Mr. Thomas provided an overview of Pyramis Global Advisors annual review held on September 15, 2011. Those present were: John Nicolini, SIS, Mr. Clifton, Bailey Bishop, Pyramis Institutional Portfolio Manager, CFA, and Sue Curran, Pyramis Senior VP, Relationship Manager. He mentioned that Pyramis is index oriented and reported that Pyramis is a bank trust organization and is not registered with the SEC.

6.5c Western Asset Management (WAM): Mr. Thomas provided an overview of WAM's annual review held on September 15, 2011. Those present were: John Nicolini, SIS, Mr. Clifton, Travis M. Carr, WAM Product Specialist, CFA, and Frances L. Coombes, WAM Client Service Executive. Of the three, Mr. Thomas said WAM takes a little more risk and exposure.

0811.6.6 **Approval of ABRY VII Consent to Amend the Agreement:** Mr. Thomas recommended that the board authorize the chair to execute a consent form which will state that *SamCERA* agrees to allow ABRY VII to increase its allowable investments outside of North America from 10% to 15%. Ms. Carlson mentioned that the agreement had been reviewed.

Motion by Tashman, second by Kwan Lloyd, carried unanimously to authorize the Board Chair to approve the ABRY VII form.

0811.6.7 **Approval of AQR Requested Completion of FINRA Rule 5131 New Issues Questionnaire:** Mr. Thomas recommended that the Board authorize the chair to execute the FINRA (Financial Industry Regulatory Authority) Rule 5131 New Issues Questionnaire for AQR.
Ms. Carlson noted that the deadline had passed and that she had not seen the questionnaire and

would need to review the document. It was decided that the chair would authorized the execution of the document, subject to legal approval. In the best interest of *SamCERA*, Ms. Carlson will do what is necessary and advise the board via email, on that decision.

Motion by Tashman, second by Spinello, and carried unanimously to authorize the Board Chair to sign the FINRA questionnaire following approval by *SamCERA* legal counsel.

0811.7 **Board & Management Support Services**

0811.7.1 **Presentation of the Monthly Financial Report:** In an informational report, Mr. Bailey reported that *SamCERA's* net assets, held in trust for pension benefits, decreased by approximately $110.3 million, month over month. The decrease is primarily due to market depreciation in assets.

0811.7.2 **Approval of Amendments to *SamCERA's* Conflict of Interest Code:** Mr. Bailey recommended that the board adopt a resolution amending *SamCERA's* Conflict of Interest Code. Adoption of the resolution will set a standard under which the staff will determine and notify investment management firms of *SamCERA's* form 700 filing requirements.

Motion by Spinello, second by Kwan Lloyd, and carried unanimously to adopt the Resolution amending *SamCERA's* Conflict of Interest Code.

RESOLUTION AMENDING THE CONFLICT OF INTEREST CODE FOR THE SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

WHEREAS, the board has adopted a Code of Fiduciary Conduct which requires among other things, that Trustees, the Chief Executive Officer, Consultants, Investment Managers and other professionals retained by the board and *SamCERA* staff shall comply with the provisions of the California Constitution; the Political Reform Act of 1974, as amended…and all other laws pertinent to the conduct of public pension fund fiduciaries; and

WHEREAS, Government Code §87300 mandates the adoption of a Conflict of Interest Code by independent public agencies; and

WHEREAS, the board, by Resolution 96-97-03, adopted the Conflict of Interest Code provisions of the California Fair Political Practices Commission (FPPC) Regulation 18730; and

WHEREAS, Government Code §87306.5 mandates that the board review its designation of employees and disclosure categories from time to time. Therefore, be it

RESOLVED that the board hereby instructs the Chief Executive Officer to provide annual disclosure Form 700s to all trustees and all individuals in the *Designated Positions.* Each individual receiving said form must file the original Form 700 with the Chief Executive Officer who must make and retain a copy and forward the original to the County Clerk. Form 700 must be filed at the times and on the forms prescribed by law. Failure to file statements on time may result in penalties, including but not limited to late fines. Be it further

RESOLVED that the board hereby instructs the Chief Executive Officer to implement a program to provide reasonable assurance that foreseeable potential conflict of interest situations will be disclosed and prevented and to provide each affected person with a clear and specific statement of his or her duties under the Conflict of Interest Code. Be it further

RESOLVED that the board hereby instructs the Chief Executive Officer to supply the necessary forms and manuals, to monitor timely and complete filing compliance, to take action regarding late filings and to report apparent violations of the Conflict of Interest Code to the Board.

RESOLVED that the board hereby redefines *SamCERA's* List of Designated Individuals and Disclosure Categories per FPPC Regulation 18730, to read as follows:

DESCRIPTION OF FINANCIAL DISCLOSURE CATEGORIES

Category 1: Persons in this category shall disclose all interest in real property within the boundaries of the County of San Mateo of within two miles outside the boundaries of the County of San Mateo and property located within two miles of any land owned or used by *SamCERA*. Persons are not required to disclose property, such as a home or vacation cabin, used exclusively as a personal residence.

Category 2: Persons in this category shall disclose all business positions, investments in, or income (including gifts and loans) received from business entities that manufacture, provide or sell service and/or supplies of a type utilized by *SamCERA*.

Category 3: Persons in this category shall disclose all business positions and investments in business entities that are the type in which *SamCERA's* trust funds may be invested (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

Category 4: Persons in this category are those investment consultants have been determined by the Chief Executive Officer to have a requirement to file and such consultant shall disclose all business positions and investments in business entities that are the type in which, under the terms of that consultant's agreement with *SamCERA*, *SamCERA's* trust funds may be invested by that consultant's employer (include securities, real estate and business entities), all income (including gifts and loans) from such business entities, and all interests in real estate co-owned with or purchased from such *SamCERA* business entities.

ADOPTED by unanimous vote, February 23, 1999
AMENDED by unanimous vote, February 22, 2000
AMENDED by unanimous vote, February 27, 2001
AMENDED by unanimous vote, February 26, 2002
AMENDED by unanimous vote, March 25, 2003
AMENDED by unanimous vote, February 22, 2005
AMENDED by unanimous vote, January 24, 2006
AMENDED by unanimous vote, February 26, 2008
AMENDED by unanimous vote, July 28, 2009
AMENDED by unanimous vote, March 2010
AMENDED by unanimous vote, September 2011

0811.7.3 **Approval of *SamCERA's* Investment Costs Budgeting Approach:** Mr. Bailey reported that *SamCERA* has budgeted for staff salary, benefit and overhead costs related to investment management under the Asset Management Budget rather than under the Administrative Budget. After reviewing 31596.1, and discussing the opinions of other '37 act systems regarding its interpretation, and considering the changes in the '37 act limits on the administrative budget, it is appropriate to reallocate all staff investment management costs to the administrative budget.

Motion by Mr. Hackleman, second by Ms. Agnew, carried unanimously to approve the inclusion of all *SamCERA* staff investment costs within the Administrative Budget.

0811.7.4 **Approval of SACRS Voting Delegate and Alternates:** Mr. Bailey recommended that the board designate Mr. David, Board Chair, as the Voting Delegate, David Spinello, Trustee, as the First Delegate Alternate, and David Bailey, CEO, as the Second Delegate Alternate to cast *SamCERA's* votes at the Fall 2011 SACRS Conference.

Motion by Agnew, second by Arnott, carried unanimously to approve the staff recommendation.

0811.8 **Management Reports**

0811.8.1 **Chief Executive Officer's Report:** Mr. Bailey informed the board of *SamCERA's* new medical advisor, Dr.Henry Brodkin. He mentioned Dr. Brodkin's qualifications and noted that he is currently working for the County as extra help, making *SamCERA's* billing and payment process easier. Mr. Bailey also mentioned renewal of Milliman's contract that will expire at the end of the year. The audits went very well and he plans on requesting that the board renew Milliman's contract for an additional three year term.

0811.8.2 **Assistant Executive Officer's Report:** *Mr. Hood* reported a 3 to 5 week furniture delay, and as a result, the project to expand *SamCERA's* office space has been extended. He also mentioned the financial education season is underway and noted the overwhelming response to the <u>I'm Eligible To Retire, Now What seminar</u>. He feels that the collaboration with the Benefits Office contributed to the popularity of the class. Mr. David said that people in his shop were very excited after attending the class.

0811.8.3 **Chief Legal Counsel Report**: Ms. Carlson reported on 2011 Enrolled/Chaptered Legislation. She touched upon: **AB 89** (Hill. County employee's retirement, San Mateo Only, **AB 340**, (Furutani) PERS/STERS '37 Act-All Systems, **SB 398**, (Hernandez) Retirement: placement agents.-PERS/STERS/All 37 Act Systems. She spoke briefly of placement agent regulations and lobbying restrictions.

0811.9 **Report on Actions Taken in Closed Session:** Ms. Carlson reported that Mr. David took the board meeting into closed session, with all trustees present for roll call in attendance. The board met in closed session to discuss the one matter regarding anticipated litigation. The board unanimously approved the participation of *SamCERA's* lead counsel in the Dendreon Securities litigation matter and approved entering into a service agreement with Bernstein Litowitz Berger & Grossmann.

0811.10 **Adjournment in Memory of Deceased Members:** There being no further business, Mr. David adjourned the meeting at 3:27 p.m., in memory of the following deceased members:

Frazier, Delphine	August 5, 2011	Ben of Frazier, Thomas
Liukkonen, Mary	August 13, 2011	Ben of Liukkonen, Reino
Truesdale, Margaret	August 22, 2011	Library
Rosenthal, Mary	August 23, 2011	Ben of Rosenthal, Irving
Jackson, Barbara	August 28, 2011	Vocational Services
Fitzgerald, Mary	August 30, 2011	Library
Mambrin, Mafalda	August 30, 2011	Ben of Mambrin, Joseph
Machhi, Hemlataben	August 31, 2011	San Mateo Medical Center

AL DAVID, CHAIR

October 25, 2011 Agenda Item 4.0

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of Amendments to *SamCERA* Policy Regarding Placement Agents

Staff Recommendation

Staff recommends the board adopt a resolution amending the "Policy Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions."

Summary

Government Code section 7513.85, enacted in 2010, requires all public pension systems to adopt a policy regarding "placement agents." The Board adopted a policy in compliance with this requirement. Since its enactment, the law has been amended twice, with the most recent amendment occurring on October 9, 2011, with the chaptering of SB 398. This latest amendment, which is urgency legislation, modifies the statutory definition of "External Manager", "Investment Vehicle", and "Placement Agent." *SamCERA*'s policy needs to be amended to reflect these changes. The changes are for clarification purposes and will not affect the implementation of *SamCERA's* policy.

Background

Government Code section 7513.85 was enacted to identify and regulate the activities of individuals soliciting investments for external managers of public pension systems. After the law was enacted, there was an uncertainty as to whether the statutes could be interpreted to include all broker dealers engaged in general secondary and primary securities transactions.

- **SB 398 clarifies that the statute does not apply to broker-dealers and that the disclosure rules apply to managers of securities and assets, whether directly or through managed funds.**

SB 398 revises the definitions of placement agents, investment funds and external managers to clarify that the new law applies to placement agents who solicit investments for external managers, not to broker-dealers and underwriters of typical securities, i.e., stocks, bonds, and commodities that are executing transactions on the retirement systems' behalf.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 10-11-__

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
RESOLUTION AMENDING POLICY REQUIRING DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

WHEREAS, Government Code §7513.85 requires the board to develop and implement, a policy requiring the disclosure of payments to placement agents in connection with system investments in or through external managers; and

WHEREAS, Government Code §7513.85 mandates that the policy include certain requirements and this board has read the attached policy "Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign contributions" and determined that all such requirements are included in the policy; and

WHEREAS, Government Code §7513.8 was amended in October 9, 2011, to change certain definitions; and

WHEREAS, this board has determined that adopting this amendment to the current policy is consistent with its fiduciary responsibilities; now, therefore be it

RESOLVED that the board hereby adopts the attached "Policy Requiring Disclosure of Placement Agent Fees, Gifts, and Campaign Contributions."

SamCERA Policy

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

Adopted by the Board of Retirement

December 14, 2010. Last Amended ~~January 25~~October 25, 2011.

This policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law.

I. PURPOSE

This Policy sets forth the circumstances under which the San Mateo County Employees' Retirement Association (*SAMCERA*) shall require the disclosure of payments to *Placement Agents*, as that term is defined by Government Code section 7513.8, in connection with *SAMCERA* investments in or through *External Managers*, as that term is defined by Government Code section 7513.8. This Policy is intended to apply broadly to all of the types of investment partners with whom *SAMCERA* does business, including the general partners, managers, investment managers and sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as investment managers retained pursuant to a contract. *SAMCERA* adopts this Policy to require broad, timely, and updated disclosure of all Placement Agent relationships, compensation and fees. The goal of this Policy is to help ensure that *SAMCERA* investment decisions are made solely on the merits of the investment opportunity by individuals who owe a fiduciary duty to *SAMCERA*.

II. APPLICATION

This Policy applies to all agreements with External Managers that are entered into after the date this Policy is adopted. This Policy also applies to existing agreements with External Managers if, after the date this Policy is adopted, the agreement is amended in any way to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by *SAMCERA* or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

IV. RESPONSIBILITIES

A. The Board is responsible for:

1. not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.

2. not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Providing a statement in writing that the External Manager will comply with this policy.

2. Providing the following information to the *SAMCERA* Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.

   a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with *SAMCERA* investments.

   b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former *SAMCERA* Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.

   c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SAMCERA or who are paid based upon investment commitments secured by such employees.

d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.

e. A written copy of any and all agreements between the External Manager and the Placement Agent.

f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.

g. A statement whether the placement agent, or any of its affiliates, is registered as a lobbyist with any state or national government.

h. The names of any current or former *SAMCERA* Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 14 calendar days of the date that the External Manager knew or should have known of the change in information.

4. Representing and warranting the accuracy of the information described in section B.2 above.

5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to *SAMCERA*,

a. all campaign contributions made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.

b. all gifts, as defined in Government Code Section 82028, given by the Placement Agent to any *SAMCERA* Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any *SAMCERA* Board Member during the time the Placement Agent is receiving compensation in connection with a *SAMCERA* investment shall also be disclosed.

6. *SAMCERA* reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

D. *SAMCERA* Investment Staff ("Staff") are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.

2. Confirming that the information in section B above has been received within 45 days of the time investment discussions are initiated, but in any event, prior to the completion of due diligence and any recommendation to proceed with the contract or Amendment.

3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SAMCERA and the External Manager to provide in the event that there was or is an intentional material omission or inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SAMCERA is entitled to the greater of the reimbursement of any management or advisory fees paid by SAMCERA for the prior two years or an amount equal to the amounts paid or promised to be paid to the Placement Agent as a result of the SAMCERA investment; and

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SAMCERA for five years after they have committed a material violation of this Policy; *provided, however,* that SAMCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition

upon a showing of good cause.

5. Providing a quarterly report to the Board containing (a) the names and amount of compensation agreed to be provided to each Placement Agent by each External Manager as reported in the Placement Agent Information Disclosures, and (b) any material violations of this Policy; and maintaining the report as a public record.

DEFINITIONS:

The following definitions are current as of October 9, 2011~~January 7, 2011~~. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

As defined in California Government Code section 7513.8, "**External Manager**" means either of the following: (1) a person who is seeking to be, or is, retained by a board or an investment vehicle to manage a portfolio of securities or other assets for compensation; (2) a person who manages an Investment Fund ~~is engaged, or proposes to be engaged, in the business of investing, reinvesting, owning, holding, or trading securities or other assets~~ and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund ~~securities~~ to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

As defined in section 7513.8, "**Person**" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

As defined in section 7513.8, "**Placement Agent**" means any person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, ~~or on behalf of another placement agent,~~ and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: (A) In the case of an External Manager within the meaning of paragraph (1) of the definition of External Manager set forth above, the investment management services of the External Manager. (B) In the case of an External Manager within the meaning of paragraph (2) of the definition of External Manager set forth above, an ownership interest in an Investment Fund managed by the External Manager. ~~of the securities, assets, or services of an External Manager to a board or an Investment Vehicle, either directly or indirectly.~~ Notwithstanding the above part of this paragraph, ~~preceding sentence,~~ an individual who is an employee, officer, director, equity holder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

As defined in section 7513.8, “**Investment Vehicle**” means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, ~~constituting or~~ managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

“**Compensation**” means, for the purposes of this policy, remuneration and other benefits (including without limitation, favors) of any kind.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 5.1

To: Board of Retirement

From: Scott Hood, Assistant Executive Officer

Subject: Consideration of Agenda Items, if any, Removed from the Consent Agenda

The Board will consider items removed from the consent agenda, if any. The Board may move in to Closed Session, if necessary.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 5.2

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of the 2012-2013 Fiscal Year Contribution Rates for New Plans

Staff Recommendation

Staff recommends that the Board of Retirement adopt the attached "Resolution Amending Resolution 10-11-09, 'Accepting Contribution rates to Recommend to the Board of Supervisors for the 2012-2013 Fiscal Year.' "

Summary

At the September meeting the board accepted the 2011 Actuarial Valuation and approved the 2012-13 employer and employee contribution rates for most general and safety employees. The 2012-13 contribution rates for employees hired into new benefits plans have now been provided by Milliman, Inc. and staff would like to add these rates to the resolution approved by the board in September.

Background

At the September 27, 2011, board meeting, Nick Collier of Milliman, Inc. recommended contribution rates for employers and employees in conjunction with his presentation of the 2011 Actuarial Valuation. After the presentation, the board adopted a resolution, "Accepting Contribution rates to Recommend to the Board of Supervisors for the 2012-2013 Fiscal Year."

This resolution only included the rates for members in the current retirement plans. Recent labor negotiations between the county and its bargaining groups produced agreements to create new retirement benefit plans and new member cost sharing agreements, including sharing the costs of COLAs. One of the new plans, Sheriff's Plan 5, was contingent upon legislation that was not enacted until late September. Now that all plans are confirmed, Milliman Inc. has calculated the employer and employee contribution rates and the staff is bringing the rates to the board for approval. The rates are as stated in the attached amendment to the resolution and attachments.

With adoption of this amendment, the resolution will contain all employer and member contribution rates, for members in old plans and new plans, that will go into effect in July 2012. The resolution and attachments also reflect the board's decision on September 27 to maintain employer contribution rates at their current levels.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

RESOLUTION 11-12-__

RESOLUTION AMENDING RESOLUTION 11-12-09 ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board..."*shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...*;" and

WHEREAS, the Board has received and accepted the June 30, 2011, valuation report from its actuarial firm, Milliman, Inc.; and

WHEREAS, maintaining payment of the 2011-12 employer rates will lower the level of expected future increases and help keep *SamCERA* on a path toward greater fiscal strength; and

WHEREAS, on September 27, 2011, this board adopted Resolution 11-12-09 Accepting Contribution rates to Recommend to the Board of Supervisors for the 2012-2013 Fiscal Year for members hired prior to the implementation of new benefit formulas in 2011 and 2012; and

WHEREAS, Milliman, Inc. has provided employer and employee contribution rates to recommend to the Board of Supervisors for those hired after implementation of new benefit formulas in 2011 and 2012; and

WHEREAS, this board now desires to amend the resolution in order to add the 2012-13 employer and employee rates for all general and safety members hired after the implementation of new benefit formulas in 2011 and 2012; and

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

Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as set forth in the attached schedules and letters from Milliman, Inc. for the fiscal year 2012-2013.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age <u>member</u> contribution rates for members hired <u>prior</u> to the implementation of new benefit formulas in 2011 and 2012 of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules set forth in the attachments provided by Milliman, Inc., entitled *"Exhibit*

D-2: Basic Plus Cost-Sharing Member Contribution Rates (Attachment 1)*, and "Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, With 25% COLA Share"* (Attachment 2), as a percentage of covered salaries, effective July 1, 2012;

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended employer contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in a letter of September 26, 2011, to David Bailey, Chief Executive Officer, Re: *"Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012" as* a percentage of covered salaries, effective July 1, 2012; (Attachment 3) and

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended employer contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012 for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with schedules provided by Milliman, Inc. in a letter of October 18, 2011, to David Bailey, Chief Executive Officer, Re: *"June 30, 2011 Actuarial Valuation Addendum -- New Plans" as* a percentage of covered salaries, effective July 1, 2012; (Attachment 4) and,

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended entry age member contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012 of the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules set forth in the attachments provided by Milliman, Inc., entitled "in accordance with schedules provided by Milliman, Inc. in a letter of October 18, 2011, to David Bailey, Chief Executive Officer, Re: *"June 30, 2011 Actuarial Valuation Addendum -- New Plans" as* a percentage of covered salaries, effective July 1, 2012; (Attachment 4) and;

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit these rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2012.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

INDEX OF
ATTACHMENTS
TO RESOLUTION AMENDING RESOLUTION 11-12-09 ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2012-2013 FISCAL YEAR.

1. **"Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates**

   (*Member contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 2012.*)

2. **"Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, With 25% COLA Share" as a percentage of covered salaries, effective July 1, 2012."**

   (*Member contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 2012.*)

3. **Letter of September 26, 2011, to David Bailey, Chief Executive Officer, Re: "Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012."**

   (*Employer contribution rates for members hired prior to the implementation of new benefit formulas in 2011 and 2012.*)

4. **Letter of October 18, 2011, to David Bailey, Chief Executive Officer, Re: "June 30, 2011 Actuarial Valuation Addendum -- New Plans" as a percentage of covered salaries, effective July 1, 2012.**

   (*Employer and member contribution rates for members hired after the implementation of new benefit formulas in 2011 and 2012.*)

San Mateo County Employees' Retirement Association

Exhibit D-2: Basic Plus Cost-Sharing Member Contribution Rates

Entry Age *	General (County)		General (SMCM&VCD)***		Probation		Safety**	
	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4	Plans 1&2	Plan 4
16	8.14%	7.92%	5.14%	4.92%	9.08%	8.84%	11.98%	11.68%
17	8.23%	8.01%	5.23%	5.01%	9.19%	8.94%	12.11%	11.80%
18	8.33%	8.10%	5.33%	5.10%	9.29%	9.04%	12.24%	11.93%
19	8.43%	8.20%	5.43%	5.20%	9.40%	9.14%	12.37%	12.06%
20	8.53%	8.29%	5.53%	5.29%	9.50%	9.25%	12.50%	12.18%
21	8.63%	8.39%	5.63%	5.39%	9.61%	9.35%	12.64%	12.31%
22	8.74%	8.49%	5.74%	5.49%	9.72%	9.46%	12.78%	12.45%
23	8.84%	8.59%	5.84%	5.59%	9.84%	9.57%	12.92%	12.58%
24	8.95%	8.69%	5.95%	5.69%	9.95%	9.68%	13.06%	12.72%
25	9.06%	8.80%	6.06%	5.80%	10.07%	9.79%	13.21%	12.86%
26	9.17%	8.90%	6.17%	5.90%	10.19%	9.90%	13.36%	13.00%
27	9.28%	9.01%	6.28%	6.01%	10.31%	10.02%	13.51%	13.15%
28	9.39%	9.12%	6.39%	6.12%	10.43%	10.14%	13.67%	13.30%
29	9.51%	9.23%	6.51%	6.23%	10.56%	10.26%	13.82%	13.45%
30	9.63%	9.34%	6.63%	6.34%	10.69%	10.38%	13.98%	13.60%
31	9.75%	9.46%	6.75%	6.46%	10.82%	10.51%	14.15%	13.76%
32	9.87%	9.58%	6.87%	6.58%	10.95%	10.64%	14.32%	13.92%
33	9.99%	9.70%	6.99%	6.70%	11.09%	10.77%	14.49%	14.08%
34	10.12%	9.82%	7.12%	6.82%	11.23%	10.90%	14.67%	14.25%
35	10.25%	9.94%	7.25%	6.94%	11.38%	11.04%	14.85%	14.43%
36	10.38%	10.07%	7.38%	7.07%	11.53%	11.18%	15.04%	14.60%
37	10.52%	10.20%	7.52%	7.20%	11.68%	11.32%	15.23%	14.77%
38	10.66%	10.33%	7.66%	7.33%	11.83%	11.46%	15.42%	14.95%
39	10.80%	10.47%	7.80%	7.47%	11.98%	11.59%	15.60%	15.11%
40	10.95%	10.61%	7.95%	7.61%	12.13%	11.72%	15.79%	15.27%
41	11.10%	10.75%	8.10%	7.75%	12.28%	11.84%	15.97%	15.43%
42	11.26%	10.89%	8.26%	7.89%	12.41%	11.96%	16.14%	15.57%
43	11.41%	11.03%	8.41%	8.03%	12.54%	12.06%	16.31%	15.70%
44	11.56%	11.18%	8.56%	8.16%	12.66%	12.15%	16.45%	15.81%
45	11.71%	11.29%	8.71%	8.29%	12.77%	12.22%	16.59%	15.90%
46	11.85%	11.42%	8.85%	8.42%	12.87%	12.26%	16.71%	15.95%
47	11.99%	11.53%	8.99%	8.53%	12.93%	12.26%	16.79%	15.95%
48	12.12%	11.64%	9.12%	8.64%	12.96%	12.57%	16.83%	16.33%
49	12.25%	11.73%	9.25%	8.73%	12.96%	12.90%	16.83%	16.75%
50	12.36%	11.80%	9.36%	8.80%	12.96%	12.90%	16.83%	16.75%
51	12.45%	11.84%	9.45%	8.84%	12.96%	12.90%	16.83%	16.75%
52	12.51%	11.84%	9.52%	8.84%	12.96%	12.90%	16.83%	16.75%
53	12.55%	12.15%	9.55%	9.15%	12.96%	12.90%	16.83%	16.75%
54	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
55	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
56	12.51%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
57	12.51%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
58	12.51%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
59	12.51%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%
60	12.55%	12.49%	9.55%	9.49%	12.96%	12.90%	16.83%	16.75%

* *For County General members entering after age 55, the rate equals the rate at age 55. Likewise for Safey and Probation members entering after age 50, the rate equals the rate at age 50. Only Probation rates reflect employer pick-up.*

** *Cost sharing is less for deputy sheriffs.*

*** *Mosquito and Vector Control District does not participate in cost sharing.*

Attachment 1

San Mateo County Employees' Retirement Association

Exhibit D-3: Basic Plus Cost-Sharing Member Contribution Rates, with 25% COLA share**

	California Nurses Association		
Entry Age *	Plan 1	Plan 2	Plan 4
16	9.31%	9.01%	8.74%
17	9.42%	9.12%	8.84%
18	9.54%	9.24%	8.95%
19	9.66%	9.35%	9.06%
20	9.79%	9.47%	9.17%
21	9.91%	9.59%	9.28%
22	10.05%	9.72%	9.40%
23	10.17%	9.83%	9.52%
24	10.30%	9.96%	9.64%
25	10.44%	10.09%	9.76%
26	10.57%	10.22%	9.88%
27	10.71%	10.35%	10.01%
28	10.84%	10.48%	10.13%
29	10.99%	10.62%	10.26%
30	11.14%	10.76%	10.40%
31	11.28%	10.90%	10.53%
32	11.43%	11.04%	10.67%
33	11.58%	11.18%	10.80%
34	11.74%	11.33%	10.94%
35	11.90%	11.48%	11.09%
36	12.06%	11.63%	11.23%
37	12.23%	11.80%	11.39%
38	12.40%	11.96%	11.55%
39	12.57%	12.13%	11.70%
40	12.76%	12.30%	11.87%
41	12.94%	12.48%	12.04%
42	13.14%	12.66%	12.22%
43	13.32%	12.84%	12.38%
44	13.51%	13.02%	12.55%
45	13.69%	13.19%	12.72%
46	13.86%	13.35%	12.87%
47	14.03%	13.52%	13.03%
48	14.19%	13.67%	13.18%
49	14.35%	13.82%	13.32%
50	14.49%	13.95%	13.44%
51	14.60%	14.06%	13.54%
52	14.68%	14.14%	13.62%
53	14.72%	14.17%	13.66%
54	14.72%	14.17%	13.66%
55	14.72%	14.17%	13.66%
56	14.72%	14.17%	13.66%
57	14.72%	14.17%	13.66%
58	14.72%	14.17%	13.66%
59	14.72%	14.17%	13.66%
60	14.72%	14.17%	13.66%

** For County General members entering after age 55, the rate equals the rate at age 55.*

*** Beginning with the 2011 valuation, current members of the California Nurses Association will contribute 25% of the cost of COLA, in addition to the current member rates and cost sharing for General members. To reflect this cost, the basic rates for current General members are multiplied by the following factors (prior to the addition of cost-sharing): 1.2274 for Plan 1 CNA members, 1.170 for Plan 2 CNA members, and 1.1158 for Plan 4 CNA members. These loads are based on 25% of the calculated cost of COLA.*

Attachment 2

Milliman

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

September 26, 2011

Mr. David Bailey
Chief Executive Officer
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: Update to County Contribution Rates for Fiscal Year Beginning July 1, 2012

Dear David:

We will be presenting the results of *SamCERA's* June 30, 2011 actuarial valuation at the September Board meeting. One of the key results of the valuation is that the employer's calculated contribution rate (calculated under *SamCERA's* funding policy) will decrease for the next year but is projected to increase in the following years. Due to this result, it is our understanding the Board will elect to adopt employer contribution rates that are the same as the rates the employer is currently paying. Since, we did not provide contribution rates by plan under this scenario in our valuation report, we are providing this letter which includes revised Exhibits 12a & 12b with the employer contribution rates by plan.

The attached exhibits show the employer contribution rates for each plan broken down by the portion for Normal Cost and the portion going towards paying off the Unfunded Actuarial Accrued Liability (UAAL). Line E represents the rates that should be paid by the employer for the fiscal year beginning July 1, 2012. Lines C & D display the break down between Normal Cost and UAAL contributions.

Note that since the employer is contributing the same rates as last year, we have not treated members of the California Nurses Association (CNA) differently than other General members for purposes of the employer rate. CNA members will still have different member contribution rates.

Actuarial Certification

All data, methods and assumptions are the same as those used in our June 30, 2011 actuarial valuation for SamCERA. Please refer to that report for further details.

All costs, liabilities, rates of interest, and other factors for *SamCERA* have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of *SamCERA* and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting *SamCERA*. We will next be reviewing the assumptions in 2014 as part of our triennial investigation.

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

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for *SamCERA*. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of *SamCERA*'s current funding requirements and of GASB Statements No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of *SamCERA*. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

We respectfully submit this letter. If you have any questions, please let us know.

Sincerely,

Nick Collier

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

NJC/nlo

Enclosures

SAN MATEO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Exhibit 12a: Total Employer Contributions

	General - County (Excludes CNA members)					General - CNA Members					General - SMCM&VCD			
	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 3	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total
A. Basic Employer Normal Cost Rate	4.49%	5.44%	7.69%	6.09%	5.94%	3.89%	4.82%	7.69%	5.55%	5.32%	11.65%	11.20%	7.80%	8.44%
B. COLA Normal Cost Rate	6.06%	4.94%	0.00%	3.44%	3.77%	5.24%	4.38%	0.00%	3.14%	3.38%	5.28%	6.26%	3.09%	3.53%
C. Employer Normal Cost Rate	10.55%	10.38%	7.69%	9.53%	9.71%	9.13%	9.20%	7.69%	8.69%	8.70%	16.93%	17.46%	10.89%	11.97%
D. UAAL Contribution Rate	18.89%	18.96%	18.51%	18.68%	18.80%	20.31%	20.14%	18.51%	19.52%	19.81%	12.09%	17.57%	18.46%	18.19%
E. Total June 30, 2011 Contribution Rate (C) + (D)**	**29.44%**	**29.34%**	**26.20%**	**28.21%**	**28.51%**	**29.44%**	**29.34%**	**26.20%**	**28.21%**	**28.51%**	**29.02%**	**35.03%**	**29.35%**	**30.16%**
F. Total June 30, 2010 Contribution Rate***	29.44%	29.34%	26.20%	28.21%	28.51%	29.44%	29.34%	26.20%	28.21%	28.51%	29.02%	35.03%	29.35%	30.16%
G. Estimated Payroll for fiscal year beginning July 1, 2012	$ 5,242	$ 89,140	$ 10,481	$ 230,679	$ 335,542	$ 748	$ 11,783	$ 886	$ 26,766	$ 40,183	$ 127	$ 146	$ 1,269	$ 1,542
H. Estimated Annual Contribution (E x G)*	**$ 1,543**	**$ 26,156**	**$ 2,746**	**$ 65,081**	**$ 95,673**	**$ 220**	**$ 3,457**	**$ 232**	**$ 7,551**	**$ 11,457**	**$ 37**	**$ 51**	**$ 372**	**$ 465**

** Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.*

***The rates shown for the fiscal year beginning July 1, 2012 are the same as those currently being contributed, as the County has elected to contribute at the higher rate.*

****Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.*

SAN MATEO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Exhibit 12b: Total Employer Contributions

	Safety				Probation				All Plans
	Plan 1	Plan 2	Plan 4	Total	Plan 1	Plan 2	Plan 4	Total	
A. Basic Employer Normal Cost Rate	14.57%	10.89%	12.22%	11.80%	14.59%	12.92%	12.96%	12.96%	7.02%
B. COLA Normal Cost Rate	13.12%	8.94%	6.24%	7.17%	14.90%	8.65%	5.84%	6.56%	4.23%
C. Employer Normal Cost Rate	27.69%	19.83%	18.46%	18.97%	29.49%	21.57%	18.80%	19.52%	11.25%
D. UAAL Contribution Rate	48.51%	52.42%	51.63%	52.07%	18.82%	24.46%	23.94%	24.24%	22.75%
E. Total June 30, 2011 Contribution Rate (C) + (D)**	**76.20%**	**72.25%**	**70.09%**	**71.04%**	**48.31%**	**46.03%**	**42.74%**	**43.76%**	**34.00%**
F. Total June 30, 2010 Contribution Rate***	76.20%	72.25%	70.09%	71.04%	48.31%	46.03%	42.74%	43.76%	34.00%
G. Estimated Payroll for fiscal year beginning July 1, 2012	$ 922	$ 18,126	$ 36,182	$ 55,230	$ 192	$ 7,015	$ 18,875	$ 26,082	$ 458,579
H. Estimated Annual Contribution (E x G)*	**$ 703**	**$ 13,096**	**$ 25,359**	**$ 39,234**	**$ 93**	**$ 3,229**	**$ 8,067**	**$ 11,413**	**$ 155,917**

** Estimated contributions shown for illustrative purposes based on monthly contributions. Actual contributions will vary depending on actual payroll and timing.*

***The rates shown for the fiscal year beginning July 1, 2012 are the same as those currently being contributed, as the County has elected to contribute at the higher rate.*

****Prior year rates shown are those calculated in the June 30, 2010 actuarial valuation. The County elected to contribute higher rates than those shown.*

Milliman

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

October 18, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Re: June 30, 2011 Actuarial Valuation Addendum -- New Plans

Dear Members of the Board:

We have performed an actuarial valuation for the San Mateo County Employees' Retirement Association (*SamCERA*) as of June 30, 2011. Our valuation report covers only members of the system as of that date. Subsequent to that date, new plan provisions are in effect for newly hired employees. The purpose of this addendum to the valuation is to recommend the employer and member contribution rates for the fiscal year beginning July 1, 2012 for members subject to the new plan provisions.

Additionally, it is our understanding the Board will elect to adopt employer contribution rates that are the same as the rates the employer is currently paying for Plans 1-4. We are also providing employer contribution rates under that alternative.

Plan Design for New General Employees

The following is our understanding of the new plan that will be offered to General members hired on or after August 7, 2011, as communicated to us by the County. New employees may choose one of the following plan options:

1. Current General Plan 3 – noncontributory plan (Section 31497.3 of the '37 Act)
2. Plan 5 (Pre-enhancement Formula) – 1.725% at age 58 (Section 31676.1 of the '37 Act)

Employees who choose the pre-enhancement formula will have the option to transfer into the current Plan 4 – 2.0% at age 55.5 (Section 31676.14) – after earning 10 years of service. Employees choosing this option will be required to pay the total actuarial equivalent cost of the increase in benefits between the pre-enhancement formula and the current Plan 4 related to past service at the date of purchase.

Normal member contributions under the pre-enhancement formula are based on Section 31621 of the '37 Act – 1/120th at age 60. Members who transfer to the current Plan 4 will then pay normal member contributions under Section 31621.9 – 1/120th at age 55 – the same as current Plan 4 members. In addition, transferring members will pay the 3% cost sharing contributions paid by current Plan 4 members.

All new employees under the pre-enhancement formula and those who transfer to the Plan 4 formula will pay 50% of the COLA cost under Section 31873 of the '37 Act.

The current Plan 3 is noncontributory.

Plan Design for New Safety / Probation Employees

The following is our understanding of the new plan that will be offered to different Safety member groups hired on or after January 8, 2012, as communicated to us by the County. Several of these plan designs may require legislation to first be enacted. We have not explored any legal issues related to these plan design options.

	Plan 5	Plan 6
Bargaining Units	Choice (PDA, OSS & Mgmt.) Mandatory (DSA)	Choice (PDA, OSS & Mgmt.)
Effective Date	January 8, 2012	January 8, 2012
'37 Act Section	31664.2	31664
Benefit formula:	3% at age 55	2% at age 50
Member contribution formula:	1/100th at age 50	1/100th at age 50
COLA contributions:	member pays 50%	member pays 50%
Cost sharing contributions:	4.0% (OSS & Mgmt) 3.5% (PDA), Current (DSA)	0.00%

Additional Notes: *1) Employer picks up 20% of basic member contributions for PDA.*

Results – Calculated Employer Contribution Rates Effective July 1, 2012

Employer contribution rates are shown in the following table for each class of member and plan, as well as separately by bargaining unit where there is a difference. In addition to the members paying a portion of the COLA cost, members participating in some of the new plans may pay some cost sharing.

Class / Plan	Employer Normal Cost Rate	UAAL Rate	Total Employer Rate
General Plan 5	8.70%	16.41%	25.11%
Safety Plan 5	15.21%	40.16%	55.37%
Probation Plan 5	13.97%	21.62%	35.59%
Safety Plan 6 (OSS & Mgmt. Only)	14.75%	40.16%	54.91%
Probation Plan 6	14.45%	21.62%	36.07%

Member Contribution Rates

Member contribution rates are shown in the attached Exhibits 1-5. The exhibits show the basic member rate, the COLA portion, and the cost-sharing piece (if applicable). Note that it is our understanding that the cost-sharing piece for Plan 5 requires legislation. It is also our understanding that this enabling legislation (AB 89) was recently passed.

Results – Adjusted Employer Contribution Rates Effective July 1, 2012

As previously discussed, it is our understanding that the Board will adopt higher employer contribution rates than required under the current funding policy. These contribution rates will be consistent with the employer rates currently being paid. Under this alternative, the employer rates would be as follows:

Class / Plan	Employer Normal Cost Rate	UAAL Rate	Total Employer Rate
General Plan 5	8.70%	18.68%	27.38%
Safety Plan 5	15.21%	52.28%	67.49%
Probation Plan 5	13.97%	24.05%	38.02%
Safety Plan 6 (OSS & Mgmt. Only)	14.75%	52.19%	66.94%
Probation Plan 6	14.45%	23.97%	38.42%

Assumptions & Methods

The rates shown here are based on prior studies completed for the County. Specifically, the employer rates reflect the data, methods and assumptions used for the June 30, 2008, actuarial valuation report of *SamCERA* dated September 15, 2008, except where noted. Adjustments have been made to account for the new assumptions adopted with the 2011 Investigation of Experience as follows:

- The gross normal cost rate has been increased by a relative 0.7%. That is, the gross normal cost from our study has been multiplied by 100.7%.
- The average member rate used in the calculation of the employer normal cost rate has been increased by a relative 0.3%.
- All member rates shown in Exhibits 1 -5 have been recalculated using the new mortality assumptions.

The ultimate cost of each plan will depend on several factors, including the demographic make-up (primarily number of new hires at each entry age) of the group that selects each plan. Since it is not known what the new hire demography will be, we have assumed it will be the same as that of the existing Plan 4 population. To the extent that new hires selecting each plan are demographically different from that population, the employer Normal Cost rate will change.

In addition, we expect that over the next several years the demography of new hires will evolve until a somewhat stable population demographic is reached. Until that time, we expect that the aggregate employer Normal Cost may be subject to fluctuations from year to year that are greater than those of the current *SamCERA* plans.

Alternate retirement rates were used for Plans 5 and 6 due to the reduced benefit levels as shown in Exhibit 6. These adjustments to the retirement rates are based on an estimate of how the proposed change in benefits may impact members' behaviors. They are subjective assumptions, although we have looked at the rates used by other systems with similar formulas. Also, since the new benefit plans will only apply to new employees, it will be many years before employees actually retire under the new plans. It will be at least 10 to 20 years before hard evidence will emerge regarding the various retirement patterns. During that period of time, other factors may also impact employees' retirement patterns, such as retiree health coverage, longer life expectations, the national economy, etc.

Certification

In preparing this analysis and the June 30, 2008 and 2011 valuations, we relied, without audit, on information (some oral and some in writing) supplied by the *SamCERA* and County staff. This information includes, but is not limited to, asset information, statutory provisions, and employee data. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since these results are dependent on the integrity of the information supplied, the results can be expected to differ if the underlying information is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for *SamCERA* have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of *SamCERA* and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting *SamCERA*. We will next be reviewing the assumptions in 2014 as part of our triennial investigation.

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

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for *SamCERA*. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations prepared for this purpose may differ as disclosed in our report. The calculations in this report have been made on a basis consistent with our understanding of *SamCERA*'s current funding requirements and of GASB Statements No. 25. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of *SamCERA*. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

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

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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

Sincerely,

Nick Collier

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

NJC/nlo

Enclosures

San Mateo County Employees' Retirement Association
General Member Rates
Plan 5, 1.725% @ 58
Effective July 1, 2012

Exhibit 1

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates
16	4.24%	0.92%	5.16%
17	4.32%	0.94%	5.26%
18	4.40%	0.95%	5.35%
19	4.48%	0.97%	5.45%
20	4.57%	0.99%	5.56%
21	4.65%	1.01%	5.66%
22	4.74%	1.03%	5.77%
23	4.83%	1.05%	5.88%
24	4.92%	1.07%	5.99%
25	5.01%	1.09%	6.10%
26	5.10%	1.11%	6.21%
27	5.19%	1.12%	6.31%
28	5.29%	1.15%	6.44%
29	5.39%	1.17%	6.56%
30	5.48%	1.19%	6.67%
31	5.58%	1.21%	6.79%
32	5.69%	1.23%	6.92%
33	5.79%	1.25%	7.04%
34	5.89%	1.28%	7.17%
35	6.00%	1.30%	7.30%
36	6.11%	1.32%	7.43%
37	6.22%	1.35%	7.57%
38	6.33%	1.37%	7.70%
39	6.45%	1.40%	7.85%
40	6.57%	1.42%	7.99%
41	6.69%	1.45%	8.14%
42	6.81%	1.48%	8.29%
43	6.94%	1.50%	8.44%
44	7.06%	1.53%	8.59%
45	7.20%	1.56%	8.76%
46	7.33%	1.59%	8.92%
47	7.46%	1.62%	9.08%
48	7.59%	1.64%	9.23%
49	7.72%	1.67%	9.39%
50	7.84%	1.70%	9.54%
51	7.96%	1.72%	9.68%
52	8.07%	1.75%	9.82%
53	8.17%	1.77%	9.94%
54	8.25%	1.79%	10.04%
55	8.32%	1.80%	10.12%
56	8.36%	1.81%	10.17%
57	8.36%	1.81%	10.17%
58	8.65%	1.87%	10.52%
59	8.97%	1.94%	10.91%

San Mateo County Employees' Retirement Association
Safety Member Rates
Plan 5, 3% @ 55
Effective July 1, 2012

Exhibit 2

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates (w/o cost share) *
16	6.68%	2.04%	8.72%
17	6.80%	2.07%	8.87%
18	6.93%	2.11%	9.04%
19	7.06%	2.15%	9.21%
20	7.18%	2.19%	9.37%
21	7.31%	2.23%	9.54%
22	7.45%	2.27%	9.72%
23	7.58%	2.31%	9.89%
24	7.72%	2.35%	10.07%
25	7.86%	2.40%	10.26%
26	8.00%	2.44%	10.44%
27	8.15%	2.49%	10.64%
28	8.30%	2.53%	10.83%
29	8.45%	2.58%	11.03%
30	8.60%	2.62%	11.22%
31	8.76%	2.67%	11.43%
32	8.92%	2.72%	11.64%
33	9.08%	2.77%	11.85%
34	9.25%	2.82%	12.07%
35	9.43%	2.88%	12.31%
36	9.60%	2.93%	12.53%
37	9.77%	2.98%	12.75%
38	9.95%	3.03%	12.98%
39	10.11%	3.08%	13.19%
40	10.27%	3.13%	13.40%
41	10.43%	3.18%	13.61%
42	10.57%	3.22%	13.79%
43	10.70%	3.26%	13.96%
44	10.81%	3.30%	14.11%
45	10.90%	3.32%	14.22%
46	10.95%	3.34%	14.29%
47	10.95%	3.34%	14.29%
48	11.33%	3.46%	14.79%
49	11.75%	3.58%	15.33%
50	11.75%	3.58%	15.33%
51	11.75%	3.58%	15.33%
52	11.75%	3.58%	15.33%
53	11.75%	3.58%	15.33%
54	11.75%	3.58%	15.33%

** Cost share varies by bargaining group, and age and service of members.*
Members (except Deputy Sheriffs) contribute 4.0% cost sharing.
Deputy Sheriffs contribute the following cost sharing:
4.5% if age 45 or older
3.0% if less than age 45 and service is less than 5 years
3.5% if less than age 45 and service is between 5 and 15 years
4.5% if less than age 45 and service is more than 15 years

San Mateo County Employees' Retirement Association
Probation Member Rates
Plan 5, 3% @ 55, 20% employer pick-up reflected in basic member rates
Effective July 1, 2012

Exhibit 3

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates (w/o cost share)	Cost Share	Total Member Rates
16	5.34%	2.01%	7.35%	3.50%	10.85%
17	5.44%	2.05%	7.49%	3.50%	10.99%
18	5.54%	2.09%	7.63%	3.50%	11.13%
19	5.64%	2.13%	7.77%	3.50%	11.27%
20	5.75%	2.17%	7.92%	3.50%	11.42%
21	5.85%	2.21%	8.06%	3.50%	11.56%
22	5.96%	2.25%	8.21%	3.50%	11.71%
23	6.07%	2.29%	8.36%	3.50%	11.86%
24	6.18%	2.33%	8 51%	3.50%	12.01%
25	6.29%	2.37%	8.66%	3.50%	12.16%
26	6.40%	2.41%	8.81%	3.50%	12.31%
27	6.52%	2.46%	8.98%	3.50%	12.48%
28	6.64%	2.50%	9.14%	3.50%	12.64%
29	6.76%	2.55%	9.31%	3.50%	12.81%
30	6.88%	2.59%	9.47%	3.50%	12.97%
31	7.01%	2.64%	9.65%	3.50%	13.15%
32	7.14%	2.69%	9.83%	3.50%	13.33%
33	7.27%	2.74%	10.01%	3.50%	13.51%
34	7.40%	2.79%	10.19%	3.50%	13.69%
35	7.54%	2.84%	10.38%	3.50%	13.88%
36	7.68%	2.90%	10.58%	3.50%	14.08%
37	7.82%	2.95%	10.77%	3.50%	14.27%
38	7.96%	3.00%	10.96%	3.50%	14.46%
39	8.09%	3.05%	11.14%	3.50%	14.64%
40	8.22%	3.10%	11.32%	3.50%	14.82%
41	8.34%	3.14%	11.48%	3.50%	14.98%
42	8.46%	3.19%	11.65%	3.50%	15.15%
43	8.56%	3.23%	11.79%	3.50%	15.29%
44	8.65%	3.26%	11.91%	3.50%	15.41%
45	8.72%	3.29%	12.01%	3.50%	15.51%
46	8.76%	3.30%	12.06%	3.50%	15.56%
47	8.76%	3.30%	12.06%	3.50%	15.56%
48	9.07%	3.42%	12.49%	3.50%	15.99%
49	9.40%	3.54%	12.94%	3.50%	16.44%
50	9.40%	3.54%	12.94%	3.50%	16.44%
51	9.40%	3.54%	12.94%	3.50%	16.44%
52	9.40%	3.54%	12.94%	3.50%	16.44%
53	9.40%	3.54%	12.94%	3.50%	16.44%
54	9.40%	3.54%	12.94%	3.50%	16.44%

San Mateo County Employees' Retirement Association
Safety Member Rates
Plan 6, 2% @ 50
Effective July 1, 2012

Exhibit 4

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates
16	6.68%	1.80%	8.48%
17	6.80%	1.83%	8.63%
18	6.93%	1.86%	8.79%
19	7.06%	1.90%	8.96%
20	7.18%	1.93%	9.11%
21	7.31%	1.96%	9.27%
22	7.45%	2.00%	9.45%
23	7.58%	2.04%	9.62%
24	7.72%	2.08%	9.80%
25	7.86%	2.11%	9.97%
26	8.00%	2.15%	10.15%
27	8.15%	2.19%	10.34%
28	8.30%	2.23%	10.53%
29	8.45%	2.27%	10.72%
30	8.60%	2.31%	10.91%
31	8.76%	2.35%	11.11%
32	8.92%	2.40%	11.32%
33	9.08%	2.44%	11.52%
34	9.25%	2.49%	11.74%
35	9.43%	2.53%	11.96%
36	9.60%	2.58%	12.18%
37	9.77%	2.63%	12.40%
38	9.95%	2.67%	12.62%
39	10.11%	2.72%	12.83%
40	10.27%	2.76%	13.03%
41	10.43%	2.80%	13.23%
42	10.57%	2.84%	13.41%
43	10.70%	2.88%	13.58%
44	10.81%	2.91%	13.72%
45	10.90%	2.93%	13.83%
46	10.95%	2.94%	13.89%
47	10.95%	2.94%	13.89%
48	11.33%	3.05%	14.38%
49	11.75%	3.16%	14.91%

San Mateo County Employees' Retirement Association
Probation Member Rates
Plan 6, 2% @ 50, 20% employer pick-up reflected in basic member rates
Effective July 1, 2012

Exhibit 5

Entry Age	Basic Member Rates	COLA Member Rates	Total Member Rates
16	5.34%	1.77%	7.11%
17	5.44%	1.80%	7.24%
18	5.54%	1.84%	7.38%
19	5.64%	1.87%	7.51%
20	5.75%	1.91%	7.66%
21	5.85%	1.94%	7.79%
22	5.96%	1.98%	7.94%
23	6.07%	2.01%	8.08%
24	6.18%	2.05%	8.23%
25	6.29%	2.09%	8.38%
26	6.40%	2.12%	8.52%
27	6.52%	2.16%	8.68%
28	6.64%	2.20%	8.84%
29	6.76%	2.24%	9.00%
30	6.88%	2.28%	9.16%
31	7.01%	2.33%	9.34%
32	7.14%	2.37%	9.51%
33	7.27%	2.41%	9.68%
34	7.40%	2.46%	9.86%
35	7.54%	2.50%	10.04%
36	7.68%	2.55%	10.23%
37	7.82%	2.59%	10.41%
38	7.96%	2.64%	10.60%
39	8.09%	2.68%	10.77%
40	8.22%	2.73%	10.95%
41	8.34%	2.77%	11.11%
42	8.46%	2.81%	11.27%
43	8.56%	2.84%	11.40%
44	8.65%	2.87%	11.52%
45	8.72%	2.89%	11.61%
46	8.76%	2.91%	11.67%
47	8.76%	2.91%	11.67%
48	9.07%	3.01%	12.08%
49	9.40%	3.12%	12.52%

San Mateo County Employees' Retirement Association
June 30, 2011 Actuarial Valuation

Exhibit 6
Retirement Rates

Age*	General	Probation and Safety
45	0.000	0.000
46	0.000	0.000
47	0.000	0.000
48	0.000	0.000
49	0.000	0.000
50	0.030	0.030
51	0.030	0.030
52	0.030	0.030
53	0.030	0.030
54	0.030	0.030
55	0.050	0.050
56	0.060	0.060
57	0.080	0.080
58	0.100	0.100
59	0.100	0.100
60	0.120	0.120
61	0.150	0.150
62	0.250	0.250
63	0.200	0.200
64	0.200	0.200
65	0.400	0.400
66	0.250	0.250
67	0.250	0.250
68	0.250	0.250
69	0.250	0.250
70 & Up	1.000	1.000

** 100% probability is assumed when member reaches following age/svc combinations:*

	General		*Probation and Safety*	
	Age	*Service*	*Age*	*Service*
Plan 5	*62*	*38*	*50*	*33*
Plan 6	*n/a*	*n/a*	*55*	*38*

October 25, 2011 Agenda Item 5.3

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Approval of Amendment to Agreement with Milliman, Inc.

Status

Staff is in discussions with Milliman, Inc. regarding extension of the actuarial contract. Staff believes the requested changes in fees are appropriate. The fee changes are summarized below.

Discussion is ongoing regarding the wording of some contract clauses. Staff will make a recommendation to the board regarding contract acceptance when those discussions are concluded. An update will be provided at the board meeting.

Summary

SamCERA's contract for actuarial services with Milliman, Inc. will end December 31, 2011, unless extended. Staff is negotiating a three-year extension which will include amendments to the compensation section of the contract to account for additional work related to the addition of new benefit formulas and member contribution changes negotiated by the county. Cost increases are also related to the added actuarial work that will be required when Government Accounting Standards Board (GASB) changes are implemented.

Background

Milliman, Inc. became *SamCERA*'s consulting actuarial firm in January 2006. Since that time the Milliman team has completed several major projects including:

- Review of the 2005 Actuarial Valuation drafted by the former actuarial firm
- Review of the 2005 Experience Study drafted by the former actuarial firm
- June 30, 2006, Actuarial Valuation
- June 30, 2007, Actuarial Valuation
- June 30, 2008, Actuarial Valuation
- June 30, 2008, Investigation of Experience

- Study of Additional Retirement Credit (ARC) costs
- Creation of ARC tables and formulas
- June 30, 2009, Actuarial Valuation
- June 30, 2010, Actuarial Valuation
- June 30, 2011, Actuarial Valuation
- June 30, 2011, Investigation of Experience

The June 30, 2011, valuation and experience studies were the subject of audits by the Segal Co. No significant findings resulted from the audits.

All Milliman's projects have been well received by the board and staff. Milliman has demonstrated a commitment to timeliness, quality, accuracy and clear communications. Annual reviews by the board and staff have been consistently outstanding.

As a result, board members have indicated an interest in retaining Milliman as the association's actuarial firm. To achieve that end, the board must amend and extend the current contract. Staff recommends a three-year extension in order to coordinate with timing of the experience study performed every three years. The agreement would provide for the standard 30-day termination clause if the board determined that the agreement should be terminated earlier. If the board agrees to extend the current contract for three years, Milliman will have been with *SamCERA* for nine years at the end of 2014. Toward the end of this nine year period, serious consideration should be given to issuing a request for proposals to gather information about the providers and services available.

In addition to extending the time period of the contract, staff recommends amending the compensation section. Milliman is asking for significant price increases as shown in the chart below.

The firm performs one actuarial valuation each year and an experience study every third year. They receive a quarterly retainer.

Service	**1/1/08 through 12/31/11**	**1/1/12 through 12/31/14**	**$ Annual Increase**
Quarterly Retainer	$2,500	$3,750	$5,000
Investigation of Experience	$27,500	$30,000	$834*
Actuarial Valuation	$49,000	$54,000**	$5,000
Total Increase			$10,834

**Because investigation of experience studies are only performed every third year, the amount shown is divided by three to show the annual cost increase.*

***The GASB changes for SamCERA will not be implemented until 2013. For the 2013 valuation the charge will be $60,500 and for 2014 the charge will be $62,000.*

Any special projects not covered under the standard services of the contract, are charged at hourly rates. Additional visits to *SamCERA,* above the two required in the contract, are also charged at special rates. Both the special project hourly rates and the additional visit rates are lower in Milliman's proposed amendment. However, these reductions are not expected to have a significant impact on the total cost of services since special visits and special projects are infrequent. Special projects and their costs must be approved by the retirement board.

Service	**1/1/08 through 12/31/11**	**1/1/12 through 12/31/14**
In Person Visits (2 included at no charge)	$2,750	$2,500
Hourly Rate: Nick Collier, Supervision Actuary	$370	$325
Hourly Rate: Craig Glide, Primary Support Actuary	$335	$280
Hourly Rate: Jennifer Sorenson, Second Support Actuary	---	$240
Actuarial Analyst	$180-$275	$160-$230
Support Staff	$95-$145	$75-$125

Staff believes the requested increases are reasonable considering the increased complexity of the *SamCERA* plan and the additional requirements that will come with the implementation of the GASB changes. For the past several years, *SamCERA* had 13 total employer contribution rates broken out by employer and plan. As of this fiscal year, *SamCERA* will have 18. For <u>members</u>, in the past, *SamCERA* had 12 separate member rate groups. As of this fiscal year, *SamCERA* will have 21. These numbers closely reflect the level of the required actuarial work as well as its complexity.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

October 25, 2011 Agenda Item 6.1

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Monthly Portfolio Performance Report for the Period Ending **September 30, 2011**

COMMENT: *SamCERA's* -5.60% Total Fund Return for the month out-performed the Total Plan Policy Benchmark return of -6.24% by 64 basis points. The out performance may be attributed to the underweight to equities and the larger than normal cash balance.

After a dismal first quarter for the fiscal year, the fund's return for the trailing twelve months has suffered. The return at 1.37% is 638 basis points (bps) below the Actuarial Discount Rate of 7.75%. For the same period the total fund return is 68 basis points ahead of *SamCERA's* Total Plan Policy Benchmark of 0.69%. Even though *SamCERA* out-performed the policy benchmark for the month and the trailing twelve months, the board should remember that the plan is expect to underperform the Total Plan Policy Benchmark in the initial stages of its private equity implementation.

Acrimony and political gamesmanship marred the Congressional debate over the US debt ceiling. A last-minute accord averted an immediate crisis, but the lack of a longer-term solution highlighted the scope of Washington's fiscal problems. Standard & Poor's subsequent downgrade of US long-term sovereign credit (from AAA to AA+) fueled additional anxiety. As investors shifted out of high risk assets, however, credit mounted a strong rally, leading to a further decline in US interest rates despite the ratings cut.

After a pronounced sell-off in late July and August, the U.S. equity market continued to struggle in September. Intensifying fear of a default by Greece and the ramifications for euro zone economies and global growth weighed on investor sentiment and pressured stock prices. Volatility reached levels not seen since early 2009 and correlations among stocks surged. Against this backdrop, most major domestic equity indices endured significant declines, with more defensive large caps stocks falling less than small- and mid-cap stocks. The S&P 500 Index tumbled -7.0%, led by sharp declines in the more cyclical sectors, including materials, energy and industrials.

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	-7.45%	-14.67%	-14.55%	0.96%
D.E. Shaw Investment Management, LLC	-7.90%	-14.89%	-14.02%	0.82%
T. Rowe Price Associates	-6.93%	-13.88%	-13.73%	1.33%
Barrow, Hanley, Mewhinney & Strauss	-7.94%	-17.96%	-17.11%	-1.08%
BlackRock Capital Management, Inc.	-8.03%	-16.73%	-18.06%	-2.27%
Large Cap Aggregate	-7.70%	-15.92%	-15.86%	-0.37%
The Boston Company	-9.45%	-20.10%	-23.37%	-7.10%
Chartwell Investment Partners	-9.38%	-21.91%	-23.07%	0.55%
Jennison Associates	-9.43%	-21.17%	-21.32%	0.82%
Small Cap Aggregate	-9.42%	-21.14%	-22.23%	-1.08%
Artio Global Investors	-14.17%	-22.86%	-23.15%	-16.54%
Mondrian Investment Partners	-6.70%	-14.63%	-12.12%	-5.43%
International Aggregate	-10.35%	-18.69%	-17.65%	-10.97%
Total Equity	-8.82%	-17.70%	-17.54%	-4.01%
Aberdeen Asset Management	0.58%	2.71%	4.80%	5.80%
Angelo Gordon	-10.43%	-10.43%	-14.28%	1.48%
Brigade Capital Management	-1.12%	-3.10%	-1.66%	5.87%
Brown Brothers Harriman	0.02%	3.83%	7.64%	8.44%
Franklin Templeton	-8.82%	-8.49%	-6.04%	N/A
Pyramis Global Advisors	0.43%	2.99%	5.44%	5.95%
Western Asset Management	0.69%	3.17%	5.46%	6.84%
Total Fixed Income	-2.07%	-0.52%	1.36%	4.03%
Private Equity (1)	0.96%	1.97%	-7.08%	N/A
AQR's Global Risk Premium (Risk Parity)	-2.59%	0.50%	3.88%	N/A
AQR's Delta Fund (Hedge Fund)	-0.81%	-1.35%	N/A	N/A
SSgA/SSARIS Commodity	-8.32%	N/A	N/A	N/A
Total Alternative Investments	N/A	N/A	N/A	N/A
Invesco Realty Advisors	0.00%	0.00%	6.93%	0.00%
Cash	0.03%	0.19%	0.44%	0.91%
Total Portfolio	-5.60%	-10.29%	-9.22%	1.37%

(1) As month end, *SamCERA* has committed to four private equity investments totaling $60 million.

San Mateo County

Summary of Fund Performance With 4 Years
Rates of Return Total
Periods Ending September 30, 2011

STATE STREET.

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
DOMESTIC EQUITY													
BLACKROCK RUSSELL 1000 INDEX FUND	100,079,852	-7.45	-14.67	-14.55	-14.67	0.96	5.79	1.68	-4.85	-0.84	3.32	7.23	04/01/1995
DE SHAW INVESTMENT MGT, LLC	95,327,500	-7.90	-14.89	-14.02	-14.89	0.82	4.67					8.54	08/01/2009
RUSSELL 1000		*-7.46*	*-14.68*	*-14.58*	*-14.68*	*0.91*	*5.72*	*1.61*	*-4.92*	*-0.91*	*3.28*		
T. ROWE PRICE ASSOCIATES	94,958,552	-6.93	-13.88	-13.73	-13.88	1.33	5.15					8.20	08/01/2009
S&P 500		*-7.03*	*-13.87*	*-13.78*	*-13.87*	*1.14*	*5.56*					*8.67*	
BARROW HANLEY	132,858,509	-7.94	-17.96	-17.11	-17.96	-1.08	5.29					7.73	08/01/2009
RUSSELL 1000 VALUE		*-7.56*	*-16.20*	*-16.62*	*-16.20*	*-1.89*	*3.36*					*7.42*	
BLACKROCK	142,761,986	-8.03	-16.73	-18.06	-16.73	-2.27	4.95					8.24	08/01/2009
RUSSELL 1000 GROWTH		*-7.37*	*-13.14*	*-12.48*	*-13.14*	*3.78*	*8.12*					*10.60*	
LARGE CAP AGGREGATE	565,986,398	-7.70	-15.92	-15.86	-15.92	-0.37	4.78	0.52	-5.73	-2.32	2.82	6.93	04/01/1995
RUSSELL 1000		*-7.46*	*-14.68*	*-14.58*	*-14.68*	*0.91*	*5.72*	*1.61*	*-4.92*	*-0.91*	*3.28*	*7.21*	
BOSTON COMPANY ASSET MGT, LLC	39,889,688	-9.45	-20.10	-23.37	-20.10	-7.10	2.06					6.22	08/01/2009
RUSSELL 2000 VALUE		*-10.92*	*-21.47*	*-23.56*	*-21.47*	*-5.99*	*2.53*					*6.93*	
CHARTWELL INVESTMENT MGMT	47,269,973	-9.38	-21.91	-23.07	-21.91	0.55	10.67	2.73	-4.28	0.97		3.13	12/01/2004
RUSSELL 2000 GROWTH		*-11.50*	*-22.25*	*-22.71*	*-22.25*	*-1.12*	*6.54*	*2.07*	*-3.10*	*0.96*		*2.44*	
JENNISON ASSOCIATES	83,764,787	-9.43	-21.17	-21.32	-21.17	0.82	9.58	4.35				2.19	04/01/2008
SMALL CAP AGGREGATE	170,924,448	-9.42	-21.14	-22.23	-21.14	-1.08	8.07	1.41	-5.41	-3.24	4.55	3.31	07/01/1999
RUSSELL 2000		*-11.21*	*-21.87*	*-23.12*	*-21.87*	*-3.53*	*4.57*	*-0.37*	*-4.10*	*-1.02*	*6.12*	*4.17*	
DOMESTIC EQUITY AGGREGATE	736,910,846	-8.10	-17.22	-17.45	-17.22	-0.69	5.36	0.70	-5.66	-2.49	3.19	6.07	07/01/1995
SAMCERA DOMESTIC EQUITY BENCHMA		*-8.32*	*-16.37*	*-16.60*	*-16.37*	*-0.22*	*5.41*	*1.19*	*-4.76*	*-0.93*	*3.88*		

San Mateo County
Summary of Fund Performance With 4 Years
Rates of Return Total
Periods Ending September 30, 2011

STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL EQUITY													
ARTIO GLOBAL INVESTOR	157,330,190	-14.17	-22.86	-23.15	-22.86	-16.54	-6.20	-4.90	-12.28	-4.85		1.71	12/01/2004
MSCI ACWI ex US GROWTH (GROSS)		*-12.43*	*-20.10*	*-19.26*	*-20.10*	*-10.61*	*-0.04*	*0.81*	*-7.71*	*-0.65*		*4.18*	
MONDRIAN INVESTMENT PARTNERS	179,152,423	-6.70	-14.63	-12.12	-14.63	-5.43	-0.19	1.22	-6.55	-0.86		4.62	12/01/2004
MSCI ACWI EX US VALUE (GROSS)		*-9.73*	*-19.45*	*-19.33*	*-19.45*	*-10.28*	*-3.24*	*1.12*	*-8.03*	*-1.64*		*4.07*	
TOTAL INTERNATIONAL EQUITY	336,482,613	-10.35	-18.69	-17.65	-18.69	-10.97	-3.14	-1.80	-9.39	-2.82	4.89	4.83	10/01/1996
MSCI AC WORLD ex US (GROSS)		*-11.09*	*-19.78*	*-19.29*	*-19.78*	*-10.42*	*-1.64*	*0.98*	*-7.85*	*-1.12*	*7.27*	*4.62*	
TOTAL EQUITY AGGREGATE	1,073,393,458	-8.82	-17.70	-17.54	-17.70	-4.01	2.59	0.00	-6.76	-2.63	3.55	5.97	04/01/1995
SAMCERA TOTAL EQUITY BENCHMARK		*-9.26*	*-17.52*	*-17.50*	*-17.52*	*-3.67*	*3.12*	*1.15*	*-5.69*	*-1.04*	*4.64*		
PRIVATE EQUITY													
ABRY ADVANCED SEC II LP	4,414,231	0.03	0.19		0.19							-12.13	06/01/2011
ABRY PARTNERS VII LP	1,368,325	11.09										11.09	09/01/2011
REGIMENT CAPITAL FUND	2,791,597	0.00										0.00	08/01/2011
SHERIDAN PRODUCTION PARTNERS	2,531,000	0.00	25.34	18.89	25.34							-87.97	11/01/2010
RUSSELL 3000 + 3%		*-7.51*	*-14.61*	*-14.00*	*-14.61*							*-0.56*	
TOTAL PRIVATE EQUITY	11,105,153	0.96	1.97	-7.08	1.97							-90.60	11/01/2010
PRIVATE EQUTIY BENCHMARK		*-7.51*	*-14.61*	*-14.00*	*-14.61*	*3.57*							
RISK PARITY													
AQR GLOBAL RISK PREM III LP	146,355,440	-2.59	0.50	3.88	0.50							4.55	03/01/2011

San Mateo County

Summary of Fund Performance With 4 Years
Rates of Return Total
Periods Ending September 30, 2011

STATE STREET

	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
TOTAL RISK PARITY	146,355,440	-2.59	0.50	3.88	0.50							4.55	03/01/2011
RISK PARITY BENCHMARK		*-4.36*	*-7.93*	*-7.10*	*-7.93*	*2.72*							
HEDGE FUND													
AQR DELTA FUND II, L.P.	69,042,470	-0.81	-1.35		-1.35							-1.37	06/01/2011
LIBOR + 4%		*0.35*	*1.04*		*1.04*							*1.39*	
HEDGE FUND COMPOSITE	69,042,470	-0.81	-1.35		-1.35							-1.37	06/01/2011
LIBOR + 4%		*0.35*	*1.04*		*1.04*							*1.39*	
COMMODITIES													
SSGA MULTISOURCE ACT COMM NL	67,006,505	-8.32										-10.66	08/01/2011
TOTAL COMMODITIES	67,006,505	-8.32										-10.66	08/01/2011
DJ-UBS COMMODITY		*-14.74*										*-13.89*	
DOMESTIC FIXED INCOME													
ABERDEEN ASSET MANAGEMENT	105,594,595	0.58	2.71	4.80	2.71	5.80	9.34	7.99	4.58	4.69	5.04	6.09	06/01/2000
ANGELO GORDON GECC PPI FUND	33,861,618	-10.43	-10.43	-14.28	-10.43	1.48						15.32	12/01/2009
PYRAMIS GLOBAL ADVISORS	106,471,139	0.43	2.99	5.44	2.99	5.95	8.57	10.33	7.47	6.71		6.52	02/01/2006
WESTERN ASSET MGMT	104,862,078	0.69	3.17	5.46	3.17	6.84	10.41	11.60	7.15	6.55		5.96	11/01/2004
BC AGGREGATE		*0.73*	*3.82*	*6.20*	*3.82*	*5.26*	*6.70*	*7.97*	*6.88*	*6.53*	*5.66*		
BRIGADE CAPITAL MANAGEMENT	48,586,365	-1.12	-3.10	-1.66	-3.10	5.87						6.79	08/01/2010
BC BA INTERMEDIATE HIGH YIELD INDEX		*-2.34*	*-3.66*	*-2.41*	*-3.66*	*2.40*						*4.88*	
BROWN BROTHERS HARRIMAN & CO	75,700,230	0.02	3.83	7.68	3.83	8.44						9.76	08/01/2010
BARCLAYS US TIPS INDEX		*-0.17*	*4.80*	*8.69*	*4.80*	*10.19*						*10.88*	

San Mateo County

Summary of Fund Performance With 4 Years

Rates of Return Total

Periods Ending September 30, 2011

STATE STREET

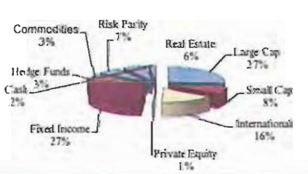
	MKT VAL	1 Month	QTR	6 Months	FYTD	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	ITD	INCEPT. DATE
INTERNATIONAL FIXED INCOME													
FRANKLIN TEMPLETON INVESTMENTS	97,134,054	-8.82	-8.49	-6.04	-8.49							-2.83	01/01/2011
BC MULTIVERSE		*-2.40*	*0.65*	*3.72*	*0.65*							*5.12*	
TOTAL FIXED INCOME													
TOTAL FIXED INCOME AGGREGATE	572,210,079	-2.07	-0.52	1.36	-0.52	4.03	8.57	9.41	5.99	5.66	5.46	5.98	01/01/1996
SAMCERA TOTAL FIXED INCOME BENCH		*-0.19*	*3.13*	*5.94*	*3.13*	*5.70*	*6.92*	*8.12*	*6.99*	*6.61*	*5.71*	*5.96*	
REAL ESTATE													
INVESCO REAL ESTATE	135,475,106	0.00	0.00	6.93	0.00	16.15	11.58	-6.94	-3.82	-0.31		5.40	10/01/2004
TOTAL REAL ESTATE AGGREGATE	135,475,106	0.00	0.00	6.93	0.00	16.15	11.58	-6.94	-3.82	-0.31	6.72	7.39	01/01/1997
SAMCERA NCREIF NFI ODCE EW (Gross)		*0.00*	*0.00*	*3.94*	*0.00*	*13.36*	*9.69*	*-7.23*	*-4.24*	*-0.28*	*5.88*	*7.20*	
CASH EQUIVALENTS													
SAMCERA GENERAL ACCOUNT	41,133,491	0.01	0.02	0.32	0.02	0.42	0.31	0.47	1.22	2.07	2.20	2.81	07/01/1999
SAMCERA TREASURY & LAIF	2,493,359	0.10	0.26	0.57	0.26	1.11	1.07	1.32	0.41	1.21	2.16	3.44	07/01/1994
TOTAL CASH AGGREGATE	43,626,850	0.03	0.19	0.44	0.19	0.91	0.94	1.22	0.56	1.34	2.12	2.70	07/01/1999
91 DAY T-BILL		*0.00*	*0.02*	*0.05*	*0.02*	*0.14*	*0.13*	*0.22*	*0.88*	*1.74*	*2.02*	*2.66*	
TOTAL FUND													
TOTAL FUND	2,118,215,061	-5.60	-10.29	-9.22	-10.29	1.37	5.77	2.86	-2.37	0.44	4.74	5.66	01/01/1996
SAMCERA TOTAL PLAN POLICY BENCHM		*-6.24*	*-10.80*	*-10.12*	*-10.80*	*0.69*	*5.25*	*3.37*	*-1.58*	*1.62*	*5.39*	*5.83*	
ACTUARIAL DISCOUNT RATE		*0.62*	*1.88*	*3.80*	*1.88*	*7.75*	*7.75*	*7.75*	*7.75*	*7.75*	*7.91*		

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

Actual versus Target Allocation

Portfolio	Market Value	Allocation Current	Allocation Target *	Percentage Off Target	Rebalance Range
BlackRock Russell 1000	$100,079,852	4.72%	6.50%	-1.78%	±3%
D.E. Shaw Investment Management, LLC	$95,327,500	4.50%	4.25%	0.25%	±3%
T. Rowe Price Associates	$94,958,552	4.48%	4.25%	0.23%	±3%
Barrow, Hanley, Mewhinney & Strauss	$132,858,509	6.27%	6.50%	-0.23%	±3%
BlackRock Capital Management, Inc.	$142,761,986	6.74%	6.50%	0.24%	±3%
Large Cap Aggregate	$565,986,398	26.71%	28.00%	-1.29%	
The Boston Company	$39,889,688	1.88%	1.75%	0.13%	±3%
Chartwell Investment Partners	$47,269,973	2.23%	1.75%	0.48%	±3%
Jennison Associates	$83,764,787	3.95%	3.50%	0.45%	±3%
Small Cap Aggregate	$170,924,448	8.07%	7.00%	1.07%	
Artio Global Investors	$157,330,190	7.43%	9.00%	-1.57%	±3%
Mondrian Investment Partners	$179,152,423	8.46%	9.00%	-0.54%	±3%
International Aggregate	$336,482,613	15.88%	18.00%	-2.12%	±3%
Total Equity	$1,073,393,458	50.66%	53.00%	-2.34%	
Aberdeen Asset Management	$105,594,595	4.98%	3.75%	1.23%	±2%
Angelo Gordon	$33,861,618	1.60%	1.63%	-0.03%	±2%
Brigade Capital Management	$49,134,510	2.32%	1.63%	0.69%	±2%
Brown Brothers Harriman	$75,700,230	3.57%	3.00%	0.57%	±2%
Franklin Templeton	$97,134,054	4.58%	4.50%	0.08%	±2%
Pyramis Global Advisors	$106,471,139	5.03%	3.75%	1.28%	±2%
Western Asset Management Company	$104,862,078	4.95%	3.75%	1.20%	±2%
Total Fixed Income	$572,758,224	27.03%	22.00%	5.03%	
Private Equity	$11,105,153	0.52%	8.00%	-7.48%	N/A
AQR Global Risk Premium	$146,355,440	6.91%	6.00%	0.91%	N/A
AQR Delta Fund (Hedge Fund)	$69,042,470	3.26%	3.00%	0.26%	N/A
SSGA/SSARIS Multisource Comodities	$67,006,505	3.16%	3.00%	0.16%	N/A
Alternative Investments	$293,509,568	13.85%	20.00%	-6.15%	
INVESCO Realty Advisors	$135,475,106	6.39%	5.00%	1.39%	±2%
Cash	$43,626,459	2.06%	0.00%	2.06%	
Total	$2,118,762,816	100.00%	100.00%		

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



San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

Change in Portfolio Market Value by Manager

Portfolio	Current Month	Prior Month	% Change (1)	Prior Year	% Change (1)
BlackRock Russell 1000	$100,079,852	$108,140,565	-7.5%	$234,584,680	-57.3%
D.E. Shaw Investment Management, LLC	$95,327,500	$103,500,280	-7.9%	$94,547,656	0.8%
T. Rowe Price Associates	$94,958,552	$102,025,057	-6.9%	$93,711,935	1.3%
Barrow, Hanley, Mewhinney & Strauss	$132,858,509	$144,314,087	-7.9%	$143,151,963	-7.2%
BlackRock Capital Management, Inc.	$142,761,986	$155,220,030	-8.0%	$146,072,484	-2.3%
Large Cap Aggregate	$565,986,398	$613,200,018	-7.7%	$712,068,718	-20.5%
The Boston Company	$39,889,688	$44,054,415	-9.5%	$42,937,962	-7.1%
Chartwell Investment Partners	$47,269,973	$52,161,671	-9.4%	$47,011,242	0.6%
Jennision Associates	$83,764,787	$92,484,975	-9.4%	$97,007,885	-13.7%
Small Cap Aggregate	$170,924,448	$188,701,061	-9.4%	$186,957,090	-8.6%
Artio Global Investors	$157,330,190	$183,313,991	-14.2%	$206,829,648	-23.9%
Mondrian Investment Partners	$179,152,423	$192,011,447	-6.7%	$207,283,548	-13.6%
International Aggregate	$336,482,613	$375,325,437	-10.3%	$414,113,196	-18.7%
Total Equity	$1,073,393,458	$1,177,226,516	-8.8%	$1,313,139,004	-18.3%
Aberdeen Asset Management	$105,594,595	$104,983,039	0.6%	$143,866,789	-26.6%
Angelo Gordon	$33,861,618	$37,803,179	-10.4%	$32,638,100	N/A
Brigade Capital Management	$49,134,510	$49,134,510	N/A	$45,893,025	N/A
Brown Brothers Harriman	$75,700,230	$75,682,202	N/A	$46,481,821	N/A
Franklin Templeton	$97,134,054	$106,530,860	N/A	$0	N/A
Pyramis Global Advisors	$106,471,139	$106,013,076	0.4%	$170,245,121	-37.5%
Western Asset Management Company	$104,862,078	$104,138,931	0.7%	$177,589,549	-41.0%
Total Fixed Income	$572,758,224	$584,285,796	-2.0%	$616,714,405	-7.1%
Private Equity	$11,105,153	$8,928,175	24.4%		N/A
Risk Parity	$146,355,440	$150,245,200	-2.6%		N/A
Hedge Funds	$69,042,470	$69,604,360	-0.8%		N/A
Comodities	$67,006,505	$73,086,065	N/A		N/A
Alternative Investments	$293,509,568	$301,863,799	-2.8%		N/A
INVESCO Realty Advisors	$135,475,106	$135,475,106	0.0%	$109,210,472	N/A
Cash	$43,626,459	$54,234,196	-19.6%	$7,522,030	480.0%
Total	$2,118,762,816	$2,253,085,414	-6.0%	$2,046,585,910	3.5%

Change in Asset Allocation by Asset Class

	Current Month	Prior Month	Absolute Change	Prior Year	Absolute Change
Total Equity	50.7%	52.2%	-1.6%	64.2%	-13.5%
Total Fixed Income	27.0%	25.9%	1.1%	30.1%	-3.1%
Alternative Investments	13.9%	13.4%	0.5%	0.0%	13.9%
Real Estate	6.4%	6.0%	0.4%	5.3%	1.1%
Cash	2.1%	2.4%	-0.3%	0.4%	1.7%
Total	100.0%	100.0%		100.0%	

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

Aggregate Performance

	Market Value	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date (1) Three Months	Two Years	Three Years	Five Years	Ten Years
Equity Aggregate	$1,073,393,458	-8.82%	-17.70%	-17.54%	-4.01%	-17.70%	2.59%	0.00%	-2.63%	3.55%
Equity Composite Benchmark		-9.26%	-17.52%	-17.50%	-3.67%	-17.52%	3.12%	1.15%	-1.04%	4.64%
Variance		*0.44%*	*-0.18%*	*-0.04%*	*-0.34%*	*-0.18%*	*-0.53%*	*-1.15%*	*-1.59%*	*-1.09%*
Private Equity Aggregate	$11,105,153	0.96%	1.97%	-7.08%	N/A	1.97%	N/A	N/A	N/A	N/A
Private Equity Composite Benchmark		-7.51%	-14.61%	-14.00%	N/A	-14.61%	N/A	N/A	N/A	N/A
Variance		*8.47%*	*16.58%*	*6.92%*	*N/A*	*16.58%*	*N/A*	*N/A*	*N/A*	*N/A*
Risk Parity Aggregate	$146,355,440	-2.59%	0.50%	3.88%	N/A	0.50%	N/A	N/A	N/A	N/A
Risk Parity Benchmark (60/40 Portfolio)		-4.36%	-7.93%	-7.10%	N/A	-7.93%	N/A	N/A	N/A	N/A
Variance		*1.77%*	*8.43%*	*10.98%*	*N/A*	*8.43%*	*N/A*	*N/A*	*N/A*	*N/A*
Hedge Fund Aggregate	$69,042,470	-0.81%	-1.35%	N/A	N/A	-1.35%	N/A	N/A	N/A	N/A
Hedge Fund Benchmark (LIBOR + 4%)		0.35%	1.04%	N/A	N/A	1.04%	N/A	N/A	N/A	N/A
Variance		*-1.16%*	*-2.39%*	*N/A*	*N/A*	*-2.39%*	*N/A*	*N/A*	*N/A*	*N/A*
Commodities	$67,006,505	-8.32%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodity Benchmark		-14.74%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Variance		*6.42%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Fixed Income Aggregate	$572,758,224	-2.07%	-0.52%	1.36%	4.03%	-0.52%	8.57%	9.71%	5.66%	5.46%
Fixed Income Composite Benchmark		-0.19%	3.13%	5.94%	5.70%	3.13%	6.92%	8.12%	6.61%	5.71%
Variance		*-1.88%*	*-3.65%*	*-4.58%*	*-1.67%*	*-3.65%*	*1.65%*	*1.59%*	*-0.95%*	*-0.25%*
Real Estate Aggregate (2)	$135,475,106	0.00%	0.00%	6.93%	0.00%	16.15%	11.58%	-6.94%	-0.31%	6.72%
NCREIF NFI ODCE EW (Gross)		0.00%	0.00%	3.94%	0.00%	13.36%	9.69%	-7.23%	-0.28%	5.88%
Variance		*0.00%*	*0.00%*	*2.99%*	*0.00%*	*2.79%*	*1.89%*	*0.29%*	*-0.03%*	*0.84%*
Cash Aggregate	$43,626,459	0.03%	0.19%	0.44%	0.91%	0.19%	0.94%	1.22%	1.34%	2.12%
91 Day Treasury Bill		0.00%	0.02%	0.05%	0.14%	0.02%	0.13%	0.22%	1.74%	2.02%
Variance		*0.03%*	*0.17%*	*0.39%*	*0.77%*	*0.17%*	*0.81%*	*1.00%*	*-0.40%*	*0.10%*
Total Fund Returns	$2,118,762,816	-5.60%	-10.29%	-9.22%	1.37%	-10.29%	5.77%	2.86%	-2.37%	0.44%
Total Plan Policy Benchmark		-6.24%	-10.80%	-10.12%	0.69%	-10.80%	5.25%	3.37%	-1.58%	1.62%
Variance		*0.64%*	*0.51%*	*0.90%*	*0.68%*	*0.51%*	*0.52%*	*-0.51%*	*-0.79%*	*-1.18%*

Performance versus Actuarial Discount Rate

Total Fund Returns	$2,118,762,816	-5.60%	-10.29%	-9.22%	1.37%	-10.29%	5.77%	2.86%	0.44%	4.74%
Actuarial Discount Rate		0.62%	1.88%	3.80%	7.75%	1.88%	7.75%	7.75%	7.75%	7.91%
Variance		*-6.22%*	*-12.17%*	*-13.02%*	*-6.38%*	*-12.17%*	*-1.98%*	*-4.89%*	*-7.31%*	*-3.17%*

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

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

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

Manager & Benchmark Performance

Manager Performance

Portfolio	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	(1) Fiscal Year to Date Three Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
BlackRock Russell 1000	-7.45%	-14.67%	-14.55%	0.96%	-14.67%	0.96%	5.79%	1.68%	-4.85%	-0.84%	3.32%
D.E. Shaw Investment Management, LLC	-7.90%	-14.89%	-14.02%	0.82%	-14.89%	0.82%	4.67%	N/A	N/A	N/A	N/A
T. Rowe Price Associates	-6.93%	-13.88%	-13.73%	1.33%	-13.88%	1.33%	5.15%	N/A	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	-7.94%	-17.96%	-17.11%	-1.08%	-17.96%	-1.08%	5.29%	N/A	N/A	N/A	N/A
BlackRock Capital Management, Inc.	-8.03%	-16.73%	-18.06%	-2.27%	-16.73%	-2.27%	4.95%	N/A	N/A	N/A	N/A
Large Cap Aggregate	-7.70%	-15.92%	-15.86%	-0.37%	-15.92%	-0.37%	4.78%	0.52%	-5.73%	-2.32%	2.82%
The Boston Company	-9.45%	-20.10%	-23.37%	-7.10%	-20.10%	-7.10%	2.06%	N/A	N/A	N/A	N/A
Chartwell Investment Partners	-9.38%	-21.91%	-23.07%	0.55%	-21.91%	0.55%	10.67%	2.73%	-4.28%	0.97%	N/A
Jennison Associates	-9.43%	-21.17%	-21.32%	0.82%	-21.17%	0.82%	9.58%	4.35%	N/A	N/A	N/A
Small Cap Aggregate	-9.42%	-21.14%	-22.23%	-1.08%	-21.14%	-1.08%	8.07%	1.41%	-5.41%	-3.24%	4.55%
Artio Global Investors	-14.17%	-22.86%	-23.15%	-16.54%	-22.86%	-16.54%	-6.20%	-4.90%	-12.28%	-4.85%	N/A
Mondrian Investment Partners	-6.70%	-14.63%	-12.12%	-5.43%	-14.63%	-5.43%	-0.19%	1.22%	-6.55%	-0.86%	N/A
International Aggregate	-10.35%	-18.69%	-17.65%	-10.97%	-18.69%	-10.97%	-3.14%	-1.80%	-9.39%	-2.82%	4.89%
Total Equity	-8.82%	-17.70%	-17.54%	-4.01%	-17.70%	-4.01%	2.59%	0.00%	-6.76%	-2.63%	3.55%
Aberdeen Asset Management	0.58%	2.71%	4.80%	5.80%	2.71%	5.80%	9.34%	7.99%	4.58%	4.69%	5.04%
Angelo Gordon	-10.43%	-10.43%	-14.28%	1.48%	-10.43%	1.48%	N/A	N/A	N/A	N/A	N/A
Brigade Capital Management	-1.12%	-3.10%	-1.66%	5.87%	-3.10%	5.87%	N/A	N/A	N/A	N/A	N/A
Brown Brothers Harriman	0.02%	3.83%	7.64%	8.44%	3.83%	8.44%	N/A	N/A	N/A	N/A	N/A
Franklin Templeton	-8.82%	-8.49%	-6.04%	N/A	-8.49%	N/A	N/A	N/A	N/A	N/A	N/A
Pyramis Global Advisors	0.43%	2.99%	5.44%	5.95%	2.99%	5.95%	8.57%	10.33%	7.47%	6.71%	N/A
Western Asset Management Company	0.69%	3.17%	5.46%	6.84%	3.17%	6.84%	10.41%	11.60%	7.15%	6.55%	N/A
Total Fixed Income	-2.07%	-0.52%	1.36%	4.03%	-0.52%	4.03%	8.57%	9.71%	5.99%	5.66%	5.46%
Private Equity	0.96%	1.97%	-7.08%	N/A	1.97%	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity	-2.59%	0.50%	3.88%	N/A	0.50%	N/A	N/A	N/A	N/A	N/A	N/A
Hedge Funds	-0.81%	-1.35%	N/A	N/A	-1.35%	N/A	N/A	N/A	N/A	N/A	N/A
Comodities	-8.32%	N/A	N/A	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%	6.93%	0.00%	16.15%	0.00%	11.58%	-6.94%	-3.82%	-0.31%	6.72%
Cash	0.03%	0.19%	0.44%	0.91%	0.19%	0.91%	0.94%	1.22%	0.56%	1.34%	2.12%
Total	-5.60%	-10.29%	-9.22%	1.37%	-10.29%	1.37%	5.77%	2.86%	-2.37%	0.44%	4.74%

Benchmark Performance

Benchmark	One Month	Trailing Three Months	Trailing Six Months	Trailing Twelve Months	Fiscal Year to Date Three Months	One Year	Two Years	Three Years	Four Years	Five Years	Ten Years
Russell 1000	-7.46%	-14.68%	-14.58%	0.91%	-14.68%	0.91%	5.75%	1.61%	-4.92%	-0.91%	3.28%
S&P 500	-7.03%	-13.87%	-13.78%	1.14%	-13.87%	1.14%	5.56%	N/A	N/A	N/A	N/A
Russell 1000 Value	-7.56%	-16.20%	-16.62%	-1.89%	-16.20%	-1.89%	3.36%	N/A	N/A	N/A	N/A
Russell 1000 Growth	-7.37%	-13.14%	-12.48%	3.78%	-13.14%	3.78%	8.12%	N/A	N/A	N/A	N/A
Russell 2000	-11.21%	-21.87%	23.12%	-3.53%	-21.87%	-3.53%	4.57%	-0.37%	-4.10%	-1.02%	6.12%
Russell 2000 Value	-10.92%	-21.47%	-23.56%	-5.99%	-21.47%	-5.99%	2.53%	N/A	N/A	N/A	N/A
Russell 2000 Growth	-11.50%	-22.25%	-22.71%	-1.12%	-22.25%	-1.12%	6.54%	2.07%	-3.10%	0.96%	N/A
MSCI ACWI ex US (Gross)	-11.09%	-19.78%	-19.29%	-10.42%	-19.78%	-10.42%	-1.64%	0.98%	-7.85%	-1.12%	7.27%
MSCI ACWI ex US Growth (Gross)	-12.43%	-20.10%	-19.26%	-10.61%	-20.10%	-10.61%	-0.05%	0.81%	-7.71%	-0.65%	N/A
MSCI ACWI ex US Value (Gross)	-9.73%	-19.45%	-19.33%	-10.28%	-19.45%	-10.28%	-3.24%	1.12%	-8.03%	-1.64%	N/A
Russel 3000 + 3% (Private Equity)	-7.51%	-14.61%	-14.00%	N/A	-14.61%	N/A	N/A	N/A	N/A	N/A	N/A
60% Russell 3000 / 40% Barclays Aggregate (Risk Parity)	-4.36%	-7.93%	-7.10%	2.72%	-7.93%	2.72%	N/A	N/A	N/A	N/A	N/A
LIBOR +4% (Hedge Fund)	0.35%	1.04%	N/A	N/A	1.04%	N/A	N/A	N/A	N/A	N/A	N/A
DJ - UBS Commodities Index	-14.74%	N/A	N/A	N/A	-17.74%	N/A	N/A	N/A	N/A	N/A	N/A
Barclays Capital Aggregate	0.73%	3.82%	6.20%	5.26%	3.82%	5.26%	6.70%	7.97%	6.88%	6.53%	5.66%
Barclays U.S. TIPS Index	-0.17%	4.80%	8.69%	10.19%	8.69%	10.19%	N/A	N/A	N/A	N/A	N/A
BC BA Intermediate High Yield Index	-2.34%	-3.66%	-2.41%	2.40%	-3.66%	2.40%	N/A	N/A	N/A	N/A	N/A
Barclays Capital Multiverse Index	-2.40%	0.65%	3.72%	N/A	0.65%	N/A	N/A	N/A	N/A	N/A	N/A
NCREIF NFI ODCE EW (Gross)	0.00%	0.00%	3.94%	13.36%	0.00%	13.36%	9.69%	-7.23%	-4.24%	-0.28%	5.88%
91 Day Treasury Bill	0.00%	0.02%	0.05%	0.14%	0.02%	0.14%	0.13%	0.22%	0.88%	1.74%	2.02%
SamCERA Plan Policy Benchmark	-6.24%	-10.80%	-10.12%	0.69%	-10.80%	0.69%	5.25%	3.37%	-1.58%	1.62%	5.39%
SamCERA Actuarial Discount Rate	0.62%	1.88%	3.80%	7.75%	1.88%	7.75%	7.75%	7.75%	7.75%	7.75%	7.91%

(1) SamCERA's Fiscal Year is 7/1 through 6/30
(2) Refer to page 13 for benchmark details

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

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 09/30/2011	Prior Years Accumulated Unrealized Gains / (Loss)	FYTD Unrealized Gains / (Loss)	Ending Market Value As of 09/30/2011
BlackRock Russell 1000	$116,239,675.42	4,747,118	(25,000,000)	$95,986,793.01	$25,789,141	($21,696,082)	$100,079,852
D.E. Shaw Investment Management LLC	$104,437,429.03	(168,323)		$104,269,105.63	$7,566,467	($16,508,072)	$95,327,500
T. Rowe Price Associates	$90,671,733.96	1,204,747		$91,876,481.44	$19,588,947	($16,506,876)	$94,958,552
Barrow Hanley	$137,062,910.95	1,321,730	(10,000,000)	$128,384,641.08	$35,541,811	($31,067,944)	$132,858,509
BlackRock	$137,507,026.05	(1,820,733)		$135,686,292.89	$33,938,711	($26,863,018)	$142,761,986
The Boston Company	$42,422,535.09	21,392		$42,443,927.12	$7,503,042	($10,057,282)	$39,889,688
Chartwell Investment Partners	$49,714,955.60	144,148		$49,859,103.74	$10,820,841	($13,410,032)	$47,269,913
Jennison Associates	$96,873,436.26	1,026,196	(15,000,000)	$82,899,632.75	$27,187,483	($26,322,329)	$83,764,787
Artio Global Investors	$176,118,388.38	(636,576)		$175,481,812.82	$27,844,377	($45,996,000)	$157,330,190
Mondrian Investment Partners	$199,643,052.25	1,135,210		$200,778,262.67	$10,221,090	($31,846,931)	$179,152,422
Aberdeen Asset Management	$121,263,066.81	3,647,910	(20,000,000)	$104,910,976.92	$1,082,815	($399,197)	$105,594,595
Angelo Gordon	$30,056,249.00		(472,500)	$29,583,749.00	$8,809,096	($4,531,227)	$33,861,618
Bridage Capital Management	$45,000,000.00			$45,000,000.00	$5,141,745	($1,007,235)	$49,134,510
Brown Brothers Harriman	$47,586,488.24	1,075,521	25,000,000	$73,662,009.42	$958,745	$1,079,475	$75,700,230
Franklin Templeton Investments	$102,493,815.00	1,750,791		$104,244,605.84	$3,650,077	($10,760,629)	$97,134,054
Pyramis Global Advisors	$81,745,258.37	2,979,775	(10,000,000)	$74,725,033.69	$31,162,641	$583,464	$106,471,139
Western Asset Management Company	$116,975,047.04	3,498,809	(15,000,000)	$105,473,856.31	($601,561)	($10,217)	$104,862,078
Private Equity (Sheridan & ABRY)	$3,586,327.00	295,878	7,222,948	$11,105,153.33	$0	$0	$11,105,153
AQR's Global Risk Premium	$140,000,000.00			$140,000,000.00	$0	$6,355,440	$146,355,440
AQR's Delta Fund (Hedge Fund)	$70,000,000.00			$70,000,000.00	$0	($957,530)	$69,042,470
SSGA/SSARIS Multisource Comodities	$0.00		75,000,000	$75,000,000.00	$0	-$7,993,495.12	$67,006,505
INVESCO Core US Real Estate Fund	$136,831,829.92			$136,831,829.92	$0	($1,356,724)	$135,475,106
Cash	$5,273,627.54			$43,626,458.97	$0	$0	$43,626,459
Total	$2,051,502,851.91	$20,223,594.76	$11,750,448.45	$2,121,829,726.55	$256,205,466.60	-$259,272,437.96	$2,118,762,755.19

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

San Mateo County Employees' Retirement Association
Monthly Performance Review
Period Ending September 30, 2011

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 09/30/2011	Fiscal Year to Date Return (Portfolio)	Fiscal Year to Date Return (Benchmark)
BlackRock Russell 1000	$116,239,675	$4,747,118	-$25,000,000	$95,986,793	-14.67%	0.00%
D.E. Shaw Investment Management, LLC	$104,437,429	-$168,323	$0	$104,269,106	-14.89%	0.00%
T. Rowe Price Associates	$90,671,734	$1,204,747	$0	$91,876,481	-13.88%	0.00%
Barrow, Hanley, Mewhinney & Strauss	$137,062,911	$1,321,730	-$10,000,000	$128,384,641	-17.96%	0.00%
BlackRock Capital Management, Inc.	$137,507,026	-$1,820,733	$0	$135,686,293	-16.73%	0.00%
The Boston Company	$42,422,535	$21,392	$0	$42,443,927	-20.10%	0.00%
Chartwell Investment Partners	$49,714,956	$144,148	$0	$49,859,104	-21.91%	0.00%
Jennison Associates	$96,873,436	$1,026,196	-$15,000,000	$82,899,633	-21.17%	0.00%
Artio Global Investors	$176,118,388	-$636,576	$0	$175,481,813	-22.86%	0.00%
Mondrian Investment Partners	$199,643,052	$1,135,210	$0	$200,778,263	-14.63%	#REF!
Aberdeen Asset Management	$121,263,067	$3,647,910	-$20,000,000	$104,910,977	2.71%	0.00%
Angelo Gordon	$30,056,249	$0	-$472,500	$29,583,749	-10.43%	0.00%
Brigade Capital Management	$45,000,000	$0	$0	$45,000,000	-3.10%	0.00%
Brown Brothers Harriman	$47,586,488	$1,075,521	$25,000,000	$73,662,009	3.83%	0.00%
Franklin Templeton	$102,493,815	$1,750,791	$0	$104,244,606	-8.49%	N/A
Pyramis Global Advisors	$81,745,258	$2,979,775	-$10,000,000	$74,725,034	2.99%	0.00%
Western Asset Management Company	$116,975,047	$3,498,809	-$15,000,000	$105,473,856	3.17%	0.00%
Private Equity	$3,586,327	$295,878	$7,222,948	$11,105,153	1.97%	N/A
AQR Global Risk Premium	$140,000,000	$0	$0	$140,000,000	0.50%	N/A
AQR Delta Fund (Hedge Fund)	$70,000,000	$0	$0	$70,000,000	-1.35%	N/A
SSGA/SSARIS Multisource Comodities	$0	$0	$75,000,000	$75,000,000	N/A	N/A
INVESCO Realty Advisors	$136,831,830	$0	$0	$136,831,830	16.15%	0.00%
Cash	$5,273,628	$0	$0	$5,273,628	0.19%	0.00%
Total	$2,051,502,852	$20,223,595	$11,750,448	$2,083,476,895	-10.29%	-10.80%

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

San Mateo County Employees' Retirement Association

Monthly Performance Review

Period Ending September 30, 2011

Professional Services Fees

Investment Management Fees	Market Value As of 09/30/2011	Estimated 09/30/2010	For the Quarter Ending 12/31/2010	03/31/2011	06/30/2011	Fiscal Year 2010 / 2011	Estimated Annual Fee (1)
BlackRock Russell 1000	$ 100,079,851.70	$16,800				$16,800	$95,000
D.E. Shaw Investment Management, LLC	$ 95,327,500.18	$139,500				$139,500	$475,000
T. Rowe Price Associates	$ 94,958,551.97	$94,800				$94,800	$350,000
Barrow, Hanley, Mewhinney & Strauss	$ 132,858,508.75	$92,700				$92,700	$650,000
BlackRock Capital Management, Inc.	$ 142,761,985.67	$194,100				$194,100	$675,000
The Boston Company	$ 39,889,687.52	$102,900				$102,900	$375,000
Chartwell Investment Partners	$ 47,269,972.96	$110,400				$110,400	$350,000
Jennison Associates	$ 83,764,787.11	$229,200				$229,200	$775,000
Artio Global Investors	$ 157,330,189.89	$246,600				$246,600	$975,000
Mondrian Investment Partners	$ 179,152,422.69	$97,200				$97,200	$50,000
Aberdeen Asset Management	$ 105,594,594.94	$82,800				$82,800	$375,000
Angelo Gordon	$ 33,861,618.27	N/A				N/A	$350,000
Brigade Capital Management	$ 49,134,510.00	N/A				N/A	$225,000
Brown Brothers Harriman	$ 75,700,229.50	$18,900				$18,900	$75,000
Franklin Templeton	$ 97,134,053.68	$105,300				$105,300	N/A
Pyramis Global Advisors	$ 106,471,139.39	$50,700				$50,700	$275,000
Western Asset Management Company	$ 104,862,078.15	$81,900				$81,900	$425,000
Private Equity	$ 11,105,153.33	N/A				N/A	N/A
AQR' Global Risk Premium (Risk Parity)	$ 146,355,440.00	N/A				N/A	N/A
AQR's Delta Fund (Hedge Fund)	$ 69,042,470.00	N/A				N/A	N/A
Ssga/SSARIS Commoditites	$ 67,006,504.88	N/A				N/A	N/A
INVESCO Realty Advisors	$ 135,475,106.00	$155,700				$155,700	$650,000
Sub-Total	$2,075,136,357	$1,819,500	$0	$0	$0	$1,819,500	$7,145,000
Investment Consultant Fees							
Strategic Investment Solutions		$99,999				$99,999	$400,000
Global Custodian Fees							
State Street Bank & Trust		$54,000				$54,000	$125,000
Actuarial Consultant Fees							
Milliman, Inc.		$32,750				$32,750	$60,000
Sub-Total		$186,749	$0	$0	$0	$186,749	$585,000
Total		$2,006,249	$0	$0	$0	$2,006,249	$7,730,000

San Mateo County
Benchmark History

Total Plan Policy	1/1/2011	10/1/2010	1/1/2009	5/1/2007	6/1/2000	3/1/1999	9/1/1998	7/1/1996
Russell 1000	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%

US Equity	1/1/2011	6/1/2000	3/1/1999	9/1/1998	7/1/1996	1/1/1995
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%

International Equity	6/1/2000	1/1/1996
MSCI ACWI -ex US	100%	
MSCI EAFE		100%
	100%	100%

Total Equity	10/1/2010	5/1/2007	6/1/2000	3/1/1999	9/1/1998	1/1/1996
Russell 1000	50.9%	55.2%	61.5%	35.5%	33.3%	33.3%
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%

US Fixed Income	1/1/2011	10/1/2010	7/1/1996
Barclays Aggregate	62.4%	73.7%	100%
Barclays BBB	18.8%	9.1%	
Barclays TIPS	18.8%	17.2%	
	100.0%	100.0%	100%

Global Fixed Income	10/1/2010
Barclays Multiverse	100%

Total Fixed Income	1/1/2011	10/1/2010	6/1/2000	3/1/1999	7/1/1996
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%

Real Estate	1/1/2009	6/1/2000	7/1/1996
NCREIF ODCE	100%		
NCREIF Property		100%	
Citigroup 10 Yr Treasury + 2%			100%

Private Equity	10/1/2010
Russell 3000 + 3%	100%

Risk Parity	10/1/2010
Russell 3000	60%
Barclays Aggregate	40%
	100%

Hedge Fund	10/1/2010
LIBOR + 4%	100%

Commodities	10/1/2010
DJ UBS Commodity	100%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

October 25, 2011 Agenda Item 6.2

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Interview of Finalists for an Emerging Market Equity Mandate.

STAFF RECOMMENDATION: Staff recommends that the board interview the three finalists then deliberate upon their merits before making a selection.

BACKGROUND: At the April 2011 board meeting, the trustees initiated a high level review of *SamCERA's* international equity structure. The impetus for the review was the board's concern regarding performance of *SamCERA's* international equity managers.

At the May 24th board meeting Strategic Investment Solutions provided a draft proposal for restructuring *SamCERA's* international equity portfolio. The board adopted a structure which keeps the total international portfolio at 18.0%. The asset class is restructured into four portfolios. Those portfolio mandates and the percentage of the total portfolio are: Large Cap Value 8.0%, Large Cap Developed Market Growth 6.0%, International Small Cap 2.0%, and Emerging Market 2.0%.

Following discussion of the emerging market equity mandate at the July 26, 2011, board meeting, the following initial screening criteria were approved:

INITIAL SCREENING CRITERIA:

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

There were ten products in the eVestment Alliance database of Emerging Market Managers that passed through these basic filters.

Those firms and products are:

• Acadian Asset Management: Emerging Markets Equity
• Amundi : Global Emerging Equity
• Axiom International Investors: Emerging Markets Equity Composite
• Delaware Investments: Emerging Markets Equity
• Dimensional Fund Advisors: Emerging Markets Core Equity Portfolio
• Eaton Vance Management (Parametric): Structured Emerging Markets Equity
• Grantham, Mayo, Van Otterloo & Co: GMO Emerging Markets Strategy
• Quantitative Management Associates: Emerging Markets Core Equity
• Schroder Investment Management: Emerging Markets Equity
• Trilogy Global Advisors: Trilogy Emerging Markets Equity

After review and discussion of Strategic Investment Solutions' report on the semi-finalists, the board opined to invite three firms for interviews at today's special meeting of the board. Those three firms are:

Finalists	
Dimensional Fund Advisors	Emerging Markets Core Equity Portfolio
Eaton Vance Management (Parametric)	Structured Emerging Markets Equity
Schroder Investment Management	Emerging Markets Equity

SamCERA: Emerging Market Equity Manager Search

REMAINING TIMELINE:

October 2011: Prepare for interviews.

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

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

Emerging Markets Equity Search

SamCERA
October 2011

Strategic Investment Solutions, Inc.

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

Dimensional Fund Advisors — *Emerging Markets Core Portfolio*

Date: September 2011

Strategy Inception: May 2005

Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***19***	
Organizational Structure/Ownership		DFA has been managing taxable and tax-exempt assets since 1981; headquartered in Austin, the firm has offices in Santa Monica, Chicago, London, Sydney, and Vancouver; DFA is approximately 70% owned by employees and directors and 30% by outside investors who have close ties to the firm
Organizational Stability		Since DFA's inception, there havenot been material changes in DFA's ownership structure; the firm has significantly expanded personnel across all departments over the past five years; the firm's headquarters were moved from Santa Monica, CA to Austin, TX in 2009; the firm is profitable and remained profitable even during the financial crisis
Assets/Clients/Account Growth/Account losses		DFA's total AUM is approximately $230 bn; the firm has $43 bn invested in emerging markets across a range of strategies; assets in the Emerging Markets Core equity strategy are approximately $7.2 across 87 account; assets and accounts have grown quite steadily from a much lower level over the past five years
Operations/Back Office Infrastructure		Functions such as trade confirmation, settlement, portfolio accounting, account reconciliation and operational data management, have been outsourced to Citigroup; DFA uses a customized version of the Charles River Investment Management System as the primary order management system, which is used for pretrade and post trade compliance trade order management
Client Service, Transparency & Reporting		Detailed reporting with commentary and attribution; high ratio of portfolio managers to portfolios
Legal/Regulatory Issues		None
Investment Team (max points 20)	***17***	
Experience & Stability		DFA manages assets using a team approach; the firm's 12 member Investment Policy Committee includes academic luminaries Kenneth French and Eugene Fama; the International Equity Portfolio Management Team oversees the emerging markets strategies; turnover in the group has been low
Size & Depth of Resources		All of the investment professionals hold advanced degrees, including an MBA or PhD; on average portfolio managers have over seven years of experience and were hired directly from top business schools; in addition to portfolio managers, DFA employs a research team of 23 professionals who are not analysts in the traditional sense, but financial economists, mathematicians, engineers, etc.
Compensation/Incentives/Equity Ownership		Investment professionals receive base salary and bonus on an bi-annual basis; certain qualified employees are invited to participate in stock ownership
Investment Strategy (max points 20)	***17***	
Research Process/Due Diligence/Stock Selection		DFA's investment philosophy is founded on academic research regarding the characteristics of risk and return of investment portfolios; they adhere to three fundamental tenets: first of all, they take an equilibrium view of markets and believe there is an efficient trade-off between risk and reward; they believe that diversification is essential and the most powerful risk control mechanism; they also believe that structure, exclusion rules and trading expertise explain performance; the portfolio is designed to benefit from the small market capitalization risk factor over time
Philosophy/Style		DFA's approach falls somewhere between an index and a traditional active management style; they are not conducting fundamantal analysis on individual stocks, but are seeking to outperform conventional indices by holding stocks with certain attributes (e.g. size, value, momentum) and using exclusion rules replacing companies with certain characteristics with others with more desirable behavior (e.g. companies which are likely difficult to trade efficiently in live portfolios may be excluded)
Decision Making		DFA uses a rules based approach; the Investment Committee reviews and approves rules and guidelines used by the strategies; the portfolio managers use these rules to construct portfolios
Risk Management		DFA believes there are four primary components of portfolio risk: style risk, concentration risk, implementation risk and operational risk; the portfolio has historically held 2,500 - 3,000 (currently holds approximately 3,300); industry groups capped at 25%; individual positions 5% at purchase; country max of 15% at purchase
Performance (max points 20)	***16***	
Return Premiums		Good excess returns since inception about five years ago
Volatility		Slightly higher than the benchmark, possibly because of small cap exposure
Consistency		A couple of underperforming years
Risk Adjusted		Respectably information ratio
Fees/Terms (max points 10)	***9***	
Competitive fee level?		Institutional mutual fund is 65 bps (which includes management fee and other expenses)
Separate vs. Commingled		Separate accounts are available on a case by case basis for accounts above $100 mm.
Additional Considerations (max points 10)	***9***	
Alignment of Interests		Employees have equity in the firm; DFA does not track employee investment in the funds, but they are used in firm's 401k
Capacity		Based on current market values and liquidity conditions, could more than double assets in strategy without causing market impact issues
Trading costs		7 bps for this strategy for 2010, very low portfolio turnover of 5%-15%, patient trading aims to generate value
Soft Dollar Policy		Engages in soft dollar practices only in a manner that is consistent with section 28(e) of Securities Exchange Act of 1934
Other		Systematic approach provides broad exposure to asset class while not being similar to benchmark; reasonably priced with exposure to lower market cap names

TOTAL SCORE: 87 / 100

Eaton Vance Parametric — Structured Emerging Markets Equity

Date: September 2011

Strategy Inception: July 1998
Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		The Eaton Vance Parametric Structured Emerging Markets Core Equity Strategy is distributed by Eaton Vance and sub-advised by Parametric Portfolio Associates; Parametric is 94% owned by Eaton Vance and 6% owned by employees; Eaton Vance's history dates back to 1924; the firm is publicly traded on the New York stock exchange; Nineteen senior members of Eaton Vance control the voting stock and the strategic direction of the firm; Eaton Vance manages approximately $200 billion in a broad range of strategies.
Organizational Stability		Parametric was founded in 1987; in 2003 Eaton Vance took a 80% stake in Parametric; it appears that by 2013 Eaton Vance will have purchased Parametric's remaining interest in the firm; historically staff turnover at Parametric has been relatively low
Assets/Clients/Account Growth/Account losses		There is $10.6 bn across 29 accounts in the strategy; steady and quite rapid account and asset growth over the past five years; no account losses; references include large sophisticated pension funds
Operations/Back Office Infrastructure		Large operations and back office groups; eight members of the team support the Structured Emerging Markets Strategy
Client Service, Transparency & Reporting		Parametric has team of five product specialists/institutional portfolio managers; sample client report includes commentary and portfolio analysis
Legal/Regulatory Issues		Some litigation at Eaton Vance, historically mostly related to mutual funds; most recent litigation relates to closed end funds and auction rate preferred securities
Investment Team (max points 20)	***17***	
Experience & Stability		Have had three departures and one internal transfer in the past five years and have made several hires over the same period; experience level on team spans the range from more than 20 years to less than five
Size & Depth of Resources		Twelve investment professionals and three traders; Team is led by CIO David Stein and includes four pure researchers and seven portfolio managers who are also involved in implementation
Compensation/Incentives/Equity Ownership		Three primary components of compensation: base salary; cash bonus, annual stock based compensation consisting of options to buy non-voting shares of EVC; cash bonuses are based on a target percentage of Parametric profits
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		This is a tiered weighted approach that divides emerging markets countries into four tiers, equally weighting the countries within each tier; tier 1 countries are the largest eight countries that dominate the cap weighted index; each successive tier is comprised of smaller countries, each of which is given a smaller target weighting in the model portfolio; in aggregate, the eight Tier 1 countries are given a much lower weighting than in the capitalization weighted index, but they nevertheless comprise more than 50% of the portfolio; tier 4 countries are in the frontier markets; the strategy seeks to add value with active country and sector allocation relative to the index, but not with individual stock selection; dynamic rebalancing is a crucial component of strategy
Philosophy/Style		Parametric utilizes a structured, rules-based approach, which they believe is capable of generating enhanced returns with lower volatility compared to both traditional active management and passive capitalization weighted indices; the basic idea is to structure the portfolio with more balanced country weights than the market cap weighted indices, and also to capture a rebalancing premium; this provides more diversification and greater exposure to smaller countries than is provided by the market cap weighted indices
Decision Making		Decisions are made by the Structured Emerging Markets Investment Committtee which includes the entire investment management team; substantial decisions relating to the model are made by the four senior staff members who are the voting members of this committee
Risk Management		Define risk as high individual country volatility; they seek to maximize risk adjusted return by diversifying across country and sector; portfolio holds 1000-1500 securities; country weights determined by tiered approach; sectors limited to .7X - 4X the benchmark weight
Performance (max points 20)	***19***	
Return Premiums		Excellent over all standard time periods
Volatility		Lowest volatility manager in the group
Consistency		For the most part quite consistent; but will not perform well in all environments; underperformed in 2009 by 900 bps
Risk Adjusted		Strong alpha because of low absolute volatility, information ratio also good but not highest in group
Fees/Terms (max points 10)	***6***	
Competitive fee level?		For a $50 mm account in commingled vehicle 105 bps
Separate vs. Commingled		Separate accounts have $75 mm minimum
Additional Considerations (max points 10)	***8***	
Alignment of Interests		New employee ownership program has been initiated and will be more broadly distributed in future
Capacity		Calculate capacity to be $17.6 bn
Trading costs		Average commission 20 bps, but extremely low portfolio turnover (historically <10%)
Soft Dollar Policy		Parametric does not use soft dollars
Other		Provides good exposure to lower market caps securities, smaller countries and frontier markets; fee seems a bit high, but partially offset by low portfolio turnover

TOTAL SCORE: 84 / 100

Schroder Investment Management — *Global Emerging Markets Core Equity*

Date: September 2011

Strategy Inception: Dec 1991 (Current investment Process, Jan 2005)
Preferred Benchmark: MSCI Emerging Markets

Asset Class:	**Equity**	*Capitalization:*	**All**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Emerging**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Large global firm founded in 1804, headquartered in London with a substantial North American business; 335 portfolio managers and analysts, over 2600 employees, and offices in 25 countries; Schroders PLC is publicly traded on the LSE, 48% owned by Schroder family, employees own 5.5%, and the rest by outside investors; approximately 30% of employees received stock awards in 2010
Organizational Stability		Firm appears to be reasonably stable, but has been steadily acquiring other business over the past few years
Assets/Clients/Account Growth/Account losses		Firm assets are $329 bn, and assets for North American clients are $59 bn; firm AUM has grown over the past few years, particularly in the alternatives area; this Emerging Market team manages approximately $12.8 bn in the GEM strategy
Operations/Back Office Infrastructure		Large organization with deep resources dedicated to back office and operational functions
Client Service, Transparency & Reporting		Solid institutional quality reporting and resources dedicated to client service
Legal/Regulatory Issues		Nothing material disclosed
Investment Team (max points 20)	***19***	
Experience & Stability		The five senior portfolio managers involved in the strategy all have substantial experience, ranging from 18 to 31 years; four of the five joined in 2005-2006, when Allan Conway joined Schroders and become Head of the Emerging Markets; in the broader analyst group there has been some turnover
Size & Depth of Resources		Large, deeply resourced, emerging markets team; three of the five senior portfolio managers are entirely devoted to the GEM strategy, while the other two work also on Schroder's other emerging markets equity strategies; emerging markets research platform includes 25 analysts organized by country working from various global locations
Compensation/Incentives/Equity Ownership		Investment staff receive base salary and bonus, with bonus based on quantitative metrics of performance as well as qualitative evaluation; for GEM fund managers, 77.5% of their assessment is based on quantitative measures of the performance of the portfolios to which they contribute, and 22.5% of their assessment is based on qualitative measures; for analysts, a substantial component of compensation is driven by the performance of their stock rankings
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		For country selection they use a quantitative model based on fundamental factors: valuation, growth, currency/risk, momentum and interest rates; for stock selection, analysts perform fundamental analysis incorporating a large number of company visits; Schroders' approach emphasizes specialization, and the analysts are expected to be experts on a limited number of economies and markets; analysts use a range of valuation tools in their research, but always use Schroders' proprietary company valuation model to generate three-year earnings and cashflow forecasts and a three-stage DCF
Philosophy/Style		Believe emerging stock markets are inefficient and that value can be added with active stock and country selection; seek to derive 50% of value added from country selection and 50% from stock selection; avoid systematic style biases because of heterogeniaty of emerging market countries
Decision Making		The judgemental overlay for country allocation is ultimately the responsibility of the five portfolio managers; the three global fund manages construct country portfolios for each country the are responsible for using the analyts' research; Head of Emerging Markets, Allan Conway is responsible for the overall process
Risk Management		90-130 individual holdings; country wieghts are limited to +/- 5% relative to benchmark; sector weights and position sizes are not formally constrained; risk control is driven by tracking error targets; for the portfolio TE target is 4.5%-5%, this is built up from stock tracking error targets and stock tracking error targets at the country level; they also employ a stop loss policy which causes a stock to be sold if it underperformes its local market by 15%
Performance (max points 20)	***14***	
Return Premiums		Weak 2009-2010 have wieghed on annualized numbers, but three-year rolling since Allan Conway's arrival has been solid
Volatility		Slightly lower volatility than the benchmark
Consistency		Mixed because of a couple of poor calendar years
Risk Adjusted		Tracking error quite low, but information ratio has suffered because of recent underperformance
Fees/Terms (max points 10)	***6***	
Competitive fee level?		For a $50 mm account, 1% in the commingled fund (Initial fee and exit fees of 35 bps, and 11 bps operating expenses)
Separate vs. Commingled		Separate account has a $100 mm minimum, commingled fund and institutional mutual fund both
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Employees own 5.5% of the firm equity; approximately 30% of employees received an award of Schroders' equity in 2010
Capacity		Believe they have capacity to manage $15.9 bn in GEMs strategy; note that including both global and regional EM strategies, Schroder's is managing close to $26 bn
Trading costs		Average commission rate was 11 bps for the trailing 12-months, ended Q1 2011; turnover is generally in the 70% -120% range
Soft Dollar Policy		Complies with safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934
Other		Substantial resources dedicated to emerging market equity research; investment process and team changed substantially when Allan Conway took over in 2005

TOTAL SCORE: 81 / 100

Dimensional Fund Advisors L.P.

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	6300 Bee Cave Road, Building One Austin, Texas 78746, United States
Phone/Fax:	512.306.7400 / 512.306.7499
Registered Investment Advisor:	Yes
Year Firm Founded:	1981
Firm Website:	www.dfaus.com

Key Facts	
Total Assets Under Management ($ Million):	$230,905.0
Total Number of Accounts:	2,460
Number of Portfolio Managers:	29
Number of Analysts:	23
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Magdalia Armstrong	Database Contact:	Patrick Woo
Title:	Regional Director	Title:	Associate
Address:	1299 Ocean Ave, 11th Floor	Address:	6300 Bee Caves Road, Building One
City, State, Zip Code:	Santa Monica, California 90401	City, State, Zip Code:	Austin, Texas 78746
Phone/Fax:	310.633.7859 / 310.395.6140	Phone/Fax:	512.306.7404 / 1.512.306.7404
Email Address:	magdalia.armstrong@dimensional.com	Email Address:	patrick.woo@dimensional.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$230,905.0	2,460
Total Taxable	$41,637.0	607
Total Tax-Exempt	$60,409.0	1,853
Total Institutional	$102,046.0	2,460

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	63	$2,695.0	1.3 %
2010	100	$5,499.0	3.2 %
2009	83	$4,603.0	2.9 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	1	$38.0	0.0 %
2010	30	$1,285.0	0.8 %
2009	29	$976.0	0.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$66,763.0	$29,107.0	$0.0	$0.0	$2,670.0
Canada	$1,836.0	$630.0	$0.0	$0.0	$103.0
United Kingdom	$2,719.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$22.0	$0.0	$0.0	$0.0
Australia	$7,995.0	$675.0	$0.0	$0.0	$453.0
Japan	$533.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$401.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$46,122.0	$0.0	$0.0	$0.0	$748.0
Global	$9,006.0	$16,472.0	$1,809.0	$0.0	$849.0
Emerging Markets	$41,992.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$227,415.0	$206,427.0	$164,583.0
Total Taxable	$43,556.0	$32,153.0	$28,694.0
Total Tax-Exempt	$58,678.0	$54,930.0	$42,763.0
Total Institutional	$102,234.0	$87,083.0	$71,456.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$192,881.0
Canada	$3,201.0
United Kingdom	$15,385.0
Continental Europe	$0.0
Japan	$0.0
Australia	$19,439.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$14,650.0
2) Sub-Advised	$2,300.0
3) Corporate	$1,550.0
4) Other	$1,500.0
5) Corporate	$1,400.0

Ownership Information

% Employee Owned	0.0%
% Parent Owned	0.0%
% Publicly Held	0.0%
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	No	Effective Date	
Performance Audited:	No	Effective Date	---
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$40.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$25.00
Firm Bonded:	Yes	Coverage ($ Mil)	$15.00

Firm Background Narratives

Dimensional Fund Advisors, a registered investment advisor has been managing taxable and tax-exempt assets since 1981. Headquartered in Austin, Dimensional has grown into a global organization with offices in Santa Monica, London, Sydney, Vancouver, and Berlin.

Ownership:
Dimensional Fund Advisors is a private corporation owned primarily by employees and directors.

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Magdalia Armstrong
Title:	Regional Director
Phone/Fax:	310.633.7859 / 310.395.6140
Email Address:	magdalia.armstrong@dimensional.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$7,237.0
Total Product Accounts:	87
Product Offered As:	PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$7,237.0	87
Total Taxable	$1,225.0	20
Total Tax-Exempt	$1,771.0	67
Total Institutional	$2,995.0	87

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$1,431.0
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$5,807.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	5	$361.0	7.1 %
2010	30	$957.0	32.1 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	0.4 %
Number of Countries in Portfolio:	20
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	15.0

Fundamental Characteristics	
Current Number Of Holdings:	3,334
Annual Turnover (LTM):	4 %
Current Dividend Yield:	2.22 %
Current P/E (12-mo Trailing):	12.92x
Current P/B (12-mo Trailing):	2.46x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$33,180
Median Market Cap (Mil):	$594

Key Country Allocations	
Brazil	14.62 %
China Free	14.65 %
Korea	15.03 %
Mexico	4.52 %
Russia	3.82 %
South Africa	7.72 %
Taiwan	12.90 %
Developing Markets	---

Performance Information

Performance For:	USA - PF - SEC-Registered 1940 Act Mutual Fund - Net of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	29.88	28.17	1.71	---	---	---	---	---	---
2 Year	28.46	25.80	2.66	---	---	---	---	---	---
3 Year	9.21	4.53	4.67	37.02	4.31	1.02	4.53	1.03	0.24
4 Year	5.82	4.62	1.20	32.82	1.03	1.00	5.40	0.22	0.14
5 Year	14.23	11.75	2.48	30.62	2.14	1.01	4.99	0.50	0.40
6 Year	16.41	15.46	0.96	28.72	0.81	1.00	4.90	0.20	0.49
7 Year	---	18.05	---	---	---	---	---	---	---
8 Year	---	19.88	---	---	---	---	---	---	---
9 Year	---	18.37	---	---	---	---	---	---	---
10 Year	---	16.54	---	---	---	---	---	---	---
Since Inception (9/2005)	16.41	15.46	0.96	28.72	0.81	1.00	4.90	0.20	0.49

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.32	0.26	23.61	83.57	-50.66	37.46	30.93	---	---
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.72	-0.77	4.41	4.55	2.52	-2.32	-1.65	---	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	---	---
Pooled/Commingled	---	---	---
Institutional MFs	DFCEX	$2	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	---	---	---	---
	---	---	---	---
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	$162,500	$325,000	$487,500	$650,000
	65 bps	65 bps	65 bps	65 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	15	12	9
Research Analysts:	17	7	5
Traders:	18	11	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	1
	2010	2	8
	2009	0	0
Professionals Lost	MRQ	0	1
	2010	1	2
	2009	0	1

Eaton Vance Management

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	Eaton Vance Management, Two International Place Boston, Massachusetts 02110, United States
Phone/Fax:	617.482.8260 / 617.672.1277
Registered Investment Advisor:	Yes
Year Firm Founded:	1924
Firm Website:	www.eatonvance.com

Key Facts	
Total Assets Under Management ($ Million):	$155,868.3
Total Number of Accounts:	639
Number of Portfolio Managers:	66
Number of Analysts:	69
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Louis Membrino	Database Contact:	Monica Marois
Title:	Vice President, Consultant Relations	Title:	Consultant Relations Associate
Address:	Eaton Vance Management, Two International Place	Address:	Eaton Vance Management, Two International Place
City, State, Zip Code:	Boston, Massachusetts 02110	City, State, Zip Code:	Boston, Massachusetts 02110
Phone/Fax:	617.672.8775 / 617.672.1775	Phone/Fax:	617.672.8277 / 617.672.1277
Email Address:	lmembrino@eatonvance.com	Email Address:	MMarois@EatonVance.Com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$155,868.3	639
Total Taxable	$139,492.9	403
Total Tax-Exempt	$16,375.3	236
Total Institutional	$25,895.0	330

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	25	$427.7	0.3 %
2010	98	$3,902.1	3.0 %
2009	134	$2,444.5	2.4 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	12	$162.2	0.1 %
2010	46	$859.8	0.7 %
2009	37	$456.4	0.4 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$49,304.0	$61,856.5	$245.7	$0.0	$3,233.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$10.0
Global	$14,990.5	$14,474.9	$0.0	$0.0	$511.9
Emerging Markets	$10,616.2	$625.2	$0.0	$0.0	$0.4
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$157,680.9	$150,907.2	$128,853.0
Total Taxable	$140,670.3	$135,500.6	$117,669.4
Total Tax-Exempt	$17,010.7	$15,406.6	$11,183.6
Total Institutional	$21,954.0	$21,155.5	$16,470.4

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$147,681.0
Canada	$197.6
United Kingdom	$0.0
Continental Europe	$3,411.5
Japan	$2,417.5
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$708.4
Latin America	$0.0
Other	$1,452.2

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$2,241.0
2) Sub-Advised	$2,033.8
3) Sub-Advised	$1,077.7
4) Sub-Advised	$1,064.5
5) Corporate	$1,010.5

Ownership Information

% Employee Owned	0.0%
% Parent Owned	100.0%
% Publicly Held	0.0%
Parent Company Name	Eaton Vance Corporation
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1991
Performance Audited:	Yes	Effective Date	1/1/1996
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$90.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$80.00
Firm Bonded:	Yes	Coverage ($ Mil)	$70.00

Firm Background Narratives

Eaton Vance is one of the oldest financial services firms in the United States, with a history dating to 1924. Our firm established its reputation as an investment manager by offering clients a conservative approach to managing money and an uncompromising commitment to integrity and quality. Eaton Vance Management was created in 1979 by the merger of two Boston-based investment management companies - Eaton & Howard, Inc. (founded in 1924) and Vance Sanders & Company, Inc. (founded in 1934). The combined capabilities of these two industry pioneers provided the foundation for the substantial business success achieved by Eaton Vance over the past quarter century.

Today, Eaton Vance continues to build on the legacy of investment excellence, distribution strength and product innovation inherited from our predecessors. Eaton Vance and its affiliates manage assets for institutions and individuals and offer clients a full range of investment management strategies, including:

-High Yield Fixed Income
-Senior Secured Floating-Rate Bank Loans
-Investment Grade Fixed Income
-Global Fixed Income
More...

Eaton Vance Management

June 30, 2011

Displayed in: US Dollar (USD)

Structured Emerging Markets Equity — **Product Snapshot**

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Louis Membrino
Title:	Vice President, Consultant Relations
Phone/Fax:	617.672.8775 / 617.672.1775
Email Address:	lmembrino@eatonvance.com

Key Facts	
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$9,903.0
Total Product Accounts:	27
Product Offered As:	SA,CF,PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$9,903.0	27
Total Taxable	$6,776.9	3
Total Tax-Exempt	$3,126.1	24
Total Institutional	$3,126.1	24

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$2,574.7
Pooled/Commingled Assets	$551.4
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$6,776.9

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	7	$100.8	1.1 %
2010	2	$227.1	4.2 %
2009	4	$58.7	2.7 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	---
Number of Countries in Portfolio:	39
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	---

Fundamental Characteristics	
Current Number Of Holdings:	1,546
Annual Turnover (LTM):	11 %
Current Dividend Yield:	---
Current P/E (12-mo Trailing):	---
Current P/B (12-mo Trailing):	---
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$13,730
Median Market Cap (Mil):	$1,338

Key Country Allocations	
Brazil	6.47 %
China Free	9.06 %
Korea	6.62 %
Mexico	6.29 %
Russia	6.24 %
South Africa	5.82 %
Taiwan	6.08 %
Developing Markets	0.00 %

Performance Information

Performance For:	SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	29.32	28.17	1.15	---	---	---	---	---	---
2 Year	27.57	25.80	1.77	---	---	---	---	---	---
3 Year	5.30	4.53	0.77	36.91	0.77	1.01	5.50	0.14	0.13
4 Year	5.12	4.62	0.49	32.37	0.54	0.98	5.80	0.09	0.12
5 Year	13.60	11.75	1.85	30.08	1.88	0.99	5.50	0.34	0.39
6 Year	17.14	15.46	1.68	28.34	1.76	0.98	5.11	0.33	0.53
7 Year	20.25	18.05	2.20	26.64	2.24	0.98	4.86	0.45	0.68
8 Year	22.55	19.88	2.67	25.91	2.75	0.98	4.78	0.56	0.79
9 Year	22.14	18.37	3.77	25.97	3.98	0.96	4.85	0.78	0.78
10 Year	20.02	16.54	3.47	26.17	4.22	0.92	5.77	0.60	0.69
Since Inception (9/1998)	16.77	12.88	3.89	27.44	4.22	0.94	6.19	0.63	0.51

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.03	1.10	24.32	70.07	-50.61	41.21	39.23	35.05	32.87
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	1.02	0.07	5.12	-8.95	2.57	1.43	6.65	0.51	6.92

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$75	$750,000
Pooled/Commingled	Open	$5	$52,500
Institutional MFs	EIEMX	$0.25	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$500,000	$750,000	$950,000
	100 bps	100 bps	100 bps	95 bps
Pooled/Commingled	$262,500	$525,000	$787,500	$1,025,000
	105 bps	105 bps	105 bps	103 bps
Institutional MFs	$315,000	$630,000	$945,000	$1,260,000
	126 bps	126 bps	126 bps	126 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	8	14	7
Research Analysts:	4	12	6
Traders:	3	11	6

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	2	1
	2009	2	1
Professionals Lost	MRQ	0	0
	2010	1	0
	2009	0	1

Schroder Investment Management — June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	31 Gresham Street London, England EC2V 7QA, United Kingdom
Phone/Fax:	+44 (0)20 7658 6000 /
Registered Investment Advisor:	Yes
Year Firm Founded:	1804
Firm Website:	www.schroders.com

Key Facts	
Total Assets Under Management ($ Million):	$328,755.0
Total Number of Accounts:	3,878
Number of Portfolio Managers:	176
Number of Analysts:	163
% Employee Owned:	5.50 %

Contact Information

Marketing Contact:	Richard Graham	Database Contact:	Rosalind Keenan
Title:	Head of UK & Ireland Consultant Relationships	Title:	Head of Consultant Relations Support
Address:	31 Gresham Street, London	Address:	31 Gresham Street,
City, State, Zip Code:	London, England EC2V 7QA	City, State, Zip Code:	London, England EC2V 7QA
Phone/Fax:	+44 (0) 20 7658 2965 /	Phone/Fax:	+44 (0) 20 7658 6297 /
Email Address:	richard.graham@schroders.com	Email Address:	rosalind.keenan@schroders.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$328,755.0	3,878
Total Taxable	$213,285.0	1,939
Total Tax-Exempt	$115,470.0	1,933
Total Institutional	$180,863.0	3,106

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	243	$0.0	0.0 %
2010	708	$31,739.0	0.0 %
2009	145	$7,521.7	4.8 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	162	$0.0	0.0 %
2010	391	$7,361.6	0.0 %
2009	117	$2,396.1	1.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$8,554.6	$10,098.0	$4,050.4	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$21,390.0	$6,623.0	$34,798.6	$0.0	$0.0
Europe ex-UK	$13,485.0	$13,854.0	$2,372.2	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$3,724.0	$595.8	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$33,538.0	$11,332.0	$9,545.8	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$40,037.0	$16,058.0	$5,524.0	$0.0	$0.0
Emerging Markets	$27,356.0	$0.0	$0.0	$8,474.0	$0.0
Other	$0.0	$0.0	$0.0	$30,467.0	$26,865.8

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$322,793.7	$307,897.2	$239,624.0
Total Taxable	$220,741.9	$214,019.7	$0.0
Total Tax-Exempt	$102,051.8	$93,877.5	$7,577.7
Total Institutional	$193,872.0	$183,124.7	$123,935.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$33,362.0
Canada	$1,964.0
United Kingdom	$113,906.0
Continental Europe	$75,608.0
Japan	$17,405.0
Australia	$27,634.0
Hong Kong	$11,529.0
Singapore	$8,792.0
Other Asia ex-Japan	$18,264.4
Africa/Middle East	$8,302.9
Latin America	$9,935.0
Other	$2,057.0

5 Largest Accounts	Aggregate ($ Mil)
1) High Net Worth Individuals	$12,308.8
2) Other	$9,755.3
3) Other	$7,865.5
4) High Net Worth Individuals	$7,322.9
5) Other	$4,550.0

Ownership Information

% Employee Owned	5.5%
% Parent Owned	47.8%
% Publicly Held	46.7%
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	12/31/1997
Performance Audited:	Yes	Effective Date	12/31/2010
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$250.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$4.50
Firm Bonded:	Yes	Coverage ($ Mil)	$0.50

Firm Background Narratives

With a history of over 200 years, Schroders is one of the largest asset managers listed on the London Stock Exchange. As at 31 June 2011, Schroders held $328.7 billion in client assets under management worldwide, 342 investment professionals (portfolio managers and analysts) and 32 offices in 25 countries. Schroders' current levels of expertise, market presence and client assets are the result of long-term growth over many decades and we endeavour to maintain our goal to build a world class Asset Management Company that is diversified by product, by channel and by region.

The company is a purely focused asset management business offering clients tremendous breadth in locally managed products, delivered through a fully integrated global distribution platform. Schroders offer an extensive range of products and services. We manage portfolios across all asset classes, with specialist capabilities in equities, fixed income, private equity, property, hedge funds and structured products. This broad spectrum allows us to meet our clients' particular requirements for innovative products and services. The rationale behind our extensive range of products and services is our adaptability to tailor products to meet the needs of different clients according to local culture, risk appetite and regulations. We excel in the management of multi-asset portfolios, combining the best ingredients from our range of specialist components. Our clients include corporations, insurance companies, local and public authorities, charities, pension funds, high net worth individuals and retail investors.
Schroders has a unique corporate culture and philosophy that reflects the trusted heritage of the firm. Long-term thinking governs our approach to investing, building client relationships and growing our business. We believe that our strict focus on investment management ensures that the long-term interests of the company are aligned with the investment objectives of our clients and to gain access to

More...

Asset Class:	Diversified Emg Mkts-Equity
eA Primary Universe:	
Marketing Contact:	Kathleen Hopkins
Title:	Consultant Research & Relations Manager
Phone/Fax:	212.641.3917 / 212.641.3985
Email Address:	kathleen.hopkins@us.schroders.com

Key Facts

Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI EM-ND
Total Product Assets:	$12,643.8
Total Product Accounts:	42
Product Offered As:	SA,CF,PF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$12,643.8	42
Total Taxable	$6,202.0	20
Total Tax-Exempt	$6,441.8	22
Total Institutional	$7,806.3	31

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$6,711.3
Pooled/Commingled Assets	$1,328.7
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$4,603.9

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	13	$2,620.3	39.7 %
2009	6	$612.8	22.7 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	1	$4.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EM-ND
Primary Capitalization:	All Cap
Primary Style Emphasis:	Core
Current Cash Position:	1.3 %
Number of Countries in Portfolio:	16
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
Maximum Country Limits:	5.0

Fundamental Characteristics	
Current Number Of Holdings:	---
Annual Turnover (LTM):	28 %
Current Dividend Yield:	2.20 %
Current P/E (12-mo Trailing):	12.50x
Current P/B (12-mo Trailing):	2.10x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$40,268
Median Market Cap (Mil):	$11,811

Key Country Allocations	
Brazil	15.60 %
China Free	21.38 %
Korea	18.64 %
Mexico	1.93 %
Russia	9.52 %
South Africa	4.86 %
Taiwan	11.25 %
Developing Markets	0.00 %

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees	Risk Index:	MSCI EM-GD
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	27.79	28.17	-0.38	---	---	---	---	---	---
2 Year	24.33	25.80	-1.47	---	---	---	---	---	---
3 Year	4.02	4.53	-0.51	35.09	-0.50	0.97	2.97	-0.17	0.10
4 Year	5.20	4.62	0.58	31.68	0.60	0.98	2.92	0.20	0.13
5 Year	12.42	11.75	0.67	29.53	0.79	0.98	2.65	0.25	0.36
6 Year	16.09	15.46	0.64	27.78	0.85	0.98	2.46	0.26	0.50
7 Year	18.51	18.05	0.46	26.07	0.77	0.98	2.31	0.20	0.63
8 Year	19.80	19.88	-0.08	26.01	0.09	0.99	2.78	-0.03	0.68
9 Year	18.02	18.37	-0.35	26.73	-0.25	1.00	2.67	-0.13	0.60
10 Year	15.69	16.54	-0.85	28.40	-0.85	1.01	2.72	-0.31	0.48
Since Inception (3/1992)	10.90	9.89	1.01	28.09	0.95	1.01	4.13	0.24	0.27

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.87	2.65	13.76	77.74	-51.15	41.91	34.95	33.99	18.28
Benchmark Returns:	-1.04	1.03	19.20	79.02	-53.18	39.78	32.58	34.54	25.95
Excess Returns:	0.18	1.62	-5.43	-1.28	2.03	2.13	2.37	-0.55	-7.67

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$100	$1,000,000
Pooled/Commingled	Open	$10	$100,000
Institutional MFs	SEMNX	$0.25	$3,125

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000 100 bps	$500,000 100 bps	$750,000 100 bps	$1,000,000 100 bps
Pooled/Commingled	$250,000 100 bps	$500,000 100 bps	$712,500 95 bps	$925,000 93 bps
Institutional MFs	$312,500 125 bps	$625,000 125 bps	$937,500 125 bps	$1,250,000 125 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	8	19	9
Research Analysts:	25	11	6
Traders:	17	11	7

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	2
	2010	0	4
	2009	0	0
Professionals Lost	MRQ	0	1
	2010	0	4
	2009	0	1

SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Summary Tables

All Strategies

	DFA: EM Core Eq		EV Parametric		Schroder: EM		MSCI EM		EM Equity (Custom) Median	EM Equity (Custom) Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Total Return										
3 Mos.	-0.3	37	0.0	29	-0.9	52	-1.0	59	-0.8	*182*
1 Yr.	29.9	32	29.3	42	27.8	54	28.2	50	28.1	*182*
3 Yrs.	9.2	**19**	5.3	42	4.0	52	4.5	46	4.1	*173*
5 Yrs.	14.2	**22**	13.6	31	12.4	40	11.8	47	11.5	*134*
7 Yrs.	n/a	n/a	20.2	**23**	18.5	44	18.1	51	18.2	*109*
10 Yrs.	n/a	n/a	20.0	**15**	15.7	**85**	16.5	68	17.0	*89*
Excess Return										
3 Mos.	0.7		1.0		0.2				0.2	*182*
1 Yr.	1.7		1.1		-0.4				-0.1	*182*
3 Yrs.	4.7		0.8		-0.5				-0.5	*173*
5 Yrs.	2.5		1.8		0.7				-0.3	*134*
7 Yrs.	n/a	n/a	2.2		0.5				0.2	*109*
10 Yrs.	n/a	n/a	3.4		-0.9				0.4	*89*
Excess Return vs. Universe Median										
3 Mos.	0.5		0.8		0.0		-0.2			*182*
1 Yr.	1.8		1.2		-0.3		0.1			*182*
3 Yrs.	5.1		1.2		0.0		0.5			*173*
5 Yrs.	2.8		2.1		0.9		0.3			*134*
7 Yrs.	n/a	n/a	2.0		0.3		-0.2			*109*
10 Yrs.	n/a	n/a	3.0		-1.3		-0.4			*89*
Standard Deviation										
3 Yrs.	32.7	74	30.1	26	30.1	27	31.1	44	31.5	*173*
5 Yrs.	28.0	62	25.4	**16**	26.8	34	27.4	48	27.5	*134*
7 Yrs.	n/a	n/a	23.4	**13**	24.8	33	25.3	46	25.6	*109*
10 Yrs.	n/a	n/a	21.8	**6**	24.1	43	24.1	44	24.3	*89*
Tracking Error										
3 Yrs.	4.0	39	4.6	53	3.0	**14**			4.6	*173*
5 Yrs.	4.9	56	5.4	67	2.8	**10**			4.5	*134*
7 Yrs.	n/a	n/a	5.0	66	2.6	**7**			4.2	*109*
10 Yrs.	n/a	n/a	5.3	72	2.8	**7**			4.1	*89*
Information Ratio										
3 Yrs.	1.2	**12**	0.2	44	-0.2	53			-0.1	*173*
5 Yrs.	0.5	**22**	0.3	34	0.2	36			-0.1	*134*
7 Yrs.	n/a	n/a	0.4	28	0.2	41			0.1	*109*
10 Yrs.	n/a	n/a	0.7	**15**	-0.3	**89**			0.1	*89*

Universe: **EM Equity (Custom)**

Universe Rank: **Green = Top Quartile Red = Bottom Quartile**

SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Performance Summary Tables

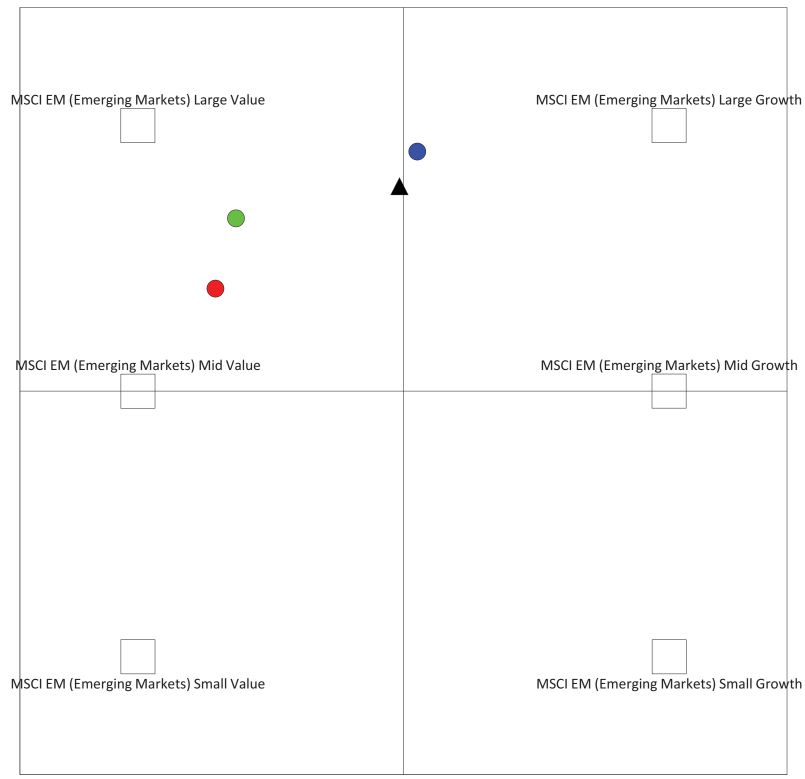
All Strategies

	DFA: EM Core Eq		EV Parametric		Schroder: EM		MSCI EM		EM Equity (Custom) Media	EM Equity (Custom) Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Beta										
3 Yrs.	1.0	25	1.0	74	1.0	71			1.0	*173*
5 Yrs.	1.0	46	0.9	**84**	1.0	61			1.0	*134*
7 Yrs.	n/a	n/a	0.9	**87**	1.0	63			1.0	*109*
10 Yrs.	n/a	n/a	0.9	**91**	1.0	55			1.0	*89*
Alpha (CAPM)										
3 Yrs.	4.5	**21**	1.0	40	-0.4	51			-0.3	*173*
5 Yrs.	2.4	26	2.7	**24**	0.9	43			-0.1	*134*
7 Yrs.	n/a	n/a	3.7	**16**	0.9	44			0.4	*109*
10 Yrs.	n/a	n/a	5.1	**12**	-0.7	**79**			1.1	*89*
Sharpe Ratio										
3 Yrs.	0.3	**23**	0.2	40	0.1	50	0.1	46	0.1	*173*
5 Yrs.	0.4	27	0.5	**22**	0.4	41	0.4	47	0.4	*134*
7 Yrs.	n/a	n/a	0.8	**18**	0.7	41	0.6	52	0.6	*109*
10 Yrs.	n/a	n/a	0.8	**10**	0.6	**78**	0.6	63	0.6	*89*
Upside Capture Ratio										
3 Yrs.	110.1	**14**	92.2	**81**	97.4	66			99.2	*173*
5 Yrs.	101.8	35	90.8	**86**	99.8	47			99.5	*134*
7 Yrs.	n/a	n/a	92.5	**88**	99.1	59			100.5	*109*
10 Yrs.	n/a	n/a	92.2	**94**	99.4	63			100.6	*89*
Downside Capture Ratio										
3 Yrs.	97.9	37	92.3	26	99.1	45			100.2	*173*
5 Yrs.	95.6	31	86.3	**16**	98.2	46			99.4	*134*
7 Yrs.	n/a	n/a	84.7	**13**	97.7	42			100.2	*109*
10 Yrs.	n/a	n/a	80.4	**11**	101.8	70			99.5	*89*

Universe: **EM Equity (Custom)**

Universe Rank: **Green = Top Quartile** **Red = Bottom Quartile**

Style Map (Jan 03 - Jun 11)

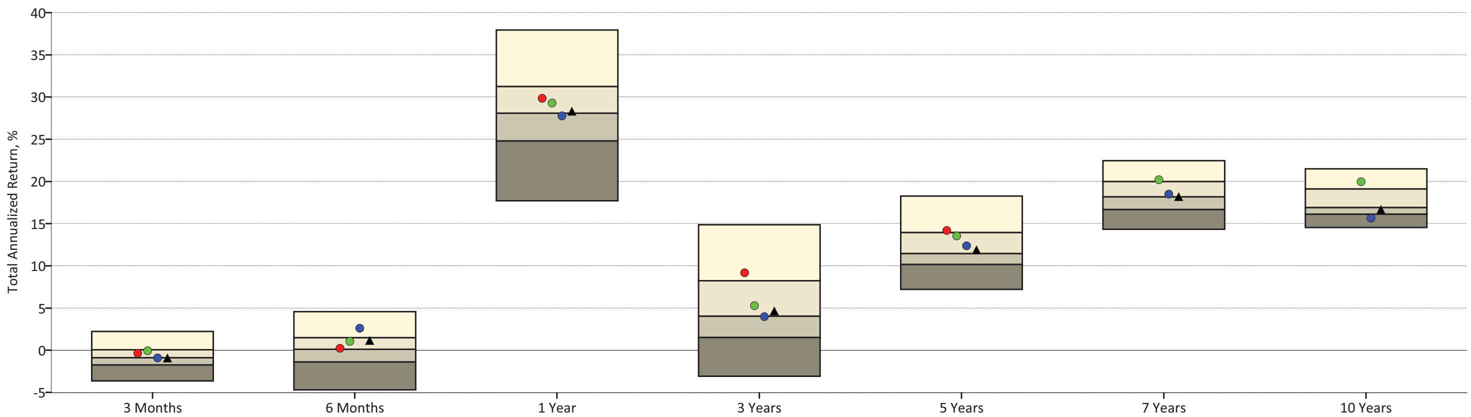


Legend

● DFA: EM Core Eq ● EV Parametric ● Schroder: EM ▲ MSCI EM

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

Total Return: Trailing Periods



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
DFA: EM Core Eq	-0.3	37	0.3	49	29.9	32	9.2	19	14.2	22	n/a	n/a	n/a	n/a
EV Parametric	0.0	29	1.1	33	29.3	42	5.3	42	13.6	31	20.2	23	20.0	15
Schroder: EM	-0.9	52	2.7	14	27.8	54	4.0	52	12.4	40	18.5	44	15.7	85
MSCI EM	-1.0	59	1.0	34	28.2	50	4.5	46	11.8	47	18.1	51	16.5	68
EM Equity (Custom) Median	-0.8		0.2		28.1		4.1		11.5		18.2		17.0	
EM Equity (Custom) Size		*182*		*182*		*182*		*173*		*134*		*109*		*89*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- DFA: EM Core Eq
- EV Parametric
- Schroder: EM
- MSCI EM

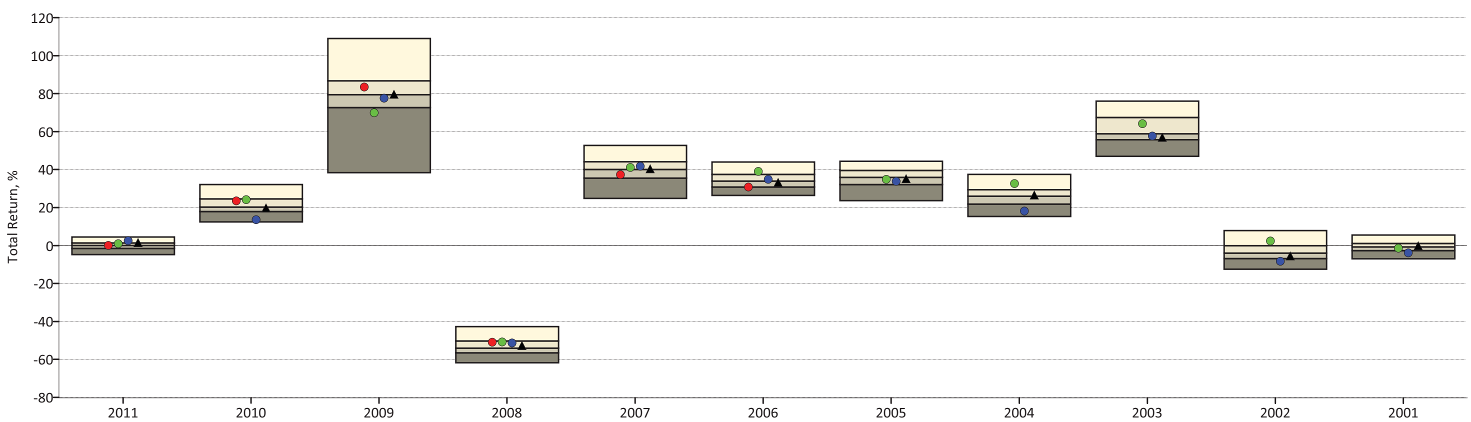
Universe:
EM Equity (Custom)

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

SamCERA - Emerging Market Equity
Periods ending June 30, 2011

Performance Detail
All Strategies

Total Return: Calendar Years



	Total Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
DFA: EM Core Eq	0.3	49	23.6	32	83.6	35	-50.7	28	37.5	69	30.9	76	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV Parametric	1.1	33	24.3	28	70.0	85	-50.6	28	41.2	43	39.2	16	35.0	59	32.8	14	64.3	31	2.5	13	-1.2	60
Schroder: EM	2.7	14	13.8	94	77.7	59	-51.2	29	41.9	39	35.0	45	34.0	64	18.3	92	57.7	62	-8.1	89	-3.6	85
MSCI EM	1.0	34	19.2	63	79.0	53	-53.2	43	39.8	52	32.6	59	34.5	61	26.0	53	56.3	73	-6.0	72	-0.7	54
EM Equity (Custom) Median	0.2		20.5		79.5		-53.8		40.2		34.0		36.1		26.1		58.9		-3.8		-0.5	
EM Equity (Custom) Size		*182*		*188*		*191*		*186*		*171*		*159*		*142*		*138*		*132*		*122*		*120*

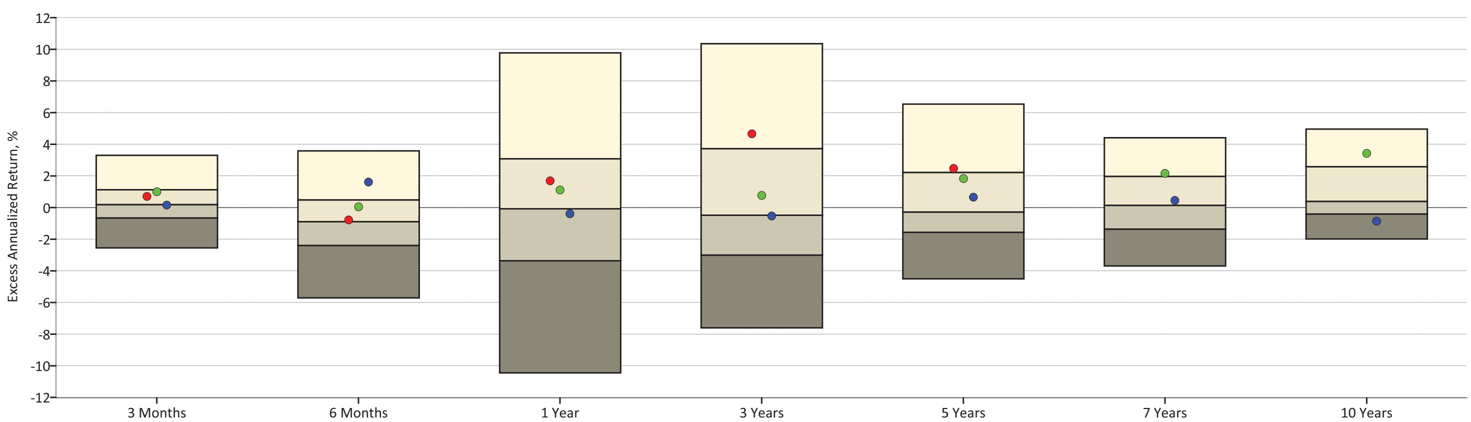
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- DFA: EM Core Eq
- EV Parametric
- Schroder: EM
- MSCI EM

Universe:
EM Equity (Custom)

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Trailing Periods



	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
DFA: EM Core Eq	0.7	37	-0.8	49	1.7	32	4.7	**19**	2.5	**22**	n/a	n/a	n/a	n/a
EV Parametric	1.0	29	0.1	33	1.1	42	0.8	42	1.8	31	2.2	**23**	3.4	**15**
Schroder: EM	0.2	52	1.6	**14**	-0.4	54	-0.5	52	0.7	40	0.5	44	-0.9	**85**
EM Equity (Custom) Median	0.2		-0.9		-0.1		-0.5		-0.3		0.2		0.4	
EM Equity (Custom) Size		*182*		*182*		*182*		*173*		*134*		*109*		*89*

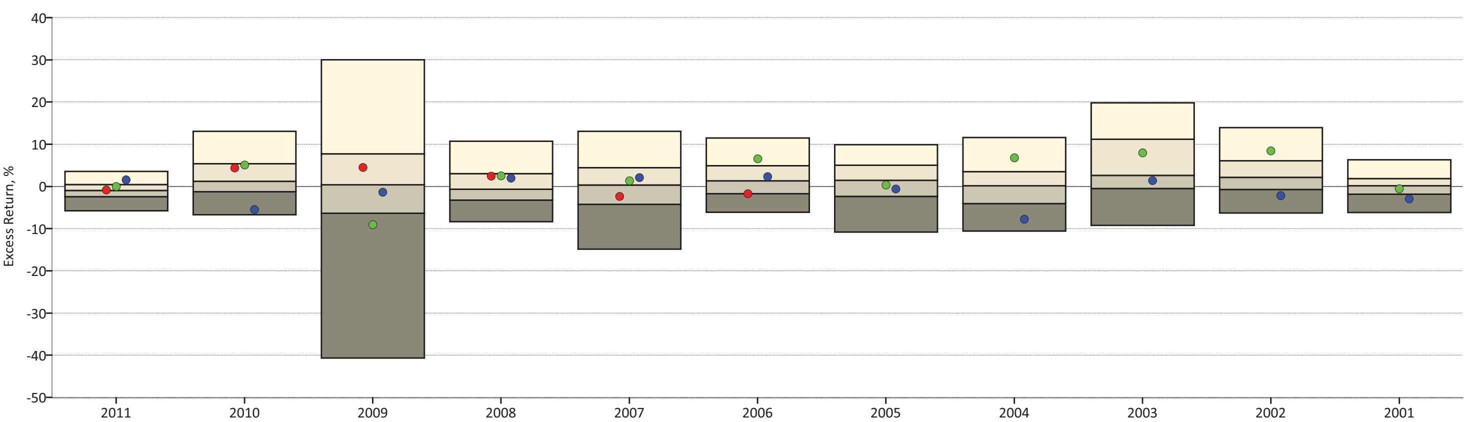
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- DFA: EM Core Eq
- EV Parametric
- Schroder: EM

Universe:
EM Equity (Custom)

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
DFA: EM Core Eq	-0.8	49	4.4	32	4.5	35	2.5	28	-2.3	69	-1.7	76	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
EV Parametric	0.1	33	5.1	28	-9.0	85	2.6	28	1.4	43	6.6	16	0.4	59	6.9	14	8.0	31	8.5	13	-0.5	60
Schroder: EM	1.6	14	-5.4	94	-1.3	59	2.0	29	2.1	39	2.4	45	-0.6	64	-7.7	92	1.4	62	-2.1	89	-2.9	85
EM Equity (Custom) Median	-0.9		1.3		0.4		-0.6		0.4		1.4		1.5		0.2		2.7		2.2		0.2	
EM Equity (Custom) Size		*182*		*188*		*191*		*186*		*171*		*159*		*142*		*138*		*132*		*122*		*120*

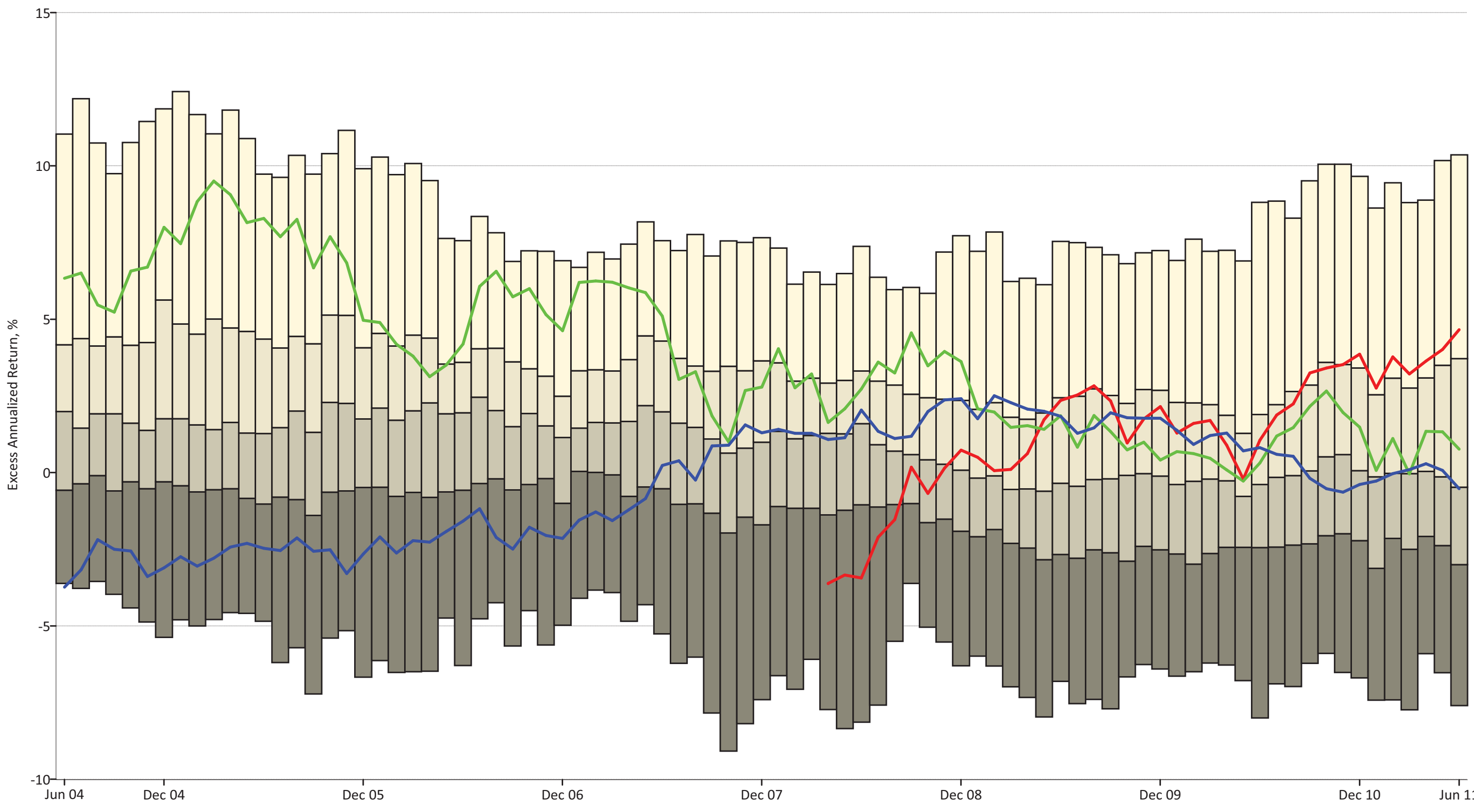
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- DFA: EM Core Eq
- EV Parametric
- Schroder: EM

Universe:
EM Equity (Custom)

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Rolling 36-month Periods (Jun 04 - Jun 11)



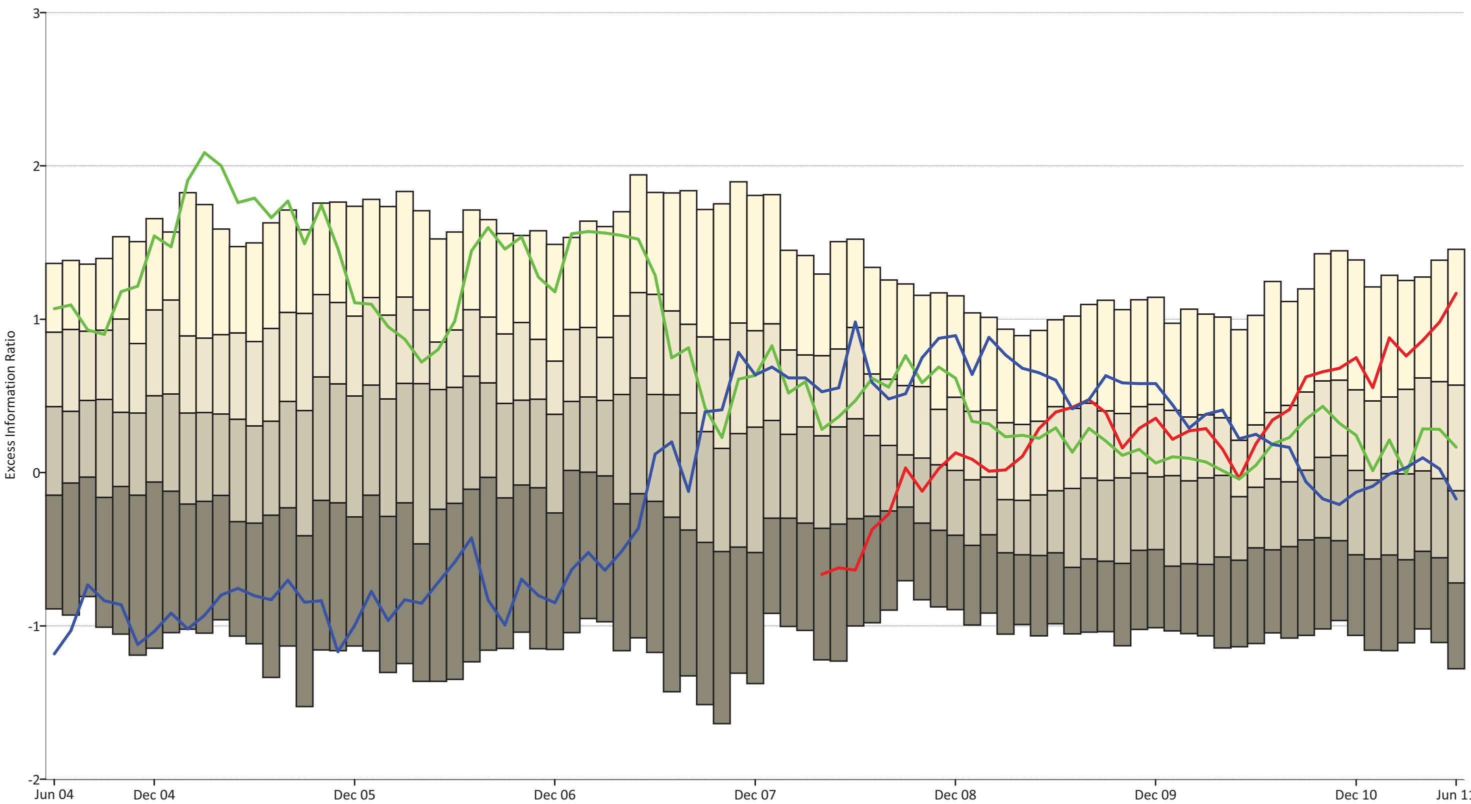
Legend

SamCERA - Emerging Market Equity

Periods ending June 30, 2011

Risk/Return Analysis
All Strategies

Information Ratio: Rolling 36-month Periods (Jun 04 - Jun 11)

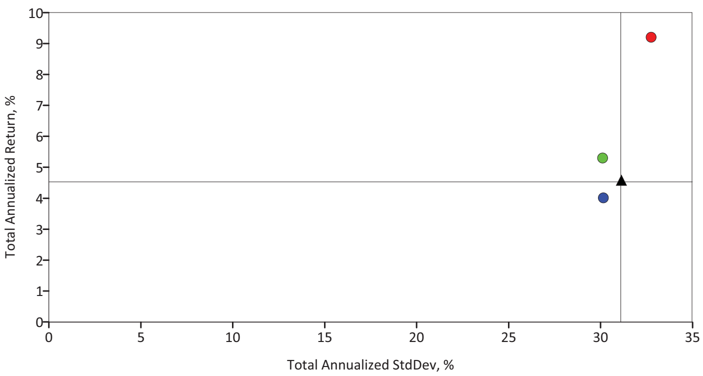


Legend

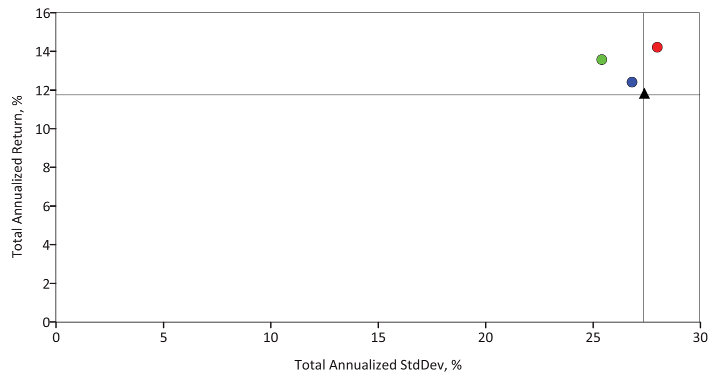
5th to 25th Percentile
25th Percentile to Median
Median to 75th Percentile
75th to 95th Percentile
DFA: EM Core Eq
EV Parametric
Schroder: EM

Universe:
EM Equity (Custom)

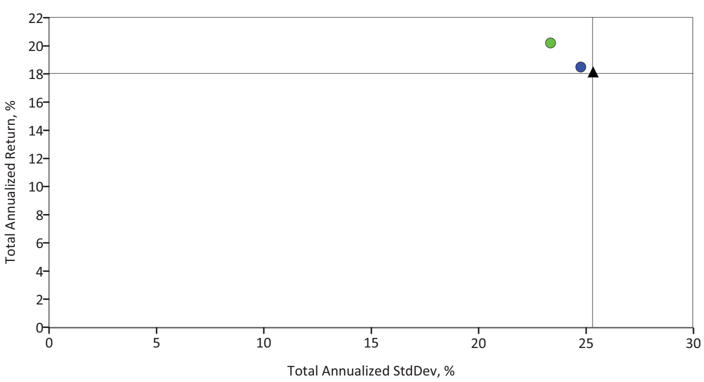
Total Return vs. Standard Deviation: Trailing 3 Years (Jul 08 - Jun 11)



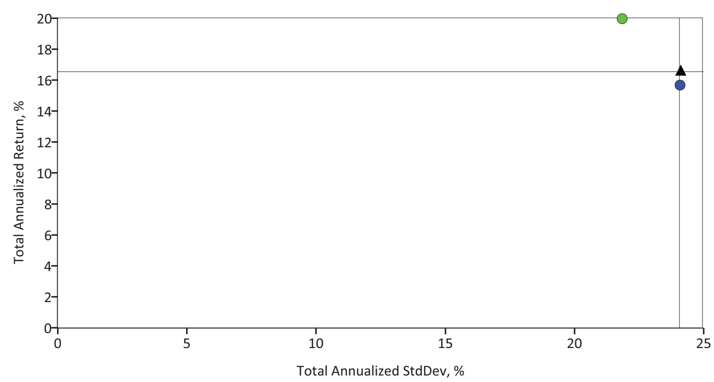
Total Return vs. Standard Deviation: Trailing 5 Years (Jul 06 - Jun 11)



Total Return vs. Standard Deviation: Trailing 7 Years (Jul 04 - Jun 11)



Total Return vs. Standard Deviation: Trailing 10 Years (Jul 01 - Jun 11)



Legend

DFA: EM Core Eq · EV Parametric · Schroder: EM · MSCI EM

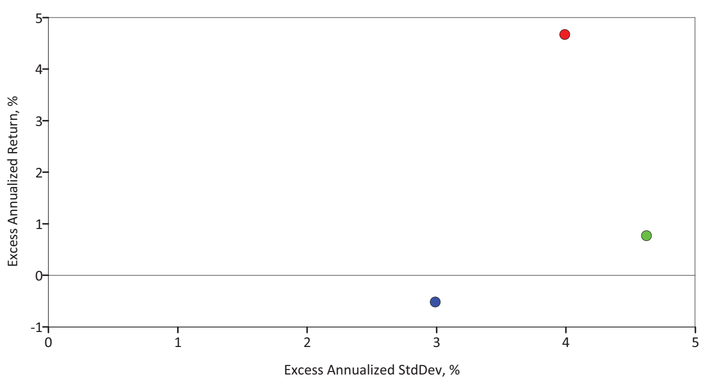
SamCERA - Emerging Market Equity

Periods ending June 30, 2011

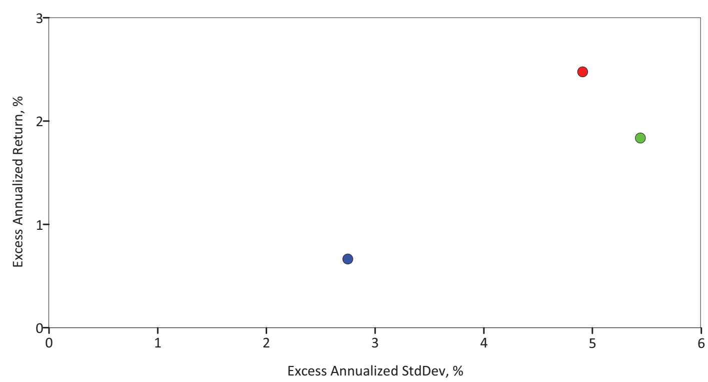
Risk/Return Analysis

All Strategies

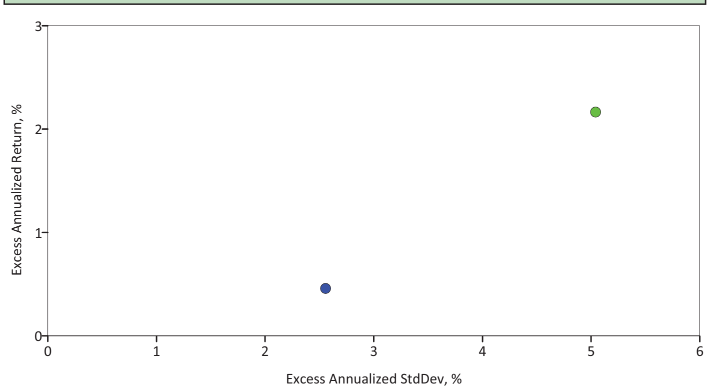
Excess Return vs. Tracking Error: Trailing 3 Years (Jul 08 - Jun 11)



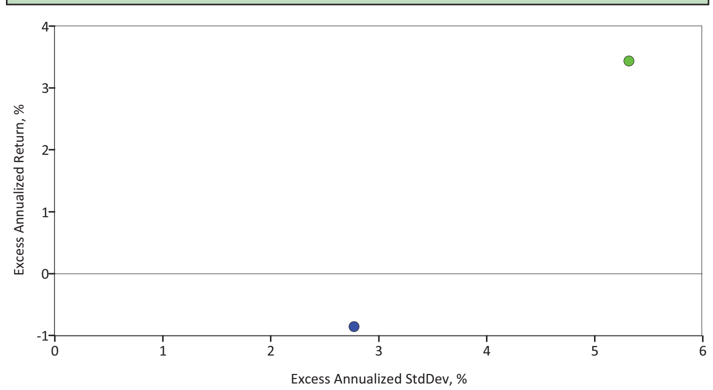
Excess Return vs. Tracking Error: Trailing 5 Years (Jul 06 - Jun 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Jul 04 - Jun 11)



Excess Return vs. Tracking Error: Trailing 10 Years (Jul 01 - Jun 11)



Legend

DFA: EM Core Eq · EV Parametric · Schroder: EM

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manger's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term “quarter” in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term “year” in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the “market”). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation* of *Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term “Information Ratio” is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or Excess *Return*) and the Maximum Drawdown measures the cumulative return during the worst “peak to trough” period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display “N/A”.

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display “100%”.

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to ask *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) Style Weights by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*'. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight "positions" in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

October 25, 2011 Agenda Item 6.2 a

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Emerging Market Equity Manager Interview: Dimensional Fund Advisors – Emerging Market Core Equity Portfolio

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

9:30 a.m. Interview Dimensional Fund Advisors – Emerging Market Core Equity Portfolio

Below are the presenters:

Joseph H. Chi – CFA, Portfolio Manager and Vice President
Joseph L. Young – CFA, Vice President

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

General Firm Information

Firm Legal Name: Dimensional Fund Advisors L.P.
Firm Headquarters: 6300 Bee Cave Road, Building One
Austin, Texas 78746
United States
Year Firm Founded: 1981
Registered Investment Advisor: Yes
Firm Website Address: www.dfaus.com

Firm Background

Dimensional Fund Advisors, a registered investment advisor has been managing taxable and tax-exempt assets since 1981. Headquartered in Austin, Dimensional has grown into a global organization with offices in Santa Monica, London, Sydney, Vancouver, and Berlin.

Ownership

Dimensional Fund Advisors is a private corporation owned primarily by employees and directors.

Joint Ventures

Dimensional's subsidiaries include a broker/dealer and incorporated overseas offices as follows:

Dimensional Fund Advisors Ltd., London, (DFAL) is a wholly-owned subsidiary registered as an investment advisor both in the United States and the United Kingdom. Incorporated in December of 1990, DFAL serves as the sub-advisor for United Kingdom, Continental Europe and certain emerging markets portfolios.

DFA Australia Limited (DFA Australia) is a wholly-owned subsidiary registered in the United States and Australia. Opened in December 1994, DFA Australia serves as the sub-advisor for Japanese, Pacific Rim and certain emerging market portfolios.

Dimensional Fund Advisors Canada ULC. (DFAC) is a wholly-owned subsidiary registered as an investment advisor with the British Columbia Securities Commission. Incorporated in 2003, DFAC serves as the advisor for Canadian mutual funds, each of which is registered in each province, with Dimensional acting as the sub-advisor for the funds.

DFA Securities LLC. is a limited purpose broker/dealer that supervises the distribution of mutual fund shares. Dimensional does not trade any assets through this entity.

Dimensional Smartnest - Dimensional has recently acquired Smartnest, a defined contribution solution for plan sponsors and participants.

Prior or Pending Ownership Changes: None

Prior or Pending Litigation: None

Additional Comments

In 2006 Dimensional Fund Advisors Inc., a Delaware corporation ("Dimensional Inc."), converted its legal name and organizational form to Dimensional Fund Advisors LP, a Delaware limited partnership ("Dimensional LP"). There was no material change in control of Dimensional Inc. due to this change of legal structure. The stockholders of Dimensional Inc. continued to control Dimensional LP through one or more holding companies. All business processes continued unaffected by the conversion. There are no pending plans for significant ownership changes in the foreseeable future.

During 2008, the subsidiaries Dimensional Fund Advisors Ltd. and DFA Australia Limited became wholly owned subsidiaries of Dimensional Fund Advisors LP.

For tax purposes Dimensional Fund Advisors Canada Inc. was converted to Dimensional Fund Advisors Canada ULC.

General Product Information

Product Narratives

Research & Screening Process

Dimensional's research efforts center on analyzing the characteristics of risk and return of the capital markets and, more specifically, the study of the systematic factors that drive expected returns. This factor approach finds its roots in the practical application of academic theory and research. Dimensional's close ties to academia and deep working relationships with leading financial economists have allowed them to pioneer many strategies and consulting technologies now taken for granted in the industry.

The Research Team is led by Dimensional's Head of Research, Gerard O'Reilly. Research personnel are generalists who work on a team basis across multiple strategies and are not assigned to a particular sector, asset class, or market segment. Research team members work collaboratively with the Portfolio Management and Trading teams on research projects. In addition, some projects are coordinated between internal staff and external academics.

As part of a study of the risk and return characteristics of global asset classes, the Research Team collects and organizes vast amounts of data to classify and screen large baskets of securities to capture the desired risk factors. Additional research efforts include the analysis of securities price momentum, the maintenance of a proprietary universe of securities, and the development of proprietary trading algorithms.

Research on individual holdings includes the assignment of proprietary security status codes which are used during portfolio construction to reduce the investible universe by eliminating companies that are not representative of the asset class. Data received via external sources is evaluated to assess which particular status code applies to each security eligible for investment. Examples of status codes are: liquidity filters, merger activity, and earnings reports due.

Portfolio Construction & Risk Control Methodology

Dimensional employs a process-driven approach to design broadly diversified portfolios which offer consistent exposure to the risk factors that academic research has shown to provide higher expected returns. The approach consists of a number of screens applied against an initial universe of securities to efficiently achieve adequate exposure to factors which lead to return premiums.

Country Selection & Weighting – When investing in emerging markets, the costs and frictions associated with accessing such markets are considered. Dimensional applies minimum criteria that include market liquidity, fair treatment of foreign investors, adequate regulation at the exchange level, and reasonable accounting standards. In some cases, they gain exposure through depository receipts traded on the U.S. and London exchanges. Country weights are based broadly on the free-float adjusted market capitalization of the eligible universe of stocks in each country and are limited to a maximum of 15% at time of purchase.

Market Capitalization and Value Criteria – To achieve a value tilt relative to the market, the strategy's target weights are increased for stocks in the value (highest book to market) category and decreased or eliminated for those in the growth (lowest book to market) category. The strategy's small cap exposure is achieved by increasing the target weight of small stocks relative to their market weight and decreasing large cap.

Screening Process – Exclusion screens replace companies with certain characteristics with others with more desirable behavior. Examples are: (1) Asset class concerns such as real estate investment trusts, (2) Companies that may expose the portfolio to a high degree of asymmetric information such as recent IPOs or companies that are in extreme distress, (3) Companies which may be difficult to trade efficiently in live portfolios.

Momentum - Momentum tests are applied in an effort to minimize the negative effects of downward momentum and potentially benefit from upward momentum.

Security Weighting - Security weightings are based on free-float adjusted market capitalization and eligibility criteria. Current maximum security weighting is 5% at time of purchase.

Sector/Industry Weighting - Sector/industry diversification is a result of the security selection process. Dimensional does not make an active decision to time or weight sectors or industries. As a means to mitigate sector-specific risk, industry sectors are generally limited to a maximum of 25%.

Portfolio risk is managed by measuring adherence to a structured investment approach that is designed to control risk through diversification. Several reviews are made throughout the investment process as a means to mitigate portfolio risk: (1) During portfolio construction, a series of screens are applied that incorporate investment guidelines and client requirements. (2) All orders are tested against pre-trade compliance rules with Charles River, Dimensional's order management system, to confirm compliance with investment guidelines. (3) Post trade compliance controls in Charles River assure that portfolios are being managed properly on an ongoing basis. (4) The compliance status of all portfolios is reported to the Investment Committee twice per month.

Buy/Sell Discipline

Buy Discipline

Portfolio managers utilize software tools to generate an order capacity for each account which contains appropriate candidates for buying and/or selling. Account specific limitations and any restricted securities are factored into the candidate list. Quantitative screens are incorporated, drawing boundaries for eligible companies such as market capitalization criteria and book-to market value where applicable. After size and value criteria are met, securities are then run through the portfolio exclusion rules. Once an eligible universe has been determined, when buying or selling for the portfolio, proprietary momentum tests are applied.

Sell Discipline

A security becomes a sell candidate once it no longer fits the market capitalization, book-to-market or other criteria. In addition, securities may be sold as a result of a corporate action or client redemption. The Portfolio Management System incorporates the costs of trading – including commissions, market impact, and the effect of momentum – versus the benefits – such as matching the target weights, maintaining the desired size and value tilt, and maximizing diversification. The sell criterion is designed to provide consistent exposure to the asset class while maintaining low trading costs and low portfolio turnover.

Rather than implementing automatic sale thresholds, Dimensional makes use of hold ranges and price momentum considerations. These techniques add value by decreasing excess turnover and trading costs that can be associated with short term volatility and price movement.

Trading Strategy

Dimensional conducts its trading using a highly patient and price-conscious technique. Traders are allowed substantial discretion on the timing, venue and price of trades. The broad diversification of strategies is designed not just for diversification of security risk, but to provide the traders with the flexibility necessary to execute at only the best possible prices. This flexibility, discussed in greater detail below, is a defining feature of Dimensional's approach.

Dimensional focuses on the overall characteristics of a portfolio, as opposed to focusing on a precise number of shares for a precise number of companies; therefore, portfolio managers can treat stocks that have similar characteristics and belong to the same asset class as close substitutes for one another. That facilitates trading because a trader will have more chances to trade opportunistically and take advantage of favorable trading conditions if he or she is, within certain diversification limits, indifferent as to stock A or stock B, than if he or she has to hold a specific number of shares of stock A and of stock B or needs to trade that specific number of shares at a particular point in time. This ability to substitute names and number of shares is what allows Dinensional to have flexible and patient trading strategies, which in turn minimizes trading costs.
The goal of the traders is to capture temporary liquidity shocks that allow them to trade at great execution prices. In fact, that is one of the reasons for which Dimensional has so many stocks in the strategies.

Dimensional is constantly re-evaluating and fine-tuning global direct market access (DMA) trading strategies to take advantage of changes in trading micro structures around the globe (e.g., proliferation of dark pools and crossing networks, evolving order handling rules such as Regulation NMS (National Market System) and Regulation MIFID (Markets in Financial Instruments Directive.)

Dimensional has recently implemented a customized version of Charles River Investment Management System (CRIMS) as the firm's primary Order Management System (OMS). Pre- and post-trade compliance testing, fixed income, foreign exchange and global equity order handling functions have been incorporated into this OMS.

In regards to soft dollars, Section 28(e) of the Securities Exchange Act provides a legal framework for the use of commissions to pay for both brokerage and research. The provisions of this section provide investment managers with a safe harbor for using soft dollars to the extent that an investment manager determines in good faith that commission charges are reasonable in relation to the brokerage and research services provided by the broker, even though client accounts pay more than the lowest available commission rate. Dimensional Fund Advisors explicitly applies the standard set forth in Section 28(e) to its soft dollar practices.

Dimensional has agreements with firms related to “soft dollar” arrangements. These “soft dollars” are used to pay for data services and equipment that benefits the portfolios it manages such as Compustat, Bridge, and Bloomberg. The Investment Committee at Dimensional sets the soft dollar policy with the primary objective to uphold the interests of the portfolio’s beneficial holders; that is, to protect and enhance the value of portfolio assets. It also approves all soft dollar issues, including selection of brokers, commission rates, and research purchased

Additional Comments

Dimensional uses a structured approach to the Emerging Core Equity strategy. The goal is to capture the specific dimensions of risk identified by academic research while minimizing transaction costs and enhancing returns through trading and engineering. This differs from traditional stock pickers and Dimensional argues that it provides a more reliable source of superior returns. The competitive advantage stems from the application of academic research to practical investment problems and from detailed knowledge of delivering asset class and risk factor returns in a cost effective manner as follows:

Structure – Dimensional's research identifies size (small market capitalization) and high book-to-market (value) as risk factors that provide higher long-term expected returns. The small and value effects are well documented in academia and are recognized as risk factors that carry a return premium. The Emerging Core Equity strategy is therefore structured to carry a stronger exposure to small cap and value stocks than conventional indices. They construct a broadly diversified portfolio of thousands of small cap and value stocks to efficiently capture size and value effects and to minimize company specific risk.

Exclusion Rules – Once the investment universe has been defined, eligible securities are run through Dimensional's portfolio exclusion process. This is a key feature of Dimensional's structured approach, and it uses over 30 portfolio exclusion rules that are used to reduce the investable universe by eliminating companies that are not representative of the asset class. Please refer to the Screening Process section for more details on these exclusion rules.

Trading Strategies – Dimensional implements a trading strategy which focuses on controlling transaction costs. This patient and price-conscious trading technique allows flexibility to trade when Dimensional feels it is necessary and appropriate. This separates Dimensional from both traditional active managers, who trade when a better opportunity comes along, and traditional passive managers, who trade in response to changes in the benchmark.

Use of Derivatives

Derivatives Used in Managing This Product: None

Dimensional

San Mateo County Employees Retirement Association

October 25, 2011

Joseph H. Chi, CFA, Portfolio Manager and Vice President
Joseph L. Young, CFA, Vice President

Agenda

San Mateo Employees Retirement Association

October 25, 2011

1. Dimensional
2. Investment Philosophy and Process
3. Portfolio Construction
4. Performance and Summary

Dimensional

- Delivers investment solutions that provide continuous access to the sources of higher expected returns in a cost-efficient way that adds value over benchmarks and peers

- Partners with our clients to understand their long-term needs and be a resource to their success

Who Is Dimensional?

Global Presence:

24-Hour Continuous Portfolio Management

Offices in Austin, Santa Monica, Vancouver, London, Amsterdam, Berlin, Sydney

546 Employees

Experience:

Investment Committee
Average 17 Years of Experience

Portfolio Management
Average 12 Years of Experience

Trading
Average 11 Years of Experience

Consultants and Directors Affiliated with:

Booth School of Business
University of Chicago

Graduate School of Business
Stanford University

Sloan School of Management
Massachusetts Institute of Technology

Tuck School of Business
Dartmouth College

Yale School of Management
Yale University

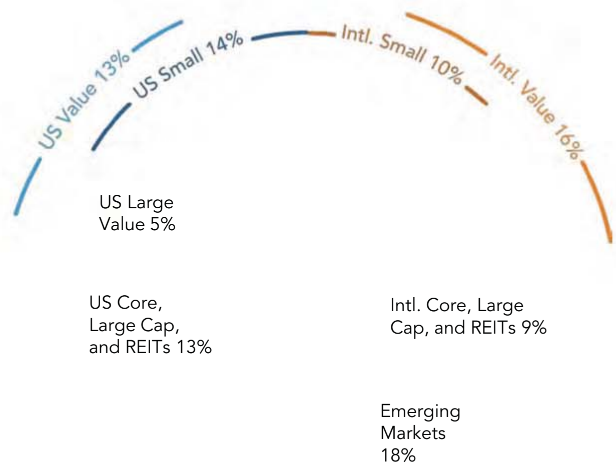
Assets under Management

$231 Billion as of June 30, 2011

BY STRATEGY (BILLIONS)

US Equities	**$71.7**
Micro Cap	$4.1
Small Cap	$8.8
Small Cap Value	$18.8
Large Cap	$4.2
Large Cap Value	$10.9
Marketwide	$5.5
Real Estate	$3.2
Core	$16.1
Fixed Income	**$47.5**
Short-Term (0–5.0 years)	$41.1
Intermediate (5.1–10 years)	$4.5
Municipal	$1.9
Commodities	**$0.2**

International Equities	**$111.5**
Developed	$70.2
Small Cap	$11.5
Small Cap Value	$12.7
Large Cap	$6.9
Large Cap Value	$12.5
Marketwide Value	$12.5
Real Estate	$1.7
Core	$12.4
Emerging	$41.3
Small Cap	$2.2
Large Cap	$3.5
Value	$25.3
Core	$10.3
Global Portfolios[1]	**$3.4**



1. Global Portfolios assets are for information only; these assets are an aggregate of underlying funds and are not counted in totals.
All assets in US dollars. Numbers may not total 100% due to rounding. Assets are preliminary and may be revised.

#M9975

Partial List of Clients

Corporate

AT&T Inc.
Boeing Corporation
Citigroup
Energy East Corporation
Exchange Bank
Furniture Brands
Kellogg Company
Lubrizol Corporation
Merck
MLC
PepsiCo, Inc.
PPG Industries, Inc.
Sandia Corporation
Sprint Corporation
Talbots, Inc.
The Timken Company
Tribune Company
Verizon Communications, Inc.
WellPoint, Inc.

Nonprofit Organizations

Baptist Foundation of Alabama
California Institute of Technology
California Wellness Foundation
Carnegie Mellon University
Chicago Community Foundation
Gonzaga University
Idaho Community Foundation
J. Paul Getty Trust
Kansas Health
Lucile Packard Foundation for Children's Health
Misericordia Home Endowment
New Haven Community Foundation
The New Jersey Education Association
Nova Scotia Association of Health Organization
The Pennsylvania State University
Public Policy Institute of California
Saint John's Hospital and Health Center
San Francisco Foundation
Simon Fraser University
Toledo Community Foundation
United Way of Palm Beach County
University of Miami
University of Pittsburgh Medical Center
Wallace Foundation
Western Michigan University Foundation
Winnipeg Foundation

Public

Arizona State Retirement System
California Public Employees' Retirement System
City and County of Kalamazoo
City and County of San Francisco
City of Baton Rouge
City of San Diego
City of Seattle
Illinois Municipal Retirement Fund
Indiana Public Employees' Retirement Fund
Marin County Employees' Retirement Association
Maryland State Retirement Agency
Montana Board of Investments
Nebraska Investment Council
Oregon Office of the State Treasurer
South Dakota Investment Council
St. Paul Teachers' Retirement Fund Association
Utah State Retirement Systems
Victorian Funds Management Corporation

Taft-Hartley

Bakery & Confectionary Union and Industry International Pension Fund
District 9 I.A.M. & A.W. Pension
IBEW Pacific Coast Pension Fund
Indiana State Council of Plasterers and Cement Masons Pension Fund
IUE-CWA Pension Fund
Laborers' District Council & Contractors' Pension Fund of Ohio
Local 813 Affiliated Trust Funds
Local Union #226
National Automatic Sprinkler Industry Pension Fund
National Electrical Benefit Fund
Plumbers Union Local 210
Southern Nevada Culinary & Bartenders Pension Fund
Toledo Roofers Local #134
Union Electrical Industry Master Trust
UNITE General Fund & ILGWU Funds
Western Pennsylvania Teamsters and Employers

As of March 31, 2011.
This partial list shows some of Dimensional's better-known clients who have given consent to be included.
Clients in bold have been with Dimensional for 10 or more years. This list should not be construed as an expression of any client's experience with Dimensional, or a suggestion that one client's past experience is in any way indicative of another client's future experience with Dimensional.

#M9975

How Dimensional Does It

Our dynamic investment process creates value-added portfolios

Portfolio Design

Identifies sources of higher expected returns through rigorous research

Excludes securities that may not deliver the desired value-add

Result

Portfolios that consistently, efficiently, and transparently seek the sources of higher expected returns—aiming to add value beyond what can be achieved via other approaches and conventional benchmarks

Portfolio Management

Maintains strategy consistently while constantly seeking new opportunities

Minimizes excessive portfolio turnover by design

Portfolio Implementation

Manages market frictions (i.e., momentum, transaction costs)

Uses flexibility in the process so value can be added in trading

Experienced Team Works Together around the World

Average 17 Years Experience

Investment Committee

Stephen Clark, Chairman
Head of Portfolio Management

David Booth
Chairman and Co-Chief Executive Officer

Eduardo Repetto
Director, Co-Chief Executive Officer, and Chief Investment Officer

Joseph H. Chi
Portfolio Manager

Robert Deere
Investment Director and Senior Portfolio Manager

Jed S. Fogdall
Portfolio Manager

Henry Gray
Head of Global Equity Trading

Gerard O'Reilly
Head of Research

David Plecha
Senior Portfolio Manager, Fixed Income

Karen Umland
Head of Investment Strategies Group and Senior Portfolio Manager

Average 12 Years Experience

Portfolio Management

Austin
Stephen Clark, Head of Portfolio Management
Iwona Hill, Portfolio Manager
Stephen Quance, Portfolio Manager
Ted Randall, Portfolio Manager
Lukas Smart, Portfolio Manager
Jed Fogdall, Portfolio Manager
Daniel Ong, Portfolio Manager
Joseph Kolerich, Portfolio Manager
Travis Meldau, Portfolio Manager
Pamela Noble, Portfolio Manager

Santa Monica
Robert Deere, Investment Director and Senior Portfolio Manager
Karen Umland, Senior Portfolio Manager
David Plecha, Senior Portfolio Manager
Arthur Barlow, Portfolio Manager
David Kershner, Portfolio Manager
Grady Smith, Portfolio Manager
Brian Walsh, Portfolio Manager
Joseph Chi, Portfolio Manager
Allen Pu, Portfolio Manager
Anna Kovzik, Portfolio Manager
John Law, Portfolio Manager
Mali Pollard, Portfolio Manager

London
Andrew Cain, Senior Portfolio Manager
Akbar Ali, Senior Portfolio Manager
Nathan Lacaze, Portfolio Manager
Adam Ward, Portfolio Manager

Sydney
Graham Lennon, Head of International Portfolio Management and Senior Portfolio Manager
Murray Cockerell, Portfolio Manager
Stephen Garth, Portfolio Manager
Robert Ness, Portfolio Manager
Thomas Reif, Portfolio Manager

Average 11 Years Experience

Trading

Austin
Carl Snyder, Senior Trader
David LaRusso, Senior Trader
Wazhma Noorzayee, Trader
Erhan Oktay, Trader
Chris Rink, Trader

Santa Monica
Henry Gray, Head of Global Equity Trading
Ryan Wiley, Senior Trader
Le Tran, Trader
Claudette Higdon, Trader

London
John Romiza, Head of International Equity Trading
Christian Gunther, Senior Trader
William Letheren, Trader
James Simpson, Trader
Scott Van Pelt, Trader

Sydney
Jason Lapping, Head of Asia Pacific Trading
Sam Willis, Senior Trader
Matthew Fuentes, Trader
Jonathan Smith, Trader
David Vrolyk, Trader
Richard Mar, Trader

As of September 6, 2011.

The Dimensions of Stock Returns

THREE DIMENSIONS AROUND THE WORLD

- Equity Market
  (complete value-weighted universe of stocks)
  Stocks have higher expected returns than fixed income.

- Company Size
  (measured by market capitalization)
  Small company stocks have higher expected returns and risk than large company stocks.

- Company Price
  (measured by ratio of company book value to market equity)
  Lower-priced "value" stocks have higher expected returns and risk than higher-priced "growth" stocks.

Small

Growth
(low BtM)

Value
(high BtM)

Total
Stock
Market

Large

Eugene F. Fama and Kenneth R. French, "The Cross-Section of Expected Stock Returns," *Journal of Finance* 47, no. 2 (June 1992): 427–65.

Dimensional

Size and Value Effects Are Strong around the World

Annual Index Data

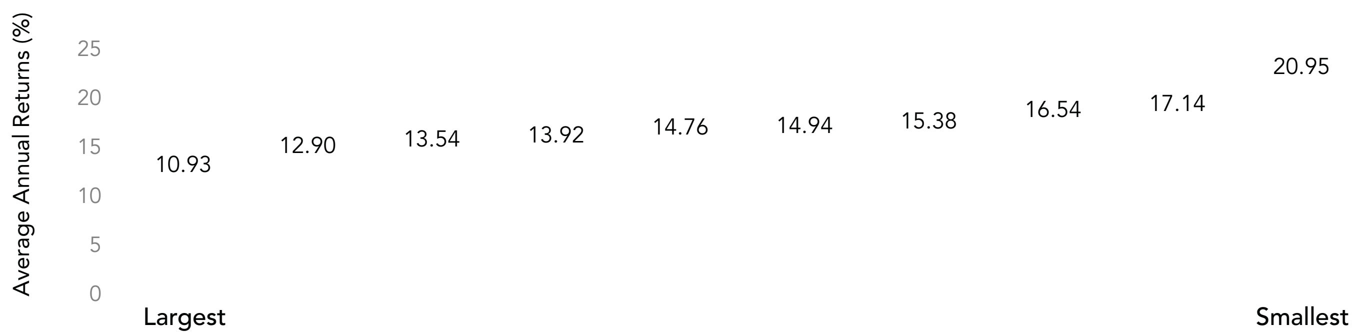
	US Large Capitalization Stocks 1927–2010			US Small Capitalization Stocks 1927–2010			Non-US Developed Markets Stocks 1975–2010				Emerging Markets Stocks 1989–2010			
	US Large Value	S&P 500	US Large Growth	US Small Value	CRSP 6-10	US Small Growth	Intl. Value	Intl. Small	MSCI EAFE	Intl. Growth	Emg. Markets Value	Emg. Markets Small	Emg. Markets "Market"	Emg. Markets Growth
Annualized Compound Returns (%)	10.45	9.85	9.05	13.82	11.69	8.97	15.79	15.72	11.38	9.03	18.17	15.07	13.68	11.43
Average Return (%)	14.03	11.88	11.35	19.17	15.98	13.95	18.48	19.17	13.67	11.29	25.01	21.98	19.46	17.05
Standard Deviation (%)	27.01	20.51	21.93	35.13	30.94	34.05	24.56	28.13	22.29	22.21	42.01	40.67	36.40	34.89

In US dollars. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. US value and growth index data (ex utilities) provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group. CRSP data provided by the Center for Research in Security Prices, University of Chicago. International Value and Growth data provided by Fama/French from Bloomberg and MSCI securities data. International Small data compiled by Dimensional from Bloomberg, StyleResearch, London Business School, and Nomura Securities data. MSCI EAFE Index is gross of foreign withholding taxes on dividends; copyright MSCI 2011, all rights reserved. Emerging Markets index data simulated by Fama/French from countries in the IFC Investable Universe; simulations are free-float weighted both within each country and across all countries.

The Size and Value Effect

Market Cap Deciles

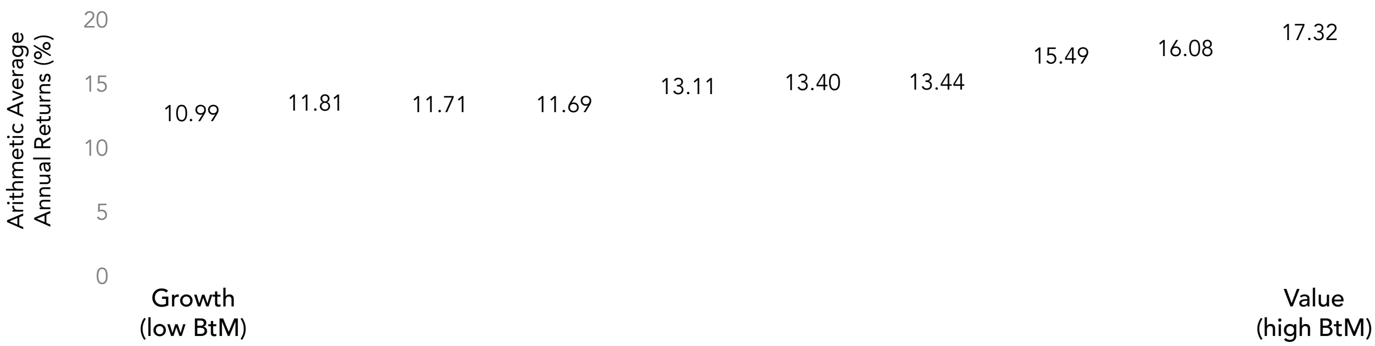
Annual: January 1926–December 2010



R^2 with S&P 500	0.983	0.923	0.863	0.822	0.819	0.768	0.771	0.660	0.633	0.524

Book-to-Market Deciles

Annual: January 1927–December 2010



Market cap decile data provided by the Center for Research in Security Prices, University of Chicago.
Book-to-market decile returns provided by Fama/French from data from the Center for Research in Security Prices, University of Chicago.

5-Year Moving Average of the Market, Value, and Size Premium in Emerging Markets

1993–2010

Market minus
One-Month Treasury Bills

Return Premium

40%
30%
20%
10%
0%
-10%

1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Value

Return Premium

40%
30%
20%
10%
0%
-10%

1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Size

Return Premium

40%
30%
20%
10%
0%
-10%

1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Emerging Markets Market: Fama/French Emerging Markets Index minus One-Month US Treasury Bills. Emerging Markets value minus growth data simulated by Fama/French from countries in the IFC Investable Universe. Emerging Markets HmL: Fama/French Emerging Markets Value Index minus Fama/French Emerging Markets Growth Index. Emerging Markets SmB: Fama/French Emerging Markets Small Cap Index minus Fama/French Emerging Markets Index. Emerging Markets small cap minus large cap data simulated by Fama/French from countries in the IFC Investable Universe. Simulations are free-float weighted both within each country and across all countries.

Access to Dimensions of Risk and Higher Expected Returns

- Dimensional has been investing internationally since 1986 and the emerging markets since 1994. The strategies apply a multifactor approach to the total non-US equity market.
- Targeting the factors that generate expected returns:
  - Market exposure
  - Size exposure
  - Value exposure
- Broad diversification across and within countries
- Disciplined and transparent stock selection process
- Low costs—both explicit and implicit

Emerging Markets Core Equity Strategy

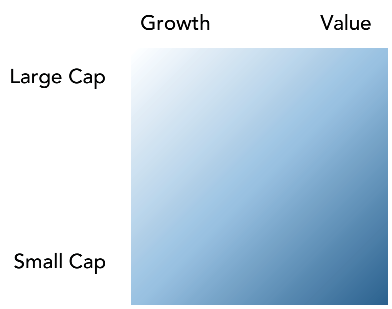
- April 5, 2005, inception
- 20 eligible countries
- Market wide allocation in each country
- Approximately 3,300 holdings

Portfolio Construction

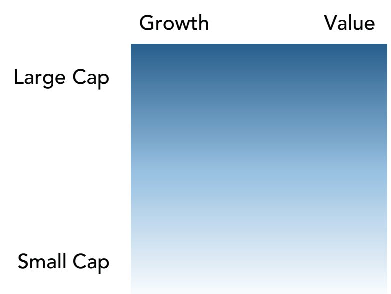
Creating a target portfolio

As of September 30, 2011

EMERGING MARKETS CORE EQUITY STRATEGY



MSCI EMERGING MARKETS IMI INDEX



	Weighted Average Market Cap (millions)	Weighted Average Book-to-Market
Emerging Markets Core Equity Portfolio	$26,073	0.75
MSCI Emerging Markets IMI Index	$34,721	0.67

Large cap is defined as approximately the largest 70% of total US market capitalization; mid cap is approximately the next 20%; and small cap is approximately the bottom 10%. Growth is defined as approximately the bottom 25% of securities based on book-to-market; Neutral is approximately the next 50%; and Value is approximately the highest 25% of securities based on book-to-market.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Dimensional

Efficient Portfolio Engineering

Creating a target portfolio

As of September 30, 2011

- Most indices are market-cap weighted.
- The core equity portfolio is designed to put higher weights on securities with higher expected returns: small cap and value.

EMERGING MARKETS CORE EQUITY PORTFOLIO vs. MSCI EMERGING MARKETS IMI INDEX

	Growth		Neutral		Value			
Large Cap	6%	13%	24%	31%	12%	13%	42%	57%
	# of Securities: 61		# of Securities: 121		# of Securities: 57			
Mid Cap	8%	8%	12%	10%	13%	9%	33%	27%
	# of Securities: 157		# of Securities: 187		# of Securities: 185			
Small Cap	3%	3%	8%	5%	14%	8%	25%	16%
	# of Securities: 278		# of Securities: 639		# of Securities: 1,658			
	17%	24%	44%	46%	39%	30%	100%	100%

Numbers may not total 100% due to rounding.
Large Cap is defined as approximately the largest 70% of total US market capitalization; Mid Cap is approximately the next 20%; and Small Cap is approximately the bottom 10%. Growth is defined as approximately the bottom 25% of securities based on book-to-market; Neutral is approximately the next 50%; and Value is approximately the highest 25% of securities based on book-to-market.
 Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Market component weights and the number of securities are the quarterly average of the first of each month; for this reason, the number of securities may not match the quarter-end characteristics.

Country Selection Criteria—Emerging Markets

Determining Investment in Local or Foreign Listings

Local Investment

Rule of Law

- Good legal system
- Reasonable treatment of foreign ownership
- Accurate financial statements
- Reliable settlement systems

Country Size/Liquidity

- Well-organized trading
  - Minimum $10 billion in market capitalization
- Ample liquidity
  - Minimum $10–20 million in average daily turnover

ADRs, GDRs, and Foreign Shares

Alleviate Concerns Unique to Local Markets

- Primary exchanges located in US, UK, and Hong Kong
- No capital repatriation restrictions
- Listed companies abide by strict accounting standards
- Reliable settlement

Cost Efficiency

- Countries where we invest in ADRs/GDRs/foreign shares but not local shares include China (H shares, red chips, and ADRs), Columbia (ADRs), Egypt (GDRs), Peru (ADRs), and Russia (ADRs and GDRs).

Country Weight Targets

Emerging Markets Core Equity Portfolio

As of September 30, 2011

Dimensional's capped free-float adjusted market cap targets:

- Maintain limits on single-country exposure.
- Mitigate single-country risk. An event in one country can have a negative impact on the whole portfolio.
- Provide broad country diversification.

	Free-Float Adjusted Market Cap Weights[1]	Dimensional Targets (buys capped at 15.0%)
China	16.4%	15.0%
South Korea	14.0%	14.9%
Brazil	13.6%	14.0%
Taiwan	12.5%	13.0%
India	9.3%	9.3%
South Africa	7.8%	8.3%
Mexico	4.7%	4.5%
Russia	4.6%	3.5%
Malaysia	3.6%	3.7%
Indonesia	3.5%	3.6%
Thailand	2.1%	2.3%
Chile	2.0%	1.9%
Turkey	1.7%	1.8%
Poland	1.6%	1.6%
Philippines	1.0%	1.3%
Czech Republic	0.4%	0.4%
Colombia	0.4%	0.2%
Peru	0.4%	0.2%
Hungary	0.3%	0.3%
Egypt	0.2%	0.1%

1. Defined by Dimensional as the market capitalization of the strategy's eligible universe, adjusted for shares outstanding that are publicly available to trade.

Non-US Portfolio Exclusion Rules

Asset Class Exclusions
- REITs
- Investment funds

Pricing Exclusions
- Recent IPO
- Foreign restrictions or premiums
- In extreme distress or bankruptcy
- Suspended or delisted
- Merger or target of acquisition

Trading Exclusions
- Exchange consideration
- Insufficient liquidity
- Short trading history
- Insufficient float

Miscellaneous
- Under consideration/inadequate data

- Exclusion rules keep the strategies precisely focused on the higher expected return dimensions.

Dimensional

Momentum

1–2 to 6–12 Months | -1 Month | 0 | +1 Month | + Next Few Months

MOMENTUM (MID-TERM)

Over the mid-term (from 1–2 months to 6–12 months), stock returns may exhibit momentum:

- Stocks with large **positive** risk-adjusted returns have **positive risk-adjusted returns** in the next period.
- Stocks with large **negative** risk-adjusted returns have **negative risk-adjusted returns** in the next period.

Difference in Returns between Ranking Periods

Ranking Period	1927–2010	1979–2010
12 Months	9.73	8.50

- Dimensional’s portfolio managers and traders incorporate the evidence of momentum when making both buy and sell decisions.

Chart for illustrative purposes only.
Source: Compiled from CRSP data, rebalanced monthly. CRSP data provided by the Center for Research in Security Prices, University of Chicago. CRSP is a research center at the Graduate School of Business (founded in 1898) of the University of Chicago. CRSP is a nonprofit center that also functions as a vendor of historical data.

Dimensional's Trading Strategy Minimizes Implicit Costs

Focusing on aggregate investment characteristics enables opportunistic implementation

Patient and flexible trading principles:

- Integrate Portfolio Management and Trading functions.
- Customize trade routines for opportunistic executions in the market.
- Provide liquidity instead of seeking it.

Distinctive trading approach:

- Capture bid/offer spread.
- Identify temporary component of price changes.

#1967

Dimensional's Progressive Approach to Trading

Trading utilizes technology and internal resources to maximize opportunities and control costs

Quarterly: January 2006–March 2011

Percentage of Dimensional's Global Trade Value by Broker Type

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

2006 2007 2008 2009 2010 2011

Source: Dimensional. Chart data based on all equity agency trades, globally.

#1967

Dimensional's Value Added through Trading

Third-Party Trade Cost Analysis Results across All Segments of the Market

One Year Ending March 31, 2011

	Trading Costs (gain/loss)		
ITG Post-Trade Analytics™ Alpha Capture℠	**Median Peer**	**Dimensional**	**Dimensional Rank[1]**
US Large Cap Trading	-23 bp	+40 bp	98%
US Small Cap Trading	-66 bp	+87 bp	100%
All Developed Markets Trading[2]	-45 bp	+78 bp	100%
All Emerging Markets Trading	-48 bp	+51 bp	100%

- Third-party trading cost metrics show Dimensional adds value compared to its median peers.
- Dimensional's trading cost results are at the top of its peer groups.

1. Percent of peer universe Dimensional outperforms in terms of trading costs.
2. US Trading included in results only for portfolios with global mandates.

Sector Allocations

Portfolio Weights (%)

As of September 30, 2011

	Emerging Markets Core Equity Portfolio	MSCI Emerging Markets Index
Consumer Discretionary	10.4	8.1
Consumer Staples	8.1	7.5
Energy	10.9	13.8
Financials	23.0	23.7
Health Care	1.9	1.1
Industrials	10.6	6.7
Information Technology	11.0	12.9
Materials	14.7	13.9
REITs	0.0	0.0
Telecommunications Services	5.9	8.8
Utilities	3.5	3.5
Total	**100.0**	100.0

Numbers may not total 100% due to rounding.
Sectors defined by MSCI.
The REITs industry, a member of the Financials sector, is shown separately to illustrate its exclusion from certain funds.

Portfolio Characteristics

As of September 30, 2011

	Emerging Markets Core Equity Portfolio	MSCI Emerging Markets Index
Market Characteristics		
Total Value of Eligible Universe (millions)	$3,366,611	$3,082,071
Number of Holdings	3,366	825
Average Price/Share	$11.89	$23.09
Size Characteristics		
Wtd. Average Market Cap (millions)	$26,073	$39,161
Median Market Cap (millions)	$452	$4,486
Valuation Characteristics		
Wtd. Average Book-to-Market	0.75	0.65
Median Book-to-Market	0.80	0.59
Price/Earnings (excludes negatives)	10.4	10.5
Wtd. Average Dividend-to-Price	2.77%	2.72%

Performance

As of September 30, 2011

Average Annual Total Returns (%)	Year to Date	1 Year	3 Years	5 Years	Since 5/05 Portfolio Inception
Emerging Markets Core Equity Portfolio	-24.06	-18.32	8.20	6.72	11.10
MSCI Emerging Markets Index (net dividends)	-21.88	-16.15	6.27	4.87	10.77

Calendar Year Returns (%)	Emerging Markets Core Equity Portfolio	MSCI Emerging Markets Index (net dividends)
2006	30.95	32.17
2007	37.49	39.39
2008	-50.66	-53.33
2009	83.58	78.51
2010	23.62	18.88

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit www.dimensional.com.
Returns for periods shorter than one year are not annualized. Portfolio inception returns are from first full month.

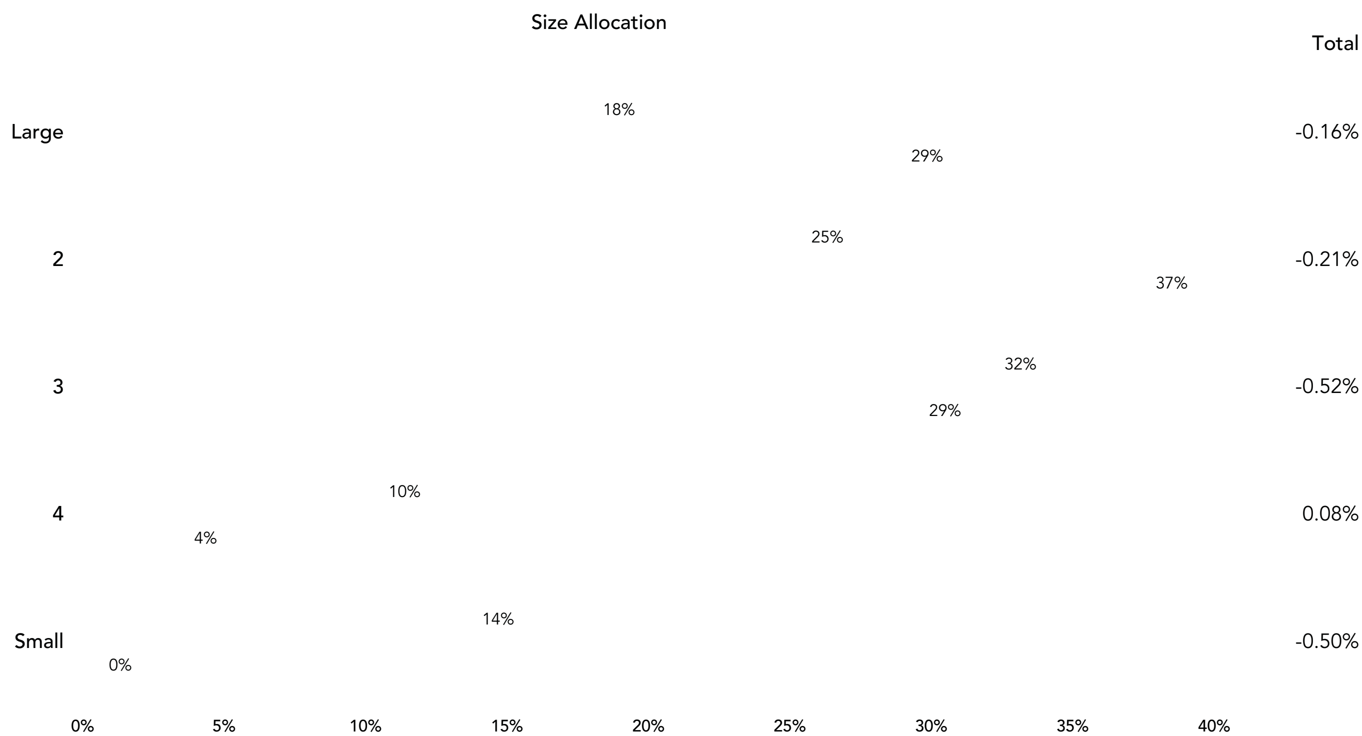
See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Size Attribution Analysis

Year to Date: September 30, 2011

Emerging Markets Core Equity Portfolio

MSCI Emerging Markets Index (net dividends)



The above market cap ranges represent dynamic size ranges from largest to smallest stocks (lowest to highest number of buckets) and change over time. The ranges in million (USD) for the month ending 9/30/11 are: (Large) > 50,000; (2) 50,000–11,113; (3) 11,113–2,546; (4) 2,546–1,268; and (Small) < 1,268.

 See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Book-to-Market Attribution Analysis

Year to Date: September 30, 2011

Emerging Markets Core Equity Portfolio

MSCI Emerging Markets Index (net dividends)

BtM Allocation

Total

17%

100-70

-0.30%

27%

19%

70-50

0.41%

23%

25%

50-30

-0.60%

24%

38%

30-0

-0.81%

26%

0% 5% 10% 15% 20% 25% 30% 35% 40%

.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Fees

	Management Fee	Other Expenses	Net Expense Ratio
Emerging Markets Core Equity Portfolio	0.55%	0.10%	0.65%

As of October 31, 2010.
Other Expenses (custody, transfer fees, etc.) are estimated based on prior year's experience. Net Expense Ratio includes waiver/recovery.

Summary

- Dimensional has been managing institutional client assets for thirty years. Investment Committee averages over seventeen years of experience with the firm.
- Deliberate and continuous exposure to securities and asset classes shown to deliver higher returns.
- Portfolios are engineered and decisions are made factoring in turnover and trading costs.
- Four trading and portfolio management desks, combined with state-of-the-art trading systems, allow for real-time monitoring and interaction with global equity markets and counterparties.

Standardized Performance Data and Disclosures

Securities of small companies are often less liquid than those of large companies. As a result, small company stocks may fluctuate relatively more in price.

Performance data shown represents past performance. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain performance data current to the most recent month end, access our website at www.dimensional.com.

Dimensional Fund Advisors is an investment advisor registered with the Securities and Exchange Commission. **Consider the investment objectives, risks, and charges and expenses of the Dimensional funds carefully before investing. For this and other information about the Dimensional funds, please read the prospectus carefully before investing. Prospectuses are available by calling Dimensional Fund Advisors collect at (512) 306–7400 or at www.dimensional.com. Dimensional funds are distributed by DFA Securities LLC.**

Prior to April 1, 2002, the following reimbursement fees may have been charged to purchasers of the respective portfolios: Intl. Small Company Portfolio 0.675%; Continental Small Company Portfolio 1.00%; Japanese Small Company Portfolio 0.50%; Pacific Rim Small Company Portfolio 1.00%; Intl. Small Cap Value Portfolio 0.675%; Emerging Markets Small Cap Portfolio 1.00%; Emerging Markets Value Portfolio 0.50%; Emerging Markets Portfolio 0.50%. Prior to April 1998, the reimbursement fees were as follows: Intl. Small Company Portfolio 0.70%; Intl. Small Cap Value Portfolio 0.70%. Prior to July 1995, the reimbursement fees were as follows: Intl. Small Cap Value Portfolio 1.00%; Continental Small Company Portfolio 1.50%; Japanese Small Company Portfolio 1.00%; Asia Pacific Small Company Portfolio 1.50%; UK Small Company Portfolio 1.50%; Emerging Markets Portfolio 1.50%. Returns for these portfolios are presented net of these reimbursement fees.

All reimbursement fees are based on the net asset value of the shares purchased. The standardized returns presented reflect deduction, where applicable, of the reimbursement fees for the portfolios. Non-standardized performance data reported by Dimensional Fund Advisors does not reflect deduction of the reimbursement fee. If reflected, the fee would reduce the performance quoted.

The implementation and management of Dimensional's "Sustainability" portfolios, including without limitation, the following portfolios, are protected by US Patent Nos. 7,596,525 B1 and 7,599,874 B1:

- US Sustainability Core 1 Portfolio
- International Sustainability Core 1 Portfolio

Investments in foreign issuers are subject to certain considerations that are not associated with investments in US public companies. Investments of the foreign equity portfolios and the global fixed income portfolios are denominated in foreign currencies. Changes in the relative values of these foreign currencies and the US dollar, therefore, may affect the value of investments in these portfolios. However, the global fixed income portfolios may utilize forward currency contracts to minimize these changes. Further, foreign issuers are not generally subject to uniform accounting, auditing, and financial reporting standards comparable to those of US public corporations and there may be less publicly available information about such companies than comparable US companies. Also, legal, political, or diplomatic actions of foreign governments, including expropriation, confiscatory taxation, and limitations on the removal of securities, property, or other assets of the portfolios could adversely affect the value of the assets of these portfolios.

Standardized Performance Data and Disclosures

As of September 30, 2011 Average Annual Total Returns (%)	1 Year	5 Years	10 Years	Since Inception	Net Expense Ratio[1] (%)	Inception Date
US Core Equity 1 Portfolio	-0.79	-0.79	—	0.94	0.20	9/15/2005
US Core Equity 2 Portfolio	-2.22	-1.52	—	0.47	0.23	9/15/2005
US Sustainability Core 1 Portfolio	-1.15	—	—	-1.37	0.37	3/12/2008
US Social Core Equity 2 Portfolio	-2.25	—	—	-6.22	0.33	10/1/2007
TA US Core Equity 2 Portfolio	-1.95	—	—	-5.19	0.25	10/4/2007
US Vector Equity Portfolio	-4.11	-2.33	—	-0.31	0.33	12/30/2005
US Micro Cap Portfolio	-1.61	-1.58	7.55	11.01	0.52	12/23/1981
US Small Cap Portfolio	-1.83	0.21	7.33	8.80	0.37	3/19/1992
US Small Cap Value Portfolio	-5.44	-2.86	8.39	10.33	0.52	3/2/1993
US Targeted Value Portfolio	-6.09	-2.03	8.44	9.07	0.38	2/23/2000
US Large Cap Value Portfolio	-3.86	-3.69	4.40	7.93	0.28	2/19/1993
US Large Company Portfolio	1.07	-1.10	2.81	0.78	0.10	9/23/1999
Enhanced US Large Company Portfolio	1.41	-0.85	2.92	5.55	0.26	7/2/1996
Real Estate Securities Portfolio	1.63	-2.83	9.01	9.17	0.33	1/5/1993
International Core Equity Portfolio	-10.26	-2.53	—	1.14	0.40	9/15/2005
International Sustainability Core 1 Portfolio	-10.27	—	—	-7.02	0.57	3/12/2008
TA World ex US Core Equity Portfolio	-13.14	—	—	-5.16	0.48	3/6/2008
International Vector Equity Portfolio	-10.01	—	—	-2.43	0.54	8/14/2008
International Small Company Portfolio	-6.27	-0.35	11.13	5.74	0.56	9/30/1996
Continental Small Company Portfolio	-14.88	-2.71	11.86	8.67	0.59	4/15/1988
Japanese Small Company Portfolio	13.05	0.00	7.87	—	0.57	1/31/1986
Asia Pacific Small Company Portfolio	-14.81	6.32	15.95	8.59	0.63	1/5/1993
United Kingdom Small Company Portfolio	-5.11	-1.96	9.89	—	0.60	3/4/1986
International Small Cap Value Portfolio	-8.37	-1.77	11.91	6.26	0.70	12/29/1994
International Value Portfolio	-13.35	-3.79	7.72	5.82	0.45	2/15/1994
Large Cap International Portfolio	-10.10	-2.83	5.15	4.92	0.30	7/17/1991
International Real Estate Securities Portfolio	-3.78	—	—	-9.50	0.41	3/1/2007
Global Real Estate Securities Portfolio	-0.76	—	—	-4.49	0.41	6/4/2008
Emerging Markets Core Equity Portfolio	-18.32	6.72	—	10.24	0.65	4/5/2005
Emerging Markets Social Core Equity Portfolio	-19.00	6.12	—	6.06	0.67	8/31/2006
Emerging Markets Small Cap Portfolio	-19.47	8.24	19.41	13.31	0.78	3/5/1998
Emerging Markets Value Portfolio	-22.16	6.08	19.91	12.88	0.60	4/1/1998
Emerging Markets Portfolio	-14.67	5.86	16.00	7.56	0.60	4/25/1994

1. As of October 31, 2010. Includes waiver/recovery.

Dimensional

Standardized Performance Data and Disclosures

As of September 30, 2011 Average Annual Total Returns (%)	1 Year	5 Years	10 Years	Since Inception	Net Expense Ratio[1] (%)	Inception Date
World ex US Value Portfolio	-15.18	—	—	-6.24	0.90	8/23/2010
One-Year Fixed Income Portfolio	0.68	2.83	2.71	5.54	0.17	7/25/1983
Two-Year Global Fixed Income Portfolio	0.93	3.02	2.90	4.08	0.18	2/9/1996
Short-Term Government Portfolio[2]	2.42	4.67	4.37	6.03	0.23	6/1/1987
Five-Year Global Fixed Income Portfolio	3.17	4.95	4.55	6.26	0.28	11/6/1990
Intermediate Government Fixed Income Portfolio	5.40	7.41	6.11	7.40	0.13	10/19/1990
Inflation-Protected Securities Portfolio	10.32	7.50	—	7.64	0.13	9/18/2006
Short-Term Municipal Bond Portfolio	1.46	2.82	—	2.42	0.23	8/20/2002
California Short-Term Municipal Bond Portfolio	1.39	—	—	2.92	0.24	4/2/2007
Selectively Hedged Global Fixed Income Portfolio	1.61	—	—	1.37	0.20	1/9/2008
Short-Term Extended Quality Portfolio	2.14	—	—	6.10	0.22	3/4/2009
Intermediate-Term Extended Quality Portfolio	4.77	—	—	6.42	0.22	7/20/2010
Investment Grade Portfolio	—	—	—	7.25	—	3/7/2011
Global 25/75 Portfolio	1.37	3.79	—	4.35	0.29	12/24/2003
Global 60/40 Portfolio	-1.69	1.64	—	4.47	0.31	12/24/2003
Global Equity Portfolio	-5.93	-1.52	—	4.17	0.33	12/24/2003
Commodity Strategy Portfolio	—	—	—	-8.13	—	11/9/2010
Tax-Managed US Small Cap Portfolio	-1.82	-2.09	5.88	6.40	0.53	12/15/1998
After Taxes on Distributions	—	—	—	—		
After Taxes on Distributions and Sale of Fund Shares	—	—	—	—		
Tax-Managed US Targeted Value Portfolio	-4.83	-3.54	6.59	7.20	0.45	12/11/1998
After Taxes on Distributions	—	—	—	—		
After Taxes on Distributions and Sale of Fund Shares	—	—	—	—		
Tax-Managed US Equity Portfolio	1.01	-1.05	3.13	3.37	0.22	9/25/2001
After Taxes on Distributions	—	—	—	—		
After Taxes on Distributions and Sale of Fund Shares	—	—	—	—		
Tax-Managed US Marketwide Value Portfolio	-3.23	-3.38	3.41	3.28	0.38	12/14/1998
After Taxes on Distributions	—	—	—	—		
After Taxes on Distributions and Sale of Fund Shares	—	—	—	—		
Tax-Managed International Value Portfolio	-13.07	-3.31	7.68	4.91	0.55	4/16/1999
After Taxes on Distributions	—	—	—	—		
After Taxes on Distributions and Sale of Fund Shares	—	—	—	—		

1. As of October 31, 2010. Includes waiver/recovery.
2. Formerly the Five-Year Government Portfolio.

Biographies

Joseph H. Chi, CFA

Portfolio Manager and Vice President

Joseph Chi joined Dimensional in 2005 as a portfolio manager on the international equity team. Together with Jed Fogdall and Karen Umland, Joe coordinates the efforts of Dimensional's international equity portfolio management team in the US and oversees the day-to-day management of all US-domiciled international equity strategies. He is also a member of Dimensional's Investment Committee and head of the Corporate Governance group. Previously a securities and finance attorney, Joe specialized in venture capital, public offerings, and mergers and acquisitions.

Joe earned his MBA from the Anderson School of Management at the University of California, Los Angeles, in 2005 with a concentration in finance. He is a CFA Charterholder who also holds a JD from the University of Southern California, and a BS in electrical engineering from UCLA.

Joseph L. Young, CFA

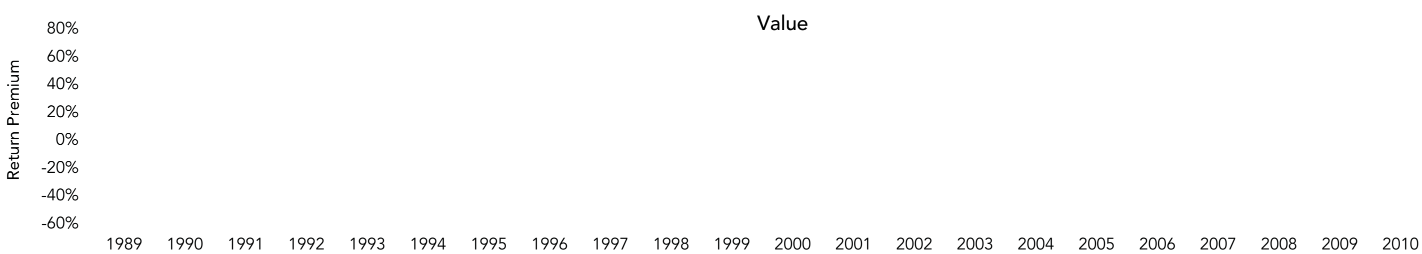
Vice President

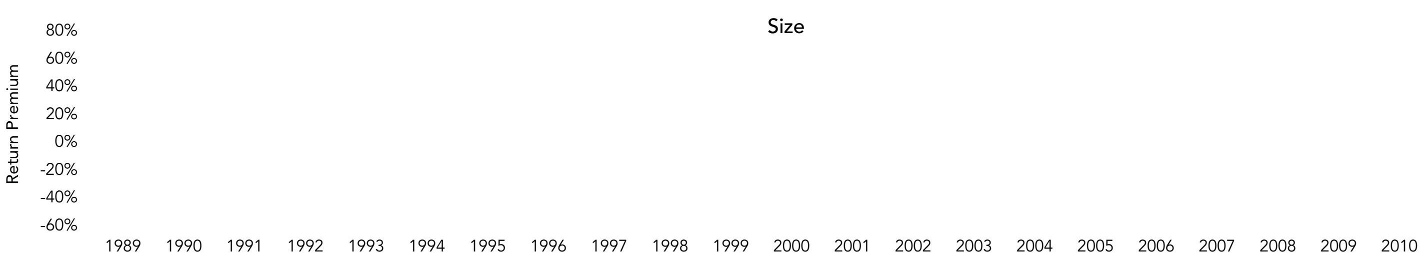
Joseph Young is a vice president responsible for developing and maintaining relationships with public pension funds, foundations, endowments, Taft-Hartley plan sponsors, and corporate pension and defined contribution plans.

Joe began his career with Dimensional in February 2002 focusing on consultant relations. Prior to joining Dimensional, he worked as a project management analyst at Global Crossing. He is an active member of the CFA Society of Austin, National Society of Institutional Investment Professionals, CALAPRS, and the Texas Association of Public Employee Retirement Systems (TEXPERS). He is a guest lecturer for the College of Business at Colorado State University. Joe received a BS in finance from the University of Idaho and is a CFA Charterholder.

The Market, Value, and Size Effects in Emerging Markets

1989–2010





Emerging Markets Market: Fama/French Emerging Markets Index minus One-Month US Treasury Bills. Emerging Markets value minus growth data simulated by Fama/French from countries in the IFC Investable Universe. Emerging Markets HmL: Fama/French Emerging Markets Value Index minus Fama/French Emerging Markets Growth Index. Emerging Markets SmB: Fama/French Emerging Markets Small Cap Index minus Fama/French Emerging Markets Index. Emerging Markets small cap minus large cap data simulated by Fama/French from countries in the IFC Investable Universe. Simulations are free-float weighted both within each country and across all countries.

Dimensional

Yearly Observations of US Risk Premiums

Average

Within 2% of Average

Premiums within Range

Market Premium

Return Premium

60%
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%

1927 1937 1947 1957 1967 1977 1987 1997 2010

8.04%

Value Premium

Return Premium

60%
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%

1927 1937 1947 1957 1967 1977 1987 1997 2010

4.90%

Size Premium

Return Premium

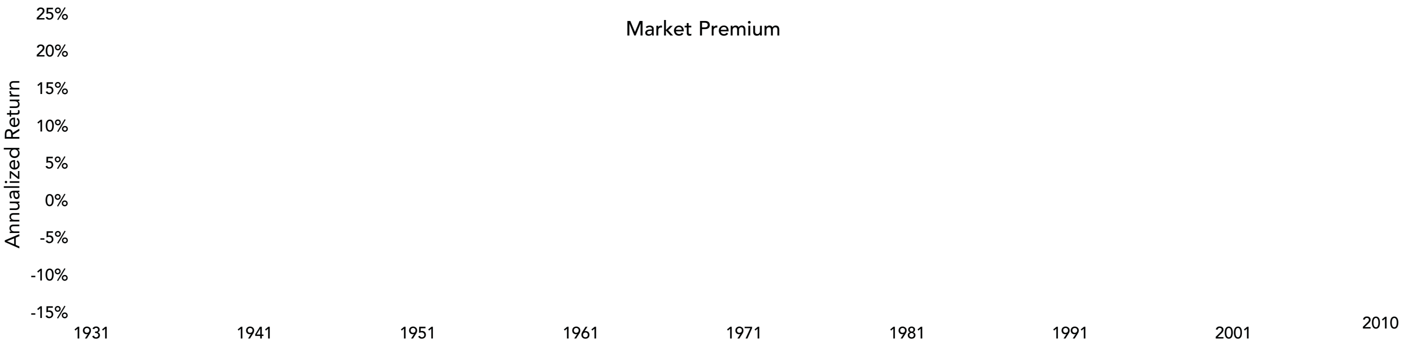
60%
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%

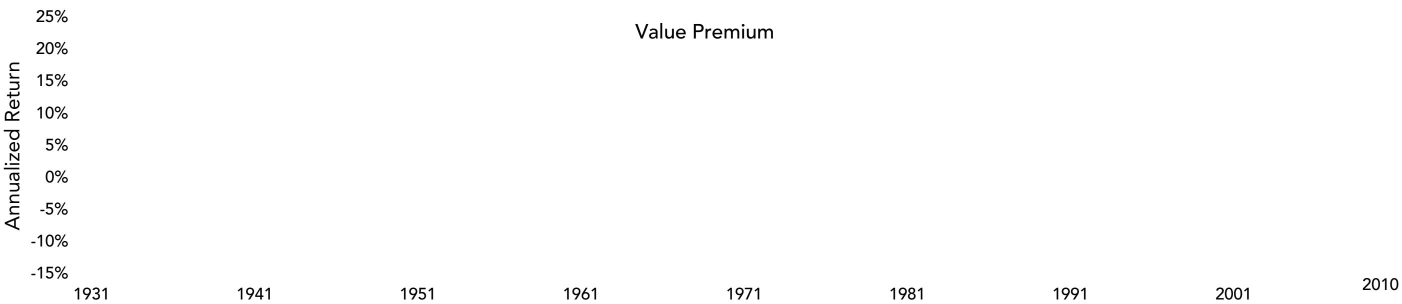
1927 1937 1947 1957 1967 1977 1987 1997 2010

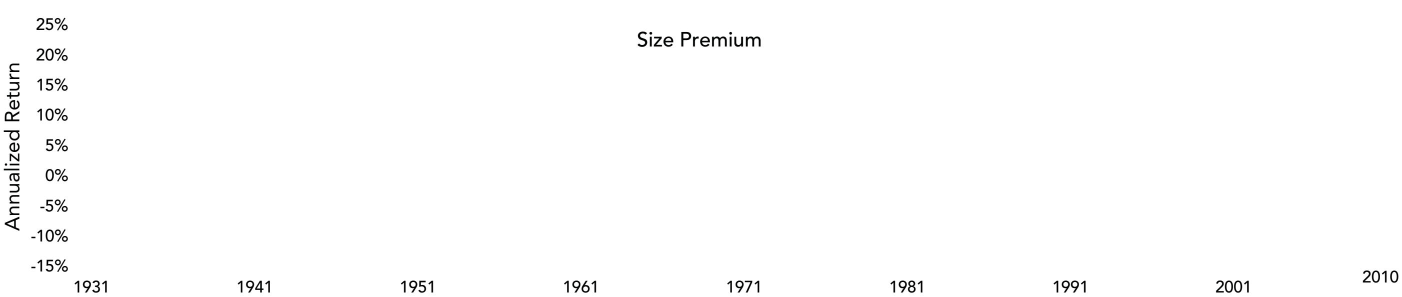
3.75%

Data provided by Fama/French. SmB and HmL research factors.

5-Year Moving Average of US Risk Premiums







Data provided by Fama/French. SmB and HmL research factors.

Summary of Portfolio Risk Controls

Emerging Markets Strategies

	Risk Management
Concentration Risk	• Highly diversified across countries • Country diversification leads to diversification across multiple currencies • Countries generally capped at 15.0% at point of purchase • Sector target weights typically capped at their approximate weight in a broadly diversified, sector-neutral universe plus an additional 10% • Industry groups generally capped at 25% • Guidelines target a maximum 5% per issue at time of purchase
Implementation Risk	• Team managed • Approved exchanges only; ongoing evaluation of listing requirements, liquidity, and settlement mechanism
Operational Risk	• Charles River customized Order Management System • Comprehensive pre- and post-trade compliance • Independent accountant, custodian bank, and auditors • Independent mid-office in charge of trade processing • Independent SAS 70 Level II audit performed annually • Firm and subsidiary regulators include SEC, FINRA, FSA, ASIC, BCSC, MSC, BaFin, and OSC
Style Risk	• Monitor characteristics of individual securities and overall strategy to prevent style drift

- **Provides diversification and broad oversight with minimal style drift**

Dimensional's Investment Committee is responsible for creating investment guidelines specific to each portfolio. The Investment Committee considers the investment objectives and limitations set forth in each portfolio's governing agreements when addressing risk, and investment guidelines may be distinct between Dimensional managed portfolios.

Country Allocations

Portfolio Weights (%)

As of September 30, 2011

Country	Emerging Markets Core Equity Portfolio	MSCI Emerging Markets Index
Brazil	13.4	14.4
Chile	1.9	1.6
China	14.5	16.8
Colombia	0.3	0.9
Czech Republic	0.4	0.4
Egypt	0.1	0.3
Hungary	0.4	0.3
India	9.3	7.6
Indonesia	3.8	3.0
Malaysia	3.8	3.4
Mexico	4.6	4.6
Morocco	—	0.2
Peru	0.2	0.6
Philippines	1.3	0.7
Poland	1.5	1.5
Russia	3.8	6.4
South Africa	8.4	7.7
South Korea	15.2	14.7
Taiwan	12.8	11.5
Thailand	2.3	1.8
Turkey	1.9	1.5
Total	**100.0**	100.0

Numbers may not total 100% due to rounding.

Detailed Attributions by Size

Emerging Markets Core Equity Portfolio vs. MSCI Emerging Markets Index (net dividends)

1 Year as of September 30, 2011

MCap Range	Portfolio Average Weights	Benchmark Average Weights	Portfolio Return	Benchmark Return	Allocation	Composition	Interaction	Total
Large	17%	29%	-17.19%	-15.71%	0.00%	-0.29%	0.00%	-0.29%
2	26%	38%	-15.89%	-15.43%	-0.11%	-0.12%	-0.04%	-0.26%
3	32%	29%	-16.82%	-16.14%	0.01%	-0.18%	-0.02%	-0.20%
4	10%	3%	-17.62%	-22.38%	-0.47%	0.62%	0.00%	0.14%
Small	14%	0%	-19.91%	-26.28%	-1.60%	1.12%	0.00%	-0.48%
Other Country	0%	0%	-9.06%	-1.53%	-0.02%	0.00%	0.00%	-0.02%
Cash	0%	0%	0.15%	0.00%	0.17%	0.00%	0.00%	0.17%
Estimated Total	100%	100%	-17.07%	-16.13%	-2.02%	1.14%	-0.06%	-0.94%
Expenses and Fees			-0.54%	0.00%				-0.54%
Other			-0.71%	-0.02%				-0.68%
Total			-18.32%	-16.15%				-2.17%

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit www.dimensional.com.
The above market cap ranges represent dynamic size ranges from largest to smallest stocks (lowest to highest number of buckets) and change over time.
The ranges in million (USD) for the month ending 9/30/11 are: (Large) > 50,000; (2) 50,000–11,113; (3) 11,113–2,546; (4) 2,546–1,268; and (Small) < 1,268.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Detailed Attributions by Book-to-Market

Emerging Markets Core Equity Portfolio vs. MSCI Emerging Markets Index (net dividends)

1 Year as of September 30, 2011

	BtM Percentile	Portfolio Average Weights	Benchmark Average Weights	Portfolio Return	Benchmark Return	Allocation	Composition	Interaction	Total
Growth	100–75	18%	27%	-10.63%	-11.76%	-0.46%	0.32%	-0.03%	-0.17%
	75–50	19%	23%	-17.56%	-18.20%	0.16%	0.21%	-0.01%	0.36%
	50–25	25%	24%	-15.37%	-12.25%	0.07%	-0.85%	-0.01%	-0.79%
Value	25–0	38%	26%	-21.05%	-21.73%	-0.84%	0.36%	-0.01%	-0.49%
	Other Country	0%	0%	-9.06%	-1.53%	-0.02%	0.00%	0.00%	-0.02%
	Cash	0%	0%	0.15%	0.00%	0.17%	0.00%	0.00%	0.17%
Estimated Total		100%	100%	-17.07%	-16.13%	-0.91%	0.03%	-0.06%	-0.94%
Expenses and Fees				-0.54%	0.00%				-0.54%
Other				-0.71%	-0.02%				-0.68%
Total				-18.32%	-16.15%				-2.17%

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit www.dimensional.com.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Detailed Attributions by Sector

Emerging Markets Core Equity Portfolio vs. MSCI Emerging Markets Index (net dividends)

1 Year as of September 30, 2011

	Portfolio Average Weights	Benchmark Average Weights	Portfolio Return	Benchmark Return	Allocation	Composition	Interaction	Total
Consumer Discretionary	10%	7%	-12.16%	-5.75%	0.33%	-0.71%	-0.01%	-0.39%
Consumer Staples	7%	7%	-5.78%	-3.93%	0.12%	-0.14%	-0.01%	-0.02%
Energy	11%	15%	-15.85%	-14.94%	-0.06%	-0.08%	-0.01%	-0.15%
Financials	23%	25%	-22.59%	-23.77%	0.15%	0.41%	-0.02%	0.54%
Health Care	2%	1%	-16.08%	-15.92%	-0.02%	0.01%	0.00%	-0.01%
Industrials	11%	7%	-23.66%	-25.59%	-0.40%	0.26%	-0.01%	-0.14%
Information Technology	10%	13%	-16.42%	-9.92%	-0.10%	-0.77%	0.00%	-0.88%
Materials	16%	15%	-20.34%	-19.76%	0.01%	-0.08%	0.00%	-0.07%
REITs	0%	0%	-5.35%	-29.61%	0.00%	0.00%	0.00%	0.00%
Telecommunications Services	5%	7%	-1.13%	-4.13%	-0.25%	0.18%	0.00%	-0.08%
Utilities	3%	3%	-17.28%	-19.58%	0.01%	0.10%	0.00%	0.11%
Other Industry	0%	0%	-9.33%	0.00%	0.00%	0.00%	0.00%	0.00%
Other Country	0%	0%	-9.06%	-1.53%	-0.02%	0.00%	0.00%	-0.02%
Cash	0%	0%	0.15%	0.00%	0.17%	0.00%	0.00%	0.17%
Estimated Total	100%	100%	-17.07%	-16.13%	-0.05%	-0.83%	-0.06%	-0.94%
Expenses and Fees			-0.54%	0.00%				-0.54%
Other			-0.71%	-0.02%				-0.68%
Total			-18.32%	-16.15%				-2.17%

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit www.dimensional.com.

Sectors defined by MSCI. REITs are an industry subsector of Financials. They are included to illustrate the potential impact of their portfolio exclusion.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

Detailed Attributions by Country

Emerging Markets Core Equity Portfolio vs. MSCI Emerging Markets Index (net dividends)

1 Year as of September 30, 2011

	Portfolio Average Weights	Benchmark Average Weights	Portfolio Return	Benchmark Return	Allocation	Composition	Interaction	Total
Brazil	14%	16%	-25.84%	-25.70%	0.23%	0.01%	0.00%	0.24%
Chile	2%	2%	-25.76%	-21.71%	-0.04%	-0.12%	0.00%	-0.17%
China	14%	18%	-27.91%	-23.96%	0.42%	-0.71%	0.00%	-0.29%
Colombia	0%	1%	-6.08%	-11.92%	-0.02%	0.01%	0.00%	-0.01%
Czech Republic	0%	0%	-8.11%	-6.43%	0.01%	-0.01%	0.00%	0.00%
Egypt	0%	0%	-34.02%	-36.91%	0.10%	0.01%	0.00%	0.11%
Hong Kong	0%	0%	-46.64%	0.00%	0.00%	0.00%	0.00%	0.00%
Hungary	1%	0%	-39.50%	-38.40%	-0.04%	0.00%	0.00%	-0.04%
India	10%	7%	-28.06%	-25.05%	-0.44%	-0.39%	-0.01%	-0.84%
Indonesia	3%	2%	0.56%	0.28%	0.14%	0.02%	-0.01%	0.15%
Israel	0%	0%	4.15%	0.00%	0.00%	0.00%	0.00%	0.00%
Malaysia	4%	3%	-4.82%	-5.40%	0.06%	0.05%	0.00%	0.10%
Mexico	5%	4%	-7.44%	-6.88%	0.04%	0.00%	0.00%	0.04%
Morocco	0%	0%	0.00%	-1.53%	-0.02%	0.00%	0.00%	-0.02%
Peru	0%	1%	-16.26%	-18.23%	0.03%	0.00%	0.00%	0.03%
Philippines	1%	1%	1.30%	-9.82%	0.05%	0.12%	0.00%	0.16%
Poland	2%	2%	-21.70%	-21.40%	0.00%	0.00%	0.00%	0.00%
Russia	4%	7%	-11.38%	-11.58%	-0.17%	-0.01%	0.00%	-0.18%
South Africa	8%	7%	-9.48%	-9.20%	0.06%	-0.04%	-0.01%	0.02%
South Korea	14%	14%	-9.12%	-7.25%	0.03%	-0.15%	-0.02%	-0.13%
Taiwan	13%	11%	-10.02%	-5.95%	0.22%	-0.54%	0.00%	-0.32%
Thailand	2%	2%	-8.30%	-7.89%	0.05%	0.00%	0.00%	0.05%
Turkey	2%	1%	-26.39%	-29.32%	-0.11%	0.12%	0.00%	0.00%
US	0%	0%	-43.87%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash	0%	0%	0.15%	0.00%	0.17%	0.00%	0.00%	0.17%
Estimated Total	100%	100%	-17.07%	-16.13%	0.77%	-1.65%	-0.06%	-0.94%
Expenses and Fees			-0.54%	0.00%				-0.54%
Other			-0.71%	-0.02%				-0.68%
Total			-18.32%	-16.15%				-2.17%

Performance data shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. To obtain the most current month-end performance data, visit www.dimensional.com.

See "Appendix: Standardized Performance Data & Disclosures" to learn how to obtain complete information on performance, investment objectives, risks, advisory fees, and expenses of Dimensional's funds.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.2 b

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Emerging Market Equity Manager Interview: Eaton Vance Management – Structured Emerging Market Equity

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

9:30 a.m. Interview Eaton Vance Management – Structured Emerging Market Equity

Below are the presenters:

Ruben Butler – Director, International Portfolio Manager
Brian Langstraat – Chief Executive Officer of Parametric Portfolio Associates
Rodrigo Soto – Institutional Business Development

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

General Firm Information

Firm Legal Name: Eaton Vance Management
Firm Headquarters: Eaton Vance Management
Two International Place
Boston, Massachusetts 02110
United States
Year Firm Founded: 1924
Registered Investment Advisor: Yes
Firm Website Address: www.eatonvance.com

Firm Background

Eaton Vance is one of the oldest financial services firms in the United States, with a history dating to 1924. The firm established its reputation as an investment manager by offering clients a conservative approach to managing money and an uncompromising commitment to integrity and quality. Eaton Vance Management was created in 1979 by the merger of two Boston-based investment management companies - Eaton & Howard, Inc. (founded in 1924) and Vance Sanders & Company, Inc. (founded in 1934). The combined capabilities of these two industry pioneers provided the foundation for the substantial business success achieved by Eaton Vance over the past quarter century.

Today, Eaton Vance continues to build on the legacy of investment excellence, distribution strength and product innovation inherited from its predecessors. Eaton Vance and its affiliates manage assets for institutions and individuals and offer clients a full range of investment management strategies, including:

-High Yield Fixed Income
-Senior Secured Floating-Rate Bank Loans
-Investment Grade Fixed Income
-Global Fixed Income
-Municipal Bonds
-Liability-Based Solutions
-Large-Cap Growth Equity
-Large-Cap Value Equity
-Large-Cap Core Equity
-Small-Cap Core Equity
-Emerging Markets Equity

Eaton Vance clients rely on the firm’s innovative and comprehensive asset management solutions because of the demonstrated commitment to delivering consistent, long-term, performance guided by proven investment experience in varying markets. This compelling combination of tradition, experience, innovation, and performance has helped make Eaton Vance the investment manager of choice for many of today's individual and institutional investors.

Eaton Vance Management is organized as a Massachusetts business trust and is registered as an investment adviser with the SEC pursuant to the Investment Advisors Act of 1940. Eaton Vance Corporation (EVC) is organized as a Maryland corporation and is the sole shareholder of Eaton Vance Management. Eaton Vance, Inc., a wholly owned subsidiary of Eaton Vance Corp., is the sole trustee of Eaton Vance Management. All voting shares of Eaton Vance Corp. are deposited into a voting trust and the voting trustees are all officers of the corporation. Non-voting shares of Eaton Vance Corp. are publicly traded and listed on the New York Stock Exchange under the symbol EV. Eaton Vance Corp. is subject to the reporting requirements of the Securities and Exchange Act of 1934.

Providing investment management services is the sole business of Eaton Vance Management. Eaton Vance Distributors, Inc. is organized as a Massachusetts corporation and is registered as a broker/dealer with the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority, Inc. (FINRA.) Eaton Vance Distributors is a wholly owned subsidiary of Eaton Vance Management. The firm primarily serves as underwriter and/or distributor for Eaton Vance sponsored funds. Trading through an affiliated broker/dealer is strictly prohibited.

Joint Ventures

Eaton Vance affiliates include:

Parametric Portfolio Associates LLC (“Parametric”) is organized as a Delaware limited liability company and is registered as an investment adviser with the SEC pursuant to the Advisers Act (SEC

#: 801-60485). Founded in 1987, Parametric is based in Seattle, Washington, and specializes in structured portfolio management for institutional and retail investors. In September 2003, EVC acquired 80% of the firm with the remaining 20% owned by Parametric employees and prior shareholders. The ownership arrangement between EVC and the minority shareholders provides for the eventual sale of all the minority interest to Eaton Vance by 2013 through a series of put and call options based on Parametric's financial performance. As of April 2009, Eaton Vance owns 92.4% of Parametric. Parametric continues to function as an independent and autonomous business unit.

In May 2007, Managed Risk Advisors, LLC, merged with Parametric Risk Advisors LLC ("PRA"), a newly formed Parametric affiliate specializing in the use of options and other derivatives in the management of client investment portfolios. Managed Risk Advisors, LLC, was founded in 2002 and was an investment management and derivatives investment advisory firm based in Westport, Connecticut. Parametric holds a 40% interest in PRA.

Fox Asset Management, LLC ("Fox") is organized as a Delaware limited liability company and is registered as an investment adviser with the SEC pursuant to the Advisers Act (SEC #: 801-60656). Founded in 1985, Fox is based in Little Silver, New Jersey and specializes in value investing for institutional and retail separately managed account clients. In the fall of 2001, EVC acquired an 80% stake in Fox with the remaining 20% owned by Fox employees. As of June, 2009 Eaton Vance owned an 84% stake. Fox continues to function as an independent and autonomous business unit.

Atlanta Capital Management Company, LLC ("Atlanta Capital") is organized as a Delaware limited liability company and is registered as an investment adviser with the SEC pursuant to the Advisers Act (SEC #: 801-60673). Founded in 1969, Atlanta Capital is based in Atlanta, Georgia and specializes in the management of high quality domestic equity, fixed income and balanced portfolios. In the fall of 2001, EVC acquired a 70% stake in Atlanta Capital with the remaining 30% held by Atlanta Capital employees. As of June 2009, Eaton Vance owns approximately 90% of Atlanta Capital. Atlanta Capital continues to function as an independent and autonomous business unit.

Lloyd George Management (B.V.I.) Ltd. is an independent investment company, with headquarters in Hong Kong and London, that specializes in Asian and global emerging markets. Founded in 1991 by its current Chairman, Robert Lloyd George, the company is 67% employee owned. EVC owns approximately 20% of the outstanding Class A Shares. Subsidiaries of Lloyd George Management serve as sub-advisers to certain Eaton Vance portfolios that are privately offered to other Eaton Vance funds, the shares of which are offered to the public.

Strategic partners of Eaton Vance include:

Eagle Global Advisors, LLC ("Eagle") is organized as a Texas limited liability company and is registered as an investment adviser with the SEC pursuant to the Advisers Act (SEC #: 801- 53294). Founded in 1996, Eagle is located in Houston, Texas and specializes in the active management of portfolios containing domestic equity, international equity, Master Limited Partnerships and domestic fixed income securities. Eagle is 100% owned by the founding partners of the firm. In April of 2004 Eagle Global Advisors and Eaton Vance entered into a strategic partnership. Eaton Vance has an exclusive agreement to market Eagle's separately managed International ADR Equity Composite to broker-dealer sponsored wrap programs.

OrbiMed Advisors, LLC ("Orbimed") is organized as a Delaware limited liability company and is registered as an investment adviser with the SEC pursuant to the Advisers Act (SEC #: 801- 61406). Founded in 1989, Orbimed is based in New York, New York and offers investors a family of venture capital funds, hedge funds and other investment vehicles specializing in the global ealth sciences industry. Orbimed launched its mutual fund business in 1989 and is the adviser to Eaton Vance's Worldwide Health Sciences Portfolio and the Eaton Vance VT Worldwide Health Sciences Fund.

Prior or Pending Ownership Changes: None

Prior or Pending Litigation: Yes

Explanation of Litigation

Eaton Vance Corp. and its subsidiaries are party to various lawsuits that are incidental to their business. Eaton Vance believes these lawsuits will not have a material adverse effect on its consolidated financial condition, liquidity or results of operations. The following is a description of litigation Eaton Vance has publicly disclosed in its periodic reports on Form 10K and 10Q or in press releases over the last five years. All items required to be disclosed pursuant to Item 103 of Regulation S-K during that period are set forth below.

On June 21, 2010 Eaton Vance Management announced that five closed-end management investment companies that it advises have each received a demand letter from a law firm on behalf of a putative common shareholder of the funds. The demand letters allege that Eaton Vance Management and the Trustees and officers of the funds breached their fiduciary duty to the funds in connection with redemption by the funds of their auction preferred securities following the collapse of the auction markets in February 2008. The letters demand that the boards of trustees of the funds take certain action to remedy those alleged breaches, which the boards are considering at this time. Additionally, a law firm has filed purported class action lawsuits against two of the funds on behalf of a putative common shareholder of each fund, alleging breach of fiduciary duty in connection with the funds' redemption of auction preferred securities. In addition to the funds themselves, named defendants include the trustees of the funds, Eaton Vance Management and Eaton Vance. On December 23, 2010, Eaton Vance Management announced that the board had rejected substantially similar demands received by two additional closed-end management investment companies.

On December 20, 2005, Eaton Vance Company and other defendants settled the class action captioned In Re Eaton Vance Securities Litigation, brought in 2001 in the United States District Court for the District of Massachusetts and previously disclosed in SEC filings. This suit alleged that the assets of Eaton Vance Classic Senior Floating-Rate Fund had been incorrectly valued during certain periods prior to March 2001 and that certain matters were not properly disclosed, in violation of the federal securities laws. No person filed a notice of appeal in the action and the Final Judgment and Order of Dismissal with Prejudice was entered on April 26, 2006. The entire amount of the settlement was paid from insurance proceeds. EVC and other defendants vigorously contested the suit and continue to deny any liability or wrongdoing. The suit was settled to bring an end to the substantial burdens and risks of a trial and to avoid further expense and consumption of time of the company's management.

On December 3, 2003, a complaint was filed in the United States District Court for the District of Massachusetts against Eaton Vance Distributors, Inc. ("EVD"), a subsidiary of the company, on behalf of Eaton Vance Tax-Managed Growth Fund 1.1 ("Fund") by Michelle Yameen, the owner of 613 shares of the fund, alleging that EVD received excessive distribution fees during the prior one-year period. On February 18, 2005, plaintiff filed an amended derivative complaint adding the fund's trustees as defendants alleging additional violations of the Investment Company Act of 1940 and state law. On October 14, 2005, the court granted defendants' motion to dismiss and issued an order dismissing the lawsuit in its entirety. The plaintiff has not appealed, and the dismissal is thus final.

In 2004, a lawsuit, captioned In Re Eaton Vance Mutual Funds Fee Litigation, (the "Lawsuit") was filed in the United States District Court for the Southern District of New York (the "Court"), against the company; Eaton Vance Management; Boston Management and Research; Eaton Vance, Inc., EVD; Lloyd George Investment Management (Bermuda) Limited; Orbimed Advisors LLC; Lloyd George Investment Management (B.V.I.) Limited; nine current or past trustees of 81 Eaton Vance funds named as nominal defendants (the "Funds"); and twelve current or past officers and portfolio managers of the funds. The plaintiffs were seven alleged shareholders of four of the 81 funds. The Lawsuit, a purported class action, alleged violations of the Investment Company Act of 1940, the Investment Advisers Act of 1940, New York law and the common law, and breaches of fiduciary duties to the funds and their shareholders. On July 29, 2005, the court issued an Opinion and Order dismissing the lawsuit in its entirety and rejecting the plaintiffs' request to amend their complaint. On December 6, 2005, the court issued an Opinion and Order in response to plaintiffs' motion for reconsideration and motion to file a new amended complaint. The court adhered to its July Order and denied the motion to amend. The plaintiffs filed a notice of appeal. On March 15, 2007, the Second Circuit entered an Order and per curiam opinion affirming the decision of the District Court and dismissing the appeal. The plaintiffs did not file a certiari petition with the United States Supreme Court by the June 15, 2007 deadline.

Additional Comments

Eaton Vance Corporation has always followed accepted, time-tested principles of investing that emphasize the pursuit of consistent, long-term returns. To achieve these goals, they employ the following key concepts in serving the clients:

Broadly Diversified Product Line

Eaton Vance and its affiliates manage assets for institutions and individuals and offer clients a full range of investment management strategies. They believe that delivering broad asset class and portfolio diversification is a key strength of the firm and will continue to be instrumental in its future success at weathering volatile markets.

Consistent and Sustainable Approach

Through all market cycles, Eaton Vance has consistently capitalized on its core competencies and creativity to develop innovative solutions for clients. Eaton Vance differentiates itself from their competitors in its ability to offer clients the benefits of a big firm with the flexibility of a small firm.

They take pride in being an organization that adheres to time-tested investment principles and the highest standards of business conduct, while remaining creative, nimble, innovative, and opportunistic.

Research-Intensive Investment Solutions

At Eaton Vance, rigorous fundamental research drives investment performance. Across all asset classes, the investment teams follow time-tested investment principles that emphasize a disciplined process, avoidance of unnecessary risk and the pursuit of above-average long-term returns for clients. They construct portfolios one security at a time, after intensive analysis of risk/reward profiles, in order to generate attractive risk-adjusted returns over the long term.

Financial Strength and Stability

The diversification of product offerings and distribution and servicing strengths allow them to grow and prosper in varying market conditions. A strong balance sheet and cash flow from operations provide them with the financial strength and liquidity necessary to take advantage of strategic opportunities as they arise.

Employee and Client Commitment

At Eaton Vance, they understand that employees are critical to the success of their business and recognize that their accomplishments have always been the achievements of an exceptional team. Organizational stability and intellectual capital make Eaton Vance a desirable place to work. Employee turnover is low. Eaton Vance maintains high ethical standards and are fair in their business dealings with others, fostering a strong corporate culture where employee incentives are aligned with company goals. Employees are expected to behave in ways that support the creation of value for clients and shareholders.

Product Narratives

The investable universe is comprised of more than 50 countries with approximately 3,600 securities included in either the S&P Emerging Broad Market Index (BMI) Plus or the S&P Frontier BMI, as well as other countries not included in these indies (i.e. Saudi Arabia). The strategy employs a top-down, rules-based approach that emphasizes broad exposure and diversification among emerging and frontier market countries, economic sectors and individual issuers. Parametric's structured investment philosophy and research indicates that a systematic approach to incorporating an underweight to the largest markets and an overweight to smaller and frontier emerging market countries can bring about a material improvement over, and/or serve as a complement to, both traditional active and passive strategies.

The country selection process is driven by a tiered approach in which countries are equally weighted within four tiers based upon market capitalization and liquidity. When countries are first considered for inclusion in the model, the following are considered: shareholder protections, economic freedoms, functionality and liquidity of stock exchanges, currency controls, financial infrastructure, and initial valuation screens.

Once the initial group of model countries has been determined, each country is assigned to one of four tiers, with each tier determined based upon size and liquidity characteristics. Within each tier, countries are equally weighted, such that every country in tier 1, for example, has the same weight in the model portfolio. Generally, a tier 1 country is twice the weight of a tier 2 country, which is twice the weight of a tier 3 country, and so on. The larger, more liquid emerging market countries, such as Brazil and China, are assigned to tier 1 and carry a higher percent of the overall allocation while the smaller, less developed markets, such as Vietnam and Morocco, are assigned to lower tiers and carry a lower exposure in the portfolio.

Within each country, Parametric seeks to ensure broad sector exposure to all major economic activities. It is Parametric's belief that as emerging market economies mature and become more globally integrated, the economic makeup will shift from the initially dominant sectors toward a more balanced economic and capitalization structure. By increasing diversity at the sector level through the under/over-weighting of sectors, Parametric looks to reduce risk and exploit the higher growth potential of the emerging economies as they become more developed. Based upon the weight of each of these sectors within a country, Parametric seeks to weight each sector group more equally. So as to prevent unnecessary tracking error, sector constraints are set at the country level, where the specific sector in the portfolio will not be less than 0.75x nor more than 4.0x the size of that sector in the country in the Index.

At the security level, Parametric takes a more passive approach, focusing on capturing the systematic return of each country by investing in companies that offer sufficient size and liquidity. With over 1,400 names in the average portfolio, the strategy is highly diversified at the company level. After adjusting for size and liquidity constraints at the country and sector level, each company is assigned a model weight in line with the weight of the Index constituents.

Parametric's research and analysis has shown that based upon the volatility and cross-correlations of the various emerging and frontier market countries, systematically rebalancing the portfolio offers the potential to capture excess returns while reducing overall portfolio volatility. Parametric utilizes a systematic rebalancing discipline to capture volatility premiums by capitalizing on reversion to the mean. Countries are rebalanced to their target model weights when their portfolio weights reach pre-specified bounds above their target model weights. Individual country level rebalancing bounds are determined by country specific volatility and transaction costs. Countries with lower volatility and lower transaction costs are rebalanced more often, while those countries with higher transaction costs and higher volatility have a higher bound, and thus, are rebalanced less frequently.

When a country triggers a rebalance, Parametric systematically brings the country weight back to its model target weight. Proceeds are redeployed into the most underweighted countries in the portfolio. Once the upper bound is reached and it is determined that a country should be rebalanced, that country's sector and security weights are then considered. This rebalancing process often results in the strategy taking a contrarian position in the market, trimming the best performing countries while investing in the underperforming countries. From a trading standpoint, this means that the strategy is often a provider of liquidity in thinly traded markets.

Buy/Sell Discipline

Buy Discipline

Country: Parametric seeks to create a portfolio with a diverse set of countries, evaluating size, liquidity, and investor protection as key country factors. Countries are included in the portfolio with fixed target allocations in a modified equally-weighted scheme.

Sector: Within each country, Parametric ensures broad sector exposure to all major economic activities.

Stock: Within each sector, Parametric focuses on purchasing large, liquid companies that serve as good representatives of economic activity.

Sell Discipline

Country Rebalancing: Parametric systematically trims the portfolio's holdings in a country when the allocation to that country reaches a pre-determined upper bound. During country rebalancing, holdings may be rebalanced to sector and stock targets.

Countries are removed if any of the following occur:

-The country graduates to the developed country (MSCI EAFE) index.
-Major constituents become nationalized.
-Long-term viability or liquidity of market is severely damaged.

Parametric's dedicated trading team has expertise in understanding the intricacies of trading in more than sixty countries across the globe. They are tasked to provide access to sourcing liquidity in even the most esoteric markets.

Their foremost objective is to obtain best execution. Trading counterparties are selected based upon their ability to provide broad-based presence and experience in the countries in which Parametric is active. These trading partners aid Parametric in accessing the best execution through: matching up orders with the other side of the trade, finding markets, seeking the best price, and advising on liquidity issues.

Parametric reviews pre- and post-trade analytics on a disciplined basis to monitor its trading functions.

Use of Derivatives

Derivatives Used in Managing This Product: Yes

Explanation of How Derivatives Are Utilized in Managing This Product:

Options, warrants, exchange traded funds (ETFs), and other derivatives are used infrequently in order to gain exposure to specific countries for which investor registration has not yet been completed. Such vehicles are not used for hedging or other purposes.

Eaton Vance – Parametric
Structured Emerging Markets Equity

San Mateo County Employees' Retirement Association

October 25, 2011

Reuben Butler
Director - Institutional Portfolio Manager
rbutler@paraport.com

Rodrigo Soto
Institutional Business Development
rsoto@eatonvance.com

For use in one-on-one presentations only.

Table of Contents

Eaton Vance Corp.

Parametric™
An Eaton Vance Company

Our Firm

– Boston-based, NYSE public company with a history dating to1924
– Voting control by senior management
– Investment management is our only business
– $200 billion assets under management*

Our Philosophy

– Long-term approach to business and investing
– Time-tested investment principles
– Constant pursuit of excellence
– Innovation to meet evolving client needs

Our Culture

– Values-driven organization
– Consistency and continuity of leadership
– Collaborative and team-based
– Low staff turnover

AUM by Investment Mandate*

Equity ($118.5 b)
Fixed Income ($44.5 b)
Floating-Rate Income ($25.3 b)
Alternatives ($11.7 b)

AUM by Market Channel*

Retail ($131.0 b)
Institutional ($45.0 b)**
High Net Worth ($24.0 b)

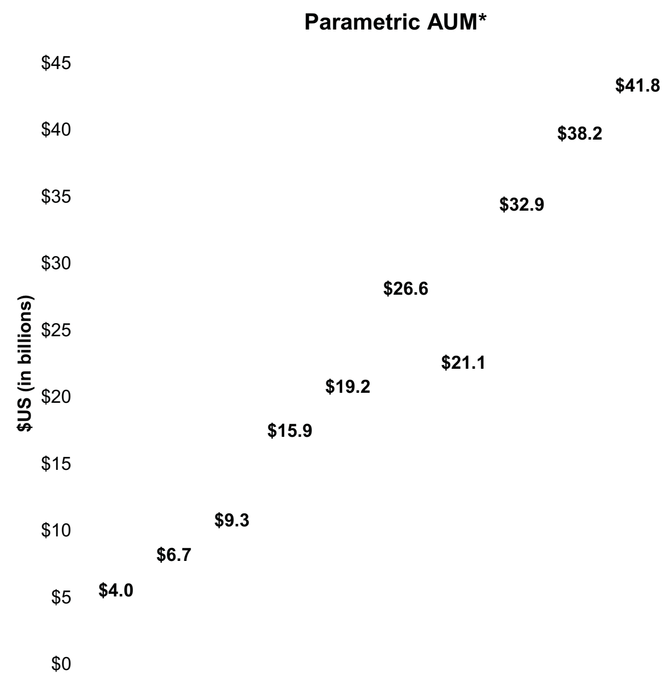
*Eaton Vance Management and its affiliates as of June 30, 2011.

**Eaton Vance Management's institutional assets represent 11.34% of the total firm assets, with the remaining percentage representing institutional assets of EVM affiliates.

Parametric Portfolio Associates LLC Profile

Parametric™
An Eaton Vance Company

- Founded in 1987, became part of Eaton Vance in 2003
- Recognized leader in structured portfolio management, with over 20 years of global equity management experience
- $41.8 billion in client assets under management*
- 29 investment professionals*
- 4 PhDs, 14 CFAs, 18 MBAs and others with advanced degrees and designations*
- Investment offices in Seattle, Washington (global equities, commodities and currencies) and Westport, Connecticut (Parametric Risk Advisors — managed options)
- Self-managed, boutique investment culture with emphasis on innovation
- Demonstrable strengths in quantitative investment research, portfolio implementation and investment technology



*As of June 30, 2011. Includes $10.7 billion in Eaton Vance Management portfolio assets that are sub-advised by Parametric and its affiliates, Parametric Risk Advisors. Parametric is a majority-owned subsidiary of Eaton Vance Corp.

Investment Philosophy

Parametric™
An Eaton Vance Company

Investment Philosophy

Investment Philosophy

Parametric's investment approaches are long-term and, at their roots, a disciplined and rules-based process. They evolve over time, as they don't require repeated tactical insights into valuations or market direction.

Each of the firm's strategies builds upon a well-researched, straightforward and compelling investment thesis. Efficient implementation is central to their success.

Parametric's investment staff acts as investment "engineers," researching and creating portfolios with explicit risk and potential return targets while continually measuring and managing the impact of relevant costs.

Observations: Markets are hard to beat

As a result, successful long-term investing requires:

- Careful creation and balance of systematic/market (beta) and active (alpha) exposures
- Focus on risk management, investment costs and portfolio implementation

Approach: Structured, rules-based investment practice

- Built upon quantitative, scientific research
- Capturing market exposures while seeking to improve risk and return
- Focus on volatility management and rebalancing
- Transforming investment exposures through options management

Benefits

- Risk management
- Active tax management (where applicable)
- Eliminating the emotional component of investment decision making

Innovation & Implementation

Parametric™
An Eaton Vance Company

Innovation & Implementation

A structured approach to investing provides an elegant solution to even the most complex asset classes.

For more than twenty years, Parametric has been implementing strategies to gain exposure to markets across the globe.

To take these strategies from concept to reality requires a wide range of resources from across the firm.

Research

- Incubation of new strategies
- Current product enhancement and evolution

Portfolio Management and Operational Excellence

- Specialists in the thoughtful application of disciplined rules-based strategies
- Dedicated team managing assets across institutional and individual clients
- Continuous and proactive communication with custodians

Technology

- Proprietary tools to manage assets to exact specifications
- Support infrastructure to service ongoing business needs

Trading

- In-depth knowledge of trading in more than 60 countries
- Average 200,000+ trades executed per week
- Fx trades executed via competitive third parties, when possible

Structured Capabilities

Parametric™
An Eaton Vance Company

Structured Capabilities

U.S. / Global Equity

- Structured International
- Structured Global
- Structured U.S.
- Structured U.S. Microcap

Emerging Markets Equity

- Structured Emerging Markets
- Structure Emerging Markets - Core
- Structured Emerging Markets - Compact

Options

- Stock DeltaShift™
- Portfolio DeltaShift™
- ParaHedge™
- Option Absolute Return Strategy

Specialty / Alternative

- Structured Commodity
- Structured Currencies
- Structured Absolute Return

Leadership Team

Parametric™
An Eaton Vance Company

Leadership Team

David Stein, PhD	Brian Langstraat, CFA
Chief Investment Officer	Chief Executive Officer

Thomas Seto	Paul Bouchey, CFA	Ross Chapin	James Barrett	Andrew Abramsky	Aaron Singleton
Managing Director - Portfolio Management	Managing Director - Research	Managing Director – Product Management	Managing Director - Institutional Sales & Service	Chief Operating Officer	Chief Financial Officer
Portfolio Management	**Research**	**Product Development**	**Product Specialists**	**Trading**	**Administration**
			Sales/Client Services	**Operations**	**Compliance**
			Marketing	**Technology/ Infrastructure**	**Finance**
			Analytics/Support	**Technology/ Development**	

All members of the Leadership Team are employees of Parametric.

EV-Parametric
Structured Emerging Markets Characteristics

Emerging Markets are generally characterized by the following:

- Highly volatile assets with low correlations
- Poor information
- High transaction costs

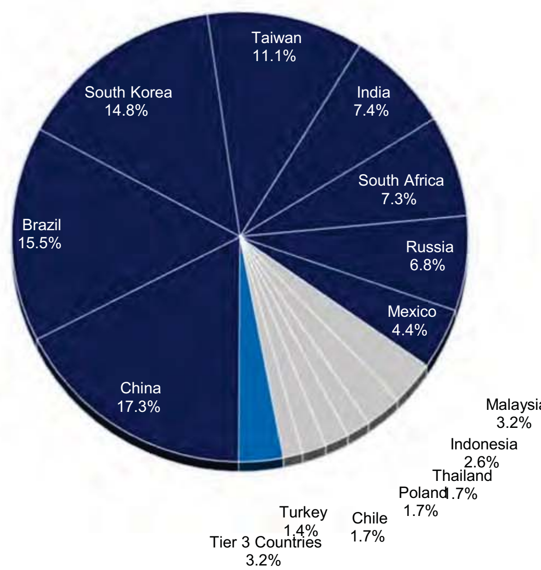
A capitalization-weighted index is risky:

- Highly concentrated country allocations
- Over 85% of the Index* concentrated in just 8 countries

Traditional active portfolio management can be problematic:

- High transaction costs and expenses

MSCI Emerging Markets Index**



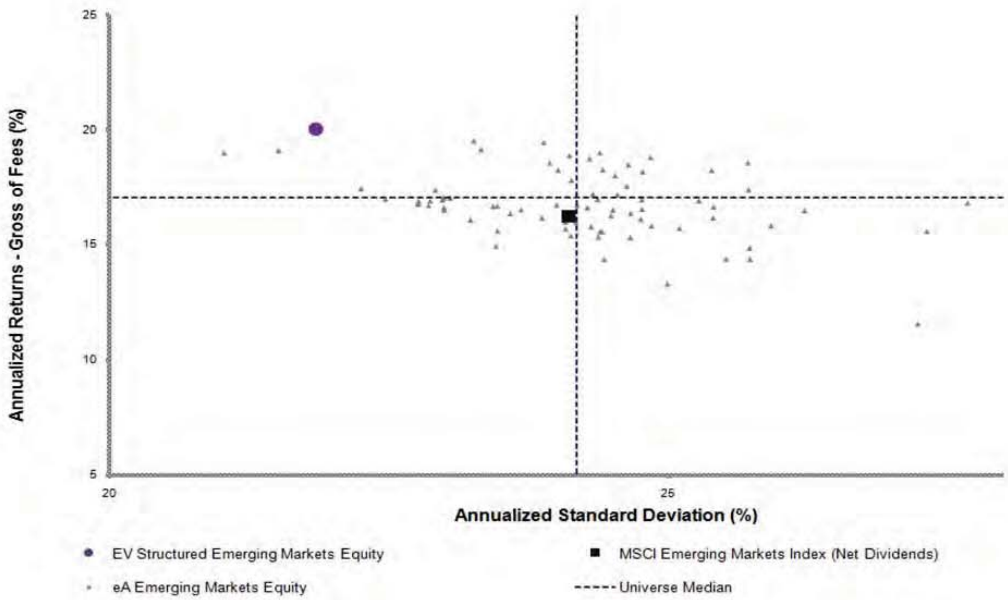
*Source: MSCI and Factset Research Systems as of 12/31/09. MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder.

** Source: Parametric Portfolio Associates and MSCI as of 6/30/2011. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. It is not possible to directly invest in an Index. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.*

Risk/Return Relationship

Parametric™
An Eaton Vance Company

Eaton Vance-Parametric Structured Emerging Markets Master Composite 10 Year Annualized Risk/Return Relationship (For the period ending 6/30/2011)



Source: eVestment Alliance. This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advise or a recommendation to buy or sell any particular security. The information is based upon the total assets of all fee-paying discretionary accounts comprising the Structured Emerging Markets Master Composite for the period shown. Gross returns for the Composite are calculated in U.S. dollars, include the reinvestment of distributions, and are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Such fees and expenses would reduce the results shown. This information is supplemental to the Global Investment Performance Standards (GIPS®) presentation contained herein. Please refer to the GIPS® presentation and the Appendix for important additional performance information and disclosure. It is not possible to directly invest in an Index. Past performance does not predict future results.

Investment Philosophy

Parametric™
An Eaton Vance Company

We seek broad exposure to the emerging markets equity asset class with less risk and higher return versus capitalization-weighted indices

– Exploit the low correlations of emerging markets to reduce risk

– Diversify through emphasis of smaller countries vs. indices

– Focus on reducing volatility to enhance long-term returns

A careful weighting and systematic rebalancing process can add value

– Rebalance to avoid concentration and exploit mean reversion

– Capture a rebalancing premium

Investment Process

Parametric™
An Eaton Vance Company

We utilize a structured and disciplined approach to exploit the unique characteristics of the emerging markets equity asset class

- Broad country universe
- Countries are equally-weighted within each of the model's tiers

- A systematic rebalancing trigger brings countries back to target model weights
- Determined by specific volatility and transaction costs

- Robust investment process maintains exposure to major economic sectors
- Highly diversified equity holdings throughout the global marketplace

Current Country Model

Example: Eaton Vance-Parametric Structured Emerging Markets Equity Target Model Portfolios

Parametric™
An Eaton Vance Company

Assigned to tiers based upon market capitalization and liquidity, we endeavor to gain exposure across representative model countries as liquidity allows.

Tier I:

Brazil, China, India, Mexico, Russia, South Africa, South Korea, Taiwan

Tier II:

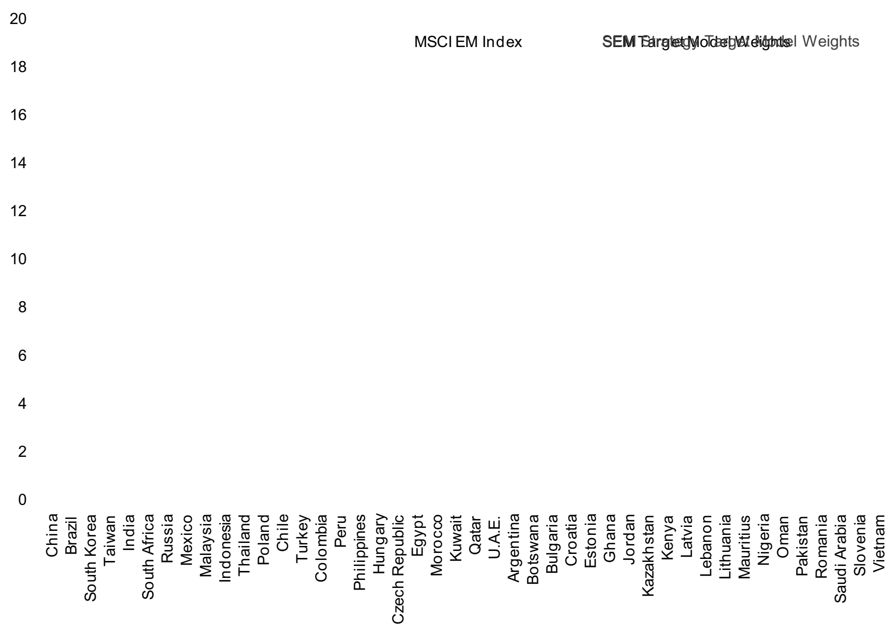
Chile, Indonesia, Malaysia, Poland, Thailand, Turkey

Tier III:

Colombia, Czech Republic, Egypt, Hungary, Kuwait, Morocco, Peru, Philippines, U.A.E., Qatar

Tier IV:

Argentina, Botswana, Bulgaria, Croatia, Estonia, Ghana, Jordan, Kazakhstan, Kenya, Latvia, Lebanon, Lithuania, Oman, Pakistan, Romania, Mauritius, Nigeria, Saudi Arabia, Slovenia, Vietnam



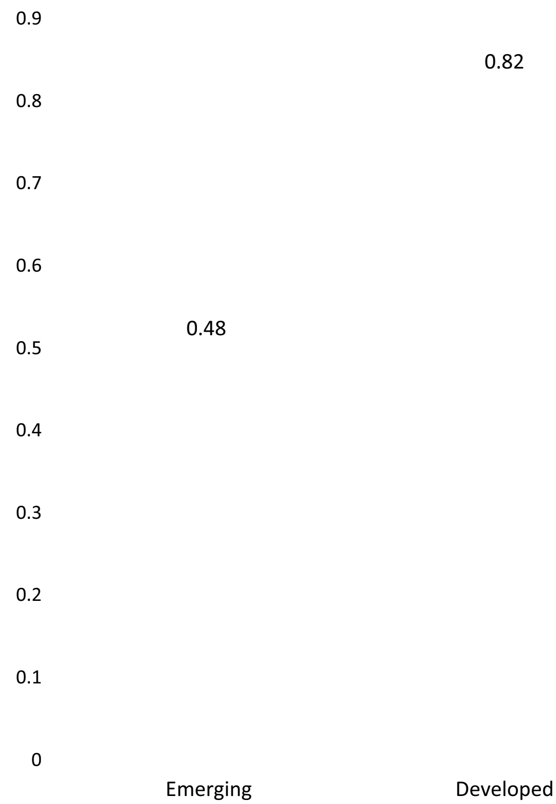
*We monitor and manage country specific risk: When a country's contribution to tracking error (relative risk) exceeds 30% of total portfolio tracking error, its weight may be increased in steps to reduce this concentration of risk.

Source: Parametric Portfolio Associates and MSCI as of 6/30/2011. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. The data and target model information presented is based, in part on hypothetical assumptions and the experience of Parametric. It is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. The allocations in the above sample target portfolio are for modeling purposes only as of the date shown and such allocations or sample may change at any time without notice. The strategy target models presented do not represent the allocation experience and results that any particular investor actually attained. Actual performance results and portfolio characteristics may differ, and may differ substantially, from the strategy target model. It is not possible to directly invest in an Index. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.*

Managing Risk

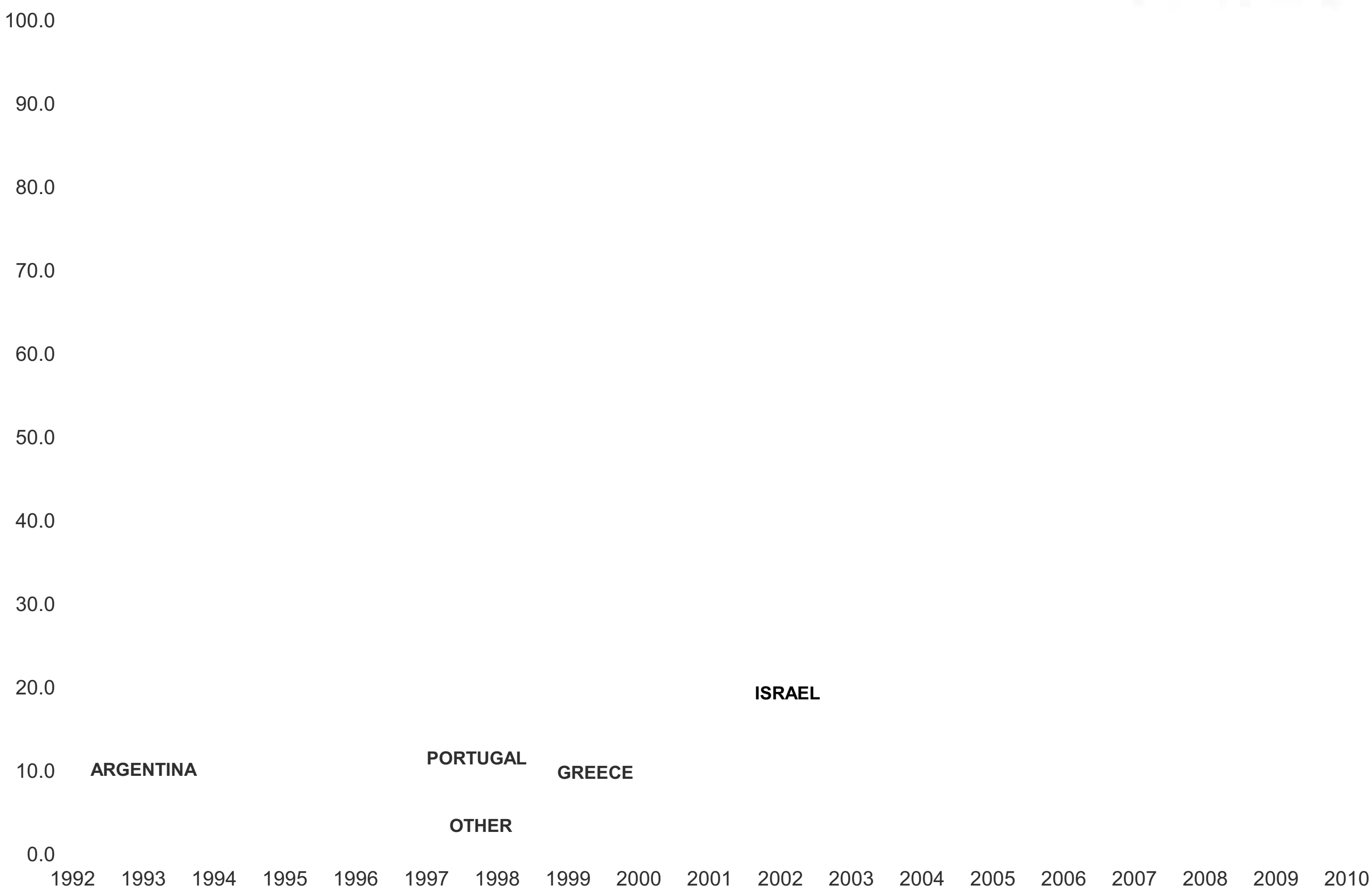
Annualized Standard Deviation
5 Years Ending December 2010

Average Cross Correlation
5 Years Ending December 2010



Source: S&P/IFCI Index and MSCI , S&P 500. Emerging Markets = S&P/IFCI Country Indices. Developed = MSCI EAFE Indices and the S&P 500. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. It is not possible to directly invest in an index.*

Index Weights Over Time



Sources: S&P/International Financial Corporation Investable Index and Factset Research Systems. All data as of 12/31/2010. *It is not possible to directly invest in an index.*

Structured Emerging Markets

Parametric™
An Eaton Vance Company

Key Characteristics: *Target Strategy Model*

	SEM
Countries:	MSCI-EM + Frontier
Inception:	1994
Benchmark:	MSCI EM Index (Net Div)
Potential Excess Return:	3% over a market cycle
Expected Tracking error:	4.5-6.5%
Expected Volatility:	85-95% of index
Expected Annual Turnover:	10-15%
Tiers	4
Number of Countries:	up to 46
Number of Stocks:	~1,000-1,700

Source: Parametric as of 6/30/2011

The above information is for informational and illustrative purposes only and does not constitute investment advice or a recommendation to adopt any particular investment strategy. The information provides a general example of the implementation of the target strategy models, including objectives, potential allocations and portfolio characteristics. This information is for modeling purposes only as of the date hereof, may change at any time without notice, and does not represent the experience of any particular client. Actual holdings, performance, portfolio characteristics and allocations will vary for each client. It is not possible to directly invest in an index. Past performance does not predict future results. Please see the Appendix for additional important information and disclosure.

Systematic Rebalancing

Current Rebalance Bounds

Systematic rebalancing is triggered by a country overweight within the portfolio: Bounds are set by careful examination of country specific transaction costs and volatility. These two key inputs are optimized taking into account country cross correlations.

When implemented in a consistent disciplined manner, systematic rebalancing serves two main purposes:

- Reduces concentration risk
- Captures a premium

20% Bound:

Argentina, Chile, China, Malaysia, Mexico, South Africa, Taiwan

30% Bound:

Brazil, Colombia, Czech Republic, India, Indonesia, Kuwait, Morocco, Oman, Pakistan, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Korea, Turkey

40% Bound:

Botswana, Croatia, Egypt, Hungary, Jordan, Kazakhstan, Kenya, Lebanon, Mauritius, Nigeria, Russia, Slovenia, Thailand, U.A.E., Vietnam

50% Bound:

Bulgaria, Estonia, Ghana, Latvia, Lithuania, Romania

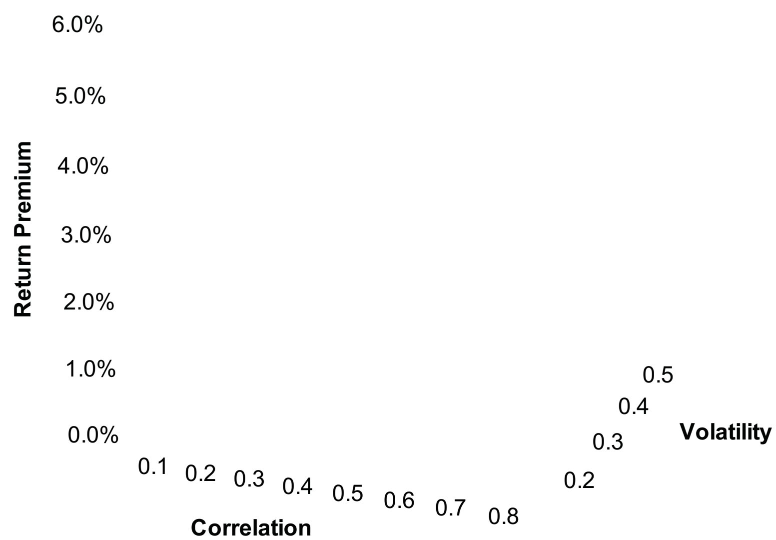
Source: Parametric as of 6/30/2011. *The above information is for illustrative, informational purposes only and is based, in part, upon hypothetical assumptions and the experience of Parametric. This material does not constitute investment advice and is not to be viewed as recommendation to buy or sell any security or adopt any investment strategy. Generally, the "Bound" is a weight to the upside where a country will be rebalanced back to its target weight. This information for the strategy target model is as of the date hereof and may change at any time without notice. This does represent the allocation or experience that any particular investor actually attained. Please refer to disclosure in the Appendix for additional important information and disclosure.*

Systematic Rebalancing vs. Buy and Hold

Rebalancing premium: Is driven by exploiting volatility and correlation

Volatility: As the difference between the outperformers and underperformers increases, so too does the profit potential from systematic rebalancing

Correlation: The lower the correlation among assets, the more frequent the opportunity to rebalance



Source: Parametric as of 12/31/2010. *This chart shows the hypothetical results of a Monte Carlo simulation of a portfolio of 20 countries, where each country is assumed to have the same expected return (10%), the same volatility, and same cross-correlation. The initial cap-weighted portfolio is unevenly distributed among the countries. The equal-weighted portfolio is rebalanced monthly over a 30-year horizon. The growth premium is defined as the annualized excess compounded return of the equal-weighted portfolio minus the cap-weighted portfolio in each simulation run. The average growth premium across 200,000 simulations is displayed in the chart for different volatilities and correlations. It is for informational and illustrative purposes only. The results and information contained in this simulation does not reflect the experience or results attained by any client. Please refer to the Appendix for additional important information and disclosure. It is not possible to directly invest in an index. Past performance does not predict future results.*

 Please see Appendix for additional important information and disclosure.

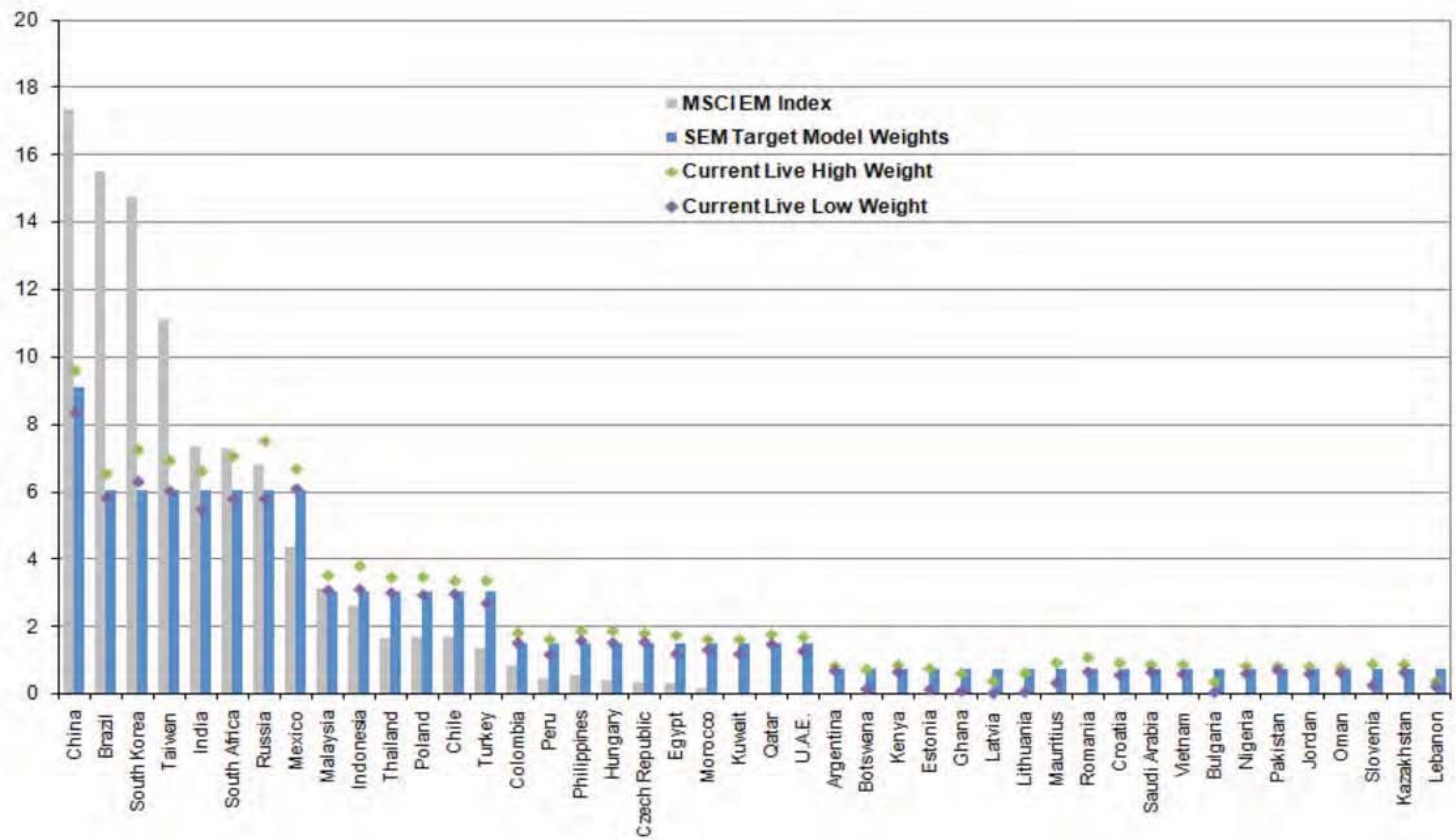
Portfolio Construction

We implement a structured, rules-based process to construct portfolios in a top-down fashion

Current SEM Model Implementation (as of 6/30/11)

Parametric™
An Eaton Vance Company

Strategy Target Country Weights vs Live High/Low Account Weights



Note: Tier IV countries listed in order of the year they were added to the strategy Target Model

Source: Parametric Portfolio Associates and MSCI as of 6/30/2011. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. The data and target model information presented is based, in part on hypothetical assumptions and the experience of Parametric. It is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. The allocations in the above sample target portfolio are for modeling purposes only as of the date shown and such allocations or sample may change at any time without notice. The strategy target models presented do not represent the allocation experience and results that any particular investor actually attained. Actual performance results and portfolio characteristics may differ, and may differ substantially, from the strategy target model. It is not possible to directly invest in an Index. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.*

Sector Allocation

Example: Implementation of Exposure to Brazil

- Sectors represent major economic activity

  Parametric sector constraints

  - Minimum: 0.75x index weight
  - Maximum: 4x index weight

Sample Country Allocation: Brazil
Data as of 12/31/2010

	S&P Emerging Plus BMI	Strategy Target Model Weight
Basic Industry, Resources, Materials	44.4%	33.3%
Consumer	16.0%	19.7%
Finance	24.9%	19.7%
Industrial	3.8%	7.5%
Utility	11.0%	19.7%

Source: Parametric, S&P/IFCI Index *The data and strategy target model information presented is based, in part on hypothetical assumptions and the experience of Parametric. It is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. The hypothetical strategy target models presented do not represent the experience and results that any particular investor actually attained. Actual performance results and portfolio characteristics may differ, and may differ substantially, from the hypothetical model. Please refer to the Appendix for additional important information and disclosure. It is not possible to directly invest in an index.*

Stock Selection

Parametric™
An Eaton Vance Company

Example: Implementation of Exposure to Brazil

Approximate Strategy Model Sector Weights in Brazil

Industry
7.5%

Basic Industry, Resources, Materials
33.3%

Finance
19.7%

Utility
19.7%

Consumer
19.7%

Top-5 Weights

Security	**Stock Weight In Consumer Sector**	
	S&P Emerging Plus BMI	**Strategy Target Model Weight**
AmBev	23.65%	23.65%
Brasil Foods SA	9.83%	9.83%
PDG Realty SA	5.98%	5.98%
Natura Cosmeticos	4.44%	4.44%
Lojas Renner SA	3.67%	3.67%
Other	52.43%	52.43%
Total	***100%***	***100%***

Source: Parametric, S&P/IFCI Index as of 12/31/2010 *The data and model information presented is based, in part on hypothetical assumptions and the experience of Parametric. It is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. This information, including the Top-5 list is based upon the total assets of the S&P/IFCI Index and the hypothetical allocation of the Strategy Target Model Portfolio as of 12/31/10. The strategy target model and specific securities mentioned are not representative of all the securities that will or may have been purchased, sold or recommended for advisory clients. It should not be assumed that any of the securities were or will be profitable. Actual portfolio holdings will vary for each client, and there is no guarantee that a particular client's account will hold any, or all, or the securities identified. It is not possible to directly invest in an index. Please refer to the Appendix for additional important information and disclosure. Past performance does not predict future results.*

Implementation Considerations

Risk profile

Country contribution to tracking error (China)

Nationalization threats (Venezuela)

Market capitalization or liquidity

Reclassification between tiers (Philippines)

Market access or liquidity

Placing a country on hold (Latvia)

Index constituents

Graduation or downgrade by index providers (Israel)

Liquidity

Average daily trading volumes

Market access or liquidity

Foreign ownership restrictions

Pricing mismatches (Local versus ADRs)

The countries identified above are for illustrative purposes only and is meant to generally demonstrate the application and affect certain strategy implementation considerations may have on the country allocation(s) of the SEM Strategy Target Model portfolio. It should not be assumed that any of the allocations noted have or will produce investment results that were or will be profitable. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.

Implementation Excellence

Parametric™
An Eaton Vance Company

A structured approach to investing provides an elegant solution to even the most complex asset classes. For more than twenty years Parametric has been implementing strategies to gain exposure to equity markets across the globe. To take these strategies from concept to reality requires the dedication of resources from across the firm.

Research

- Incubation of new strategies
- Enhancement of current products

Technology

- Development of proprietary tools to manage assets to exact specifications
- Maintain infrastructure to support ongoing business needs

Operations

- Ongoing account maintenance
- Proactive communication with custodians

Portfolio Management

- Specialists in the thoughtful application of quantitative, rules-based strategies
- Dedicated team managing assets across more than 12,000 accounts

Trading

- Parametric traders average over 12 years experience understanding the intricacies of trading in more than 60 countries across the globe.
- Average of over 200,000 trades executed per week across all product types.
- FX trades executed via third party providers when possible.
- Excellent access to liquidity sourcing worldwide, even in the most esoteric markets.

 Please refer to important disclosures in the Appendix.

Why Select EV-Parametric Structured Emerging Markets?

Parametric™
An Eaton Vance Company

– Structured Design

- The emerging markets asset class lends itself to a structured portfolio management approach when combined with systematic rebalancing. Parametric's strategy has the benefits of a capitalization-weighted index while avoiding the uncertain nature of traditional active management.

– Investment Management & Research

- Parametric's continued innovation and research drive strategy enhancements that evolve with the marketplace.

– Implementation

- The ongoing development of tools and tactics to implement Parametric's unique rules-based methodology is essential. When coupled with the efficient execution of global transactions, these advancements enable the strategy's systematic capture of market imbalances.

– Track Record

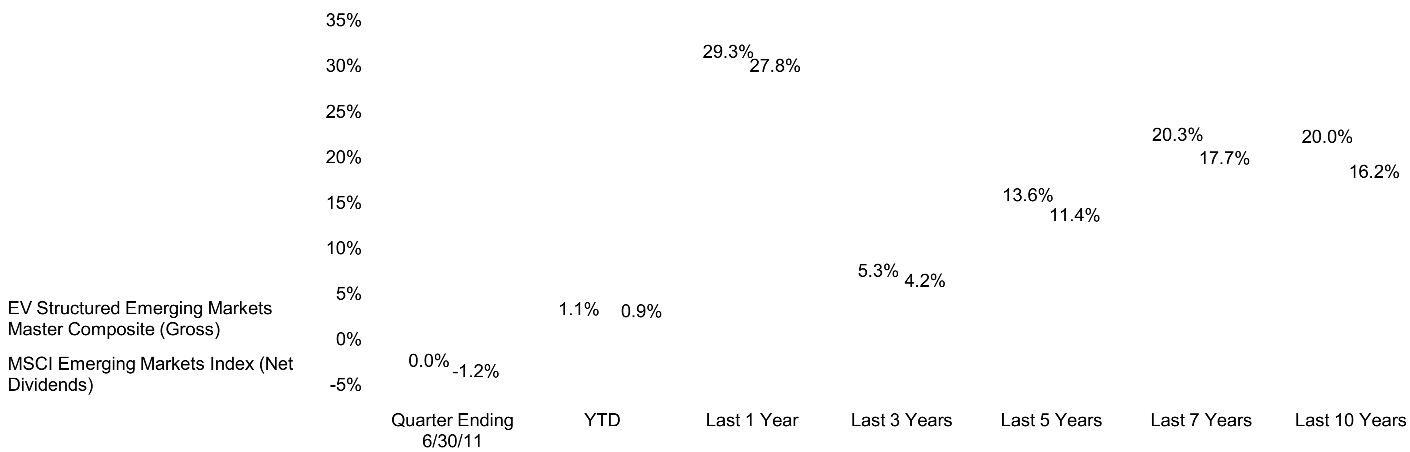
- Parametric's focused, structured approach has produced a long-standing historical track record of consistent excess returns versus the benchmark and peers.

Performance

Investment Returns

Eaton Vance-Parametric Structured Emerging Markets Master Composite as of 6/30/2011

(Annualized Results)



Annual Results	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**
Eaton Vance-Parametric Structured Emerging Markets Composite (gross-of-fees)	24.3%	70.1%	-50.6%	41.2%	39.2%	35.1%	32.9%	64.4%	2.5%	0.9%	-28.4%
MSCI Emerging Markets Index (Net Dividends)	18.9%	78.5%	-53.3%	39.4%	32.2%	33.9%	25.6%	55.8%	-6.2%	-2.6%	-30.8%

Performance Inception 7/1/98

Sources: Eaton Vance and MSCI. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation to buy or sell any particular security. The information is based upon the total assets of all fee-paying discretionary accounts comprising the Eaton Vance – Parametric Structured Emerging Markets Equity Composite for the periods shown. Gross returns for the Composite are calculated in U.S. dollars, include the reinvestment of distributions, and are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Such fees and expenses would reduce the results shown. This information is supplemental to the Composite's Global Investment Performance Standards (GIPS®) presentation contained herein. Please refer to the GIPS® presentation and the Appendix for important additional performance information and disclosure. It is not possible to directly invest in an index. Past performance does not predict future results.*

Portfolio Characteristics

Returns-Based Characteristics (gross-of-fees)

Eaton Vance-Parametric Structured Emerging Markets Master Composite 10 Years ending as of 6/30/2011

	Eaton Vance-Parametric Structured Emerging Markets	MSCI Emerging Markets Index (Net Divs)
Alpha	4.9%	--
Beta	0.89	1.00
R-Squared	0.96	1.00
Standard Deviation	21.9%	24.1%
Tracking Error	5.3%	--
Information Ratio	0.72	--
Sharpe Ratio	0.82	0.61
Excess Returns	3.82%	--
Upside Market Capture	92.0%	100.0%
Downside Market Capture	83.5%	100.0%

Source: Eaton Vance and eVestment Alliance as of 6/30/2011. *This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation to buy or sell any particular security. The information is based upon the total assets of all fee-paying discretionary accounts comprising the Eaton Vance-Parametric Structured Emerging Markets Master Composite as of 6/30/2011. Gross returns for the Composite are calculated in U.S. dollars, include the reinvestment of distributions, and are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Such fees and expenses would reduce the results shown. This information is supplemental to the Composite's Global Investment Performance Standards (GIPS®) presentation located contained Please refer to the GIPS® presentation and the Appendix for important additional performance information and disclosure. It is not possible to directly invest in an index. Past performance does not predict future results.*

EV-Parametric Investment Team as of 6/30/2011

Parametric™
An Eaton Vance Company

Strategy	David Stein* Chief Investment Officer Portfolio Strategist for Structured Emerging Markets	
Research *Model portfolio creation and evolution*	Paul Bouchey Managing Director - Research Vassilii Nemtchinov, Ph.D. Director - Applied Research	Timothy Atwill Director - Research & Strategy Hemambara Vadlamudi Senior Researcher
Portfolio Management *Portfolio construction and rebalancing*	Thomas Seto* Managing Director - Portfolio Management Jodi Wong* Director - Emerging Markets Portfolio Management Rainer Germann, CFA Portfolio Manager	Thomas Hardy, CFA Associate Portfolio Manager Travis Bohon Associate Portfolio Manager Rob Yocum Associate Portfolio Manager Robert Osborne Portfolio Analyst
Trading *Implementation of trades*	Lee Thacker, CFA Director - Trading	Kim Day Senior Trader Stephen Daspit Trader
Product Management *Delivers client solutions*	Ross Chapin* Managing Director - Product Management James Barrett Managing Director - Institutional Sales & Client Service	Brian Dillon Director - Institutional Portfolio Manager Jeffrey Brown Director - Wealth Management Portfolio Specialist Reuben Butler Director - Institutional Portfolio Manager

*Investment Committee Voting Members

Note: All members of the Team are employees of Parametric.

Parametric™
An Eaton Vance Company

Appendix

Examples of Model Strategy and Country Evolutions

Strategy Target Model Evolutions

1997: Move from two country tiers to three country tiers; frontier countries added

2002: Move from three country tiers to four country tiers

2007: Move from equal-weighted sectors to constrained sector weightings

2009: Move from static 50% rebalance triggers to dynamic rebalance triggers based on country volatility and transaction costs

2010: Enhancement to reduce country contribution to tracking error

Strategy Target Model Country Evolutions

Country Graduations

- March/April 1999: **Portugal** liquidated from portfolio as it moves to developed country status
- February 2001: **Greece** liquidated from portfolio as it moves to developed country status
- June 2010: **Israel** liquidated from portfolio in multiple tranches as it moves to developed country status

Country Removals

- May 2006: **Zimbabwe** removed from strategy model; liquidated from portfolios in September 2009 after period of hyperinflation
- January 2007: **Venezuela** removed from the investable universe due to nationalization of large benchmark names by political regime

Recent Temporary 'Hold'

- October 2008 – December 2008: **Pakistan** placed on hold due to government action to freeze market
- January 27 2011 – March 23 2011: **Egypt** market closed due to political unrest and collapse of reigning power

This information is for general illustrative purposes only and is meant to provide an example of historical changes and evolution of the SEM Strategy Target Model portfolio and process and demonstrate the application of the investment strategy .The strategy target model and changes noted are not representative of all the investments that will or may have been purchased, sold or recommended for advisory clients. It should not be assumed that any of the changes noted produced investment results that were or will be profitable. It should not be considered to be a pattern of success or a guarantee of positive performance. Actual performance results and portfolio holdings will vary for each client and there is no guarantee that a particular clients account holdings or experience will be similar to that shown above. Not all Parametric's or Eaton Vance's recommendations have been or will be profitable. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.

Country Addition by Year

Parametric™
An Eaton Vance Company

		3rd Tier Added					4th Tier Added								
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina	Argentina
		Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana	Botswana
Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil	Brazil
				Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria	Bulgaria
Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile	Chile
China	China	China	China	China	China	China	China	China	China	China	China	China	China	China	China
		Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia	Colombia
				Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia	Croatia
Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic	Czech Republic
		Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt	Egypt
					Estonia	Estonia	Estonia	Estonia	Estonia	Estonia	Estonia	Estonia	Estonia	Estonia	Estonia
		Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana	Ghana
Greece	Greece	Greece	Greece	Greece	Greece										
Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary	Hungary
India	India	India	India	India	India	India	India	India	India	India	India	India	India	India	India
Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia	Indonesia
		Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	Israel	
												Jordan	Jordan	Jordan	Jordan
														Kazakhstan	Kazakhstan
		Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya	Kenya
													Kuwait	Kuwait	Kuwait
										Latvia	Latvia	Latvia	Latvia	Latvia	Latvia
														Lebanon	Lebanon
			Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania	Lithuania
Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia	Malaysia
		Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius	Mauritius
Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico	Mexico
		Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco	Morocco
										Nigeria	Nigeria	Nigeria	Nigeria	Nigeria	Nigeria
												Oman	Oman	Oman	Oman
											Pakistan	Pakistan	Pakistan	Pakistan	Pakistan
Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru	Peru
Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines	Philippines
Portugal	Portugal	Portugal	Portugal	Portugal											
Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland	Poland
												Qatar	Qatar	Qatar	Qatar
			Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania	Romania
Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia	Russia
				Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia
													Slovenia	Slovenia	Slovenia
South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa	South Africa
South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea	South Korea
Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan	Taiwan
Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand
Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey	Turkey
											United Arab Emirates	United Arab Emirates	United Arab Emirates	United Arab Emirates	United Arab Emirates
		Venezuela	Venezuela	Venezuela	Venezuela	Venezuela	Venezuela	Venezuela	Venezuela	Venezuela	Venezuela				
						Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam
		Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe	Zimbabwe				
21	21	31	33	36	36	36	36	36	36	38	40	41	43	45	44

**** 1997: Initial year frontier countries were added**

This information is for general illustrative purposes only and is meant to provide an example of historical changes and evolution of the SEM Strategy Target Model portfolio and process and demonstrate the application of the investment strategy .The strategy target model and changes noted are not representative of all the investments that will or may have been purchased, sold or recommended for advisory clients. It should not be assumed that any of the changes noted produced investment results that were or will be profitable. It should not be considered to be a pattern of success or a guarantee of positive performance. Actual performance results and portfolio holdings will vary for each client and there is no guarantee that a particular clients account holdings or experience will be similar to that shown above. Not all Parametric's or Eaton Vance's recommendations have been or will be profitable. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.

Country Selection = Diversification

Parametric™
An Eaton Vance Company

Our structured approach seeks to avoid the concentration risks of capitalization-weighted indices

MSCI Emerging Markets Index*

Taiwan, 11.1%
India, 7.4%
South Korea, 14.8%
South Africa, 7.3%
Russia, 6.8%
Brazil, 15.5%
Mexico, 4.4%
Malaysia, 3.2%
China, 17.3%
Indonesia, 2.6%
Thailand, 1.7%
Poland, 1.7%
Other Small Countries (Tier 3), 3.2%
Chile, 1.7%
Turkey, 1.4%

Example: Eaton Vance-Parametric Structured Emerging Markets Strategy Target Model Portfolio*

Russia, 6.1%
Mexico, 6.1%
South Africa, 6.1%
Taiwan, 6.1%
India, 6.1%
South Korea, 6.1%
Malaysia, 3.0%
Indonesia, 3.0%
Brazil, 6.1%
Thailand, 3.0%
Poland, 3.0%
China, 9.1%
Chile, 3.0%
Other Small Countries (Tier 3), 15.2%
Turkey, 3.0%

*Additional country exposure may be added in order to reduce relative risk. Please note that The investable universe is comprised of countries included in either the S&P Emerging BMI Plus Index or the S&P Frontier BMI Index, as well as other countries not included in these Indexes. Source: Parametric Portfolio Associates and MSCI as of 6/30/2011. *MSCI data may not be reproduced or used for any other purpose. MSCI provides no warranties, has not prepared or approved this report, and has no liability hereunder. The data and target model information presented is based, in part on hypothetical assumptions and the experience of Parametric. It is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. The allocations in the above sample target portfolio are for modeling purposes only as of the date shown and such allocations or sample may change at any time without notice. The strategy target models presented do not represent the allocation experience and results that any particular investor actually attained. Actual performance results and portfolio characteristics may differ, and may differ substantially, from the strategy target model. It is not possible to directly invest in an Index. Past performance does not predict future results. Please refer to the Appendix for additional important information and disclosure.*

Country Selection

Managing Country Risk

Parametric™
An Eaton Vance Company

We monitor and manage country specific risk: When a single country's contribution to tracking error exceeds a risk threshold of 30% of total portfolio tracking error for two consecutive quarters, the Investment Committee may increase
its weight.

– If required, country weight is increased in steps of 50% of initial Tier weight to a maximum 2x initial weight.

– The additional exposure is removed when the concentrated risk subsides

Example: Strategy Target Model
Tracking Error % Contribution
(6-Mo Moving Average)

China
Korea
Brazil
Taiwan

Country Contribution to Relative Risk, Percentage of Tracking Error

50%
40%
30%
20%
10%
0%
-10%

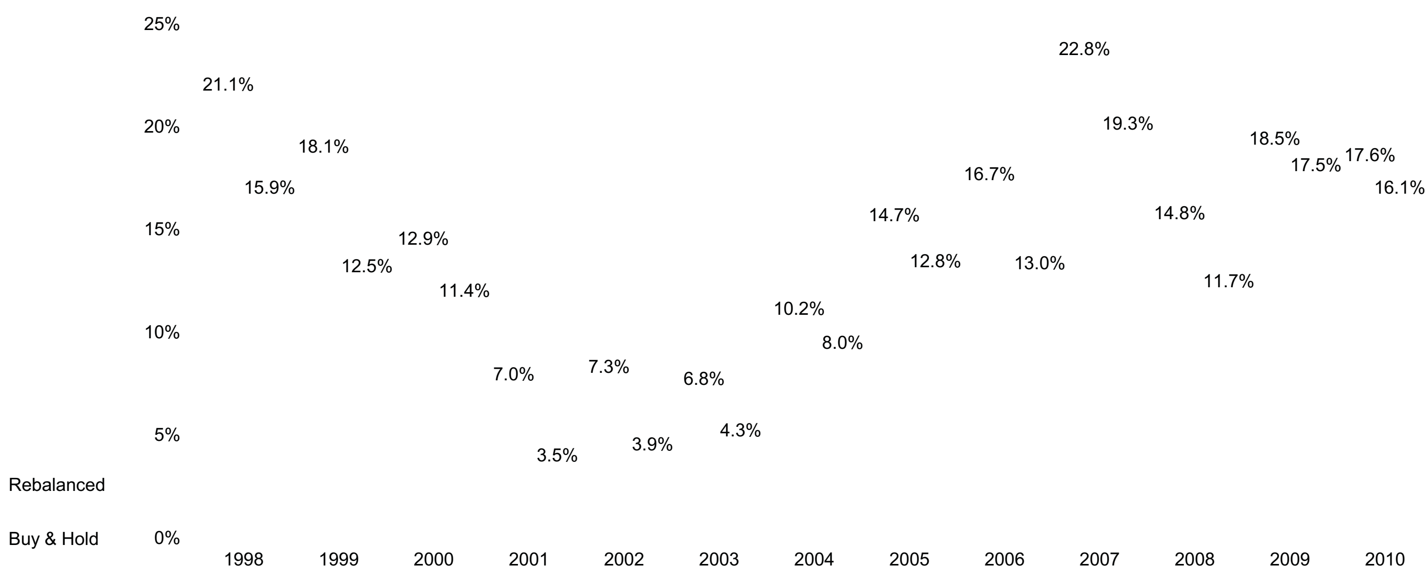
Source: Parametric as of 12/31/2010. *The above information is hypothetical and is based, in part, on assumptions, the experience of Parametric and the retroactive application of the structured equity strategy processes in a back-tested environment with the benefit of hindsight. Certain of the hypothetical assumptions have been made for modeling purposes and are unlikely to be realized. Changes in the assumptions may have a material impact on the hypothetical information presented. The hypothetical strategy target model information presented does not represent the experience and results that any particular investor actually attained. Actual performance results and portfolio characteristics may differ, and may differ substantially, from the hypothetical model. Please refer to the Appendix for additional important information and disclosure.*

Systematic Rebalancing

Capturing Return Opportunities

Annualized Hypothetical Returns: Rebalanced vs. Buy & Hold Equal Weighted

S&P/IFCI Index 10 Year Rolling Periods ending 12/31/2010



Source: Parametric, S&P/IFCI Emerging Markets. *This information is for illustrative purposes only, is subject to change at any time and should not be considered investment advice or a recommendation to buy or sell any particular security. Please refer to the Appendix for important additional performance information and disclosure. It is not possible to directly invest in an index. Past performance does not predict future results.*

Country Selection:

Cross Correlation and Volatility by Size

Parametric™
An Eaton Vance Company

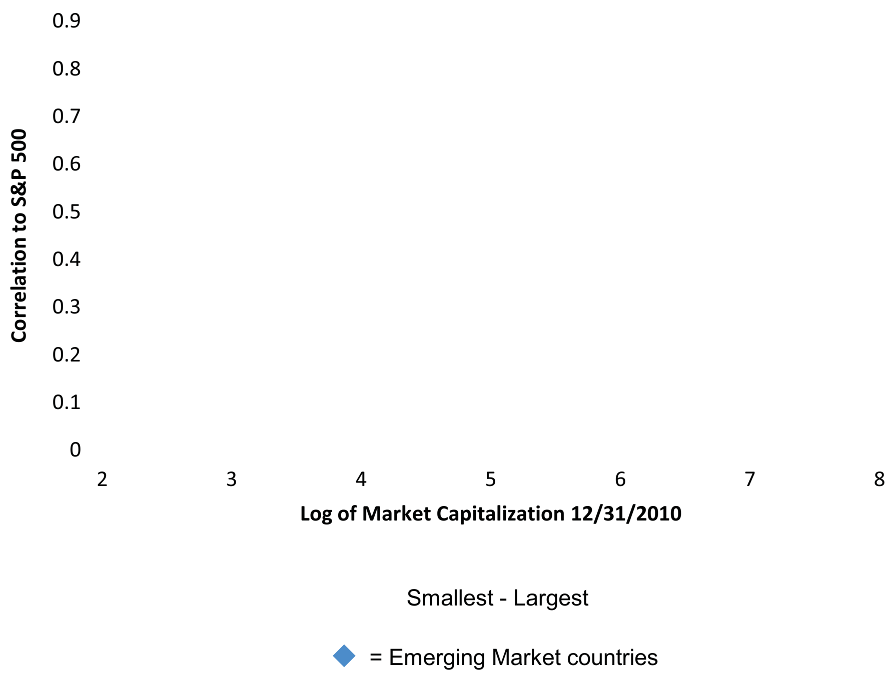
Average Cross Correlation of Emerging Markets Size Groups
5 Years Ending 12/31/10
Cap-Wtd within Size Group

Average Country Volatility within Emerging Markets Size Groups
5 Years Ending 12/31/10
Cap-Wtd within Size Group

Source: Parametric as of 12/31/2010 Universe = IFCI Global and Frontier Market Indices
Size group members determined at the beginning of each calendar year.
Large = markets in the top 80% of universe total market cap.
Mid = markets in the next 15% of universe total market cap.
Small = markets in the bottom 5% of universe total market cap.
Gross of Fees.

Country Selection
Smaller Markets Provide Diversification

Emerging Markets Country Correlations with U.S.
(S&P 500) vs. Market Capitalization
5 Years ending 12/31/2010

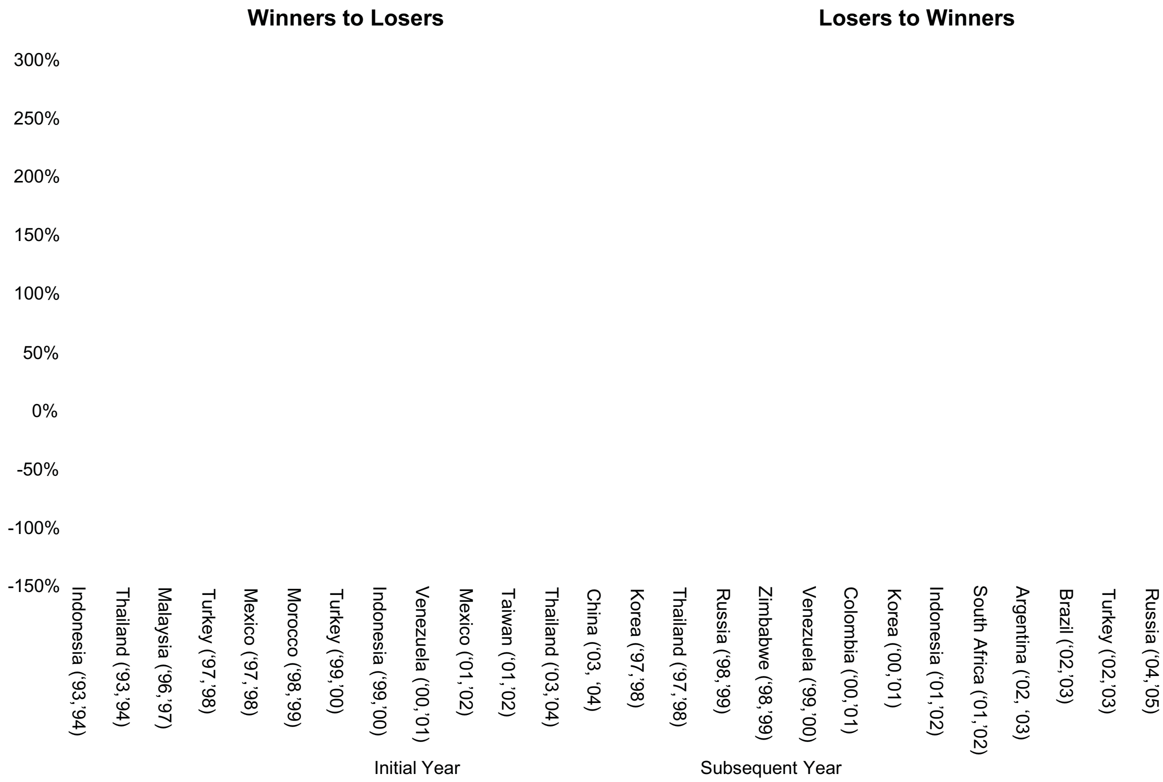


 Source: IFCI Emerging Market Country Indices and the S&P 500, r-squared = 51%

Systematic Rebalancing

Capturing Reversion

– Examples of Reversals in Country Returns



 Source: S&P/IFCI Emerging Markets

Appendix

Important Additional Information and Disclosure:
This presentation has been prepared on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. However, no assurances are provided regarding the reliability of such information and Eaton Vance has not sought to independently verify information taken from public and third party sources.

The data and information presented is for informational and illustrative purposes only. This material does not constitute investment advice and should not be viewed as a current or past recommendation or a solicitation of an offer to buy or sell any particular securities or to adopt any investment strategy, or a solicitation of an offer to buy investments and may not be used to make such an offer. Please note that investments in foreign securities and markets pose different and possibly greater risk than those customarily associated with domestic securities, including currency fluctuations, foreign taxes and political and economic instability.

Any investment views and market opinions/analyses expressed constitute judgments as of the date of this presentation and are subject to change at any time without notice. Any investment views and market opinions/analyses expressed may not reflect those of Eaton Vance as a whole, and different views may be expressed based on different investment styles, objectives, views or philosophies. Each investor's portfolio is individually managed and may differ significantly from the information discussed in terms of portfolio holdings, characteristics and performance. It should not assumed that any investments in securities, companies, sectors or markets described were or will be profitable. This material should not be considered as representative of any particular investor's experience it should not be assumed that any investor will have an investment experience similar to any returns shown or to any previous or existing investor. There are no guarantees concerning the achievement of investment objectives, target returns, allocations, or measurements such as alpha, tracking error, stock weightings and information ratios. The use of tools cannot guarantee performance.

Investment results for the Eaton Vance-Parametric Structured Emerging Markets Master Composite (the "Composite") include all fully discretionary, fee paying accounts managed in this style for the periods shown. Gross returns are calculated in U.S. dollars and are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses and include the reinvestment of distributions. Such fees and expenses would reduce the returns shown. Eaton Vance Management's schedule of fees is described in Part II of Form ADV which is available upon request. For a separately managed Structured Emerging Markets account in this style with a value of $75,000,000 the investment advisory fees would be 1.00% per annum. For example, if $1 million were invested and experienced a 10% annual return compounded monthly for 10 years, its ending value, without giving effect to the deduction of advisory fees, would be $2,707,041 with an annualized return of 10.47%. If an advisory fee of 1.00% of the average market value of the account were deducted monthly for the 10-year period, the annualized compounded return would be 9% and the ending dollar value would be $2,451,357. The returns experienced by a particular client, including a separately managed account, will be different from those included in this presentation.

The Composite is compared to the MSCI Emerging Markets Index (the "Index"). The Index is broad-based and is commonly used as a measure portfolios managed in this style. The Index uses withholding tax rates applicable to a Luxembourg-domiciled investor. The Index is unmanaged and does not incur management fees, transaction costs or other expenses associated with separately managed accounts in this style. It is not possible to directly invest in an index.

[Continued on next page]

Appendix

[Continued from previous page]

The example and strategy target models information presented, as well as the Monte Carlo simulation, is hypothetical and does not represent the experience or results that any particular investor actually attained. The information presented is based, in part, on hypothetical assumptions, the experience of Parametric and the application of the structured equity strategy processes in a back-tested environment. Certain of the assumptions have been made for modeling purposes and are unlikely to be realized. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in achieving the returns have been stated or fully considered. Hypothetical results have many inherent limitations and no representation is made that any account will or is likely to profit similar to those shown in the models. Hypothetical results are stated in U.S. dollars and presented gross-of-fees as total returns, which includes the reinvestment of distributions. Actual performance results will differ, and may differ substantially, from the hypothetical model performance. Changes in the assumptions may have a material impact on the hypothetical performance presented.

Forecasts and estimates and certain information contained herein are based upon proprietary research and are not to be relied upon as advice or interpreted as a recommendation. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fees and other costs. In addition, references to future returns should not be construed as an estimate or promise of the results a client portfolio may achieve. Performance for back-tested data does not represent the results of actual trading, but was achieved by means of retroactive application of a strategy target model designed with the benefit of hindsight. Results may not reflect the impact that material economic and market factors might have had on Parametric's decision-making if Parametric were actually managing client assets.

Parametric constructs allocations, country, sector, and stock targets on a monthly basis. Parametric optimizes the model portfolio to hold portfolio volatility at 90% of market volatility, while still tracking the country, sector and stock targets.

Please refer to the Composite's fully-compliant GIPS® presentation contained herein on the pages which follow for additional information.

The views and strategies described may not be suitable for all investors. Actual portfolio holdings will vary for each client and there is no guarantee that a particular client's account will hold any, or all, or the securities/sectors mentioned. Not all of Parametric's or Eaton Vance's recommendations have been or will be profitable. Any references to future returns should not be construed as an estimate or promise of the results a client portfolio may achieve. The returns experienced by a particular client will be different from those included in this presentation.

This material may be used in Institutional one-on-one presentations only.

Investing entails risks and there can be no assurance that PPA and/or Eaton Vance (and its affiliates) will achieve profits or avoid incurring losses. Past performance does not predict future results.

Appendix

Eaton Vance Management
Notes to Schedule: Firm

Organization

Eaton Vance Management (EVM or the Company) is an SEC registered investment adviser with its headquarters located in Boston, Massachusetts. Since 1924, the Company has provided a full range of investment products to corporations, public agencies, labor unions, hospitals, charitable and educational organizations, individuals and various qualified investment plans. It supplies investment advisory services through several SEC registered investment advisers and a trust company – EVM, Boston Management and Research (BMR), Eaton Vance Investment Counsel (EVIC), and Eaton Vance Trust Company (EVTC). The Company is defined as all four entities operating under the Eaton Vance brand. Effective May 1, 2011, EVM's Real Estate Investment Group, a constituent of EVM, is operating as a separate division of EVM, and its assets are no longer represented in EVM's total assets under management.

Performance Returns

Unless otherwise stated, composite returns and market values are reported in U.S. dollars. All performance returns are presented as total returns, which include the reinvestment of all income and distributions. Returns for periods less than one year are not annualized.

Information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

Composite Dispersion

Annual internal return dispersion is represented by the highest and lowest returns of all portfolios within a composite. Internal dispersion is shown only for composites that held at least six accounts for the full year. Internal dispersion is shown as not applicable, "N/A", for composites that held five or fewer accounts for the full year. External composite and benchmark dispersion are shown to demonstrate the variability of returns over time, and is represented by the three-year ex-post standard deviation of monthly returns. External composite and benchmark dispersion are shown as not applicable, "N/A", for composites with less than 3 years of monthly history, as of the most current quarter-end. External dispersion is not shown for composite inception through December 2010, as it is not required for periods prior to 2011.

Other Matters

A complete list of all composites maintained by EVM with descriptions and related performance results for each is available upon request. To receive a complete list and description of the Company's composites and/or a presentation that adheres to the GIPS®, contact the Performance Department at (800) 225-6265 ext. 26733 or write to Eaton Vance Management, Two International Place, Boston, MA 02110, Attention GIPS Performance Department, 6th floor.

Last updated 5/31/11

Appendix

Eaton Vance Management
Eaton Vance – Parametric Structured Emerging Markets Master Composite (SC 8)

Notes to Schedule

Composite Definition
The investment objective of this style is to seek long-term capital appreciation by investing in equity securities of companies located in emerging-market countries, which are those considered to be developing. Under normal market conditions, at least 80% of net assets are invested in companies located in, but not limited to, Asia, Latin America, the Middle East, Southern Europe, Eastern Europe, Africa and the region comprising the former Soviet Union. The structured investment process emphasizes broad exposure and diversification across emerging-market countries, economic sectors and issuers. Within each country, diversification is maintained by investing in companies across key economic sectors, such as industrial/technology, consumer, utilities, basic industry/resource and financial. These companies will be representative of their economic sectors and will generally be weighted by their relative capitalization within that sector.

An account is included in the Composite, when it is registered in all Tier I and Tier II countries or has appropriate country representation to them, is 90% invested to the model and has been actively managed for a minimum of three months. Closed accounts are included through the last full month under management. No selective periods of performance have been used.

Benchmark
The Composite's benchmark is the MSCI Emerging Markets Index. For the period 7/01/98 - 12/31/98, the Index was calculated using gross dividends without consideration of taxes. Thereafter the Index is calculated using dividends net of taxes. The Index uses withholding tax rates applicable to a Luxembourg-domiciled investor. It is an unmanaged index of emerging markets common stocks.

Gross and Net Returns

Composite gross returns are after transaction costs, any foreign withholding taxes and other direct expenses, but before management fees, custody charges and other indirect expenses. Composite net returns are calculated by deducting the maximum management fee, 1.00%, charged by EVM for a separately managed, institutional account of this style from the gross performance returns. The complete fee schedule is as follows: 1.00% on total assets. Composite returns represent investors who are domiciled predominately in the United States of America.

Notes to Composite

The creation date of this composite is November 2007, and the inception date is July 1998. Since inception, investment management has been delegated to a sub-adviser. Performance returns presented prior to February 6, 2004, occurred while the sub-adviser's portfolio manager and management team were affiliated with a prior firm and do not represent actual EVM assets. The manager and team continue to be solely responsible for the research and selection of securities. Effective May 1, 2009, the account inclusion criteria changed from: "at the beginning of the fourth full month under management or thereafter, at the beginning of the nearest full month, when determined fully invested by the portfolio manager." Effective December 1, 2010, the Composite's name changed from Structured Emerging Markets Master Composite. There was no change to the objective or style. Performance during certain periods reflects the strong stock market performance and/or the strong performance of stocks held during those periods. Clients or prospective clients should not assume that they will have an investment experience similar to that indicated by past performance results, as shown on the Schedule.

Last updated 12/31/10

EV – Parametric
Structured Emerging Markets Equity Composite

Eaton Vance Management
Eaton Vance - Parametric Structured Emerging Markets Master Composite

Schedule of Performance Returns

Period	Gross Returns	Net Returns	Benchmark Returns	Number of Accounts	Internal Dispersion High	Internal Dispersion Low	Total Composite Assets $(000)	Total Firm Assets $(000)	Composite Assets as % of Firm Assets	3-Yr External Dispersion Composite	3-Yr External Dispersion Benchmark
1998 *	-4.90	-5.39	-7.98	< 6	NA	NA	45,399				
1999	74.16	72.50	66.46	< 6	NA	NA	96,942				
2000	-28.43	-29.16	-30.83	< 6	NA	NA	76,831				
2001	0.89	-0.11	-2.61	< 6	NA	NA	79,473				
2002	2.51	1.49	-6.18	< 6	NA	NA	94,055				
2003	64.39	62.82	55.82	< 6	NA	NA	159,963				
2004	32.87	31.58	25.56	< 6	NA	NA	221,696	77,002,901	0.29		
2005	35.05	33.74	33.99	<6	NA	NA	426,129	88,569,140	0.48		
2006	39.23	37.88	32.17	<6	NA	NA	833,271	107,608,002	0.77		
2007	41.21	39.84	39.39	<6	NA	NA	1,878,535	127,327,734	1.48		
2008	-50.62	-51.14	-53.33	< 6	NA	NA	1,419,326	100,776,048	1.41		
2009	70.07	68.37	78.51	8	69.94	68.25	3,928,744	129,168,540	3.04		
2010	24.32	23.08	18.88	8	25.47	23.76	6,463,416	150,907,196	4.28		
1Q11	1.13	0.88	2.05	8			6,964,146	157,659,803	4.42	30.08	31.48
2Q11	-0.02	-0.27	-1.15	8			7,375,602	155,868,255	4.73	29.69	30.68

Annualized Returns for Periods Ending 6/30/11

	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception**
Composite Gross	1.11	29.33	5.31	13.59	20.25	20.02	16.77
Composite Net	0.60	28.03	4.25	12.46	19.05	18.82	15.60
Benchmark	0.88	27.81	4.22	11.42	17.69	16.20	12.59

*** Partial Period**
****Inception Date: 7/01/98**

Eaton Vance Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Eaton Vance Management has been independently verified for the period January 1, 1996, through March 31, 2011. Verification assesses whether (1) the firm has complied with all composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Eaton Vance - Parametric Structured Emerging Markets Master Composite has been examined for the period February 6, 2004, through March 31, 2011. The verification and performance examination reports are available upon request.

Please see Notes to Schedule accompanying these returns (SC 8).

Biographies

David Stein, Ph.D.
Chief Investment Officer
Mr. Stein leads Parametric's Investment, Research and Technology activities. David's experience in the investment industry dates back to 1987. Prior to joining Parametric in 1996, he held senior research, development and portfolio management positions at GTE Investment Management Corp., The Vanguard Group, and IBM Retirement Funds. He has additional experience as a Research Scientist with IBM Research Laboratories where he designed computer hardware and software systems. He has served on the After-Tax Subcommittee of the AIMR-PPS standards committee, and on the advisory board of the Journal of Wealth Management. David holds a number of patents and is published in multiple academic journals, including "Mathematics of Operations Research," "The Journal of Wealth Management" and the "Journal of Portfolio Management." He earned B.S. and M.S. degrees from the University of Witwatersrand, South Africa. He earned a Ph.D. in Applied Mathematics from Harvard University.

Thomas Seto, M.B.A.
Managing Director - Portfolio Management
Mr. Seto is responsible for all portfolio management at Parametric, including taxable, tax-exempt, quantitative-active and international strategies. Prior to joining Parametric in 1998, Thomas served as the Head of U.S. Equity Index Investments at Barclays Global Investors. He holds an M.B.A. in Finance from the University of Chicago, and a B.S. in Electrical Engineering from the University of Washington.

Jodi Wong, M.B.A.
Director - Emerging Markets Portfolio Management
Ms. Wong is the Director for Parametric's Structured Emerging Markets strategy. She is responsible for overseeing the portfolio management team managing all of the emerging markets products in the form of commingled vehicles and separately managed accounts. These duties include strategy implementation, cash management, rebalancing decisions, investment guideline protocols, and client service. Before joining Parametric in 2004, Jodi was a Portfolio Analytics Manager at GE Financial Assurance, with subsequent posts at Frank Russell Company and Quellos Fixed Income Advisors. She holds a B.A. in Biochemistry from Columbia University, a C.A.S. in Computer Science from Harvard University, and an M.B.A. from the University of Washington.

Brian Dillon
Director - Institutional Portfolio Manager
Mr. Dillon has responsibility for the development and distribution of Parametric's institutional investment products. As a member of the Portfolio Management and Product Management teams, Brian works to implement and develop Parametric's structured investment strategies as well as oversees ongoing client service needs. He joined Parametric in 2008 as a member of the Structured Emerging Markets Portfolio Management team. He has been in the investment industry since 1996 with specific experience in the institutional marketplace. Before joining Parametric, Brian spent seven years as Senior Portfolio Manager with Russell Investments where he worked closely with institutional clients to design, develop and implement complex asset transitions for both defined benefit and defined contribution plans. Brian has also worked in sales, trading and underwriting in the fixed income securities market. He holds a B.S. in Business Systems with a minor in Economics from Taylor University.

Rainer Germann, CFA
Portfolio Manager
Mr. Germann is a member of the Structured Emerging Markets Portfolio Management team. Previously, Rainer worked as a Portfolio Manager for Parametric's private client business and as a Research Analyst with the relationship management team for family office clientele. Prior to joining Parametric, he worked at Aon Re Services as a reinsurance consulting actuary in Chicago. He graduated from the University of Manitoba, Canada with a B.S. in Actuarial Sciences.

Thomas Hardy, CFA
Associate Portfolio Manager
Mr. Hardy is an Associate Portfolio Manager with Parametric's Structured Emerging Markets strategy. Thomas' experience in the investment management industry dates back to 1997. Prior to joining Parametric in 2008, he was a Senior Financial Trader at Washington Mutual and an Assistant Portfolio Manager at Asset Allocation & Management. He holds a B.A. in Business Administration from University of Washington.

Biographies

Ross Chapin, M.B.A.
Managing Director - Product Management
Mr. Chapin oversees business, product, and partner development. Prior to joining Parametric, Ross co-founded and managed a family-office sponsored private equity firm, Orca Bay Partners. Before forming Orca Bay, he held similar senior positions in private equity, mergers and acquisitions, and corporate finance with Capstan Partners, Ragen MacKenzie and Paine Webber. He earned an M.B.A from Columbia University and a B.A. from Denison University.

James Barrett
Managing Director - Institutional Sales & Client Service
Mr. Barrett manages a team of product specialists and leads the development of Parametric's institutional client base, both in the U.S. and globally. Prior to joining Parametric, James was with Russell Investments, where he held the position of Managing Director, Business Development - Americas. He also served as a member of the institutional investment group's senior management team overseeing Russell's institutional business. James received his B.A., Business Administration degree from the University of Washington and is also a Licensed Registered Representative, FINRA Series 7, 24 and 66.

Jeffrey Brown, CFA
Director - Wealth Management Portfolio Specialist
Mr. Brown is responsible for increasing the knowledge and use of all the Parametric products distributed in the wealth management channel. Jeffrey joined Parametric in 2000 as a member of the client service team. He has been in the investment industry since 1992 with specific experience in the wealth management marketplace. Before joining Parametric, he spent two years as Portfolio Manager, with Laird Norton Trust Company where he worked closely with taxable clients to design, develop and implement various portfolio solutions. Jeff has also worked at Quadra (now Blackrock) and the Russell Investment Group. He holds the CFA and is a member of the Seattle Society of Financial Analysts. He holds a B.A. in Business from the University of Washington.

Reuben Butler
Director - Institutional Portfolio Manager
Mr. Butler is responsible for supporting development and distribution of Parametric's institutional investment products. Prior to joining Parametric in 2011, Reuben was Director, APAC for Russell Indexes, where his responsibilities included the development and management of the Russell Index business throughout Asia and Australia/NZ. At Russell, his previous roles include Portfolio Trader, Portfolio Transition Manager and Associate Regional Director for Russell's implementation services and Russell's Americas institutional business. He received his B.A. from Seattle University.

Lee Thacker, CFA
Director - Trading
Mr. Thacker heads the Trading team for Parametric. Lee transferred to the trading desk after managing the implementation of the firm's Overlay account program. Prior to joining Parametric in 1998, he worked as a Staff Accountant at Moss Adams L.L.P. He also served as a Database Administrator for a small investment company in Bellingham, Washington. He graduated from Western Washington University with a B.A. in Accounting and minor in Business Administration.

Kim Day
Senior Trader
Ms. Day is one of the traders responsible for trading Parametric's Emerging Markets Strategy. Before joining Parametric, Kim was a Portfolio Assistant at Neuberger Berman in New York, with subsequent posts as an International Trader with Marsico Capital in Denver and with Fidelity Capital Markets in Boston. She holds a B.S. in Nutrition from the University of New Hampshire.

Stephen Daspit
Trader
Mr. Daspit trades in all markets at Parametric and has been with the firm for three years. Before joining Parametric, Stephen worked in operations management at UPS and corporate finance at Microsoft. He holds a B.A. in Business Administration from The University of Texas at Austin. While a student, he worked as an analyst for the MBA Investment Fund and for Murray & Company Asset Management.

Biographies

Travis Bohon, M.B.A.
Associate Portfolio Manager
Mr. Bohon is currently a member of the Structured Emerging Markets Portfolio Management team, and also spent four years on Parametric's OverlayOne Portfolio Management team. Previous to joining Parametric in 2006, Travis worked in software-related positions at Amazon, Checkpoint Software, and Boeing. He holds B.S. degrees in Mathematics and Statistics from Brigham Young University, and an M.B.A from the University of Washington.

Robert Yocum, M.B.A.
Associate Portfolio Manager
Mr. Yocum is an Associate Portfolio Manager with Parametric's Structured Emerging Markets team. Prior to joining Parametric in 2011, Robert worked as an Underwriter in Commercial Banking at Bank of America. He began his professional career as a Product Engineer at Eclipse, Inc. He holds a B.S. degree in Mechanical Engineering from the University of Illinois and an M.B.A. from the University of Washington.

Robert Osborne
Portfolio Analyst
Mr. Osborne is currently a member of the Structured Emerging Markets Portfolio Management team. Robert joined Parametric in 2008, in the Operations Department as a member of the Corporate Actions and Valuation team. Later, he worked as a portfolio accountant assigned to the emerging markets and international developed accounts. He graduated from Principia College with a B.A. in Political Science.

Paul Bouchey, CFA
Managing Director - Research
Mr. Bouchey is responsible for leading the Research and Product Development team. Prior to joining Parametric, Paul was a Senior Quantitative Research Analyst at Russell Investment Group. During his ten years with Russell, he focused on the research and development of simulation, optimization, and other quantitative decision models for institutional and private clients. He received a B.A. in Mathematics and Physics from Whitman College.

Vassilii Nemtchinov, Ph.D.
Director - Applied Research
Mr. Nemtchinov's primary responsibilities are the management and implementation of Parametric's product development research. Within his broader responsibilities, Vassilii maintains particular focus on Parametric's proprietary portfolio optimization technologies and advanced quantitative portfolio management. Prior to joining Parametric in 2003, he worked in both industry and academia. Vassilii holds a Ph.D. from State University of New York.

Timothy Atwill, CFA, Ph.D., FCAS
Director - Research & Strategy
Mr. Atwill is a member of the Research and Product Development team. Prior to his current role, Timothy worked at Russell Investments in their manager research unit, performing due diligence duties for the firm's consulting clients, and in their trading group, implementing derivative strategies for institutional clients. Prior to his time at Russell, he worked as a non-life actuary and derivatives Portfolio Manager at Safeco Insurance Company. He holds a Ph.D. in Mathematics from Dartmouth College, as well as a B.A. in Mathematics from Reed College.

Hemambara Vadlamudi, M.B.A.
Senior Researcher
Mr. Vadlamudi is responsible for working on prototyping research ideas and various research tasks. He also works on developing and supporting research simulation tools used by the portfolio managers to analyze the portfolio performance. Prior to joining Parametric, Hemambara worked as a Senior Software Engineer in the Ultrasound division at Philips Medical Systems. He received an M.B.A. from the University of Washington, and a B.S. in Electronics and Telecommunications Engineering from National Institute of Technology, India.

Biographies

Rodrigo Soto
Vice President, Institutional Business Development
Rodrigo is a vice president of business development at Eaton Vance Management. He is based in Seattle, Washington focusing on the institutional marketplace in the Western United States and Canadian territories. Before joining Eaton Vance in 2011, Rodrigo was head of Institutional Sales in the Western U.S. at State Street Global Advisors (SSGA), responsible for sales, marketing and distribution of SSGA's passive, enhanced and active strategies. Earlier, he was vice president, West Coast business development officer at Standish Mellon Asset Management. Mr. Soto began his career at State Street Bank & Trust. He earned a B.A. in economics from Boston College. He holds Series 7 and 63 licenses with FINRA.

Reuben Butler
Director - Institutional Portfolio Manager
Mr. Butler is responsible for supporting development and distribution of Parametric's institutional investment products. Prior to joining Parametric in 2011, Reuben was Director, APAC for Russell Indexes, where his responsibilities included the development and management of the Russell Index business throughout Asia and Australia/NZ. At Russell, his previous roles include Portfolio Trader, Portfolio Transition Manager and Associate Regional Director for Russell's implementation services and Russell's Americas institutional business. He received his B.A. from Seattle University.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.2 c

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Emerging Market Equity Manager Interview: Schroder Investment Management – Global Emerging Market Equities

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

10:45 a.m. Interview Schroder Investment Management – Global Emerging Market Equities

Below are the presenters:

Robert Davy – Deputy head of Global Emerging Markets
Jamie MacMillan – United States Institutional Business Development Director

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

General Firm Information

Firm Legal Name: Schroder Investment Management
Firm Headquarters: 31 Gresham Street
London, England EC2V 7QA
United Kingdom
Year Firm Founded: 1804
Registered Investment Advisor: Yes
Firm Website Address: www.schroders.com

Firm Background

With a history of over 200 years, Schroder is one of the largest asset managers listed on the London Stock Exchange. As of June 30, 2011, Schroder held $328.7 billion in client assets under management worldwide, 342 investment professionals (portfolio managers and analysts) and 32 offices in 25 countries. Schroder's current levels of expertise, market presence and client assets are the result of long-term growth over many decades and they endeavor to maintain a goal to build a world class asset management company that is diversified by product, by channel and by region.

The company is a purely focused asset management business offering clients tremendous breadth in locally managed products, delivered through a fully integrated global distribution platform. Schroder offers an extensive range of products and services. They manage portfolios across all asset classes, with specialist capabilities in equities, fixed income, private equity, property, hedge funds and structured products. This broad spectrum allows them to meet the clients' particular requirements for innovative products and services. The rationale behind an extensive range of products and services is adaptability to tailor products to meet the needs of different clients according to local culture, risk appetite and regulations. Schroder excels in the management of multi-asset portfolios, combining the best ingredients from a range of specialist components. Their clients include corporations, insurance companies, local and public authorities, charities, pension funds, high net worth individuals and retail investors.

Schroder has a unique corporate culture and philosophy that reflects the trusted heritage of the firm. Long-term thinking governs their approach to investing, building client relationships and growing their business. Schroder believes that a strict focus on investment management ensures that the long-term interests of the company are aligned with the investment objectives of the clients and to gain access to investment opportunities across geographies and asset classes and deliver consistently competitive risk-adjusted returns.

Schroder's global business is organized into three distinct divisions: Investment, Distribution and Private Banking.

Investment:

This division comprises all portfolio management, research and dealing functions, across the broad product range that is offered, covering most asset classes including equities, fixed income, multi-asset and alternatives. As a result, Schroder is able to offer products that are in demand at different phases of the economic and market cycle. There are 21 investment centers globally, offering international as well as local, specialist and scaleable investment products and solutions to meet the investment needs of the clients.

Distribution:

The Distribution division is responsible for the management and development of business, with all existing and prospective institutional and retail clients.

Private banking:

The Private Banking division offers a comprehensive wealth management service, including alternative investments and absolute return products to private individuals, family offices, trustees, charities, smaller institutions and investment holding companies.

Their Global Infrastructure platform provides and maintains the physical and virtual platforms necessary to support Investment and Distribution in delivering all aspects of the client proposition, while overseeing quality assurance and the control environment around the whole package. While Asset Management is the primary focus of its activities, Infrastructure also provides support to the other parts of the Group.

Ownership:

Schroder Investment Management North America Inc. (the firm) is an indirect wholly-owned subsidiary of Schroders PLC (Schroders), a public company and one of the largest asset managers listed on the London Stock Exchange. The firm is based in New York and acts as the SEC-registered investment advisor for Schroders in North America.

The Schroder Family holds 47.75% (as at 31 December 2010) of the Schroders voting equity in various nominee accounts. This promotes stability for clients. Detailed below are holdings greater than 3% as of 31 December 2010:

Owner	Class of shares	No. of voting rights held indirectly	% of voting rights held indirectly
Vincitas Limited *	Ordinary	60,951,886	26.97
Veritas Limited *	Ordinary	39,218,470	17.35
Flavida Limited #	Ordinary	60,951,886	26.97
Fervida Limited #	Ordinary	40,188,706	17.78

* Vincitas Limited and Veritas Limited act as trustee of certain settlements made by members of the Schroder family.
# The interests of Flavida Limited and Fervida Limited include interests in voting rights in respect of all the shares in which Vincitas Limited and Veritas Limited are interested as trustees.
The aggregate Schroder family interests have remained the same for many years.

Schroders employees' rights to and ownership of shares as a percentage of total shares in issue was approximately 5.5%.

They aim to ensure that the interests of employees are aligned with those of shareholders by deferring part of the annual bonus paid to key employees in the form of Schroders' equity. This deferred equity vests over a three-year period, ensuring that key employees have an incentive to remain with the firm. Around 30% of employees received an award of Schroders' equity from the 2010 incentive awards (the latest data available), spread across almost all of the locations in which the firm operates.

Joint Ventures

As a global asset manager, Schroders maintains investment, sales and client service offices in more than 25 countries around the world. For legal and regulatory purposes, the firm is often required to maintain locally registered, wholly owned subsidiaries for the purposes of conducting business in these countries. From an operations standpoint, however, Schroders strives to make these internal relationships as transparent as possible on the end client.

Prior or Pending Ownership Changes

There have been no recent nor are there any pending changes to this ownership structure.

Prior or Pending Litigation: yes

Explanation of Litigation

Certain Schroder Group undertakings are the subject of current or potential legal actions or regulatory reviews. They believe that none of these, either individually or in aggregate, is likely to have a material adverse effect on the group's financial position.

Schroder is in regular contact with regulators in connection with the proper supervision of business and co-operate with all enquiries. Details of any enquiries are only disclosed publicly when disciplinary action is taken, in cases where there are material rule breaches. Schroder is regulated by the Financial Services Authority (FSA). FSA fines and other sanctions are made public on the FSA register. No such instances have occurred to date, as you will see from a review of the register at www.fsa.gov.uk.

General Product Information

Product Narrative

Research & Screening Process

The stock selection process is driven by fundamental research conducted by 25 in-house analysts as of June 30, 2011, based across the world and thus in direct contact with the companies and markets which they are analyzing. The primary investment universe consists of all stocks in the MSCI Emerging Markets Index, although they also aim to find good investments from the wider emerging markets universe, both countries and stocks. The analysts' core focus is on the first 75% of market cap in each MSCI country index and as an indication 282 out of 810 stocks in the index were defined as core as at March 31, 2011. Stocks in the core coverage are expected to be modeled and graded at all times. Stocks below the 75% of market cap cut-off and non-index stocks are defined as non-core and, although followed, will only be modeled and graded on an opportunistic basis, i.e. if they are likely to be given the highest grade.

The research process is based on company contacts, of which there were over 3,500 in emerging markets in 2010. Through the extensive program of company visits they evaluate a company's management team, obtain key inputs for earnings models, assess the company's strategy and review their operations. Analysts then use Schroders' proprietary company valuation model (CVM) to generate three-year earnings and cashflow forecasts, and a range of valuation measures that include Price / Net Asset Value, Price / Book and Price / Cashflow ratios. A major input to the stock decision is an estimate of the fair value or, simply, what they believe a stock is worth in today's terms. These fair values are primarily based on Schroders' three-stage Discounted Cashflow (DCF) Model.

Following their intensive research of each stock, the analysts rate it from 1 to 4: 1 represents a high conviction that a stock will outperform the relevant country index and 4 a high conviction that it will underperform. There is no hold rating. To ensure they are providing conviction, the analysts are expected to have a minimum of 30% of their stocks graded 1 and a minimum of 30% graded 4. (in the case of Asia, the minimum proportion graded 1 is 30% and the minimum proportion graded 4 is

20%). In addition, high conviction grades (1s and 4s) are encouraged by the design of an assessment system for analysts.

All analyst output, including stock grades, valuation models and research notes, is stored in their proprietary Global Research investment Database (GRiD). This is a unique, intranet-based platform for processing and distributing research, which incorporates external research alongside internal coverage and delivers it to Schroders' network worldwide. This provides investment professionals with instant access to all research by analysts across the world and the ability to interrogate and aggregate data that has been compiled using consistent methodology and inputs.

Portfolio Construction & Risk Control Methodology

At the country level, allocation decisions are driven by the proprietary quantitative model with controlled judgmental overlay. The monthly strategy meeting, where the country allocation is discussed, is attended by all members of the Emerging Market Equities team. Therefore all of the fund managers and analysts contribute to the policy decisions affecting their areas of expertise. However the final allocation decision is owned by five key investment professionals: Allan Conway (Head of Emerging Market Equities), Robert Davy, James Gotto and Waj Hashmi (global fund managers) and Nicholas Field (Emerging Markets Strategist / Fund Manager). They cannot take an opposite view to a country decision from the model's recommendation but could be one move away e.g. neutral rather than overweight. In addition, there would need to be a 4:1 majority, if there is an override of the model’s recommendation.

It is generally intended that policy country weightings will only be altered once every quarter, as this helps control turnover and has been shown to improve performance, although if circumstances dictate, changes can be made at off-quarter monthly strategy meetings. At the stock level the three global fund managers construct a country portfolio for each country they are responsible for, after consulting with the relevant analysts. They focus on the analysts' highest conviction ideas, using 1- and 2-rated stocks where possible, and only use 3-or 4-rated stocks for risk control purposes to ensure that each portfolio is within its risk budget (tracking error target for each country of 8%, within a range of 2% to 12%). If 3-or 4-rated stocks are included in the portfolio they must be underweight. This is a dynamic process, with fund managers free to make changes to their country portfolios at any time.

Schroder believes risk is more actively managed in their investment process than is common in emerging market equity management. They believe it is a key differentiator of their process. Controls are in place at the portfolio construction stage, a sophisticated proprietary risk system (PRISM) and a comprehensive set of portfolio reviews. Risk guidelines, which include alpha-adjusted tracking errors and a stock stop-loss rule, are frequently monitored on several levels, assisted by the use of PRISM.

Buy/Sell Discipline

A decision to sell a stock, independent of those resulting from a country allocation decision, may be prompted by a change in an analyst’s recommendation or a stock price exceeding its fair value. They also implement a stock stop-loss policy which causes a stock to be sold if it underperforms by 15%

relative to the local market from purchase price or high since purchase. In exceptional circumstances they may allow a fund manager to override the stop-loss rule. Portfolios are reviewed every week to ensure that any overrides are fully discussed and justified. This is not a guaranteed stop-loss rule and may be temporarily suspended during periods of market volatility. A stock stop-buy list is reviewed at weekly investment team meetings. This acts as an idea generation tool as it alerts the team to stocks outside our portfolios which have appreciated relative to their local market by over 15%.

Trading Strategy

Schroders has a dedicated global equity trading operation is organized into four regional trading hubs (London, New York, Singapore and Sydney). Orders are normally traded by the hub covering the regional market, regardless of where the fund manager raising the order is located. This hub structure allows them to most effectively utilize both the experience of staff and thier trading capabilities in each market (enabling orders to be pooled; increasing crossing opportunities, where permitted; allowing active management of orders in all markets during market hours; and removing any self-competition in the market).

Trading strategy: For emerging markets mandates, Asian trades are conducted through the Singapore office, EMEA (Europe, Middle East, Africa) trades through the London office and Latin American trades through the New York office. There are four specialist equity traders in Singapore, four in London and two in New York (as at 31 March 2011).

Use of Derivatives

Derivatives Used in Managing This Product: Yes

Explanation of How Derivatives Are Utilized in Managing This Product:

Schroder does not invest in derivatives for this product. However, historically they have invested opportunistically in structured notes issued by well-known counterparties that can provide guaranteed index or index + exposure to certain markets or individual stocks. While such notes are not leveraged in any way they do involve counter-party risk on the issuer of the note in addition to the underlying market or equity risk. These notes are used either to add alpha, enhance liquidity/gain access or reduce risk if they feel the portfolio is not performing in a country over the short term - in other words, to alpha-adjust the tracking error ranges. The use of such instruments in the portfolios is currently minimal.

Global Emerging Markets Equities

August 2011

Presenting to: San Mateo County Employees' Retirement Association

Representing Schroders:

Robert Davy – Deputy Head of Global Emerging Markets

Jamie MacMillan – US Institutional Business Development Director

For Financial Intermediaries, Institutional* and Consultant Use Only.
Not for Redistribution Under any Circumstances.

*For face-to-face meetings only

Schroder Investment Management North America Inc.
875 Third Avenue, New York, NY 10022
(212) 641-3800

Schroders

Agenda

Schroders Overview & Philosophy

Investment process – Information gathering and processing

Investment process – Portfolio construction and maintenance

Team

Performance

Appendices:

A – Current strategy

B – Model enhancements

C – Competitor Analysis

D – Biographies

Schroders

Philosophy

We believe that **emerging stock markets are inefficient** and provide strong potential for adding value through active portfolio management. This value can be extracted through both country and stock selection. We believe that it is **inappropriate to apply a systematic style bias** across so many countries at such different stages of development. We believe that as portfolio managers we should manage both return and risk. Our aim is to achieve returns with the minimum level of risk through a **pro-active approach to risk control**. We believe that applying **a systematic, disciplined approach**, with a **strong team culture** increases our ability to add value.

Source: Schroders

Schroders

Why Schroders?

A worldwide team – dedicated to asset management

Focus

– Asset management is our sole business

Experience and independence

– Over 200 years of financial services experience

– Founding Schroder family still controls more than 47% of voting equity

Resources

– Well-established teams in all key investment regions

– 335 portfolio managers and analysts worldwide

– Over 2700 personnel in 25 countries

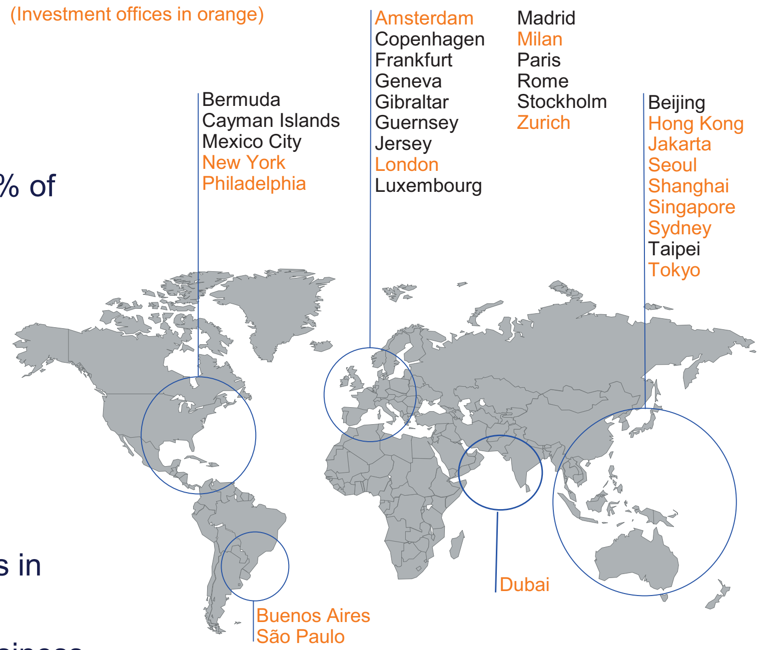
Financial strength

– $328.7 billion in AUM globally of which $26.2 billion is in Emerging Markets

– Over $1.3 billion surplus available for building the business

Schroders' offices

(Investment offices in orange)



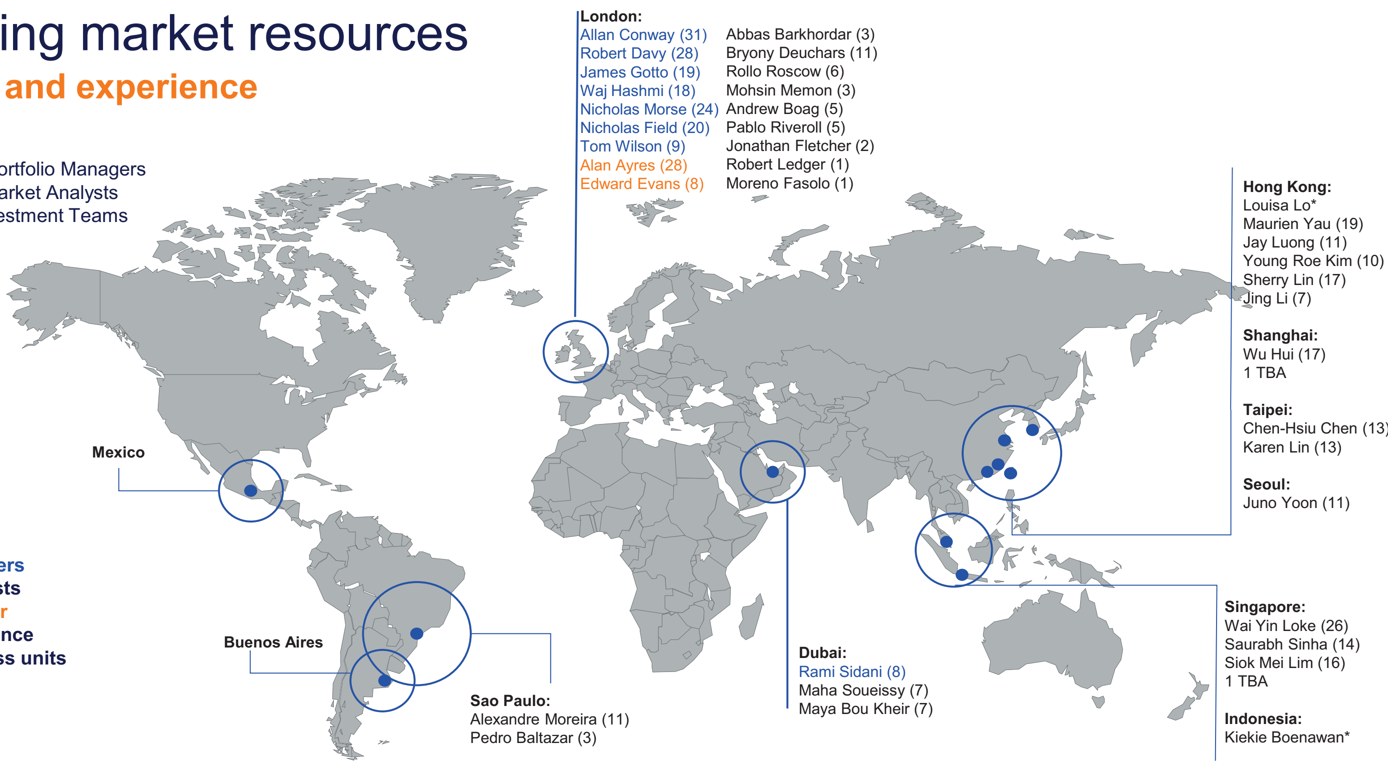
All statistics are as of June 30, 2011.
Source: Schroders

Schroders

Emerging market resources

Location and experience

Supported by:
5 Global Sector Portfolio Managers
50+ Developed Market Analysts
Locally based Investment Teams



37[1] INVESTMENT PROFESSIONALS WITH A TOTAL OF 432 YEARS OF EXPERIENCE (157 YEARS FOR FUND MANAGERS, 239 YEARS FOR ANALYSTS) AND AN AVERAGE OF 12 YEARS EXPERIENCE

Source: Schroders August 2011. [1]Includes 7 fund managers, 1 strategist/fund manager, 27 analysts (currently recruiting for 2 Asian analysts) and 2 product managers.
* Local office analysts/ portfolio managers; not involved in EM portfolio construction, but are a further source of expertise for the EM team to reference. Excluded from the 37 total in team.

Schroders

Schroders investment approach

Sources of outperformance

Investment Process

BALANCED approach targets 50% value added from stock and 50% from country decisions

QUANTITATIVE model with proven track record drives country decisions

FUNDAMENTAL stock research using proprietary stock research database/models (GRiD)

RISK CONTROLS, including alpha adjusted tracking error and stop:loss rules, ensuring a rigorous, pro-active approach

Team

37 Investment professionals

Average 12 years experience

Regional expertise locally based

Matrix approach

Global Resources

Central economics team

Global Sector Analysis

Use of Global Platforms (dealing, settlement, risk, research and performance)

Local business units in 8 Emerging Market countries

A disciplined, systematic approach with strong risk control implemented with conviction

Source: Schroders as of August 2011.

Schroders

Schroders investment approach

Objectives

Return	Aim to outperform MSCI Emerging Markets Index by 3.5% p.a. (gross) over 3 year rolling periods
Risk	Tracking error: 4.5-5% (2%-8%)
Characteristics	Style – stock and country inputs, no systematic bias Turnover 80%-100% p.a.* Portfolio of 90-130 stocks

Source: Schroders
*Turnover figures are based on the lesser of purchases and sales over mean market value

Schroders

Agenda

Schroders Overview & Philosophy

Investment Process – Information gathering and processing

Investment Process – Portfolio construction and maintenance

Team

Performance

Appendices:

A – Current strategy

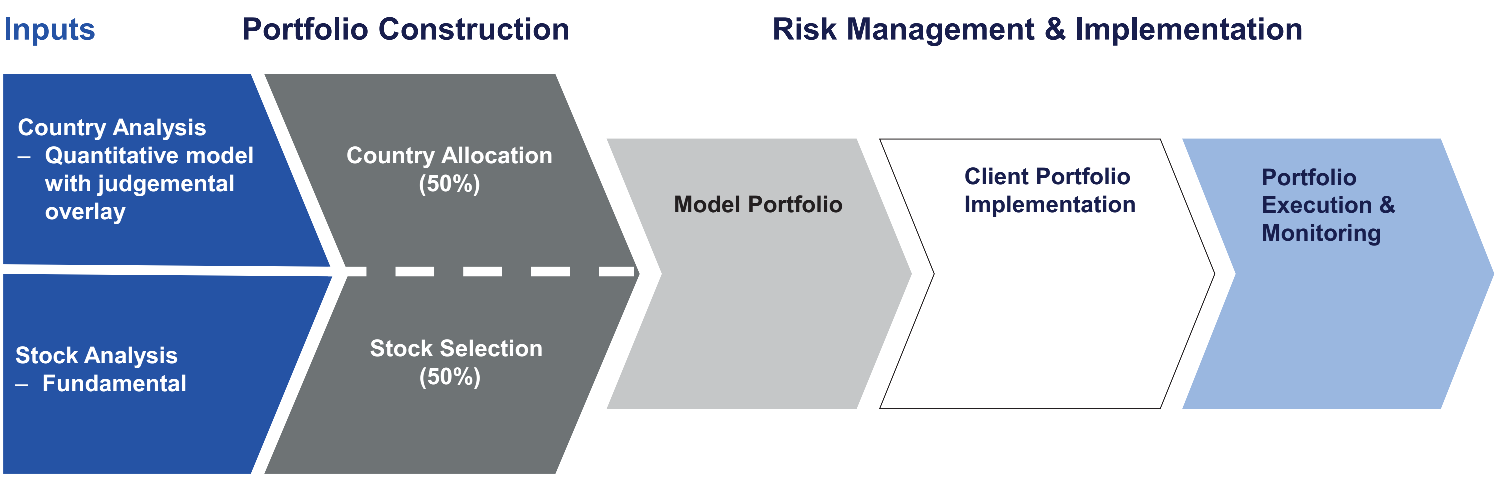
B – Model enhancements

C – Competitor Analysis

D – Biographies

Schroders

Emerging markets equity investment process



A disciplined, systematic process with a well resourced, experienced team

Schroders

Country analysis

The case for focusing on top down investment

The best market generally up over 100%, worst market generally off over 40%

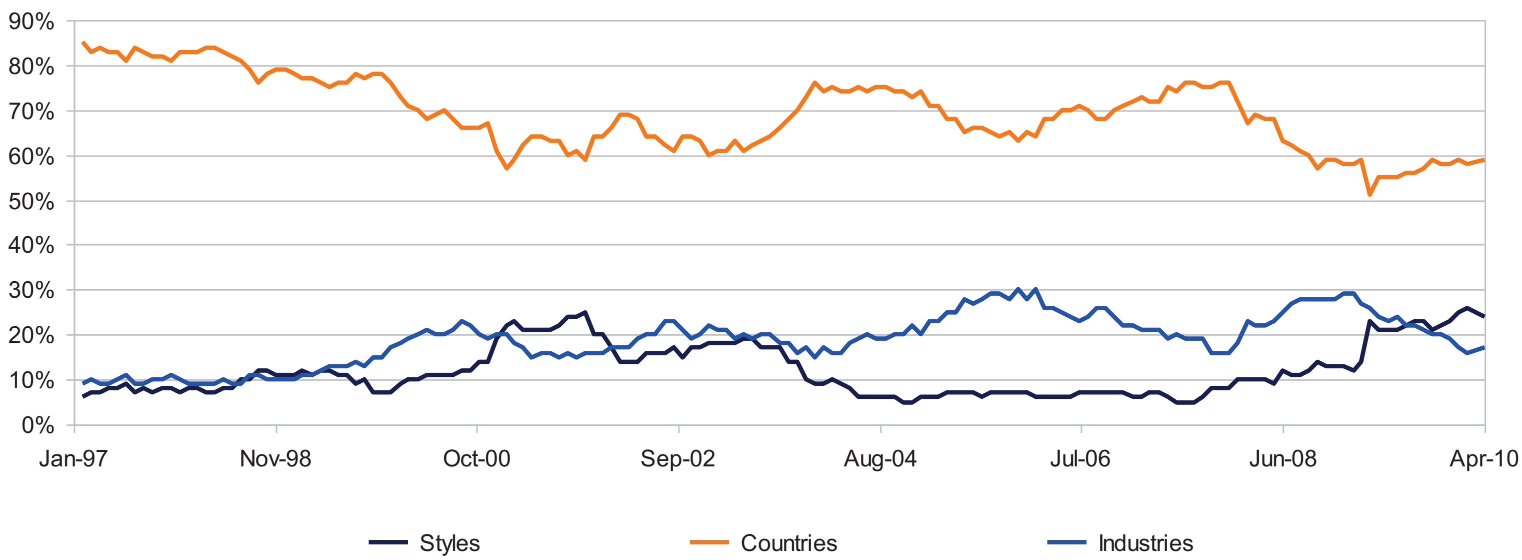
The worst stocks in the best market beat best stocks in the worst market most of the time (26 out of 34)

	Performance of			Performance of		
	Best market	Market	10 worst stocks*	Worst market	Market	10 best stocks*
1976	Argentina	457%	316%	Mexico	-28%	-8%
1977	Thailand	123%	174%	Argentina	-53%	-25%
1978	Argentina	166%	26%	Brazil	-23%	89%
1979	Argentina	250%	71%	Brazil	-38%	-42%
1980	Chile	74%	34%	Korea	-42%	-6%
1981	Jordan	49%	32%	Zimbabwe	-67%	-62%
1982	Thailand	18%	13%	Mexico	-79%	-67%
1983	Mexico	84%	29%	Greece	-57%	-49%
1984	Brazil	42%	-4%	Chile	-28%	1399%
1985	Zimbabwe	136%	178%	Venezuela	-30%	36%
1986	Philippines	363%	157%	Nigeria	-60%	-59%
1987	Turkey	241%	164%	Brazil	-66%	-36%
1988	Korea	107%	10%	Turkey	-65%	-61%
1989	Argentina	158%	-11%	Jordan	-4%	51%
1990	Greece	95%	37%	Brazil	-71%	-56%
1991	Argentina	442%	190%	Turkey	-48%	37%
1992	Colombia	37%	-8%	Turkey	-53%	-34%
1993	Poland	718%	500%	Venezuela	14%	14%
1994	Brazil	65%	3%	China	-49%	-26%
1995	Jordan	23%	-34%	Sri Lanka	-39%	-4%
1996	Venezuela	117%	114%	Thailand	-41%	-3%
1997	Turkey	110%	-4%	Thailand	-79%	-44%
1998	Korea	121%	-97%	Russia	-84%	-82%
1999	Russia	285%	384%	Slovakia	-24%	-14%
2000	Venezuela	24%	24%	Indonesia	-60%	-56%
2001	Korea	55%	-25%	Egypt	-43%	-32%
2002	South Africa	51%	-32%	Argentina	-51%	21%
2003	Thailand	147%	28%	Malaysia	25%	84%
2004	Egypt	134%	110%	Thailand	-3%	12%
2005	Egypt	163%	103%	Malaysia	2%	43%
2006	Peru	83%	85%	Israel	-6%	67%
2007	China	106%	-46%	Argentina	0.8%	28%
2008	Morocco	-17%	-47%	Russia	-73%	-49%
2009	Brazil	128%	56%	Morocco**	-5%	5%
2010	Thailand	56%	38%	Hungary**	-10%	-3%

Source: Standard & Poor / Factset. Data used is the S&P IFCG price returns index for 1977-88, the S&P IFCI price returns index for 1989-2008 and the MSCI Emerging Markets Index for 2009 & 2010. *Stocks are equal weighted.
**Market contains less than 10 constituents. Performance of top/bottom half of market is given.
Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Importance of country allocation in EM investment decision

Contribution of risk factors to explained Cross Sectional Volatility (CSV)



Opportunity for value added from country allocation is significant in emerging markets

Source: MSCI BARRA. Available data as at February 2011.
The contribution of risk factors to explained Cross-Sectional Volatility (CSV) indicates the relative importance of the country, industry, and style factors in driving cross-sectional volatility. The explained-to-total CSV ratio indicates the importance of common risk factors (as opposed to stock specific risks) in driving cross-sectional volatility: a higher ratio indicates a higher importance of common factors.

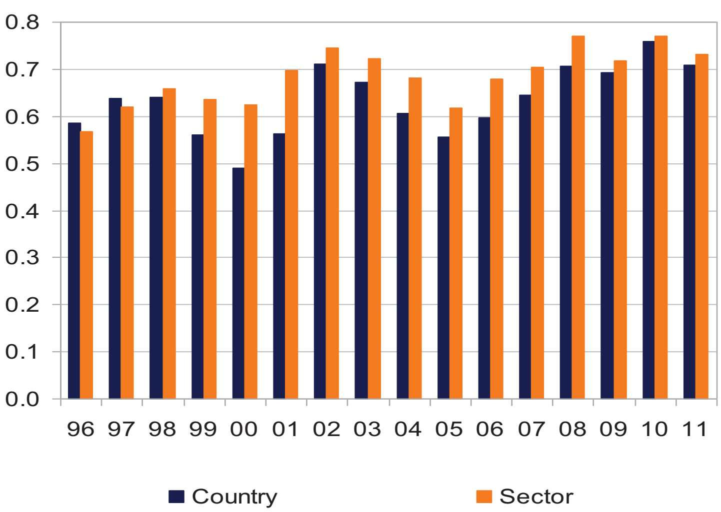
Schroders

Importance of country allocation in EM investment decision

Stock correlation to country and sector indices

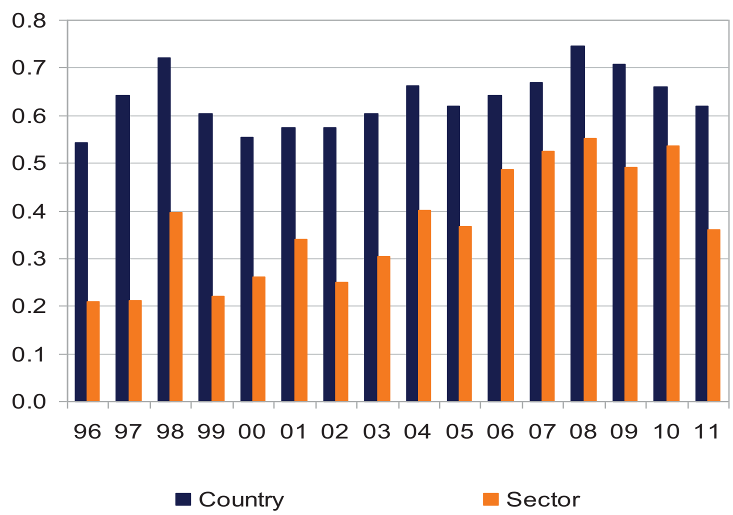
Developed World

52 week average correlation



Emerging World

52 week average correlation



Country allocation far more important in Emerging Markets than Developed Markets

Source: Datastream, UBS estimates. Data to July 2011.
Above charts shows the average correlation of weekly absolute returns of the largest 100 stocks in the MSCI index to their corresponding country and sector indices respectively.

Schroders

Country analysis

Top down quantitative model

Factors

Valuation 43%		Growth 15%		Currency / Risk 17%		Momentum 20%		Interest rates 5%	
Price/book	11%	Earnings growth	5%	Real exchange rate	8%	Price momentum (36m)	10%	Real interest rate	5%
P/E forecast	10%	Earnings revisions (3m)	7%	Current account/GDP	9%	Consensus			
Real earnings yield gap	10%	ROE	3%			Weighting deviation	10%		
5yr P/E	12%								

Model aims to ensure systematic coverage of all key factors in all markets

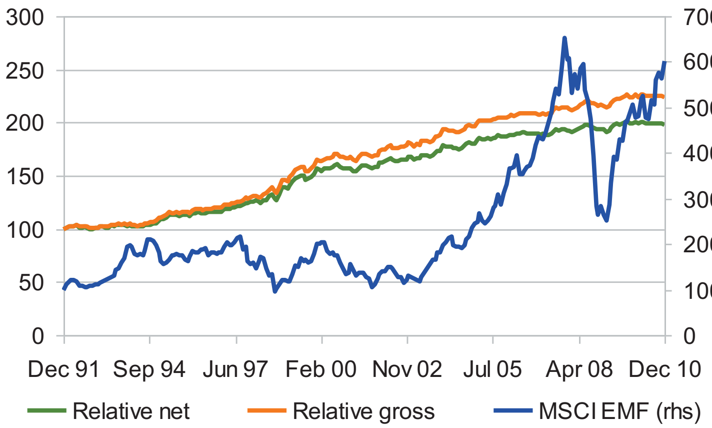
Source: Schroders
As of March 2011
The model takes the above mentioned factors into account in the percentages stated. Please see more details about the model on slide 14. Please see important information about models at the end of this presentation.

Schroders

Performance of GEM Model vs. MSCI EM

Performance of top down model

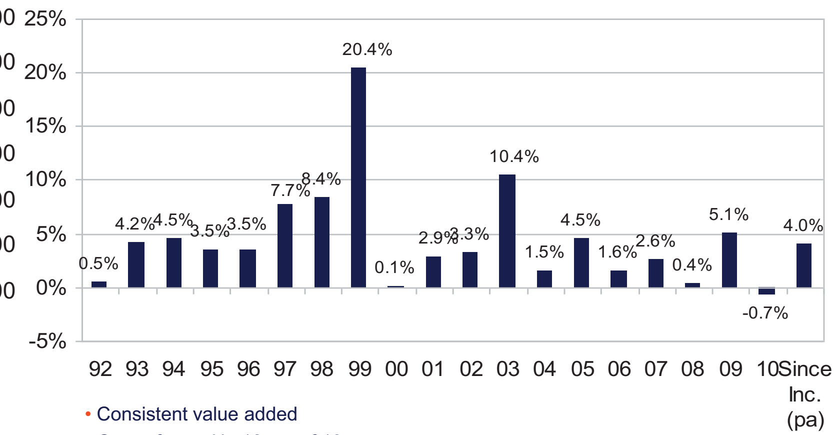
31 December 1991 = 100



Model returns (net of 1.65% transaction costs² x model turnover)

Annualized excess return	= 4.0%
Annualized tracking error	= 3.7%
Information ratio	= 1.1
Annual Turnover	= 39.4%

Annual relative performance (net)[1]



- Consistent value added
- Outperformed in 18 out of 19 years
- Underperformance in 2010 due to strong performance in relatively expensive countries such as Chile, Malaysia, Mexico and South Africa

Hypothetical results: For further information on the risks involved please refer to the Important Information slide

Model has provided consistent outperformance with low volatility

Source: Schroders. Data shown from December 31, 1991 to 31 December, 2010. Results based on theoretical model output. Back test period 1992-2009 (excluding the out of sample test period of 2004/2005). [1]Relative performance calculated arithmetically. [2]Transaction costs include: commission + trader timing + market impact costs for a round trip.

The performance shown above is the performance of a hypothetical portfolio, net of transaction costs. The performance does not represent the performance of an actual account, but instead is intended to indicate the impact that the GEM Model (a top down model for country selection) had on managed portfolios. Returns were calculated using end of day trading prices for the day of the quarterly team meeting at which country allocations were determined. Please see the end of the presentation for a description of the model and its limitations. Past performance is not necessarily a guide to future performance. The value of an investment can go up or down and is not guaranteed.

Schroders

Performance of GEM model during up and down years

December 1991 to December 2010

	Average relative performance	Outperformance	Underperformance
Down years	**3.8%**	**8** (+0.1% to +8.4%)	
Up Years	**4.9%**	**10** (+0.5% to +20.4%)	**1** (-0.7%)
		18	1

Model has performed well during up and down years

Source: Schroders. Relative performance calculated arithmetically.
The performance shown above is the performance of a hypothetical portfolio, net of transaction costs. The performance does not represent the performance of an actual account, but instead is intended to indicate the impact that the GEM Model (a top down model for country selection) had on managed portfolios. Returns were calculated using end of day trading prices for the day of the quarterly team meeting at which country allocations were determined. Please see the end of the presentation for a description of the model and its limitations. Past performance is not necessarily a guide to future performance. The value of an investment can go up or down and is not guaranteed.

Schroders

Country analysis

Global emerging market equity model - Example

Quantitative top down model scores and rankings

	Rank (Jul 11)	Score (Jul 11)	Rank (Apr 11)	Score (Apr 11)
Russia	1	70.7	1	72.5
Hungary	2	65.8	2	62.2
South Korea	3	57.8	3	57.4
China	4	56.4	4	56.8
Thailand	5	56.3	5	56.1
Turkey	6	55.6	6	53.8
Poland	7	53.6	8	50.9
Brazil	8	53.6	7	52.9
Egypt	9	48.9	9	49.7
Malaysia	10	44.0	16	40.1
Peru	11	43.5	10	48.0
Indonesia	12	43.1	13	44.0
Mexico	13	43.0	14	42.4
Czech Republic	14	42.2	11	46.1
Taiwan	15	41.8	12	44.5
India	16	41.0	18	37.9
Philippines	17	40.8	17	38.8
South Africa	18	39.6	15	41.3
Chile	19	36.0	19	37.0

Model is run monthly and countries ranked based on scores

Source: Schroders. July 2011.
The countries, scores and rankings shown are intended to illustrate the Top-down Model at a point in time, are subject to change and should not be viewed as an investment recommendation.

Schroders

Stock analysis

Universse

Min. 75% market capitalization coverage**

292 out of 824 MSCI EM are core stocks*

2,037 1:1 company contacts in 2010

Focus

Long term

Country not sector

Shareholder value and return

Sustainable competitive advantage

Tools

Schroder company valuation model

3-stage DCF analysis

Common research template

Output

Stocks graded 1-4

Fair values

Communication

Global Research Investment Database (GRiD)

Daily research calls

Monthly sector meetings

Detailed fundamental analysis on a minimum of 75% of the stocks in each country**

Source: Schroders
* as of June 30, 2011
**Except 70% Turkey, 70% South Africa, 79% Egypt and 53% Morocco.

Schroders

Stock analysis

	Latin America	EMEA[1]	Asia	Total
Total stocks in MSCI Emerging Markets index*	136	138	550	824
Core minimum coverage approx. 75% of index (market cap weighted)**	48	56	188	292
Average number of core stocks per analyst	12	14	13	12

Excellent stock/analyst ratios

Source: Schroders, MSCI
* As of June 30, 2011
** Except 70% Turkey, 70% South Africa, 79% Egypt and 53% Morocco. Coverage may be higher than 75% to ensure full sectoral coverage.
[1] EMEA includes 1 of the 2 MENA analysts based in Dubai responsible for covering stocks in Egypt and Morocco.

Schroders

Stock analysis

Non-core stocks

75% - 100% of MSCI Emerging Markets Index + non index stocks

Opportunistic – only detailed research if likely to be rated 1

Typically 10 -20 non-core stocks in portfolio representing about 10% of the portfolio

Analysts incentivized to find non-core stocks

Style

No imposed general style due to diversity of Emerging Markets

Analysts expected to fully justify their views and be right

Analysts incentivized to find medium/smaller cap stocks and do not have a style bias imposed

Schroders

Stock analysis

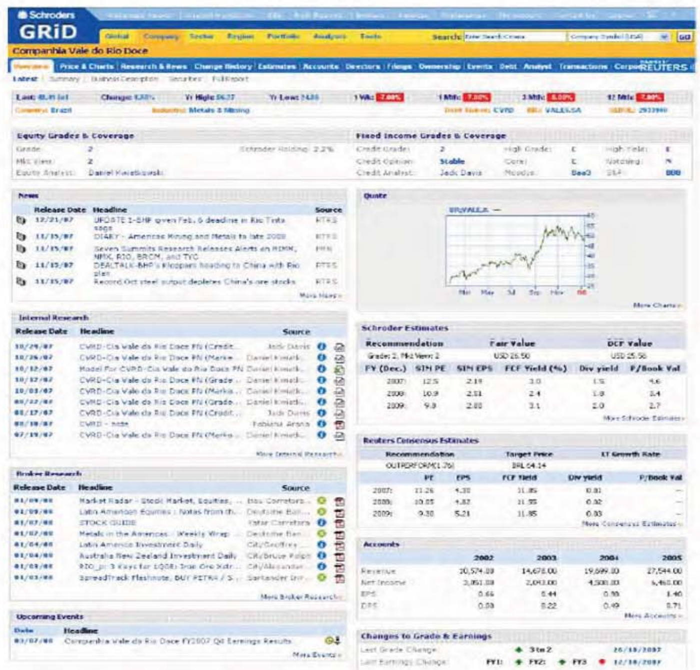
Global Research Investment Database – "the GRiD"

Intranet based

Consistent modelling and valuation disciplines

Consistent economic, currency and pricing assumptions

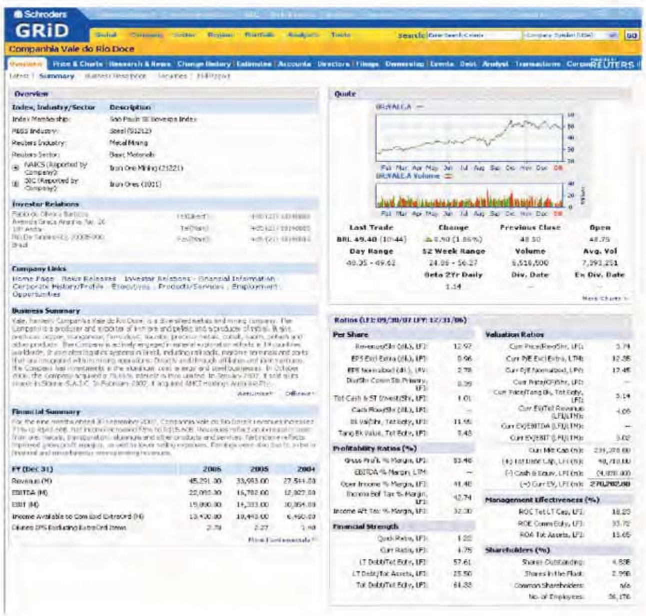
Enables quantitative measurement of analysts' impact

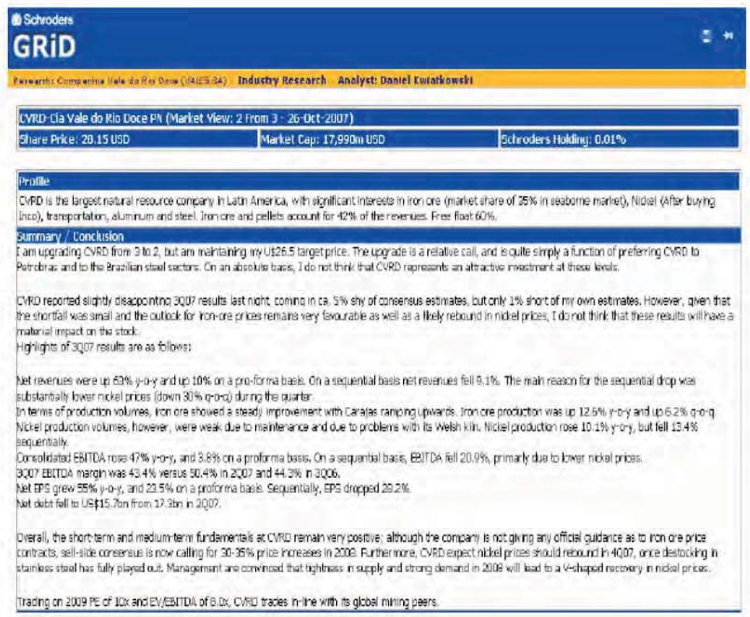


Source: Schroders
Use of GRiD is for illustrative purposes only. All security information is for illustrative purposes and is subject to change at any time. Not to be considered a recommendation to buy/sell.

Stock analysis

Global Research Investment Database – “the GRiD”





Source: Schroders
Use of GRiD is for illustrative purposes only. All security information is for illustrative purposes and is subject to change at any time. Not to be considered a recommendation to buy/sell.

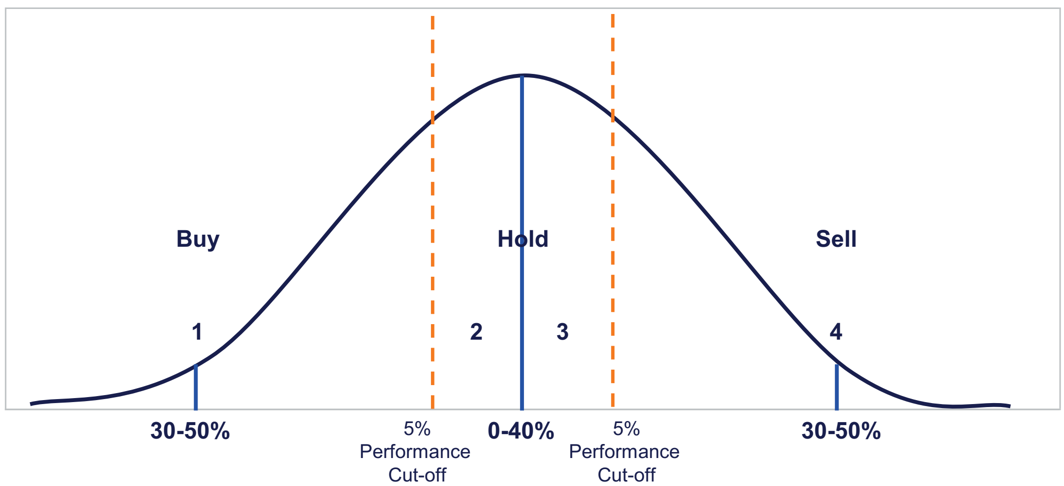
Stock rankings

1 High conviction outperform
2 Low conviction outperform
3 Low conviction under-perform
4 High conviction under-perform

1's and 4's evenly split

5% performance cut off to encourage conviction

Stocks ranked 1-4 and distributed across the country index*



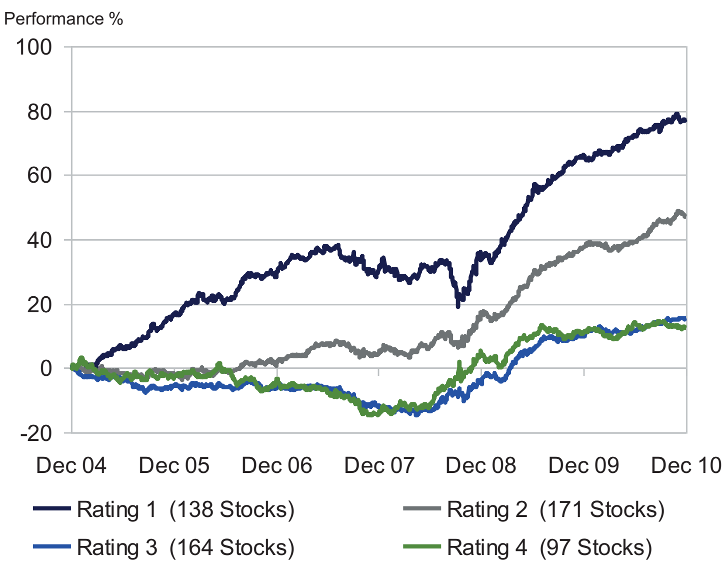
Conviction achieved through normal distribution requirement and +/- 5% cut off for 2 and 3 ranked stocks

*Note: Applies to Latin America and EMEA. Asia is minimum 30% 1's and 20% 4's
Source: Schroders

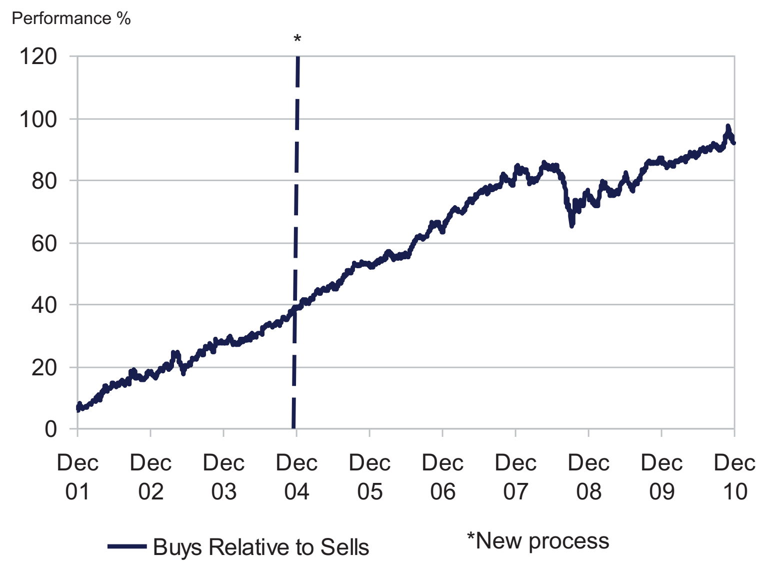
Schroders

Stock analysis - Rankings

Rankings history - GEM



Rankings history - GEM



Strong track record of adding alpha from stock research

Source: Schroders. Data as of December 31, 2010.
Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.
The performance shown is that of the stocks covered by our analysts ranked by ratings. The ratings (1 : strong buy, 2: buy, 3:sell to 4 : strong sell) are attributed by each analysts on the stocks they cover.

Schroders

Stock analysis

Weekly Analyst Scoresheets

Weekly analysis per analyst:

- Ranking performance per country
- Distribution of rankings in core stocks
- Number of ranking changes year to date
- Percentage of market ranked (core plus non-core)
- +/- 5% cut off for 2's and 3's

Analyst Scores - EMEA - 30 June 2011

	Market		MSCI Wgt	Total Wtd Scores	No. of Stocks Ranked Core	Non-core	No. of Stocks in Market	% Rated by Market Cap	1's	2's	3's	4's	T/O Limit	T/O
Mohsin Memon		4.44		2.27	18	5	25							
	Czech Republic	0.87	**0.04**	-0.09	3	0	3	100%	56%	20%	24%	0%	3	2
	Turkey	0.99	**0.16**	0.33	13	2	22	80%	33%	30%	20%	17%	13	1
	Russia	2.58	**0.79**	2.03	2	3	27	15%	75%	25%	0%	0%	2	0
Bryony Deuchars		-4.23		-5.68	6	1	49							
	Poland	-3.51	**0.11**	-0.54	0	0	21	0%					0	0
	Russia	4.19	**0.43**	2.51	0	0	27	0%					0	0
	South Africa	-4.91	**0.46**	-7.65	6	1	49	28%	30%	8%	20%	42%	6	0
Tom Wilson		2.61		-1.11	18	6	70							
	Turkey	13.01	**0.14**	2.69	0	2	22	0%					0	0
	Russia	-2.89	**0.69**	-2.57	12	4	27	69%	50%	30%	16%	4%	12	4
	Poland	-7.51	**0.17**	-1.23	6	0	21	64%	37%	10%	36%	16%	6	1
Rollo Roscow		-9.35		0.17	15	10	53							
	Hungary	8.62	**0.05**	1.02	3	1	4	91%	32%	18%	49%	0%	3	2
	South Africa	2.53	**0.93**	1.78	12	5	49	42%	48%	12%	15%	26%	12	4
	Slovenia	0.00		0.00	0	0	4	0%					0	0
	Kazakhstan	-16.84	**0.01**	-2.65	0	3	3	0%					0	0
	Ukraine	-3.66	**0.00**	0.01	0	1	7	0%					0	0
South Africa Total		-2.38		-5.87	18	6	49	69%	41%	10%	17%	32%	18	4
Russia Total		6.77		4.54	2	3	27	15%	54%	29%	13%	3%	2	0

Czech –	56% = Cez	Kazakhstan –	106% = Kazakhmys
	24% = Komercni Bank		79% = Kazmunaygas
Hungary –	45% = OTP		72% = ENRC
	29% = MOL Magyar	Russia -	28% = Gazprom

Source: Schroders. All security information is for illustrative purposes and is subject to change at any time. Not to be considered a recommendation to buy/sell.

Sector analysis

Secondary but important input

Monthly meeting to investigate anomalies

- **between markets**
- **relative to model**

Review major/globalized sectors on quarterly basis

Global Sector Analysis

EM Portfolio

Data As Of 01-Jul-2011	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecommunication Services	Utilities	Total	MSCI	Load Diff	Tgt Load
Brazil	2.79%	3.56%	1.16%	1.81%	0.89%	0.00%	4.12%	0.00%	0.45%	0.86%	15.64%	15.64%	0.00%	0.00%
Mexico	0.00%	0.00%	0.14%	0.00%	0.73%	0.00%	0.49%	0.00%	0.64%	0.00%	2.00%	4.42%	-2.42%	-2.42%
Chile	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.70%	-1.70%	-1.70%
Colombia	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.84%	-0.84%	-0.84%
Peru	0.00%	0.17%	0.00%	0.00%	0.00%	0.00%	0.29%	0.00%	0.00%	0.00%	0.53%	0.46%	0.07%	0.00%
Latin Total	2.79%	3.73%	1.30%	1.81%	1.62%	0.00%	4.89%	0.00%	1.09%	0.86%	18.18%	23.06%		
MSCI Latin Total	3.62%	5.40%	1.04%	1.27%	2.92%	0.15%	4.95%	0.33%	1.99%	1.39%	23.06%			
Czech Republic	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.37%	0.37%	0.37%	0.00%	0.00%
Russia	5.44%	1.13%	0.29%	0.00%	0.52%	0.00%	1.78%	0.00%	0.39%	0.00%	9.55%	6.87%	2.68%	2.68%
Poland	0.27%	0.28%	0.00%	0.27%	0.00%	0.00%	0.89%	0.00%	0.00%	0.00%	1.70%	1.70%	0.00%	0.00%
Hungary	1.11%	0.00%	0.00%	0.00%	0.00%	0.42%	1.39%	0.00%	0.19%	0.00%	3.10%	0.42%	2.68%	2.68%
Morocco	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.15%	-0.15%	-0.15%
Turkey	0.12%	0.00%	0.42%	0.00%	0.36%	0.00%	1.51%	0.00%	0.45%	0.00%	2.86%	1.38%	1.48%	1.48%
Egypt	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.34%	0.00%	0.00%	0.00%	0.34%	0.34%	0.00%	0.00%
South Africa	0.81%	0.56%	0.60%	0.50%	0.29%	0.00%	1.02%	0.00%	0.97%	0.00%	4.75%	7.27%	-2.52%	-2.52%
EMEA Total	7.75%	1.97%	1.31%	0.76%	1.17%	0.42%	6.93%	0.00%	2.00%	0.37%	22.68%	18.51%		
MSCI EMEA Total	5.18%	3.06%	0.56%	1.07%	0.78%	0.25%	4.94%	0.03%	1.92%	0.70%	18.51%			
China	4.76%	0.87%	0.98%	1.97%	0.26%	0.00%	8.00%	1.15%	2.41%	0.47%	20.86%	17.18%	3.68%	3.68%
India	0.35%	0.38%	0.39%	0.00%	0.00%	0.00%	1.58%	0.58%	0.00%	0.00%	3.28%	7.30%	-4.02%	-4.02%
Indonesia	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.62%	-2.62%	-2.62%
Malaysia	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.14%	-3.14%	-3.14%
Philippines	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.56%	-0.56%	-0.56%
Korea	0.78%	1.82%	1.30%	5.34%	1.10%	0.00%	3.08%	4.65%	0.45%	0.00%	18.52%	14.84%	3.68%	3.68%
Taiwan	0.00%	2.13%	0.33%	0.00%	0.00%	0.00%	1.74%	6.05%	0.87%	0.00%	11.12%	11.12%	0.00%	0.00%
Thailand	2.07%	0.00%	0.00%	0.00%	0.52%	0.00%	1.73%	0.00%	0.00%	0.00%	4.32%	1.66%	2.66%	2.66%
Asia Total	7.96%	5.19%	3.01%	7.31%	1.88%	0.00%	16.13%	12.43%	3.73%	0.47%	58.11%	58.43%		
MSCI Asia Total	5.71%	6.46%	5.86%	5.33%	2.99%	0.62%	14.78%	11.84%	3.38%	1.46%	58.43%			
											100.1%	100.0%		
Total	18.49%	10.90%	5.62%	9.88%	4.67%	0.42%	27.95%	12.43%	6.83%	1.71%	100.0%			
MSCI	14.51%	14.93%	7.46%	7.67%	6.69%	1.03%	24.68%	12.21%	7.28%	3.55%	100.0%			
Load Difference	3.98%	-4.03%	-1.85%	2.21%	-2.02%	-0.61%	3.28%	0.23%	-0.45%	-1.84%				
Last Month	4.16%	-3.35%	-1.61%	2.13%	-2.64%	-1.03%	4.69%	-0.54%	-0.68%	-2.35%				
										Cash	1.11%			

Monthly review of portfolios from a sector perspective

Source: Schroders. July 2011
Sectors and countries mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Sector model

Jul-11	RANK	VALUE	PE	PE t+12	DY	PB	CF	QUALITY (ROE)	MOMENTUM	Price Momentum	EPS	ECONOMICS	US10y	ISM Prices Paid	ISM New Orders Index	Semiconductor Prices
		47%	7%	14%	7%	10%	9%	3%	16%	8%	8%	34%	8%	10%	9%	7%
Energy	1	2	1	1	4	5	2	9	1	1	1	5	1	10	1	10
Materials	2	7	6	2	7	4	5	5	3	4	4	4	5	9	3	5
Telecoms	3	1	2	4	1	5	1	10	10	9	10	10	9	4	4	8
Industrials	4	4	5	5	6	3	4	7	8	5	9	2	3	6	7	1
Financials	5	3	3	3	2	1	9	1	5	6	3	3	4	7	5	6
Utilities	6	6	7	6	3	2	3	8	9	10	5	8	7	3	6	7
IT	7	5	4	7	5	7	6	6	6	8	6	6	2	8	2	9
Consumer Discretionary	8	9	9	8	9	10	7	4	4	3	7	1	6	2	9	2
Healthcare	9	8	10	10	10	8	10	3	7	7	8	9	8	5	8	4
Consumer Staples	10	10	8	9	8	9	8	2	2	2	2	7	9	1	10	3

Proprietary sector model provides a monthly 'sense' check

Source: Schroders, July 2011
The Sectors/Securities shown above are for illustrative purposes only and are not to be considered a recommendation to buy/sell.

Schroders

Emerging markets sector model

Value (47%)
1 Yr Forward P/E 14%
Trailing P/E 7%
Dividend Yield 7%
Price to Book 10%
Price to Cash flow 9%

Quality (3%)
Forward ROE 3%

Momentum (16%)
12m Price Momentum 8%
3m Earnings Revision 8%

Economic (34%)
1m Change in US 10Yr Bonds 8%
1m Change in Prices Paid 10%
6m Change in New Orders 9%
3m Change in Semi-conductors 7%

Hypothetical results: Please refer to the Important Information page

Composite sector selection model : Cumulative excess return of quintiles

	Performance Q1-Q5, %p.a.	Sharpe Ratio Q1-Q5
In Sample	31%	1.33
Out of Sample	28%	2.01
Total	29%	1.51

Sector model has had good record of adding alpha

Source: Schroders. Performance model is shown without making an allowance for advisory fees. The chart above shows hypothetical returns prepared by using day-end trading data for the hypothetical portfolio for the day of the quarterly team meeting at which sector allocations are determined. The presentation is not intended to reflect historical performance but only to provide an indication of the impact of one component—sector allocation—of our management of emerging market portfolios. Please see the description of the model and its limitations at the end of this presentation. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Schroders

Sector analysis

EM Portfolio vs Model - Country View

Tolerance +/- 5%	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Health Care	Financials	Information Technology	Telecommunication Services	Utilities	Total
Brazil		under	over	over					under	under	
Mexico		UNDER	under		OVER		OVER		under		
Chile			under		under		under			under	
Colombia	UNDER						under				
Peru		UNDER					OVER				
Latin Total											
Czech Rep.							UNDER		UNDER		
Russia	under				under		under		over		
Poland	under	under		OVER			OVER			under	
Hungary						over	under		under		
Morocco											
Turkey			under		over						
Egypt			UNDER						UNDER		
S. Africa		under	over	over	over		under				
EMEA Total											
China	under			over	over		under		under		
India		under		under			over	over		UNDER	
Indonesia	under	under		UNDER			under		under		
Malaysia				UNDER			under		under	UNDER	
Philippines			UNDER						UNDER		
Korea		under	under	over	over		under	under	under		
Taiwan		under	under						over		
Thailand		under			over		over				
Asian Total											
Total		UNDER	under	OVER			over		under	under	

Sector exposure compared with sector model output

Source: Schroders, July 2011
Sectors and countries mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Agenda

Schroders Overview & Philosophy

Investment Process – Information gathering and processing

Investment Process – Portfolio construction and maintenance

Team

Performance

Appendices:

A – Current strategy

B – Model enhancements

C – Competitor Analysis

D – Biographies

Schroders

Country allocation

Global emerging market equity model - Example

Country	MSCI Index	Rank	Abs	Rel
Russia	6.80%	1	9.90%	3.10%
Hungary	0.40%	2	3.50%	3.10%
South Korea	15.20%	3	18.30%	3.10%
China	17.20%	4	20.30%	3.10%
Thailand	1.70%	5	4.80%	3.10%
Turkey	1.30%	6	4.40%	3.10%
Poland	1.70%	7	1.70%	0.00%
Brazil	15.40%	8	15.40%	0.00%
Egypt	0.30%	9	0.30%	0.00%
Malaysia	3.10%	10	3.10%	0.00%
Peru	0.40%	11	0.40%	0.00%
Indonesia	2.60%	12	2.60%	0.00%
Mexico	4.40%	13	4.40%	0.00%
Czech Republic	0.40%	14	0.00%	0.40%
Taiwan	11.20%	15	6.20%	5.00%
India	7.30%	16	2.30%	5.00%
Philippines	0.60%	17	0.00%	0.60%
South Africa	7.30%	18	2.30%	5.00%
Chile	1.70%	19	0.00%	1.70%
Others	1.00%		0.00%	1.00%
	100.0%		100.0%	

18.7%

Rankings - Weightings

Identify top and bottom 6 countries

Take bottom 6 countries to zero or maximum 5% underweight

Redistribute proceeds equally across top 6 markets

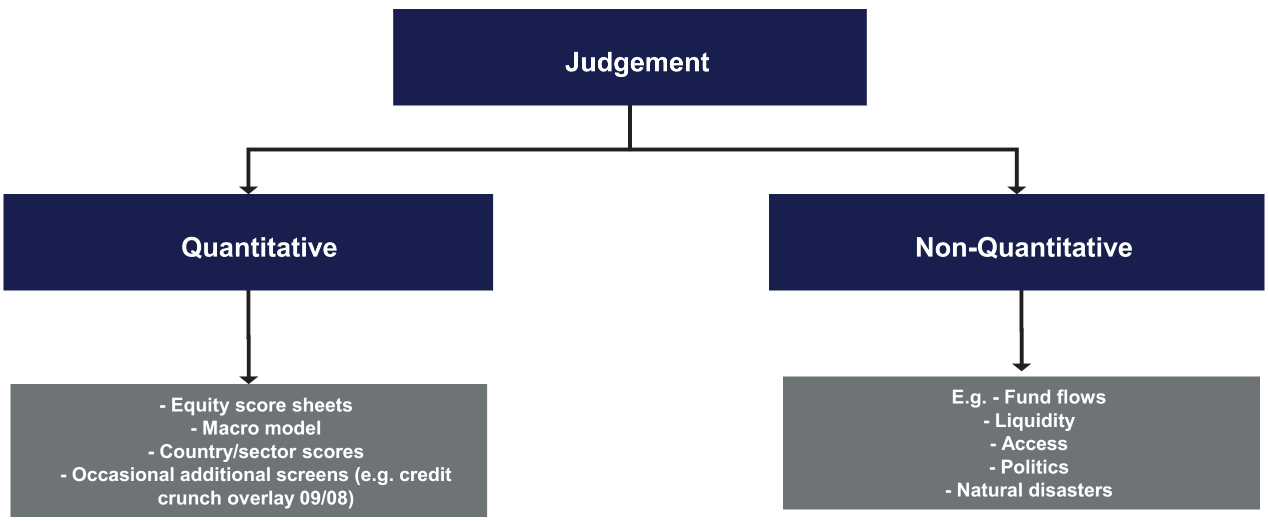
Rather than optimization, a simple 'worst to best' asset allocation approach is used

Source: Schroders, July 2011. * Colombia and Morocco, 0 unless strong stock opportunity.
Countries mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Country allocation

Analysis of judgement



Judgemental overlay is applied only in exceptional circumstances

Schroders

Equity scoresheet

	VALUATION RANKS (40%)						GROWTH RANKS (40%)								FUND FLOW & TECHNICAL (20%)						OVERALL EQUITY RANK	
	12MF P/E		12MF P/E		*Valuation*		12MF EPS Growth		SIM Growth		Upside to FV		*Growth*		Funds Flow		Technical Score		*Technical*		Ranking	
July-11	**vs History**	*Prev*	**Rel EMF**	*Prev*	***Sub-Total (40%)***		**vs History**	*Prev*		*Prev*			***Sub-Total (40%)***		**% of assets**	*Prev*	**SIM Avg**	*Prev*	***Sub-Total (20%)***			***Prev***
Weighting	20%		20%		*/ 19*	*/ 17*	13%		13%		13%		*/ 19*	*/ 19*	10%		10%		*/ 19*	*/ 19*	**/ 19**	***/ 19***
China	3	(3)	3	(3)	3	(3)	4	(4)	9	(9)	1	(1)	3	(4)	15	(11)	18	(11)	17	(9)	1	(1)
Peru	7	(11)	6	(9)	7	(11)	7	(5)	1	(1)	2	(10)	2	(3)	6	(19)	19	(14)	14	(19)	2	(10)
Hungary	4	(7)	7	(7)	6	(6)	5	(7)	8	(8)	5	(6)	5	(5)	8	(10)	11	(9)	7	(8)	3	(5)
Russia	2	(2)	1	(1)	1	(1)	6	(6)	6	(5)	19	(19)	11	(7)	12	(13)	10	(13)	12	(16)	4	(2)
Thailand	6	(5)	4	(6)	4	(4)	10	(10)	5	(6)	9	(16)	7	(10)	10	(15)	14	(9)	13	(12)	5	(8)
Taiwan	1	(1)	2	(2)	1	(1)	11	(12)	17	(17)	14	(17)	16	(16)	4	(4)	15	(6)	7	(4)	6	(6)
Poland	10	(8)	9	(8)	9	(9)	9	(9)	10	(11)	10	(8)	8	(9)	1	(2)	7	(2)	3	(1)	7	(4)
Malaysia	9	(4)	12	(11)	11	(8)	8	(8)	14	(15)	8	(2)	10	(8)	2	(3)	1	(6)	1	(3)	8	(3)
South Africa	13	(13)	18	(18)	16	(15)	1	(2)	2	(2)	4	(4)	1	(1)	11	(14)	9	(4)	9	(7)	9	(9)
South Korea	8	(9)	10	(10)	8	(10)	13	(11)	15	(14)	12	(13)	14	(14)	9	(9)	3	(1)	5	(4)	10	(11)
Czech Republic	5	(6)	5	(5)	4	(4)	17	(17)	19	(19)	7	(9)	17	(18)	18	(16)	7	(8)	14	(12)	11	(12)
Egypt	12	(10)	8	(4)	10	(6)	3	(3)	12	(12)	6	(11)	6	(6)	19	(18)	16	(4)	19	(9)	12	(7)
Mexico	19	(19)	19	(16)	19	(17)	2	(1)	4	(3)	11	(5)	4	(2)	16	(8)	4	(16)	9	(12)	13	(13)
Indonesia	16	(16)	17	(19)	17	(17)	12	(13)	7	(7)	17	(15)	13	(13)	5	(5)	2	(3)	2	(2)	14	(15)
Chile	15	(15)	15	(15)	14	(14)	14	(15)	13	(13)	13	(12)	14	(15)	3	(17)	5	(11)	3	(17)	15	(18)
Brazil	18	(18)	16	(17)	18	(17)	15	(16)	11	(10)	3	(3)	8	(12)	7	(7)	11	(18)	6	(15)	16	(16)
India	14	(14)	14	(12)	13	(13)	16	(14)	3	(4)	15	(14)	12	(11)	13	(6)	13	(17)	16	(11)	17	(14)
Philippines	11	(12)	11	(13)	12	(12)	18	(18)	16	(16)	18	(18)	18	(19)	14	(1)	6	(14)	9	(6)	18	(17)
Turkey	17	(17)	13	(14)	14	(15)	19	(19)	18	(18)	16	(7)	19	(17)	17	(12)	17	(19)	18	(18)	19	(19)

Our views recorded in a systematic, disciplined way

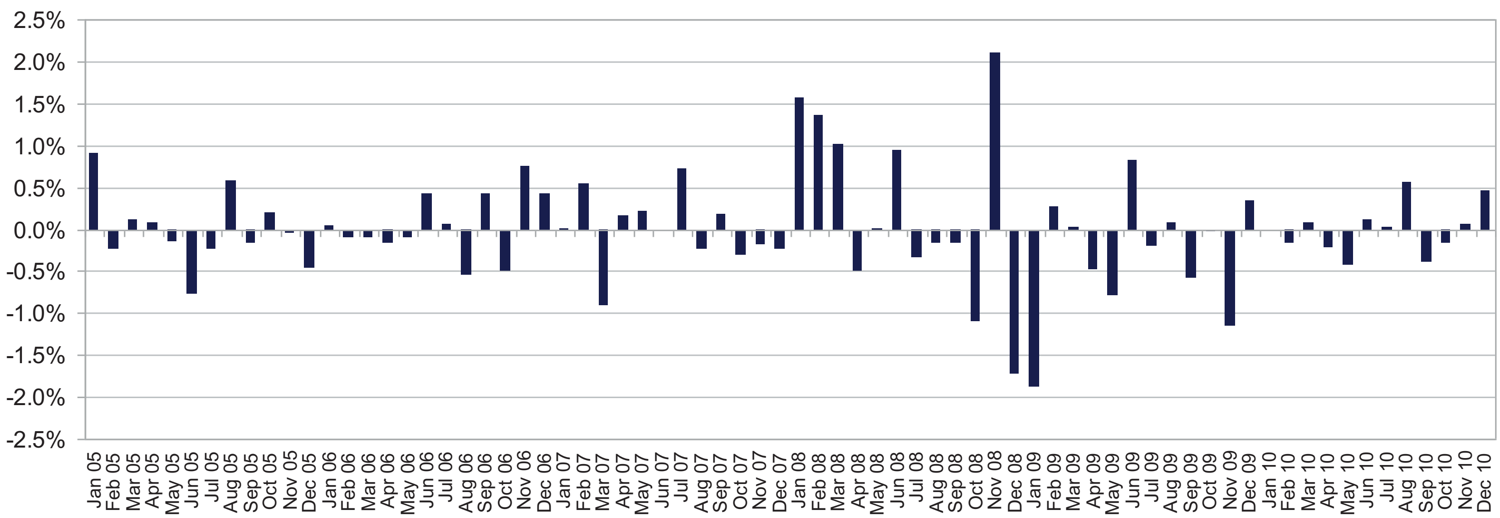
Source: Schroders, July 2011

Information is for illustrative purposes only and is subject to change. Not to be considered a recommendation to buy/sell.

Equity scoresheet proof statement for EM

Equity scoresheet excess

-0.05% p.a. underperformance, with 2.21% Tracking Error



Mixed evidence of alpha in the equity scoresheet

Source: Schroders. December 2010. Outperformance is calculated vs. the MSCI EM Index
Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed. Performance shown is gross of fees. For further information on the risks involved please refer to the Important Information slide.

Schroders

Macro-economic scoresheet

Factors

% in up model / % in down model

Trade 37/33%		Growth 19/12%		Monetary 27/41%		Currency 12/9%		Deficit/Unemployment 5/5%	
Trade Balance	8/5%	GDP	7/12%	M4	13/20%	Currency	12/9%	Deficit	5/0%
Export Growth	9/20%	Ind Production	12/0%	CPI	14/21%			Unemployment	0/5%
Import Growth	9/0%								
Terms of Trade	0/8%								
CA	11/0%								

Source: Schroders
As of December 2010.
Please see the description of the model and its limitations at the end of this presentation.

Macro-economic scoresheet

Up model

July-2011	TOT	Trade Balance	Export Growth	Import Growth	Current Account	Trade	GDP Growth	Ind Prod	GRW	M4	CPI	Monetary	Currency	Curr	Deficit	Deficit
India	**0.71**	0.27	0.99	0.66	0.59	**0.63**	0.90	0.89	**0.89**	0.71	0.70	**0.71**	0.68	**0.68**	0.59	**0.59**
Philippines	**0.65**	0.35	0.72	0.85	0.85	**0.71**	0.92	0.50	**0.65**	0.19	0.65	**0.43**	0.96	**0.96**	0.59	**0.59**
Hungary	**0.63**	0.50	0.53	0.50	0.91	**0.63**	0.70	0.59	**0.63**	0.72	0.67	**0.70**	0.54	**0.54**	0.59	**0.59**
Russia	**0.63**	0.51	0.64	0.84	0.59	**0.65**	0.79	0.47	**0.59**	0.93	0.77	**0.85**	0.21	**0.21**	0.59	**0.59**
Chile	**0.62**	0.52	0.60	0.59	0.76	**0.63**	0.48	0.84	**0.71**	0.47	0.61	**0.54**	0.64	**0.64**	0.59	**0.59**
Turkey	**0.61**	0.26	0.13	0.87	0.59	**0.47**	0.33	0.46	**0.42**	0.96	0.63	**0.79**	0.92	**0.92**	0.59	**0.59**
Brazil	**0.60**	0.37	0.92	0.82	0.42	**0.63**	0.59	0.88	**0.77**	0.78	0.66	**0.72**	0.00	**0.00**	0.59	**0.59**
Peru	**0.58**	0.44	0.57	0.83	0.29	**0.52**	0.62	0.19	**0.35**	0.94	0.58	**0.76**	0.73	**0.73**	0.59	**0.59**
China	**0.58**	0.38	0.96	0.75	0.50	**0.65**	0.00	0.65	**0.41**	0.68	0.58	**0.63**	0.53	**0.53**	0.59	**0.59**
Indonesia	**0.53**	0.44	0.60	0.75	0.59	**0.60**	0.37	0.43	**0.41**	0.72	0.56	**0.64**	0.25	**0.25**	0.59	**0.59**
Poland	**0.52**	0.35	0.32	0.45	0.03	**0.27**	0.88	0.95	**0.92**	0.36	0.66	**0.51**	0.60	**0.60**	0.59	**0.59**
South Korea	**0.51**	0.45	0.51	0.48	0.59	**0.52**	0.58	0.77	**0.70**	0.12	0.55	**0.34**	0.52	**0.52**	0.59	**0.59**
Taiwan	**0.50**	0.51	0.31	0.43	0.64	**0.48**	0.45	0.70	**0.61**	0.14	0.53	**0.35**	0.72	**0.72**	0.59	**0.59**
Thailand	**0.45**	0.54	0.13	0.09	0.75	**0.39**	0.48	0.50	**0.49**	0.49	0.63	**0.57**	0.25	**0.25**	0.59	**0.59**
Egypt	**0.40**	0.38	0.40	0.00	0.25	**0.25**	0.13	0.01	**0.05**	0.71	0.66	**0.69**	0.68	**0.68**	0.50	**0.50**
South Africa	**0.38**	0.41	0.33	0.10	0.49	**0.34**	0.54	0.10	**0.26**	0.16	0.66	**0.42**	0.51	**0.51**	0.59	**0.59**
Malaysia	**0.37**	1.00	0.07	0.50	0.60	**0.53**	0.60	0.37	**0.45**	0.23	0.09	**0.15**	0.15	**0.15**	0.59	**0.59**
Czech Republic	**0.37**	0.45	0.44	0.48	0.59	**0.50**	0.38	0.12	**0.21**	0.06	0.58	**0.33**	0.48	**0.48**	0.00	**0.00**
Mexico	**0.30**	0.35	0.30	0.31	0.00	**0.23**	0.52	0.36	**0.42**	0.48	0.00	**0.23**	0.39	**0.39**	0.59	**0.59**

Down model

July-2011	TOT	Trade Balance	Export Growth	Import Growth	Trade	GDP Growth	GRW	M4	CPI	Monetary	Currency	Curr	UE	UE
India	**0.74**	0.27	0.99	0.50	**0.76**	0.90	**0.90**	0.71	0.70	**0.71**	0.68	**0.68**	0.50	**0.50**
Russia	**0.67**	0.51	0.64	0.50	**0.59**	0.79	**0.79**	0.93	0.77	**0.85**	0.21	**0.21**	0.26	**0.26**
Peru	**0.66**	0.44	0.57	0.85	**0.62**	0.62	**0.62**	0.94	0.58	**0.76**	0.73	**0.73**	0.10	**0.10**
Brazil	**0.63**	0.37	0.92	0.70	**0.78**	0.59	**0.59**	0.78	0.66	**0.72**	0.00	**0.00**	0.04	**0.04**
Philippines	**0.61**	0.35	0.72	0.50	**0.61**	0.92	**0.92**	0.19	0.65	**0.43**	0.96	**0.96**	0.74	**0.74**
Chile	**0.60**	0.52	0.60	1.00	**0.68**	0.48	**0.48**	0.47	0.61	**0.54**	0.64	**0.64**	0.80	**0.80**
Hungary	**0.59**	0.50	0.53	0.45	**0.51**	0.70	**0.70**	0.72	0.67	**0.70**	0.54	**0.54**	0.14	**0.14**
China	**0.58**	0.38	0.96	0.38	**0.73**	0.00	**0.00**	0.68	0.58	**0.63**	0.53	**0.53**	0.62	**0.62**
Turkey	**0.54**	0.26	0.13	0.39	**0.21**	0.33	**0.33**	0.96	0.63	**0.79**	0.92	**0.92**	0.50	**0.50**
Egypt	**0.53**	0.38	0.40	0.50	**0.42**	0.13	**0.13**	0.71	0.66	**0.69**	0.68	**0.68**	0.64	**0.64**
Indonesia	**0.52**	0.44	0.60	0.31	**0.51**	0.37	**0.37**	0.72	0.56	**0.64**	0.25	**0.25**	0.50	**0.50**
Poland	**0.49**	0.35	0.32	0.41	**0.34**	0.88	**0.88**	0.36	0.66	**0.51**	0.60	**0.60**	0.14	**0.14**
South Africa	**0.45**	0.41	0.33	0.50	**0.38**	0.54	**0.54**	0.16	0.66	**0.42**	0.51	**0.51**	0.80	**0.80**
Thailand	**0.43**	0.54	0.13	0.45	**0.27**	0.48	**0.48**	0.49	0.63	**0.56**	0.25	**0.25**	0.50	**0.50**
Czech Republic	**0.41**	0.45	0.44	0.43	**0.44**	0.38	**0.38**	0.06	0.58	**0.33**	0.48	**0.48**	0.82	**0.82**
Taiwan	**0.40**	0.51	0.31	0.26	**0.33**	0.45	**0.45**	0.14	0.53	**0.34**	0.72	**0.72**	0.74	**0.74**
South Korea	**0.40**	0.45	0.51	0.18	**0.42**	0.58	**0.58**	0.12	0.55	**0.34**	0.52	**0.52**	0.14	**0.14**
Mexico	**0.32**	0.35	0.30	0.14	**0.27**	0.52	**0.52**	0.48	0.00	**0.24**	0.39	**0.39**	0.81	**0.81**
Malaysia	**0.28**	1.00	0.07	0.50	**0.31**	0.60	**0.60**	0.23	0.09	**0.15**	0.15	**0.15**	0.55	**0.55**

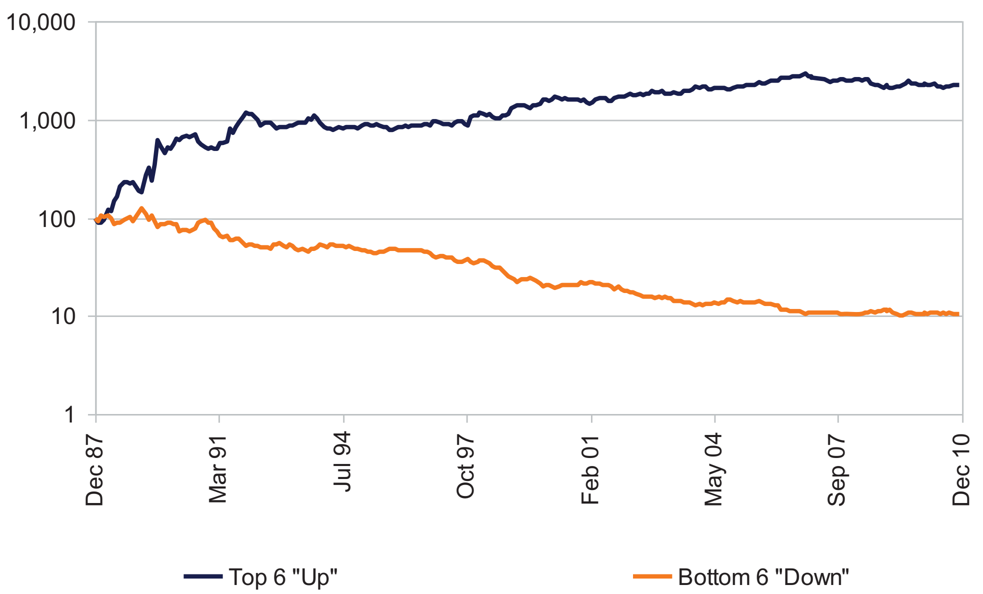
Source: Schroders. July 2011.
Countries mentioned are shown for illustrative purposes only and should not be viewed as a recommendation to buy/sell.
Please see the description of the model and its limitations at the end of this presentation.

Schroders

Macro-economic scoresheet proof statement

The graph shows the outperformance of the 'up' model's best countries and the underperformance of the 'down' model's worst countries

Macro Model: 'quartile' cumulative excess returns (Log scale)



Macro-economic scoresheet has good track record

Source: Schroders

Each performance shown above is the performance of a hypothetical portfolio, gross of fees and transaction costs. The performance does not represent the performance of an actual account, but instead is intended to indicate the impact that the Macro Model (a country selection model) would have had on managed portfolios. Returns were calculated using end of day trading prices on the last day for each month. Please see the end of the presentation for a description of the model and its limitations. Past performance is not necessarily a guide to future performance. The value of an investment can go up or down and is not guaranteed.

Schroders

Sector model

Jul-11	RANK	VALUE	PE	PE t+12	DY	PB	CF	QUALITY (ROE)	MOMENTUM	Price Momentum	EPS	ECONOMICS	Sensitivity to US10y	Sensitivity to ISM Prices Paid	Sensitivity to ISM New Orders Index	Sensitivity to Semiconductor Prices
		47%	7%	14%	7%	10%	9%	3%	16%	8%	8%	34%	8%	10%	9%	7%
BRAZIL	5	8	7	8	2	7	10	11	18	18	7	9	11	2	16	17
CHILE	20	18	18	19	16	18	18	6	8	6	13	17	16	5	19	5
CHINA	15	11	10	12	15	11	11	7	15	17	4	20	17	7	18	19
COLOMBIA	19	14	20	20	10	9	20	4	12	11	3	18	19	12	13	10
CZECH REPUBLIC	12	1	1	11	3	8	2	14	19	14	17	16	12	13	6	13
EGYPT	1	4	14	1	8	4	3	17	17	19	19	4	4	16	7	4
HUNGARY	7	3	2	5	12	3	1	20	10	16	9	12	10	18	3	15
INDIA	17	20	15	15	20	19	14	1	20	20	20	1	9	1	17	1
INDONESIA	18	19	17	13	9	20	19	2	7	8	11	7	13	4	15	7
KOREA	3	6	8	6	19	1	6	19	3	4	6	14	3	17	9	14
MALAYSIA	16	17	16	18	5	13	16	5	6	3	12	10	18	9	10	9
MEXICO	14	15	19	17	18	14	17	3	9	9	13	3	7	11	5	12
PERU	11	6	3	2	11	12	13	10	13	15	10	11	15	10	8	8
PHILIPPINES	13	16	11	14	13	16	15	8	5	12	8	5	14	8	14	3
POLAND	4	5	6	9	14	2	5	16	16	13	16	13	2	20	1	18
RUSSIA	10	10	5	4	17	6	8	12	4	7	5	8	5	15	4	20
SOUTH AFRICA	8	12	13	7	7	17	12	9	14	10	15	2	1	14	11	2
TAIWAN	6	13	12	16	6	10	7	15	1	1	2	6	8	6	12	11
THAILAND	9	9	9	10	1	15	9	13	2	2	1	19	20	3	20	6
TURKEY	2	2	4	3	4	5	4	18	11	5	18	15	6	19	2	16

Sector Model is re-sorted to give a country score

Source: Schroders. July 2011.
The countries shown above are for illustrative purposes only and are not to be considered a recommendation to buy/sell.
The Macroeconomic Model for Country Selection takes the above the factors into consideration in the percentages stated and produces a ranking. Please see the important information about models at the end of this presentation. Information shown is for illustrative purposes, is subject to change and should not be considered a recommendation to buy/sell.

Schroders

Country allocation

Summary score sheet - example

	Model			Judgement				Decision	
	Rank		Initial Active	Equity	Macro	Sector	Non-Quant	Index Weight	Final Weight
Russia	1	O	3.1%	4 O	4 O	10 N	N	6.8%	9.9%
Hungary	2	O	3.1%	3 O	3 O	7 N	N	0.4%	2.8%
South Korea	3	O	3.1%	10 N	17 U	3 O	N	15.2%	18.2%
China	4	O	3.1%	1 O		15 U ↓	N	17.3%	20.4%
Thailand	5	O	3.1%	5 O ↑		9 N ↓	N	1.7%	4.4%
Turkey	6	O	3.1%	19 U	6 O	2 O ↑	N	1.3%	2.8%
Poland	7	N	0.0%	7 N ↓		4 O	N	1.7%	1.7%
Brazil	8	N	0.0%	16 U		5 O	N	15.4%	15.4%
Egypt	9	N	0.0%	12 N		1 O ↑	U	0.3%	0.3%
Malaysia	10	N	0.0%	8 N ↓	19 U	16 U ↓	N	3.1%	3.1%
Peru	11	N	0.0%	2 O ↑		11 N	N	0.4%	0.4%
Indonesia	12	N	0.0%	14 U		18 U	N	2.6%	2.6%
Mexico	13	N	0.0%	13 N	18 U	14 N ↑	U	4.4%	4.4%
Czech Republic	14	U	-0.4%	11 N	15 U	12 N	N	0.4%	0.0%
Taiwan	15	U	-5.0%	6 O	16 U	6 O	N	11.2%	6.7%
India	16	U	-5.0%	17 U	1 O	17 U	N	7.3%	2.8%
Philippines	17	U	-0.6%	18 U	2 O	13 N ↑	N	0.6%	0.0%
South Africa	18	U	-5.0%	9 N		8 N ↑	N	7.3%	2.8%
Chile	19	U	-1.7%	15 U	5 O	20 U ↓	N	1.7%	0.0%

Countries not shown are Colombia, Morocco
Source: Schroders, July 2011
Countries are mentioned for illustrative purposes only and should not to be considered a recommendation to buy/sell.

Schroders

Country allocation

Judgement restrictions

Judgemental overlay should be:

– Exceptional and require at least a 4:1 vote

– Overlay can never be more than one color departure from model

– Monitored rigorously

Judgement is regularly controlled/monitored

Schroders

Historical Effect of Judgement

	2005	2006	2007	2008	2009	2010	Dec04/Dec10 pa
Model*	4.03	1.35	1.56	-1.18	2.45	0.19	1.39
Targets	1.24	0.03	-0.07	2.07	0.73	-0.11	0.65
Judgement	-2.79	-1.32	-1.63	3.25	-1.72	-0.30	-0.77

Judgement has been poor – so used with caution

Source: Schroders, FactSet. Based on old model to 31 December 2010, new model thereafter.
*Gross of transaction costs.
Performance model is shown without making an allowance for advisory fees. The chart above shows hypothetical returns prepared by using day-end trading data for the hypothetical portfolio for the day of the quarterly team meeting at which country allocations are determined. The presentation is not intended to reflect historical performance but only to provide an indication of the impact of one component—country allocation—of our management of emerging market portfolios. Please see the description of the model and its limitations at the end of this presentation. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Schroders

Stock selection

Global Fund Managers take analyst ratings and construct country portfolios subject to:

- Use 1 rated stocks where possible
- Only use 3 and 4 rated stocks for risk control – if used must be underweight
- Ensure each country portfolio within risk budget

Stock selection done by country, focusing on 1 and 2 rated stocks

At Schroders, globally, the local analysts rates stocks from 1-4 (1 being a strong buy and 4 being a strong sell). The ratings are used as a starting point when focusing the international and global equity team's research.

Schroders

Risk controls

Risk is a function of return

Therefore:

– Establish return objective

– Evaluate risk required

– Disaggregate risk budget down to stock level

– Adjust to meet individual client risk/return preferences

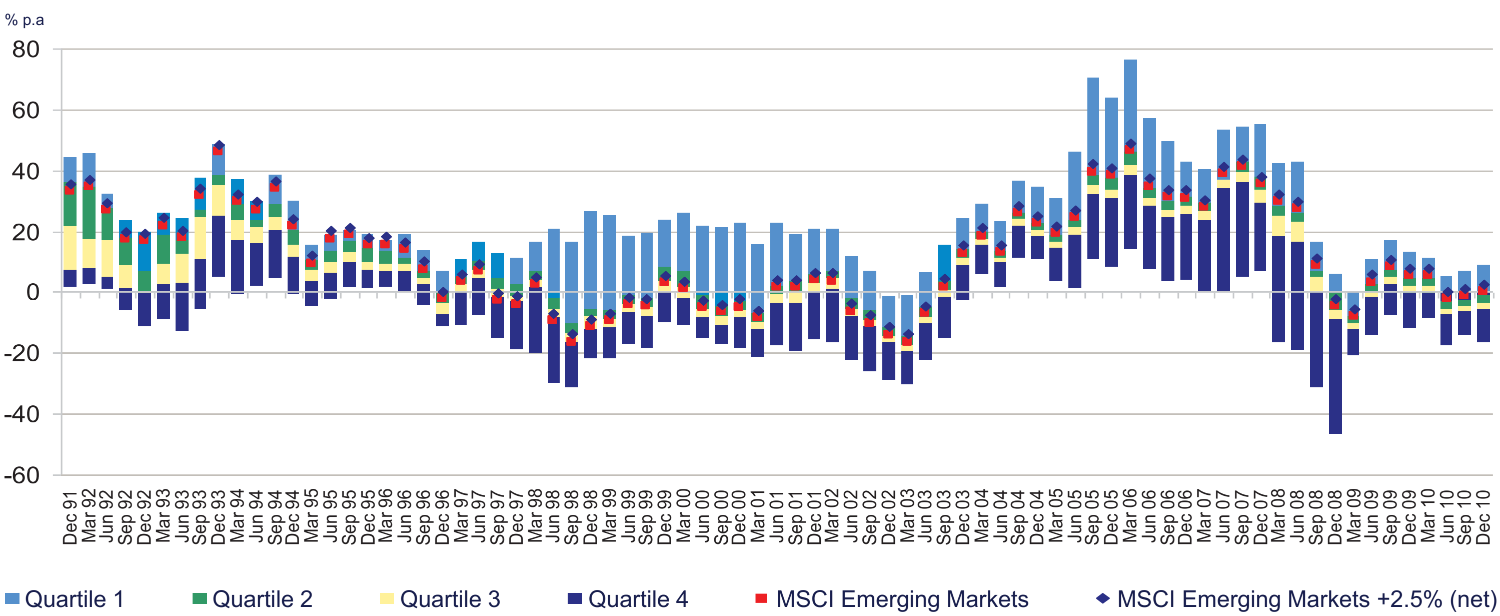
A pro-active approach to risk control

Schroders

Return objective

Percentile summary

3 year rolling periods ending



Establish how much return is required

Source: S&P Micropal Global Emerging Markets Equity Tables (S&P Emerging Markets Database)
Performance shown is past performance. Past performance is not necessarily a guide to future performance. The value of investments can go down as well as up and is not guaranteed.

Schroders

Emerging market performance

***Summary of rankings 3 year rolling quarterly returns from December 31, 1991 to December 31, 2010**

		No.	%
Distribution	Quartile 1	61	79.2
	Quartile 2	11	14.3
	Quartile 3	5	6.5
	Quartile 4	0	0.0
		77	100.0

Index +2.5% net p.a. over rolling 3 years provides very strong competitive position

*Based MSCI EM index plus 2.5% (net) p.a.
Source: S&P Micropal
Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Schroders

Risk Budgeting

	Total	Country	Stock
Return objective	MSCI EM + 3.5% (Gross) p.a.	+ 1.75% (Gross) p.a.	+ 1.75% (Gross) p.a.
Information ratio	0.8	1.1	0.5
Tracking error target	3.5%/0.8 = 4.5%-5%	1.75%/1.1 = 1.6%	1.75%/0.5 = 3.5%
Tracking error target/range	4.5%-5% (2%-8%)		8% (2%-12%)

Return target can be converted into detailed risk budget

Source: Schroders

Schroders

Risk controls

Risk Controls

- Total: 2 – 8%, average 4.5%
- Stock: 2 – 12%, average 8%
- **Alpha adjusted tracking errors**

Stock Controls

- **15% relative stop-loss rule***
- 15% relative stop-buy screen

Monitoring

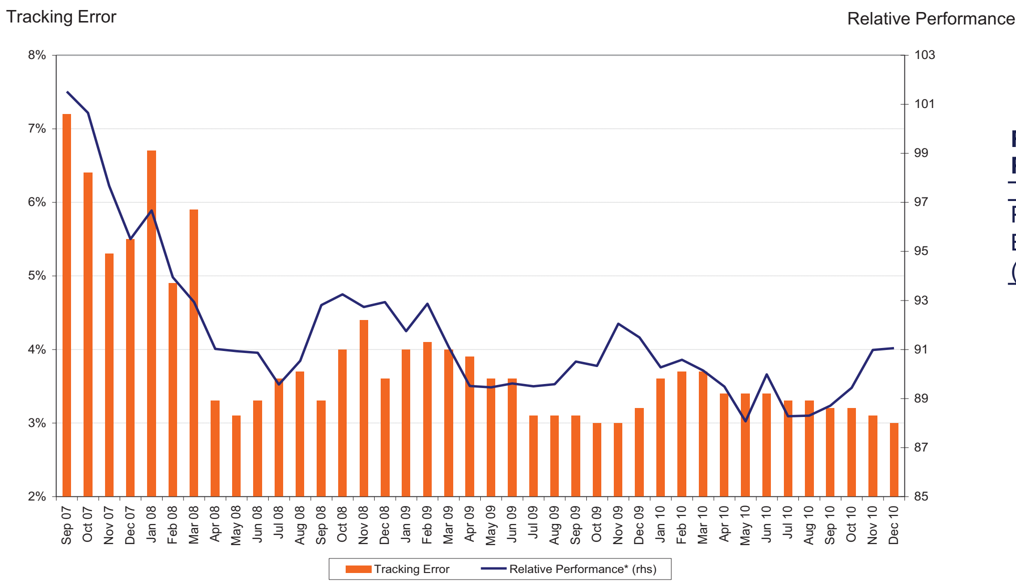
- Monthly portfolio Risk meeting
- PRISM analysis
- Performance attribution
- Sector reviews

Aim of risk controls is to obtain return targets with minimum risk and achieve a skewed distribution of returns in favor of the upside

* This is not a guaranteed stop-loss

Schroders

Brazilian Tracking Error and relative performance



Rel. Geometric Performance	2008	2009	2010
Portfolio holdings in Brazil vs MSCI Brazil (%)	-2.7	-1.6	-0.5

Insufficient evidence to support increasing risk again

Source: Schroders, Barra, MSCI. Data to December 2010.
* Index of relative performance of Brazilian holdings in Schroder ISF Emerging Markets Fund vs MSCI Brazil (Net) Index. September 1, 2007 = 100. SISF range is not available to US investors. Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed. Performance is shown gross of fees. Please see performance notes at the end of this presentation.

Schroders

Typical portfolio manager psychology

Source: Schroders, Deutsche Bank. February 2009.

Pain avoided in 2010 by using the stop loss rule*

Stock	Country	Date Sold	Maximum pain avoided	Relative performance from date of sale to end of year (vs country index %)	Absolute performance from date of sale to end of year (%)
B2W	Brazil	14 Jan 10	33%	-28%	-25%
PDG Realty	Brazil	31 Mar 10	3%	41%	48%
Tele Norte Leste	Brazil	27 Apr 10	11%	-8%	0%
Vivo Participacoes	Brazil	10 Aug 10	4%	21%	33%
AsiaInfo-Linkage	China	23 Nov 10	9%	-5%	-5%
Bank of China	China	07 Oct 10	1%	2%	0%
China Coal Energy	China	03 Feb 10	19%	-8%	0%
China Shenhua Energy	China	30 Jun 10	5%	3%	15%
China Resources Power	China	07 Oct 10	19%	-12%	-14%
China Unicom	China	01 Apr 10	2%	23%	26%
Shanghai Lujiazui	China	29 Apr 10	17%	-8%	-1%
Hidili	China	19 Nov 10	20%	-14%	-17%
China Mengniu Dairy	China	17 Dec 10	3%	-3%	-2%
Franshion Properties	China	21 Dec 10	4%	-1%	-1%
Magyar	Hungary	01 Apr 10	23%	-22%	-40%
Cairn India	India	22 Nov 10	4%	2%	5%
Adaro Energy	Indonesia	07 Oct 10	0%	28%	23%
Bumi Resources	Indonesia	18 Feb 10	52%	2%	34%
London Sumatra	Indonesia	08 Jul 10	8%	40%	63%
Perusahaan Gas	Indonesia	07 Oct 10	0%	18%	14%
Telekomunikasi Indonesia	Indonesia	09 Mar 10	28%	-26%	-7%
Makhteshim-Agan	Israel	10 Mar 10	21%	10%	6%
CEDC	Poland	29 Sep 10	10%	-4%	1%
Mobile TeleSystems ADS	Russia	07 Dec 10	6%	-3%	-2%
ABSA Group Ltd.	South Africa	12 Nov 10	3%	1%	7%
Aveng Ltd.	South Africa	08 Jul 10	1%	12%	51%
African Rainbow Minerals Ltd.	South Africa	08 Jul 10	9%	10%	48%

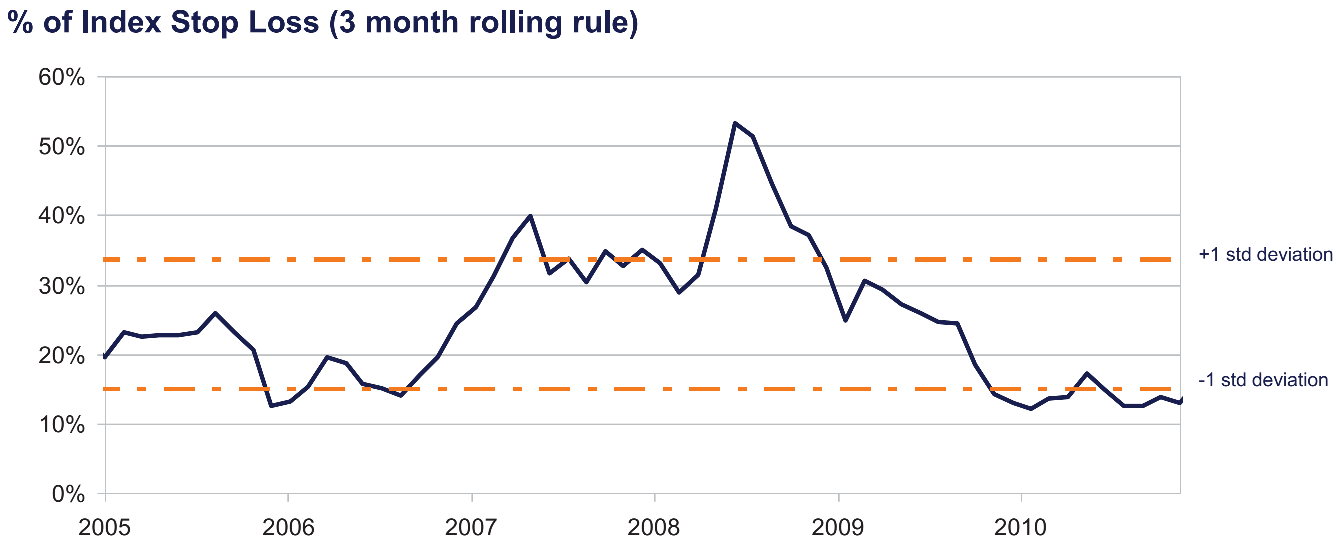
Stock	Country	Date Sold	Maximum pain avoided	Relative performance from date of sale to end of year (vs country index %)	Absolute performance from date of sale to end of year (%)
JD Group	South Africa	06 Apr 10	11%	14%	39%
Hyundai Eng & Cons.	South Korea	01 Apr 10	21%	-2%	16%
LG Electronics	South Korea	12 Nov 10	2%	13%	23%
Megastudy	South Korea	08 Mar 10	31%	-29%	-12%
NHN Corp.	South Korea	04 Feb 10	11%	3%	34%
Hana Financial	South Korea	03 Sep 10	4%	19%	45%
KB Financial	South Korea	25 Jan 10	16%	-8%	15%
KEPCO	South Korea	23 Apr 10	28%	-26%	-15%
POSCO	South Korea	23 Nov 10	1%	1%	9%
SK Telecom	South Korea	26 Jan 10	23%	-23%	0%
Cathay Financial	Taiwan	13 Dec 10	2%	7%	14%
KGI Securities	Taiwan	06 Apr 10	18%	0%	20%
Pegatron	Taiwan	16 Dec 10	4%	-3%	1%
Siliconware Precision	Taiwan	28 Jul 10	10%	-6%	19%
Orascom Telecom	Egypt	09 Jul 10	26%	-26%	-15%
Turkcell Iletisim	Turkey	24 Mar 10	20%	-1%	18%
Bangkok Bank	Thailand	10 Dec 10	3%	-1%	-2%
Land And Houses	Thailand	01 Apr 10	22%	-17%	9%
Average			12.6%		

Year	No of Transactions	Average pain avoided
2010	45	-12.61
2009	41	-17.30
2008	46	-28.01
2007	40	-21.55
2006	27	-13.09
2005	18	-14.65

Pain avoided at 12.6% in line with historical range

December 31, 2009 to December 31, 2010 US Dollar
Source: Schroders. *Please note that during periods of market volatility we may temporarily suspend the stop-loss rule.
Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.
Securities and countries are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Percentage of Index Stop Loss



Indicator for suspending the rule

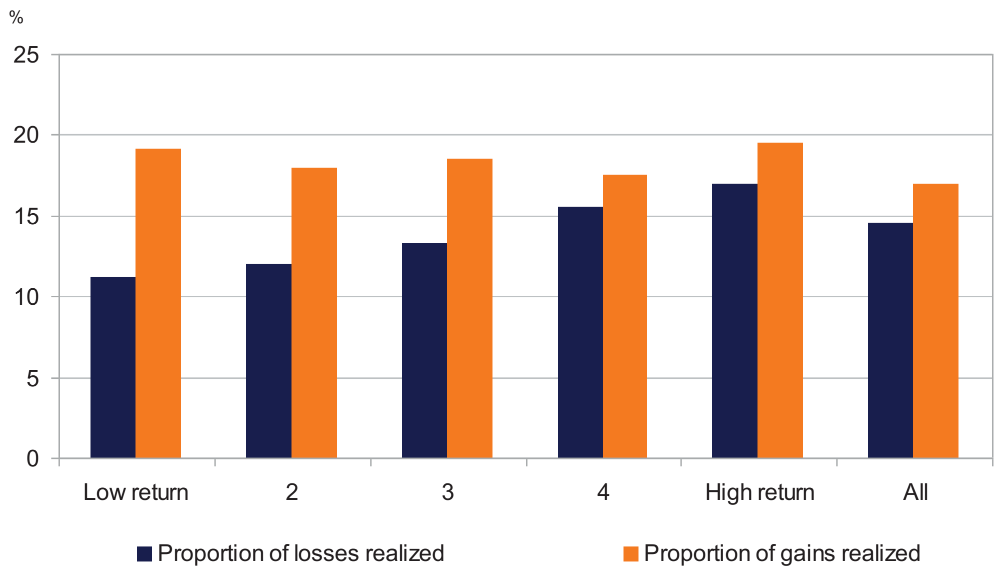
Source: Schroders, December 2010

Stop-loss rule

The best performing funds were those with the highest percentage of losses realized (i.e. the least loss averse). The best performing funds were less than 1.2 times more likely to sell a winning position than a losing position

The worst performing funds had the lowest percentage of realized losses. They were 1.7 times more likely to sell a winning position than a losing position

Proportion of losses and gains realized: US domestic mutual funds (1980 – 2002)



Recognizing mistakes works

Source: Frazzini, Dresdner Kleinwort Wasserstein Research
Please note that during periods of market volatility we may temporarily suspend the stop-loss rule. Performance shown is past performance. Past performance is not a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

Schroders

Risk

Pro-active approach to risk designed to:

1. Deliver return targets with minimum risk

2. Ensure a bias of returns to the upside, rather than a normal distribution

Risk adjustments:

At the country level	1. If trend of underperformance, reduce risk 2. If trend of outperformance, increase risk
At the portfolio level	1. If overall performance positive but under target, increase risk 2. If overall performance negative, reduce risk

A disciplined approach to risk control

Schroders

Controlling portfolio risk

PRISM brings together alternative risk measurement and management tools into a single report

Online

Interactive

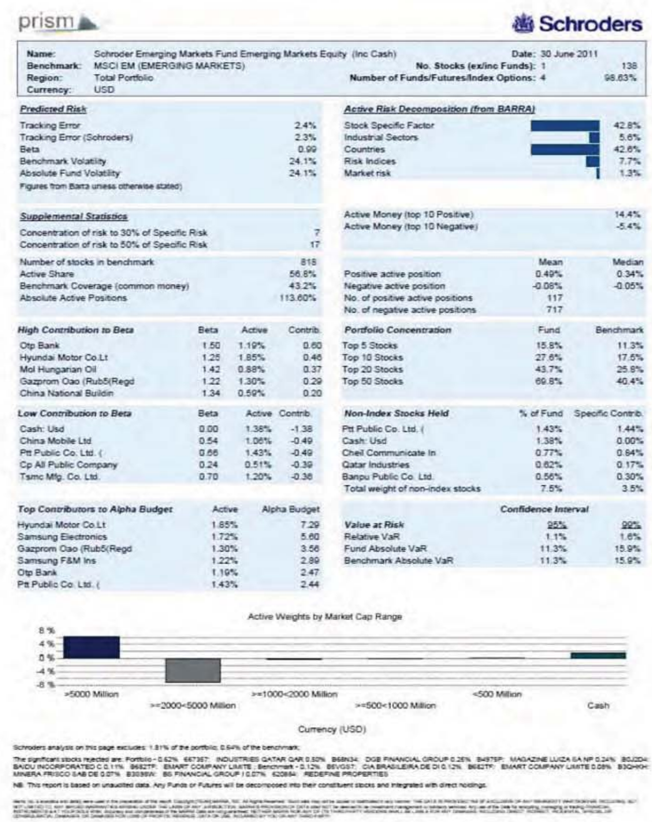
PRISM integrates both internal and external tools

BARRA – risk analysis

Characteristic analysis

Other statistical measures

The PRISM Risk Report identifies active risk and the sources of risk by decomposing active portfolio positions in stock specific/sector and style factors



prism Schroders

Name:	Schroder Emerging Markets Fund Emerging Markets Equity (Inc Cash)	**Date:** 30 June 2011	
Benchmark:	MSCI EM (EMERGING MARKETS)	**No. Stocks (ex/inc Funds):** 1	138
Region:	Total Portfolio	**Number of Funds/Futures/Index Options:** 4	98.63%
Currency:	USD		

Predicted Risk	
Tracking Error	2.4%
Tracking Error (Schroders)	2.3%
Beta	0.99
Benchmark Volatility	24.1%
Absolute Fund Volatility	24.1%
Figures from Barra unless otherwise stated)	

Active Risk Decomposition (from BARRA)	
Stock Specific Factor	42.8%
Industrial Sectors	5.6%
Countries	42.6%
Risk Indices	7.7%
Market risk	1.3%

Supplemental Statistics	
Concentration of risk to 30% of Specific Risk	7
Concentration of risk to 50% of Specific Risk	17
Number of stocks in benchmark	818
Active Share	56.8%
Benchmark Coverage (common money)	43.2%
Absolute Active Positions	113.60%

Active Money (top 10 Positive)	14.4%
Active Money (top 10 Negative)	-5.4%

	Mean	Median
Positive active position	0.49%	0.34%
Negative active position	-0.08%	-0.05%
No. of positive active positions	117	
No. of negative active positions	717	

High Contribution to Beta	Beta	Active	Contrib.
Otp Bank	1.50	1.19%	0.60
Hyundai Motor Co.Lt	1.25	1.85%	0.46
Mol Hungarian Oil	1.42	0.88%	0.37
Gazprom Oao (Rub5(Regd	1.22	1.30%	0.29
China National Buildin	1.34	0.59%	0.20

Portfolio Concentration	Fund	Benchmark
Top 5 Stocks	15.8%	11.3%
Top 10 Stocks	27.6%	17.5%
Top 20 Stocks	43.7%	25.8%
Top 50 Stocks	69.8%	40.4%

Low Contribution to Beta	Beta	Active	Contrib.
Cash: Usd	0.00	1.38%	-1.38
China Mobile Ltd	0.54	1.06%	-0.49
Ptt Public Co. Ltd. (	0.66	1.43%	-0.49
Cp All Public Company	0.24	0.51%	-0.39
Tsmc Mfg. Co. Ltd.	0.70	1.20%	-0.36

Non-Index Stocks Held	% of Fund	Specific Contrib.
Ptt Public Co. Ltd. (	1.43%	1.44%
Cash: Usd	1.38%	0.00%
Cheil Communicate In	0.77%	0.84%
Qatar Industries	0.62%	0.17%
Banpu Public Co. Ltd.	0.56%	0.30%
Total weight of non-index stocks	7.5%	3.5%

Top Contributors to Alpha Budget	Active	Alpha Budget
Hyundai Motor Co.Lt	1.85%	7.29
Samsung Electronics	1.72%	5.60
Gazprom Oao (Rub5(Regd	1.30%	3.56
Samsung F&M Ins	1.22%	2.89
Otp Bank	1.19%	2.47
Ptt Public Co. Ltd. (	1.43%	2.44

	Confidence Interval	
Value at Risk	95%	99%
Relative VaR	1.1%	1.6%
Fund Absolute VaR	11.3%	15.9%
Benchmark Absolute VaR	11.3%	15.9%

Schroders analysis on this page excludes: 1.81% of the portfolio; 0.64% of the benchmark;

NB: This report is based on unaudited data. Any Funds or Futures will be decomposed into their constituent stocks and integrated with direct holdings.

Source: Schroders
Use of PRISM is for illustrative purposes only. All security information is for illustrative purposes and is subject to change at any time. Not to be considered a recommendation to buy/sell.

Historic risk and information ratio summary

	Historical Tracking Error		Historical Information Ratio*
	Ex-post*	Ex-Ante	
2005	**1.6**	**3.6**	**0.0**
2006	**2.0**	**3.3**	**1.1**
2007	**2.3**	**3.0**	**0.8**
2008	**4.3**	**3.2**	**1.1**
2009	**3.1**	**3.2**	**-0.1**
2010	**1.9**	**2.6**	**-2.2**
2005-2010	**2.5**	**3.2**	**0.1**

Low risk, strong information ratio (up until the financial crisis)

Source: Schroders. Prism report.
Past performance in no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed.
Data based on the Schroder Emerging Market ERISA fund, which is a sample representative account within the composite. This data may vary from portfolio to portfolio within the same strategy.
* Data based on the Schroder GEM Composite returns. Calculated using geometric return data.

Schroders

Implementation

Model Portfolios

Set at team monthly strategy meeting
- Country weights: Targets
- Portfolio characteristics: Sign off

Set by Portfolio Managers with Analysts' Input
- Stock weights

Client Portfolio Implementation

Fund manager assistants team
- Liquidity testing

Assigned Portfolio Manager
- Client guidelines and risk expectations
- Cash flows

Policy

Model Portfolio

Implementation

Client Portfolio

4 person fund manager assistant team ensures fund manager's focus on fund management, not administration

Source: Schroders, June 2011
Please see the description of the model and its limitations at the end of this presentation.

Schroders

Trading

Portfolio execution & monitoring

Investment team has primary responsibility

All trades are screened pre-trade in the Charles River System

All trades carried out by the Central Dealing team
Trading costs are monitored using Alpha Capture

Performance and characteristics signed off monthly by product manager and formally reviewed quarterly

Portfolio construction team

Pre-trade screening

Central dealing team

Operations

Client portfolio

Experienced, global team of dealers

Source: Schroders, June 2011

Schroders

Environmental, Social and Governance issues

- Addressing ESG issues becoming more important for EM
- Portfolios are not specifically managed along SRI lines, but ESG issues have always been implicit in our overall analysis
- ESG issues are now being explicitly highlighted and documented
  - ESG research templates completed for all companies
  - Specialist third party ESG research referenced where available
  - ESG issues that influence final recommendations highlighted
- A leading global consultant has awarded Schroders their top rating for covering ESG issues in emerging markets

Source: Schroders

Schroders

Turnover

Sample Portfolio

	Turnover	Country Turnover	Stock Turnover	
Total 2010	**85.9%**	**48.2%**	**37.7%**	**15.0% due to Stop loss activity**
Total 2009	**96.8%**	**29.3%**	**67.6%**	**10.7% due to Stop loss activity**
Total 2008	**107.8%**	**40.0%**	**67.8%**	**15.4% due to Stop loss activity**
Total 2007	**101.5%**	**36.2%**	**65.3%**	**16% due to Stop loss activity**
Total 2006	**90.4%**	**32.0%**	**58.4%**	**11.4% due to Stop loss activity**
Total 2005	**208.0%**	**92.0%**	**116.0%**	**8.2% due to Stop loss activity**

We are fundamental investors not traders

Source: Schroders
All Turnover Figures = buys + sells / 2. This data may vary from portfolio to portfolio within the same strategy.
Buys/Sells for each trade calculated as % of NAV. Does not include trades due to cash inflows and outflows.

Schroders

Emerging markets equity investment process

Inputs

Country Analysis
- Quantitative Model
- Controlled judgemental overlay

Stock Analysis
- Fundamental research
- Stocks graded 1–4 by country
- Fair values underpin sector overlay

Portfolio Construction

Country Allocation
- Monthly Strategy Meeting
- Whole team participate

Stock Selection
- Global Fund Managers build country portfolios in conjunction with Analysts

Risk Management & Implementation

Model Portfolio
- α adjusted tracking errors

Client Portfolio Implementation
- Guidelines
- Cashflows
- Market access

Portfolio Execution & Monitoring
- Centralized dealing
- Risk targets
- 15% stop-loss*

A disciplined, systematic process with a well resourced, experienced team

* This is not a guaranteed stop-loss

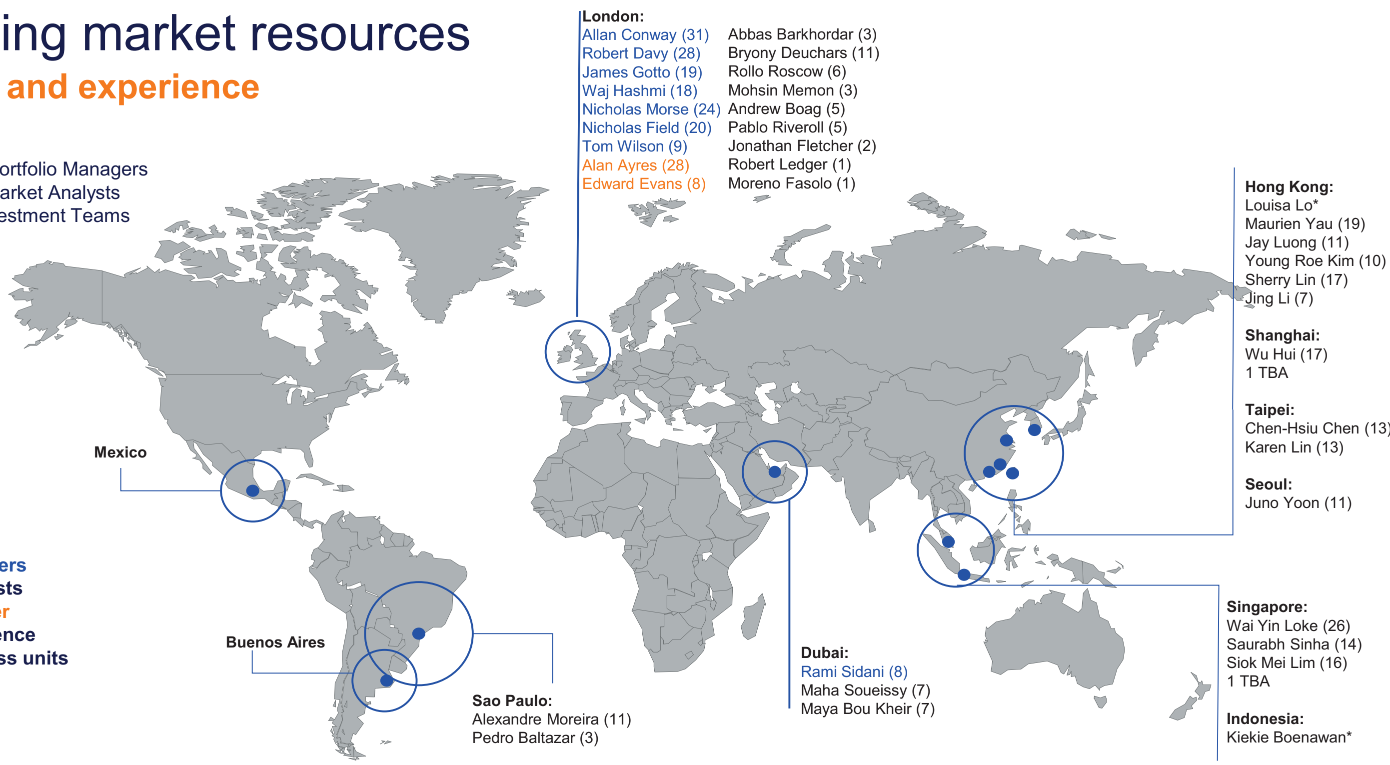
Schroders

Agenda

Emerging market resources

Location and experience

Supported by:
5 Global Sector Portfolio Managers
50+ Developed Market Analysts
Locally based Investment Teams



37[1] INVESTMENT PROFESSIONALS WITH A TOTAL OF 432 YEARS OF EXPERIENCE (157 YEARS FOR FUND MANAGERS, 239 YEARS FOR ANALYSTS) AND AN AVERAGE OF 12 YEARS EXPERIENCE

Source: Schroders August 2011. [1]Includes 7 fund managers, 1 strategist/fund manager, 27 analysts (currently recruiting for 2 Asian analysts) and 2 product managers.
* Local office analysts/ portfolio managers; not involved in EM portfolio construction, but are a further source of expertise for the EM team to reference. Excluded from the 37 total in team.

Schroders

Emerging Market investment team

Allan Conway - Head of Emerging Markets
Alan Ayres/Edward Evans - Emerging Markets Product Manager
Nicholas Field[1] - Emerging Markets Strategist/Portfolio Manager
Abbas Barkhordar - Emerging Markets Strategy Analyst

Stock Analysis

Portfolio Construction	Asia **Asia** 14 Analysts* / **London** Jonathan Fletcher, Robert Ledger, Moreno Fasolo	**Latin America** **Nicholas Morse** Alexandre Moreira Andrew Boag Pedro Baltazar Pablo Riveroll	**EMEA** **Tom Wilson** Bryony Deuchars Rollo Roscow Mohsin Memon	**Middle East** **Rami Sidani** Maha Soueissy Maya Bou Kheir
Robert Davy[1] Global manager	Korea, Philippines, India	Mexico	Poland, South Africa	
Waj Hashmi Global manager	Malaysia, Thailand, Taiwan	Brazil	Czech, Turkey	Egypt
James Gotto Global manager	Indonesia, China	Chile, Peru, Colombia, Argentina	Russia, Hungary	Morocco

A matrix approach ensures involvement of whole team in all portfolios, minimising divergent performance and retains individual accountability

[1]Deputy Heads.
* Includes 2 analysts for whom we are currently recruiting.
Source: Schroders as of August 2011.
Regions are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Coverage

Fund managers

	% of Countries			
	Latin America	Asia	EMEA	Total
Robert Davy	4.4	22.7	9.0	36.1
James Gotto	3.0	19.9	7.4	30.3
Waj Hashmi	15.5	16.0	2.1	33.6
Total	22.9	58.6	18.5	100.0

Prime link with regional

Global emerging fund managers have global perspective but also a regional bias. Markets are rotated periodically

Source: Schroders June 30, 2011
Regions are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Emerging markets research

	EMEA	% MSCI GEMs	Other markets covered
Bryony Deuchars	Poland	1.7	
	Russia	6.8	
	S. Africa (Resources)	2.5	
		11.0	
Rollo Roscow	Hungary	0.4	
	Kazakhstan	-	x
	Slovenia	-	x
	Croatia	-	x
	S. Africa (Non Resources)	4.8	
		5.2	
Mohsin Memon	Czech Republic	0.4	
	Russia (domestic)	--	
	Turkey	1.4	
		1.8	
Total EMEA		**18.0**	

	MENA	% MSCI GEMs	Other markets covered
Maha Soueissy	Saudi Arabia	-	x
	Egypt	0.3	x
	Kuwait	-	x
	Morocco	0.2	x
		0.5	
Maya Bou Kheir	UAE	-	x
	Qatar	-	x
	Oman	-	x
	Bahrain	-	x
	Jordan	-	x
	Lebanon	-	x
		0.0	
Total MENA		**0.5**	

	Frontiers		
Abbas Barkhordar	Kenya	-	x
	Nigeria	-	x
	Mauritius	-	x
Total Sub Sahara Africa		**0.0**	

Analysts periodically rotate market responsibility

Source: Schroders, Factset data as of June 30, 2011
Countries are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Emerging markets research

	Latin America	% MSCI GEMs
Andrew Boag	Chile	1.7
	Peru	0.5
	Argentina	---
		2.2
Alexandre Moreira	Brazil (Shared)	15.5
		15.5
Pedro Baltazar	Brazil (Shared)	---
Pablo Riveroll	Mexico	4.4
	Colombia	0.8
		5.2
Total Latin America		22.9

Analysts periodically rotate market responsibility

Source: Schroders. Factset data as of June 30, 2011
Countries are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Emerging markets research

Asia ex-Japan research

Head of Asia ex Japan Equity
Robin Parbrook

Head of Asia ex Japan Research
Toby HUDSON

Head of Emerging Markets
Allan Conway

Sector-based

Financials*	Technology*	Energy Materials*
Sherry Lin & Jay LUONG	Chen-Hsiu CHEN	TBA

Country-based

China	Taiwan	Korea	India	Malaysia & Indonesia	Philippines & Thailand
Maurien YAU Hui WU TBA Jing LI	Karen LIN	Juno YOON YOUNG Roe Kim	Saurabh SINHA Siok Mei LIM	Wai Yin LOKE	Siok Mei LIM

Robert Davy GFM	Waj Hashmi GFM	James Gotto GFM
Robert Ledger	Moreno Fasolo	Jon Fletcher

Hong Kong Analysts	Maurien Yau	Jay Luong	Young Roe Kim	Sherry Lin	Jing Li
Singapore Analysts	Loke Wai Yin	TBA	Saurabh Sinha	Lim Siok Mei	
Shanghai Analysts	Hui Wu	TBA			
Taipei Analysts	Chen Chen-Hsiu	Karen Lin			
Seoul Analyst	Juno Yoon				
London Analysts	Jon Fletcher	Robert Ledger	Moreno Fasolo		

Source: Schroders, as of August 2011.
* Sector based international stocks are ranked by country.

Countries are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

Schroders

Asian research into emerging markets portfolios

- **Ranking and Upside/Downside to fair value**

- **Asian Model Portfolio**

- **Communication**
  - Daily Conference Call
  - Monthly Strategy Meeting
  - Weekly fund manager call
  - Daily deal sheets
  - Informal
  - GRiD

- **Assessment**
  - 26.7% of Asian Analysts appraisal from GEMS
  - 10% of Asian Fund Managers appraisal from GEMS
  - Non-Asian pays 60% of Asia Research Costs
  - Weekly Analyst Score Sheets
  - Comparisons of performance of portfolios monitored weekly

- **Process**
  - Minimum 75% coverage
  - Minimum 30% in 1's and 20% in 4's
  - +/- 5% cut off on 2's and 3's
  - Number of changes controlled
  - Appointed senior analyst for each country

Strong communication/ co-ordination between GEMS and ASIA teams

Schroders

Emerging markets team assessment

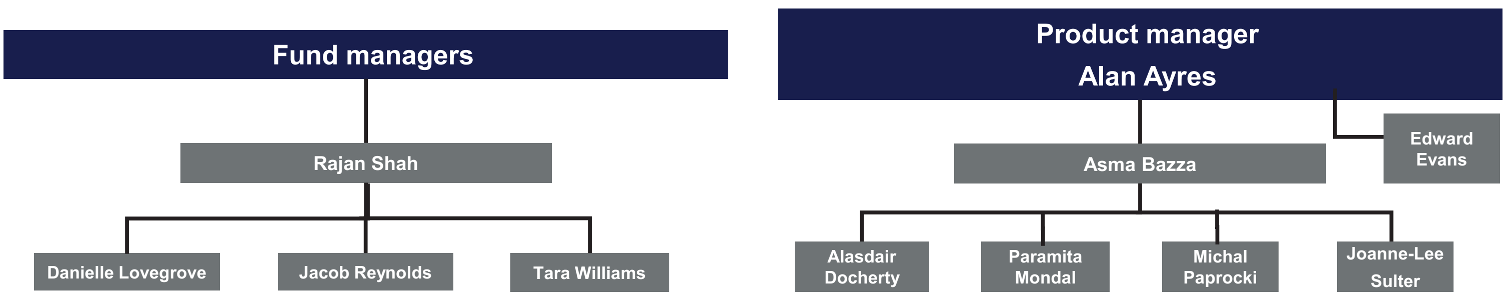
	Global Fund Manager (%)	Regional Head (%)	Analyst (%)
Stock Rankings	0.0	0.0	40.0
Global GEM performance	27.5	15.0	10.0
Regional performance	0.0	45.0	10.0
Countries within GEM	50.0	0.0	12.5
EMEA/Lat Am countries within GEM	0.0	10.0	0.0
Countries within Regional	0.0	0.0	12.5
Participation	10.0	10.0	5.0
Marketing	7.5	7.5	0.0
Market Coverage	0.0	0.0	10.0
Manage Team	0.0	10.0	0.0
Other	5.0	2.5	0.0
Total	100.0	100.0	100.0
Quant	77.5	70.0	85.0
Non-quant	22.5	30.0	15.0

Team compensation aligned with clients interests

Source: Schroders

Schroders

Front office support team



Strong support for fund managers enables them to focus on investments

Source: Schroders as of June 2011.

Team meetings

Daily	Asian and Latin conference calls
Weekly	Strategy – “Housekeeping” Asian/GEM Fund Manager Call
Monthly	Strategy – Country Allocation Sector
Quarterly	Performance/Risk Review with CIO

Schroders

Agenda

Schroders Overview & Philosophy

Investment Process – Information gathering and processing

Investment Process – Portfolio construction and maintenance

Team

Performance

Appendices:

A – Current strategy

B – Model enhancements

C – Competitor Analysis

D – Biographies

Performance

Schroder Global Emerging Markets Equity Composite

Investment mandate: Emerging Markets

Benchmark: MSCI EM Index Net (TR)**

Performance (Gross returns in US$) to August 31, 2011

New Process***

	YTD	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Schroder Global Emerging Markets Equity Composite*	**-6.7**	**+13.8**	**+77.7**	**-51.2**	**+41.9**	**+35.0**	**+34.0**	**+18.3**	**+57.7**	**-8.1**	**-7.1**	**-34.8**	**+70.8**	**-23.1**
MSCI EM Net (TR)**	**-8.6**	**+18.9**	**+78.5**	**-53.3**	**+39.4**	**+32.2**	**+34.0**	**+25.6**	**+55.8**	**-6.2**	**-2.6**	**-30.8**	**+66.4**	**-24.3**
Difference	+1.9	-5.1	-0.8	+2.1	+2.5	+2.8	0.0	-7.3	+1.9	-1.9	-4.5	-4.0	+4.4	+1.2
Tracking Error	**n/a**	**1.9**	**3.1**	**4.3**	**2.3**	**2.0**	**1.6**	**3.2**	**2.5**	**2.9**	**3.8**	**4.6**	**4.6**	**5.9**
Information Ratio	n/a	-2.22	-0.13	1.12	0.79	1.06	0.00	-1.79	0.50	-0.70	-1.19	-1.22	0.60	0.28

Annualized to August 31, 2011

New Process***

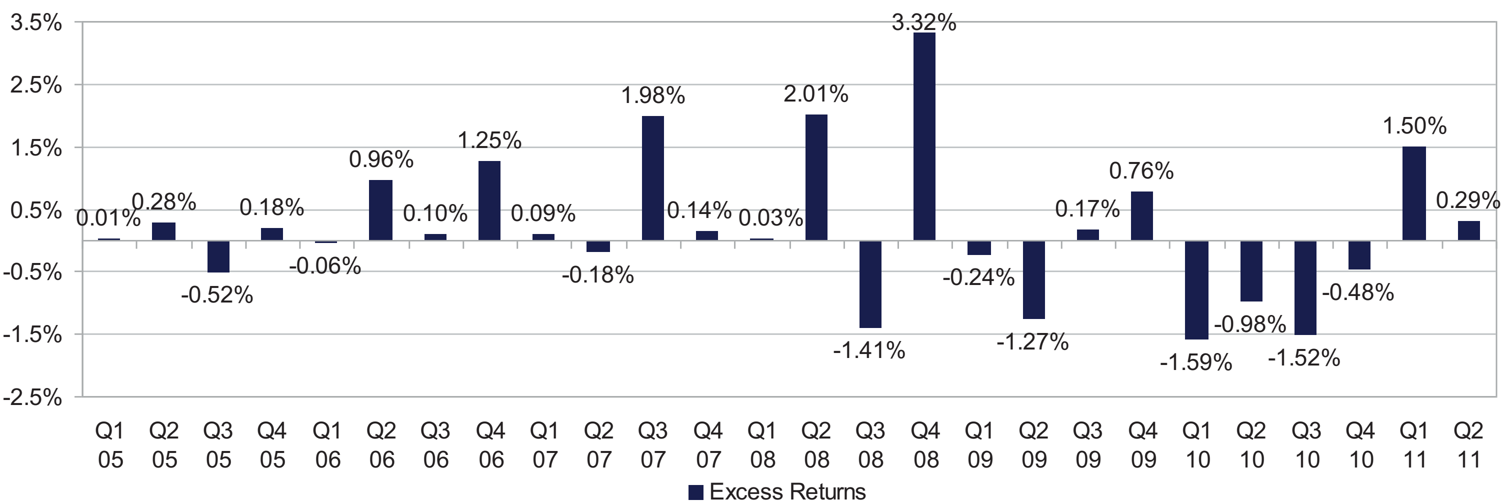
	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception[1]
Schroder Global Emerging Markets Equity Composite*	**+10.3**	**+13.0**	**+5.7**	**+2.0**	**+9.3**	**+10.3**
MSCI EM Net (TR)**	**+9.1**	**+13.5**	**+5.1**	**+1.0**	**+8.4**	**+9.4**
Difference	**+1.2**	**-0.5**	**+0.6**	**+1.0**	**+0.9**	**+0.9**
Tracking Error	**1.6**	**2.1**	**3.1**	**3.1**	**2.9**	**4.2**
Information Ratio	0.73	-0.17	0.20	0.31	0.31	0.21

* Gross of Fees.
** Prior to June 1, 2000 the benchmark was the MSCI EMF ex Malaysia (Gross div-reinvested). Performance is compared to this benchmark chainlinked with the MSCI EM Net Index (TR). Past performance is not necessarily a guide to future performance.
*** New Process / team structure from November 2004. [1] Inception date: December 31, 1991.
Source: Schroders, MSCI.
Tracking error and information ratio statistics have been calculated using geometric return data.
Performance shown is past performance. Past performance is not necessarily a guide to future performance. The value of investment can go down as well as up and is not guaranteed. Please refer to the Composite Disclosure Statement at the end of the presentation for further details.

Schroders

Quarterly performance since new process

Quarterly excess returns of the Schroder Global Emerging Markets Equity Composite against the MSCI Emerging Markets Net (TR) Index



16 out of the last 26 (62%) quarters have been positive (70% prior to 2010)

Source: Schroders. Quarterly Excess returns of the Schroder Global Emerging Markets Equity Composite against the MSCI Emerging Markets Net (TR) Index.
Past performance is not a guide to future performance. Excess returns are stated gross of fees. Please refer to important information regarding fees at the end of this presentation.

Schroders

GEM Attribution (representative account)

Summary Attributions

	2005	2006	2007	2008	2009	2010	Dec 04 – Dec 10 p.a.
Index Performance	34.0	32.2	39.4	-53.3	78.5	18.9	16.1
Relative Performance	0.0	2.8	2.5	2.1	-0.8	-5.1	0.7
Derived from:							
Country Allocation	0.61	0.28	0.65	1.24	1.00	-0.75*	0.50
Stock Selection	-0.61	2.52	1.85	0.86	-1.80	-4.35	0.20

Country selection consistently adding value. Stock selection problems more recently

Source: Schroders.
Actual attribution based on a GEM representative account. Performance is calculated based on the Schroder GEM Composite.
The residual has been equally split between country and stock selection.

*Note that Model performance was +0.19, Judgement -0.30, Residual -0.64.

Schroders

Global competitor analysis

Quartile ranking to June 30th, 2011

	1 Year			2 Years			3 Years			4 Years			5 Years		
	Quartile	Percentile	Total Funds	**Quartile**	Percentile	Total Funds	**Quartile**	Percentile	Total Funds	**Quartile**	Percentile	Total Funds	**Quartile**	Percentile	Total Funds
Lipper	**3**	52	378	**3**	62	341	**2**	32	277	**1**	17	233	**1**	15	203
Morningstar	**2**	50	398	**3**	61	364	**2**	32	293	**1**	17	253	**1**	18	227
Micropal	**3**	58	168	**3**	70	166	**2**	35	165	**2**	29	161	**2**	31	160
Evestment	**2**	44	250	**3**	69	239	**2**	49	220	**2**	40	195	**2**	37	175
Intersec	**2**	46	67	**3**	75	66	**3**	51	63	**2**	38	61	**2**	37	60

Category names: Lipper Emerging Markets Funds, Morningstar Diversified Emerging Markets, Micropal Emerging Markets/ Equity Global Emerging Markets, Evestment Emerging Market Equity, Intersec Emerging Markets.
All of the above rankings are based on total return. Morningstar rakings are based on total return and risk-adjusted return.
Source: eVestment & Intersec: Performance for ERISA, gross of fees.
Lipper & Morningstar: Performance for US Mutual Fund, net of fees.
Micropal: Performance for Schroder ISF Emerging Market A Acc, net of fees. Schroder ISF range is not available to US investors
Schroder International Selection Fund is referred to as Schroder ISF

Performance shown is past performance. Past performance is not a guide to future performance. The value of an investment can go down as well as up and is not guaranteed. Please see performance notes at the end of presentation for important composite disclosures.

Schroders

Agenda

Schroders Overview & Philosophy

Investment Process – Information gathering and processing

Investment Process – Portfolio construction and maintenance

Team

Performance

Appendices:

A – Current strategy

B – Model enhancements

C – Competitor Analysis

D – Biographies

Global emerging markets strategy

GEMS	MSCI EM		Target	Active Tgt	Target	Active Tgt	Comments
	05/10/2011		07/09/2011	07/09/2011	06/11/2011	06/11/2011	
Asia:							
China	16.1		20.4	+ 3.1	19.6	+ 3.5	ATTRACTIVE VALUATIONS AND EARNINGS GROWTH.UNWARRANTED HARD LANDING CONCERNS
S.Korea	14.4		17.0	+ 3.1	17.9	+ 3.5	ATTRACTIVE VALUATIONS. STRONG ECONOMIC FUNDAMENTALS.
Thailand	1.8		4.6	+ 2.7	4.5	+ 2.7	REASONABLE VALUATIONS.STRONG GROWTH. POLITICAL STABILITY.
Indonesia	2.8		3.0	0.0	2.8	0.0	STRONG ROE. BUT FULLY VALUED. REASONABLE EPS GROWTH.
Malaysia	3.5		3.4	0.0	3.5	0.0	EXPENSIVE VALUATIONS AND POOR EARNINGS OUTLOOK. STRONG CURRENT A/C.
Philippines	0.7		0.0	(0.7)	0.7	0.0	EXPENSIVE VALUATIONS. IMPROVED RELATIVE EARNINGS GROWTH.DOMESTIC REFORM PROGRESS.
India	7.6		4.3	(3.0)	4.6	(3.0)	STRONG BUT SLOWING ECONOMY. EXPENSIVE VALUATIONS.INTEREST RATE CYCLE PEAKING?
Taiwan	11.6		6.3	(4.5)	7.1	(4.5)	REASONABLE VALUATIONS BUT POOR AND DETERIORATING EARNINGS GROWTH.
Total:	58.5		59.0	+ 0.7	60.7	+ 2.2	
Latin America:							
Brazil	15.1		15.2	0.0	15.1	0.0	REASONABLE VALUATIONS. MIXED ECONOMIC OUTLOOK.
Peru	0.6		0.6	0.0	0.6	0.0	UNEXCITING VALUATIONS. REASONABLE ECONOMIC GROWTH. UNCERTAIN POLICY OUTLOOK.
Chile	1.6		0.0	(1.7)	0.0	(1.6)	EXPENSIVE VAL'NS. COMMODITY PRICE RISK.
Colombia	1.0		0.0	(0.9)	0.0	(1.0)	EXPENSIVE VALUATIONS.
Mexico	4.8		4.7	0.0	2.3	(2.5)	EXPENSIVE VALUATIONS BUT STRONG EARNINGS OUTLOOK.
Total:	23.1		20.5	(2.6)	18.0	(5.1)	
EMEA:							
Egypt	0.3		0.4	0.0	1.3	+ 1.0	CHEAP VALUATIONS. DOMESTIC POLICY AND POLITICAL UNCERTAINTY.
Hungary	0.3		0.3	0.0	0.9	+ 0.6	ATTRACTIVELY VALUED. ONGOING DEBT AND EUROZONE CONCERNS.
Russia	6.1		9.9	+ 3.1	9.2	+ 3.1	ATTRACTIVE VALUATIONS.OIL PRICE RISK.
Qatar	0.0		0.6	+ 0.6	0.6	+ 0.6	STRONG STOCK IDEA WITH OVER 30% UPSIDE.
Poland	1.6		1.5	0.0	1.6	0.0	REASONABLE VAL'NS. EQUITY ISSUANCE OVERHANG.EUROZONE CONCERNS.
Turkey	1.5		1.3	0.0	1.5	0.0	REASONABLE VALUATIONS BUT MACRO RISKS.
Czech Rep	0.4		0.0	(0.4)	0.0	(0.4)	REASONABLE VALUATIONS AND POOR EARNINGS OUTLOOK. EUROZONE CONCERNS.
Morocco	0.2		0.0	(0.2)	0.0	(0.2)	EXPENSIVE VALUATIONS.
South Africa	8.0		3.2	(4.5)	3.5	(4.5)	FULLY VALUED.CURRENT A/C AND CURRENCY CONCERNS. DETERIORATING ECONOMIC OUTLOOK.
Total:	18.4		17.2	(1.4)	+ 18.6	+ 0.2	
Liquidity:	0.0		3.3	+ 3.3	2.7	+ 2.7	
Grand Total:	100.0		100.0	0.0	100.0	0.0	

Source: Schroders, October 2011
Information is for illustrative purposes only and is subject to change. Not to be considered a recommendation to buy/sell.

Model enhancements

	10/04	06/06	01/11	Change from 06/06
Valuation	45%	38%	43%	5%
Price/book	**15%**	**9%**	**11%**	**2%**
P/E trailing	**10%**	**10%**	—	**-10%**
5yr trailing P/E	—	—	**12%**	
P/E forecast	**10%**	**10%**	**10%**	**0%**
Real earnings yield gap	**10%**	**9%**	**10%**	**1%**
Growth	10%	25%	15%	-10%
EPS Growth	**5%**	**6%**	**5%**	**-1%**
GDP Growth (12month forecast)	**5%**	**6%**	—	**-6%**
ROE	—	**4%**	**3%**	**-1%**
EPS revisions (3 months)	—	**9%**	**7%**	**-2%**
Currency Risk	25%	18%	17%	-1%
Beta	**5%**	—	—	
Real exchange rate	**10%**	**5%**	**8%**	**3%**
Current A/C / GDP	**10%**	**8%**	**9%**	**1%**
Dividend cover	—	**5%**	—	**-5%**
Momentum	15%	13%	20%	7%
Earnings revisions (1 month)	**7.5%**	—	—	
Price momentum (36 months)	**7.5%**	**9%**	**10%**	**1%**
Consensus weighting deviation	—	**4%**	**10%**	**6%**
Interest Rates	5%	6%	5%	-1%
Real interest rates	**5%**	**6%**	**5%**	**-1%**
	100%	**100%**	**100%**	**0%**
Returns p.a. (from end 1991)	—	**3.0%**	**4.0%**	**+1.0%**
T/E	—	**3.5%**	**3.7%**	**0.2%**
Information Ratio	—	**0.86**	**1.10**	**+0.24**
Turnover (av. Annual)	—	**45%**	**39%**	**-6%**

Source: Schroders as of December 2010.
The chart is representing the model allocations of the factors listed in the chart.

Schroders

Pre September 09 Risk Budget

Return objective	**MSCI EM + 3.5% (Gross) p.a.**
Information ratio	**0.5**
Tracking error target	**(3.5%)/0.5 = 7% (2-10% range)**
Stock tracking error target	**$0.5*(7^2) = 24.5 \longrightarrow \sqrt{24.5} = 4.9\%$**
Stock tracking error target per country	**12% (4-14% range)**

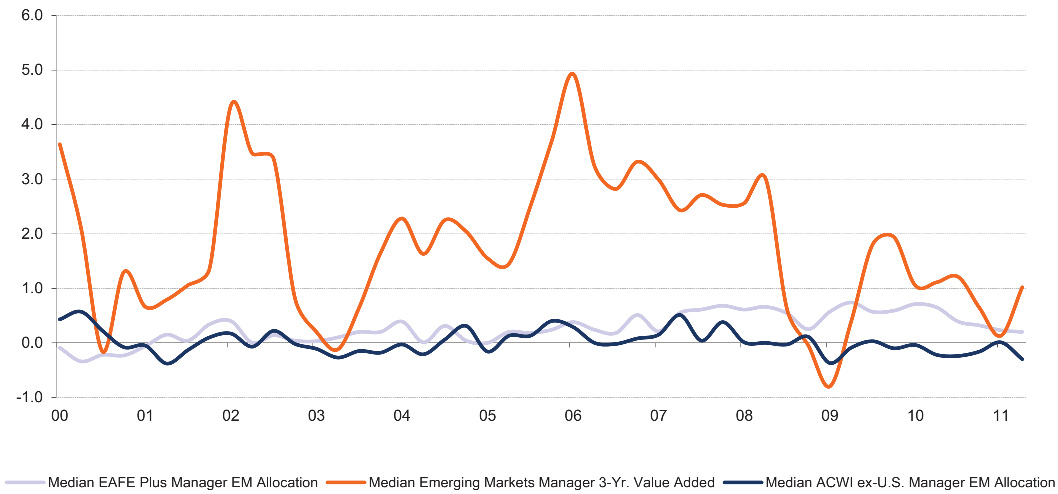
Return target can be converted into detailed risk budget

Source: Schroders

Schroders

Relative Performance in Emerging Markets

Median Manager Rolling 3-Year Relative Returns



Universe Median	Average 3 Year Value Added
ACWI ex-U.S.	0.02
EAFE Plus	0.27
Emerging Markets	1.02

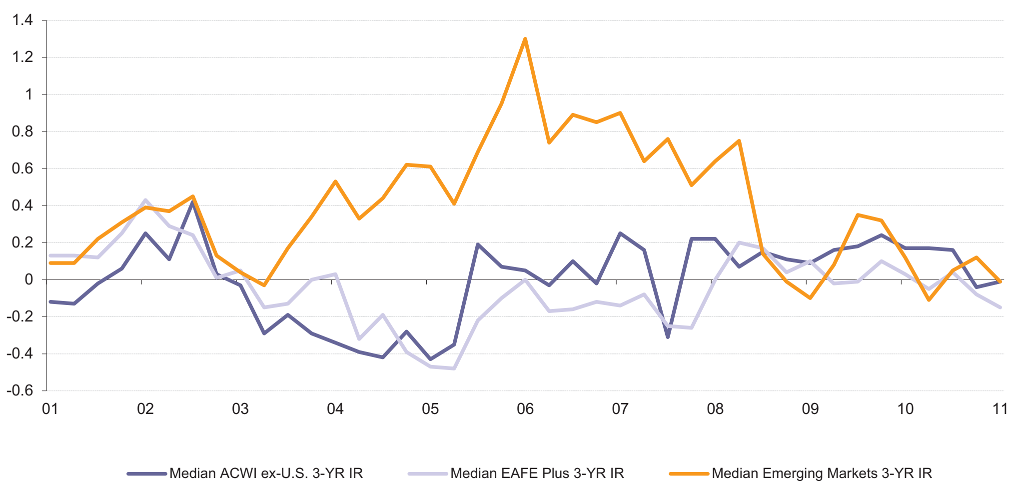
Specialist Emerging Markets managers achieve consistently higher returns

Source: Intersec. Data to June 2011.
Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed

Schroders

Information Ratios in Emerging Markets

Rolling 3-Year Median



Universe Median	Average 3 Year Information Ratio
ACWI ex-U.S.	0.00
EAFE Plus	-0.04
Emerging Markets	0.38

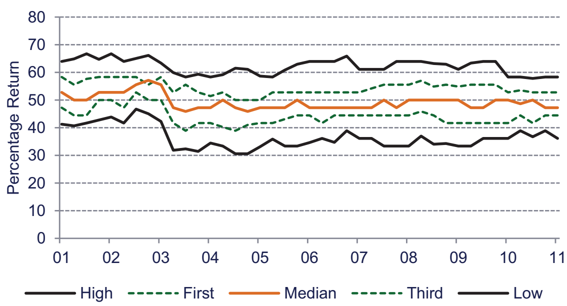
Specialist Emerging Markets managers achieve a consistently higher information ratio

Source: Intersec. Data to June 2011.
Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed

Schroders

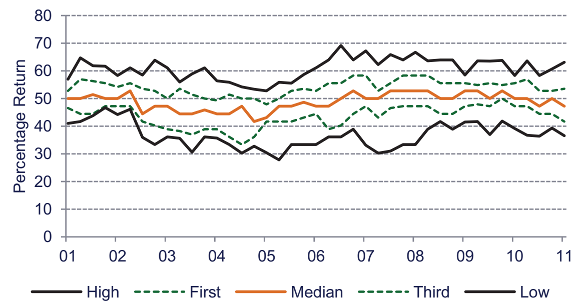
% of time managers out/underperform

EAFE Plus 3-Year Rolling Batting Average*



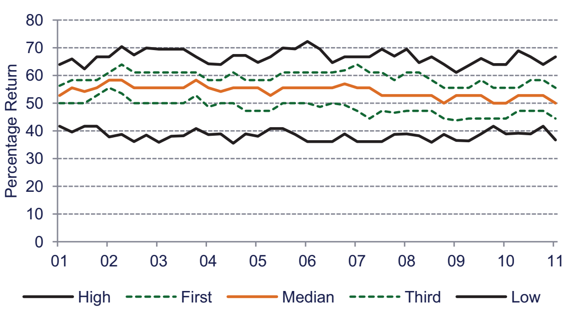
49.3: Avg. median

ACWI ex-U.S. Rolling 3-Year Batting Average*



48.9: Avg. median

Emerging Markets Rolling 3-Year Batting Average*



54.2: Avg. median

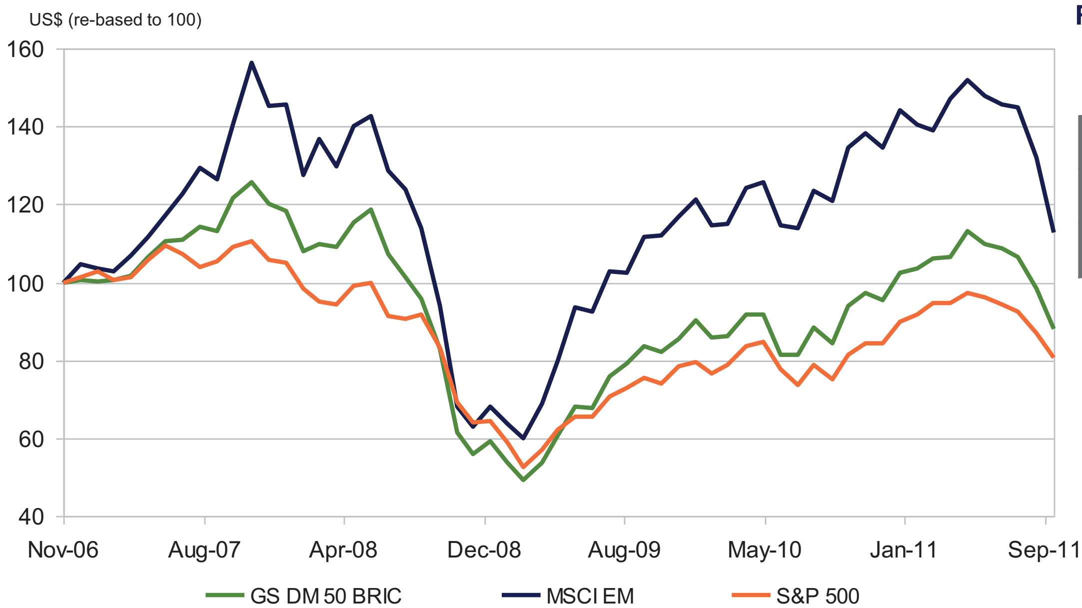
- EAFE and ACWI (ex US) average batting average below 50, specialist EM managers well above 50

Specialist Emerging Markets managers consistently outperform the majority of the time

* Batting Average: the % of the time that managers under/outperform relative to the index over rolling 3 years.
Source: Intersec. Data to June 2011.
Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guarant

Schroders

Emerging companies in Emerging and Developed Equity Markets



Returns from 11/30/06 to 9/30/11

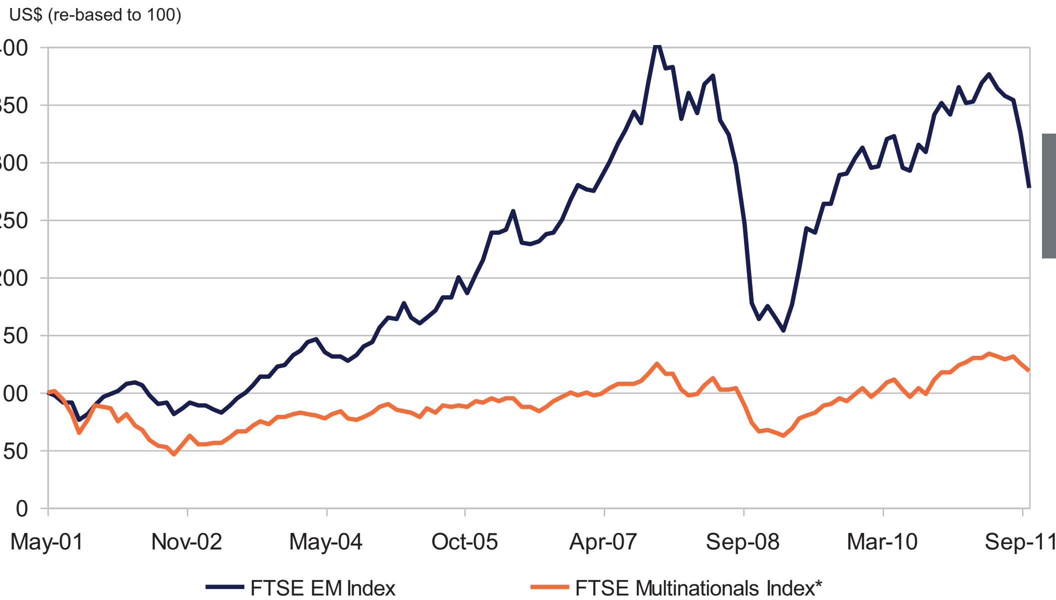
	Cumulative	Annualized
MSCI EM	+51.8%	+2.5%
GS DM 50	+13.0%	+2.6%
S&P	-2.6%	-4.3%

Exposure to Emerging Markets is best done through emerging stock markets

Source: Bloomberg. Data as at September 2011
Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed.

Schroders

Emerging Companies in Emerging and Developed Equity Markets



Returns from 5/31/01 to 9/30/11

	Cumulative	Annualized
FTSE EM	+177.9%	+10.4%
FTSE Multinationals	+18.9%	+1.7%

Exposure to Emerging Markets is best done through emerging stock markets

Source: Bloomberg. Data as at September 2011.
* FTSE Multinationals index constitutes multinationals that derive at least 30% of revenues from outside their home economic region.
Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed.

Schroders

Head of emerging markets investment team

Allan Conway

Head of Emerging Market Equities

Degree in Economics

Allan Conway joined Schroders in October 2004 from West LB Asset Management

After a number of Accountancy related positions Allan joined Provident Mutual Life Assurance in 1983, where he was Investment manager for Far East and North American markets before being appointed Head of Overseas Equities in 1987

In 1992 he joined Hermes Investment Management (formerly Postel) as Head of Overseas Equities, personally managing the Emerging Markets and Pacific Basin portfolios

In 1997 he joined LGT Asset Management as Head of Global Emerging Markets subsequently leaving when LGT was sold to Invesco in 1998

In 1998 he joined West LB as Head of Global Emerging Markets and CEO of WestAM (UK) Ltd

Member of the Institute of Chartered Accountants and a Fellow of the Securities Institute

Biographies

Emerging markets investment team

Robert G. Davy

Emerging Markets Portfolio Manager

Robert Davy joined Schroders in 1986 after spending three years with Peat Marwick where he qualified as a chartered accountant. He spent several years at Schroders as an analyst on the American equity team. He was a founding member of Schroders' Latin American team, becoming a Latin American portfolio manager in 1990. Today, he is a global portfolio manager on the Emerging Markets Team and Deputy Head of Emerging Market Equities

James Gotto

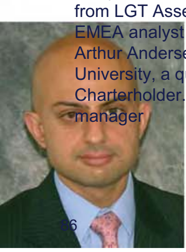
Emerging Markets Portfolio Manager

James has spent his entire career at Schroders, joining as a graduate trainee in 1991. He began his career as a UK Research Analyst. In 1994 he moved to the Latin American Team. He was seconded to Argentina in 1995, with responsibility for Research and the management of local funds, before returning to London in 1998 as a Latin American portfolio manager. He was also responsible for Latin American business development from 2000 to 2003. He is now a global portfolio manager on the Emerging Markets Team

Waj Hashmi

Emerging Markets Portfolio Manager

Waj joined Schroders in July 2005 from WestLB Asset Management, where he was a Director and Global Emerging Markets portfolio manager since 2002. Before this he was Head of EMEA Emerging markets and a senior investment analyst for EMEA stocks, having joined WestAM in 1998 from LGT Asset Management. Prior to joining LGT as an EMEA analyst in 1997, he qualified as an accountant with Arthur Andersen. Waj is a graduate in Physics from Oxford University, a qualified chartered accountant (ACA) and CFA Charterholder. At Schroders he is now a global portfolio manager



Nicholas Field

Emerging Markets

Portfolio Manager / Strategist

Nicholas joined Schroders in July 2006 from WestLB Asset Management where he was a Global Emerging Markets Fund Manager from 1999. Prior to this Nicholas worked at Dresdner RCM Global Investors as an Emerging Markets Fund Manager from 1996. His investment career started in 1991 upon joining HM Treasury. Nicholas is a graduate in Mathematics from Cambridge University and also holds a Masters in Finance obtained from the London Business School. Today, he is a portfolio manager and strategist on the Emerging Markets Team as well as Deputy Head of Emerging Market Equities

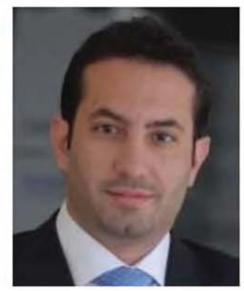
Biographies

Emerging markets investment team

Tom Wilson
Head of EMEA

Tom Wilson has a BA Hons in History from Newcastle University. His investment career commenced in 2001 when he joined the Schroders Graduate Scheme. He initially worked as assistant to the Institutional and Retail CIO's, but moved into the Research Development Programme in 2002, working on the Global Oils team. In 2004 he transferred to the Emerging Markets team to be an EMEA analyst responsible for Turkey, Czech Republic, Morocco and Jordan. In January 2007 Tom was promoted to Head of EMEA

Rami Sidani
Head of MENA



Rami joined in July 2008 from SHUAA Capital where he was a MENA Fund Manager from 2004 managing conventional as well as specialist funds in twelve Arab equity markets. His investment career started in 2003 upon joining Socofinance in Geneva as a currency analyst. Rami has an MSc in Banking and Finance from HEC Lausanne and also holds an MBA from the Lebanese American University in Beirut

Nicholas Morse
Head of Latin America

Nicholas joined Schroders in July 2005 as Head of Latin America Equities. Nicholas started his investment career in 1987 at Foreign & Colonial. He moved to Singer & Friedlander in 1989 where he was responsible for Latin markets. In 1993 he joined Grupo Financiero Banamex Accival, where he was a manager of Latam research. He went on to manage Latam funds for Martin Currie Inv. Mgmt. in 1994 and Merrill Lynch Inv. Mgmt. in 1996. In 2002 he re-joined Singer & Friedlander as a director, managing Asia-pacific ex Japan funds

Alan Ayres
Emerging Markets
Product Manager

Alan Ayres started his investment career in 1983 as a fund manager with The Co-Operative Insurance Society, and also spent seven years with Merrill Lynch as an institutional Salesman. He joined Schroder Securities in 1995 and moved to Hong Kong in 1996 as head of the office and Hong Kong product. In 1998 he was appointed Head of the Asian Equity Division. He transferred to Schroder Investment Management in April 2000 as Product Manager for the Japanese and Pan Pacific teams. Alan joined the Emerging Markets Team as Product Manager in December 2006. Alan holds an MSc in Applied Statistics from Oxford University and a BSc in Maths & Statistics from Warwick University

Biographies

Emerging markets investment team

Edward Evans

Emerging Markets Product Manager

Edward Evans joined Schroders in October 2009 from ABN AMRO Asset Management where he was a Client Portfolio Manager representing and raising assets on behalf of the Emerging Markets Equities team. His investment career commenced in 2002 as a client account manager with Fidelity Investments. He then joined JPMorgan Asset Management on the graduate business development program in 2003. Edward holds a BA (Hons) Economics, Business Management and French from the University of Durham and is a CFA Charterholder.

Asian Investment Team*

Louisa Lo

Emerging Markets Portfolio Manager

Louisa joined Schroders in 1996 in our Hong Kong office. Prior to joining Schroders, Louisa spent three years working as a research analyst with securities firms, focusing on regional electronics stocks. Louisa holds a Masters degree in Applied Finance from Macquarie University in Sydney and a Bachelors degree in Commerce from the University of Melbourne. Additionally, Louisa holds the Chartered Financial Analyst designation and is an Associate member of Australian Society of Certified Public Accountants

* Asia team provides input to Emerging Markets Product but not directly involved in decisions for GEMS product

Schroders

Biographies

Emerging markets investment team

Bryony Deuchars
Analyst, Emerging Europe

Bryony joined Schroders in May 2006 from WestAM, where she was an analyst for the Emerging Markets team from 2004. Prior to this she was a student accountant at Deloitte and Touche, whom she joined at the start of her investment career in 2000. Bryony has a BSC in Economics from the University of Wales and is a member of the Institute of Chartered Accounts. At Schroders she is now an EMEA analyst

Rollo Roscow
Analyst, Emerging Europe

Rollo joined Schroders in August 2008. Before joining, he was an Assistant Manager in the Investment Management Audit Division at KPMG, specialising in the audit of funds, investment managers and hedge funds. Rollo's investment career started in September 2004 in the Edinburgh Financial Services department of KPMG. After moving to London in 2006 he qualified as a Chartered Accountant in December 2007. Rollo holds an MA (Hons) in Economics and Accountancy from the University of Edinburgh. At Schroders he is an EMEA analyst

Mohsin Memon
Analyst, Emerging Europe

Mohsin joined Schroders in November 2010. Before joining, he was an Assistant Manager in the Investment Management Audit Division at KPMG, specialising in the audit of investment managers and funds. Mohsin's investment career started in September 2007 in the London Financial Services department of KPMG. He qualified as a Chartered Accountant in October 2010. Mohsin holds a BSc (Hons) in Computer Science from Kings College London and a post graduate in Accounting and Finance from London School of Economics. At Schroders he is an EMEA analyst

Alexandre Moreira
Analyst, Latin America

Alexandre has been a Latin American equity analyst with Schroders since September 2002. In October 2007 he became part of the emerging markets team and took over responsibility for research in Brazil and Chile. Prior to joining Schroders, Alexandre was a credit analyst with Citibank from 2001 and his investment career commenced in 2000 upon joining Banco do Brasil as a credit analyst. He holds a degree in Business Administration from the University of Sao Paolo and an MBA in Finance from IBMEC

Andrew Boag
Analyst, Latin America

Andrew joined Schroders in April 2010. Andrew's investment career started in August 2006 when he joined Deloitte as a student accountant working in Insurance & Investment Management. He holds a BA in American Studies from the University of Nottingham and is a Member of the Institute of Chartered Accountants in England & Wales. At Schroders, he is now a Latin American analyst

Pedro Baltazar
Analyst, Latin America

Pedro has been a Latin America equity analyst with Schroders since January 2008. In July 2010 he started working with the emerging markets team and is responsible for research in Brazil. Prior to this, Pedro worked as an equity analyst in the Schroders Brazilian office, where he started his investment career. He holds a degree in business administration from the Getulio Vargas Foundation of Sao Paulo

Pablo Riveroll
Analyst, Latin America

Pablo has been a Latin America equity analyst with Schroders since July 2010. Prior to joining Schroders he was an associate at Credit Suisse, where he was part of the LatAm equity research team since 2006, initially covering telecom and media as co-analyst, and was later responsible for the infrastructure and conglomerates sectors in Mexico. He holds a degree in Economics from ITAM (Mexico)

Schroders

Biographies

Emerging markets investment team

Maha Soueissy
Analyst, Middle East

Maha joined in July 2008 from SHUAA Capital where she was an Associate in the Equity Asset Management team and analyst of Middle East equities covering a range of sectors across the MENA region. Prior to SHUAA, she worked as a capital markets Analyst with Hyphen Asset Management in Beirut. She is currently stationed in Dubai as a Middle East Equity analyst

Maya Bou Kheir
Analyst, Middle East

Maya joined Schroders in October 2008 from SHUAA Capital where she worked as an analyst on the Equity Asset Management team, covering equities across the MENA region since August 2006 . Her investment career started in April 2004 upon joining MEDGULF Insurance in Beirut as a financial analyst. Maya holds a BA in Business Administration, majoring in finance from the American University of Beirut.

Jonathan Fletcher
Analyst, Asia

Jonathan commenced his investment career in 2009. Prior to joining Schroders he worked as a technology analyst for Altrium Capital. Previously he worked for Deloitte as a Senior Consultant. He is currently an analyst focusing on Asia. Jonathan graduated from Oxford University with a B.A in Economics and Management.

Robert Ledger
Analyst, Asia

Robert joined Schroders in 2011. Prior to this he worked at Deloitte where he was primarily involved in Financial Advisory projects. He is currently an analyst focusing on India and Korea. Robert graduated from Nottingham University with a BA (Hons) Industrial Economics, is a qualified charted accountant (ACA) and is currently studying towards the CFA designation.

Moreno Fasolo
Analyst, Asia

Moreno joined Schroders in 2011. Prior to this he worked as a banks' equity analyst at Nomura. Previously he worked for PWC as a manager in the valuation department. He is currently an Asian Equity Analyst responsible for Malaysia, Taiwan and Thailand. Moreno graduated from King's college with PhD in Physics/Mathematics and is a qualified charted accountant (CA).

Young Roe Kim
Analyst, Asia

Young Roe joined Schroders in April 2008. Prior to joining Schroders, he worked for a number of security companies in Korea including Deutsche Securities, Lehman Brothers International and Good Morning Securities. He has covered consumer stocks, telcos, exporters and banks in his previous roles. Young Roe graduated from Seoul National University with a B.A in Political Science.

Maurien Yau
Analyst, Asia

Maurien has a BA in Economics, a Master of Philosophy in Economics and is a CFA Charterholder. Her investment career commenced in 1992. She has worked for Morgan Grenfell, DBS Securities, Bear Stearns and HSBC Securities as an analyst covering conglomerates, transport, automobiles and infrastructure sectors. Maurien joined Schroders in 2004 as a research analyst specialising in Chinese and Hong Kong equities

Karen Lin
Analyst, Asia

Karen graduated with Honours in Operations Research. She joined Schroders in 2006. Prior to joining Schroders, she was the Head of the Taiwan small cap team at Citigroup .Prior to Citigroup Karen worked for ABN Securities and Franklin Templeton as an Equity analyst in Taipei. Karen is currently focusing Taiwanese non technology, telecoms and technology component stocks

Jay Luong
Analyst, Asia

Jay has a Bachelor of Commerce, majoring in finance from the University of British Colombia. His investment career commenced in 2000 upon joining Credit Suisse as an equity analyst focusing primarily on the Hong Kong/China financial sector. He previously worked as an auditor at Collins Barrow since 1995. Jay joined Schroders in May 2008 and is currently an analyst focusing on regional financial stocks.

Hui Wu
Analyst, Asia

Wu Hui commenced her investment career in 1994 as an analyst with Ing Barings. Prior to joining Schroders in 2002, she also worked as an analyst for Merrill Lynch and CICC. Wu is currently an analyst focusing on Chinese domestic stocks. Wu is a CFA Charterholder

Schroders

Biographies

Emerging markets investment team

Siok Mei Lim
Analyst, Asia

Siok Mei has a BA Hons in Politics, Philosophy and Economics. Her investment career commenced in 1995, when she worked for JP Morgan Futures Inc, as an Analyst. She joined Schroders in 1996 as a research analyst specialising in Singapore and Malaysian equities. She is currently responsible for India (telecom, technology, consumer sectors) & the Philippines market (ex-banks)

Wai Yin Loke
Analyst, Asia

Wai Yin has an Honours degree in Accounting. Prior to joining Schroders she was in the audit division of Price Waterhouse Singapore. She then entered the investment industry as an analyst with Kim Eng Securities in 1985. She joined Schroders Singapore in 1996 and is now responsible for all sectors, except banks & oil + gas, of the Indonesian and Malaysian markets

Chen Hsiu Chen
Analyst, Asia

Chen Hsui is a CFA and has an MBA with concentration on Finance and Management from the University of Oregon. Her investment career commenced in 1997 when she joined Yuanta Securities (Taiwan's largest brokerage house) as a specialist in the CEO's Office. She joined Schroders Taipei in 1999 as a research analyst. She currently covers Taiwan technology downstream and component companies

Saurabh Sinha
Analyst, Asia

Saurabh has a B. Technology degree in Mining Engineering and has a MBA from Delhi University. He joined Schroders in August 2005 as an Indian analyst. Prior to Schroders, since 1997 he worked as a Senior Equity Research Analyst with UTI Mutual Fund where he was responsible for covering healthcare, consumers and engineering/capital goods stocks. Saurabh is a CFA Charterholder

Juno Yoon
Analyst, Asia

Juno Yoon has a Bachelor of Arts in Economics from the State University of New York. Prior to joining Schroders she worked at Shinyoung Securities as a Korean equity analyst in 2005. Her Investment career commenced in 2000 with the first of several roles covering private equity to alternative investment strategies. She previously worked in the legal profession in New York, involved in M&A and commercial litigation. Juno Yoon joined Schroders in May 2007 and is currently an analyst covering Korean Equities

Jing Li
Analyst, Asia

Jing Li has a Bachelor of Arts in Economics and Computer Science from Smith College in the US. Prior to joining Schroders she worked at The Longreach Group covering Greater China investments. Her Investment career commenced in 2004 at Morgan Stanley NY/HK as an analyst responsible for covering General Industries (utilities, consumers, basic materials, and conglomerates sectors). Jing Li joined Schroders in November 2010 and is currently an analyst covering Chinese Equities

Sherry Lin
Analyst, Asia

Sherry Lin has a MBA with a major in finance and marketing from the University of Rochester, New York and a BA in Business Administration from the Tamkang University, Taiwan. Prior to joining Schroders she worked at Credit Suisse where she was an equity analyst from 2000 covering North Asian banks, insurance and non-bank financials. Prior to this, she was a financial analyst at Warburg Dillon Read (UBS) from 1997 covering Greater China financials. Earlier, Sherry worked for ING Barings as an analyst from 1996 covering financials and other industrial sectors. Her Investment career commenced when she started working a as a credit analyst at BNP from 1994. Sherry Lin joined Schroders in May 2010 and is currently an analyst covering regional financial stocks.

Abbas Barkhordar
Analyst, Emerging Markets Strategy & Frontier Markets

Abbas holds an MPhys in Physics from Oxford University. Abbas joined the team in January 2008, after completing Schroders' graduate training program commencing October 2007. Prior to this he completed a six-month internship as an investment analyst at Clearbrook Capital Partners LLP, a boutique private equity house, between January to July 2007. Abbas has passed all 3 levels of the CFA examinations and obtained Investment Management Certificate (IMC) in November 2007. Abbas is an emerging markets strategy and Frontier Markets analyst based in London.

Schroders

Schroder Global Emerging Markets Equity Composite

Composite Disclosures as of: December 31, 2010

Definition of the Firm
The Firm is defined as all accounts managed by Schroder Investment Management in the UK and US, by wholly owned subsidiaries of Schroders PLC. Prior to January 1, 2007 SIM London & SIM North America existed as two separate Firms which were compliant & verified as separate entities until December 31, 2006. The consolidation of these two Firms was made as part of a move towards creating one global Firm. Composite and Firm assets reported prior to January 1, 2007 represent those of the legacy firm which managed the product. A complete list and description of the Firm's composites and performance results is available upon request.

Composite Definition
Accounts included in the Schroder Global Emerging Markets Equity Composite seek to achieve returns above the MSCI EMF Net (MSCI EMF ex Malaysia Gross prior to 06/01/00) index (or a similar benchmark) by providing capital growth primarily through investment in equity securities of emerging markets companies.

The composite returns include all of the Firm's separate accounts and commingled funds which are discretionary, fee paying, taxable or tax exempt and managed as described above. New accounts are included in the composite one full month after inception date to ensure the account has been fully invested. Terminated accounts are excluded from the composite at the end of the previous month. This Composite has no minimum asset level for inclusion.

Composite Creation Date: 05/15/2008

Performance Calculation
Composite returns are presented as gross returns, including cash, reinvestment of dividends, interest and other income earned in the period and are calculated on a trade date basis after transaction charges (brokerage commissions). Each account's investment performance rate of return is calculated monthly in accordance with the 'time-weighted' rate of return method (Modified Dietz). Additional information regarding policies for valuing portfolios, calculating and reporting returns is available upon request. The Currency of the Composite is USD. Withholding Tax treatment may vary from portfolio to portfolio within this composite.

Net returns have been calculated based upon the highest fee rate charged to each account in the composite. The fee scale applied to the composite is 1.5% per annum.

Dispersion
Internal dispersion is calculated using asset weighted standard deviation of all portfolios where there are at least 5 portfolios that are included in the composite for the entire year.

Leverage
None of the accounts in the Composite use leverage.

GIPS Compliance and Verification
Schroder Investment Management (UK & US) claims compliance with the Global Investment Performance Standards GIPS® and has prepared and presented this report in compliance with the GIPS standards. Schroder Investment Management (UK & US) has been independently verified for the periods January 1, 1996 to December 31, 2010

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firms policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Schroder Global Emerging Markets Equity Composite (the "composite") has been examined for the periods January 1, 2007 to December 31, 2010. The verification and performance examination reports are available upon request.

Schroders

Schroder Global Emerging Markets Equity Composite

Composite Performance Results as of: December 31, 2010

Composite: Schroder Global Emerging Markets Equity Composite
Benchmark: MSCI EMF Net (MSCI EMF ex Malaysia Gross prior to 06/01/00)
Currency: US Dollar
Gross Returns as of: Dec-31-2010
Firm: Schroders Investment UK Management North America

Year	Gross Composite Return	Net Composite Return	Benchmark Return	Composite Risk[1]	Benchmark Risk[1]	Number of Portfolios (throughout period)	Account Dispersion[2]	Market Value at end of Period ($)	Average Account Value at end of Period ($)	Percentage of Firm Assets	Total Firm Assets ($)[4]
2010	13.76%	12.08%	18.88%	22.11%	21.08%	25 (19)	0.40%	9,409,774,144	376,390,966	4.64%	202,946,283,267
2009	77.72%	75.09%	78.51%	27.35%	28.85%	17 (15)	0.65%	5,883,615,907	346,095,053	3.65%	161,183,088,770
2008	-51.14%	-51.87%	-53.33%	35.49%	37.46%	15 (12)	0.35%	2,591,534,602	172,768,973	2.89%	89,646,473,692
2007	41.90%	39.80%	39.39%	19.94%	18.42%	11 (11)	0.87%	4,104,755,827	373,159,621	2.55%	161,124,537,714
2006	34.95%	33.61%	32.17%	19.08%	18.66%	2 (1)	n/a	107,395,259	53,697,630	0.30%	35,533,229,886
2005	33.99%	32.66%	34.00%	18.58%	19.57%	1 (1)	n/a	137,348,002	137,348,002	0.47%	29,123,758,149
2004	18.27%	17.10%	25.55%	16.41%	15.70%	1 (1)	n/a	507,548,430	507,548,430	1.82%	27,861,264,909
2003	57.72%	56.16%	55.82%	16.03%	15.17%	3 (3)	n/a	1,700,430,338	566,810,113	6.26%	27,165,162,499
2002	-8.12%	-9.03%	-6.17%	21.80%	20.52%	12 (12)	0.78%	2,524,297,413	210,358,118	11.29%	22,354,464,000
2001	-7.13%	-8.05%	-2.62%	32.58%	30.80%	18 (17)	1.32%	5,107,738,138	283,763,230	16.49%	30,975,119,000
2000	-34.76%	-35.41%	-30.82%	19.77%	16.75%	16 (13)	1.09%	5,284,508,019	330,281,751	13.78%	38,355,527,000
1999	70.83%	69.13%	66.41%	24.42%	22.88%	15 (9)	2.11%	8,334,164,411	555,610,961	17.55%	47,492,361,000
1998	-23.14%	-23.90%	-24.29%	36.42%	39.99%	9 (7)	0.85%	3,934,847,029	437,205,225	14.50%	27,133,421,000
1997	-3.22%	-4.18%	-0.20%	24.26%	24.36%	6 (2)	n/a	3,692,882,467	615,480,411	15.88%	23,254,983,000
1996	16.12%	14.96%	2.46%	13.95%	12.74%	2 (1)	n/a	1,835,812,740	917,906,370	8.71%	21,069,375,000
1995	-4.92%	-5.86%	-7.73%	16.26%	16.28%	1 (1)	n/a	636,501,440	636,501,440	3.83%	16,601,651,000
Annualized 3 Year	-0.41%	-1.88%	-0.32%	31.85%	33.04%						
Annualized 5 Year	13.60%	12.03%	12.78%	27.61%	28.13%						
Annualized 7 Year	16.98%	15.49%	17.38%	25.00%	25.46%						
Annualized 10 Year	14.97%	13.60%	15.89%	24.85%	24.77%						
Annualized S.I.[3]	11.05%	9.83%	10.24%	24.05%	24.10%						

1 Annualized standard deviation of gross monthly returns
2 Asset weighted standard deviation of annual returns of accounts that have been in the composite for the entire year
3 Since Inception
4 Since December 31, 2003 Total Firm Assets include non-fee paying accounts. 2003 Total Firm Assets value has been restated due to the inclusion of those non-fee paying accounts
Total Firm Assets from 2007 incorporate the UK and US firm merger as detailed in the Definition of the Firm
N/A – Information is not statistically meaningful due to an insufficient number of portfolios for the entire year

Schroders

Important Information

The performance shown in connection with the country selection models reflects an effort to isolate the various country selection decisions as an influence on the performance of GEM portfolios.

For the purpose of calculating the performance of the Top Down model for country selection, we looked at changes in the model as of the date of the quarterly meeting of the investment team in which country allocations are made. This meeting ordinarily occurs on the 5th business day following the close of each quarter.   We took the resulting changes in the model made at those meetings and assumed that the transactions indicated by those changes were executed the day of the meeting at the closing price for each security that day. For the purpose of calculating the performance of the Equity, Macroeconomic and Sector Models for country selection, on the other hand, we took the changes in the model on the last business day of each month and assumed that the transactions indicated by those changes were executed on that day at the closing price for each security that day. For all of these performance presentations, the universe of stocks was limited to the stocks in the MSCI EM index.

The resulting presentations thus show only the hypothetical performance impact of those country selections. There could be no assurance that any transactions actually generated by the changes in country allocations could have been executed at the times or prices used for the purpose of calculating the performance in this model.

The presentations were accordingly prepared only to illustrate the impact of those selection decisions and are not intended to reflect actual or expected portfolio returns. Performance is impacted by factors other than stock selection and trade execution. No allowance was made in these presentations for advisory fees, and the transactions fees, where included, were hypothetical. Both of these costs would influence returns derived from an account managed in this strategy. These hypothetical performance presentations reflect past performance and such past performance does not necessarily provide an assurance of future returns.

Disclosure statement

This presentation intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase of sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroder Investment Management North America Inc. does not warrant its completeness or accuracy.

The returns presented represent past performance and are not necessarily representative of future returns which may vary. The value of investments can fall as well as rise as a result of market or currency movements.

All investments, domestic and foreign, involve risks including the risk of possible loss of principal. The market value of a fund's portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investing overseas involves special risks including among others, risks related to political or economic instability, foreign currency (such as exchange, valuation, and fluctuation) risk, market entry or exit restrictions, illiquidity and taxation. Emerging markets pose greater risks than investments in developed markets.

The views and forecasts contained herein are those of the Emerging Market Equities team and are subject to change. The information and opinions contained in this document have been obtained from sources we consider to be reliable. No responsibility can be accepted for errors of facts obtained from third parties. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions.

The opinions stated in this presentation include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized.

Schroder Investment management North America Inc.
875 Third Avenue, New York, NY 10022-6225
(212) 641-3800
www.schroders.com\us

Schroders

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

October 25, 2011 Agenda Item 6.3

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Discussion and Selection of Manager for *SamCERA's* Emerging Market Mandate.

STAFF RECOMMENDATION: Staff recommends that the board discuss the merits of the three finalists then select one. Following the selection of a manager, the board should direct staff to perform further due diligence and initiate negotiations for an investment management agreement for the emerging market mandate.

COMMENT: A thorough discussion of the background of the search process for an emerging market manager appears in today's agenda item 6.2. That discussion notes ten firms passed the boards screening criteria for the mandate. From that field the board invited three firms to interview before the board at today's special meeting.

Those firms and products are:

- **Dimensional Fund Advisors - Emerging Markets Core Equity Portfolio**

- **Eaton Vance Management (Parametric) - Structured Emerging Markets Equity**

- **Schroder Investment Management - Emerging Markets Equity**

Agenda item 6.2 has a review booklet that provides individual data on each manager. It also provides manager comparisons for vital statistics. The review booklet along with the interviews will provide a basis for the board's decision.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.4

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

SUBJECT: Selection of Finalists to Interview for *SamCERA's* International Small Cap Manager Search

STAFF RECOMMENDATION: Staff recommends that the board review and accept the recommendation from staff and Strategic Investment Solutions regarding the top four firms. Staff further recommends that the board then select from those firms the finalists they wish to invite for interviews at the December meeting.

BACKGROUND: At the April 2011 board meeting, the trustees initiated a high level review of *SamCERA's* international equity structure. The impetus for the review was the board's concern regarding performance of *SamCERA's* international equity managers.

At the May 24th board meeting Strategic Investment Solutions provided a draft proposal for restructuring *SamCERA's* international equity portfolio. The board adopted a structure which keeps the total international portfolio at 18.0%. The asset class is restructured into four portfolios. Those portfolio mandates and the percentage of the total portfolio are: Large Cap Value 8.0%, Large Cap Developed Market Growth 6.0%, International Small Cap 2.0%, and Emerging Market 2.0%.

Following discussion of the international small cap equity mandate at the July 26, 2011, board meeting, the following initial screening criteria were approved:

INITIAL SCREENING CRITERIA:

1. Starting Universe: eVestment Alliance Non-US Diversified Small Cap Equity universe.

2. Product must be open to new accounts.

3. Product must have minimum assets of $200 million as of the end of Q1 2011.

4. Product's track record must have a minimum length of three years as of the end of Q1 2011.

5. Performance: Product must outperform EAFE Small Cap index in at least 50% of available time periods (3, 5, 7 and 10 years) and outperform the universe median in at least 50% of available time periods (3, 5, 7 and 10 years). If the strategy is benchmarked to the MSCI ACWI ex-US Small Cap index, which is preferred, it should also have outperformed that index in half the available periods.

6. Product should be core, or have a moderate growth or value tilt. Products with extreme style biases will be excluded.

7. Products may be eliminated for a range of other reasons including, but not limited to, the following: excessive assets, recent loss of a portfolio manager, predominantly retail assets, extreme tracking error or volatility.

There were nine products in the eVestment Alliance database of International Small Cap Equity Managers that passed through these basic filters. The following firms/strategies were approved to receive a Request for Information (RFI):

• Acadian Asset Management: Non-U.S. Small Cap Equity
• Copper Rock Capital Partners: International Small Cap
• Dimensional Fund Advisors: International Small Company Strategy
• Epoch Investment Partners: International Small Cap
• Franklin Templeton Investments: Templeton International Small Cap Composite
• Harris Associates: International Small Cap
• Munder Capital: International: Small Cap Equity
• Pyramis Global Advisors: Select International Small Cap
• Wells Capital Management Incorporated: Berkeley Street International Small Cap Equity

All of the candidates, with the exception of Harris Associates, completed the RFI questionnaire. Based on the information gathered from the RFI responses, SIS evaluated and scored the candidates.

COMMENT: Based on information gathered from the responses to the Request for Information, SIS, in conjunction with staff, recommends the following four candidates be considered for an invitation to finalist interviews with the board at the December 13, 2011 meeting of the Board of Retirement.

Recommended Finalists	
Dimensional Fund Advisors	International Small Company Strategy
Franklin Templeton Investments	Templeton International Small Cap Composite
Pyramis Global Advisors	Select International Small Cap
Wells Capital Management Incorporated	Berkeley Street International Small Cap Equity

SamCERA: International Small Cap Equity Manager Search

REMAINING TIMELINE:

October 2011: Finish reading RFI responses and prepare summary material.

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

Desired Output from the Meeting: Select finalists for interviews.

December 2011: Prepare for interviews.

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

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

International Small Cap Equity Search

SamCERA
October 2011

STRATEGIC INVESTMENT SOLUTIONS, INC.

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

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

MEMORANDUM

To:	SAMCERA Investment Committee
Cc:	Gary Clifton, CIO
From:	SIS
Date:	October 11, 2011
Subject:	International Small Cap Equity Search

Overview

Following discussion of the criteria and initial screening process for the international small cap equity search at the July 23rd, 2011 Board meeting, the following firms/strategies were approved to receive a Request for Information (RFI):

- Acadian Asset Management : Non-U.S. Small-Cap Equity
- Copper Rock Capital Partners: International Small Cap
- Dimensional Fund Advisors: International Small Company Strategy
- Epoch Investment Partners: International Small Cap
- Franklin Templeton Investments: Templeton International Small Cap Composite
- Harris Associates: International Small Cap
- Munder Capital: International: Small Cap Equity
- Pyramis Global Advisors: Select International Small Cap
- Wells Capital Management Incorporated: Berkeley Street International Small Cap Equity

All of the candidates, with the exception of Harris Associates, completed the RFI questionnaire. Based on the information gathered from the RFI responses, SIS evaluated and scored the candidates based on the following main criteria:

- *Organization (20%)*
  -Organizational Structure/Ownership
  -Organizational Stability
  -Assets/Clients/Account Growth/Account losses
  -Operations/Back Office Infrastructure
  -Client Service, Transparency & Reporting
  -Legal/Regulatory Issues

- *Investment Team (20%)*
  -Experience & Stability

-Size & Depth of Resources
-Compensation/Incentives/Equity Ownership

- *Investment Strategy (20%)*
  -Research Process/Due Diligence/Stock Selection
  -Philosophy/Style
  -Decision Making
  -Risk Management

- *Performance (20%)*
  -Return Premiums
  -Volatility
  -Consistency
  -Risk Adjusted

- *Fees/Terms (10%)*
  -Competitive fee level?
  -Separate vs. Commingled

- *-Additional Considerations (10%)*
  Alignment of Interests
  Capacity
  Trading Costs
  Soft Dollar Policy
  Other

SIS recommends that the board consider the four below listed firms, and invite three of the four firms to make a finalist presentation at the upcoming Board meeting:

- **Dimensional Fund Advisors: International Small Company Strategy**
- **Franklin Templeton Investments: Templeton International Small Cap Composite**
- **Pyramis Global Advisors: Select International Small Cap**
- **Wells Capital Management Incorporated: Berkeley Street International Small Cap Equity**

Section 1 summarizes our scoring of each proposed strategy. Section 2 contains firm and strategy profiles. Section 3 contains performance information.

Acadian Asset Management — *Non-US Small Cap Equity*

Date: October 2011

Strategy Inception: January 1993

Preferred Benchmark: MSCI EAFE Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Value**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Firm founded in 1986; became a wholly owned affiliate of Old Mutual in 2000 when Old Mutual acquired UAM; currently employees own 29% of Class B shares which provide economic interest in the firm, but not a voting interest; the majority of sr. staff have class B shares.
Organizational Stability		Anticipate some changes among senior management over the next few years; there has been some investment staff turnover, additions and departures, in the past three years
Assets/Clients/Account Growth/Account losses		Firm assets grew rapidly to over $80 bn at the end of 2007, and have since fallen to approximately $50 bn; strategy assets are slightly below $3 bn across 17 accounts; account turnover has been low; client base of large sophisticated funds
Operations/Back Office Infrastructure		Well staffed operations group; use outside vendors for some services
Client Service, Transparency & Reporting		Detailed reporting including model specific attribution
Legal/Regulatory Issues		There has been some litigation; none appears to be of particular concern
Investment Team (max points 20)	***16***	
Experience & Stability		Experienced team including many quantitative Ph.D.s; as noted above, there has been some turnover over the past few years
Size & Depth of Resources		20 portfolio managers, 16 research analysts and 15 traders; professionals are not segregated along product line or geographic region; their main role is to test and evaluate factors, improve research methodologies and portfolio construction
Compensation/Incentives/Equity Ownership		Employees own 29% of class B shares; compensation is base salary, bonus and profit sharing; bonus is based on individual's contributions to the the firm, process and performance; because of quantitative approach, bonus is not tied directly to portfolio performance or stock selection
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Quantitative multi-factor model based on fundamental insights; factor groups include value, growth, quality and technical attributes; model forecasts returns for 15,000 international small cap stocks daily; forecasts driven by bottom up analysis of individual stock attributes, but also by top down analysis of stock's peer group; forecasts fed into optimizer for portfolio construction
Philosophy/Style		Believe that market inefficiencies are caused by behavioral anomalies; style is value-to-core
Decision Making		Security selection is model driven; changes to the model are driven by the research team; findings are presented to the Investment Policy Committee, led by CIO John Chisholm, who has ultimate authority over whether idea is implemented in the model
Risk Management		Risk mostly defined relative to benchmark; 175-650 securities (recently 634); emerging markets are optonal; country and industry weights +/- 5% of the benchmark, max position size 175 bps over benchmark
Performance (max points 20)	***17***	
Return Premiums		Last five years have not been as strong as long term, difficult 2008
Volatility		Slightly higher standard deviation, but consistent and reasonable tracking error
Consistency		Until recent period, rolling returns quite consistently good
Risk Adjusted		Strong long-term information ratio
Fees/Terms (max points 10)	***8***	
Competitive fee level?		75 bps for a separate account or commingled account
Separate vs. Commingled		Both are available and separate account minimum is $25 mm
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Some employee economic ownership
Capacity		Did not answer question
Trading costs		52 bps in 2010
Soft Dollar Policy		Does not pay up for research, and pays hard dollars for research; in limited circumstances will allocate trades to a broker to obtain proprietary research that cannot be purchased with hard dollars
Other		Well resourced quantitative firm with long track record in international small cap equities

TOTAL SCORE: 81 / 100

Copper Rock Capital Partners — *International Small Cap Equity*

Date: October 2011

Strategy Inception: November 2008

Preferred Benchmark: S&P Developed Ex-US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*		*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Copper Rock was founded in 2005 and is located in Boston; they specialize in small cap equity, managing a US, Global and a non-US Small Cap Strategy; the firm is an affiliate of Old Mutual and is 40% owned by the principals of the firm; Tucker Walsh founder of the firm and US PM owns the majority of the 40%; more details about equity distribution is not provided
Organizational Stability		Organizational structure appears stable; international small cap team joined the firm in 2008 from
Assets/Clients/Account Growth/Account losses		Firm assets are modest at $1.5 bn; strategy assets have grown to $322 mm from a very low base in 2008; 5 accounts in strategy; no lost accounts
Operations/Back Office Infrastructure		Outsourced to BNY Mellon; in house operations manager oversees relationship between Copper Rock and BNY Mellon
Client Service, Transparency & Reporting		Sample client statement looks good; 3 member client service team
Legal/Regulatory Issues		No litigation or issues
Investment Team (max points 20)	***17***	
Experience & Stability		No turnover on international small cap team (but short history); portfolio managers have an average of almost 30 yrs experience; managed substantial international assets at Putnam
Size & Depth of Resources		Three portfolio managers and one research analyst dedicated exlusively to this strategy
Compensation/Incentives/Equity Ownership		Salary, bonus and all senior members of investment staff have equity; PMs have 3-year non-compete and non-solicit contracts and five year vesting on equity
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Portfolio managers have sector responsibility; frequent company meetings, >500 per year; front end quantitative screening for value, earnings momentum, quality and earnings sustainability; conduct research on stocks identified by screening as well as those that are poorly rated by screening, but that the team believe are not being properly evaluated by the Street
Philosophy/Style		Fundamental growth style; seeks to add value from bottom up stock selection
Decision Making		Team decision making process, with lead PM Stephen Dexter having ultimate authority and overall responsbility
Risk Management		80-120 holdings; max position size of 5% at cost; countries and sectors +/- 600 bps relative to index; max active postion 350 bps; up to 15% EM, but has been closer to 5%;
Performance (max points 20)	***15***	
Return Premiums		Putnam track record 2002-2008 is supplemental and not GIPS portable; poor relative performance 2010-2011, otherwise strong
Volatility		Lower than average standard deviation, some downside protection
Consistency		Some periods of underperformance
Risk Adjusted		Respectable 5- and 7-year information ratios
Fees/Terms (max points 10)	***8***	
Competitive fee level?		75 bps for separate account or commingled vehicle, minimum for separate account is $10 mm (this is discount from standard fee schedule)
Separate vs. Commingled		Separate account, commingled and institutional mutual fund
Additional Considerations (max points 10)	***9***	
Alignment of Interests		Equity participation
Capacity		Anticipate closing at $1.5 -$2 billion; also manage global small cap
Trading costs		15 bps in 2010, expected turnover in the 90% range
Soft Dollar Policy		Complies with Section 28(e) safe harbor
Other		Seasoned team with low assets

TOTAL SCORE: 81 / 100

Dimensional Fund Advisors	***International Small Company***
Date: September 2011	*Strategy Inception: October 1996*
	Preferred Benchmark: MSCI World ex-US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***19***	
Organizational Structure/Ownership		DFA has been managing taxable and tax-exempt assets since 1981; headquartered in Austin, the firm has offices in Santa Monica, Chicago, London, Sydney, and Vancouver; DFA is approximately 70% owned by employees and directors and 30% by outside investors who have close ties to the firm
Organizational Stability		Since DFA's inception, there have not been material changes in the ownership structure; the firm has significantly expanded personnel across all departments over the past five years; headquarters were moved from Santa Monica, CA to Austin, TX in 2009; the firm is profitable and remained profitable even during the financial crisis
Assets/Clients/Account Growth/Account losses		DFA's total AUM is approximately $230 bn; the strategy assets are approximately $8.3 bn across 137 accounts; asset and account growth has been steady but not excessively rapid
Operations/Back Office Infrastructure		Functions such as trade confirmation, settlement, portfolio accounting, account reconciliation and operational data management, have been outsourced to Citigroup; DFA uses a customized version of the Charles River Investment Management System as the primary order management system, which is used for pre-trade and post-trade compliance trade order management
Client Service, Transparency & Reporting		Detailed reporting with commentary and attribution; high ratio of portfolio managers to portfolios
Legal/Regulatory Issues		None
Investment Team (max points 20)	***17***	
Experience & Stability		DFA manages assets using a team approach; the firm's 12 member Investment Policy Committee includes academic luminaries Kenneth French and Eugene Fama; the International Equity Portfolio Management Team oversees the emerging markets strategies; turnover in the group has been low
Size & Depth of Resources		All of the investment professionals hold advanced degrees, including an MBA or PhD; on average portfolio managers have over seven years of experience and were hired directly from top business schools; in addition to portfolio managers, DFA employs a research team of 23 professionals who are not analysts in the traditional sense, but financial economists, mathematicians, engineers, etc.
Compensation/Incentives/Equity Ownership		Investment professionals receive base salary and bonus on an bi-annual basis; certain qualified employees are invited to participate in stock ownership
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		DFA’s investment philosophy is founded on academic research regarding the characteristics of risk and return of investment portfolios; they adhere to three fundamental tenets: first of all, they take an equilibrium view of markets and believe there is an efficient trade-off between risk and reward; they believe that diversification is essential and the most powerful risk control mechanism; they also believe that structure, exclusion rules and trading expertise explain performance; the portfolio is designed to benefit from the small market capitalization risk factor over time
Philosophy/Style		DFA's approach falls somewhere between an index and a traditional active management style; they are not conducting fundamental analysis on individual stocks, but are seeking to outperform conventional indices by holding stocks with certain attributes (e.g. size, value, momentum) and using exclusion rules replacing companies with certain characteristics with others with more desirable behavior (e.g. companies which are likely difficult to trade efficiently in live portfolios may be excluded)
Decision Making		DFA uses a rules based approach; the Investment Committee reviews and approves rules and guidelines used by the strategies; the portfolio managers use these rules to construct portfolios
Risk Management		DFA believes there are four primary components of portfolio risk: style risk, concentration risk, implementation risk and operational risk; the portfolio has typically held 4,350-4,850 stocks (currently holds approximately 4,725); industry and country weightings are the result of stock selection; strategy does not invest in emerging markets
Performance (max points 20)	***17***	
Return Premiums		Moderate but good annualized excess returns
Volatility		Lower than benchmark and median volatility, and steady tracking error in the 3% range
Consistency		Steady and solid rolling excess returns
Risk Adjusted		Good information ratios
Fees/Terms (max points 10)	***9***	
Competitive fee level?		Institutional mutual fund is 56 bps (which includes management fee and other expenses)
Separate vs. Commingled		Separate accounts are available on a case by case basis for accounts above $100 mm.
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Employees have equity in the firm; DFA does not track employee investment in the funds, but they are used in firm's 401k
Capacity		Currently no maximum limitation on capacity, but have closed strategies in the past
Trading costs		7 bps for this strategy for 2010, very low portfolio turnover of 5%-15%, patient trading aims to generate value
Soft Dollar Policy		Engages in soft dollar practices only in a manner that is consistent with section 28(e) of Securities Exchange Act of 1934
Other		Systematic approach provides broad exposure to asset class while not being similar to benchmark; reasonably priced with exposure to lower market cap names

TOTAL SCORE: 86 / 100

Epoch Investment Partners — *International Small Company*

Date: September 2011

Strategy Inception: January 2005

Preferred Benchmark: MSCI World ex-US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***15***	
Organizational Structure/Ownership		Firm founded in 2004 and located in New York City and has 58 employees; wholly owned subsidiary of Epoch Holding Corp, which is publicly traded; approximately 40% of parent company is owned by Epoch employees
Organizational Stability		Appears to be stable with no change in ownership structure since founding; ownership structure provides liquidity to equity owning employees; lost Chief Compliance Officer in 2010
Assets/Clients/Account Growth/Account losses		Firm assets have grown steadily and are now at $17 bn; strategy assets are $674 across 4 accounts; looks like some account losses in 2008, maybe due to PM departure
Operations/Back Office Infrastructure		Business team of 20 members which includes finance and administration, operations and IT
Client Service, Transparency & Reporting		14 member client service and consultant relations team; detailed client reporting
Legal/Regulatory Issues		None
Investment Team (max points 20)	***15***	
Experience & Stability		Two PMs have > 20 years industry experience, but have only been on this strategy since 2007-2008; departure of prior PM and analyst in 2008, and another analyst in 2011
Size & Depth of Resources		Two full time PMs on strategy, but other members of investment team also contribute to international small cap effort; they list eight team members, but most spend only a minority of their time on this strategy
Compensation/Incentives/Equity Ownership		Base salary and bonus, which consists of cash and stock; PMs compensated on performance of strategy, overall performance of the firm and corporate citizenship; performance review based on risk adjusted 1-, 3- and 5-year periods
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Process begins by identifying long-term themes within global economy; then incorporate qualitative insights from company meetings; also quantitative screens to uncover companies with improving business fundamentals, strong balance sheets and superior free-cash-flow growth
Philosophy/Style		Employs a top-down theme-based approach, paired with a fundamental, bottom-up research and investment process utilizing free-cash-flow valuation methodology
Decision Making		PMs Emily Baker and Eric Citerne are responsible for buy/sell decisions, with input from three research analysts
Risk Management		125-175 stock portfolio; postion size 2% at purchase and 3% at market; country and sector weightings primarily driven by bottom up security selection; up to 15% in emerging markets (depending on guidelines); use Barra to monitor tracking error and risk
Performance (max points 20)	***16***	
Return Premiums		Shorter track record but solid 5-year excess return
Volatility		Slightly below benchmark and median
Consistency		Some calendar year volatility, strong returns early on with prior team
Risk Adjusted		Solid 5-year information ratio
Fees/Terms (max points 10)	***7***	
Competitive fee level?		95 bps for separate account
Separate vs. Commingled		Available as separate account of institutional mutual fund, will waive $50 million minimum for this assignment
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Employees own publicly traded stock; Epoch mutual funds avialable for employees to invest in, but no dollar amounts disclosed
Capacity		Capacity of $2 billion under current market conditions
Trading costs		Approximately 17 bps in 2010
Soft Dollar Policy		Use soft dollars in accordance with Section 28(e) safe-harbor
Other		Invest in market caps up to $5 bn

TOTAL SCORE: 77 / 100

Franklin — Templeton International Smaller Companies Fund

Date: September 2011

Strategy Inception: June 2001

Preferred Benchmark: MSCI ACWI ex US Small Cap or EAFE Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***17***	
Organizational Structure/Ownership		Franklin was founded in 1947 and manages $734 bn across nine wholly owned subsidiaries, which are distinct investment platforms; the firm is headquartered in San Mateo, but has offices in 30 countries; Franklin Resources is a public company and >30% of the equity is held by members of the Johnson family; employees are eligible to participate in ESIP, but the percentage of Franklin's equity held by employees is not disclosed
Organizational Stability		Ownership structure appears to be stable; Johnson family members occupy the most senior executive positions; over the years Franklin has consistently made acquisitions as a means of building its investment management platform
Assets/Clients/Account Growth/Account losses		The firm has a very large retail mutual fund business; the strategy has 7 accounts and $1.8 bn, with a number of new accounts in 2010
Operations/Back Office Infrastructure		This strategy draws on Franklin Templeton's broader resources for back office operational support; Franklin Templeton Services (FTS) is the entity that provides back office operational services to
Client Service, Transparency & Reporting		Ample resources dedicated to client servicing and reporting
Legal/Regulatory Issues		Some litigation historically, e.g. mutual fund trading related in 2004 - 2005
Investment Team (max points 20)	***17***	
Experience & Stability		Harlan Hodes is the lead PM and he has 9 years on the strategy and 11 years of industry experience; he is supported by Cindy Sweeting who has been involved in the strategy for 14 years and has 27 years of industry experience; her role on the strategy was increased when a co-portfolio manager on the strategy left the firm in 2011
Size & Depth of Resources		Templeton Global Equity Group includes 36 portfolio managers and analysts; the Global Small Cap Research Team includes seven sector analysts who provide coverage of the global small cap universe; two of the seven, Harlan Hodes and Cindy Sweeting, serve as the portfolio managers for this strategy
Compensation/Incentives/Equity Ownership		Bonus based on quantitative and qualitative assessment of performance; research and portfolio management success measured over 1-, 3- and 5-year periods; key employees participate in equity
Investment Strategy (max points 20)	***17***	
Research Process/Due Diligence/Stock Selection		Bottom up value approach, determine a company's worth based on long term normalized earnings and then wait for stock to become a bargain; process has been in place for many years and substantial resources are devoted to investment research
Philosophy/Style		Characterize style as core value as opposed to pure or deep value; philosophy is value, patience and bottom up stock selection
Decision Making		Portfolio managers have final discretion in selecting stocks, but may only select stocks from approved stock lists
Risk Management		Have a dedicated Portfolio Analysis and Risk Group conducts risk analyses on all the portfolios; reports are distributed to PMs and disucssed in weekly peer reviews; 80-110 stocks in portfolio, max 5% position size (generally 1%-3%; no restrictions on sector, country or region; historically less than 20% EM (optional)
Performance (max points 20)	***17***	
Return Premiums		Strong annualized numbers
Volatility		Slightly below benchmark and median
Consistency		Deep underperformance 2003-2005 period
Risk Adjusted		Solid annualized information ratios
Fees/Terms (max points 10)	***7***	
Competitive fee level?		91 bps in the commingled vehicle for a $40 mm account
Separate vs. Commingled		Separate, commingled and institutional mutual fund available, but separate account minimum of $50mm
Additional Considerations (max points 10)	***7***	
Alignment of Interests		Portfolio managers receive a portio of compensaton in deferred Franklin Resources stock and shares of Templeton funds; do not disclose aggregate investment in strategy by staff
Capacity		In past have had capacity of $5-$6 bn and closed in 2007-2008 when assets exceeded this limit
Trading costs		16 bps in 2010, turnover is relatively low, typically in the 20% range
Soft Dollar Policy		Use soft dollars when eligible under section 28(e) in SEC Act of 1934
Other		Large firm, decent resources dedicated to international small cap, likely to let assets grow quite large

TOTAL SCORE: 82 / 100

Munder Capital Management — International Small Cap

Date: October 2011

Strategy Inception: August 2007

Preferred Benchmark: S&P Developed ex-US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***14***	
Organizational Structure/Ownership		Munder is a privately owned company; 66 senior professionals (representing 45% of employees) own 28.4% of firm; Crestview Partners, a private equity firm, owns 59.4%; the remaining 12.2% is owned by several other minority investors; the firm is headquartered in Michigan and its sole business is providing investment management services
Organizational Stability		2010 acquisition of Integrity Asset Management; exit strategy or timing of exit of Crestview is not specified; the group that manages international equities joined Munder from The Boston Company in 2007
Assets/Clients/Account Growth/Account losses		Firm assets of approximately $15 bn; strategy assets of $408 mm; a few account losses and not much growth
Operations/Back Office Infrastructure		Eight member institutional operations group, four member trade clearing group, and team of ten dedicated to application development, data and infrastructure
Client Service, Transparency & Reporting		Five member client relationship team, more resources dedicated to sales than client service;
Legal/Regulatory Issues		Some recent litigation in which Munder Capital was named as a third-party defendant by Comerica Bank in a class action suit related to securities lending
Investment Team (max points 20)	***17***	
Experience & Stability		Team joined Munder in 2007 but was initially formed in 1996 at Standish, Ayer and Wood; Standish was acquired by Mellon, and the team was moved to The Boston Company;
Size & Depth of Resources		Research team of 7; industry experience ranges from 16 -26 years; team also manages large cap international and, according to RFI, devotes 50% of time to international small cap
Compensation/Incentives/Equity Ownership		Base salary, bonus, and long-term incentive of equity ownership in firm; bonus determined by a range of factors including performance of accounts over one- and three-year periods, profitability of firm, and qualitative considerations including communication and positive collaboration with team members; require minimum investment in strategy by all investment professionals based on a multiple of salary
Investment Strategy (max points 20)	***16***	
Research Process/Due Diligence/Stock Selection		Stocks within the international small cap universe are scored by quantitative model based on improving business momentum and relative valuation and then ranked within economic sectors, countries and capitalization ranges; sector analysts conduct fundamental research looking for similar attributes as the quantitative model; process is sell driven in that they are looking to replace low ranking stocks in the portfolio with higher ranked stocks
Philosophy/Style		Blend of quantative and fundamental analysis; core style looks for relative growth, business momentum and relative value; approach seeks to capture investors' tendency to under-react to new information and good news, such as positive earnings surprise
Decision Making		Lead PM Dan LeVan has final decision making authority, but most analyst recommendations are implemented in portfolio
Risk Management		Risk aware strategy; 180-220 holdings; country exposure +/- 2% to benchmark, sectors +/- 2% to benchmark, industries +/- 3% to benchmark, positions +3% to benchmark at purchase, no emergning markets in standard product, use Barra to monitor risk exposures
Performance (max points 20)	***15***	
Return Premiums		Track record prior to 9/2007 is supplemental only, not GIPs portable; longer term numbers dragged down by difficult 2007-2009
Volatility		Slightly above benchmark and median
Consistency		Rolling returns look compelling prior to recent difficulty
Risk Adjusted		Positive for longer periods
Fees/Terms (max points 10)	***7***	
Competitive fee level?		91 bps for a $40 mm separate account
Separate vs. Commingled		Available as separate account, commingled vehicle or institutional mutual fund
Additional Considerations (max points 10)	***7***	
Alignment of Interests		Incentives include some firm equity and required investment in strategy
Capacity		Believe capacity to be approximately $3 billion and plan to close in the range of $2 billion
Trading costs		10 bps commission, all trading costs including market impact estimated at 50 bps; turnover in the range of 75% - 100%
Soft Dollar Policy		Uses soft dollars as permitted by Section 28(e) of 1934 Act
Other		Reasonably well resourced group, but asset growth has been slow, private equity ownership of firm raises questions

TOTAL SCORE: 76 / 100

Pyramis Global Advisors — *Select International Small Cap*

Date: October 2011

Strategy Inception: July 1995

Preferred Benchmark: S&P Developed ex US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***18***	
Organizational Structure/Ownership		Pyramis is the insititutional arm of Fidelity; 51% employee owned, 49% owned by Johnson family; complex corporate structure with many wholly owned subsidiaries falling under FMR LLC
Organizational Stability		Huge firm, quite stable, entirely focused on investment management; has advantage of not being publicly traded, which allows for longer term approach to management; recently some changes in management reporting structure within Pyramis and relationship between Pyramis and Fidelity
Assets/Clients/Account Growth/Account losses		Pyramis assets in the range of $176 bn; strategy assets $3 bn; flows consistently positive with substantial asset growth in 2010
Operations/Back Office Infrastructure		Massive and deep infrastructure
Client Service, Transparency & Reporting		Substantial resources devoted to client service and detailed reporting; SamCERA already has relationship with client service person
Legal/Regulatory Issues		Does not comment on legal or regulatory issues unless or until enforcement procedings are initiatied; Pyramis Global Advisors Trust Company is not SEC registered, but is a New Hampshire limited-purpose trust bank
Investment Team (max points 20)	***17***	
Experience & Stability		PM Rob Feldman, the key decision maker, has been managing the strategy for 13 years; Cesar Hernandez is backup portfolio manager responsible for creating the Select International approach in 1989
Size & Depth of Resources		The portfolio manager draws on the research of Pyramis and Fidelity analysts of which there are almost 500 in total; Pyramis has more than 40 global sector analysts, and two small cap specific analysts, located in Boston, London and Hong Kong
Compensation/Incentives/Equity Ownership		PM bonus based on portfolio performance over 1-,3- and 5-year periods; analysts' bonuses range from 50% -150% of base salary and are based on performance of stock recommendations, impact of recommendations on portfolios and portfolio manager appraisal; in addition, investment professionals may recieve share awards based on various factors including level of responsibility in the organization
Investment Strategy (max points 20)	***19***	
Research Process/Due Diligence/Stock Selection		Objective is to add value through stock selection while matching geographic exposure of the benchmark; PM constructs regional portfolios using analysts 1 & 2 rated stocks; these regional portfolios are assembled using weights similar to the index, with modest sector and country deviations; the idea is to have bottom up research drive stock selection, but strip out most other exposures; Fidelity analysts cover 3,500 international companies and write a detailed research note at a minimum every 90 days; in rating securities on a 1 to 5 scale, analysts indicate their views of whether or not stocks are likely to outperform the regional index on a 12- to 18-month time frame
Philosophy/Style		Fundamental core style; philosophy is that international small cap is an inefficient asset class and that these inefficiencies are best exploited using fundamental, bottom up, forward looking, stock specific research
Decision Making		Portfolio manager Rob Feldman has full latitude in constructing the portfolio
Risk Management		175-200 stock portfolio, regionally neutral, country +/- 3% vs. benchmark, sector +/-3% vs. benchmark, security +/-2% vs. benchmark
Performance (max points 20)	***17***	
Return Premiums		Solid annualized excess returns
Volatility		Benchmark-like or just slightly above, below median tracking error
Consistency		Difficult 2003-2005 period, otherwise consistent
Risk Adjusted		Respectable long-term information ratios
Fees/Terms (max points 10)	***8***	
Competitive fee level?		80 bps on all assets (may be willing to negotiate)
Separate vs. Commingled		Separate account and commingled vehicles available, stated mimimum of $50 mm for separate account
Additional Considerations (max points 10)	***8***	
Alignment of Interests		PM and analysts compensation tied to portfolio performance, some employee ownership
Capacity		Believe they have capacity of $4.5-$5 billion; (have said slightly less in the past when assets were lower)
Trading costs		Considered proprietary
Soft Dollar Policy		Use soft dollars in accord with Section 28(e) of the 1934 Act
Other		Has advantage of being able to do fundamental research on a significant portion of the international small cap universe, which is not possible for smaller firm

TOTAL SCORE: 87 / 100

Wells Capital Management — Berkeley Street International Small Cap Equity

Date: October 2011

Strategy Inception: January 1999

Preferred Benchmark: S&P Developed ex US Small Cap

Asset Class:	**Equity**	*Capitalization:*	**Small**	*Geography:*	**Non-US**
Structure:	**Single Manager**	*Style:*	**Core**	*Sub-Focus:*	**Developed**

Category	Score	Notes/Comments
Organization (max points 20)	***16***	
Organizational Structure/Ownership		Wells Capital is a wholly owned subsidiary Wells Fargo, a publicly traded company; Wells Capital is structured as a multi-boutique asset management firm, with specialist teams executing their investment strategies independently
Organizational Stability		Wells Fargo is a large diversified bank which has made numerous acquisitions over the years; most relevant in this case was the acquisition of Wachovia in early 2009 when the Berkeley Street team, which had been part of Evergreen, became part of Wells Capital
Assets/Clients/Account Growth/Account losses		Wells Capital has more than $350 bn in assets under management, which represents a doubling of assets in the last five years, partly due to acquisitions; strategy assets are $362 mm, lost a large mutual fund subadvisory client in 2009; there are currently four separate accounts and no retail mutual fund
Operations/Back Office Infrastructure		140 member operations team with an average of 8 years experience at Wells Cap
Client Service, Transparency & Reporting		Well resourced large client service and detailed sample report with commentary and discussion of attribution
Legal/Regulatory Issues		No outstanding issues
Investment Team (max points 20)	***17***	
Experience & Stability		Senior Portfolio manager Francis Claro has overseen this portfolio since its inception in 1999, team of analysts have substantial industry experience; team came from Evergreen in 2009; when prior head of international at Evergreen retired, Francis merged large and small cap teams and this resulted in some departures
Size & Depth of Resources		Seven member team is reasonably well resourced and spends 100% of its time on international equity, both large and small
Compensation/Incentives/Equity Ownership		PMs at Wells receive base salary and variable incentives based on portfolio performance; analysts are evaluated on overall team's relative investment performance as well as performance and quality of individual research; long-term compensation package includes Wells Fargo stock options
Investment Strategy (max points 20)	***18***	
Research Process/Due Diligence/Stock Selection		Idea generation is eclectic, involving screens, research trips, management meetings, conferences, etc; company research usually takes at least four weeks and results in a research study which is submitted to the team for review; focus is on opportunities where fundamental research points to a very strong improvement in a company's financial and/or operational standing; team uses a range of valuation methodologies: DCF, sum of parts; market multiples, etc.
Philosophy/Style		Believe that there are many inefficiencies in the pricing of international small caps which can be uncovered with fundamental research; approach has no inherent style bias and considers both growth and value factors; they emphasize valuation in the growth area and catalysts in value
Decision Making		PM Francis Claro works closely with the analysts throughout the research process but has ultimate decision making authority
Risk Management		80-160 holdings; 5% max position, generally <3%; comparatively wide bands around country and sector; max EM exposure of 30%; view risk in both absolute and relative terms
Performance (max points 20)	***17***	
Return Premiums		Excellent annualized returns
Volatility		Lower than benchmark and median
Consistency		Mostly consistent, but some period of underperformance: 2002-2003, 2009
Risk Adjusted		Respectable information ratios and impressive upside/downside capture
Fees/Terms (max points 10)	***7***	
Competitive fee level?		1% on a $40 mm account
Separate vs. Commingled		Separate account only
Additional Considerations (max points 10)	***8***	
Alignment of Interests		Bank owned organization
Capacity		Estimated capacity in excess of $2 billion
Trading costs		10 basis point commission on a blended basis; in normal times expect turnover in the 65% -100% range, but has been higher in some years
Soft Dollar Policy		Do use soft dollars but have guidelines
Other		Seasoned portfolio manager with well-resourced team and very light assets

TOTAL SCORE: 83 / 100

Acadian Asset Management LLC

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	One Post Office Square Boston, Massachusetts 02109, United States
Phone/Fax:	617.850.3500 / 617.850.3501
Registered Investment Advisor:	Yes
Year Firm Founded:	1986
Firm Website:	www.acadian-asset.com

Key Facts	
Total Assets Under Management ($ Million):	$50,639.7
Total Number of Accounts:	217
Number of Portfolio Managers:	20
Number of Analysts:	14
% Employee Owned:	29.00 %

Contact Information

Marketing Contact:	Renee Hoffman	Database Contact:	Amy Burns
Title:	Senior Vice President	Title:	Consultant Database Manager
Address:	One Post Office Square, 20th floor	Address:	One Post Office Square, 20th Floor
City, State, Zip Code:	Boston, Massachusetts 02019	City, State, Zip Code:	Boston, Massachusetts 02109
Phone/Fax:	617.850.3579 / 617.850.3679	Phone/Fax:	617.850.3566 / 617.850.3666
Email Address:	rhoffman@acadian-asset.com	Email Address:	aburns@acadian-asset.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$50,639.7	217
Total Taxable	$21.3	1
Total Tax-Exempt	$50,618.4	216
Total Institutional	$50,639.7	217

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	3	$348.1	0.7 %
2010	14	$2,449.5	5.0 %
2009	31	$3,462.0	8.1 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	8	$968.0	2.0 %
2010	44	$7,917.2	16.2 %
2009	46	$5,901.5	13.5 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$1,173.8	$0.0	$0.0	$0.0	$0.0
Canada	$4.9	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$119.8	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$64.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$20,070.6	$0.0	$0.0	$0.0	$0.0
Global	$14,268.3	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$14,790.8	$147.5	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$50,609.3	$49,022.4	$49,314.1
Total Taxable	$20.6	$20.1	$78.4
Total Tax-Exempt	$50,588.7	$49,002.3	$49,235.7
Total Institutional	$50,609.3	$49,022.4	$49,314.1

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$32,874.2
Canada	$2,830.7
United Kingdom	$1,919.9
Continental Europe	$6,668.6
Japan	$975.1
Australia	$1,931.3
Hong Kong	$425.8
Singapore	$697.4
Other Asia ex-Japan	$390.1
Africa/Middle East	$1,611.4
Latin America	$0.0
Other	$315.2

5 Largest Accounts	Aggregate ($ Mil)
1) Public Fund	$2,292.1
2) Public Fund	$1,381.1
3) Public Fund	$1,275.5
4) Public Fund	$1,161.5
5) Public Fund	$1,095.2

Ownership Information

% Employee Owned	29.0%
% Parent Owned	71.0%
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1994
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$20.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$25.00
Firm Bonded:	Yes	Coverage ($ Mil)	$10.00

Firm Background Narratives

Acadian Asset Management LLC, which was founded in 1986, is a U.S. Securities and Exchange Commission-registered investment adviser and Boston-headquartered investment management firm that, along with its wholly owned Singapore and U.K. affiliates, specializes in the active investment management of global and international equity strategies.

Acadian is a subsidiary of Old Mutual Asset Managers (US) LLC ('OMAM'), which is an indirectly wholly owned subsidiary of Old Mutual plc, a UK-listed financial services company. Acadian exercises complete discretion over its investment philosophy, people and process, and Acadian is operated as a single independent entity. Acadian has been owned by Old Mutual since 2000, when Old Mutual purchased Acadian's former parent United Asset Management. Acadian had been acquired by UAM in 1992.

Acadian is a subsidiary of Old Mutual Asset Managers (US) LLC (OMAM), which is an indirectly wholly-owned subsidiary of Old Mutual plc, a London-based financial services firm. Old Mutual Asset Managers (US) LLC owns 100% of the Class A (voting) interest of Acadian. Ownership of the Class B interest, which provides financial participation in the profitability of the firm, is divided, with just over 71% owned by Old Mutual and the remainder owned by an Acadian Key Employee Limited Partnership (Acadian KELP) comprised of approximately 50 senior staff. We consider the actual amount of KELP interest held by each KELP member to be confidential.

More...

Acadian Asset Management LLC — June 30, 2011

Displayed in: US Dollar (USD)

Non-U.S. Small-Cap Equity — **Product Snapshot**

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Small Cap Value Equity
Marketing Contact:	Renee L Hoffman
Title:	Senior Vice President
Phone/Fax:	617.850.3579 / 617.850.3679
Email Address:	rhoffman@acadian-asset.com

Key Facts	
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Value
Preferred Benchmark:	MSCI EAFE Small Cap-ND
Total Product Assets:	$2,937.9
Total Product Accounts:	17
Product Offered As:	SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$2,937.9	17
Total Taxable	$0.0	0
Total Tax-Exempt	$2,937.9	17
Total Institutional	$2,937.9	17

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$2,173.1
Pooled/Commingled Assets	$764.8
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	3	$208.7	8.0 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	2	$243.8	9.4 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI EAFE Small Cap-ND
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Value
Current Cash Position:	0.5 %
Number of Countries in Portfolio:	24
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	---

Fundamental Characteristics	
Current Number Of Holdings:	634
Annual Turnover (LTM):	38 %
Current Dividend Yield:	2.63 %
Current P/E (12-mo Trailing):	11.25x
Current P/B (12-mo Trailing):	1.04x
Earnings Growth (Past 5 Yrs):	6.53 %
Weighted Avg. Mkt Cap (Mil):	$1,919
Median Market Cap (Mil):	$713

Key Country Allocations	
Canada	3.69 %
France:	7.54 %
Germany:	8.54 %
Japan:	28.54 %
Netherlands:	3.72 %
Switzerland:	2.12 %
United Kingdom:	16.53 %
Emerging Markets	0.03 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI EAFE Small Cap-ND
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	36.53	36.41	0.12	---	---	---	---	---	---
2 Year	26.77	23.77	3.00	---	---	---	---	---	---
3 Year	1.50	3.26	-1.76	37.28	-1.32	1.06	4.45	-0.40	0.03
4 Year	-4.56	-2.72	-1.85	32.93	-1.19	1.06	5.55	-0.33	-0.17
5 Year	3.40	2.32	1.08	30.61	1.47	1.08	6.14	0.18	0.05
6 Year	8.44	6.26	2.18	28.98	2.11	1.09	6.08	0.36	0.22
7 Year	11.00	8.25	2.75	27.27	2.48	1.07	5.78	0.47	0.32
8 Year	16.12	12.77	3.35	26.49	2.65	1.07	5.56	0.60	0.53
9 Year	15.78	11.48	4.30	26.18	4.05	1.02	5.83	0.74	0.53
10 Year	14.65	10.09	4.56	25.67	4.33	1.02	5.58	0.82	0.49
Since Inception (3/1993)	11.04	---	---	21.36	---	---	---	---	0.36

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	1.18	4.62	25.20	48.05	-51.87	9.51	28.99	31.61	41.24
Benchmark Returns:	0.85	3.84	22.04	46.78	-47.01	1.45	19.31	26.20	30.78
Excess Returns:	0.33	0.79	3.16	1.27	-4.86	8.07	9.68	5.42	10.46

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$25	---
Pooled/Commingled	Open	$1	---
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$187,500	$375,000	$562,500	$750,000
	75bps	75bps	75bps	75bps
Pooled/Commingled	$187,500	$375,000	$562,500	$750,000
	75bps	75bps	75bps	75bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	17	16	10
Research Analysts:	13	10	4
Traders:	13	15	7

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	2	1
	2010	3	1
	2009	1	2
Professionals Lost	MRQ	1	1
	2010	2	1
	2009	0	3

Displayed in: US Dollar (USD)

Firm Headquarters:	200 Clarendon Street, 51st Floor Boston, Massachusetts 02116, United States
Phone/Fax:	617.369.7100 / 617.369.7205
Registered Investment Advisor:	Yes
Year Firm Founded:	2005
Firm Website:	www.copperrockcapital.com

Key Facts	
Total Assets Under Management ($ Million):	$1,564.0
Total Number of Accounts:	33
Number of Portfolio Managers:	6
Number of Analysts:	4
% Employee Owned:	40.00 %

Contact Information

Marketing Contact:	Peter Hadelman	Database Contact:	Susan Hyams
Title:	Head of Relationship Management	Title:	Marketing Analyst
Address:	200 Clarendon Street, 51st Floor	Address:	200 Clarendon Street, 51st Floor
City, State, Zip Code:	Boston, Massachusetts 02116	City, State, Zip Code:	Boston, Massachusetts 02116
Phone/Fax:	617.369.7105 / 617.369.7205	Phone/Fax:	617.369.7103 / 617.369.6103
Email Address:	phadelman@copperrockcapital.com	Email Address:	shyams@copperrockcapital.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$1,564.0	33
Total Taxable	$528.0	9
Total Tax-Exempt	$1,035.0	24
Total Institutional	$1,047.0	27

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	5	$260.0	15.0 %
2009	5	$110.0	6.9 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	1	$106.0	6.6 %
2010	13	$432.0	28.1 %
2009	14	$370.0	23.7 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$970.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$322.0	$0.0	$0.0	$0.0	$0.0
Global	$260.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$1,660.0	$1,725.0	$1,628.0
Total Taxable	$461.0	$577.0	$475.0
Total Tax-Exempt	$1,199.0	$1,148.0	$1,153.0
Total Institutional	$1,212.0	$1,158.0	$1,160.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$1,013.0
Canada	$137.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$85.0
Australia	$210.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$119.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) Sub-Advised	$198.0
2) Insurance	$170.0
3) Other	$132.0
4) Sub-Advised	$119.0
5) Sub-Advised	$119.0

Ownership Information

% Employee Owned	40.0%
% Parent Owned	60.0%
% Publicly Held	---
Parent Company Name	Old Mutual Asset Management
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	2/1/2005
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$20.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$10.00
Firm Bonded:	Yes	Coverage ($ Mil)	$20.00

Firm Background Narratives

Copper Rock Capital Partners opened on February 1, 2005 and provides specialized domestic and international growth equity investment management for pension and profit sharing plans, institutional investors, investment limited partnerships, and mutual funds. The firm is an affiliate of Old Mutual Asset Management with the principals of Copper Rock having a 40% ownership stake in the firm. As an affiliate of Old Mutual, Copper Rock benefits tremendously from the relationship with a global organization with greater than $259 billion in assets under management and a peer group of 18 other affiliates (as of December 31, 2010). Old Mutual provides human capital in the form of legal & compliance, information technology, human resources, risk management, and back office support.

Copper Rock benefits from the best of both worlds: the entrepreneurial environment of a small, specialized investment boutique with access to the substantial resources of a global financial services organization. The Copper Rock/Old Mutual relationship has allowed the firm to create an investment management organization with minimal non-investment related distractions where Copper Rock can focus on doing what it does best: fundamental investment research. It is a structure that provides organizational stability with complete investment autonomy.

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Small Cap Growth Equity
Marketing Contact:	Peter Hadelman
Title:	Head of Relationship Management
Phone/Fax:	617.369.7105 / 617.369.7205
Email Address:	phadelman@copperrockcapital.com

Key Facts

Primary Capitalization:	Small Cap
Primary Style Emphasis:	Growth
Preferred Benchmark:	S&P Developed Ex-U.S. SmallCap
Total Product Assets:	$322.0
Total Product Accounts:	5
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$322.0	5
Total Taxable	$119.0	1
Total Tax-Exempt	$203.0	4
Total Institutional	$203.0	4

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$160.0
Pooled/Commingled Assets	$44.0
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$119.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	3	$137.0	121.2 %
2009	1	$25.0	81.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	S&P Developed Ex-U.S. SmallCap
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Growth
Current Cash Position:	2.1 %
Number of Countries in Portfolio:	21
Approach Towards Currency Hedging:	---
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	15.0 %

Fundamental Characteristics	
Current Number Of Holdings:	95
Annual Turnover (LTM):	22 %
Current Dividend Yield:	1.98 %
Current P/E (12-mo Trailing):	14.44x
Current P/B (12-mo Trailing):	1.80x
Earnings Growth (Past 5 Yrs):	14.44 %
Weighted Avg. Mkt Cap (Mil):	$1,781
Median Market Cap (Mil):	$1,303

Key Country Allocations	
Canada	8.78 %
France:	6.59 %
Germany:	9.06 %
Japan:	19.46 %
Netherlands:	---
Switzerland:	2.87 %
United Kingdom:	17.89 %
Emerging Markets	6.03 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	S&P Developed Ex-U.S. SmallCap
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	31.82	38.17	-6.36	---	---	---	---	---	---
2 Year	21.40	25.78	-4.38	---	---	---	---	---	---
3 Year	1.15	2.80	-1.64	31.30	-1.67	0.89	6.74	-0.24	0.03
4 Year	-1.28	-1.83	0.54	27.27	0.08	0.88	6.37	0.09	-0.09
5 Year	6.63	4.11	2.52	25.93	2.71	0.91	6.43	0.39	0.18
6 Year	11.59	8.24	3.36	24.69	3.71	0.93	6.10	0.55	0.38
7 Year	13.31	9.88	3.43	23.61	3.77	0.94	5.69	0.60	0.47
8 Year	16.88	13.70	3.19	22.63	3.75	0.93	5.41	0.59	0.66
9 Year	14.68	12.18	2.50	23.23	3.09	0.93	5.42	0.46	0.55
10 Year	---	10.79	---	---	---	---	---	---	---
Since Inception (6/2002)	14.53	12.07	2.45	22.91	3.04	0.93	5.35	0.46	0.55

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	0.95	1.25	16.70	43.41	-43.71	17.58	40.91	25.97	36.73
Benchmark Returns:	1.05	5.62	21.96	45.07	-47.67	7.32	29.42	22.09	28.74
Excess Returns:	-0.10	-4.37	-5.25	-1.66	3.96	10.26	11.49	3.87	7.98

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$10	$100,000
Pooled/Commingled	Open	$1	$10,000
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$500,000	$750,000	$1,000,000
	100bps	100bps	100bps	100bps
Pooled/Commingled	$250,000	$500,000	$750,000	$1,000,000
	100bps	100bps	100bps	100bps
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	3	29	1
Research Analysts:	1	6	1
Traders:	2	18	2

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	1
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Dimensional Fund Advisors L.P.

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	6300 Bee Cave Road, Building One Austin, Texas 78746, United States
Phone/Fax:	512.306.7400 / 512.306.7499
Registered Investment Advisor:	Yes
Year Firm Founded:	1981
Firm Website:	www.dfaus.com

Key Facts	
Total Assets Under Management ($ Million):	$230,905.0
Total Number of Accounts:	0
Number of Portfolio Managers:	29
Number of Analysts:	23
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Magdalia Armstrong	Database Contact:	Vince Gotanda
Title:	Regional Director	Title:	Senior Associate
Address:	1299 Ocean Ave, 11th Floor	Address:	1299 Ocean Avenue,
City, State, Zip Code:	Santa Monica, California 90401	City, State, Zip Code:	Santa Monica, California 90401
Phone/Fax:	310.633.7859 / 310.395.6140	Phone/Fax:	(310) 899-2518 / (310) 576-1181
Email Address:	magdalia.armstrong@dimensional.com	Email Address:	Vince.Gotanda@dimensional.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$230,905.0	0
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$0.0	0

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	100	$5,499.0	3.2 %
2009	83	$4,603.0	2.9 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	30	$1,285.0	0.8 %
2009	29	$976.0	0.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$227,415.0	$206,427.0	$164,583.0
Total Taxable	$43,556.0	$32,153.0	$28,694.0
Total Tax-Exempt	$58,678.0	$54,930.0	$42,763.0
Total Institutional	$102,234.0	$87,083.0	$71,456.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$0.0
Canada	$0.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) ---	$0.0
2) ---	$0.0
3) ---	$0.0
4) ---	$0.0
5) ---	$0.0

Ownership Information

% Employee Owned	0.0%
% Parent Owned	0.0%
% Publicly Held	0.0%
Parent Company Name	
Total % Minority/Female Owned	0.0%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	No	Effective Date	
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$40.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$25.00
Firm Bonded:	Yes	Coverage ($ Mil)	$15.00

Firm Background Narratives

Dimensional Fund Advisors, a registered investment advisor has been managing taxable and tax-exempt assets since 1981. Headquartered in Austin, Dimensional has grown into a global organization with offices in Santa Monica, London, Sydney, Vancouver, and Berlin.

Ownership:
Dimensional Fund Advisors is a private corporation owned primarily by employees and directors.

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Small Cap Core Equity
Marketing Contact:	Magdalia Armstrong
Title:	Regional Director
Phone/Fax:	310.633.7859 / 310.395.6140
Email Address:	magdalia.armstrong@dimensional.com

Key Facts	
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI World ex-US Small Cap-ND
Total Product Assets:	$8,275.0
Total Product Accounts:	0
Product Offered As:	SA,MF:Inst
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$8,275.0	0
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$0.0	0

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$0.0
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	9	$286.0	4.9 %
2009	4	$56.0	1.1 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	3	$70.0	1.2 %
2009	1	$13.0	0.3 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI World ex-US Small Cap-ND
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Current Cash Position:	0.1 %
Number of Countries in Portfolio:	23
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	0.0 %

Fundamental Characteristics	
Current Number Of Holdings:	4,725
Annual Turnover (LTM):	---
Current Dividend Yield:	2.46 %
Current P/E (12-mo Trailing):	13.05x
Current P/B (12-mo Trailing):	2.36x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$1,718
Median Market Cap (Mil):	$320

Key Country Allocations	
Canada	12.86 %
France:	4.68 %
Germany:	5.42 %
Japan:	20.45 %
Netherlands:	1.87 %
Switzerland:	5.79 %
United Kingdom:	17.96 %
Emerging Markets	---

Performance Information

Performance For: Institutional Mutual Fund-Gross of Fees
Frequency: Quarterly
Risk Index: MSCI World ex-US Small Cap-ND
Risk-Free Index: Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	**Product**	**Benchmark**	**Excess**	**Std Dev**	**Alpha**	**Beta**	**Trk Error**	**Info Ratio**	**Sharpe Ratio**
1 Year	37.66	37.05	0.61	---	---	---	---	---	---
2 Year	25.53	25.92	-0.39	---	---	---	---	---	---
3 Year	4.26	3.72	0.55	33.31	0.41	0.93	3.09	0.18	0.12
4 Year	-0.65	-2.02	1.37	29.07	0.96	0.93	2.99	0.46	-0.06
5 Year	5.14	3.05	2.09	26.60	2.03	0.93	2.86	0.73	0.12
6 Year	8.76	6.89	1.88	24.85	2.05	0.93	2.71	0.69	0.26
7 Year	10.29	8.73	1.56	23.59	1.87	0.93	2.68	0.58	0.34
8 Year	14.34	13.08	1.26	22.91	1.85	0.93	2.77	0.45	0.54
9 Year	13.92	11.82	2.10	23.30	2.64	0.92	3.05	0.69	0.51
10 Year	12.71	10.52	2.19	22.77	2.71	0.91	3.57	0.61	0.47
Since Inception (12/1996)	8.12	---	---	21.89	---	---	---	---	0.23

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-0.08	4.21	24.63	42.76	-43.56	6.25	25.68	22.79	31.82
Benchmark Returns:	-0.16	3.13	24.51	50.82	-48.03	3.28	19.46	25.04	29.40
Excess Returns:	0.08	1.09	0.12	-8.07	4.47	2.97	6.22	-2.25	2.43

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$100	---
Pooled/Commingled	---	---	---
Institutional MFs	DFISX	$2	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	---	---	---	---
	---	---	---	---
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	$140,000	$280,000	$420,000	$560,000
	56 bps	56 bps	56 bps	56 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	15	12	9
Research Analysts:	17	7	5
Traders:	18	11	8

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	1
	2010	2	7
	2009	0	0
Professionals Lost	MRQ	0	1
	2010	1	2
	2009	0	1

Epoch Investment Partners, Inc.

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	640 Fifth Avenue, 18th Floor New York, New York 10019, United States
Phone/Fax:	212.303.7200 / 212.202.4948
Registered Investment Advisor:	Yes
Year Firm Founded:	2004
Firm Website:	www.eipny.com

Key Facts	
Total Assets Under Management ($ Million):	$17,086.5
Total Number of Accounts:	192
Number of Portfolio Managers:	---
Number of Analysts:	---
% Employee Owned:	40.00 %

Contact Information

Marketing Contact:	John Reynolds	Database Contact:	Jill Banaszak
Title:	Managing Director, Consultant Relations	Title:	Data Contact
Address:	640 Fifth Ave, 18th Floor	Address:	c/o A.S.A.P. Advisor Services, Inc., 41 East 11th Street, 11th Floor
City, State, Zip Code:	New York, New York 10019	City, State, Zip Code:	New York, New York 10003
Phone/Fax:	212-991-5413 /	Phone/Fax:	866.922.8733 / 212.202.7809
Email Address:	jreynolds@eipny.com	Email Address:	epoch@asapas.com

Asset & Account Information

Current Totals	**Assets ($ Mil)**	**Accounts**
Total in Firm	$17,086.5	192
Total Taxable	$11,449.5	122
Total Tax-Exempt	$5,637.0	70
Total Institutional	$16,780.5	132

Accts Gained	**Number**	**($ Million)**	**% Firm Assets**
Current Quarter	6	$1,302.3	8.3 %
2010	16	$716.9	6.1 %
2009	31	$3,024.9	55.6 %

Accts Lost	**Number**	**($ Million)**	**% Firm Assets**
Current Quarter	3	$72.3	0.5 %
2010	19	$207.1	1.8 %
2009	19	$316.2	5.6 %

Assets By Type	**Equity**	**Fixed Inc.**	**Balanced**	**Alts**	**Other**
United States	$9,951.4	$0.0	$189.8	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$7.5	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$67.7	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$700.0	$0.0	$0.0	$0.0	$0.0
Global	$6,170.2	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	**Prior QTR**	**YE 2010**	**YE 2009**
Total Firmwide	$15,605.9	$14,326.0	$11,354.0
Total Taxable	$10,371.6	$9,506.6	$7,476.2
Total Tax-Exempt	$5,234.3	$4,819.4	$3,877.8
Total Institutional	$15,392.2	$14,038.8	$11,087.4

Assets By Geographic Region & Client Domicile	**Assets ($ Million)**
United States	$9,883.0
Canada	$3,633.5
United Kingdom	$577.9
Continental Europe	$364.6
Japan	$313.0
Australia	$2,157.8
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$20.5
Latin America	$25.2
Other	$111.1

5 Largest Accounts	**Aggregate ($ Mil)**
1) Sub-Advised	$1,017.0
2) Corporate	$744.8
3) Sub-Advised	$692.7
4) Sub-Advised	$653.5
5) Corporate	$594.6

Ownership Information

% Employee Owned	40.0%
% Parent Owned	---
% Publicly Held	60.0%
Parent Company Name	Epoch Holding Corporation
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	6/21/2004
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$10.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$3.00
Firm Bonded:	Yes	Coverage ($ Mil)	$2.00

Firm Background Narratives

Epoch Investment Partners, Inc. is a global asset management firm formed in April 2004 by Bill Priest, Tim Taussig, David Pearl and Phil Clark. Epoch was created with the specific goal of responding to paradigm shifts in both the sources of global equity investment returns and the structure of the investment management business as a whole. Epoch's sole line of business is investment management.

Epoch is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") and is a wholly-owned subsidiary of Epoch Holding Corporation (NASDAQ listed, ticker EPHC).

Asset Class:	EAFE-Equity
eA Primary Universe:	eA ACWI ex-US Small Cap Equity
Marketing Contact:	John Reynolds
Title:	Managing Director, Consultant Relations
Phone/Fax:	212-991-5413 /
Email Address:	jreynolds@eipny.com

Key Facts

Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI World ex-US Small Cap-ND
Total Product Assets:	$0.0
Total Product Accounts:	0
Product Offered As:	SA,MF:Inst,MF:Retail
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$0.0	0
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$0.0	0

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$0.0
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	1	$90.0	16.2 %
2010	1	$30.0	8.8 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI World ex-US Small Cap-ND
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Current Cash Position:	4.3 %
Number of Countries in Portfolio:	---
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	15.0 %

Fundamental Characteristics	
Current Number Of Holdings:	132
Annual Turnover (LTM):	---
Current Dividend Yield:	1.80 %
Current P/E (12-mo Trailing):	16.81x
Current P/B (12-mo Trailing):	2.17x
Earnings Growth (Past 5 Yrs):	13.40 %
Weighted Avg. Mkt Cap (Mil):	$2,951
Median Market Cap (Mil):	$2,290

Key Country Allocations	
Canada	3.34 %
France:	9.82 %
Germany:	5.63 %
Japan:	14.99 %
Netherlands:	3.26 %
Switzerland:	3.56 %
United Kingdom:	21.38 %
Emerging Markets	16.26 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	MSCI World ex-US Small Cap-ND
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	41.09	37.05	4.04	---	---	---	---	---	---
2 Year	29.15	25.92	3.23	---	---	---	---	---	---
3 Year	3.76	3.72	0.04	34.77	0.19	0.96	5.51	0.01	0.10
4 Year	0.47	-2.02	2.49	30.31	2.48	0.95	6.09	0.41	-0.02
5 Year	6.85	3.05	3.79	28.03	3.92	0.97	5.88	0.65	0.18
6 Year	11.58	6.89	4.69	26.60	4.79	0.97	6.18	0.76	0.35
7 Year	---	8.73	---	---	---	---	---	---	---
8 Year	---	13.08	---	---	---	---	---	---	---
9 Year	---	11.82	---	---	---	---	---	---	---
10 Year	---	10.52	---	---	---	---	---	---	---
Since Inception (3/2005)	11.37	7.00	4.36	25.52	4.47	0.97	6.04	0.72	0.36

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	0.04	1.88	29.18	48.07	-48.58	16.01	40.26	23.46	---
Benchmark Returns:	-0.16	3.13	24.51	50.82	-48.03	3.28	19.46	25.04	29.40
Excess Returns:	0.20	-1.24	4.67	-2.75	-0.55	12.73	20.80	-1.58	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	---	---	---
Institutional MFs	EPIEX	$5	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$237,500	$475,000	$687,500	$900,000
	95 bps	95 bps	92 bps	90 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Institutional MFs	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Franklin Templeton Investments — June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	One Franklin Parkway San Mateo, California 94403, United States
Phone/Fax:	650.312.2000 / 954.527.2137
Registered Investment Advisor:	Yes
Year Firm Founded:	1947
Firm Website:	www.franklintempleton.com

Key Facts	
Total Assets Under Management ($ Million):	$0.0
Total Number of Accounts:	0
Number of Portfolio Managers:	277
Number of Analysts:	210
% Employee Owned:	0.00 %

Contact Information

Marketing Contact:	Dennis Rothe	Database Contact:	Sarah Burns
Title:	SVP	Title:	Supv-Global RFP Management
Address:	600 Fifth Avenue,	Address:	Las Olas Place 300 S.E. Second Street,
City, State, Zip Code:	New York, New York 10020	City, State, Zip Code:	Ft. Lauderdale, Florida 33301
Phone/Fax:	203.750.8725 /	Phone/Fax:	954 527 2176 /
Email Address:	drothe@frk.com	Email Address:	sburns@templeton.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$0.0	0
Total Taxable	$0.0	0
Total Tax-Exempt	$0.0	0
Total Institutional	$0.0	0

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	78	$7,174.1	1.2 %
2009	50	$3,252.7	0.8 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	55	$4,508.6	0.8 %
2009	71	$4,690.0	1.2 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$0.0	$0.0	$0.0	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$0.0	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$703,514.6	$670,719.4	$553,515.8
Total Taxable	$499,514.2	$468,050.6	$364,090.9
Total Tax-Exempt	$204,000.4	$202,668.9	$189,425.0
Total Institutional	$178,887.3	$171,715.7	$155,609.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$0.0
Canada	$0.0
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) ---	$---
2) ---	$---
3) ---	$---
4) ---	$---
5) ---	$---

Ownership Information

% Employee Owned	0.0%
% Parent Owned	35.0%
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	01/01/2000
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$100.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$100.00
Firm Bonded:	Yes	Coverage ($ Mil)	$90.00

Firm Background Narratives

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. Our strong global platform and rapidly expanding distribution channels are supported by on-the-ground research capabilities and innovative technology.
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

More...

Asset Class:	EAFE-Equity
eA Primary Universe:	eA ACWI ex-US Small Cap Equity
Marketing Contact:	Dennis Rothe
Title:	SVP
Phone/Fax:	203.750.8725 /
Email Address:	drothe@frk.com

Key Facts

Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	MSCI ACWI ex-US Small Cap-GD
Total Product Assets:	$1,848.9
Total Product Accounts:	7
Product Offered As:	SA,CF,MF:Inst
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$1,848.9	7
Total Taxable	$258.7	0
Total Tax-Exempt	$1,590.1	7
Total Institutional	$1,514.4	6

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$898.2
Pooled/Commingled Assets	$411.7
Mutual Fund/Institutional Assets	$304.4
Mutual Fund/Retail Assets	$234.6

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	1	$140.0	7.6 %
2010	6	$490.5	42.9 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	1	$7.6	0.4 %
2010	0	$0.0	0.0 %
2009	1	$17.0	2.8 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	MSCI ACWI ex-US Small Cap-GD
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Current Cash Position:	---
Number of Countries in Portfolio:	---
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	35.0 %

Fundamental Characteristics	
Current Number Of Holdings:	---
Annual Turnover (LTM):	---
Current Dividend Yield:	---
Current P/E (12-mo Trailing):	---
Current P/B (12-mo Trailing):	---
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$0
Median Market Cap (Mil):	$0

Key Country Allocations	
Canada	---
France:	---
Germany:	---
Japan:	---
Netherlands:	---
Switzerland:	---
United Kingdom:	---
Emerging Markets	---

Performance Information

Performance For:	Separate Account Composite-Gross of Fees
Frequency:	Quarterly
Risk Index:	MSCI ACWI ex-US Small Cap-GD
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	37.37	34.67	2.70	---	---	---	---	---	---
2 Year	32.49	27.29	5.20	---	---	---	---	---	---
3 Year	10.31	5.92	4.39	34.86	4.26	0.94	5.15	0.85	0.29
4 Year	4.01	0.08	3.93	30.88	3.75	0.95	4.96	0.79	0.09
5 Year	10.87	6.28	4.60	28.28	4.59	0.95	4.84	0.95	0.32
6 Year	13.09	9.84	3.24	26.23	3.47	0.94	5.04	0.64	0.41
7 Year	13.86	11.43	2.43	24.62	2.84	0.94	4.87	0.50	0.47
8 Year	17.27	15.16	2.11	23.83	2.74	0.94	5.13	0.41	0.64
9 Year	14.97	13.95	1.02	24.93	1.50	0.95	5.03	0.20	0.52
10 Year	14.34	12.44	1.89	24.64	2.20	0.96	5.14	0.37	0.50
Since Inception (9/2001)	14.34	12.44	1.89	24.64	2.20	0.96	5.14	0.37	0.50

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	2.76	5.93	24.71	66.65	-45.40	17.43	31.83	14.44	23.86
Benchmark Returns:	-0.20	1.72	25.58	63.50	-50.01	11.09	27.06	23.35	29.49
Excess Returns:	2.96	4.20	-0.87	3.16	4.61	6.33	4.76	-8.91	-5.63

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	---
Pooled/Commingled	Open	$1	---
Institutional MFs	TFSCX	$1	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$237,500 95 bps	$450,000 90 bps	$637,500 85 bps	$825,000 83 bps
Pooled/Commingled	$237,500 95 bps	$450,000 90 bps	$637,500 85 bps	$825,000 83 bps
Institutional MFs	$237,500 95 bps	$475,000 95 bps	$712,500 95 bps	$950,000 95 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	1
	2009	2	1
Professionals Lost	MRQ	0	0
	2010	1	0
	2009	0	2

Munder Capital Management

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	480 Pierce Street Birmingham, Michigan 48009, United States
Phone/Fax:	248.647.9200 / 248.451.2000
Registered Investment Advisor:	Yes
Year Firm Founded:	1985
Firm Website:	www.munder.com

Key Facts	
Total Assets Under Management ($ Million):	$14,684.5
Total Number of Accounts:	544
Number of Portfolio Managers:	30
Number of Analysts:	5
% Employee Owned:	28.40 %

Contact Information

Marketing Contact:	James FitzGerald	Database Contact:	Denise Haslam
Title:	President & Chief Operating Officer	Title:	Data & Communication Services Assoc.
Address:	480 Pierce Street,	Address:	480 Pierce Street,
City, State, Zip Code:	Birmingham, Michigan 48009	City, State, Zip Code:	Birmingham, Michigan 48009
Phone/Fax:	248.647.9200 / 248.451.2005	Phone/Fax:	248.647.9201 / 248.451-2005
Email Address:	jfitzgerald@munder.com	Email Address:	dhaslam@munder.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$14,684.5	544
Total Taxable	$8,582.0	200
Total Tax-Exempt	$6,102.5	344
Total Institutional	$7,525.8	437

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	7	$54.6	0.4 %
2010	38	$270.0	1.8 %
2009	38	$302.8	6.2 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	9	$66.0	0.5 %
2010	112	$1,884.8	12.4 %
2009	83	$4,202.5	20.2 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$8,843.4	$4,513.8	$78.9	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$1,248.3	$0.0	$0.0	$0.0	$0.0
Global	$0.0	$0.0	$0.0	$0.0	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$14,581.2	$14,287.7	$15,585.0
Total Taxable	$8,440.9	$8,216.1	$7,950.0
Total Tax-Exempt	$6,140.3	$6,071.6	$7,635.0
Total Institutional	$7,525.1	$7,560.4	$12,260.0

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$13,619.3
Canada	$193.2
United Kingdom	$0.0
Continental Europe	$0.0
Japan	$0.0
Australia	$0.0
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$0.0
Latin America	$0.0
Other	$871.9

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$351.2
2) Insurance	$261.5
3) Corporate	$191.2
4) Other	$157.7
5) Insurance	$149.1

Ownership Information

% Employee Owned	28.4%
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	9.2%

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	9/30/2002
Performance Audited:	No	Effective Date	---
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$28.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$10.00
Firm Bonded:	Yes	Coverage ($ Mil)	$53.00

Firm Background Narratives

Founded in 1985, Munder Capital Management is an independent investment advisory firm that provides investment management services to clients across the broad market spectrum available through separate accounts, commingled funds and mutual funds.

Munder Capital is structured as a Delaware general partnership with ownership held by key employees, Crestview Partners GP, L.P. and four other minority partners.

Munder Capital has its headquarters in Birmingham, Michigan and an office in Boston Massachusetts.

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Small Cap Core Equity
Marketing Contact:	James V. FitzGerald
Title:	President & Chief Operating Officer
Phone/Fax:	248.647.9200 / 248.451.2005
Email Address:	jfitzgerald@munder.com

Key Facts

Primary Capitalization:	Small-Mid Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	S&P Developed ex-US SmallCap
Total Product Assets:	$408.5
Total Product Accounts:	4
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$408.5	4
Total Taxable	$338.4	2
Total Tax-Exempt	$70.0	2
Total Institutional	$105.5	3

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$102.9
Pooled/Commingled Assets	$2.7
Mutual Fund/Institutional Assets	$302.9
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$50.0	35.0 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	1	$57.5	40.2 %
2009	2	$88.7	18.7 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	S&P Developed ex-US SmallCap
Primary Capitalization:	Small-Mid Cap
Primary Style Emphasis:	Core
Current Cash Position:	---
Number of Countries in Portfolio:	23
Approach Towards Currency Hedging:	Not Used
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	0.0 %

Fundamental Characteristics	
Current Number Of Holdings:	230
Annual Turnover (LTM):	---
Current Dividend Yield:	2.10 %
Current P/E (12-mo Trailing):	16.42x
Current P/B (12-mo Trailing):	1.70x
Earnings Growth (Past 5 Yrs):	9.84 %
Weighted Avg. Mkt Cap (Mil):	$0
Median Market Cap (Mil):	$0

Key Country Allocations	
Canada	10.30 %
France:	8.69 %
Germany:	9.07 %
Japan:	16.36 %
Netherlands:	2.27 %
Switzerland:	5.35 %
United Kingdom:	17.98 %
Emerging Markets	5.25 %

Performance Information

Performance For:	USA - SA - Composite - Gross of Fees	Risk Index:	S&P Developed ex-US SmallCap
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	46.92	38.17	8.75	---	---	---	---	---	---
2 Year	31.29	25.78	5.51	---	---	---	---	---	---
3 Year	0.84	2.80	-1.95	36.14	-1.44	1.03	5.15	-0.38	0.01
4 Year	---	-1.83	---	---	---	---	---	---	---
5 Year	---	4.11	---	---	---	---	---	---	---
6 Year	---	8.24	---	---	---	---	---	---	---
7 Year	---	9.88	---	---	---	---	---	---	---
8 Year	---	13.70	---	---	---	---	---	---	---
9 Year	---	12.18	---	---	---	---	---	---	---
10 Year	---	10.79	---	---	---	---	---	---	---
Since Inception (12/2007)	-4.66	-1.84	-2.82	32.85	-2.32	1.04	4.83	-0.59	-0.17

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	3.60	8.03	26.79	41.17	-53.44	---	---	---	---
Benchmark Returns:	1.05	5.62	21.96	45.07	-47.67	7.32	29.42	22.09	28.74
Excess Returns:	2.55	2.41	4.84	-3.90	-5.77	---	---	---	---

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$10	$95,000
Pooled/Commingled	Open	---	$450,000
Institutional MFs	MISIX	$2	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$237,500	$450,000	$662,500	$875,000
	95 bps	90 bps	88 bps	88 bps
Pooled/Commingled	$237,500	$450,000	$662,500	$875,000
	95 bps	90 bps	88 bps	88 bps
Institutional MFs	$300,000	$600,000	$900,000	$1,200,000
	120 bps	120 bps	120 bps	120 bps

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	7	19	4
Research Analysts:	0	0	0
Traders:	0	0	0

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Pyramis Global Advisors

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	900 Salem Street, Mailzone OT3N1 Smithfield, Rhode Island 02917, United States
Phone/Fax:	401.292.5840 /
Registered Investment Advisor:	No
Year Firm Founded:	2005
Firm Website:	http://www.pyramis.com/

Key Facts	
Total Assets Under Management ($ Million):	$176,417.0
Total Number of Accounts:	1,328
Number of Portfolio Managers:	259
Number of Analysts:	422
% Employee Owned:	51.00 %

Contact Information

Marketing Contact:	Laura Meares	Database Contact:	Laura Meares
Title:	Director, Process Excellence	Title:	Director, Process Excellence
Address:	900 Salem St, Mailstop OT3N1	Address:	900 Salem St, Mailstop OT3N1
City, State, Zip Code:	Smithfield, Rhode Island 02917	City, State, Zip Code:	Smithfield, Rhode Island 02917
Phone/Fax:	401.292.6477 /	Phone/Fax:	401.292.6477 /
Email Address:	Pyramis.Consultant.Support@pyramis.com	Email Address:	Pyramis.Consultant.Support@pyramis.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$176,417.0	1,328
Total Taxable	$68,077.2	63
Total Tax-Exempt	$108,339.7	1,265
Total Institutional	$112,606.0	1,121

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	20	$1,436.7	0.0 %
2010	0	$0.0	0.0 %
2009	79	$5,015.9	0.0 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	29	$2,651.0	0.0 %
2010	0	$0.0	0.0 %
2009	29	$2,441.1	0.0 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$16,077.3	$30,751.6	$9,023.0	$2,202.6	$0.0
Canada	$10,602.8	$5,184.4	$34,989.9	$11.7	$0.0
United Kingdom	$0.0	$0.0	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$0.0	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$47,546.0	$3,391.3	$3,008.1	$40.5	$0.0
Global	$13,223.3	$19.7	$0.0	$344.9	$0.0
Emerging Markets	$0.0	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$176,422.9	$169,526.5	$152,084.9
Total Taxable	$68,205.3	$63,158.6	$50,647.5
Total Tax-Exempt	$108,217.6	$106,367.9	$101,437.4
Total Institutional	$112,309.4	$110,572.1	$104,148.5

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$84,622.5
Canada	$70,501.5
United Kingdom	$12,448.1
Continental Europe	$1,661.1
Japan	$2,745.8
Australia	$2,410.8
Hong Kong	$0.0
Singapore	$0.0
Other Asia ex-Japan	$0.0
Africa/Middle East	$2,027.2
Latin America	$0.0
Other	$0.0

5 Largest Accounts	Aggregate ($ Mil)
1) Public Fund	$8,635.5
2) Public Fund	$2,214.5
3) Sub-Advised	$2,015.7
4) Public Fund	$1,785.2
5) Public Fund	$1,740.8

Ownership Information

% Employee Owned	51.0%
% Parent Owned	49.0%
% Publicly Held	0.0%
Parent Company Name	FMR LLC
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	01/01/1990
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$100.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$100.00
Firm Bonded:	Yes	Coverage ($ Mil)	$100.00

Firm Background Narratives

FMR LLC (“Fidelity Investments”), one of the largest privately held financial services firm in the United States, established Pyramis Global Advisors (“Pyramis”) in 2005 as a separate business unit to focus on institutional clients. The Pyramis group of companies includes two US investment management companies, Pyramis Global Advisors Trust Company, an FDIC insured, New Hampshire non-depository limited purpose trust company (“PGATC”) and Pyramis Global Advisors, LLC, an investment adviser registered with the Securities and Exchange Commission, the Ontario Securities Commission and the Australian Securities Investment Commission (“ASIC”) pursuant to a Class Order Exemption (“PGA LLC”). The Pyramis group of companies also includes, Pyramis Canada ULC, an Ontario-registered investment adviser (“Pyramis Canada”), Pyramis Global Advisors UK) Limited, a UK limited company registered with the Financial Services Authority (“PGA UK”), Pyramis Global Advisors (Hong Kong) Limited, a Hong Kong limited company registered with the Securities and Futures Commission and with ASIC pursuant to a Class Order Exemption (“PGA HK”), Pyramis Distributors Corporation LLC, a broker-dealer registered with the financial Industry Regulatory Authority, and Fidelity Investments Canada ULC, an adviser and mutual fund dealer registered in all provinces of Canada. Investment services are provided by PGA LLC, PGATC, PGA UK, PGA HK and Pyramis Canada by offering active and risk-controlled domestic equity, international equity, fixed-income, high-yield, real estate debt, REIT, and alternative strategies, including equity market neutral and 130/30 disciplines and asset allocation to meet specific client investment objectives. .

Pyramis serves corporate and public employee pension and retirement funds, endowments and foundations and other institutional investors, as well as non-U.S. investors. Pyramis offers its investment strategies through a variety of investment vehicles, including commingled pools, separate accounts and privately offered funds in limited liability companies and limited partnerships, U.S. and non-U.S.

More...

Pyramis Global Advisors — June 30, 2011

Displayed in: US Dollar (USD)

Select International Small Cap — **Product Snapshot**

Asset Class:	EAFE-Equity
eA Primary Universe:	eA EAFE Small Cap Core Equity
Marketing Contact:	Laura Meares
Title:	Director, Process Excellence
Phone/Fax:	401.292.6477 /
Email Address:	Pyramis.Consultant.Support@pyramis.com

Key Facts	
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	S&P Developed Ex-U.S. SmallCap
Total Product Assets:	$3,041.2
Total Product Accounts:	48
Product Offered As:	SA,CF
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$3,041.2	48
Total Taxable	$0.0	1
Total Tax-Exempt	$3,041.1	47
Total Institutional	$2,964.4	45

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$2,392.5
Pooled/Commingled Assets	$648.6
Mutual Fund/Institutional Assets	$0.0
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$725.6	7.6 %
2009	1	$250.9	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$15.0	0.7 %
2009	0	$0.0	0.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	S&P Developed Ex-U.S. SmallCap
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Current Cash Position:	---
Number of Countries in Portfolio:	22
Approach Towards Currency Hedging:	---
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	0.0 %

Fundamental Characteristics	
Current Number Of Holdings:	197
Annual Turnover (LTM):	---
Current Dividend Yield:	2.60 %
Current P/E (12-mo Trailing):	16.50x
Current P/B (12-mo Trailing):	1.50x
Earnings Growth (Past 5 Yrs):	---
Weighted Avg. Mkt Cap (Mil):	$2,500
Median Market Cap (Mil):	$0

Key Country Allocations	
Canada	10.55 %
France:	8.54 %
Germany:	6.83 %
Japan:	16.18 %
Netherlands:	2.71 %
Switzerland:	5.93 %
United Kingdom:	18.49 %
Emerging Markets	4.32 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees	Risk Index:	S&P Developed Ex-U.S. SmallCap
Frequency:	Quarterly	Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	40.84	38.17	2.66	---	---	---	---	---	---
2 Year	26.46	25.78	0.67	---	---	---	---	---	---
3 Year	2.25	2.80	-0.54	36.14	-0.34	1.04	2.69	-0.20	0.05
4 Year	0.33	-1.83	2.15	31.31	2.48	1.03	3.60	0.60	-0.02
5 Year	7.04	4.11	2.92	28.78	2.94	1.03	3.57	0.82	0.18
6 Year	10.71	8.24	2.47	26.93	2.26	1.04	3.52	0.70	0.32
7 Year	12.14	9.88	2.26	25.42	1.98	1.03	3.30	0.68	0.39
8 Year	15.95	13.70	2.26	24.40	1.86	1.03	3.10	0.73	0.57
9 Year	13.94	12.18	1.76	25.19	1.50	1.02	3.23	0.54	0.48
10 Year	12.68	10.79	1.89	24.65	1.68	1.02	3.08	0.61	0.43
Since Inception (9/1995)	10.36	7.71	2.65	21.74	2.45	1.02	2.97	0.89	0.33

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	1.76	6.14	23.22	46.07	-47.37	18.42	28.99	25.14	29.59
Benchmark Returns:	1.05	5.62	21.96	45.07	-47.67	7.32	29.42	22.09	28.74
Excess Returns:	0.71	0.52	1.26	1.00	0.30	11.10	-0.43	3.04	0.85

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$50	$400,000
Pooled/Commingled	Open	$5	$40,000
Mutual Fund	Not Available	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$200,000 80bps	$400,000 80bps	$600,000 80bps	$800,000 80bps
Pooled/Commingled	$200,000 80bps	$400,000 80bps	$600,000 80bps	$800,000 80bps
Mutual Fund	--- ---	--- ---	--- ---	--- ---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	0
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	0
	2009	0	0

Wells Capital Management Incorporated

June 30, 2011

Displayed in: US Dollar (USD)

Firm Headquarters:	525 Market Street, 10th Floor San Francisco, California 94105, United States
Phone/Fax:	415.396.8000 / 415.975.6430
Registered Investment Advisor:	Yes
Year Firm Founded:	1981
Firm Website:	www.wellscap.com

Key Facts	
Total Assets Under Management ($ Million):	$356,989.2
Total Number of Accounts:	1,967
Number of Portfolio Managers:	---
Number of Analysts:	---
% Employee Owned:	---

Contact Information

Marketing Contact:	Deirdre Flood	Database Contact:	Allison Pence
Title:	Global Head of Consultant Relations	Title:	Consultant Database Analyst
Address:	1 Plantation Place, 30 Fenchurch Street	Address:	401 South Tryon Street,
City, State, Zip Code:	London, England EC3m-3BD	City, State, Zip Code:	Charlotte, North Carolina 28202
Phone/Fax:	213.253.3172 /	Phone/Fax:	704.383.8502 /
Email Address:	dflood@wellsfargo.com	Email Address:	apence@wellsfargo.com

Asset & Account Information

Current Totals	Assets ($ Mil)	Accounts
Total in Firm	$356,989.2	1,967
Total Taxable	$313,762.2	1,098
Total Tax-Exempt	$43,226.9	869
Total Institutional	$356,989.2	1,967

Accts Gained	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	222	$14,776.6	4.2 %
2009	136	$8,414.7	3.4 %

Accts Lost	Number	($ Million)	% Firm Assets
Current Quarter	0	$0.0	0.0 %
2010	629	$16,093.7	4.5 %
2009	121	$1,220.9	0.6 %

Assets By Type	Equity	Fixed Inc.	Balanced	Alts	Other
United States	$58,399.9	$278,106.4	$1,500.4	$0.0	$0.0
Canada	$0.0	$0.0	$0.0	$0.0	$0.0
United Kingdom	$0.0	$522.4	$0.0	$0.0	$0.0
Europe ex-UK	$0.0	$0.0	$0.0	$0.0	$0.0
Australia	$0.0	$0.0	$0.0	$0.0	$0.0
Japan	$0.0	$0.0	$0.0	$0.0	$0.0
Hong Kong	$0.0	$0.0	$0.0	$0.0	$0.0
Singapore	$0.0	$0.0	$0.0	$0.0	$0.0
Other Asia ex-Japan	$0.0	$0.0	$0.0	$0.0	$0.0
China	$21.2	$0.0	$0.0	$0.0	$0.0
Latin America	$0.0	$0.0	$0.0	$0.0	$0.0
Africa/Middle East	$0.0	$0.0	$0.0	$0.0	$0.0
EAFE	$2,387.4	$1,613.7	$0.0	$0.0	$0.0
Global	$1,253.8	$4,622.3	$3,556.8	$0.0	$0.0
Emerging Markets	$5,004.9	$0.0	$0.0	$0.0	$0.0
Other	$0.0	$0.0	$0.0	$0.0	$0.0

Historical Assets($ Million)	Prior QTR	YE 2010	YE 2009
Total Firmwide	$362,711.1	$365,552.4	$363,451.3
Total Taxable	$315,475.6	$317,904.7	$301,954.7
Total Tax-Exempt	$47,235.5	$47,647.7	$61,496.6
Total Institutional	$362,711.1	$365,552.4	$303,125.5

Assets By Geographic Region & Client Domicile	Assets ($ Million)
United States	$341,085.4
Canada	$876.6
United Kingdom	$933.7
Continental Europe	$4,425.5
Japan	$387.2
Australia	$0.0
Hong Kong	$87.6
Singapore	$387.3
Other Asia ex-Japan	$933.6
Africa/Middle East	$2,713.9
Latin America	$0.0
Other	$5,158.4

5 Largest Accounts	Aggregate ($ Mil)
1) Corporate	$11,031.5
2) Corporate	$6,050.0
3) Corporate	$4,752.8
4) Insurance	$2,547.4
5) Insurance	$2,179.8

Ownership Information

% Employee Owned	---
% Parent Owned	---
% Publicly Held	---
Parent Company Name	
Total % Minority/Female Owned	---

GIPS Compliance & Insurance Information

Firm GIPS Compliant:	Yes	Effective Date	1/1/1981
Performance Audited:		Effective Date	
Errors & Omissions Insurance:	Yes	Coverage ($ Mil)	$100.00
Fiduciary Liability Insurance:	Yes	Coverage ($ Mil)	$100.00
Firm Bonded:	Yes	Coverage ($ Mil)	$100.00

Firm Background Narratives

Wells Capital Management is an institutional asset management firm that is registered with the U.S. Securities and Exchange Commission in accordance with the Investment Advisers Act of 1940. Wells Capital Management is a wholly owned subsidiary of Wells Fargo Bank, N.A, which in turn is wholly owned by Wells Fargo & Company, a publicly listed company.

Wells Capital Management became a subsidiary of Wells Fargo Bank in 1996 and was formed from existing institutional investment management teams that had been in place since 1981. Since 1998, Wells Capital Management's evolution has been attributable primarily to a series of successful mergers and acquisitions that have enhanced the breadth and depth of the investment offerings for Wells Capital Management's institutional clients and reinforced the firm's commitment to continuously improving our capabilities to meet the needs of institutional investors.

In November 1998, Norwest Corporation merged with Wells Fargo Bank. Consequently, the institutional asset management practices of the respective firms were combined under Wells Capital Management.

In January 2003, Wells Capital Management and Wells Fargo Bank acquired the core investment products of Montgomery Asset Management, LLC, including Montgomery Core Fixed Income, Montgomery U.S. Small Cap Growth Equity, and Montgomery Emerging Markets Equity.

More...

Asset Class:	EAFE-Equity
eA Primary Universe:	eA ACWI ex-US Small Cap Equity
Marketing Contact:	Deirdre Flood
Title:	Global Head of Consultant Relations
Phone/Fax:	213.253.3172 / 213.628.1408
Email Address:	dflood@wellsfargo.com

	Key Facts
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Preferred Benchmark:	S&P Developed Ex-U.S. MidSmallCap
Total Product Assets:	$362.5
Total Product Accounts:	4
Product Offered As:	SA
Investment Focus:	Long Only

Asset & Account Information

Current Totals	Assets ($ Million)	Accounts
Total in Product	$362.5	4
Total Taxable	$280.3	2
Total Tax-Exempt	$82.2	2
Total Institutional	$362.5	4

Assets by Vehicle Type	Assets ($ Million)
Separate/Segregated Assets	$82.2
Pooled/Commingled Assets	$0.0
Mutual Fund/Institutional Assets	$280.3
Mutual Fund/Retail Assets	$0.0

Accounts Gained	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	0	$0.0	0.0 %

Assets Lost	Number	($ Million)	% Product Assets
Current Quarter	0	$0.0	0.0 %
2010	0	$0.0	0.0 %
2009	1	$319.3	63.0 %

Portfolio Characteristics

Strategy Snapshot	
Preferred Benchmark:	S&P Developed Ex-U.S. MidSmallCap
Primary Capitalization:	Small Cap
Primary Style Emphasis:	Core
Current Cash Position:	3.3 %
Number of Countries in Portfolio:	25
Approach Towards Currency Hedging:	Defensive
% Hedged Back to Local Currency:	---
% Max Allowed In Emerging Markets:	25.0 %

Fundamental Characteristics	
Current Number Of Holdings:	102
Annual Turnover (LTM):	---
Current Dividend Yield:	1.78 %
Current P/E (12-mo Trailing):	16.00x
Current P/B (12-mo Trailing):	1.64x
Earnings Growth (Past 5 Yrs):	-4.10 %
Weighted Avg. Mkt Cap (Mil):	$3,560
Median Market Cap (Mil):	$2,332

Key Country Allocations	
Canada	5.13 %
France:	7.79 %
Germany:	3.30 %
Japan:	12.37 %
Netherlands:	5.79 %
Switzerland:	2.91 %
United Kingdom:	23.21 %
Emerging Markets	15.80 %

Performance Information

Performance For:	Separate Account Composite-Gross of Fees
Frequency:	Quarterly
Risk Index:	MSCI EAFE-ND
Risk-Free Index:	Citigroup 3-Month T-Bill

	Returns								
Trailing Periods	Product	Benchmark	Excess	Std Dev	Alpha	Beta	Trk Error	Info Ratio	Sharpe Ratio
1 Year	43.87	30.36	13.51	---	---	---	---	---	---
2 Year	31.12	17.51	13.62	---	---	---	---	---	---
3 Year	5.60	-1.77	7.37	32.48	8.00	1.01	9.82	0.75	0.16
4 Year	0.64	-4.06	4.70	28.58	5.34	1.02	8.83	0.53	-0.02
5 Year	6.68	1.48	5.21	26.29	5.48	1.03	8.21	0.63	0.18
6 Year	11.72	5.28	6.44	25.00	6.37	1.04	8.07	0.80	0.38
7 Year	14.39	6.44	7.95	23.99	7.67	1.05	7.89	1.01	0.51
8 Year	17.93	9.38	8.55	23.34	7.89	1.05	7.66	1.12	0.68
9 Year	15.56	7.49	8.06	24.10	7.71	1.03	7.39	1.09	0.56
10 Year	13.58	5.66	7.92	23.77	7.68	1.04	7.10	1.12	0.49
Since Inception (3/1999)	14.39	3.90	10.49	24.38	10.32	1.10	8.87	1.18	0.48

Calendar Years	MRQ	YTD	2010	2009	2008	2007	2006	2005	2004
Product Returns:	-2.79	-0.11	36.69	33.97	-43.75	15.44	29.59	33.79	33.33
Benchmark Returns:	1.56	4.98	7.75	31.78	-43.38	11.17	26.34	13.54	20.25
Excess Returns:	-4.35	-5.08	28.94	2.19	-0.38	4.27	3.24	20.25	13.08

Fee Information

Vehicle Type	Available	Min. Size($ Mil)	Minimum Fee
Separate/Segregated	Open	$10	$100,000
Pooled/Commingled	---	---	---
Mutual Fund	---	---	---

Fees By Acct. Size	$25M	$50M	$75M	$100M
Separate/Segregated	$250,000	$500,000	$737,500	$975,000
	100 bps	100 bps	98 bps	98 bps
Pooled/Commingled	---	---	---	---
	---	---	---	---
Mutual Fund	---	---	---	---
	---	---	---	---

Professional Information

Team Description	No.	Avg. Yrs. Exp.	Avg. Yrs. @ Firm
Portfolio Managers:	---	---	---
Research Analysts:	---	---	---
Traders:	---	---	---

Professional Turnover		Port Mgrs.	Analysts
Professionals Gained	MRQ	0	0
	2010	0	2
	2009	0	0
Professionals Lost	MRQ	0	0
	2010	0	4
	2009	0	2

	Acadian: Non-US Small-Cap		Copper Rock Capital: Int. Small Cap		DFA: ISCP		Epoch Investment: International Small		Franklin Templeton: Temp Intl Small Cap		Munder International SC		Pyramis: Select Intl Sm. Cap		WellsCap: Intl Small Cap		MSCI EAFE Small Cap		eA Intl SC Equity Median	eA Intl SC Equity Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Total Return																				
3 Mos.	1.2	65	1.0	69	-0.1	85	0.0	84	2.8	26	3.6	12	1.8	53	-2.8	100	1.0	68	1.9	*52*
1 Yr.	36.5	73	31.8	89	37.7	63	41.1	41	37.4	64	46.9	6	40.9	46	43.8	23	36.9	65	40.4	*52*
3 Yrs.	1.5	77	1.2	81	4.3	34	3.8	50	10.3	10	0.8	83	2.3	67	5.6	25	3.6	51	3.7	*52*
5 Yrs.	3.4	75	6.6	31	5.1	57	6.9	30	10.9	2	1.5	93	7.0	29	6.7	31	2.7	80	5.6	*40*
7 Yrs.	11.0	47	13.3	13	10.3	63	n/a	n/a	13.9	11	9.8	69	12.1	29	14.4	9	8.6	85	10.8	*33*
10 Yrs.	14.6	5	n/a	n/a	12.7	42	n/a	n/a	14.3	17	12.6	46	12.7	46	13.6	20	10.5	76	11.8	*25*
Excess Return																				
3 Mos.	0.2		-0.1		-1.1		-1.0		1.7		2.6		0.7		-3.8				0.9	*52*
1 Yr.	-0.4		-5.0		0.8		4.2		0.5		10.1		4.0		7.0				3.5	*52*
3 Yrs.	-2.1		-2.5		0.7		0.2		6.7		-2.8		-1.4		2.0				0.1	*52*
5 Yrs.	0.7		4.0		2.5		4.2		8.2		-1.1		4.4		4.0				2.9	*40*
7 Yrs.	2.3		4.7		1.7		n/a	n/a	5.2		1.2		3.5		5.8				2.2	*33*
10 Yrs.	4.1		n/a	n/a	2.2		n/a	n/a	3.8		2.1		2.2		3.1				1.3	*25*
Excess Return vs. Universe Median																				
3 Mos.	-0.8		-1.0		-2.0		-1.9		0.8		1.7		-0.2		-4.7		-0.9			*52*
1 Yr.	-3.9		-8.5		-2.7		0.7		-3.0		6.6		0.5		3.5		-3.5			*52*
3 Yrs.	-2.3		-2.6		0.5		0.0		6.6		-2.9		-1.5		1.9		-0.1			*52*
5 Yrs.	-2.2		1.0		-0.5		1.2		5.3		-4.1		1.4		1.1		-2.9			*40*
7 Yrs.	0.2		2.5		-0.5		n/a	n/a	3.1		-1.0		1.3		3.6		-2.2			*33*
10 Yrs.	2.9		n/a	n/a	1.0		n/a	n/a	2.6		0.8		0.9		1.8		-1.3			*25*
Standard Deviation																				
3 Yrs.	30.2	85	26.2	12	27.6	32	27.4	27	27.4	27	29.8	81	29.5	75	27.2	23	28.4	45	28.5	*52*
5 Yrs.	26.0	93	22.6	21	22.8	24	23.2	33	23.3	34	25.0	76	24.8	72	23.0	31	23.7	42	24.0	*40*
7 Yrs.	23.4	94	20.6	26	20.3	16	n/a	n/a	20.7	28	22.5	79	22.3	76	20.9	33	21.3	39	21.8	*33*
10 Yrs.	21.4	80	n/a	n/a	18.9	17	n/a	n/a	19.8	38	20.6	54	20.6	67	19.9	41	20.1	45	20.4	*25*
Tracking Error																				
3 Yrs.	3.9	18	6.2	63	2.9	4	5.6	51	6.5	68	5.7	55	3.4	10	8.7	86			5.6	*52*
5 Yrs.	4.8	39	6.2	65	2.9	1	5.4	52	6.6	76	5.2	50	4.1	24	7.4	81			5.2	*40*
7 Yrs.	4.7	47	5.6	66	3.0	1	n/a	n/a	6.5	76	4.8	48	3.9	19	6.8	81			4.9	*33*
10 Yrs.	4.7	30	n/a	n/a	3.4	1	n/a	n/a	7.0	86	4.8	35	4.5	26	6.9	85			5.1	*25*
Information Ratio																				
3 Yrs.	-0.5	81	-0.4	71	0.2	30	0.0	50	1.0	10	-0.5	77	-0.4	73	0.2	29			0.0	*52*
5 Yrs.	0.2	75	0.6	39	0.8	21	0.8	23	1.2	7	-0.2	91	1.1	13	0.5	46			0.4	*40*
7 Yrs.	0.5	44	0.8	19	0.6	38	n/a	n/a	0.8	19	0.2	66	0.9	16	0.9	18			0.5	*33*
10 Yrs.	0.9	1	n/a	n/a	0.7	25	n/a	n/a	0.6	36	0.4	46	0.5	38	0.5	45			0.3	*25*

Universe: **eA Intl SC Equity**

Universe Rank: **Green = Top Quartile Red = Bottom Quartile**

SamCERA - International Small Cap Equity

Periods ending June 30, 2011

Performance Summary Tables

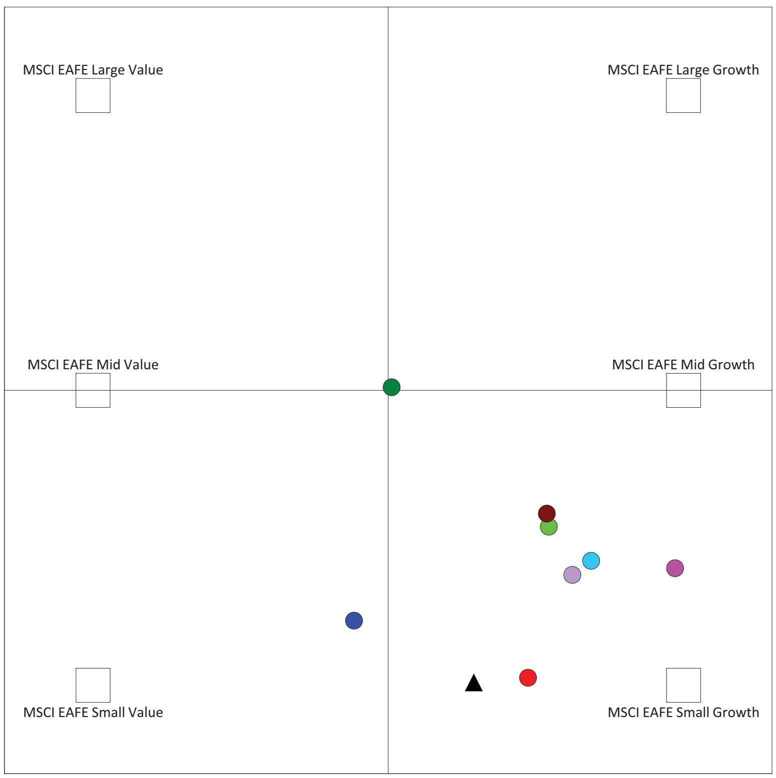
All Strategies

	Acadian: Non-US Small-Cap		Copper Rock Capital: Int. Small Cap		DFA: ISCP		Epoch Investment: International Small		Franklin Templeton: Temp Intl Small Cap		Munder International SC		Pyramis: Select Intl Sm. Cap		WellsCap: Intl Small Cap		MSCI EAFE Small Cap		eA Intl SC Equity Median	eA Intl SC Equity Size
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank		
Beta																				
3 Yrs.	1.1	14	0.9	91	1.0	63	1.0	74	0.9	78	1.0	20	1.0	18	0.9	83			1.0	*52*
5 Yrs.	1.1	6	0.9	80	1.0	72	1.0	74	0.9	76	1.0	16	1.0	16	0.9	79			1.0	*40*
7 Yrs.	1.1	7	0.9	85	1.0	75	n/a	n/a	0.9	86	1.0	13	1.0	13	0.9	85			1.0	*33*
10 Yrs.	1.0	9	n/a	n/a	0.9	80	n/a	n/a	0.9	81	1.0	37	1.0	34	0.9	74			1.0	*25*
Alpha (CAPM)																				
3 Yrs.	-2.3	79	-2.2	75	0.8	36	0.3	45	6.9	11	-2.9	83	-1.5	67	2.3	25			0.0	*52*
5 Yrs.	0.7	75	4.0	31	2.5	57	4.2	30	8.2	2	-1.2	93	4.3	29	4.1	31			2.9	*40*
7 Yrs.	1.8	57	5.1	13	2.0	50	n/a	n/a	5.7	9	0.9	74	3.3	32	6.2	8			2.0	*33*
10 Yrs.	3.8	17	n/a	n/a	2.8	38	n/a	n/a	4.5	11	2.2	46	2.2	46	3.7	19			1.8	*25*
Sharpe Ratio																				
3 Yrs.	0.0	77	0.0	81	0.1	34	0.1	45	0.4	11	0.0	83	0.1	67	0.2	25	0.1	50	0.1	*52*
5 Yrs.	0.1	75	0.2	31	0.1	54	0.2	30	0.4	2	0.0	92	0.2	34	0.2	33	0.0	80	0.1	*40*
7 Yrs.	0.4	60	0.5	13	0.4	50	n/a	n/a	0.6	7	0.3	75	0.4	25	0.6	6	0.3	83	0.4	*33*
10 Yrs.	0.6	17	n/a	n/a	0.6	30	n/a	n/a	0.6	8	0.5	46	0.5	46	0.6	24	0.4	72	0.5	*25*
Upside Capture Ratio																				
3 Yrs.	102.6	32	87.2	93	99.7	55	94.9	71	103.7	31	100.8	46	100.8	46	102.2	38			100.2	*52*
5 Yrs.	114.8	13	104.4	52	101.7	72	106.4	44	109.2	37	102.4	67	113.7	18	106.0	46			104.5	*40*
7 Yrs.	116.8	7	108.4	38	98.5	88	n/a	n/a	102.1	62	107.7	39	111.9	16	110.7	22			105.6	*33*
10 Yrs.	111.6	5	n/a	n/a	96.4	67	n/a	n/a	96.9	64	101.9	31	102.6	21	102.4	24			98.9	*25*
Downside Capture Ratio																				
3 Yrs.	106.9	83	95.8	32	98.2	40	95.6	29	87.4	13	107.0	85	103.7	65	97.1	37			99.9	*52*
5 Yrs.	109.6	98	92.0	18	94.1	31	93.0	20	83.7	9	105.3	87	98.4	47	93.1	21			98.7	*40*
7 Yrs.	108.7	97	92.4	19	92.6	22	n/a	n/a	84.0	6	103.8	86	100.0	57	91.2	14			99.2	*33*
10 Yrs.	97.8	67	n/a	n/a	87.7	21	n/a	n/a	82.3	5	94.4	54	95.0	59	91.4	40			94.1	*25*

Universe: **eA Intl SC Equity**

Universe Rank: **Green = Top Quartile Red = Bottom Quartile**

Style Map (Jan 03 - Jun 11)

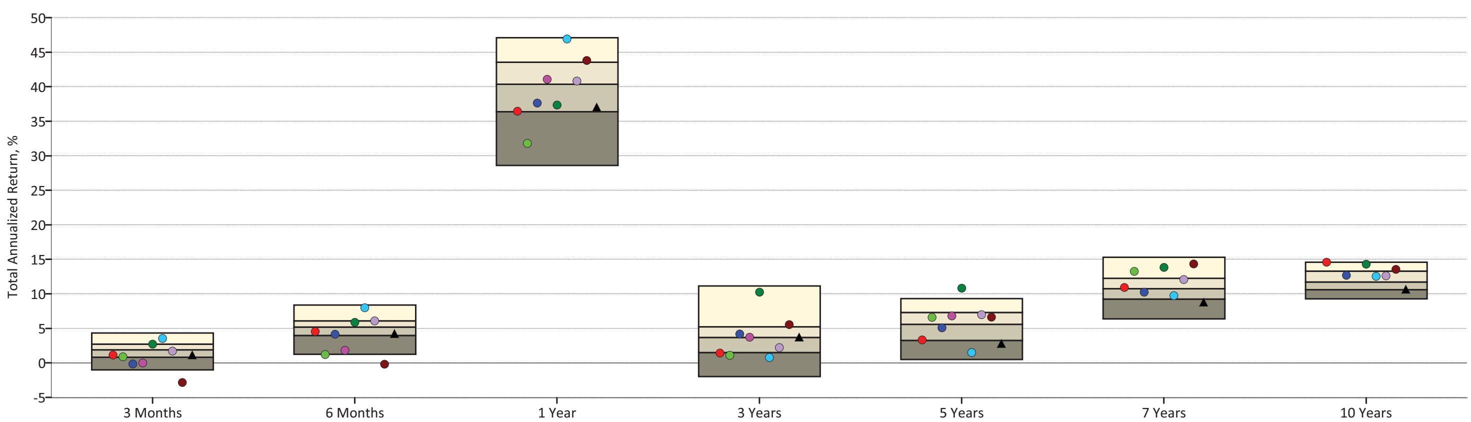


Legend

- ● Acadian: Non-US Small-Cap
- ● Copper Rock Capital: Int. Small Cap
- ● DFA: ISCP
- ● Epoch Investment: International Small
- ● Franklin Templeton: Temp Intl Small Cap
- ● Munder International SC
- ● Pyramis: Select Intl Sm. Cap
- ● WellsCap: Intl Small Cap
- ▲ MSCI EAFE Small Cap

Note: The date range displayed in style analysis charts will not match those in other charts because the system requires a certain number of returns (18 months in this study) before it can perform the first style calculation.

Total Return: Trailing Periods



	Total Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: Non-US Small-Cap	1.2	65	4.6	63	36.5	73	1.5	77	3.4	75	11.0	47	14.6	5
Copper Rock Capital: Int. Small Cap	1.0	69	1.3	97	31.8	89	1.2	81	6.6	31	13.3	13	n/a	n/a
DFA: ISCP	-0.1	85	4.2	71	37.7	63	4.3	34	5.1	57	10.3	63	12.7	42
Epoch Investment: International Small	0.0	84	1.9	93	41.1	41	3.8	50	6.9	30	n/a	n/a	n/a	n/a
Franklin Templeton: Temp Intl Small Cap	2.8	26	5.9	28	37.4	64	10.3	10	10.9	2	13.9	11	14.3	17
Munder International SC	3.6	12	8.0	8	46.9	6	0.8	83	1.5	93	9.8	69	12.6	46
Pyramis: Select Intl Sm. Cap	1.8	53	6.1	26	40.9	46	2.3	67	7.0	29	12.1	29	12.7	46
WellsCap: Intl Small Cap	-2.8	100	-0.1	100	43.8	23	5.6	25	6.7	31	14.4	9	13.6	20
MSCI EAFE Small Cap	1.0	68	4.1	74	36.9	65	3.6	51	2.7	80	8.6	85	10.5	76
eA Intl SC Equity Median	1.9		5.2		40.4		3.7		5.6		10.8		11.8	
eA Intl SC Equity Size		*52*		*52*		*52*		*52*		*40*		*33*		*25*

Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap
- ▲ MSCI EAFE Small Cap

Universe:
eA Intl SC Equity

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

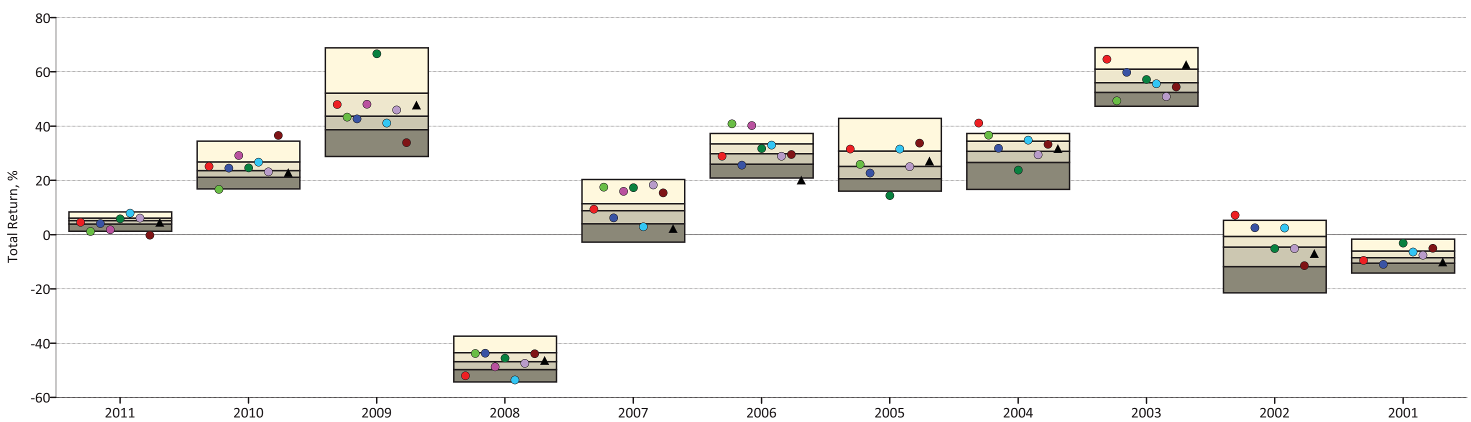
SamCERA - International Small Cap Equity

Periods ending June 30, 2011

Performance Detail

All Strategies

Total Return: Calendar Years



	Total Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: Non-US Small-Cap	4.6	63	25.2	36	48.0	43	-51.9	86	9.5	44	29.0	56	31.6	23	41.2	3	64.7	14	7.2	1	-9.4	59
Copper Rock Capital: Int. Small Cap	1.3	97	16.7	97	43.4	51	-43.7	30	17.6	10	40.9	1	26.0	45	36.7	6	49.4	90	n/a	n/a	n/a	n/a
DFA: ISCP	4.2	71	24.6	42	42.8	55	-43.6	29	6.3	57	25.7	77	22.8	60	31.8	46	59.9	32	2.6	16	-10.8	80
Epoch Investment: International Small	1.9	93	29.2	17	48.1	41	-48.6	65	16.0	15	40.2	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Franklin Templeton: Temp Intl Small Cap	5.9	28	24.7	41	66.7	9	-45.4	39	17.4	14	31.8	34	14.4	100	23.9	88	57.2	45	-5.0	52	-3.0	11
Munder International SC	8.0	8	26.8	27	41.2	65	-53.5	93	3.0	79	33.1	28	31.6	20	34.9	20	55.7	55	2.6	16	-6.3	30
Pyramis: Select Intl Sm. Cap	6.1	26	23.2	57	46.0	46	-47.4	55	18.4	8	29.0	59	25.1	53	29.5	60	50.9	85	-5.1	52	-7.5	39
WellsCap: Intl Small Cap	-0.1	100	36.7	4	34.0	86	-43.8	30	15.4	16	29.6	54	33.8	14	33.3	34	54.5	66	-11.4	74	-4.9	22
MSCI EAFE Small Cap	4.1	74	22.4	68	47.3	44	-46.8	51	1.8	82	19.7	97	26.7	39	31.3	48	62.1	20	-7.4	60	-10.5	78
eA Intl SC Equity Median	5.2		23.7		43.7		-46.7		8.9		29.9		25.2		30.8		56.0		-4.5		-8.5	
eA Intl SC Equity Size		*52*		*54*		*58*		*58*		*52*		*44*		*41*		*38*		*39*		*34*		*35*

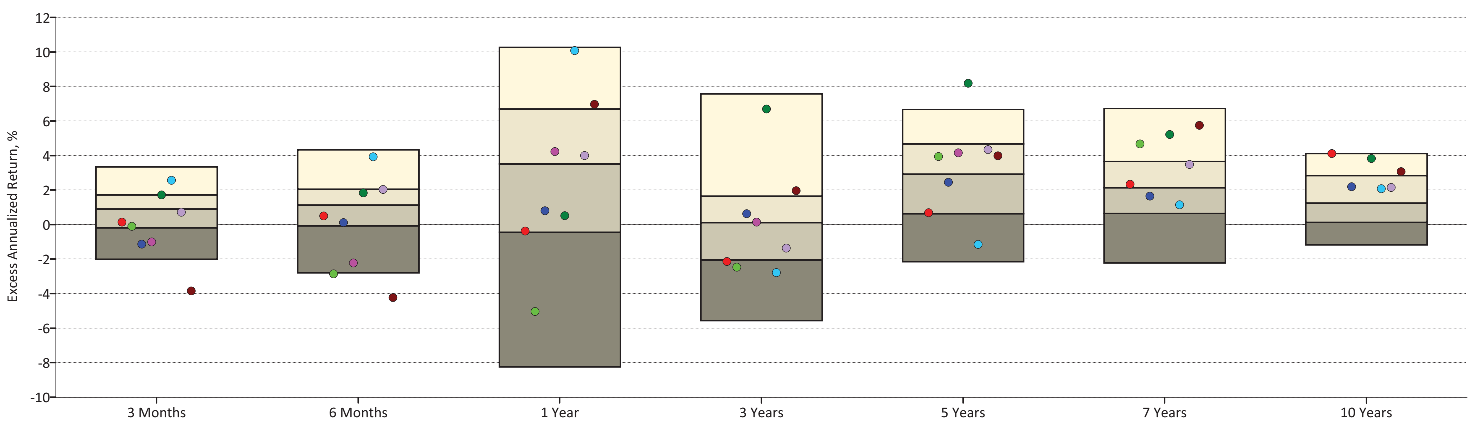
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap
- ▲ MSCI EAFE Small Cap

Universe:
eA Intl SC Equity

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Trailing Periods



	Excess Return													
	3 Months		6 Months		1 Year		3 Years		5 Years		7 Years		10 Years	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: Non-US Small-Cap	0.2	65	0.5	63	-0.4	73	-2.1	**77**	0.7	75	2.3	47	4.1	**5**
Copper Rock Capital: Int. Small Cap	-0.1	69	-2.8	**97**	-5.0	**89**	-2.5	**81**	4.0	31	4.7	**13**	n/a	n/a
DFA: ISCP	-1.1	**85**	0.1	71	0.8	63	0.7	34	2.5	57	1.7	63	2.2	42
Epoch Investment: International Small	-1.0	**84**	-2.2	**93**	4.2	41	0.2	50	4.2	30	n/a	n/a	n/a	n/a
Franklin Templeton: Temp Intl Small Cap	1.7	26	1.9	28	0.5	64	6.7	**10**	8.2	**2**	5.2	**11**	3.8	**17**
Munder International SC	2.6	**12**	3.9	**8**	10.1	**6**	-2.8	**83**	-1.1	**93**	1.2	69	2.1	46
Pyramis: Select Intl Sm. Cap	0.7	53	2.1	26	4.0	46	-1.4	67	4.4	29	3.5	29	2.2	46
WellsCap: Intl Small Cap	-3.8	**100**	-4.2	**100**	7.0	**23**	2.0	25	4.0	31	5.8	**9**	3.1	**20**
eA Intl SC Equity Median	0.9		1.1		3.5		0.1		2.9		2.2		1.3	
eA Intl SC Equity Size		*52*		*52*		*52*		*52*		*40*		*33*		*25*

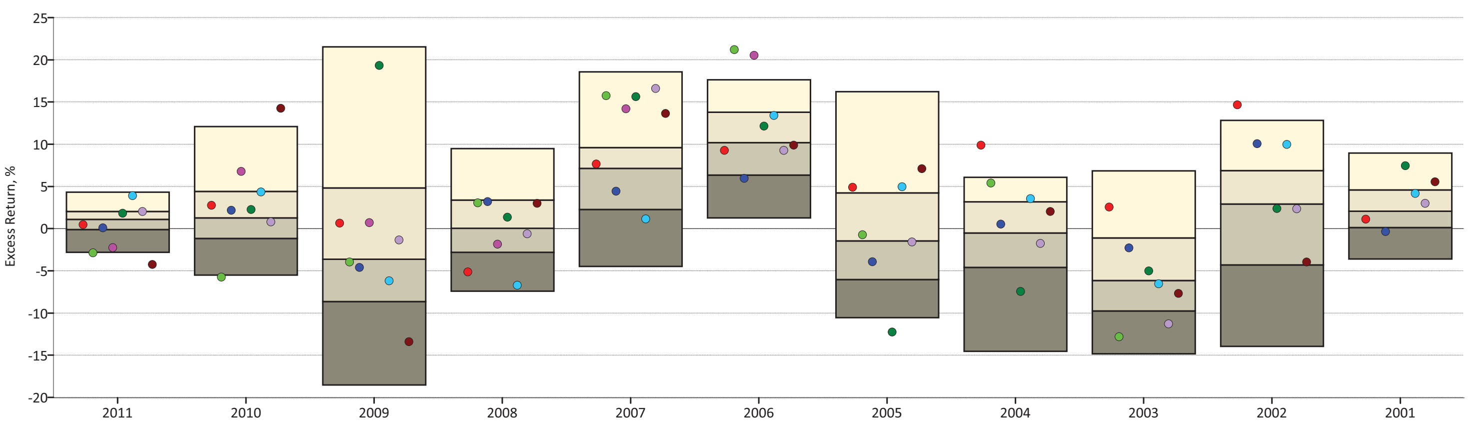
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap

Universe:
eA Intl SC Equity

Universe Rank:
Green = Top Quartile Red = Bottom Quartile

Excess Return: Calendar Years



	Excess Return																					
	2011		2010		2009		2008		2007		2006		2005		2004		2003		2002		2001	
	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank	Stat	Rank
Acadian: Non-US Small-Cap	0.5	63	2.8	36	0.7	43	-5.1	86	7.7	44	9.3	56	4.9	23	9.9	3	2.6	14	14.7	1	1.1	59
Copper Rock Capital: Int. Small Cap	-2.8	97	-5.7	97	-3.9	51	3.1	30	15.8	10	21.2	1	-0.7	45	5.4	6	-12.8	90	n/a	n/a	n/a	n/a
DFA: ISCP	0.1	71	2.2	42	-4.6	55	3.2	29	4.5	57	6.0	77	-3.9	60	0.6	46	-2.3	32	10.1	16	-0.3	80
Epoch Investment: International Small	-2.2	93	6.8	17	0.8	41	-1.8	65	14.2	15	20.6	2	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Franklin Templeton: Temp Intl Small Cap	1.9	28	2.3	41	19.3	9	1.4	39	15.6	14	12.2	34	-12.2	100	-7.4	88	-5.0	45	2.4	52	7.5	11
Munder International SC	3.9	8	4.4	27	-6.1	65	-6.7	93	1.2	79	13.4	28	5.0	20	3.6	20	-6.5	55	10.0	16	4.2	30
Pyramis: Select Intl Sm. Cap	2.1	26	0.8	57	-1.3	46	-0.6	55	16.6	8	9.3	59	-1.5	53	-1.7	60	-11.2	85	2.4	52	3.0	39
WellsCap: Intl Small Cap	-4.2	100	14.3	4	-13.4	86	3.0	30	13.7	16	9.9	54	7.1	14	2.1	34	-7.6	66	-3.9	74	5.6	22
eA Intl SC Equity Median	1.1		1.3		-3.6		0.1		7.2		10.2		-1.4		-0.5		-6.1		3.0		2.1	
eA Intl SC Equity Size		*52*		*54*		*58*		*58*		*52*		*44*		*41*		*38*		*39*		*34*		*35*

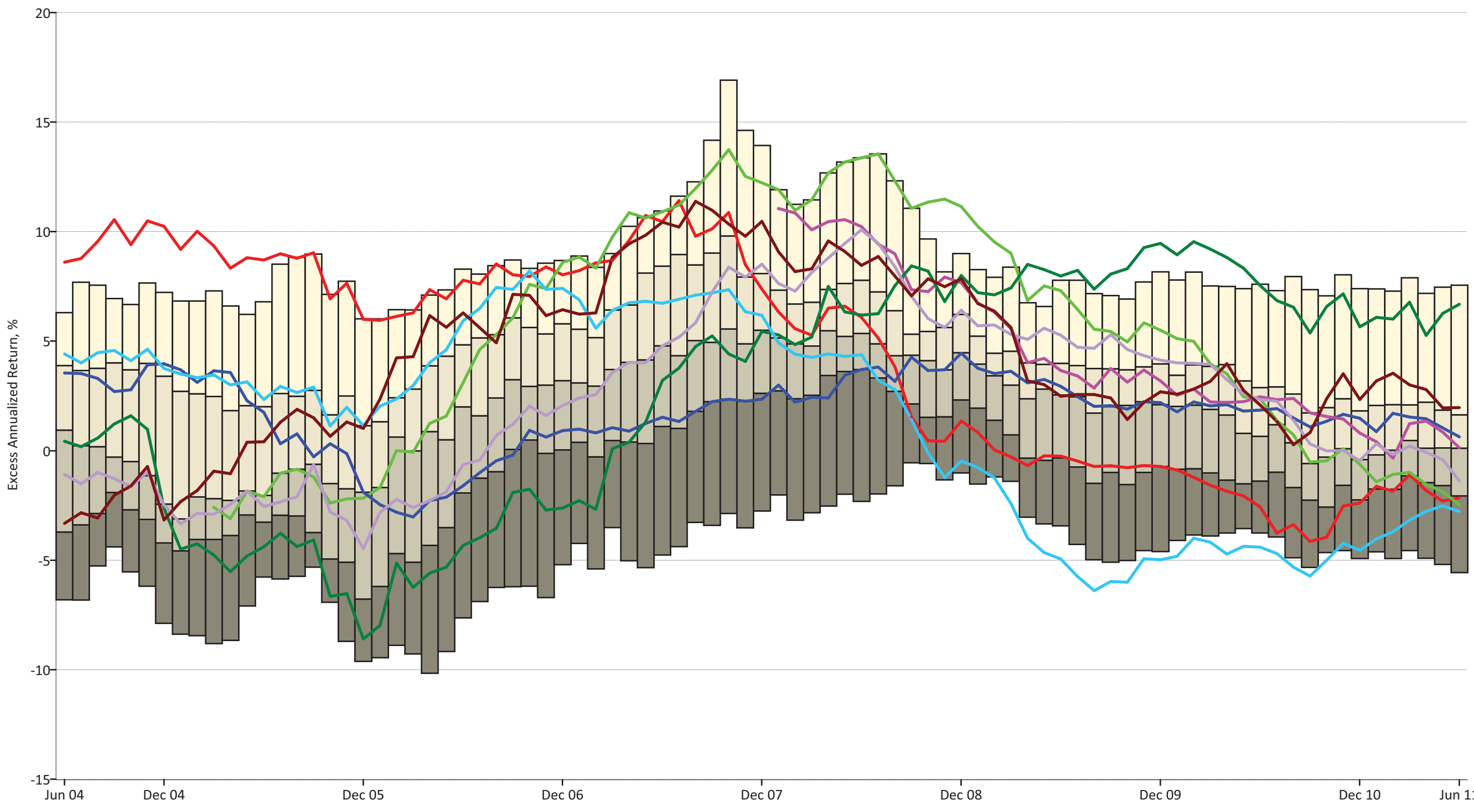
Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap

Universe:
eA Intl SC Equity

Universe Rank:
Green = Top Quartile **Red = Bottom Quartile**

Excess Return: Rolling 36-month Periods (Jun 04 - Jun 11)



Legend

- 5th to 25th Percentile
- 25th Percentile to Median
- Median to 75th Percentile
- 75th to 95th Percentile
- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap

Universe:
eA Intl SC Equity

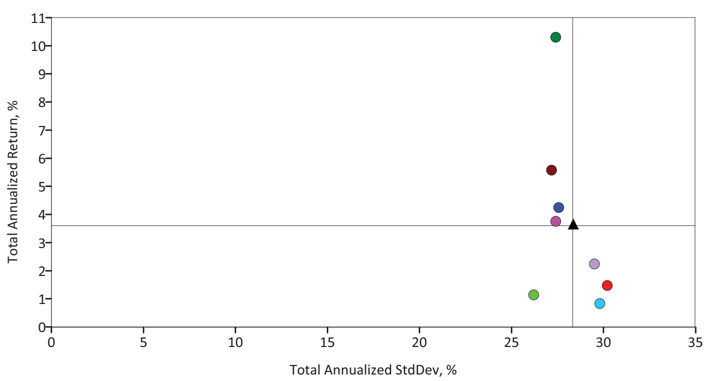
SamCERA - International Small Cap Equity

Periods ending June 30, 2011

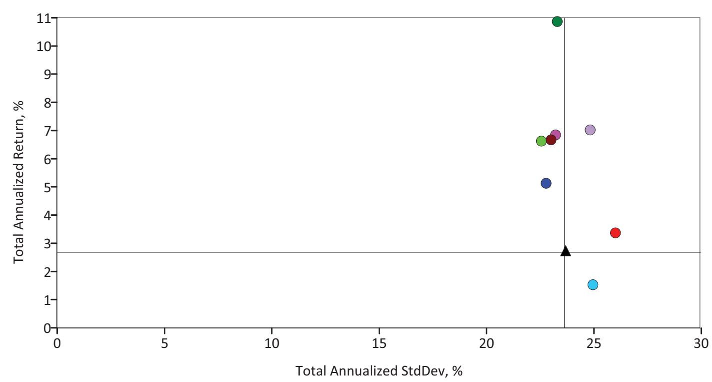
Risk/Return Analysis

All Strategies

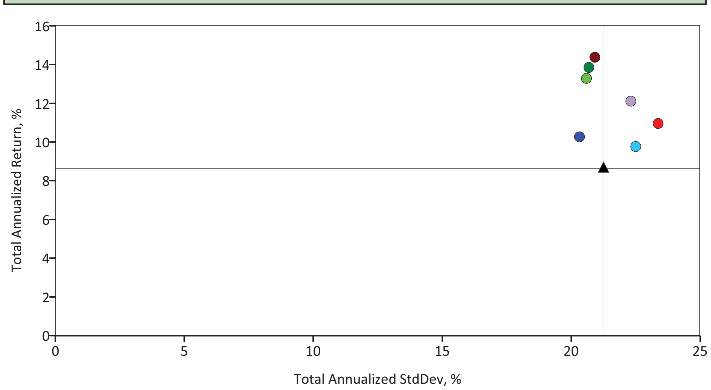
Total Return vs. Standard Deviation: Trailing 3 Years (Jul 08 - Jun 11)



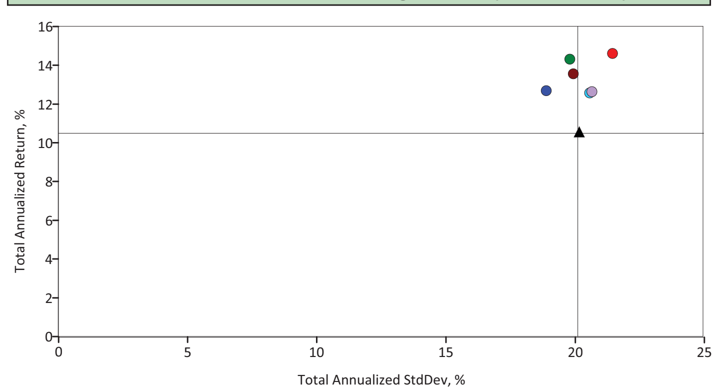
Total Return vs. Standard Deviation: Trailing 5 Years (Jul 06 - Jun 11)



Total Return vs. Standard Deviation: Trailing 7 Years (Jul 04 - Jun 11)



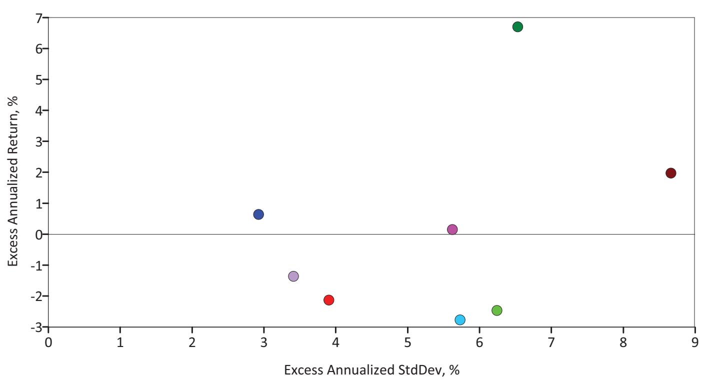
Total Return vs. Standard Deviation: Trailing 10 Years (Jul 01 - Jun 11)



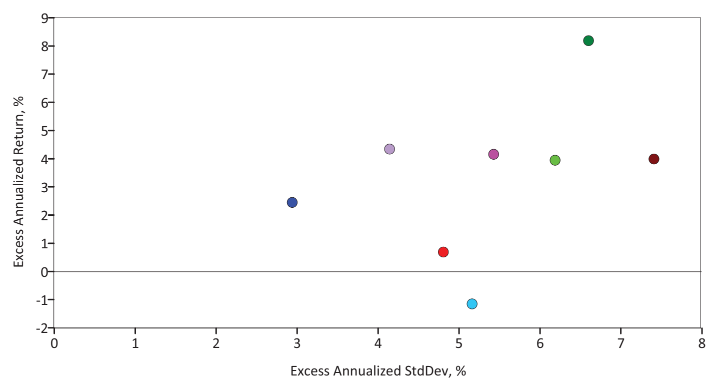
Legend

- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap
- MSCI EAFE Small Cap

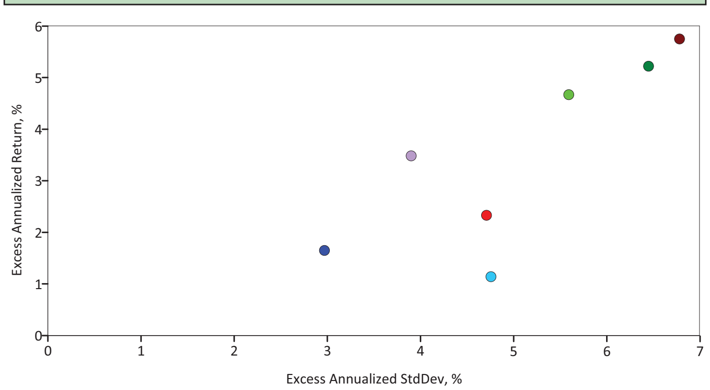
Excess Return vs. Tracking Error: Trailing 3 Years (Jul 08 - Jun 11)



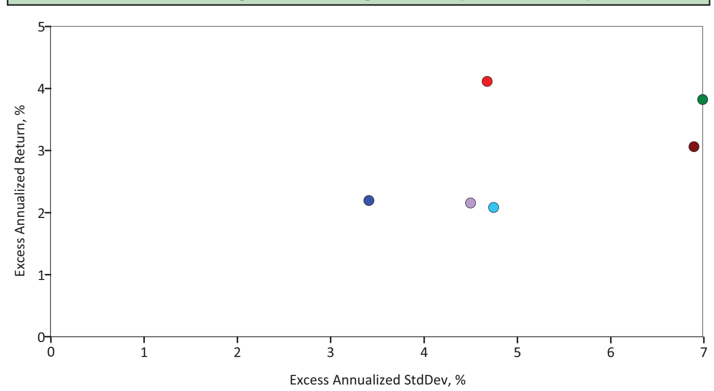
Excess Return vs. Tracking Error: Trailing 5 Years (Jul 06 - Jun 11)



Excess Return vs. Tracking Error: Trailing 7 Years (Jul 04 - Jun 11)



Excess Return vs. Tracking Error: Trailing 10 Years (Jul 01 - Jun 11)



Legend

- Acadian: Non-US Small-Cap
- Copper Rock Capital: Int. Small Cap
- DFA: ISCP
- Epoch Investment: International Small
- Franklin Templeton: Temp Intl Small Cap
- Munder International SC
- Pyramis: Select Intl Sm. Cap
- WellsCap: Intl Small Cap

Alpha (Jenson's Alpha) – a manager's *Total Return* in excess of that which can be explained by its systematic risk, or *Beta*. Alpha is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Alpha is the intercept term in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A positive Alpha implies that a manager has added value relative to the benchmark on a *Beta*- or risk-adjusted basis.

Batting Average – the percentage frequency a manager's periodic *Total Return* exceeds the benchmark. A manager that outperforms the benchmark in 15 out of 20 months will have a *Batting Average* of 0.75.

Benchmark R-Squared – a statistical measure that represents the percentage of volatility in a manger's returns which can be explained by the volatility of the benchmark. Benchmark R-Squared can range from 0-100%. See also *R-Squared*.

Best/Worst Quarter – the maximum/minimum *Total Return* or *Excess Return* over any rolling 3-month period (when monthly returns are used). Note that the term "quarter" in this calculation does not refer to calendar quarters (unless the periodicity is quarterly), but rather 3-month windows.

Best/Worst Year – the maximum/minimum *Total Return* or *Excess Return* over any rolling 12-month period (when monthly returns are used). Note that the term "year" in this calculation does not refer to calendar years, but rather 12-month (or 4-quarter) windows.

Beta – a measure of a manager's sensitivity to systematic, or market risk. Beta is calculated by regressing a manager's *Total Returns* against those of the benchmark (taken to represent the "market"). Beta is the slope coefficient in this regression, also known as a Capital Asset Pricing Model (CAPM) regression. A manager with a Beta of 1 has a systematic volatility equal to that of the benchmark, while a Beta less than 1 implies lower systematic volatility than the benchmark and a Beta greater than 1 indicates that a manager exhibits more systematic volatility than the benchmark.

Calmar Ratio – a risk/return measure that is calculated by dividing a manager's *Total Return* or *Excess Return* by the respective *Maximum Drawdown*. A higher Calmar Ratio implies greater manager efficiency in generating *Total Returns* or *Excess Returns* without experiencing correspondingly high *Maximum Drawdowns*.

Capture Ratio – the ratio of a manager's average *Total Return* to the benchmark's average *Total Return*. Up Market Capture Ratio refers to relative performance in periods where the benchmark *Total Return* is greater than 0 (i.e., positive) and Down Market Capture Ratio is calculated over those periods where the benchmark *Total Return* is less than 0 (i.e., negative).

Correlation – a standardized measure of *Covariance* scaled to a range of -1 to 1. Correlations close to 1 suggest that two *Return Series* move together very closely while Correlations close to -1 indicate that two *Return Series* tend to move opposite of one another.

Covariance – a measure of the co-movement of two variables, *Return Series* for these purposes. When two *Return Series* tend to deviate in the same direction they will exhibit positive Covariance and if they tend to deviate in opposite directions they will exhibit negative Covariance.

Excess Correlation – the *Correlation* between two sets of *Excess Return Series*.

Excess Information Ratio – a measure of a manager's active return per unit of active risk. Excess Information Ratio (commonly referred to as *Information Ratio*) is calculated by dividing a manager's *Excess Return* by the *Tracking Error*. A higher Excess Information Ratio implies greater manager efficiency in terms of the active risk taken versus the benchmark.

Excess Loss Ratio – a measure of a manager's active return per unit of downside active risk. Excess Loss Ratio is calculated by dividing a manager's *Excess Return* by the *Semi-Standard Deviation* of *Excess Returns*. A higher Excess Loss Ratio implies greater manager efficiency.

Excess Omega Ratio – a measure of a manager's active return versus active risk that uses the cumulative probability distribution function (CDF) of *Excess Returns* and assigns a return threshold (0 in this case), with part of the distribution on each side. Excess Omega Ratio is calculated by dividing the area above the CDF curve to the right of the threshold by the area below the CDF curve to the left of the threshold. Excess Omega Ratio is useful in that it incorporates the full distribution of *Excess Returns*, not just the mean and standard deviation (i.e., tracking error), and does not rely on a normally-distributed return series as many other risk-adjusted measures such as the *Sharpe Ratio* and *Information Ratio* implicitly do. As with other risk-adjusted measures, a higher Excess Omega Ratio implies greater manager efficiency in terms of active risk and return.

Excess Return – a manager's return in excess of the benchmark's *Total Return*.

Excess Style Weights – a manager's style weights in excess of the benchmark's style weights for a given period. This measures a manager's style deviations, or bets, versus the benchmark.

Information Ratio – a measure of a manager's return per unit of risk. Information Ratio is calculated by dividing a manager's *Total Return* by the *Standard Deviation*. A higher Information Ratio implies greater manager efficiency. To avoid confusion and conform to industry standards, the term “Information Ratio” is used throughout the study when referencing the *Excess Information Ratio* statistic.

Maximum Drawdown – a drawdown is any losing period during a *Return Series* (either *Total Return* or Excess *Return*) and the Maximum Drawdown measures the cumulative return during the worst “peak to trough” period for the *Return Series*. The Maximum Drawdown does not necessarily occur over consecutive months (or quarters) of negative performance and can be interrupted by periods of positive performance as long as this does not cause full recovery of the initial value prior to the drawdown.

Recovery Duration – the number of months (or quarters) from trough to full recovery after the *Maximum Drawdown*. If the full amount of the initial value has not been recovered, Recovery Duration will display “N/A”.

Recovery Percent – where the full amount of the initial value has not been recovered after the *Maximum Drawdown*, Recovery Percent represents the partial percent of peak to trough loss that has been regained to date. If the initial value has been re-achieved, Recovery Percent will display “100%”.

Recovery Period – the range of months (or quarters) to regain the value before the *Maximum Drawdown* occurred, starting from the first month (or quarter) after a trough. When the full amount of the initial value has not been recovered the date range shown is from the trough to the highest subsequent cumulative value.

Return Series – a set of *Returns* over a range of time periods.

Risk – see *Standard Deviation*.

R-Squared – within the context of regression analysis, R-Squared represents the portion of the variation of a dependent variable (e.g., a manager's *Return Series*) that can be explained by the variation of the independent variable(s) (e.g., a benchmark index or set of *Style Indices*). R-squared values range from 0 to 100. An R-squared of 100 indicates that all movements of the dependent variable are completely explained by movements of the independent variable(s). In addition, R-Squared provides a measure of the goodness of fit, or validity, of the regression model.

Selection Return – a manager's *Total Return* in excess of the *Style Return*. A positive Selection Return implies that a manager has added value relative to the *Style Benchmark* through security selection.

Semi-Standard Deviation – a measure of downside risk similar to Standard Deviation, except that it is calculated using only the variance of returns below a target rate (0 by default, but can also be set to a Minimum Accepted Return or MAR, the risk-free rate or the benchmark's return). A high Semi-Standard Deviation represents a wide range of returns below the target rate and therefore implies a higher level of downside risk. Semi-Standard Deviation is useful in that it penalizes managers only for volatile returns below the target rate, unlike the full Standard Deviation calculation which does not distinguish between upside (good) and downside (bad) volatility.

Sharpe Ratio – a manager's *Excess Return* over the risk-free rate divided by the *Standard Deviation*. Sharpe Ratio measures a manager's return per unit of risk. A higher Sharpe Ratio implies greater manager efficiency.

Standard Deviation – a measure of the extent to which observations in a series vary from the arithmetic mean of the series. Standard Deviation (also referred to ask *Volatility* or *Risk*) provides an indication of the dispersion of periodic returns. A high Standard Deviation represents a wide range of returns and therefore implies a higher level of risk.

Style Benchmark – a blended index of *Style Indices* combined at the corresponding *Style Weights*. The *Style Return* represents the *Total Return* of the Style Benchmark.

Style Indices – independent (or explanatory) variables used in the *Style Regression*. Style Indices can also be interpreted as the manager's *Betas* or risk factors within the context of the *Style Regression*.

Style Map – a specialized form of scatter plot used to show where a manager lies in relation to a set of *Style Indices* on a two-dimensional plane. A Style Map is simply a different way of viewing the *Style Weights*. The x and y co-ordinates are calculated by rescaling the *Style Weights* to a range of -1 to 1 on each axis.

Style Regression – a constrained quadratic regression of a manager or benchmark return series against a set of *Style Indices*. Style Regression calculates a series of *Betas* that collectively seek to explain as much of a return series as possible.

Style Return – calculated by multiplying a manager's (or benchmark's) Style Weights by the corresponding returns of the Style Indices and summing the resulting weighted component returns.

Style R-Squared – a statistical measure that represents the percentage of volatility in a manager's returns which can be explained by the volatility of the *Style Indices* (or collectively, the *Style Benchmark*). Style R-Squared can range from 0-100%. See also *R-Squared*.

Style Weights – represent the periodic exposure of a manager (or benchmark) to various explanatory variables, also referred to as *Style Indices*. Style Weights are returns-based, i.e. they are calculated through the *Style Regression*.

Timing Return – a manager's *Style Return* in excess of the benchmark's *Style Return*'. A positive Timing Return implies that a manager has added value relative to the benchmark through asset allocation decisions, i.e., over/underweight "positions" in the *Style Indices* versus those of the benchmark.

1) If the market benchmark used in the study is not also one of the *Style Indices* then it too will have *Style Weights*, a *Style Return* and a *Style Benchmark*. If the benchmark is one of the *Style Indices*, its *Style Return* will equal the benchmark's *Total Return*.

Total Return – a measure of the appreciation or depreciation in the price of an investment over a given time period.

Tracking Error – the *Standard Deviation* of a manager's *Excess Return* series. Tracking Error measures the extent to which a manager's returns diverge from the benchmark's returns. A low Tracking Error indicates that the manager closely tracks the benchmark.

Volatility – see *Standard Deviation*.

Note: All calculations use geometrically annualized returns except for cumulative returns and those that cover periods less than one year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.5 (a)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Angelo Gordon & Company – AG GECC Public-Private Investment Fund

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 October 6, 2011, staff interviewed *SamCERA's* special strategy bond managers in *SamCERA's* conference room.

Angelo Gordon & Company was interviewed at approximately 8:15 a.m. Those present were:

Lauryn Agnew – *SamCERA* Trustee
Ben Bowler – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Steve Masarik – Strategic Investment Solutions Investment Consultant
David Bailey – *SamCERA's* Chief Executive Officer
Andrew L. Solomon – Angelo Gordon & Company – Portfolio Manager, Managing Director
Ruth Gitlin – Angelo Gordon & Company - Managing Director, Client Services

Attached to this agenda item are the presentation materials used by Angelo Gordon for the review and Angelo Gordon's response to *SamCERA's* annual questionnaire.

A more detailed cover memorandum will be available in the second mailing.

AG GECC Public-Private Investment Fund

October 2011

Our Firm

- Founded in 1988, 100% employee owned
- Leader in alternative investments
  - Absolute return focus
- Over 200 employees – including more than 90 investment professionals
- Headquartered in New York with offices globally

Our Culture and Investment Philosophy

- Match money with opportunity
- Encourage collaborative thinking
- Conduct rigorous fundamental research
- Focus on return objective while preserving capital:
  - Invest at the top of the capital structure
  - Use minimal or no leverage
  - Diversify portfolios

About Angelo, Gordon & Co.

ANGELO, GORDON & CO.

$23 Billion in Assets Under Management*

Assets by Investor Type

PUBLIC PENSION 24%

CORPORATE NON-PENSION 20%

ENDOWMENTS & FOUNDATIONS 14%

HIGH NET WORTH 16%

CORPORATE PENSION 15%

US TREASURY 7%

FUND OF FUNDS 4%

Assets by Strategy Type

PE & Special Situations

Residential/ Consumer Debt 7%

Private Equity 4%

Hedged Strategies 2%

Cash 1%

Real Estate

Credit

*Estimates as of June 30, 2011

AG GECC Public-Private Investment Fund – Status
(As of August 31, 2011)

- **Inception:** 11/9/09[1]

	Fund	SamCERA
Total Committed Capital	$1,243 million	$35 million
Total Capital Called	$1,119 million	$31.5 million
Total Capital Distributed	$68 million	$1.9 million
Net Asset Value[2]	$1,203 million	$33.9 million
Leverage[3]	46.8%	
Net IRR[2]	10.66%	10.02%
Net multiple of paid-in capital[2]	1.14x	1.14x

- **Portfolio composition**[4]
  - RMBS 47%
  - CMBS 53%

1) *Due date of first capital call*
2) *Data are net estimates and subject to change without notice*
3) *Total called loan balance of the master fund as a percentage of total market value of master fund assets*
4) *Based on market value. Excludes cash, short-term investments and interest rate swap positions*

Net Performance

AG GECC Public-Private Investment Fund, L.P.(1)

	2009	2010	2011*	
January		6.31%	4.86%	
February		0.94%	3.09%	
March		7.20%	-2.30%	
April		7.70%	1.36%	
May		-4.87%	-2.01%	
June		0.91%	-3.65%	
July		1.78%	-1.52%	
August		4.80%	-10.40%	**
September		4.20%		
October		4.39%		
November	-3.88%	3.55%		
December	1.69%	3.70%		
Year-to-Date	**-2.26%**	**48.07%**	**-10.82%**	**
Net Internal Rate of Return			**10.66%**	**

* *Data is subject to change without notice.*

** *Net estimate*

(1) *The fund was established for purposes of acquiring certain eligible assets under the Public-Private Investment Program ("PPIP"), established jointly by the U.S. Department of Treasury, the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation. The fund's investment program is managed by Angelo, Gordon & Co, L.P. and an affiliate of General Electric Capital Corporation, together, the "Investment Manager." The Investment Manager is one of eight private sector fund managers pre-qualified by the U.S. Treasury to participate in PPIP.*

The above performance data represent the time-weighted performance since inception for a limited partner in AG GECC Public-Private Investment Fund, L.P., net of expenses, including management fees and performance allocations. The time-weighted returns are based are based upon monthly weighted average drawn capital and are geometrically linked. Please note that the November 2009 performance figure includes one-time charges related to the organization of the fund that have all been expensed in 2009.

The PPIF Fund invests in both CMBS and RMBS and uses the leverage provided under the program. The United State Department of Treasury ("UST") has not participated in the preparation of this material or made a representation regarding, and expressly disclaims any liability or responsibility to any investor in PPIF Fund, for the accuracy, completeness or correctness of any of the materials contained herein. Without limitation of the foregoing, UST does not approve of any tax disclosure or advice set forth herein.

The Internal Rate of Return (IRR) reflects cumulative cash-on-cash returns for the entire period from inception plus residual values at the end of the period, expressed as an annualized internal rate of return reflecting the assumptions described above. Past performance is no guarantee of future results.

CMBS – Market Update

- Technical factors continue to influence pricing more than fundamentals
- Prices for Class A commercial properties have increased 45% from their lows and are now only 10% below their all time highs
- Prices for Class B properties remained range-bound in 2011. Expect moderate upward momentum in 2012
- Prices for Class C properties are expected to remain at current distressed levels due to ongoing liquidations
- New issue market activity
    - 3 recent deals were structured conservatively and were well received by the market
- Fifth consecutive year of negative net CMBS supply in 2012; a favorable technical for the CMBS market, but macro economic headwinds will exert downward pricing pressure
- Confidence returning to CMBS market, but with caution

AG GECC PPIF Master Fund –
CMBS Portfolio Characteristics (as of August 31, 2011)

ANGELO, GORDON & CO.

MD 3%
Other 35%
NC 3%
PA 3%
CA 15%
GA 4%
NY 11%
VA 4%
IL 4%
FL 9%
TX 9%

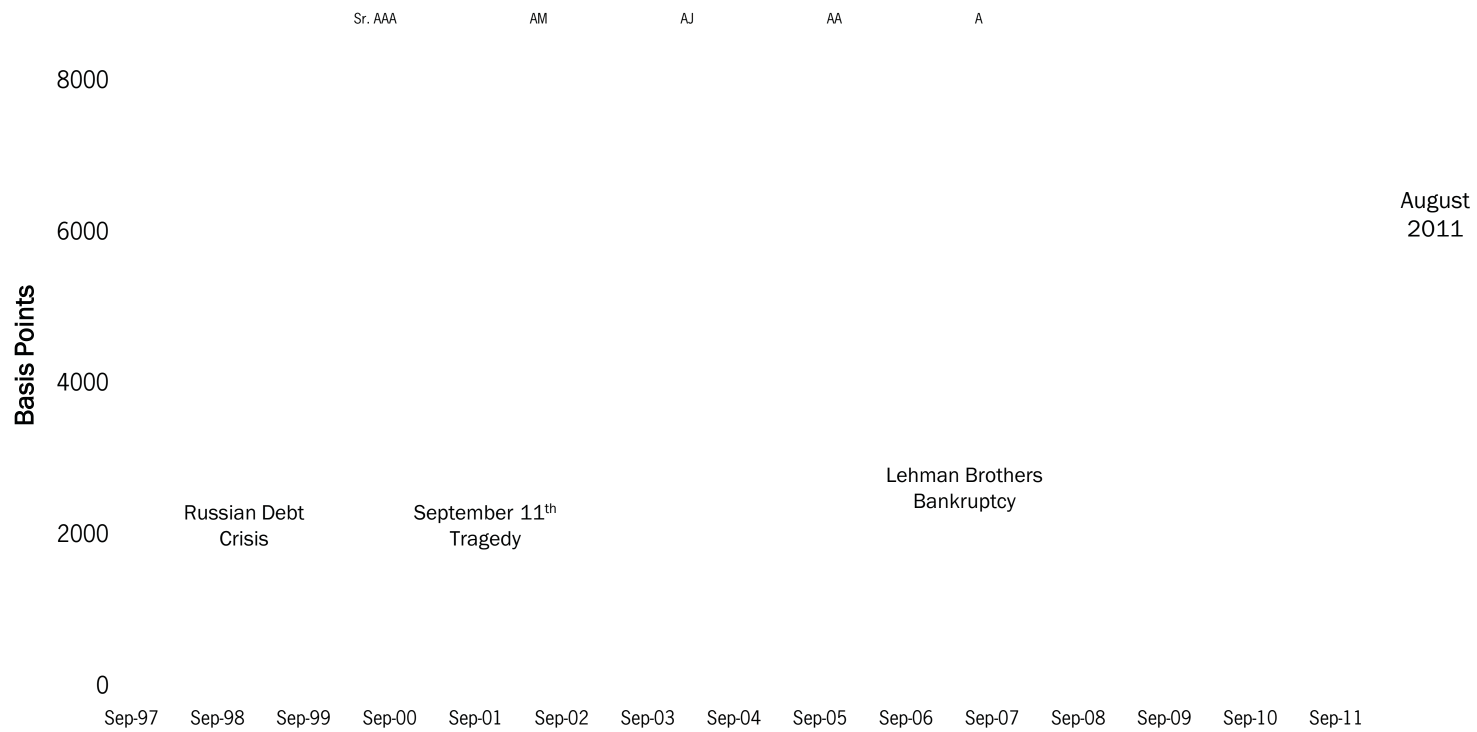
Industrial 5%
Other 12%
Lodging 13%
Office 28%
Multifamily 16%
Retail 26%

AAA 4%
A 8%
Below BB 15%
BBB 34%
BB 39%

30+ Days 1%
60+ Days 10%
Current 89%

Note: Information provided on the basis of established UST valuation hierarchy, except where noted.

Historical CMBS Spread



CMBS spreads are back to early 2010 levels

Source: Merrill Lynch, August 2011.

Economic drivers affecting our investment selection:

- U.S. housing: We expect additional nationwide declines of 5-10%
- U.S. interest rates: We expect short term rates to remain low through 2013
  10 year Treasury to be range bound between 1.5% and 2.25% through 2013
- U.S. unemployment: > 9% for the foreseeable future

Current environment:

- Overall, RMBS held up during August compared to other asset classes
- Volume has picked up from summer lows
- Volatility has increased and is likely to remain – providing opportunity
- We continue to focus on higher quality credits: Prime, Alt A

AG GECC PPIF Master Fund –
RMBS Portfolio Characteristics (as of August 31, 2011)

ANGELO, GORDON & CO.

TX 2%
Other 23%
CA 42%
IL 2%
AZ 3%
WA 3%
MD 3%
NJ 4%
VA 4%
NY 6%
FL 8%

<650 8%
650-720 35%
>720 57%

AAA 1%
AA 3%
A 2%
BBB 0.3%
BB 0.1%
Below BB 93.6%

60+ Days 25%
30+ Days 3%
Current 72%

Note: Information provided on the basis of established UST valuation hierarchy, except where noted.

Home Prices Expected To Still Fall

Case Shiller Home Price Indexes

- National home prices declined 32% peak to trough to date
- National homes prices have declined close to 5% in the last 12 months
- Las Vegas is the worst performing historically with close to 60% peak to trough decline
- Dallas is the best performing historically with less than 10% peak to trough decline

Biographies – AG GECC Public Private Investment Fund, L.P. – Portfolio Managers

Andrew Solomon joined Angelo, Gordon's real estate group in 2006 as head of the firm's commercial real estate debt business. Prior to joining AG, Andrew was a Vice President at NorthStar Realty Finance where he was a member of the company's investment committee and responsible for all aspects of the company's securities business. Prior to joining NorthStar, Andrew was an Associate in the Real Estate Investment Banking Group at CIBC World Markets and was an Audit Manager for Arthur Andersen & Co. Andrew is a Certified Public Accountant. He holds a B.A. degree from Washington University in St. Louis and an M.B.A. degree from the University of Chicago Graduate School of Business.

Jonathan Lieberman joined Angelo, Gordon in 2008 as head of the firm's residential mortgage securities business. Prior to joining the firm, Jonathan worked at Bear, Stearns & Co. Inc. as a Senior Managing Director in the Strategic Finance/Financial Institutions Group, primarily focused on the Specialty Finance Sector. Before that, Jonathan was a Senior Analyst in the Structured Finance Group of Moody's Investors Service and an attorney in the New York and Los Angeles offices of the law firm Dewey Ballantine LLP, where he specialized in securities law and structured finance. Jonathan holds a B.A. degree from Vassar College and a J.D. degree from Hofstra University School of Law.

Ruth Gitlin
Angelo, Gordon & Co.
245 Park Avenue, 26th Floor
New York, NY 10167
Telephone: (212) 692-2014
Facsimile: (212) 867-9328
Email: rgitlin@angelogordon.com

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Angelo Gordon – AG GECC Public-Private Investment Fund

FIRM BACKGROUND

1. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the percentage of firm revenues each comprises.

   For the management of the Public Private Investment Program, Angelo, Gordon & Co., ("Angelo, Gordon" or "AG" or the "Firm") has partnered with General Electric Capital Corporation ("GECC").

   AG and GECC have formed a dedicated entity (the "Fund Manager") to manage a Legacy Securities Public-Private Investment Fund formed as AG-GECC Public Private Investment Fund, L.P., a Delaware limited partnership (the "Fund"). The Fund acquires assets through AG GECC PPIF Master Fund, L.P. (the Master Fund"). The Fund Manager and the U.S. Treasury each own a 50% interest in the Master Fund.

   AG is a privately held firm specializing in global alternative (non-traditional) investments with an absolute return orientation. AG was founded in 1988 by John M. Angelo and Michael L. Gordon and currently manages approximately $23 billion.

   Angelo Gordon's investment philosophy for the past twenty-three years combines fundamental in-depth research and a conservative valuation approach with a diversification strategy intended to limit downside risk. The research team is the cornerstone of all investment activities. Generally, investments are either hedged to reduce market risk or consist of event-driven situations where overall market performance has relatively little impact.

   Angelo, Gordon employs over 250 people, including more than 90 investment professionals, and manages capital across five principal lines: (i) distressed debt and leveraged loans, (ii) real estate equity and debt, (iii) residential and commercial mortgage-backed and asset-backed securities, (iv) private equity and special situations, and (v) multi-strategy. We seek to generate absolute returns, in all market environments and with less volatility than the overall markets, by exploiting market inefficiencies and capitalizing on situations that are not in the mainstream of investment opportunities.

   Angelo, Gordon continually looks for new investment areas and opportunities and is drawn to those areas where there is a synergy with existing skills and disciplines across the Firm. Over time, AG has added complementary strategies. Angelo, Gordon is opportunistic and entrepreneurial in its approach to investing, we try to size our funds according to the perceived opportunities. From time to time, AG may face a significant decline in investment opportunities for a particular strategy. When this happens, it is generally AG's philosophy to return money to investors rather than altering its investment principles.

2. Attach an organizational chart depicting the firm's distinct business units.

   An Organizational Chart is provided as Appendix I.

3. List any subsidiaries, affiliates or joint ventures and briefly describe each relationship.
   Angelo, Gordon (Europe) Ltd. is an affiliate of AG located in London which conducts research for non-U.S. merger arbitrage, real estate and distressed opportunities. Angelo, Gordon (Europe) Ltd. is registered with the FSA.
   Angelo, Gordon has affiliated offices in Hong Kong, Seoul and Tokyo. These offices are involved in real estate investment activities in Asia.

   AG BD LLC is regulated by FINRA and is an affiliate of the Firm. AG BD LLC is used for families and friends of the Firm.

   For the management of the Public-Private Investment Program, Angelo, Gordon has partnered with GECC. The AG/GECC Public-Private Investment Program Joint Venture is a 50/50 partnership. All Joint Venture decisions are mutually agreed upon by the parties and resolved in accordance with the Joint Venture agreement.

4. Describe the firm's ownership structure, including a list of individuals or entities with at least 5%ownership, the total number of active employee owners and their aggregate level of ownership.
   Angelo, Gordon is 100% employee owned. Angelo, Gordon & Co., L.P. and its affiliate, AG Funds, L.P., are owned and controlled, directly or indirectly, by John Angelo, Michael Gordon and 55 senior employees, or their affiliates.

   Typically, we do not provide a list regarding AG ownership. We would be pleased to discuss further.

5. Provide a timeline of any past changes to the firm's legal, organizational or ownership structure.
   Prior to January 1, 2009, approximately 5% of AG was owned by several high net worth individuals who held a passive interest.

6. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.
   AG is always evolving; AG's attitude is very entrepreneurial and opportunistic. Recognizing that alternative investments tend to be cyclical both in the scope of investment opportunity as well as in the level of returns available, we move to deploy our capital to those strategies which are the most attractive. Given the current global economic environment we believe there will be opportunity in virtually all of our areas of expertise. We are currently in the market raising money for opportunistic real estate (AG Realty Fund VIII), core plus real estate (AG Core Plus Realty Fund III), RMBS (AG Mortgage Value Partners), CMBS (AG Real Estate Debt Investment Fund), non-investment grade credit (AG Diversified Credit Strategies Fund), and our multi-strategy fund (AG Super Fund).

   In addition to investment personnel, we are very mindful of having the proper support personnel, whether they be in operations/accounting, technology, risk management, compliance or client service. We have added experienced personnel to each of these areas and feel we are well staffed to handle the current and foreseeable level of investment opportunity. We will continue to add staff as appropriate. In addition, we continuously review our operating procedures and systems, and upgrade as needed.

7. Describe of your succession and continuity plans for management of the firm.
John Angelo (Chief Executive Officer) and Michael Gordon (Chief Investment Officer/Chief Operating Officer) have worked together since the inception of the Firm in 1988 and prior to that at L.F. Rothschild. They continue to be actively involved in the day-to-day running of the Firm along with three other members of the Angelo, Gordon Executive Committee: Kirk Wickman (Chief Administrative Officer), David Roberts (Senior Managing Director, Private Equity and Special Situations) and Thomas Fuller (Senior Managing Director, Corporate Credit). While neither John nor Michael has current plans to retire, we have implemented a transition plan should it need to be initiated. This includes detailed contractual arrangements in place which provide for a staged retirement of their capital in a manner that allows for the Firm to continue to thrive. Further, each of the Firm's investment disciplines is managed by a seasoned senior professional and the Firm has a strong and deep bench, with more than 90 investment professionals covering the various strategies offered. Substantially all of these investment professionals have non-compete agreements and are required to co-invest in their strategies with our investors.

8. Describe turnover among senior staff over the past three years:

Name	Title/Role	Month/Year Joined	Month/Year Left	Reason
Additions				
Andy Parks	Chief Risk Officer	8/2009		
Lisa Conrad	Chief Compliance Officer	6/2009		
Forest Wolfe	General Counsel	5/2009		
Art Peponis	Portfolio Manager; Private Equity	3/2009		
Kirk Wickman	Chief Administrative Officer and General Counsel	10/2008		
Jonathan Lieberman	Portfolio Manager; RMBS/ABS	6/2008		
Departures				
Keith Barket	Portfolio Manager – Real Estate		12/2010	Death of Employee
Brad Patelli	Co-Portfolio Manager – Leveraged Loans		5/2010	Pursue Other Opportunity
Verna Ramirez	Chief Compliance Officer		12/2009	Pursue Other Opportunity
Phil Groves	Portfolio Manager – Asian NPLs		12/2009	Closed Strategy
David Madden	Portfolio Manager – Asian NPLs		12/2009	Closed Strategy
Joel Schwartz	Portfolio Manager – Private Equity		12/2009	Pursue Other Opportunity
Tom Donahoe	Chief Risk Officer		11/2009	Pursue Other Opportunity

Fred Berger	Chief Administrative Officer		6/2009	Retirement
Matt Khoury	Portfolio Manager - Private Real Estate	9/1998	3/2009	Pursue Other Opportunity

9. Breakdown of assets under management (AUM) by client and product type, in $US millions:

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08	6/30/09	6/30/11
Client Type							
Public	765	850	945	1,740	3,360	4,920	5,200
Corporate	3,400	3,850	4,305	6,090	4,620	5,250	7,600
Endowment & Foundation	1,700	2,450	2,310	3,045	2,520	2,850	3,100
Union/Multi-Employer							
Sovereign Entity				72	70	80	200
High Net Worth	1,700	1,950	2,625	3,045	2,800	3,100	3,600
Other	935	900	315	580	700	800	3,300
Total	**8,500**	**10,000**	**10.500**	**14,500**	**14,000**	**17,000**	**23,000**
	12/31/04	**12/31/05**	**12/31/06**	**12/31/07**	**12/31/08**	**6/30/09**	**6/30/11**
Asset Class/Product Type							
U.S. Equity							
Int'l & Global Equity							
U.S. Fixed Income							
Int'l & Global Fixed Income							
Other Traditional							
Traditional Subtotal							
Direct Hedge Funds							
Fund of Hedge Funds							
Direct Private Equity*	350	750	805	1,290	1,165	1,100	1,000
Fund of Private Equity Funds							

Other Alternatives							
Distressed/Bankruptcy	2,500	3,800	2,150	2,510	3,050	4,200	5,900
Leveraged Loans**	1,550	1,550	2,100	2,995	2,170	2,800	3,400
Real Estate	1,500	1,740	2,350	4,090	3,600	3,500	4,900
Long/Short Realty	160	430	365				
Merger Arbitrage	350	500	830	1,175	80	100	50
Utility Hedging	100	30					
Convertible Hedging	1,050	650	280	240	280	300	450
Credit Arbitrage	100	250	280	25			
Real Estate Debt			770	1,060	1,700	2,500	3,500
Long/Short Health Care			135	180			
Asian NPLs				140	170		
Credit Opportunity							
Residential/Consumer Debt					440	1,700	3,200
Alternatives Subtotal	*7,310*	*8,950*	*9,260*	*12,415*	*11,490*	*16,200*	*22,400*
Cash	850	300	520	770	1,060	800	260
Total	**8,500**	**10,000**	**10,500**	**14,500**	**14,000**	**17,000**	**23,000**

10. Provide a table listing all strategies you manage that are dedicated to structured securities and the corresponding AUM, including TALF funds/separate accounts and CDOs/CLOs. In addition, please provide a separate estimate of aggregate structured security AUM that is held within broader mandates (e.g., the CMBS sleeve of a core plus strategy).

Fund/Composite Name	**Assets under Management ($US mm)**	**Investment Universe (e.g., ABS, RMBS, CMBS)**
Stand-alone Strategies		
Cedarwoods CRE CDO I, Ltd.	$410 mm	CMBS
Cedarwoods CRE CDO II, Ltd.	$650 mm	CMBS

AG Commercial Real Estate Debt Fund, L.P.	$445 mm	CMBS
Separate Account #1 (AAA assets)	$120 mm	CMBS
Separate Account #2 (AAA assets)	$115 mm	CMBS
AG Real Estate Debt Investment Fund, L.P.	$60 mm	CMBS
Separate Account #4 (AAA assets)	$560 mm	RMBS/ABS
Separate Account #5	$115 mm	RMBS/ABS
Separate Account #6	$100 mm	TALF only
Separate Account #7	$50 mm	RMBS/ABS
Separate Account #8	$100 mm	RMBS/ABS
AG Mortgage Value Partners, L.P.	$350 mm	RMBS/ABS
Multi-Strategy Funds	$805 mm	RMBS/ABS/CMBS
Northwoods Capital IV, Limited	$470 mm	CLO
Northwoods Capital V, Limited	$500 mm	CLO
Northwoods Capital VI, Limited	$580 mm	CLO
Northwoods Capital VII, Limited	$510 mm	CLO
Northwoods Capital VIII, Limited	$510 mm	CLO
Total	$6,400 mm	

Data as of June 30, 2011

11. Has your firm ever liquidated, dissolved or otherwise terminated an internally-managed hedge fund or other commingled fund? If so, please provide details.
    If markets change so that a particular strategy is not viable, we will wind down that strategy. The following strategies have been closed:

    Closed Strategies
    Long/Short Realty
    Long/Short Health Care
    Utility Hedging
    Convertible Hedging*
    Credit Arbitrage
    Asia Non-Performing Loans

*We wound down the dedicated co-mingled convertible fund. Due to its cyclical nature, a decision was made to manage these investments in our multi strategy portfolios rather than as a single strategy fund.

II. INVESTMENT TEAM

12. Identify the key individual(s) who are responsible for managing the PPIP fund and describe their respective role(s) and experience. In addition, indicate other responsibilities, both in terms of investment products and administrative duties, for each of the named individuals and provide an estimate of the percentage of time each individual spends managing the PPIP fund.

AG and GECC have dedicated senior management and certain full-time employees to day-to-day operations and oversight of the Fund, including four individuals from GE. The combined team from AG and GECC is co-located at AG's headquarters at 245 Park Avenue in New York. The RMBS and CMBS investment teams, led by Jonathan Lieberman and Andrew Solomon, respectively, have primary responsibility for the Fund. Michael Gordon, Chief Investment Officer for AG, is responsible for oversight of all investment activities. An investment committee comprised of designated members of senior management from AG and GECC has responsibility for oversight of management of the Fund.

Angelo, Gordon Team

- John Angelo – Co-Founder, CEO, Executive Committee
- Michael Gordon – Co-Founder, CIO, COO, Executive Committee
- Tom Fuller – Head of Corporate Credit, Executive Committee
- David Roberts – Co-Head Private Equity/Special Situations, Executive Committee
- Jonathan Lieberman – Head of RMBS/ABS
- Andrew Solomon – Head of Commercial Real Estate Debt
- Kirk Wickman – Chief Administrative Officer and General Counsel

AG-GECC Investment Committee

- Michael Gordon – Co-Founder, CIO, COO, Executive Committee
- David Roberts – Co-Head Private Equity/Special Situations, Executive Committee
- Jonathan Lieberman – Head of RMBS/ABS
- Andrew Solomon – Head of Commercial Real Estate Debt
- Jonathan Kern – President & CEO, GE Real Estate Global Investment Management
- Michael Jordan – Chief Risk Officer for GE Capital Real Estate Global Investment Management
- Anuj Gupta – Managing Director, GE Capital, Capital Markets
- David Martindale–-Managing Director, Senior Risk Manager and Credit Officer

Angelo, Gordon RMBS Team

- Mansoor Malbari – Senior Portfolio Manager
- Yong Joe – Head of Quantitative Research
- Thomas Durkin – Senior RMBS Trader
- Adam Henick – RMBS Trader
- Aaron Ong – Credit Analyst

- Ron Madden – Credit Analyst
- Stella Li – Credit Analyst
- Tapish Kushwaha – Credit Analyst
- Andrew Roeser – Originator

Angelo, Gordon CMBS Team

- Rick Finger – Portfolio Manager
- Michael Lewin – Credit Analyst
- Jena Hines – Underwriting and Surveillance

GECC Operating Team

- Anuj Gupta – Managing Director, GE Capital, Capital Markets
- Fred Yee – Investment Director
- Campbell Rankin – CMBS Valuation Manager
- Young Kim – CMBS Valuation Manager
- Steve Holmes-Hansen – RMBS Analytics Manager

13. Attach biographies for each of the individuals named in the above response.
    Biographies are attached as Appendix II.

14. Description of the broader group(s) or additional individuals that are involved in the management of the PPIP fund.
    The investment team has access to the full resources of the "AG Platform" – the relationships and resources available in a firm of its size and stature.

15. Describe your succession and continuity plans for the management of the PPIP fund should any of the key investment professionals be redeployed or cease to be with the firm altogether.
    The Firm has dedicated teams, systems and space in place at 245 Park Avenue in New York for both commercial real estate debt and RMBS/ABS, and each team is headed by a seasoned investment professional. The groups work closely with other senior investment professionals at AG namely, David Roberts (Head of Private Equity) and Michael Gordon (CIO of Angelo, Gordon). Given that investment opportunities exist in these two areas, key professionals would not be deployed to other areas of AG. If a key professional left, we believe there is expertise in place among the remaining team members.

16. Are any of the investment activities or administrative services associated with the PPIP fund fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms' affiliates?
    SEI provides administration services for the PPIP Fund.

    SEI provide all administration services that relate to the PPIP Fund including, but not limited to, recording and reconciling capital activity, reconciling daily trades, valuing portfolio positions in accordance with Angelo, Gordon's valuation policy, maintaining the Fund's general ledger and calculating the Fund NAV.

    SEI is not an affiliate.

III. INVESTMENT STRATEGY & PROCESS

17. Provide a brief overview of PPIP, including the goals of the program from the standpoint of the U.S. Treasury. Is there a conflict between the need for fiduciaries to seek attractive risk-adjusted returns and the perception that this program has broad goals unrelated to pure investment merit?

    Treasury's goal with the PPIP program was and continues to be to facilitate price discovery thereby helping to reduce the excessive liquidity discounts embedded in current legacy asset prices. This should free up capital and allow U.S. financial institutions to engage in new credit formation.

    As a fiduciary, it is our responsibility to place the interests of clients first at all times, to have a reasonable basis for investment advice, to make investment decisions consistent with agreed upon objectives, strategies, policies, guidelines, and restrictions and to treat clients fairly.

18. Describe your firm's overall investment philosophy and approach as it relates to the PPIP opportunity.

    The investment objective of the AG GECC PPIF is to use AG and GECC's deep real estate and credit domain expertise to appropriately price every security, bid on a diverse array of eligible assets and make opportunistic investments in RMBS and CMBS, employing a predominantly long-term buy and hold strategy.

    The Fund targets a diversified portfolio across sectors and adjusts portfolio concentrations to take advantage of the best opportunities across different asset classes and duration to maximize potential returns. In addition, the Fund Manager utilizes in-house models and methodology to identify risks and mitigate losses.

    Over the life of the Fund, the portfolio has been split roughly 50/50 between RMBS and CMBS. The Net IRR through June was 24.9%. With the pullback in the market, the Net IRR through August 2011 stands at 10.66%. Currently 90% of capital has been called. Distributions to limited partners have been made on a consistent basis. Between August 2010 and July 2011, 6.08% of paid-in-capital has been distributed.

19. What is your competitive advantage over other managers of structured securities, either in general or as it would specifically relate to PPIP and the other groups?

    We believe the most important qualifications for a successful PPIP manager include (1) highly disciplined market expertise in the RMBS and CMBS markets evidenced by dedicated investment teams with successful experience investing in both markets and overseen by a proven chief investment officer and (2) deep, fundamental real estate expertise. Correctly assessing the value of each RMBS and CMBS security is dependent on understanding the value of the real estate assets that collateralize the underlying mortgages.

    We believe the AG-GECC team has superior qualifications in both market and real estate expertise.

    In terms of market expertise, Angelo, Gordon has dedicated RMBS and CMBS teams led by experienced portfolio managers who have demonstrated their ability to make superior bond selections and invest successfully in these markets. Moreover, the Firm possesses a robust infrastructure of systems, processes, risk management and personnel. The investment teams have also demonstrated conviction in avoiding certain sectors of RMBS and CMBS, which have proven problematic for investors, such as pay-option adjustable-rate mortgages, mortgage-backed securities ("MBS") and CMBS "B Pieces." The Angelo, Gordon teams are supplemented by investment professionals and other resources from GECC, which have extensive investment and risk management experience.

With regard to real estate expertise, the Fund benefits tremendously from the resources of both Angelo, Gordon and GECC.

Angelo, Gordon is a leading alternative asset management firm focused on real estate, credit and related strategies with approximately $23 billion of assets under management. In particular, the Firm has deep expertise and experience investing in distressed real estate and credit markets. Angelo, Gordon has been in the real estate business for over 17 years, has purchased and sold and continues to own both residential and commercial properties, and has a network of over 40 active real estate operating partners across the United States. The real estate team and their operating partners are invaluable resources in making real estate assessments.

GECC is one of the largest real estate owners and lenders in the United States with over 1,000 real estate professionals and investments in over 5,000 commercial properties. In addition, GECC has 100 million distinct consumer relationships, which is valuable in assessing consumer credit trends and a sizable government relations team for assisting in the formation and evaluation of government policies that can impact anticipated investment cash flow. We believe GECC's experience in dealing with the federal government is valuable in assessing government actions that may impact the value of Eligible Assets.

These resources are available to perform fundamental and granular real estate analysis on the non-agency RMBS and CMBS securities considered for purchase. For non-agency RMBS, the factors we assess include, among others: (1) borrower credit quality, (2) mark-to-market, loan-to-value ratios, (3) prepayment propensity, (4) pricing trends by zip code, supply and demand in each local market and (5) servicer motivations and capabilities. For CMBS, we assess each significant underlying property based on: (1) location and asset quality, (2) rent roll, (3) collateral valuation, (4) borrower and operator capabilities, (5) comparable sales and leasing quality and (6) historical performance. The local knowledge we bring to our analysis is critical in determining the risk and potential performance of a particular RMBS or CMBS security.

It is the combination of market and real estate expertise that enables superior bond selection. In assessing a particular RMBS, it is necessary to not only forecast the performance of the underlying real estate collateral, but also to assess how that real estate performance will affect the value of that RMBS. For example, Angelo, Gordon avoided the steep 2008 declines in pay-option adjustable-rate RMBS because of our granular understanding of the underlying borrowers, the related real estate and the flawed nature of the underlying mortgage structure.

20. Outline and brief description of the main steps of your investment process.

AG has created a detailed investment process to evaluate investment opportunities, which includes:

- *Macro Analysis.* AG's macro-economic analysis of key sector trends, which includes interest rates, home prices, unemployment, other economic indicators and other factors that could influence the mortgage assets.
- *Collateral Analysis.* AG reviews and analyzes the collateral attributes that contribute to interest rate, credit and prepayment risk. AG also analyzes the overlap of key risk features in individual loans and its portfolio. Detailed loan-level models evaluate each securitized asset pool and risk-score each loan.

- *Originator Analysis.* AG's originator analysis focuses on the nature of the lender, including its management team, industry position, underwriting standards, historical performance, competitive position, size, diversification, cost structure and financial condition, as applicable.
- *Servicer Analysis.* AG's servicer analysis considers factors such as the nature of the servicer or sub-servicer involved, the applicable arrangements and documentation, prior performance records, balance sheet support, access to capital and both servicer and corporate ratings.
- *Structural Analysis.* AG analyzes and stresses the investment opportunities in relation to various structural features, which includes the position within the capital structure, cash flow hierarchy, covenant and agreement protections, subordination levels, tax and accounting issues.
- *Compliance Review.* All investments must satisfy standards approved by AG, including standards related to the originator and servicer. In addition, each of its mortgage investments must pass a thorough analysis of anti-predatory lending risk.
- *Investment Due Diligence.* The residential and consumer team is responsible for conducting due diligence with respect to any proposed investment, as warranted, and AG engages consultants to assist in this task from time to time. Legal and accounting due diligence is generally be conducted by outside counsel and accountants with oversight by and direction from the investment team.
- *Scenario Analysis.* AG focuses on both its current market expectations as well as stressed environments. AG utilizes sophisticated risk analytics models that allow it to assess the performance of various mortgage investments, and its portfolio as a whole, under a variety of different interest rate and credit environments. AG's proprietary econometric models evaluate different performance scenarios which AG believes capture the full spectrum of performance paths for an investment.
- *Relative Value Analysis.* Potential investments are evaluated against other sectors and historical valuation benchmarks. Trends within each sector and the overall mortgage market are part of AG's standard review process. AG focuses on valuation and risk measures, such as option-adjusted interest rate and credit spreads, relative spreads for alternative fixed income instruments, current and expected fixed income market volatility, the cost of risk hedging and its expectations of credit losses.
- *Risk Tolerances Review.* Each of the investments is compared to its risk tolerances.
- *External Benchmarks/Model.* As AG analyzes individual investment opportunities, AG evaluates its performance expectations against other market participants and rating agency subordination levels. While AG primarily relies on its own views of specific risks in making investment decisions, these external benchmarks are often be incorporated in its mark-to-market.

21. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions.

AG and GECC have dedicated senior management and certain full-time employees to day-to-day operations and oversight of the Fund. A combined team from AG and GECC is co-located in New York, NY. The RMBS and CMBS Investment Teams, led by Jonathan Lieberman and Andrew Solomon, respectively, have primary responsibility for the Fund. Michael Gordon, Chief Investment Officer for AG, is responsible for oversight of all investment activities. The Fund's Investment Committee is composed of investment professionals and senior level personnel from

AG and GECC, and has responsibility for oversight of management of the Fund. The Investment Committee meets regularly. Members of the Investment Committee are Michael Gordon, David Roberts, Jonathan Lieberman, Andrew Solomon, Jonathan Kern, Anuj Gupta, David Martindale and Michael Jordan.

22. Describe your methodology for analyzing individual securities, including any software or tools utilized for valuation, modeling, scenario analysis, etc.

RMBS/ABS Assets

Angelo, Gordon starts its analysis at the individual borrower loan level. Angelo, Gordon has invested in loan databases, securities performance databases and analytic infrastructure which permit it to evaluate historical and current loan level performance data, a borrower's willingness to pay, recovery values, servicer performance and actual cash flow. This enables Angelo, Gordon to identify securities with superior and inferior performance characteristics. In addition, this granular loan-by-loan process is structured to determine intrinsic value of securities secured by consumer receivables.

Angelo, Gordon utilizes loan-level information, in-house credit and prepayment analytics, proprietary models, quantitative and qualitative research, regulatory compliance diligence, loan due diligence and underwriting diligence to identify superior risk adjusted returns. Additionally, we are subscribers to TransUnion consumer data which provides updated credit scores and other borrowing information, and this information is integrated into our analysis. This comprehensive analytical approach combined with the team's own historical experience in MBS and ABS securities, loans and principal finance gives the group the insight and conviction to avoid a number of asset classes that are currently proving problematic for other managers.

Angelo, Gordon's quantitative analysts have built proprietary analytics models to facilitate rapid and comprehensive analysis of loans and securities. Further, Angelo, Gordon's quantitative analysts engage in extensive qualitative research to provide the portfolio managers with a fundamental framework for investment decisions. Angelo, Gordon's research process includes:

- Screening of investment opportunities
- Assessing investment suitability
- Conducting credit and prepayment analysis
- Reviewing Rating Agency opinions
- Evaluating cash flows
- Calculating performance triggers and collateral performance
- Reviewing legal structure, servicer and originator information
- Investment structuring

In addition to quantitative analytics, Angelo, Gordon, through its private equity group may employ information from our industry experience and from portfolio companies in related businesses: Portfolio Associates (now a listed company) was an Angelo, Gordon portfolio company that is in the credit card collection business; Dealer Services is a portfolio company that lends money to finance automobile inventory at car dealerships.

The investment team also meets regularly with issuer management teams, conducts conference calls with the origination and servicing teams of issuers and conducts onsite visits to certain issuers. As necessary, members of the Private Equity and Corporate Credit Groups may join these due diligence sessions.

Angelo, Gordon evaluates each one of its investment opportunities based on its expected risk-adjusted return relative to the returns available from other, comparable investments. The evaluation process with respect to ABS/MBS includes relative value analyses based on yield, credit rating, average life, expected duration, option-adjusted spreads, prepayment assumptions and credit exceptions. In addition, Angelo, Gordon evaluates new opportunities based on their relative expected returns compared to comparable securities held in its portfolio. The terms of any leverage available to Angelo, Gordon for use in funding an investment purchase are also taken into consideration, as are any risks posed by illiquidity or correlations with other securities in the portfolio.

Commercial Real Estate Debt Investment Process

The Fund's investment approach for CMBS is guided by a rigorous and analytically based investment process anchored by distressed asset valuation and cash flow modeling. We start our analysis at the individual borrower loan level. After a CMBS opportunity passes an initial screen, we begin the work of understanding the potential investment's credit characteristics. For securitized pools of commercial real estate loans this process requires reviewing detailed property-level information for the majority of the loans in the pool with a particular focus on the larger loans as well as any loans with higher risk characteristics (e.g., properties located in weak markets or primarily leased to a single tenant, loans with high loan-to-value ratios, low debt service coverage ratios or extended interest-only periods, as well as any delinquent loans or loans included on the master servicer watch list). It is in this part of the process that we rely most heavily on our real estate expertise and large network of local operating partners. The local knowledge of properties and markets is invaluable in determining the risk of a particular loan. We are able to leverage "real time" information from the Angelo, Gordon real estate equity team and the Angelo, Gordon countrywide network of operating partners to gain insight into the credit quality of commercial borrowers, local market conditions and the mark-to-market value of the underlying collateral. In addition, GECC's unparalleled capabilities as a lender and owner of real estate allow us to make quick and knowledgeable decisions on behalf of the Fund. GECC began commercial real estate lending in 1972 and has originated $47.9 billion of senior secured commercial mortgages in North America since 1996.

Our underwriting combines technical expertise with rigorous analysis. For example, each loan is typically assigned a risk rating on a scale of 1 to 5. Loans rated a 1 need to have AAA-like credit characteristics and are assumed to perform. Loans rated a 5 are assigned a specific conservative loss based upon the loan and property characteristics. For a loan rated as average, we typically assume a 2% constant annual default rate. This is approximately 3x the historical default rate for CMBS loans. The loss severity assumed is based on asset type and typically ranges from a high of 70% for hotel and healthcare properties to a low of 35% for multifamily properties. Our assumptions are then run through a software system called Trepp. The investment team then reviews how the bond will perform over its life under the stressed assumptions. Drops in credit enhancement are a good indication of downgrade risk and are always considered. We are also focused on projected potential principal loss. We do not buy bonds for inclusion in this strategy if the security takes a principal loss under our stressed scenarios.

Fundamental, granular real estate analysis is the cornerstone of the investment process. The investment team's assessment of CMBS combines security level analysis with local knowledge of properties and markets. The investment team evaluates the following attributes, among others: (1) screening of investment opportunities for largest and riskiest loans, (2) location, asset quality, (3) rent rolls, (4) collateral valuation, (5) borrower/operator capabilities, (6) comparable sales and leasing activity and (7) historical performance.

23. Comment on external research and how it is incorporated into the investment process, including the extent of its use, main sources of external research, and how providers are compensated.

Residential Mortgages and Asset-backed Securities

The team does not pay for outside research with either hard or soft dollars. Outside research is received and read by the team and is an additional variable in the investment process. There is no compensation or linkage involved in utilizing these services. In general the team does not rely on rating agencies or the "Wall Street" research community in its investment process, but we are certainly cognizant of others' thoughts. We subscribe to such services as Case Schiller, The Manheim Index, Neilsen Ratings, and Bloomberg etc.

Commercial Real Estate Debt

Research is a critical part of our investment process. While we prefer to rely on internal sources (our real estate private equity investment professionals and our network of operating partners), we receive research from a number of external sources as well. These sources include data subscription services such as Trepp, RealPoint, P&PR, Real Capital Analytics and all of the rating agencies as well as free research from the real estate broker community and Wall Street firms.

24. Describe the decision making process, including the groups or individuals ultimately responsible for trading decisions. If applicable, please include an overview of the input each partner firm provides to investment decisions.

If an investment passes our full underwriting process and the investment falls within the parameters set by the Investment Committee, the portfolio manager makes the investment decision. For the RMBS team, Jonathan Lieberman is the decision maker. For CMBS, it is Andrew Solomon. For larger investments and opportunities with higher risk/return characteristics, Michael Gordon (CIO) is consulted. Both Jonathan and Andy are also responsible for any sale decisions, but typically consult with Michael Gordon before making a sale of significant size.

Residential Mortgages and Asset-backed Team

The dedicated ten-person Angelo, Gordon residential and consumer team has significant experience and a successful track record (the "ABS Team"). The team is led by Jonathan Lieberman. Jonathan has analyzed, rated and purchased a variety of securities and collateral including credit card receivables, tax liens, time shares, auto loans, franchise loans etc. Each member of the investment team has specialized expertise in analyzing structured consumer credit and the underlying assets. Further, the investment team encompasses complementary specialized skills with extensive credit, legal, research, quantitative, structuring, trading, rating agency, accounting, risk management and banking experience. Aaron Ong, is dedicated predominantly to consumer asset-backed securities. The ABS team has purchased and continues to be invested in hundreds of millions of dollars of auto loans, credit card loans, student loans etc – all purchased prior to the initiation of the TALF program. The originators of these legacy ABS investments are now issuers under the TALF program.

Residential Mortgages and Asset-backed Team

Jonathan Lieberman – Head of RMBS/ABS
Mansoor Malbari – Senior Portfolio Manager
Yong Joe – Head of Quantitative Research
Thomas Durkin – Senior RMBS Trader
Adam Henick – RMBS Trader
Aaron Ong – Credit Analyst

Ron Madden – Credit Analyst
Stella Li – Credit Analyst
Tapish Kushwaha – Credit Analyst
Andrew Roeser – Originator

Commercial Real Estate Debt Team
Since 2006, Angelo, Gordon's commercial real estate debt group has purchased over $3 billion of securities. The focus has been on buying primarily investment grade rated commercial real estate debt. These investments are typically secured by geographically diverse pools of commercial properties. Angelo, Gordon's expertise in real estate and credit markets is a natural fit for real estate debt which tends to be inefficiently priced and highly dependent upon bottom-up research. The dedicated four-person team is able to perform extensive analyses on the collateral as the Angelo, Gordon's private equity real estate group is in a position to provide timely information on underlying markets, properties, tenants and companies.

Commercial Real Estate Debt Team
Andrew Solomon – Head of Commercial Real Estate Debt
Rick Finger – Portfolio Manager
Michael Lewin – Credit Analyst
Jena Hines – Underwriting and Surveillance

25. Regarding the investment universe:

a) List the broad types of securities that comprise the PPIP investment universe.
PPIP-eligible assets are non-agency residential mortgage-backed securities ("RMBS") and commercial mortgage-backed securities ("CMBS") issued prior to January 1, 2009 that were originally rated AAA or an equivalent rating by two or more nationally recognized statistical rating organizations without ratings enhancement and that are secured directly by the actual mortgage loans, leases or other assets and not other securities (the "Eligible Assets"). Non-agency RMBS refers to RMBS that are not issued or guaranteed by a U.S. government agency such as the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac").

b) Provide the specific criteria that determine PPIP-eligible securities.
Eligible Assets are non-agency residential mortgage-backed securities and commercial mortgage-backed securities issued prior to January 1, 2009 that were originally rated AAA or an equivalent rating by two or more nationally recognized statistical rating organizations without ratings enhancement and that are secured directly by the actual mortgage loans, leases or other assets and not other securities.

c) Have these criteria changed over the life of the fund? If so, what impact did this have on your strategy and portfolio?
No, the criteria have not changed.

d) What impact would future ratings downgrades have on your strategy and portfolio?
Future ratings downgrades should not have an impact on our strategy and portfolio. The attractive returns that we forecast in our model are predicated on conservative real estate market assumptions.

Our top down base case scenario assumes an additional 5-10% decline in nationwide housing prices, an unemployment rate above 9% for the foreseeable future, and low short term rates through 2013. For commercial property price declines we expect a 50% national peak to trough decline.

26. Explain the portfolio construction process.
    Asset selection is critical and the mix between RMBS and CMBS changes as market conditions (and investment opportunities) change. We have the ability to rotate the portfolio to take advantage of the best risk-adjusted return potential across different asset classes.

27. Do you expect the portfolio to become fully invested, include the expected timeframe. What factors do you expect to affect the future pace of investment?
    The Fund has called 90% of capital commitments.

28. Describe the leverage option you selected and why?
    The Fund obtained debt financing from the Treasury for 100% of the Fund's total equity capital on a recourse or limited recourse basis to purchase Eligible Assets.

    The full-turn of leverage offered a long term and low-cost pool of leverage available in size that is not available in the market. To the extent we are able to access leverage that is more attractive; we can do so under the terms of the current debt.

    We expect to utilize all of the financing offered by the Treasury and do not anticipate borrowing from another source.

29. Provide the portfolio composition (number of issues, average position size, allocation by security type/segment, etc.) and pertinent aggregate characteristics (leverage, yield, expected life, duration, etc.).
    Please see Appendix III for the status of the Fund as of August 31, 2011.

    The Investment Committee has set guidelines, such as the mix between RMBS or CMBS, and other general investment parameters.

    In addition, the Fund does not, without the consent of Treasury:

    - Invest more than 5% of the Fund's aggregate Capital Commitments in any particular issuance of Eligible Assets (as measured by CUSIP number)

    - Invest more than 5% of aggregate Capital Commitments in a single non-agency residential mortgage backed securitization;

    - Invest more than 5% of aggregate Capital Commitments in a single commercial mortgage backed securitization ("CMBS")

    - Invest more than 5% of aggregate Capital Commitments in CMBS Investments with a single borrower

    RMBS

    Target portfolio composition varies across many different risk factors. Duration targets depend on the underlying collateral where Prime and Alt-A paper generally have longer targets compared to Subprime and Options ARMs. Other targets such as FICO, LTV, documentation, delinquencies, and other risk factors are evaluated collectively to minimize exposure to risk layering within each given product segment.

CMBS

We have actively managed the CMBS portion of the portfolio to take advantage of rapidly changing

On average the securities have an average life of approximately 7 years. However, we expect the credit markets to stabilize prior to that point making a potential sale of the securities in less than 7 years an attractive option.

30. Provide metrics such as return, worst-case loss, and any others you feel are appropriate in evaluating the performance of the PPIP portfolio on both an un-levered and levered basis.
At current market prices, we expect to purchase selected Eligible Assets at gross unleveraged projected returns ranging from 8% to 15%. We target net leveraged internal rates of return mid-to-high teens. We find these returns particularly attractive because they are predicated on adverse real estate market assumptions. For example, our base case scenario incorporates continued unemployment of over 9%, low interest rates for the foreseeable future, an additional 5-10% dip in home prices nationwide and 50% national peak to trough commercial property price declines.

31. Discuss how you expect the PPIP fund to be eventually unwound, covering different scenarios such as expiration/termination of the leverage facility, maturity of the underlying securities, or potential sale before either of these events occur. Please include specific criteria/circumstances that would cause you to wind down the fund earlier than expected.
We typically purchase securities with the intent to hold to maturity. If a security achieves its intrinsic value prior to maturity and a sale would maximize the return to investors, we would sell it. If there is a broad recovery in home prices and bond prices, we would unwind the Fund early, pay down the Treasury leverage and return capital to investors.

32. List the main investment risks associated with the strategy along with a description of how each risk is explicitly measured and managed. Please discuss risk management at both the individual security and aggregate portfolio levels.
Commercial mortgage-backed securities are subject to commercial real estate credit risk. In addition to the detailed underwriting described above, we attempt to mitigate this risk with on-going portfolio management. We monitor all of our positions and retain the ability to sell an investment if it underperforms our expectations, subject to Fund parameters. All conduit CMBS investments are modeled on Trepp. On a monthly basis each bond is screened for potential degradation in the quality of the underlying pool including any realized losses, or increases in loan delinquencies and watch listed loans. If a trigger is hit, the pool is re-underwritten to ensure we remain comfortable with our investment.

This formalized process is augmented with numerous other sources of valuable information. These include discussions within the Firm's real estate group, our operating partner network, our industry contacts, ongoing discussions with the rating agencies, as well as subscriptions to numerous real estate publications and research reports. Real-time information related to our portfolios is often generated automatically and immediately sent via e-mail to all team members.

Commercial mortgage-backed securities are also subject to mark-to-market risk. These securities tend to have average lives in excess of six years, and as such tend to have price volatility. We do not intend to use derivatives or indices to attempt to mitigate this price volatility. These hedges are only partially correlated with movements in the price of cash securities and also entail their own unique risks. We believe that mark-to-market risk is at least partially mitigated by the security's strong on-going cash flow component. Over the long term, patient capital and sound credit work will ensure targeted returns are met.

The investment team maintains a dynamic and intensive risk monitoring and investment process. In general, its risk management philosophy is consistent with Angelo, Gordon's historical approach to managing alternative assets. Our platform level controls are applied to the Fund's investment portfolio. Legal, regulatory, financial and diligence controls are applied consistently with the Fund's investment framework. At the Fund level, management philosophy is driven by the Investment Manager's opinion of the fundamental value of the investment.

Investments are re-assessed on a frequent basis for actual performance versus modeled performance at inception of the investment period, adverse selection, migration trends, elevated risk relative to the anticipated internal rate of return, potential for harvesting gains, potential losses, changes in counterparty risk, changes in macro-economic variables which alter anticipated investment returns, and changes to investment parameters for the Fund. Cash flow, borrower credit quality and underlying collateral value is regularly monitored and assessed.

In connection with the Fund's investment program in RMBS, the General Partner, subject to its fiduciary obligations, (1) consents, on behalf of the Fund, to reasonable requests from servicers or trustees for approval to participate in the Treasury's Making Home Affordable Program ("Making Home Affordable"), or for approval to implement other reasonable loss mitigation measures (including but not limited to, term extensions, rate reductions, principal write downs or removal of caps on the percentage of loans that may be modified within the securitization structure) and (2) where the Fund acquires 100% of the non-agency RMBS that are backed by a particular pool of residential mortgage loans, to instruct the servicer or trustee of such securities, if such servicer or trustee is participating in Making Home Affordable, to include such pool of residential mortgage loans in Making Home Affordable, subject, in each case, to the overall objective of maximizing the value of the Fund's investments and the General Partner's fiduciary duties. The risk management group takes into account these agreements in assessing risk of the portfolio.

The AG risk management team, composed of a CRO and four risk professionals, are supplemented by one additional risk management professional from GECC. Using a variety of management and risk reports, senior management monitors and manages risk. In addition to daily P/L reports, risk management produces a daily market report that tracks the market and the performance of key holdings and sectors. Risk also utilizes independent databases to collate and extract relevant risk information. These reports often serve as a basis of discussion between the CIO, the portfolio manager and the risk department.

The Firm typically does not release copies of internal risk reports outside the Firm.

33. Does the portfolio hedge any risks (e.g., interest rate risk, credit risk.) If yes, please describe your hedging procedures and the specific securities you expect to utilize.
The Fund may hedge its positions in cash or synthetic form using interest rate swaps, caps and collars solely for the purpose of hedging interest rate mismatches between the loans received from the Treasury and the Eligible Assets.

34. Describe the risks and potential conflicts associated with having the U.S. Treasury as both an equity co-investor and provider of debt financing.

While Treasury could theoretically change the terms of the PPIP program or take other measures such as terminating the investment period after one year, no changes have been made. Treasury has stated repeatedly they are a passive investor in and lender to the Fund. They defer all investment decisions and day-to-day management of the Fund to the PPIP managers. Treasury's objective is for the PPIP program to succeed in removing Eligible Assets from the balance sheets of financial institutions in order to continue to unlock the credit markets. Treasury has proven to be a good partner.

35. Discuss the risks associated with possible future legislation involving bankruptcy, foreclosure, loan modifications, etc. that could potentially favor borrowers over lenders/debt-holders. What adverse impact might such developments have on your strategy and the portfolio?

There is risk that future legislation could require servicers to deviate from existing pooling and servicing agreements. Any potential change in legislation would impact investors across the capital structure differently. Blanket loan modifications and/or a moratorium on foreclosures would extend the duration of securities. Extensions on the underlying mortgages would reduce cash flow into the trust. Bankruptcies would have the opposite effect on duration.

36. Are there any other material risks unique to PPIP not covered above? If so, please describe.

No.

37. Describe the group or individual(s) primarily responsible for the risk management function. Who do they work for and to whom do they report?

The AG risk management team, composed of a CRO and four risk professionals, is supplemented by one additional risk management professional from GECC.

IV. VEHICLE STRUCTURE, FEES & TERMS

38. Describe the structure of the PPIP investment vehicle(s), including type (e.g., LLC, L.P.) and domicile.

AG GECC Public-Private Investment Fund, L.P. has been formed as a Delaware limited partnership together with one other Delaware limited partnerships for purposes of acquiring Eligible Assets through a Master Fund; AG GECC PPIF Master Fund, L.P., also a Delaware limited partnership (collectively, the "Private Partnership").

Please see Appendix IV – Vehicle Structure.

39. How is the vehicle set up in order to minimize UBTI for U.S. tax-exempt investors?

To facilitate investment in the Private Partnership by certain U.S. tax-exempt and non-U.S. investors, we have sponsored the formation of AG GECC PPIF Holdings, L.P., a Cayman Islands exempted limited partnership that elects to be treated as a corporation for U.S. federal income tax purposes. It is a passive foreign investment company and may also be a controlled foreign corporation (each as determined for U.S. federal income tax purposes). A U.S. tax-exempt investor should not incur "unrelated business taxable income" as a result of its investment in the Cayman Island exempted limited partnership, except to the extent that the investor incurs acquisition indebtedness with respect to such investment. In addition, the partnership is not subject to any tax in the Cayman Islands (other than the annual filing fees) under the current laws of the Cayman Islands.

40. Attach a one-page summary of fees and terms
Please see Appendix V for the Fund's original term sheet.

41. Regarding the term of the fund, how was this selected and what is the rationale? Are you still comfortable with that term?
The term of the Fund is eight years from the closing date, with a possible extension for up to two additional one-year periods, with the written consent of the Treasury. The term of the Fund was directed by Treasury.

42. Are there any special provisions that allow the U.S. Treasury to withdraw from the fund or cancel its commitment? If so, please describe and indicate if withdrawal by the U.S. Treasury would trigger a similar option for private investors or what impact it would have upon the portfolio.
Treasury bears management fees at a reduced rate of 0.20% per year. The Treasury management fee is paid out of investment proceeds otherwise payable to the Treasury but not drawdowns of the Treasury's capital commitment.

In addition, Treasury is entitled to a 2.5% warrant payable at the end of the term of the Fund, and after all private capital has been returned.

The Treasury may terminate the Investment Period at any time on and after the one-year anniversary of the Closing Date; provided that such termination shall not take effect solely in the case of any Investment with respect to which the Master Fund or the General Partner has entered into a legally binding obligation to invest prior to such termination.

43. Aside from stated management and incentive fees, what additional fees or expenses are borne by the fund? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.
Please see Appendix VI for the Fund's 2010 Audited Financials. Approximate annual costs of the Fund as follows:

- Legal, audit and allocated research – 5 bps
- Custodian – 3 bps
- Third-party administrator –8 bps on the first $1 billion; 6 bps thereafter

There is no formal cap, although we are extremely cost conscious and act in the best interests of our clients.

V. OPERATIONS & CONTROLS

44. Describe your administrative/back office operations and organizational structure.
<u>Accounting and Operations Process Overview</u>
Angelo, Gordon has an experienced and extensive back office comprising Accounting, Operations, Legal, Compliance, and Information Technology. These areas report directly to

Angelo Gordon's Chief Administrative Officer. The Firm has a Chief Risk Officer, who works with four risk analysts. The Chief Risk Officer reports directly to the Firm's CEO and CIO/CFO. The books and records of Angelo, Gordon's funds are prepared and maintained by Angelo, Gordon's in-house Accounting Department. The Accounting and Operations Group at Angelo, Gordon is primarily responsible for the design, implementation and monitoring of its systems policies and procedures. The group is overseen by Angelo, Gordon's Chief Financial Officer, and is supervised by four controllers, Angelo, Gordon's Director of Operations and its Chief Accounting Officer. These professionals have on average over 15 years of experience and in each case over 10 years of relevant industry experience. The Accounting and Operations Group includes over 70 professionals, of whom 40 are certified public accountants.

SEI is the Fund's third party administrator.

In addition, Angelo, Gordon closely monitors its financial systems through extensive reconciliation and review on a daily, weekly, monthly and annual basis, including:

- Daily reconciliation of cash, trades and positions in Eligible Assets
- Defined procedures for initiation and authorization of the movement of cash
- Positions in the portfolio are priced weekly, and reviewed by Angelo, Gordon's Risk Management Group
- Production of a weekly net asset value for each fund
- The closing process for financial statements occurs monthly, which includes a reconciliation of all activities within the fund and recording of accruals

Any significant deficiencies noted during the review process are immediately reported to the Director of Operations and/or Chief Financial Officer and corrective action is taken.

Each of the funds managed by Angelo, Gordon presents its financial statements in accordance with accounting principles generally accepted in the United States ("GAAP"). Substantially all of Angelo, Gordon's managed funds are audited annually by PricewaterhouseCooopers LLP.

45. How is fund administration and custody be handled?
    SEI provides administration services for the PPIP Fund.

    The PPIF custodian selected by Treasury is Bank of New York Mellon.

46. Indicate pricing procedures, including sources and frequency of marks. Do you contract with outside pricing services? If so, please provide a list of the firms and indicate the types of securities they price on your behalf. Do you maintain a formal valuation committee?
    AG has adopted the Financial Accounting Standards Board ("FASB") Statement No. 157, Fair Value Measurements ("FAS 157" or "Statement 157") effective January 1, 2008.

    Please see Appendix VII for the Fund's Pricing Policy.

47. Description of your business continuity and disaster recovery systems and plans.
    Please see Appendix VIII for the Firm's Business Continuity and Disaster Recovery Plan.

48. Overview of your operational risk monitoring and managing practices. Does your firm participate in SAS 70 or equivalent reviews? If so, please e-mail to @samcers.orgthe auditor's most recent opinion letter on whether or not controls are adequate and operating effectively and a copy of the latest SAS 70.

    Please see Appendix IX for the Fund's AT 101.

    Angelo, Gordon's Accounting and Operations Group is responsible for the design and monitoring of internal controls. Angelo, Gordon continually assesses the effectiveness of the controls in the day-to-day activities of the group. These controls include:

    - Daily automated reconciliation of positions between portfolio management system and custodial or prime brokers' system (via report download)
    - Trade breaks are detailed on daily reports and the reason for the break is documented. All breaks are generally resolved during the following morning of the day of the trade
    - Daily manual reconciliations of cash is performed for every fund account maintained at each prime broker or custodian
    - Reconciling items are documented and resolved
    - Aged or unusual items are escalated for resolution to Accounting Management
    - Controls over financial statement preparation and investor reporting are tested and reviewed by Accounting Management
    - Authorized signatories for cash disbursement are limited to senior management
    - Segregation of duties related to cash and securities handling are in force

    PricewaterhouseCoopers performs an annual audit for substantially all Angelo, Gordon managed funds, each of which has resulted in an unqualified opinion to date. PricewaterhouseCoopers was not aware of any material weaknesses in internal controls with respect to the fund audits performed for the year ended December 31, 2010.

49. Discussion of the procedures used to prevent and detect so-called rogue trading.

    We have processes and systems in place to control and monitor trading and cash disbursements:

    - The brokers have the names of employees who are authorized to place trades
    - Trades are confirmed each day by independent operations personnel
    - Trade breaks are detailed on daily reports and the reason for any break is documented. Breaks are generally resolved during the following morning
    - Daily manual reconciliations of cash is performed for every fund account
    - Reconciliation of positions between portfolio management system and Bank of New York Mellon.

50. Describe the protocols and procedures used for allocating PPIP-eligible securities among your funds, separate accounts and non-discretionary advisory clients eligible to purchase such securities.

    Please see Appendix X for the Fund's Allocation Policy.

51. Is your firm a primary dealer? If so, please discuss the internal controls in place that address the associated potential conflicts of interest.

    No.

52. Describe any other potential or actual conflicts of interest that exist with respect to your PPIP fund and how each is addressed through internal controls or guidelines.
The Fund is treated in a manner consistent with our existing private funds and separate investment accounts. Senior management oversees professionals who manage the Fund. AG currently manages over 40 separate funds. As appropriate, senior management creates information barriers to protect confidential information. There are strict limitations established on any sales of assets between investment funds. Procedures for managing confidential information and conflict mitigation strategies are currently in place throughout the Firm. Separate and segregated physical space is available to house select professionals dedicated to the Fund.

Conflicts are more fully described in the Private Placement Memorandum and we are also available to further discuss this with you.

53. Does your firm maintain a written ethics or standards of conduct policy? If so, please e-mail a copy to @samcera.org. What steps are taken to ensure that employees are in compliance with this policy?
A copy of this policy document is included as Appendix XI.

VI. LEGAL & REGULATORY ISSUES

54. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, please e-mail firm's most recent ADV Part I, Part II, and Part IIb to @samcera.org. If exempt, please describe theexemption.
Yes, we have emailed a copy to the above email address.

55. Has your firm or any officer, director, partner, principal or employee ever been involved in any past orpending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.
See attached Schedule of Litigation in Appendix XII.

56. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.
Neither the Firm nor any officer, director, partner, principal or employee have ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters.

57. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.
No.

58. Provide a summary of the amount of errors and omissions, professional liability, fiduciary insurance or fidelitybonds held by your firm.
The Firm maintains Fund Liability coverage, including Errors and Omissions and Fiduciary Liability coverage, each having combined limits of liability of at least $20,000,000. The lead

carrier for the Firm's Errors and Omissions and Fiduciary Liability policies is XL Specialty Insurance Company. A summary of the Firm's Fund Liability coverage is included in Appendix XIII.

59. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bondcarrier(s)? If so, describe each instance.
    No.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.5 (b)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Brigade Capital Management – Opportunistic Credit 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 October 6, 2011, staff interviewed *SamCERA's* special strategy bond managers in *SamCERA's* conference room.

Brigade Capital Management was interviewed at approximately 9:30 a.m. Those present were:

Lauryn Agnew – *SamCERA* Trustee
Ben Bowler – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Steve Masarik – Strategic Investment Solutions Investment Consultant
David Bailey – *SamCERA's* Chief Executive Officer
Don Morgan – Brigade Capital Management – CFA, Portfolio Manager, Managing Partner (Don was on the telephone0
Gregory Soeder - Brigade Capital Management – CFA, Director, Product Specialist
Rob Brady - Brigade Capital Management - Director of Institutional Sales

Attached to this agenda item are the presentation materials used by Brigade Capital Management for the review and Brigade's response to *SamCERA's* annual questionnaire.

A more detailed cover memorandum will be available in the second mailing.

BRIGADE
CAPITAL MANAGEMENT

Presentation to:

San Mateo County Employees' Retirement Association

October 6, 2011

Donald E. Morgan, CFA, Managing Partner
Gregory Soeder, CFA, Director
Robert Brady, Director of Institutional Sales

Disclaimer

THIS PRESENTATION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY WHICH MAY ONLY BE MADE AT THE TIME A QUALIFIED OFFEREE RECEIVES A CONFIDENTIAL PRIVATE OFFERING MEMORANDUM ("CPOM") DESCRIBING THE OFFERING AND RELATED SUBSCRIPTION AGREEMENT AND IN THE CASE OF ANY INCONSISTENCY BETWEEN THE DESCRIPTIONS OR TERMS IN THIS PRESENTATION AND THE CPOM, THE CPOM SHALL CONTROL. THESE SECURITIES SHALL NOT BE OFFERED OR SOLD IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNTIL THE REQUIREMENTS OF THE LAWS OF SUCH JURISDICTION HAVE BEEN SATISFIED. WHILE ALL THE INFORMATION PREPARED IN THIS PRESENTATION IS BELIEVED TO BE ACCURATE, BRIGADE CAPITAL MANAGEMENT LLC ("BRIGADE") MAKES NO EXPRESS WARRANTY AS TO THE COMPLETENESS OR ACCURACY NOR CAN IT ACCEPT RESPONSIBILITY FOR ERRORS APPEARING IN THE PRESENTATION. IN PARTICULAR, CERTAIN FACTUAL INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM PUBLISHED SOURCES PREPARED BY OTHER PARTIES AND BRIGADE HAS NOT INDEPENDANTLY VERIFIED SUCH INFORMATION. ANY PROJECTIONS, MARKET OUTLOOKS OR ESTIMATES IN THIS PRESENTATION ARE FORWARD LOOKING STATEMENTS AND ARE BASED UPON CERTAIN ASSUMPTIONS. OTHER EVENTS WHICH WERE NOT TAKEN INTO ACCOUNT MAY OCCUR AND MAY SIGNIFICANTLY AFFECT THE RETURNS OR PERFORMANCE OF THE FUNDS. ANY PROJECTIONS, OUTLOOKS OR ASSUMPTIONS SHOULD NOT BE CONSTRUED TO BE INDICATIVE OF THE ACTUAL EVENTS WHICH WILL OCCUR. INVESTMENT PARAMETERS MAY CHANGE AT ANY TIME. THIS PRESENTATION IS NOT INTENDED FOR PUBLIC USE OR DISTRIBUTION. NO REGULATOR HAS APPROVED OR ENDORSED BRIGADE OR ANY FUNDS MANAGED BY BRIGADE. BRIGADE RESERVES THE RIGHT TO CHANGE ANY TERMS OF THE OFFERING AT ANY TIME. OFFERS AND SALES OF INTERESTS IN THE FUNDS WILL BE MADE ONLY PURSUANT TO A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, COMPLETE DOCUMENTATION OF THE RELEVANT FUND AND IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS, AND THIS PRESENTATION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH DOCUMENTATION, INCLUDING THE RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST DISCLOSURE SET FORTH THEREIN. THIS PRESENTATION IS STRICTLY CONFIDENTIAL AND IS PROVIDED EXCLUSIVELY FOR THE USE OF THE PERSON TO WHOM BRIGADE HAS DELIVERED IT IN CONNECTION WITH ONGOING OR INTENDED DISCUSSIONS WITH BRIGADE REGARDING ITS INVESTMENT PRODUCTS AND SERVICES. CERTAIN INFORMATION IN THIS PRESENTATION, INCLUDING THE PERFORMANCE FIGURES CONTAINED HEREIN, REQUIRE FURTHER EXPLANATION AND SHOULD BE DISCUSSED WITH YOUR BRIGADE REPRESENTATIVES. ACCORDINGLY, SUCH INFORMATION SHOULD NOT BE RELIED ON ABSENT SUCH DISCUSSIONS. THIS PRESENTATION MAY NOT BE REPRODUCED OR REDISTRIBUTED IN WHOLE OR IN PART. BRIGADE DISCLAIMS ANY OBLIGATION TO UPDATE THIS DOCUMENT TO REFLECT SUBSEQUENT DEVELOPMENTS. YOU AND YOUR ADVISOR(S) SHOULD CONSIDER ANY LEGAL, TAX AND ACCOUNTING MATTERS RELEVANT TO ANY INVESTMENTS DISCUSSED HEREIN OR ARISING THEREFROM. THIS PRESENTATION IS BEING FURNISHED TO YOU ON THE CONDITION THAT IT WILL NOT FORM A PRIMARY BASIS FOR ANY INVESTMENT DECISION. **THE PAST PERFORMANCE OF ANY OTHER INVESTMENT VEHICLE OR ACCOUNT MANAGED OR ADVISED BY BRIGADE OR ITS PRINCIPALS IS NOT NECESSARILY INDICATIVE OF THE FUTURE RESULTS OF THE FUNDS.**

Brigade Capital Management

BRIGADE CAPITAL MANAGEMENT

- **Brigade Capital Management was founded in 2006 by Don Morgan and Pat Kelly**
  - SEC-registered investment advisor managing in excess of $8 billion in credit assets
  - Senior investment professionals have worked together for an average of 12 years
  - 17 employee partners
  - Experienced investment team of 28 professionals has managed through multiple credit cycles

- **Veteran business and operations team of 29 professionals**
  - Highly developed infrastructure is leveraged across all strategies
  - Dedicated legal, compliance, accounting, technology, and client services units
  - Partnership with clients is rooted in transparency and risk management

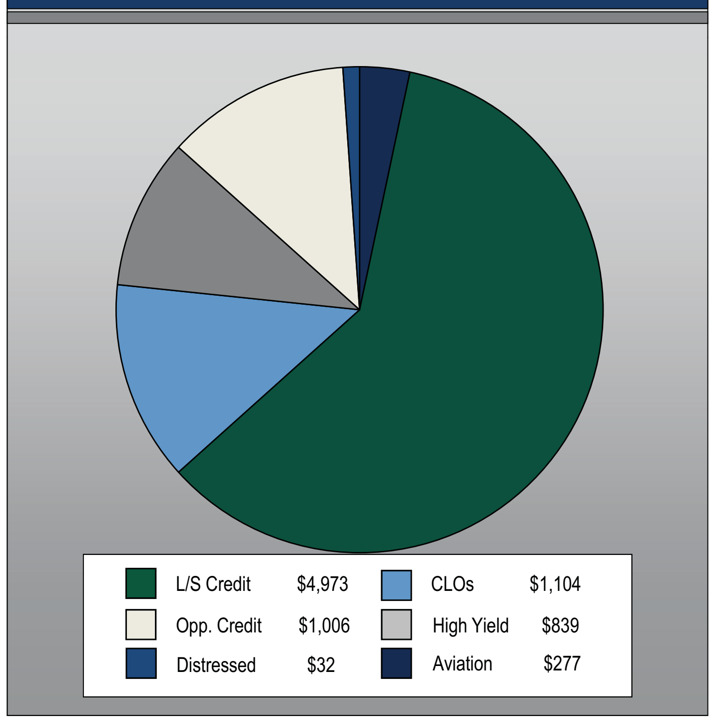
Funds/Strategies

BRIGADE CAPITAL MANAGEMENT

Credit-focused strategies

- **Long/Short Credit**
  - Brigade Leveraged Capital Structures Fund Ltd.
- **Opportunistic Credit**
  - Brigade Credit Fund II Ltd.
  - Separate Accounts
- **Long-Only High Yield**
  - Separate Accounts
- **Collateralized Loan Obligations (CLOs)**
  - Battalion-1 2007
  - Camulos
- **Distressed Debt**
  - Brigade Distressed Value Master Fund Ltd.
- **Aviation**

Assets By Strategy (as of September 1, 2011)



Investment Philosophy and Process

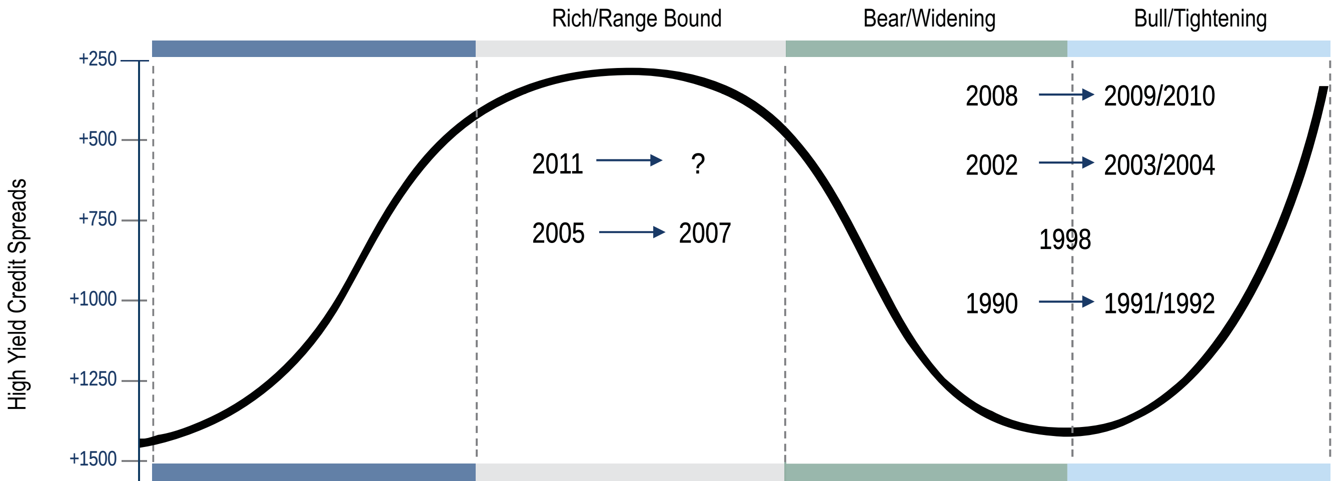
BRIGADE CAPITAL MANAGEMENT

Brigade seeks to achieve superior risk-adjusted returns through a highly diversified portfolio and a focus on capital preservation.

- Fundamental, bottom-up research process
- Active rotation throughout the full credit cycle
- Maintain diversified and liquid portfolio
- Sector Analysts and Portfolio Managers are responsible for idea generation
- Security is evaluated for likelihood of default and for loss severity
- Catalysts are identified and potential returns are modeled over expected time horizons
- Risk/reward and price target scenarios are established
- Exposure is monitored in real time and capital is allocated accordingly

Credit Rotation Across the Cycle

BRIGADE CAPITAL MANAGEMENT



Typical Portfolio Composition	Focus on higher quality (BB) Low distressed Macro hedges Reduce beta	Reduce BBB exposure Increased weighting to B's and CCC's Low cash	Increase distressed Higher CCC weighting

Market Outlook

- Fed Actions
  - Creates transitory inflation, not jobs
  - Transitory inflation slows economy, causing recession
- Commodity Prices
  - Earnings pressure on corporate profits
  - Labor inflation in Asia also to impact profits
- Global Slowdown
  - Developed economies at stall speed
- Developed Nation Sovereign Crisis
  - Debt levels unsustainable
  - Fiscal austerity to slow global GDP

Bernanke's
Experiment

Portfolio Themes

BRIGADE CAPITAL MANAGEMENT

- Remain market-neutral with substantial macro hedges
- "Non-traditional" credit ideas given historically tight high yield market
- Focus on catalyst-driven investment ideas
  - Higher quality longs
  - Active use of macro shorts
- Maintain disciplined investment approach
  - Avoid illiquidity trap

Long Credit	Macro Index Shorts	Distressed	Opportunistic
Event-Driven	High Yield	Litigation Plays	Auction Rates
YTC Paper	Investment Grade	Low Correlation	Tobacco Munis
REIT Preferreds	European Credit		Aviation
	Sovereigns		

Performance Review

BRIGADE CAPITAL MANAGEMENT

Brigade Performance as of June 30, 2011

Fund	2010 8/1/10 – 12/31/10	2011 1/1/11 – 6/30/11	ITD 8/1/10 – 6/30/11
SamCERA (Net of Fees)	**5.20%**	**5.91%**	**11.43%**
ML HY/CS Loan Index	***5.62%***	***3.95%***	***9.80%***

Brigade Performance as of August 31, 2011

Fund	2010 8/1/10 – 12/31/10	2011 1/1/11 – 8/31/11	ITD 8/1/10 – 8/31/11
SamCERA (Net of Fees)	**5.20%**	**3.79%**	**9.19%**
ML HY/CS Loan Index	***5.62%***	***0.40%***	***6.05%***

Contact Information

BRIGADE CAPITAL MANAGEMENT

Edward T. Finneran
Director of Marketing
212.745.9722
ef@brigadecapital.com

Robert Brady
Director of Institutional Sales
212.745.9750
rjb@brigadecapital.com

Gregory Soeder, CFA
Director
212.745.9721
gsoeder@brigadecapital.com

Joseph Turilli
Associate
212.745.9744
jdt@brigadecapital.com

Christine FitzSimons
Associate
212.745.9723
cf@brigadecapital.com

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Brigade Capital Management – Opportunistic Credit

I. ORAGANIZATIONAL BACKGROUND & GENERAL INFORMATION

1. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

Brigade Capital Management, LLC ("Brigade") is an SEC-registered investment advisor currently managing over $8 billion in assets. Brigade was founded in 2006 by Donald E. Morgan, III (Managing Partner) and Patrick W. Kelly (President and COO). Prior to founding Brigade, Mr. Morgan headed the high yield division at MacKay Shields, LLC and managed over $16 billion in high yield assets and $700 million in hedge fund assets. Brigade has 17 employee partners, with the majority of the firm's senior research members having worked together for an average of twelve years. Brigade currently employs 28 investment professionals and a 29-person business and operations staff. The investment team possesses deep sector expertise throughout the entire leveraged finance market and has extensive experience in capital restructurings and bankruptcy reorganization. Preservation of capital is paramount to the firm's investment process as opportunities are vetted and trading positions are established.

2. Describe the firm's ownership structure, including a list of individuals or entities with at least 5% ownership, the total number of active employee owners and their aggregate level of ownership.

Donald E. Morgan, III (the "Managing Member " and the "Lead PM")
Patrick W. Kelly (President/COO)
Raymond Luis (CFO)
Benjamin J. Renshaw (Portfolio Manager)
Neal P. Goldman (Senior Analyst)
J. Carney Hawks (Senior Analyst)
Jordan G. Teramo (Senior Analyst)
Russ DiMinni (Head of Trading)
Steven Bleier (Co-Head of Trading)
Steven P. Vincent (General Counsel/Chief Administrative Officer/CCO)
Edward T. Finneran (Director of Marketing)
Simon Baukh (Senior Analyst)
Justin Bradburn (Senior Analyst)
Doug Pardon (Senior Analyst)
Ivan Krsticevic (Senior Analyst)
Andrew Sigurd N. Lund (Senior Analyst)
Raymond J. Garson (Senior Analyst)

Additionally, Asset Management Finance LLC ("AMF") has a passive, minority ownership interest in the Company. Please refer to the attached form ADV Part I for ownership ranges.

3. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

Our focus is to continue to create solid risk adjusted returns while navigating these difficult and volatile markets. We will continue to add new talent to both of our investment and business teams in a reasonable and responsible way. We do not have a target for asset growth except to ensure that assets match the market opportunity set and be transparent in such endeavors. There are no current plans to add new investment products, but our team has and will continue to address our investors' needs in the credit space by providing customized solutions to their investment needs.

4. Describe your succession and continuity plans for management of the firm.

Don Morgan, the lead portfolio manager, founded the firm in 2006. Supporting Mr. Morgan, we have a co-portfolio manager, Ben Renshaw, in place and a deep and experienced team of senior analysts who have on average over 15 years experience in money management.

5. List all significant firm-wide personnel changes in the past three years.

<u>Arrivals:</u>
Robert Brady (April 2009, Director of Institutional Sales)
Si Lund (May 2009, Senior Analyst/Partner)
Raymond Garson (June 2009, Senior Analyst/Partner)
Angelo Rufino (July 2009, Analyst)
Patrick Criscillo (September 2009, Controller)
Ivan Krsticevic (September 2009, Senior Analyst/Partner)
Bryan Cook (November 2009, Analyst)
Aaron Daniels (January 2010, Associate General Counsel)
Ian Gurekian (March 2010, Analyst)
Grant Nachman (June 2010, Analyst)
Matthew Perkal (September 2010, Analyst)
Gregory Soeder (October 2010, Director)
Xavier Mimaud (April 2011, Senior Trader)
Gian Kull (July 2011, Analyst)
Michael Trachtenberg (August 2011, Analyst)
Griffin Newman (August 2011, Analyst)

<u>Departures:</u>
Elie Radinsky (December 2008, Analyst)
Curt Snyder (May 2009, CFO)
Tom Reader (May 2009, Analyst)
Rebecca Babin (March 2010, Equity Trader)
Dennis Witte (March 2011, Equity Trader)
John Forys (April 2011, Equity Trader)
Kristin Schwenk (June 2011, Management Company Controller)

6. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in $US millions, as of the most current quarter end.

<u>As of July 1, 2011:</u>
Total Firm Assets: $8,224
Hedge Fund Assets: $4,847
CLO Assets: $1,259
Credit/Opportunistic Assets: $1,199
High Yield Assets: $887
Distressed Assets: $32

<u>As of June 30, 2011:</u>

CLO	14.96%
Pension	24.79%
Institutional FOF	25.56%
Fund of Funds	17.70%
Sovereign Wealth Funds	1.51%
Endowment / Foundation	2.43%
Family Office	2.12%
Corporation	0.19%
Insurance	2.27%
Advisor	6.59%
Friend	0.48%
Partner/Employee	1.28%
GP	0.12%
Total	**100.00%**

7. Provide the number of clients gained or lost and assets gained or lost in *SamCERA's* strategy over the past eighteen months.

The opportunistic strategy has gained four clients and lost three in the past eighteen months. The strategy has had net positive inflows over that time period.

II. INVESTMENT TEAM

8. Attach an organizational chart encompassing the group(s) responsible for managing *SamCERA's* strategy.

Please refer to the attached organizational chart.

9. Identify the key individual(s) who are responsible for managing the strategy and describe their respective role(s) and experience. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing *SamCERA's* strategy.

A significant amount of the portfolio managers' time is spent on managing SamCERA's strategy. All of Brigade's credit strategies employ the same consistent fundamental bottom up investment process. There are subtle differences in the portfolio guidelines and similarity of positions *depends on where we are in the credit cycle. Further, it is difficult to estimate a precise percentage of time spent on the fund, as there is overlap on analysis between our three main funds-which are all focused on high yield, leveraged loans, distressed and non-traditional high yield opportunities.*

Mr. Morgan, with the assistance of Mr. Renshaw, is also responsible for managing all of Brigade's funds, accounts and strategies (each a "Brigade Fund" and collectively, the "Brigade Funds"). They are constantly monitoring all of the Brigade funds, their holdings and positions, as well as the associated risks.

Don Morgan and Ben Renshaw (in Mr. Morgan's absence) are the only individuals authorized to add or subtract a name in the portfolio.

Don Morgan is the Founder and Managing Partner of Brigade Capital Management, LLC. Prior to forming Brigade, Mr. Morgan was a Senior Managing Director and Co-Head of Fixed Income at MacKay Shields LLC, overseeing the firm's High Yield Division from 2000–2006. During his leadership, that firm's high yield products ranked in the top 10% of their peer groups, while the long/short hedge fund generated approximately 13% annual net returns. At the same time, Mr. Morgan grew the firm's high yield assets to $16B, while also managing over $700M in the long/short fund. Mr. Morgan joined his predecessor firm in 1997 and co-managed its high yield funds until 2000, when he became the Lead Portfolio Manager. Mr. Morgan began his career in money management as a High Yield Analyst at Fidelity Management and Research Company. He is a graduate of New York University (BS Finance, magna cum laude) and is a CFA charterholder.

Ben Renshaw was a Portfolio Manager/Analyst in the High Yield division of MacKay from 1999 through 2006. Mr. Renshaw's primary industry coverage included: cable/satellite, healthcare and paper/forest products. Prior to joining his predecessor firm, Mr. Renshaw was an Investment Associate at Saunders Karp & Megrue, a private equity firm specializing in leveraged buy-outs and growth equity investments. He joined Saunders Karp after finishing three years as an Investment Banking Analyst in the Financial Entrepreneurs Group at Salomon Smith Barney, where he focused on high yield originations and advised on leveraged transactions and equity issuances. Mr. Renshaw is a graduate of the University of Vermont (BS Finance, minor Economics).

10. E-mail biographies for each of the individuals named in response to the above question to gclifton@samcera.org.

11. Identify the named portfolio manager(s) who is responsible for *SamCERA's* specific portfolio.

Don Morgan and Ben Renshaw (in Mr. Morgan's absence) are the only individuals authorized to add or subtract a name in the portfolio.

12. List all significant personnel changes to this strategy in the past three years.

Please see our response to question five above.

13. Provide an overview of the compensation structure for the investment professionals involved in managing the strategy. In addition, specifically discuss any employment contracts or other retention mechanisms related to those individuals.

Certain key investment professionals are equity owners at the management company level. Management fees and performance fees from the Brigade Funds are paid to the management company and/or general partner. After paying expenses, equity owners are paid profits based on their level of equity ownership. Employees are eligible to receive a discretionary bonus at the end of the year. This structure differs from many firms, which compensate analysts or traders based on a percentage of the profits they earn for a fund.

14. Describe your succession and continuity plans for the management of the strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Please see our response to question four above.

15. Are any of the investment activities or administrative services associated with the strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

Brigade utilizes SS&C Fund Services to provide administrative services associated with all the Brigade Funds. SS&C provides daily middle and back office services, fund administration and investor/shareholder services for the Brigade Funds. The services include daily processing of trade activity, daily and month-end reconciliation of positions and cash with the Prime Broker or Counterparty, daily and month-end independent valuation of holdings, calculating the funds NAV including the calculation the management and incentive fees and allocations to the feeders and investors. SS&C is a publicly traded company (NASDAQ: SSNC).

III. INVESTMENT STRATEGY & PROCESS

16. Describe your overall investment philosophy and approach as it relates to the strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

Our Opportunistic Credit strategy invests throughout the capital structures of U.S. and international leveraged companies. The Brigade Funds seek long term growth of capital through all market environments with a strong focus on capital preservation. The fund's investment universe includes companies with debt or debt-like obligations rated below investment grade, or securities trading at yields comparable to the high-yield market. Our investment objective is to seek to generate 10-12% net returns over a credit cycle with low volatility while emphasizing preservation of capital.

We implement the following strategies to meet our objective: long/short credit, opportunistic credit, distressed debt investing, levered loans and non-traditional credit opportunities. Allocations among these strategies and our overall net exposure will fluctuate based on spreads, default rates, the economy and the quantity and quality of ideas that fit our investment process. Over time, the Brigade Funds may implement new strategies consistent with its focus on leveraged capital structures. Portfolio managers utilize a bottom-up, fundamental research-based process which focuses on free cash flow generation and asset coverage to uncover opportunities.

17. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

Brigade's utilizes a fundamental, bottom-up investment process.

18. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other corporate bond managers?

The majority of our ideas are internally generated through extensive industry and company research. Because the quality and the depth of Brigade industry specialists and holistic approach to the credit markets we believe that we generally more successful in identifying opportunities in comparison to the broad based market .

The Brigade team reviews indentures and covenants thoroughly and structure covenants on many new issues. In the secondary market, they look for bonds that are structurally senior or those that possess stronger covenants. Brigade holds issuers accountable and will enforce our rights should an indenture be violated, including placing an issuer into default.

Brigade believes that it has strong relationships with the capital markets desks of major global broker dealers. This puts the firm in the flow on new issues and secondary ideas. Brigade has built relationships with major bankruptcy law firms as well as major financial advisory firms. Finally, having covered the entire high yield market for over a decade, our team members have had one-on-one meetings with hundreds of management teams and developed relationships with them.

A majority of our veteran investment team has worked together for an average of twelve years and has experienced several credit cycles as a team. Additionally, Brigade believes that the portfolio management team has extensive experience in capital restructurings and bankruptcy reorganizations. Preservation of capital is paramount as investment opportunities are vetted and trading positions are established. Risk management begins with a highly diversified portfolio and is monitored throughout the business day with real time portfolio maps, pre and post trade compliance reporting and other programs and software such as Risk Metrics and Bear Measure Risk which Brigade considers "best-in-class.

19. Describe the investment universe for the strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

The below chart is as of June 30, 2011:

Opportunistic Exposure		
Avg Position Size	1-2%	
Max Position Size	**3-5%**	
# of Positions	60-80	
	Long Positions	
	Range	Current[1]
Bank Debt	**0-30%**	**20%**
1st Lien/Rescue	0-30%	10%
High Quality Corp	**0-25%**	**10%**
High Yield Corp	20-80%	35%
Converts	**0-20%**	**4%**
EETC/Equip Leasing	0-15%	4%
Structured Corp Credit	**0-10%**	**8%**
Distressed/DIP	0-35%	4%
Cash	**0-30%**	**5%**
	Short Positions	
Macro Shorts	**0-35%**	**20%+**

20. Provide an estimate of the approximate long-term breakdown of "alpha" for the strategy into the following main components:

a) Duration management
b) Yield curve positioning
c) Sector rotation
d) Security selection
e) Currency exposures
f) Other (please specify)

The vast majority of the alpha generated by this strategy will come from sector rotation and security selection.

21. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions.

Our investment process is the means by which we implement our investment strategy. This process includes idea generation, research, screening, relative value analysis, strategy selection, execution and monitoring. While the points below generally cover our investment process, the investment team may seek or engage in other approaches due to market fluctuations and changes, as it deems appropriate.

Idea Generation

The investment team monitors a broad universe for ideas that are typically credit related. This universe generally includes: high yield bonds, corporate bonds (high grade), convertible bonds *(typically busted), leveraged loans, municipal securities, distressed debt, aviation, mezzanine securities, preferred securities and other non-traditional credit securities. Opportunistically, we have invested in non-traditional high yield strategies (i.e. auction rate securities and busted tobacco muni bonds). Ideas come through new issues or through secondary trading.*

New Issues

Brigade has deep long-term relationships with all major broker/dealers. The investment team has built and maintains strong relationships with the capital markets groups of major high yield underwriters. When companies seek to raise high yield financing, we participate in their "road show" and meet with management to assess the credit. Even if we do not purchase the new issue, we continue to speak to management and follow the credit, allowing us to react quickly should the company's fundamentals change. We do not anticipate purchasing equities or high grade bonds through the new issue market.

Secondary Ideas

The investment team is constantly searching for new ideas in the secondary market. Secondary ideas come from a change in the fundamentals or price of an issuer, or from a change in industry fundamentals triggering a review of an entire sector or related sectors. Most ideas are internally generated, although we do speak to the street and our competitors in search of ideas. We subscribe to third party research and speak to CEOs about their industry and competitors. Relative value sheets and market data are frequently screened, especially for capital structure arbitrage ideas. Our sales coverage also keeps us in the flow of secondary ideas as we are able to react quickly to offerings.

22. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

Ideas are researched and screened from a quantitative and qualitative point of view. Research starts with reviewing the prospectus of the company as well as financial statements (10-Qs, 10-Ks, 8-Ks, etc.). We speak with the firm's management and gain information about the firm from competitors. We speak to industry analysts to model 'bull' and 'bear' case scenarios. Finally, we look at comparable public and private market companies to determine an appropriate industry multiple.

Quantitative screen

Superior credit selection comes from the ability to successfully identify which issuers are likely to default. <u>Our process focuses on asset coverage and free cash flow as the key determinants for default likelihood and severity</u>. Companies that generate free cash flow typically do not default. Companies with substantial asset value relative to their debt also have a lower likelihood of default as they may have the ability to sell assets or raise equity to avoid default. By using the research we have gathered, we will forecast a firm's free cash flow (or lack thereof) and value the underlying business. We generally condense our research into a "one pager", which is a write-up of the investment idea containing a financial model for the firm. This sheet typically presents the firm's free cash flow generation, our estimate of the firm's value and highlights the strengths and weaknesses of the business. With respect to longs, the company must have asset coverage or generate free cash flow to pass the quantitative screen. With respect to shorts, the company must have limited liquidity and thin asset coverage relative to its debt.

Qualitative research

Following our quantitative screen, we look for qualitative characteristics about the issuer that distinguish it from the broader universe. For long ideas, we seek companies that are either in a favorable industry or have high market share. Strong management teams and positive earnings momentum are also characteristics for which we screen. In the case of shorts, we look for businesses that are not differentiated, have weak financial controls and little or no strategic value.

Catalyst

The final screen of our process is to identify investment ideas that have a catalyst to trigger capital appreciation (in the case of longs) or to cause the securities to sell off (in the case of shorts). Catalysts on the long side include: raising equity, selling assets, restructuring operations or generating free cash flow. Catalysts on shorts include: a liquidity event or deteriorating earnings.

Relative Value Analysis

Investment opportunities are assigned a relative risk ranking and compared against alternative investments. This risk ranking is determined by looking at the following: asset coverage, free cash flow generation, credit ratings, liquidity, industry conditions, earnings outlook and the strength of management. This allows us to compare the yield and total return potential of an idea relative to other ideas with a similar risk profile.

23. To the extent that tactical sector allocation shifts, duration management and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

Sector allocation shifts occur for several reasons' amongst the most significant are: (a) the opportunity set begins to change and the idea flow begins to change from long to short or vice-versa; and, (b) when there is an appreciable change in credit spreads. The impact of the macro view is developed by the PM team and then incorporated into the investment strategy employed during our name by name portfolio construction.

24. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Please see our response to question 21 above.

25. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

In general, ideas that pass our investment screens are presented to the investment team as a trade within a particular strategy. The investment team will debate the idea, question assumptions, put forward any investment research or opinions that they have on the credit, etc. The investment team reviews the risk/reward of the idea and analyzes the capital structure of the issuer. After doing so, it is possible that the investment team may put forth a different strategy for the trade. While distressed ideas are straightforward in their strategy (long distressed), the investment team may suggest a capital structure arbitrage trade for one that was presented as a long/short high yield trade. This is routinely done on ideas to tailor the risk/reward or for ideas *where the catalyst is longer term in nature. In order to move forward, a consensus must form around the idea and Mr. Morgan must sign off on every trade going into the portfolio.*

26. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

The number of positions within a Brigade Fund will range generally from 60-80 trade ideas. The number of securities will exceed the number of positions as a trade may encompass multiple securities.

Research ideas and trades are implemented in a bottom up fashion. Position size is determined by the investment team when they meet to discuss a trade idea, with an emphasis on capital preservation. Also, we tend to put a trade on gradually, allowing us to defend our position if we are early.

27. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

Please see our response to no.19 above.

28. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

The investment team constantly monitors each position. We generally close out a trade should fundamentals change, should the trade idea reach our price target or should it appreciate beyond our risk limits. Typically, we move into a trade gradually and if prices move against us we may add to the trade idea as long as the fundamental view of the trade has not changed. The average position size is between 1-2% and the maximum position size is 5%.

29. Regarding distressed and defaulted securities:

a) Does the strategy involve investments in distressed or defaulted securities?

Yes

b) What percentage of the portfolio do distressed/defaulted securities typically constitute?

The strategy will have between 0-35% of its assets in distressed securities.

c) How does your analysis and process differ for these types of securities?

Our investment process for distressed debt goes beyond our quantitative and qualitative screens. In this strategy we perform extensive research on covenants, legal entities, waterfall analysis, etc. The analyst focuses on the expected length of the bankruptcy process, the availability and size of debtor in possession ("DIP") financing, the impact that the bankruptcy will have on suppliers, customers and employees, the size and form of securities the reorganized company *will be able to issue or service and what role creditors are likely to play in the process. Our goal is to identify distressed credits where bankruptcy will create value (from current prices) rather than detract from it. After screening for these issuers, we look for the security (or claim) within the capital structure offering the best risk adjusted return.*

During this process, we may play an active role if we believe we can influence the timing and ultimate recovery of the investment. This role may include: retaining outside counsel, notifying distressed issuers of their fiduciary duty to creditors, working with other creditors and the indenture trustee to place issuers in default, providing secured or unsecured 'rescue' financing, providing DIP financing, serving on an unofficial 'ad-hoc' or official creditor's committee, taking control positions, initiating or participating in distressed exchange offers and providing exit financing.

d) In the event of default, is your firm actively involved in the workout process? Describe your typical approach to these types of situations.

Please refer to our response to part c) above.

30. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

The strategy does not currently employ leverage in the traditional sense.

31. Does the strategy employ short positions, in either cash bonds or synthetically using CDS, for "alpha" generation purposes? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

The Opportunistic Credit Strategy provides us with the ability to dynamically utilize macro-based shorts to hedge against market downturns and dampen market volatility. Generally, macro shorts will represent no more than 35% of the notional value of the portfolio; however our exposure to macro shorts is actively managed in an effort to maximize returns while limiting downside risk. The types of macro shorts we utilize are focused on US and European credit indices (high yield, loans, and investment grade), select sovereign countries as well as interest rates.

32. Describe any hedging activities pursued in the strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Please see our response to no. 32 above.

33. Regarding risk management:

a) List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

Brigade believes that the primary sources of risk in the portfolio are: credit risk, liquidity risk, duration or interest rate risk and market risk.

i. ***Credit Risk***

The Opportunistic Credit Strategy is exposed to credit risk through its exposure to high yield and distressed debt. We seek to generally mitigate this exposure in the following ways:

a. ***Issuer limit.*** *In general, the strategy may not be net long more than 5% of a single issuer.*
b. ***Focus on free cash flow/asset coverage.*** *By focusing on free cash flow and asset coverage the investment team's historical default rate has been below that of the market and recoveries have been greater.*
c. ***Sell discipline****. Should fundamentals change, the investment team seeks to close out positions ahead of them trading down, limiting loss of principal.*

ii. ***Liquidity risk***

High yield bonds and distressed debt are less liquid than other asset classes. We strive to control this risk in the following ways:

a. ***Focus on liquid securities****. The strategy focuses predominantly on liquid securities. We seek to minimize its exposure to illiquids to less than 5% of capital in the strategy..*
b. ***Control position sizes****. Typically, the strategy will not own more than 35% of an outstanding issue. Also, the focus is on larger, more liquid issues (approximately 95% of the issuers will be $100mm or greater in size).*

iii. ***Interest rate risk***

High yield bonds are fixed income instruments and are exposed to interest rate or duration risk. We monitor the portfolio's duration and it is typically in a range of 2.0 to 3.0. Historically, movements in the yield curve have not had a significant impact on the prior fund relative to credit risk or market risk.

iv. ***Market risk***

We seek to control this risk by maintaining dynamic macro hedges against market risk, and believes its long exposure has less downside than the overall market due to superior credit selection.

b) Identify the person(s) or group primarily responsible for the risk management function.

Don Morgan is primarily responsible for risk management. Importantly, Brigade holds a weekly meeting of its Risk Committee to assess risk across all investment products and portfolios. The members of the Risk Committee include: Don Morgan, Ben Renshaw, Pat Kelly (President & COO), Steve Vincent (General Counsel), Raymond Luis (CFO), Russ DiMinni (Head of Trading), Steve Bleier (Co-Head of Trading), Ivan Krsticevic (Portfolio Manager/Senior Analyst), Brett Honneus (Chief Technology Officer), Xavier Mimaud (Equity Trader), and Gregory Soeder (Director of Research). The Brigade investment team has a number of tools at their disposal to aid in their assessment of risk. PV10, "jump to default", and scenario analyses, among others, are performed periodically for each portfolio. The results of these analyses help inform discussion during each meeting.

Brigade also holds a weekly meeting of its Credit Committee to analyze portfolio risk at a credit-specific level. Similarly, portfolio managers Mr. Morgan and Mr. Renshaw conduct periodic portfolio review meetings with each Sector Head to stay current on the underlying risk of each individual name in the portfolio as well as for an update on sector performance as a whole.

c) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

Any member of the Risk Committee, our traders, a senior or junior analyst or Fund Comptroller can raise any issue relating to risk management.

34. Describe any key systems or tools that are used for credit research, default modeling, valuation, risk management, etc.

Please see the above response to question 33 b) above.

35. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

No changes have been made to the investment process or risk management techniques since inception of the strategy.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

37. Identify the most appropriate benchmark for the strategy and provide a brief rationale.

Our Opportunistic Credit Strategy is absolute return focused and is benchmark agnostic and managed accordingly. However, we believe that a simple average of the ML US Master II Constrained High Yield Index and the CS Levered Loan Index best represents the strategy's potential risk/return profile.

38. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy.

The strategy seeks to generate 10-12% returns, net of fees, per annum through a credit cycle. The portfolio construction strategy employed by the investment managers seeks to outperform the benchmark by 100 basis points or more per annum. Our volatility target for the strategy is between 6-8%.

39. Discuss any periods during which the strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

In the first two to three months after SamCERA's initial allocation, our underperformance was due to the timing of deployment of capital. Recent outperformance was due to superior security selection.

40. Provide metrics associated with the following areas:

1) Number of securities held – *As of August 31, 2011, Brigade Credit Fund II, Ltd ("the Fund") was invested in 83 issuers.*
2) Position size – *As of August 31, 2011, the largest position constituted 4.47% of BCF2e fund, with the average long position being approximately 1%.*
3) Cash & equivalents allocation – *As of August 31, 2011, the fund allocated approximately 14% of its assets to cash and cash equivalents*.

41. Is the composite for the strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance? Please e-mail the most recently audited GIPS compliance to gclifton@samcera.org.

The composite for the strategy is calculated in compliance with CFA Institute GIPS. Brigade has been GIPS compliant since its inception on January 1, 2007.

42. Discuss performance relative to the benchmark for 2010 and the first six months in 2011. Provide a description of how the portfolio is positioned (sector allocations, credit quality, industries within the corporate sector, sub-prime exposure, etc,)

The portfolio is benchmark agnostic and is managed accordingly.

V. INVESTMENT VEHICLES AND ORANIZATIONAL PRACTICES

43. Comment on the growth of assets in the strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

The growth of assets in our opportunistic strategy has been reasonable and steady. Current AUM is approximately $1.2bn. We believe that there is capacity in the present market opportunity set to grow to the $2bn area. We also believe there is capacity for additional growth when the next credit cycle develops.

44. Specifically regarding commingled vehicles (excluding mutual funds):

a) Describe the structure of your commingled investment vehicle(s), including type (e.g., LLC, L.P.) and domicile**.**

The Brigade Credit Fund II LP is a limited partnership domiciled in Delaware.

b) Is the commingled vehicle structured in order to minimize UBTI for U.S. tax-exempt investors?

Given that your investment is made in the US fund, SamCERA will receive a K-1 which will indicate any UBTI.

c) Aside from stated management and incentive fees, what additional fees or expenses are borne by the commingled vehicle? Please provide annual estimates in bps for these fees/expenses and state the cap, if any.

Audit, legal, pricing, administrative, organizational and E&O insurance expenses are borne by the commingled vehicle and total approximately 20-25 basis points. The cap on additional fees and expenses for SamCERA in the commingled vehicle is 20 basis points.

d) Discuss your fund-raising efforts including target amount, timeframe of expected closings, and main sources (e.g., public plans, foreign entities, retail investors) to the extent that these items are applicable.

Brigade will continue to have discussions with a small group of institutional investors regarding the Opportunistic strategy as longs as the opportunity set presents itself. It is always difficult to predict timing and amounts of any particular allocation. Nonetheless, we believe over the next two to three quarters there will be net positive inflows into the strategy.

45. Provide the current amount of co-investment in the strategy by both the firm and its employees. Are these investments made on the same terms as other investors?

Members of the firm have over $100mm invested across all of the Brigade Funds.

46. Briefly describe your administrative/back office operations and organizational structure.

Patrick Kelly, our President and Chief Operating Officer, manages our legal, compliance, accounting, marketing, investor relations and technology teams. Steven Vincent, our General Counsel, Chief Compliance Officer and Chief Administrative Officer, and Aaron Daniels, Associate General Counsel, serve as our full-time legal staff. Raymond Luis, our CFO, *oversees our 5-person accounting team and Brett Honneus, Chief Technology Officer, leads our technology staff. In addition, we have eight team members dedicated to overseeing the fund's day-to-day operations.*

47. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

Brigade utilizes SS&C Fund Services to provide administrative services associated with all the Brigade Funds. SS&C provides daily middle and back office services, fund administration and investor/shareholder services for the Brigade funds. The services include daily processing of trade activity, daily and month-end reconciliation of positions and cash with the Prime Broker or Counterparty, daily and month-end independent valuation of holdings, calculating the funds NAV including the calculation the management and incentive fees and allocations to the feeders and investors. SS&C is a publicly traded company (NASDAQ: SSNC).

The strategy has custodial accounts open with Bank of New York and Goldman Sachs. The strategy also has prime brokerage accounts open with Goldman Sachs, JP Morgan, Barclays and Credit Suisse and Bank of New York.

48. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

   a) Have there been upgrades to these systems in the past eighteen months?

Our technology team is constantly developing new proprietary software to increase our efficiency and productivity as well as to better serve the needs of all Brigade employees and investors.

   b) Are there anticipated changes in the systems in the next eighteen months?

Please see our response to question 48 a) above.

49. Regarding valuation practices:

   a) Provide an overview of pricing procedures for securities in the strategy, including sources and frequency of marks.

Please refer to the attached copy of Brigade's valuation policy.

   b) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

Please refer to the attached copy of Brigade's valuation policy.

50. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit. Attached is the most recent SAS 70 to gclifton@samcera.org.

Please see the attached SAS 70 report.

51. Discuss procedures used to monitor and control personal trading activities.

Please see the attached copy of Brigade's Code of Ethics.

52. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy? E-mail a copy of the ethics policy to gclifton@samcera.org.

Brigade does maintain a written Code of Ethics policy and has multiple checks in place to ensure that its employees comply with the firm's policies. As part of our compliance program, Brigade has developed an in-house proprietary software system known as Brigade Maps to monitor fund/portfolio restrictions pre- and post-trade. As part of this system, a daily email is generated listing the restriction, the current level of exposure, and any exceptions to the restriction. In addition to the restrictions being programmed into the system, our Chief Compliance Officer reviews all restrictions with PMs/Analysts/traders and operations professionals on a periodic basis.

HedgeOp Compliance, our third party compliance consultant, provides ComplianceElf and ComplianceTRAK software to assist us in the following:

- *Sending email compliance reminders to all employees to submit the required compliance forms (ie., annual, initial and quarterly reports; gift policy reminders, outside activity forms, disciplinary questionnaires, compliance manual attestations, pre-clearance requests)*
- *Serving as a record-keeping mechanism to maintain all compliance forms noted above*
- *Maintaining personal account statements*

53. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

Brigade has several other accounts that invest in the same strategy.

It is Brigade's policy, when purchasing or selling the same security at the same time for more than one of the funds/accounts it manages (i.e. bunching of orders), to purchase or sell the quantity of such securities necessary for all funds/accounts and to then average the aggregate price over all securities purchased or sold. Related benefits to such funds/accounts also will be averaged over the securities purchased or sold. The Chief Compliance Officer is responsible for ensuring compliance with Brigade Capital's Trading Policies and Procedures.

Don Morgan determines suitability of an investment to the fund/account. Trades are entered into our allocation system by Mr. Morgan. The allocation system calculates the required quantity to be purchased or sold and performs pre-trade compliance on the prospective order. Generally, trades are allocated pro-rata. We use pre-trade compliance as a risk control and the allocation system checks the trade against position, sector, geographic, and strategy limits. If the trade clears risk approval it is sent to the trading desk for execution. If a trade does not clear compliance, it is flagged and sent to the compliance officer. Flagged trades must be resolved before they are executed.

54. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

Please see our response to question 53 above.

55. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

<u>Trade Date + 0 Workflow</u>

1. *Operations staff confirms via Oasys, ICE Link, phone or email all trades done with the counterparty. Once a trade is confirmed the operations staff will note on the trade blotter how the trade was confirmed.*
2. *Once all trades are reviewed, the operations staff sends out trade files to our prime brokers (Goldman Sachs, JPMorgan, Barclays, Pershing, and Credit Suisse) and to our administrator, SS&C. Additionally, executing brokers transmit electronic confirms to our prime brokers via DTCC where they will be matched off.*
3. *SS&C posts all trades to AdvisorWare (the accounting system), updates for any corporate actions, prices the portfolio, and then reconciles AdvisorWare positions back to EzeCastle positions.*
4. *By 10pm on the trade date, SS&C sends back P/L and Position reports to Brigade Capital*

<u>Trade Date + 1 Workflow</u>

1. *Operations staff logs in to prime broker websites to review and resolve any trade breaks. All trade breaks are addressed T+1.*
2. *SS&C automatically reconciles AdvisorWare positions with the prime brokers (via Recon software) first thing in the morning and sends the reconciliation report noting any issues to the perations controller and the accounting manager.*
3. *SS&C also sends a daily cash reconciliation to Brigade highlighting any cash breaks or position settlement issues.*
4. *Operations staff continuously monitors and resolves any outstanding breaks or reconciling items.*
5. *All open breaks and reconciling items are aged. Each break is itemized, detailed and presented in a report or file form.*

56. Regarding counterparties:

a) List all counterparties you have engaged to execute trades/establish positions within the strategy over the year ending 12/31/10 (including any OTC swap counterparties).

OTC Swap Counterparties	***Type of Agreements/ISDA***
BACL	*Intermediated with JPM and Direct*
BNPC	*Intermediated with JPM*
BOFA	*Direct*
CHSN	*Direct*
CSFP	*Intermediated with JPM and Direct*
DBAB	*Intermediated with JPM and Direct*
GSCO	*Intermediated with JPM and Direct*
MONT	*Intermediated with JPM and Direct*
MSCO	*Intermediated with JPM and Direct*

NMRA	*Intermediated with JPM*
RBSG	*Intermediated with JPM*
SALB	*Intermediated with JPM and Direct*
UBSW	*Intermediated with JPM and Direct*

2010 Counterparties for Fixed Income and Equity

BACL	*Barclays*
BNPC	*BNP Paribas*
BNYC	*Bank of New York*
BOFA	*Bank of America*
BTIG	*BTIG*
CANT	*Cantor Fitzgerald*
CFGT	*CF Global*
CHAP	*Chapdelaine*
CHSN	*JPMorgan Chase*
CIBC	*CIBC*
CREI	*Credit Agricole*
CRTD	*CRT Capital*
CSFP	*Credit Suisse*
CTDL	*Citadel*
DBAB	*Deustche Bank*
FBR	*FBR Capital Markets*
FIES	*Fieldstone*
FTN	*FTN*
GFIG	*GFI Securities*
GLEA	*Gleacher & Co*
GSCO	*Goldman Sachs*
GUGH	*Guggenheim Partners*
HSBC	*HSBC*
IMPE	*Imperial*
JEFF	*Jeffries*
JONE	*Jones Trading*
KBCM	*KeyBanc Capital Markets*
KBWI	*Keefe Bruyette & Woods*
LIBE	*Knight Libertas*
LITE	*Lighthouse*
LQNT	*Liquidnet*
MACQ	*Macquerie Capital*
MLCO	*Merrill Lynch*
MONT	*Bank of America*
MSCO	*Morgan Stanley*
MTRS	*Miller Tabek*
NITE	*Knight Securities*
NMRA	*Nomura*
PIPX	*Piper Jaffray*
PRCO	*Prince Ridge Group*
PYDN	*Payden*
RAJA	*Raymond James*
RBCC	*RBC Capital*
RBSG	*RBS Greenwich*
REDI	*REDI (Goldman Sachs automated trading)*
RWPS	*RW Pressprich*

SALB	*Citibank*
SALI	*Sterne Agee and Leach*
SAMC	*Samco Capital*
SEMT	*Seminole*
SEPO	*Seaport Group*
SIGT	*Susquehanna Int'l Group*
STFL	*Stifel Nicholas*
STIA	*Scotia Bank*
SUMT	*Summit Securities*
UBSW	*UBS*
WCHV	*Wachovia/Wells Fargo*

b) How are your trading counterparties selected, monitored and evaluated?

Generally traders will request to add a broker. Factors we then consider are creditworthiness, reputation, responsiveness and speed, ability to uphold confidentiality, fees charged, among others. Additionally, we regularly review FINRA reports and audited financial statements of the counterparties. Ultimately, final approval comes from our General Counsel and CCO. Brokers are evaluated on the aforementioned criteria at our quarterly best execution review.

c) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.

Brigade only establishes prime brokerage relationships with established US broker/dealers. Generally speaking, we also open segregated custodial accounts for our funds.

57. Provide an overview of your business continuity and disaster recovery systems and plans.

Please refer to the attached copy of Brigade's disaster recovery plan.

VI. LEGAL & REGULATORY ISSUES

58. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, e-mail your firm's most recent ADV Parts I, II, and IIb to gclifton@samcera.org

Brigade is registered as an investment adviser under the Investment Advisers Act of 1940. A copy of our most recent Form ADV is attached.

59. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.

No.

60. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If

so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

No.

61. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers). E-mail current certifications of insurance to gclifton@samcera.org.

Brigade carries D&O and E&O insurance in the amount of $50 million each. The policy is primarily underwritten by Travelers. Brigade also has key-man insurance from Prudential on Don Morgan in the amount of $40 million. The firm has Financial Institution Bond insurance in the amount of $10 million single loss and $20 million aggregate, which is provided by Federal Insurance Company.

Please see the attached certifications of insurance.

62. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

No.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.5 (c)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Annual Investment Manager Review – Brown Brothers Harriman – Treasury Inflation Protection Securities

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 October 6, 2011, staff interviewed *SamCERA's* special strategy bond managers in *SamCERA's* conference room.

Brown Brothers Harriman was interviewed at approximately 10:45 a.m. Those present were:

Lauryn Agnew – *SamCERA* Trustee
Ben Bowler – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Steve Masarik – Strategic Investment Solutions Investment Consultant
David bailey – *SamCERA's* Chief Executive Officer
John P. Nelson - Managing Director

Attached to this agenda item are the presentation materials used by Brown Brothers Harriman for the review and Brown Brothers' response to *SamCERA's* annual questionnaire.

A more detailed cover memorandum will be available in the second mailing.

Portfolio Review

prepared for:

SamCERA

San Mateo County Employees' Retirement Association

October 6, 2011

John P. Nelson
Managing Director
Head of Domestic Relationship
Management and
Business Development
212.493.8246
john.nelson@bbh.com

BROWN BROTHERS HARRIMAN

Table of Contents

BROWN BROTHERS HARRIMAN

I. BBH / SamCERA Team: BBH Update

BBH / SamCERA Team

Brown Brothers Harriman

SamCERA
San Mateo County Employees' Retirement Association

Portfolio Management

Radford Klotz
Partner
Head of Investment Process Group

Gregory Steier
Managing Director
Director of Taxable Portfolio Management

Andrew Hofer
Managing Director
Head of Research

James Evans, CFA
Senior Vice President
Portfolio Manager

Douglas Mark
Treasury / TIPS Sector Manager

Relationship Management

Jeffrey Schoenfeld
Partner
Head of Institutional Fixed Income

John Nelson
Managing Director
Director of Institutional Relationship Management

William Enright
Senior Vice President
Relationship Manager

Cameron Laird, CFA
Senior Vice President
Relationship Manager

Jason Johnson
Vice President
Relationship Manager

Vanessa Albanese
Asst. Vice President
Relationship Assistant

Brian Moran
Associate
Relationship Associate

Administration

Daniel LaLima
Senior Vice President
Group Leader

Vincent Tedaldi
Vice President
Assistant Group Head

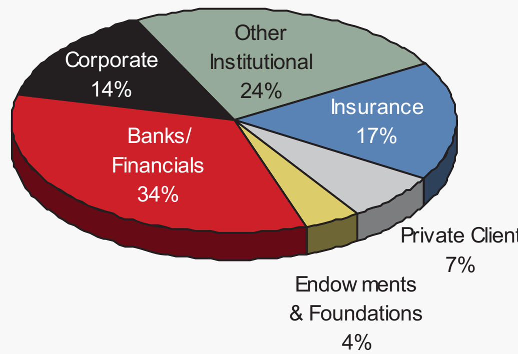
Donald Pabst
Relationship Assistant

BBH Institutional Investment Management
Scale and Breadth

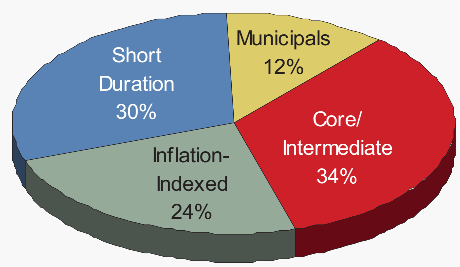
Total Institutional Investment Management Assets Under Management: $26.8 billion

- **Focus**
  - Fixed Income is the mainstay of our institutional business
- **Breadth**
  - Substantial client assets across all major market segments and product categories
- **Consistency**
  - Consistent philosophy and process across all fixed income strategies
  - Culture of teamwork

Fixed Income Assets By Business Segment



Fixed Income Assets By Product



Data as of June 30, 2011

BBH Institutional Fixed Income
Representative Client List

BROWN BROTHERS HARRIMAN

Corporate Pension Plan

- American Telephone & Telegraph
- Goodyear Tire & Rubber Co.*
- National Education Association*
- McKesson Corporation
- Parker Hannifin*
- Lyondell Basell
- Triumph Vought
- Alcatel-Lucent*
- Triumph Vought

Public Pension Plan

- Employees' Retirement System of Rhode Island*
- State of Connecticut Retirement Plans*
- City of Hartford Municipal Employee's Retirement Fund*
- San Mateo County Employee's Retirement Association*
- City of Orlando*

Foundations & Endowments

- Tufts University*
- Carnegie Mellon University*
- Mellon Foundation
- American Cancer Society
- Johns Hopkins University*
- Children's Healthcare of Atlanta*
- Minneapolis Foundation

Corporate Treasury

- Mars Inc.
- Zoll Medical Corporation
- Centene Corporation
- Greenville Hospital Systems
- Holly Corp.

Central Bank / Monetary Authority

- 6 of the world's leading central banks / monetary authorities / investment authorities*

Sub-Advisory

- Resona Trust and Banking

Settlement Trust

- Kaiser Aluminum Asbestos Personal Injury Trust
- Fibreboard Settlement Trust
- Celotex Asbestos Settlement Trust
- Fuller Austin Settlement Trust
- Swan Asbestos and Silica Settlement Trust
- Clemtex Settlement Trust
- USM Asbestos Property Damage Trust
- Plibrico Asbestos and Silica Trust
- ACandS Asbestos Settlement Trust
- Utex Industries Successor Trust

Insurance

- EMCA Insurance Company, Ltd.
- Housing Authority Insurance Group
- Zale Indemnity Company
- American Bankers Professional Liability Insurance Company, Ltd.
- MAG Mutual Insurance Company
- Sargasso Mutual Insurance Company, Ltd.
- Tailored Risk Assurance Company, Ltd.
- Puerto Rico State Insurance Fund Corp.*

* TIPS Clients

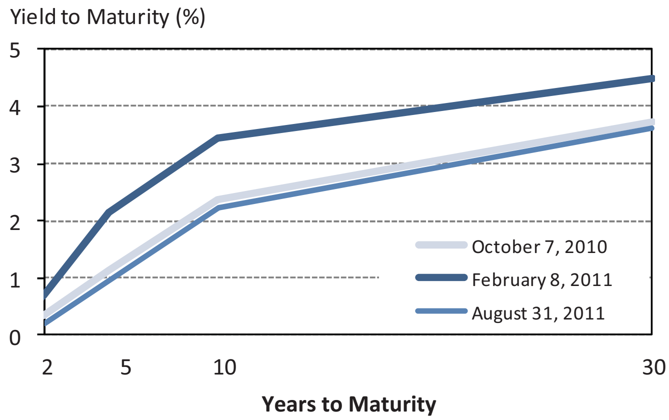
The clients listed above are believed to be generally representative of the types of clients serviced by BBH, but were selected in part on the basis of the name recognition of their organizations. Investment returns realized by these clients were not considered when selecting them. This list should not be taken as indicating any client's endorsement of products or services described in these materials.

II. Fixed Income Market Review

Fixed Income Market Snapshot
As of August 31, 2011

BROWN BROTHERS HARRIMAN

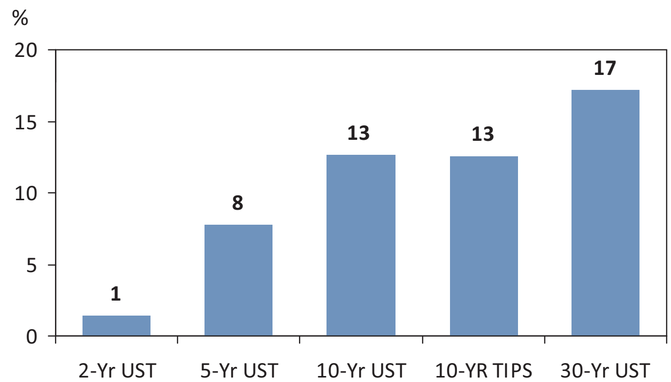
Yield Curve Changes



Sources: Bloomberg and BBH Analysis

- The front end of the yield curve is anchored at historic lows as the Fed has pledged to hold its Fed Funds target at 0% through at least 2013. Longer maturities have also rallied in recent weeks in anticipation of Fed buying. While the yield curve remains steep, it has flattened approximately 70 basis points throughout the year.

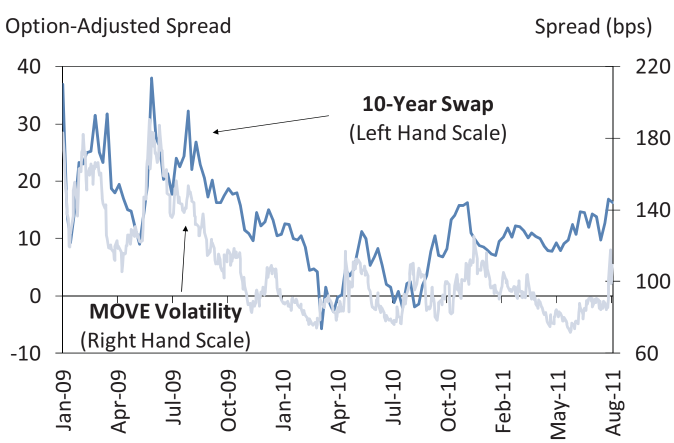
Total Return on Treasury Securities



Sources: Merrill Lynch and BBH Analysis

- Despite S&P's downgrade, U.S. Treasuries remain highly liquid and the asset of choice in periods of risk aversion. Year-to-date performance of Treasury securities has been very strong.

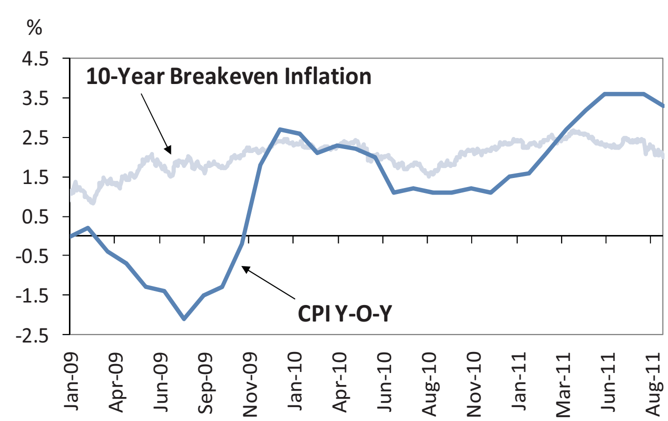
Spreads and Volatility



Sources: Bloomberg and BBH Analysis

- While not at the crisis levels experienced in 2009, market volatility remains elevated in recent month.

Inflation



Sources: Bloomberg and BBH Analysis

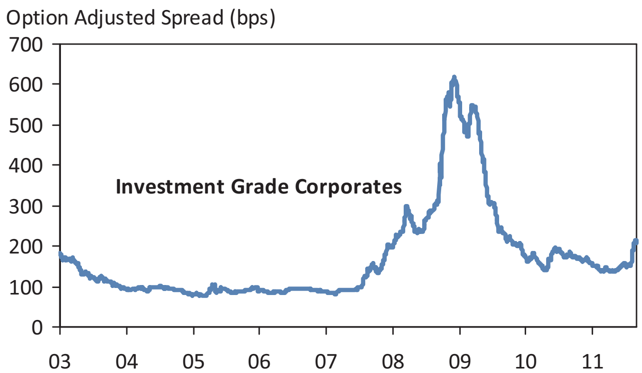
- Inflation expectations have remained fairly stable despite CPI trending higher, led largely by energy prices.

Fixed Income Market Snapshot
As of August 31, 2011

BROWN BROTHERS HARRIMAN

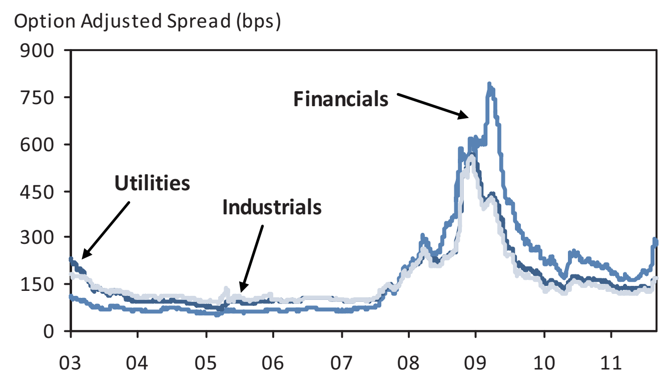
- Credit spreads have widened in recent weeks after trending tighter for several years following the recession of 2008-2009. The recent bout of spread widening is attributable to weaker economic conditions domestically and ongoing concerns regarding European sovereign and banking debt.

IG Corporate Spreads



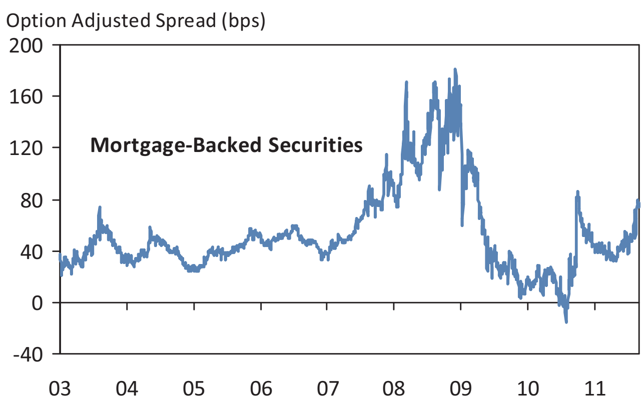
Sources: Barclays Capital, Merrill Lynch, and BBH Analysis

IG Corporate Spreads (by Sector)



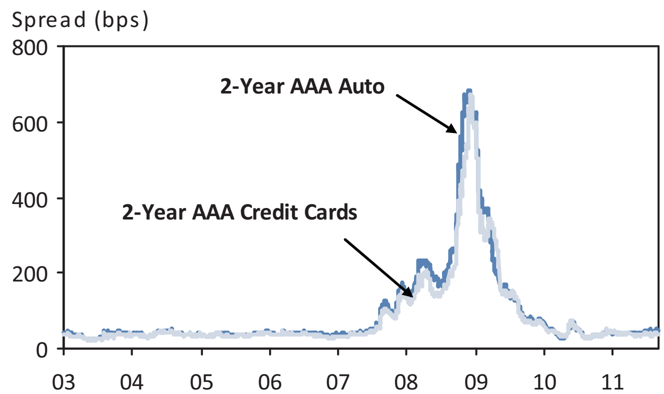
Sources: Barclays Capital, Merrill Lynch, and BBH Analysis

Mortgage Spreads



Sources: Barclays Capital, Merrill Lynch, and BBH Analysis

ABS Spreads

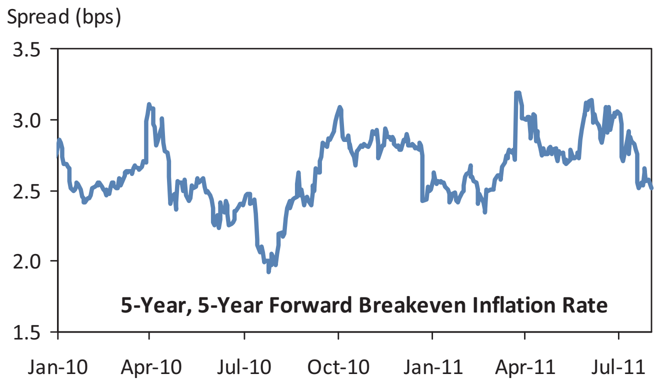


Sources: Barclays Capital, Merrill Lynch, and BBH Analysis

Fixed Income Market Snapshot
As of August 31, 2011

Brown Brothers Harriman

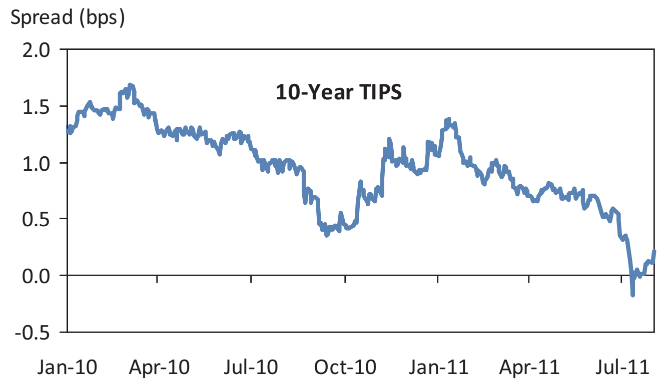
5-Year, 5-Year Forward Breakeven Inflation Rate



Sources: Bloomberg and BBH Analysis

- The Fed's favorite measure of long-run inflation expectations is off its high and does not signal a rise in inflation expectations.

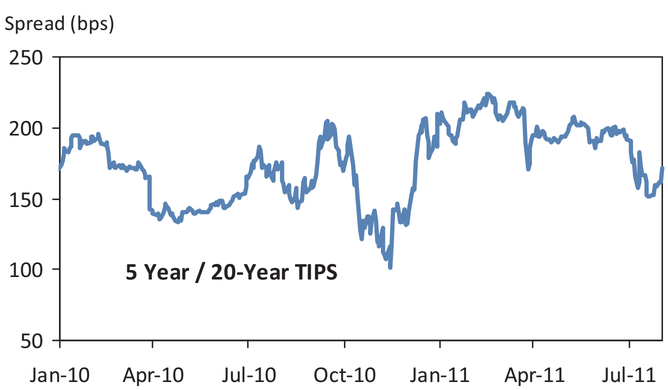
Real Yield Changes



Sources: Bloomberg and BBH Analysis

- 10-year TIPS real yields hit an all-time low of -0.18% basis points in August, well below the previous low of 0.40% reached in October 2010.

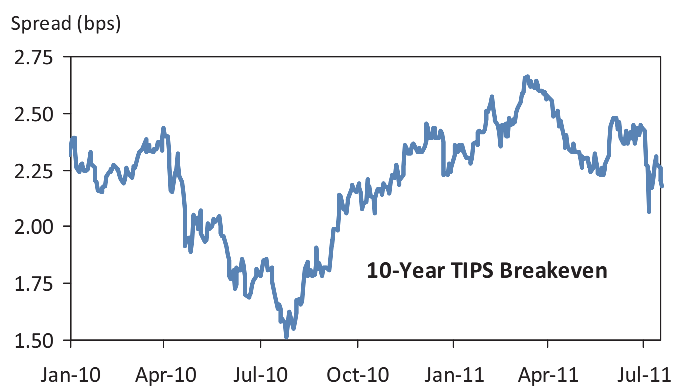
TIPS Yield Curve



Sources: Bloomberg and BBH Analysis

- Year-to-date, the real yield curve has flattened, partially reflecting reduced concern for higher near-term inflation.

TIPS Breakeven



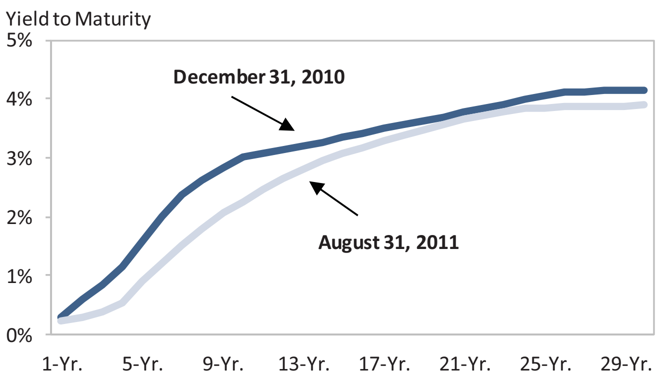
Sources: Bloomberg and BBH Analysis

- 10-year breakeven inflation rates have risen 50 basis points since late 2010, but remain below the long-term average of 2.50%.

Fixed Income Market Snapshot
As of August 31, 2011

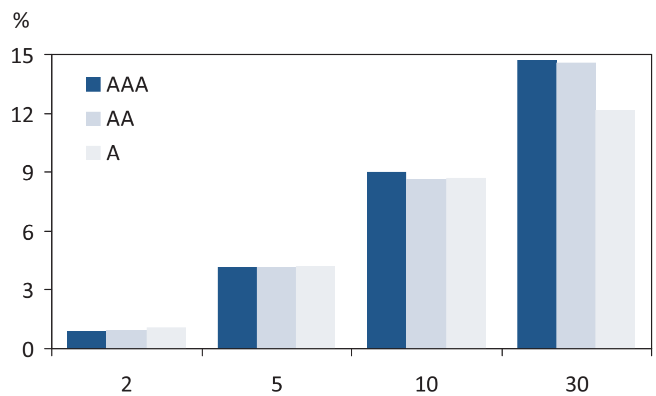
BROWN BROTHERS HARRIMAN

AAA G.O. Yield Curves



Sources: Thompson Financial MMD and BBH Analysis

Total Return on Municipal Bonds

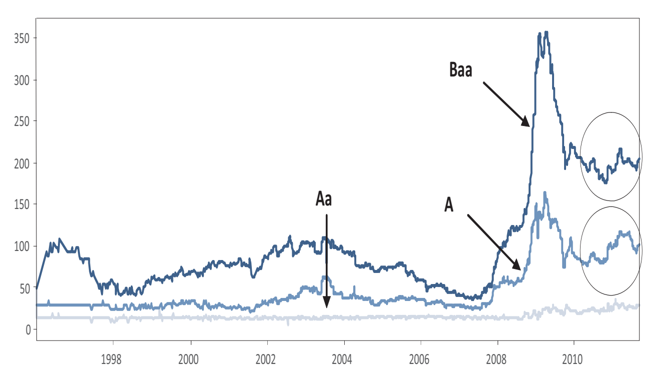


2011 YTD Through August 31, 2011
Sources: Thompson Financial MMD and BBH Analysis

- The municipal yield curve remains steep due to accommodative Federal Reserve monetary policy, investor demand for shorter maturities, and the continued absence of leveraged investors in long maturities.

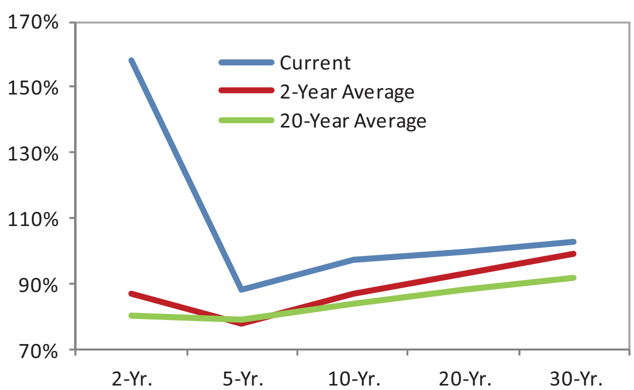
- Municipal bonds have rebounded this year from their decline during Q4 2010, but have lagged the performance of U.S. Treasuries.

Credit Spread History (10-Year Municipal Bonds)



2011 YTD Through August
Sources: Barclays Capital, Merrill Lynch, Bloomberg, and BBH Analysis

Municipal / Treasury Ratios



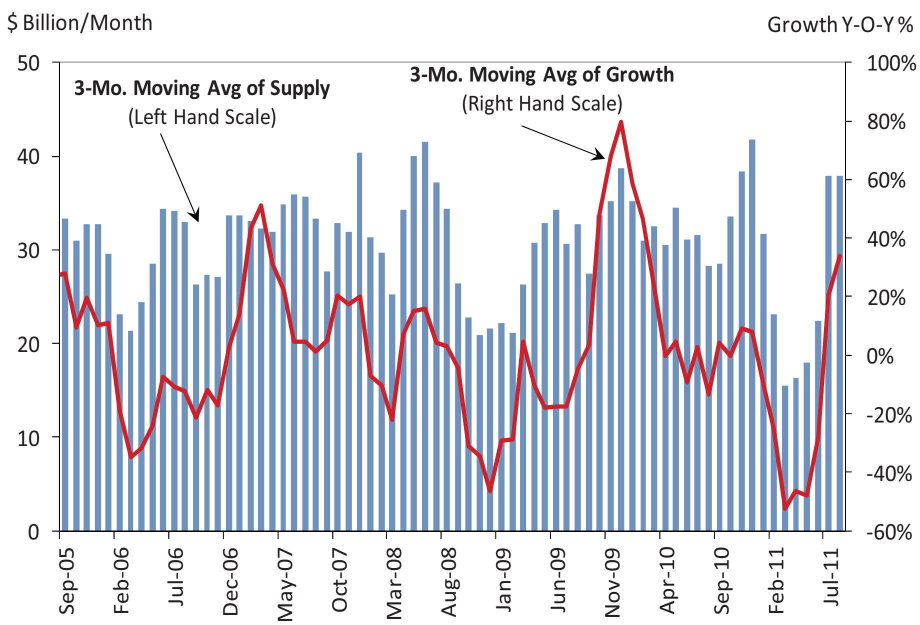
Sources: Thomson Financial MMD and BBH Analysis

- Credit spreads in the municipal market have widened over the past few months, consistent with a general market spike in risk premiums. Lower quality BBB and A rated spreads remain elevated above historic mean levels.

- While Municipal/Treasury ratios are attractive relative to both short- and long-term averages, this is in the context of extraordinarily low U.S. Treasury yields.

Brown Brothers Harriman

Supply



Sources: Bloomberg and BBH Analysis

- Issuance in August was a paltry $21 billion, and the primary market supply continues to be 30%–40% below last year's volume. Total monthly issuance declined 29% when compared to last year, and overall volume is down 38% when compared to the first eight months of 2010. Weekly supply continues to come in between $3–$6 billion which is well below weekly historical averages. The light supply is a key technical driver supporting the municipal markets. We are maintaining our full year tax-exempt issuance estimate at $250 billion in 2011.

BROWN BROTHERS HARRIMAN

Excess Returns Relative to U.S. Treasuries

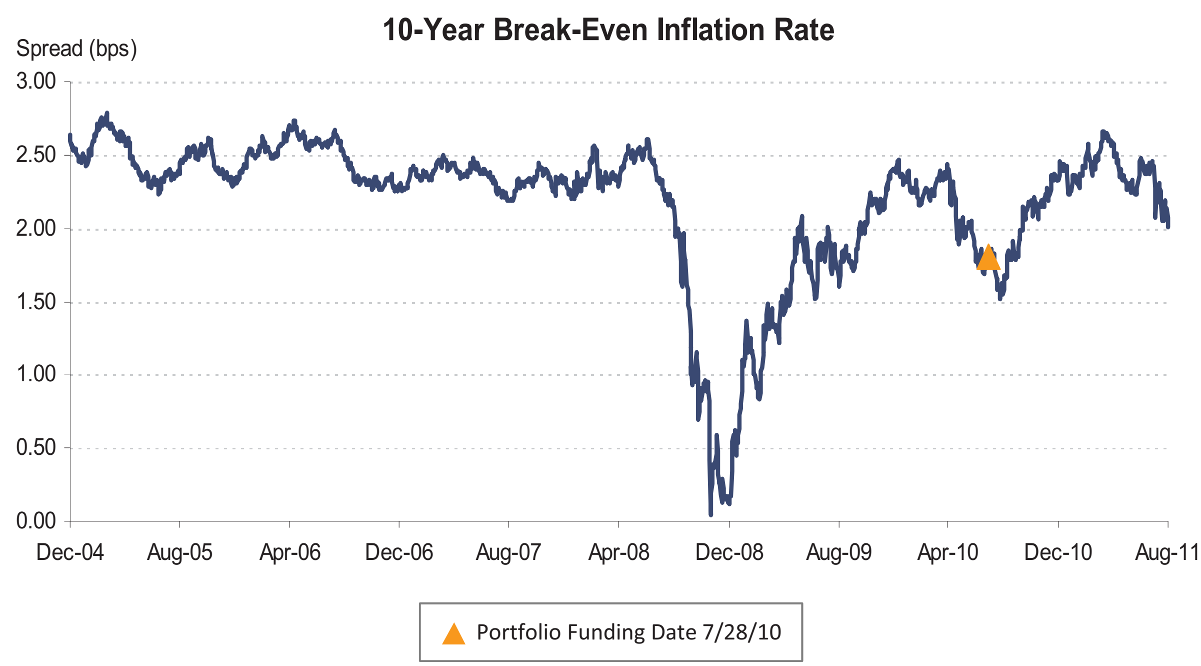
	2011 YTD Thru August	Full Year 2010
TIPS	+1.1%	-1.4%
Federal Agencies	+0.2	+0.8
Residential Mortgages	-0.7	+2.3
CMBS	-1.7	+15.5
ABS - Auto	+0.6	+1.7
ABS - Credit Cards	+0.8	+1.9
IG Corporates (Financials)	-3.6	+3.3
IG Corporates (Utilities)	-1.1	+1.8
IG Corporates (Industrials)	-1.9	+1.8
Emerging Markets	-2.6	+5.1
Municipals - Revenues	-4.7	-7.2
Municipals - GOs	-3.1	-6.5
Municipals - Pre-Refunded	-0.5	-2.3
S&P 500	-9.9	+9.2

Data as of August 31, 2011
Sources: Barclays Capital, Merrill Lynch, and BBH Analysis

III. Portfolio Review

TIPS: 2004–2011

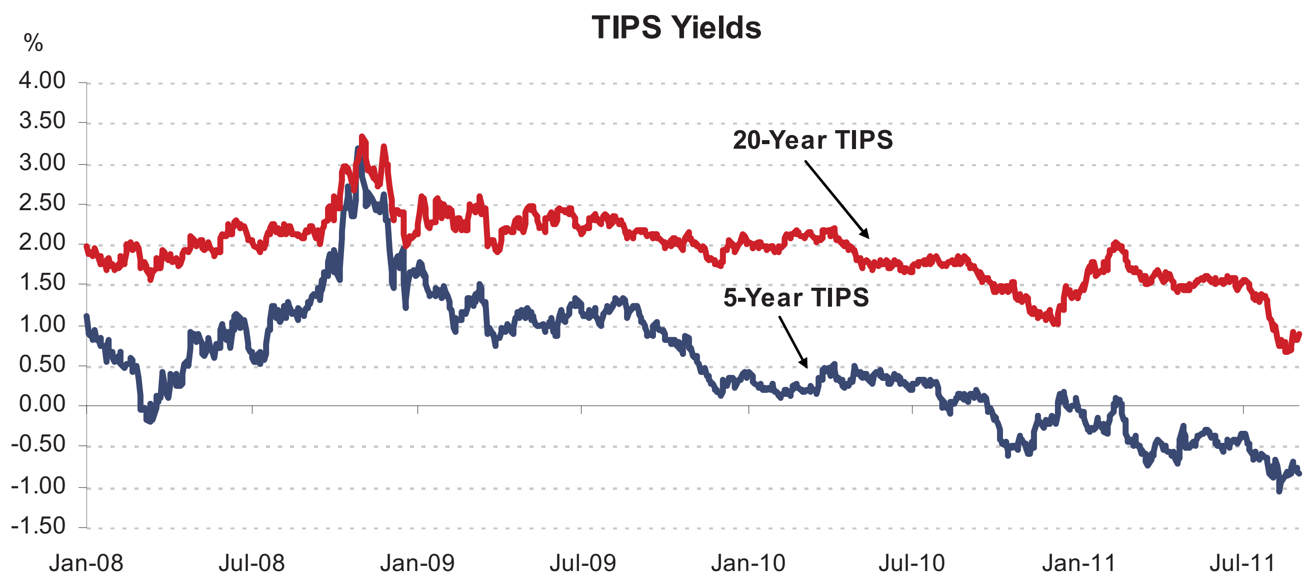
Brown Brothers Harriman



Sources: Bloomberg and BBH Analysis

- Since the initial funding of the SamCERA TIPS portfolio on July 28, 2010, 10-year real yields have fallen 104 basis points and break-even inflation rates have widened 27 basis points.

TIPS Yield Curve
2008–2011



Sources: Bloomberg and BBH Analysis

- The TIPS yield curve has steepened significantly (+184 basis points) since the inversion that occurred in Oct/Nov 2008.
- Over the last 12 months, the 5-year/20-year TIPS curve has been relatively volatile, trading in a range between +100 basis points and +225 basis points.

SamCERA TIPS Portfolio
Performance Attribution (as of August 31, 2011)

BROWN BROTHERS HARRIMAN

	Year-to-Date	Last 12 Months	Since Inception (Annualized)*
Portfolio Performance (Gross)	11.15%	10.57%	11.73%
Index Performance	11.14%	11.05%	12.07%
Excess Return	0.01%	-0.48%	-0.34%

Performance Attribution

	Year-to-Date	Last 12 Months	Since Inception (Annualized)*
Security Selection/Roll Down	0.02%	-0.03%	-0.02%
Auction Cycle Trading	0.00%	0.00%	0.02%
Seasonal vs. Non-Seasonal CPI	0.00%	0.00%	0.00%
Real Yield Duration	-0.09%	-0.16%	-0.17%
Real Yield Curve vs. Nominal Yield Curve	-0.07%	-0.19%	-0.17%
Non-U.S. Inflation-Linked Bonds	-0.04%	-0.04%	0.02%
Nominal Bonds	0.19%	-0.06%	-0.02%
Total	0.01%	-0.48%	-0.34%

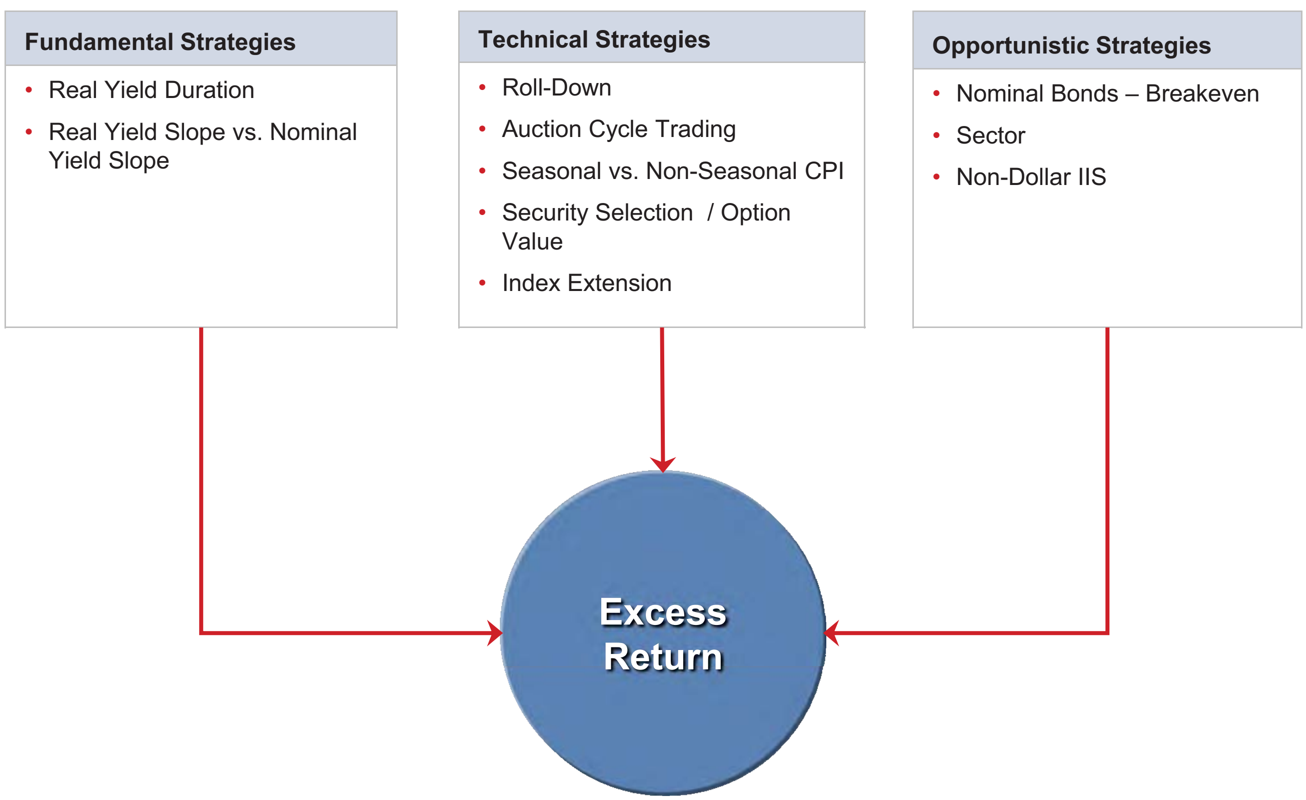
*Inception = 8/1/10

IV. BBH TIPS Strategy Overview

TIPS Investment Strategies

BROWN BROTHERS HARRIMAN

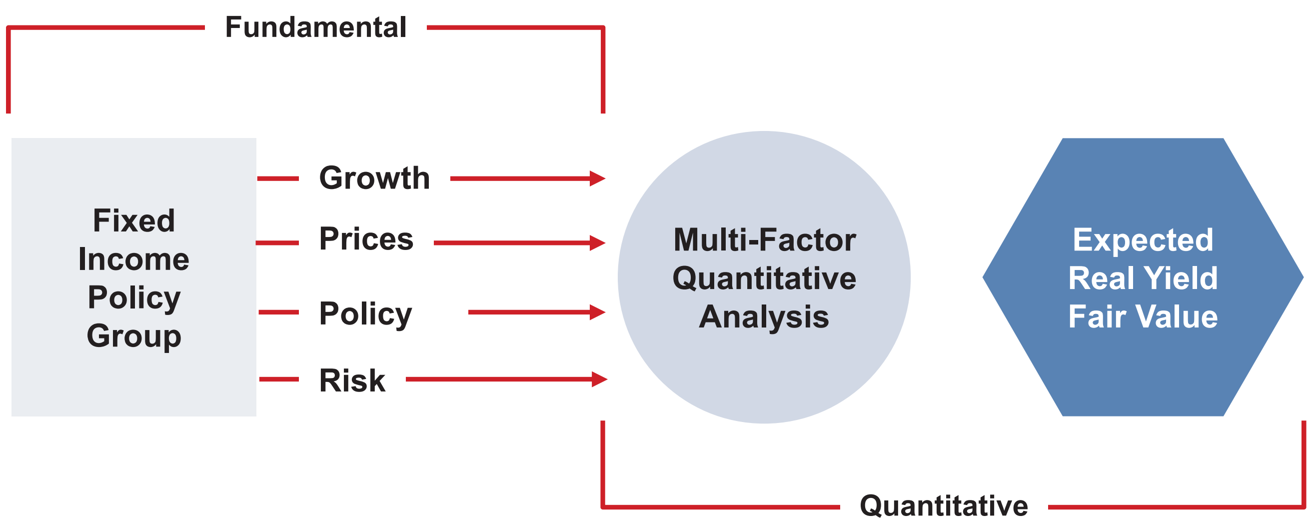
- Our Inflation-Indexed Securities investment process focuses on 3 major strategy categories:
  - Fundamental Strategies
  - Technical Strategies
  - Opportunistic Strategies



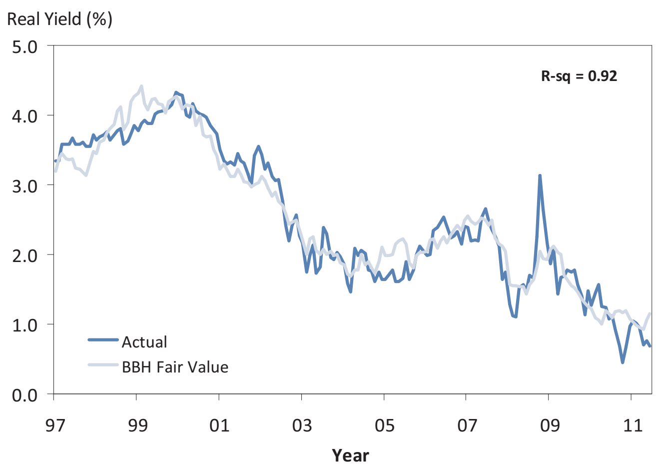
BROWN BROTHERS HARRIMAN

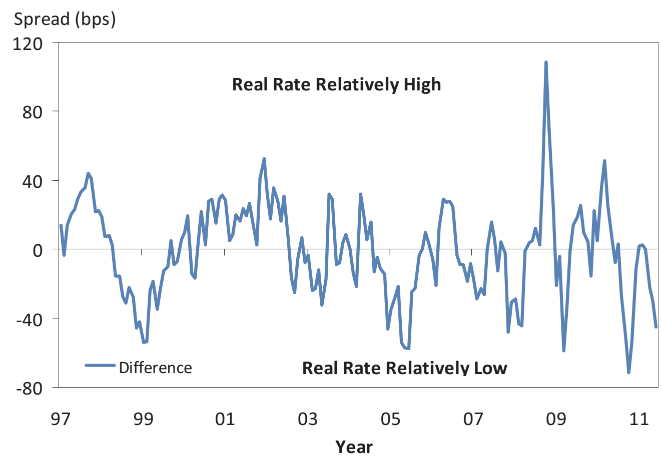
Critical Drivers of Real Yield Duration Decision

- Business Loan Growth
- Commodity Prices
- Monetary Policy
- Inflation Risk



BROWN BROTHERS HARRIMAN





Sources: Bloomberg and BBH Analysis

Model Factors

Growth (Business Loans)

- An increase in business loans signal stronger economic activity and higher real growth. This is reflected in higher real yields.

Commodities Prices

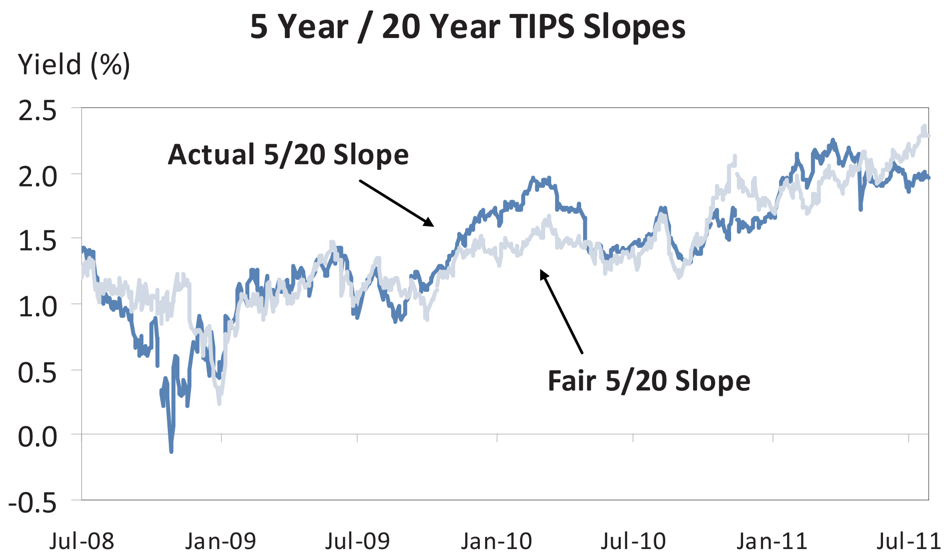
- Higher commodities prices cause inflation expectations to be adjusted upward, which increases demand for inflation protection. This is reflected in lower real yields.

Monetary Policy

- Tightening cycles are associated with stronger economic activity and more moderate inflation expectations, causing real yields to rise.

Inflation Risk

- Higher inflation volatility increases demand for inflation protection. This is reflected in lower real yields.



Sources: Bloomberg and BBH Analysis

- Research supports our belief that the nominal Treasury market incorporates new information more efficiently than the TIPS market.
- The slope of the nominal curve adjusts almost instantaneously, whereas the TIPS market will adjust with a lag of approximately 30–60 days.
- The timing difference is caused by liquidity differences.
- Actual slope is the difference between real yields. Fair slope is the nominal Treasury slope adjusted for gasoline prices.

Technical Strategies
Roll-Down

BROWN BROTHERS HARRIMAN

Data Setup	
TIPS Curve	6/30/11
Last Inflation	5/31/11
Inflation Assumption	3.00

ER Setup	
Roll Scale	0.50
Just Yld?	0.00

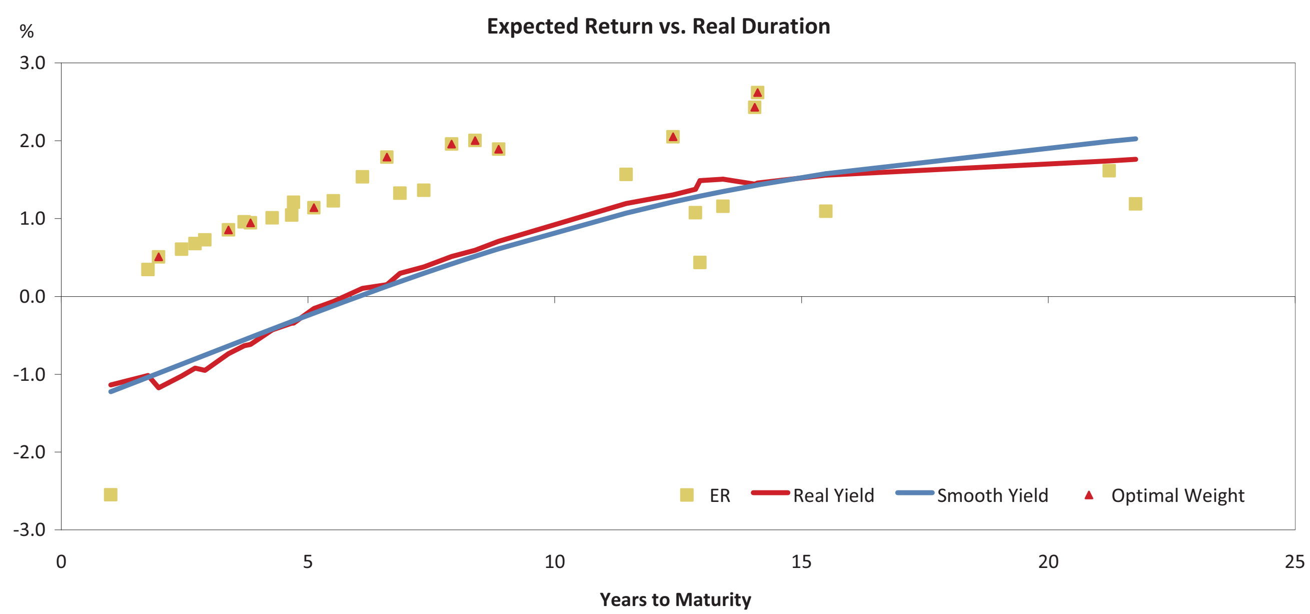
Optimizer Setup	
Match Duration?	N
Duration Target	-
Risk Parameter	0.2

Taxes	
Inc	0.00%
CG	0.00%

Optimizer Results

Opt. Excess Return	0.50
Opt. Tracking Error	0.32
Start Excess Return	-0.08
Start Tracking Error	0.16
Index Exp.Return	4.23
Index Dur	7.74
Start Dur	7.86
Opt Dur	7.86

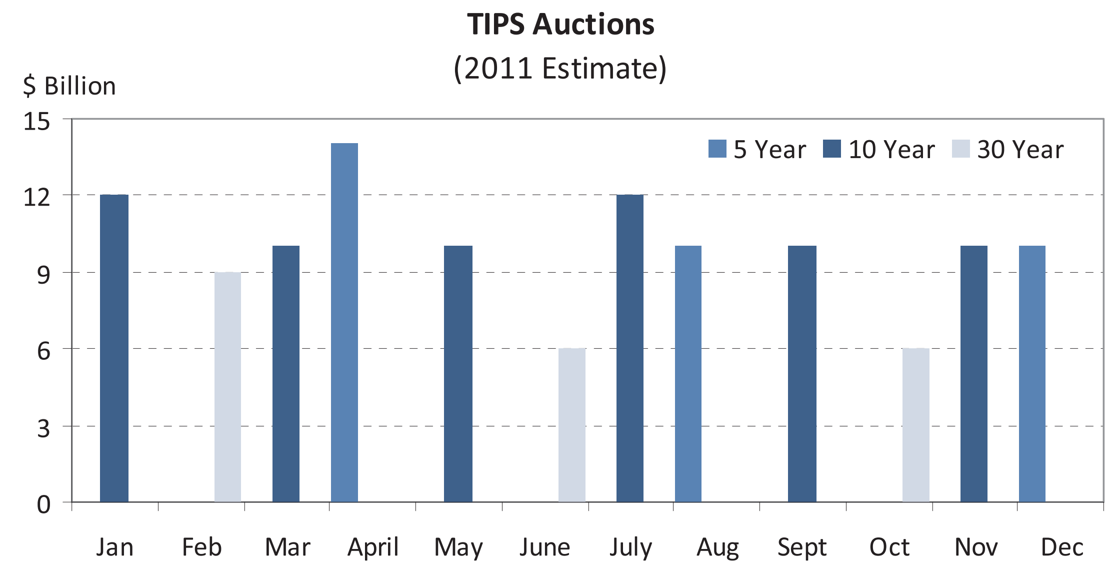
Maturity	Coupon	Modified Duration	Real Yield	ER	Index Weight	Optimal Weight
7/15/12	3.000	1.006	-1.138	0.450	4.4%	0.0%
4/15/13	0.625	1.761	-1.017	3.345	2.4%	0.0%
7/15/13	1.875	1.974	-1.175	3.508	3.8%	4.1%
1/15/14	2.000	2.442	-1.023	3.606	4.0%	0.0%
4/15/14	1.250	2.714	-0.920	3.678	2.5%	0.0%
7/15/14	2.000	2.910	-0.950	3.726	3.6%	0.0%
1/15/15	1.625	3.392	-0.736	3.854	3.5%	5.8%
4/15/15	0.500	3.708	-0.633	3.957	3.3%	0.0%
7/15/15	1.875	3.836	-0.616	3.945	3.1%	15.0%
1/15/16	2.000	4.278	-0.430	4.009	3.1%	0.0%
7/15/16	2.500	4.673	-0.343	4.042	3.7%	0.0%
4/15/16	0.125	4.709	-0.342	4.210	2.1%	0.0%
1/15/17	2.375	5.120	-0.156	4.141	3.1%	5.8%
7/15/17	2.625	5.516	-0.066	4.227	2.5%	0.0%
1/15/18	1.625	6.105	0.103	4.537	2.8%	0.0%
7/15/18	1.375	6.599	0.151	4.789	2.4%	15.0%
1/15/19	2.125	6.866	0.297	4.325	2.5%	0.0%
7/15/19	1.875	7.347	0.379	4.362	2.5%	0.0%
1/15/20	1.375	7.911	0.512	4.958	3.0%	15.0%
7/15/20	1.250	8.386	0.592	5.003	5.0%	15.0%
1/15/21	1.125	8.865	0.708	4.890	5.4%	0.2%
1/15/25	2.375	11.446	1.193	4.567	5.5%	0.0%
1/15/26	2.000	12.398	1.306	5.050	3.5%	8.9%
1/15/27	2.375	12.850	1.377	4.077	3.0%	0.0%
4/15/28	3.625	12.944	1.490	3.436	4.4%	0.0%
4/15/29	3.875	13.408	1.508	4.158	5.2%	0.0%
1/15/28	1.750	14.051	1.443	5.430	2.5%	0.3%
1/15/29	2.500	14.111	1.457	5.618	2.5%	15.0%
4/15/32	3.375	15.495	1.559	4.094	1.2%	0.0%
2/15/40	2.125	21.234	1.743	4.614	2.4%	0.0%
2/15/41	2.125	21.771	1.760	4.188	1.5%	0.0%



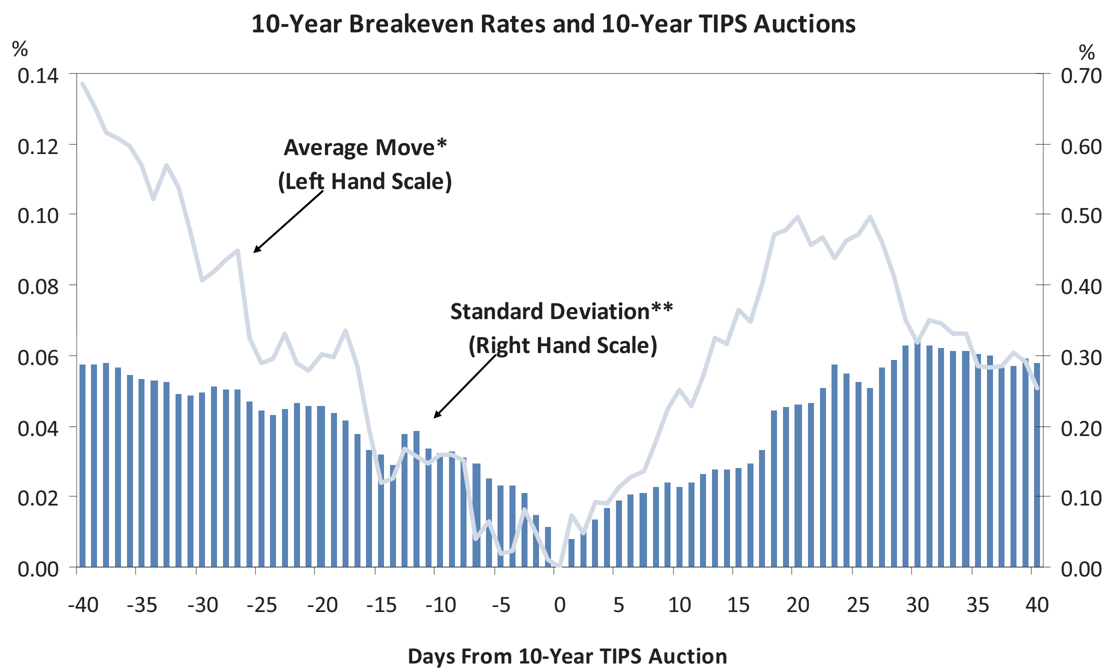
Sources: Bloomberg and BBH Analysis

- Proprietary analytics assist in identifying securities/portfolios with favorable roll-down qualities subject to customized risk constraints.

BROWN BROTHERS HARRIMAN

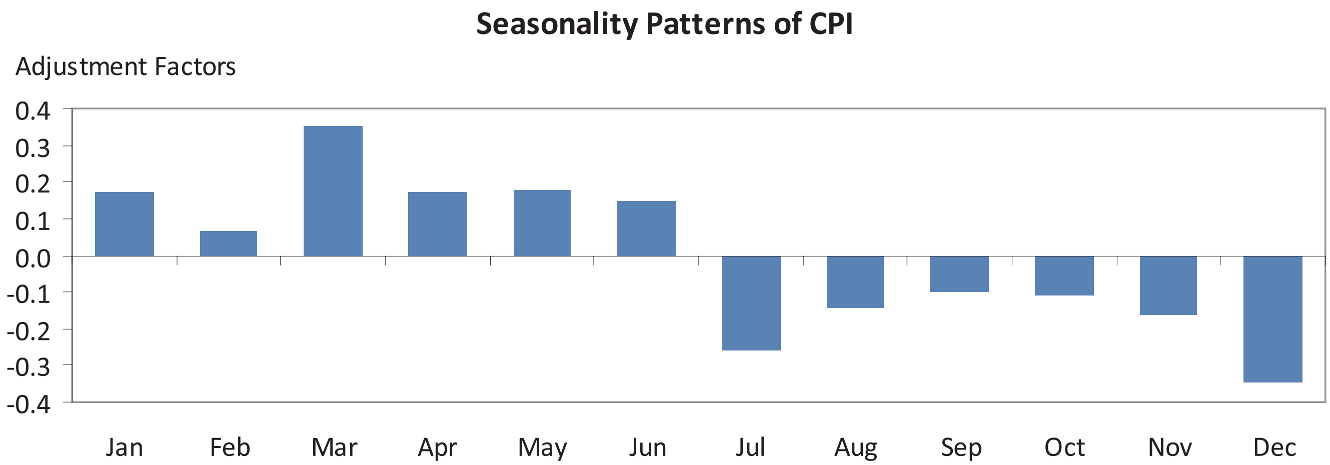


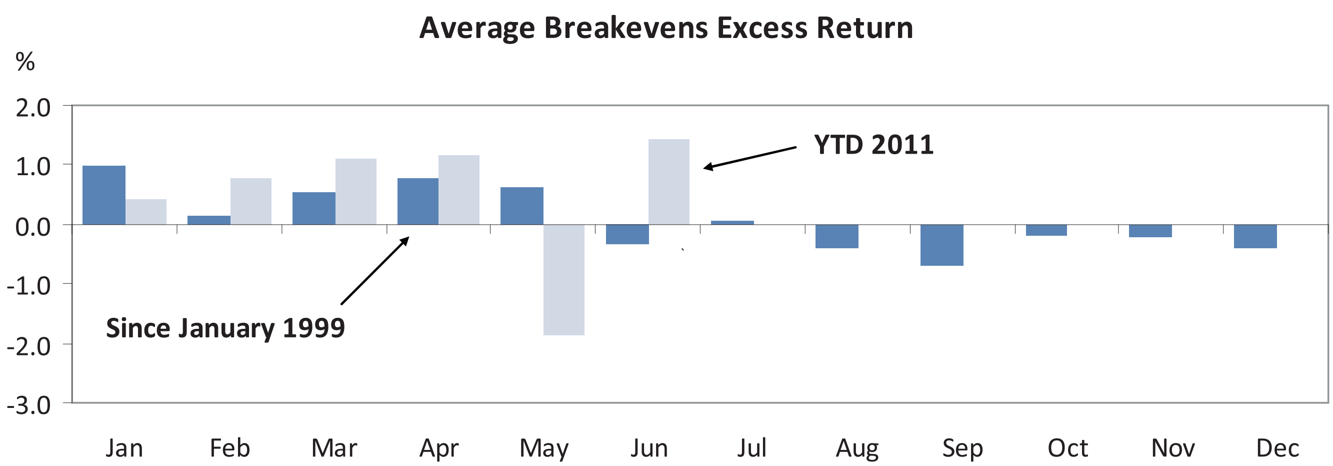
Sources: Bloomberg and BBH Analysis



* The average breakeven of the 10-year portion of the curve based on all previous 10-year TIPS auctions
** The average standard deviation of the yield of all the different 10-year TIPS auctions 40 days before and after the auction
Sources: Bloomberg and BBH Analysis

- TIPS have generally cheapened, both on an absolute and relative value basis, before an auction.
- We track TIPS movements around auction dates to identify any supply concessions.





% of monthly returns with the same sign (+/-) as the average return:

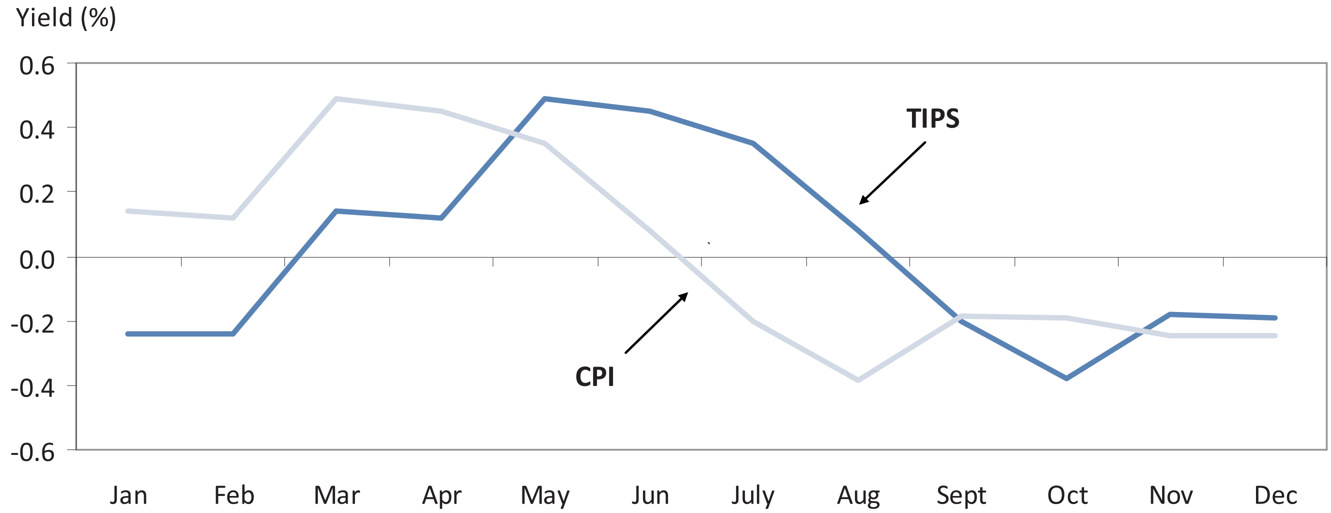
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
75	61	69	69	61	46	38	69	54	23	46	76

Sources: Bloomberg and BBH Analysis

- TIPS inflation accruals are based on non-seasonally adjusted CPI. The seasonal pattern leads to predictable opportunities in the TIPS market.
- YTD breakeven trends have not followed their historic seasonal pattern.

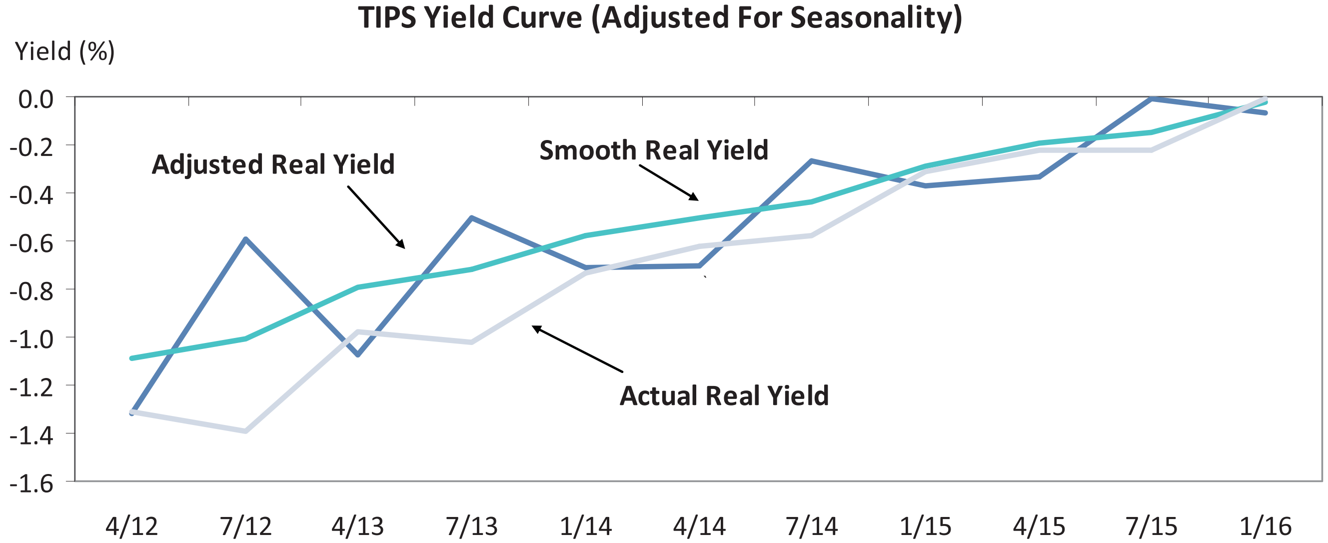
BROWN BROTHERS HARRIMAN

- Seasonality matters with TIPS. Higher accruals are typically seen between May and July.



Sources: Bloomberg and BBH Analysis

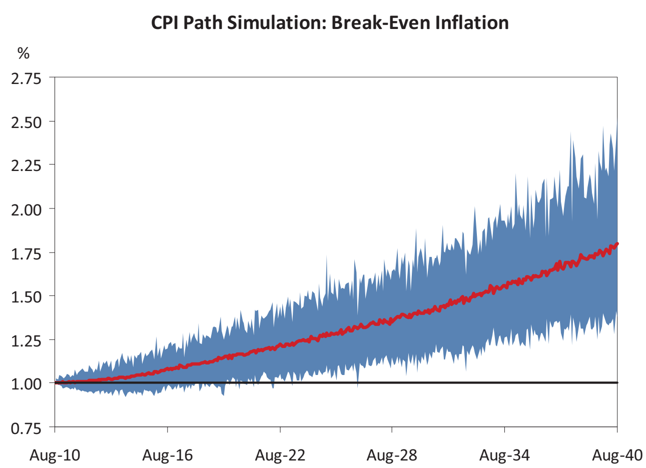
- When TIPS are adjusted for accruals, relative value opportunities exist. TIPS mature in January, April, or July. In general, July maturities are more valuable than January, which in turn is more valuable than April

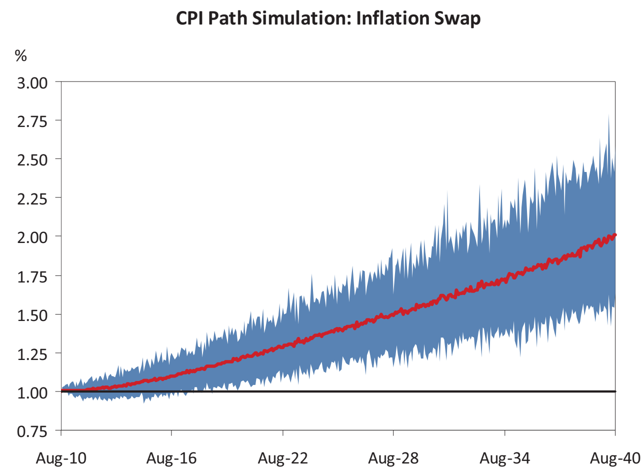


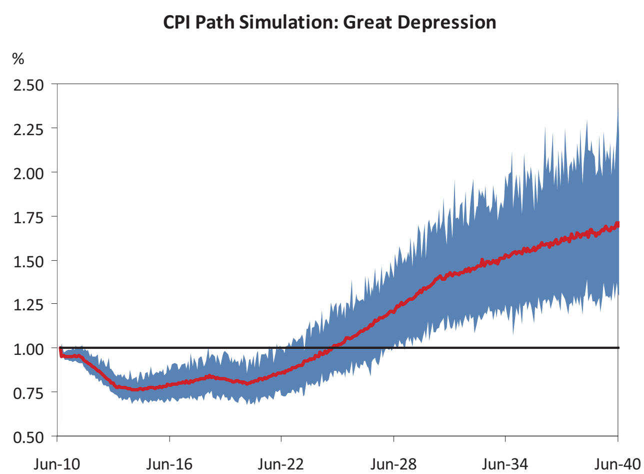
Sources: Bloomberg and BBH Analysis

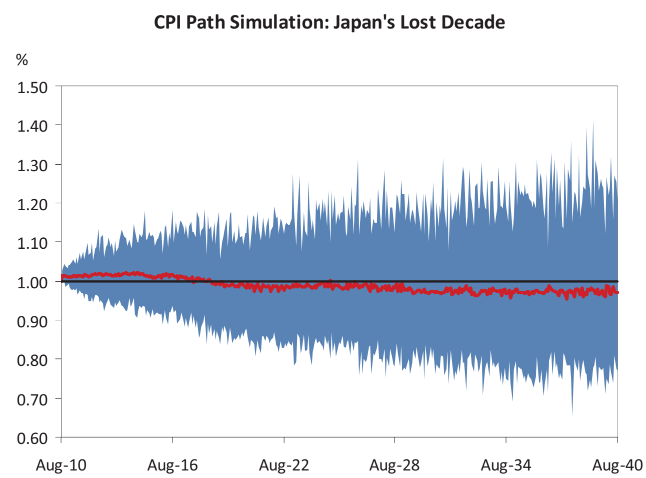
Technical Strategies
Deflation Floor Option Analysis

BROWN BROTHERS HARRIMAN







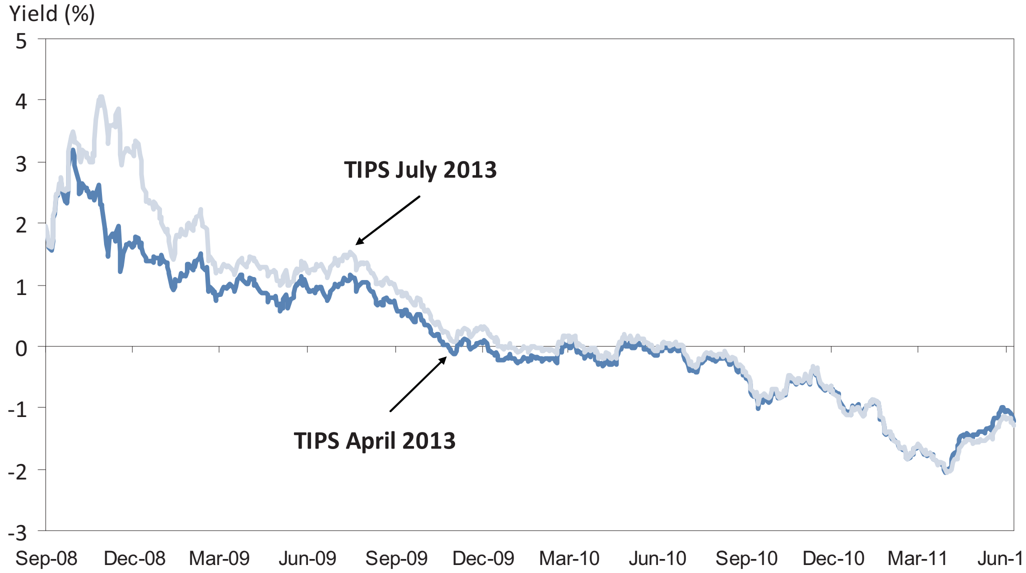


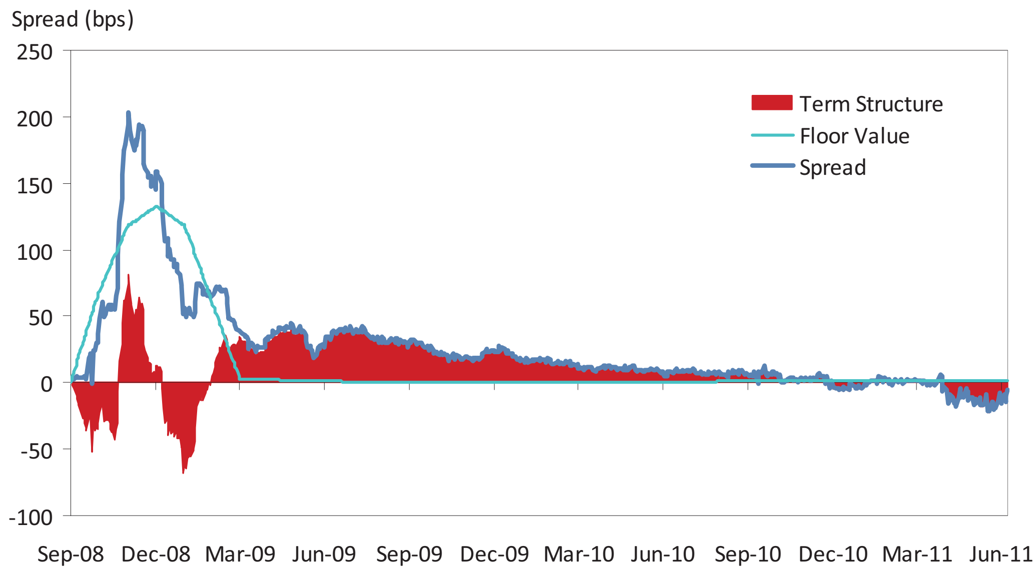
Our option analysis considers several inflation environments, from market implied (break-even and inflation swaps) to customized environments

Sources: Bloomberg and BBH Analysis

- Using historical and market-implied CPI paths, we can generate the estimated deflation floor value.

BROWN BROTHERS HARRIMAN

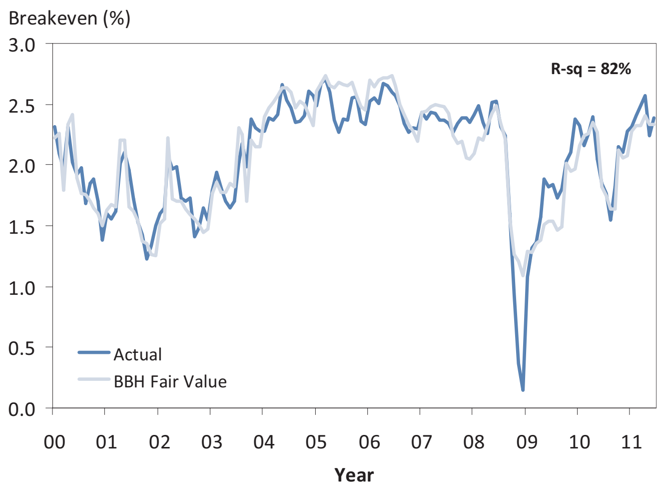


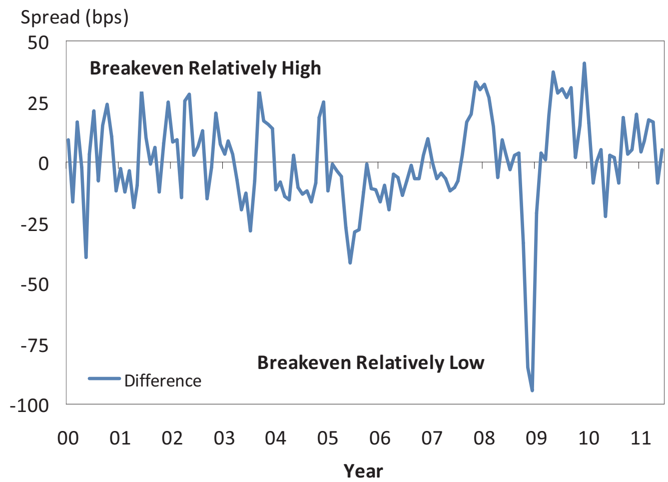


Sources: Bloomberg and BBH Analysis

- TIPS have a deflation par floor. At maturity, the U.S. Treasury pays holders the maximum between par (100) and inflation-adjusted par. We use option analysis to value this floor and thus, identify bonds that we believe are undervalued or overvalued.
- At some points in 2008/2009, the option was 50 basis points undervalued and 80 basis points overvalued — a 130 basis point swing. For example, a rate change of 180 basis points on a 3-year duration bond corresponds to 4%–5% in price return.

Opportunistic Strategies
Breakeven





Sources: Bloomberg and BBH Analysis

Model Factors

Growth (Business Loans)

- An increase in business loans signals stronger economic activity and higher real growth. TIPS tend to underperform nominal bonds in this environment and breakeven rates fall.

Commodities Prices

- Higher commodities prices cause inflation expectations to be adjusted upward, which increases demand for inflation protection. TIPS outperform nominal bonds and breakeven rates rise.

Monetary Policy

- Tightening cycles are associated with stronger economic activity and more moderate inflation expectations, causing breakeven rates to fall.

Inflation Risk

- Higher inflation volatility increases demand for inflation protection. TIPS outperform nominal bonds and breakeven rates rise.

Opportunistic Strategies
Non-U.S. Inflation-Linked Securities
(as of June 30, 2011)

BROWN BROTHERS HARRIMAN

Hedged Real Yields

	U.S.	U.K.	France	Sweden	Canada	Japan
Real Yields	0.70%	0.20%	1.15%	0.80%	0.75%	0.60%
***Expected Inflation**	1.90%	4.00%	1.90%	2.00%	2.25%	0.10%
Hedging Costs		-0.50%	-1.00%	-0.75%	-0.50%	-0.10%
All In Yield	2.60%	3.70%	2.05%	2.05%	2.50%	0.60%

* Expected inflation derived from 2-year inflation swaps

Sources: Bloomberg and BBH Analysis

- Economic growth, inflation, and monetary policy tend to move together over time. Global developed economies are synchronized. Global interest rates, breakevens, and risk premiums also display some correlation. When those correlations break down, opportunities exists.
- Positions are evaluated on a total return basis and are always hedged back into the base currency.

V. Current Portfolio Strategies

Current Portfolio Strategies (TIPS)
As of August 2011

Brown Brothers Harriman

Fundamental Strategies	Real Yield Duration	We are presently neutral to short duration. Real yields are too low and do not represent value but Federal Reserve purchases could push rates lower.
	Yield Curve	Overweight the longer maturity sector of the TIPS market. The real curve is steep versus the nominal curve and history.
Technical Strategies	Roll-Down	We utilize securities identified in our proprietary analysis to maximize portfolio roll-down potential. Currently, we are overweight in securities that offer the best roll-down.
	Auction Cycle Trading	The next TIPS auction will be 10-year TIPS in late September. We expect a concession to build over the next few weeks and own a small exposure of nominal bonds.
	Security Selection	Individual TIPS have various amounts of inflation accrued and cash flow based on the seasonal pattern to inflation. We value the options and flows to determine the best available securities to own.
Opportunistic Strategies	Nominal Bonds	We own nominal bonds in the 30-year sector, expecting supply concession to emerge.
	Non-U.S Exposure	We presently hold U.K. inflation-linked debt, which provides yield pick up vs. U.S. TIPS in our clients' portfolios.

SamCERA TIPS Portfolio

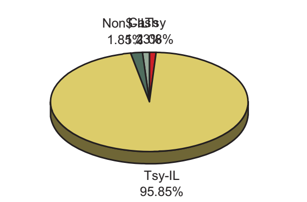
Portfolio Characteristics (as of August 31, 2011)

BROWN BROTHERS HARRIMAN

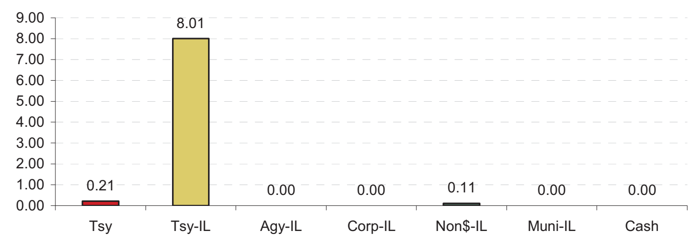
Performance and Portfolio Statistics							
Last Month	%	YTD	%	Duration:	8.34	$ Market Value:	$ 75,684,571
Portfolio:	1.09	Portfolio:	11.15	Avg. Maturity:	9.77	Issues:	14
Index:	0.90	Index:	11.14	Real YTM:	-0.05	Avg. Quality:	AAA

Absolute

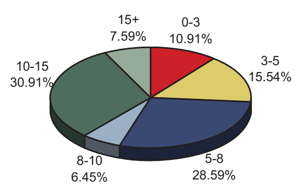
Sector Allocation (% Market Value)



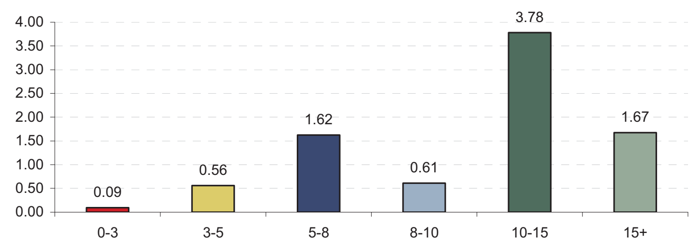
Sector Allocation (Duration Contribution)



Yield Curve Allocation (% Market Value)

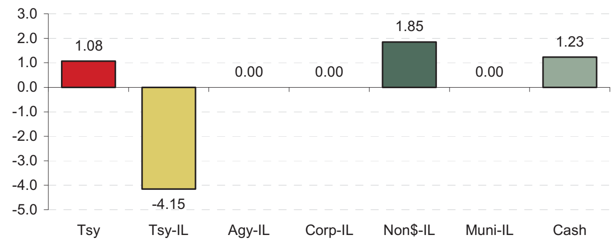


Yield Curve Allocation (Duration Contribution)

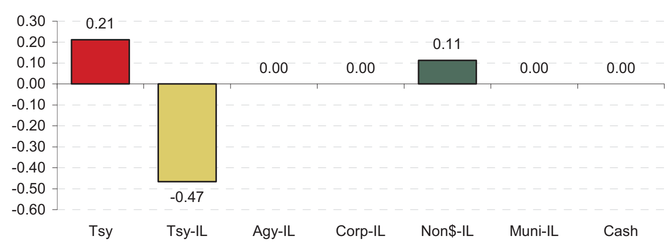


Relative

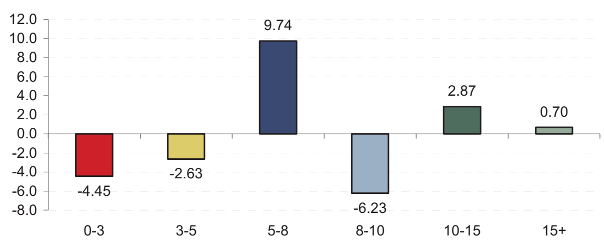
Sector Allocation vs. Index (% Market Value)



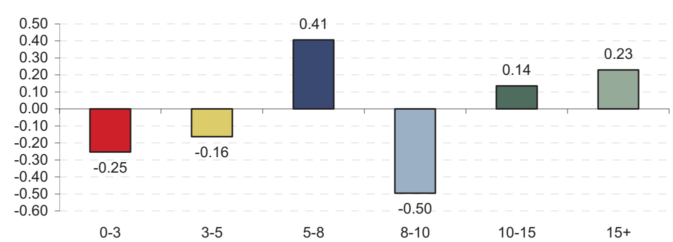
Sector Allocation vs. Index (Duration Contribution)



Yield Curve Allocation vs. Index (% Market Value)



Yield Curve Allocation vs. Index (Duration Contribution)

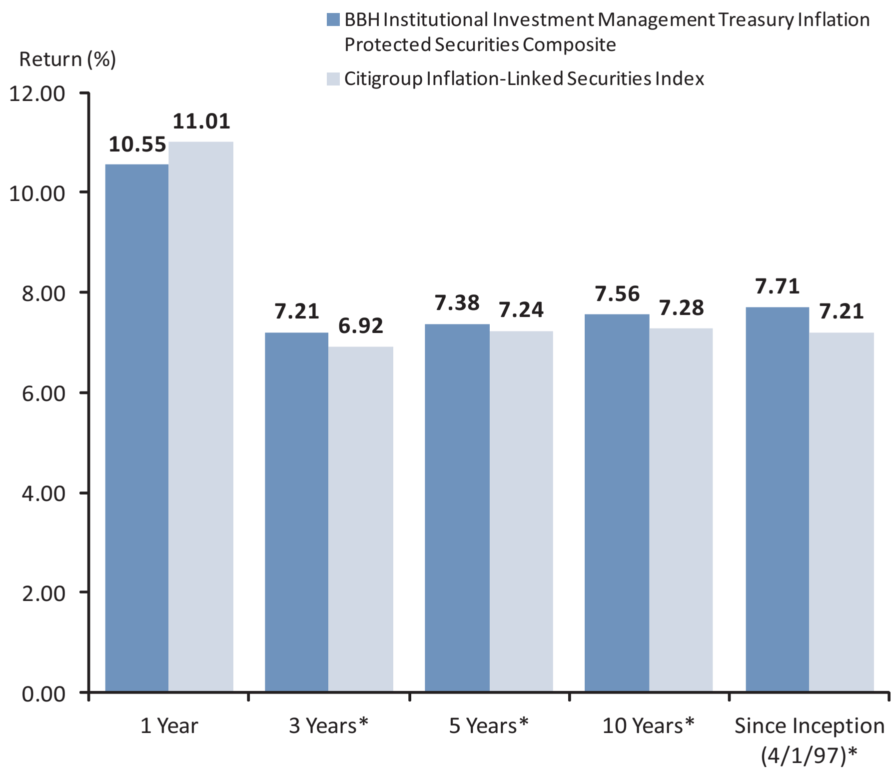


Benchmark: Barclays Capital U.S. TIPS Index

VI. BBH TIPS Composite Performance Review

BBH Institutional Investment Management Treasury Inflation Protected Securities Composite (Gross of Fees Performance) As of August 31, 2011

Brown Brothers Harriman



	1 Year	3 Years	5 Years	10 Years	Since Inception (4/1/97)
Return Difference	-0.46%	0.29%	0.13%	0.28%	0.49%
Tracking Error	0.48	0.57	0.51	0.51	0.58
Information Ratio	-0.95	0.51	0.26	0.55	0.85

*Annualized figures
Source: BBH Institutional Investment Management Analysis

For full disclosure on the BBH Institutional Investment Management Treasury Inflation Protected Securities Composite, please see page 36.

Performance data quoted represents past performance which is no guarantee of future results.

Performance presented is that of the BBH Institutional Investment Management Treasury Inflation Protected Securities Composite. The Citigroup Inflation-Linked Securities Index has been provided for comparison purposes only and is unmanaged, not subject to fees, and not available for direct investment. There can be no assurance that any strategy presented will meet its investment objective.

Gross performance results for the composite do not reflect the deduction of investment advisory fees. Actual returns will be reduced by such fees. Fee example: The effect on a $10 million investment assuming 5% total compounded annual return and management fees of 0.15% charged on an annual basis as a percentage of average net assets would be:

	1 Year	5 Years
Balance Before Fees	$10,500,000	$12,762,815
Balance After Fees	$10,485,000	$12,671,912

This information has been prepared for sophisticated investors and their advisors. It is to be used in connection with a one-on-one presentation. If you are not the intended recipient, please alert BBH and disregard this presentation.

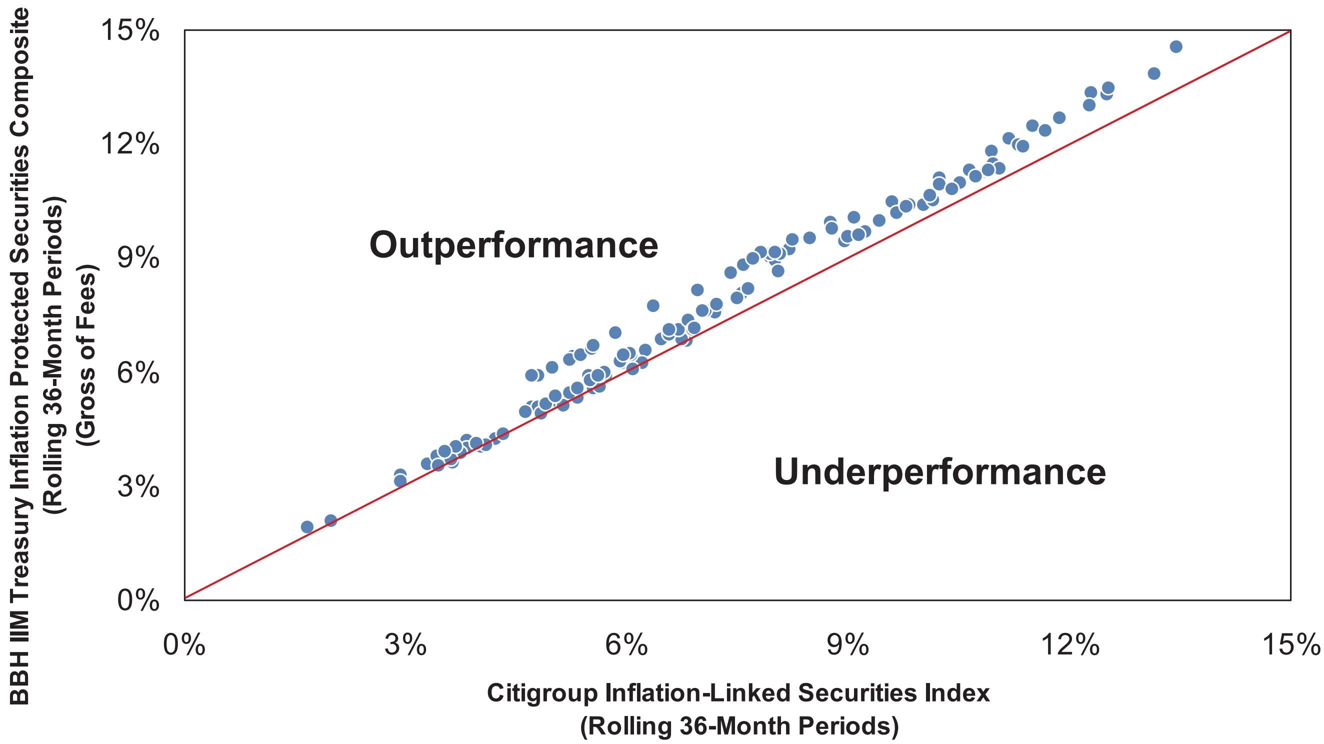
Results will vary among client accounts. The actual return and value of an account will fluctuate and could be worth more or less than the amount invested. Performance returns have not been audited or verified by an independent third party.

Performance returns include all dividends and interest, other income, realized and unrealized gain, are net of all brokerage commissions, execution costs, and without provision for federal or state income taxes.

Management fees may vary depending on account size and other factors. The advisory fees are described in BBH Institutional Investment Management's Investment Advisory Client Disclosure Document and in client agreements. Your relationship manager can also describe the types of fees which apply to your account.

A Consistent and Repeatable Track Record

BROWN BROTHERS HARRIMAN



Performance data quoted represents past performance which is no guarantee of future results
Source: BBH Analysis
Data as of August 31, 2011

For full disclosure on the BBH Treasury Inflation Protected Securities Composite, please see page 36.

- The BBH IIM Treasury Inflation Protected Securities Composite has outperformed the market index in 129 of the 138 rolling 36-month periods since inception.

BBH Institutional Investment Management
Treasury Inflation Protected Securities
Composite Performance Notes

BROWN BROTHERS HARRIMAN

Composite	Treasury Inflation Protected Securities
Benchmark	Citigroup Inflation Linked Securities Index
Base Currency	US Dollar
Reporting Date	Dec 31 2010
Inception Date	April 1 1997
Creation Date	Jun 20 2006
Returns	Asset Weighted Gross Return

	Composite %	Benchmark %	No. of A/Cs	% Composite Dispersion	Fair Market Value ($MM)	Percentage Firm Assets	Total Firm Assets at End of Period ($MM)
2010	6.16	6.46	17	0.06	5,970.33	23.31	25,615.74
2009	10.72	10.12	15	0.10	5,297.40	21.78	24,325.63
2008	-0.49	-1.17	12	0.12	2,938.88	12.00	24,486.89
2007	11.48	11.61	13	0.19	2,809.27	9.92	28,320.50
2006	0.08	0.40	12	0.03	3,315.94	11.57	28,650.84
2005	3.43	2.86	8	0.17	2,525.59	9.66	26,156.67
2004	9.24	8.40	<5	N/A	1,785.68	4.64	38,457.18
2003	7.97	8.26	<5	N/A	456.83	1.28	35,613.73
2002	17.01	16.71	<5	N/A	257.09	0.75	34,370.40
2001	9.11	7.92	<5	N/A	101.31	0.27	37,757.72

GIPS Compliance
BBH Institutional Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. BBH Institutional Investment Management has not been independently verified.

Definition of the Firm
As of May 1, 2011 the firm is defined as BBH Institutional Investment Management. For the period January 1, 2005 to April 30, 2011 the firm was defined as BBH Institutional Fixed Income. Prior to January 1, 2005 the firm was defined as Brown Brothers Harriman & Co.

Composite Description
All fully discretionary, fee-paying domestic accounts over $10 million with an emphasis on US inflation indexed securities. May invest up to approximately 25% outside of US inflation indexed securities, and a duration of approximately 7-9 years. Accounts are benchmarked to the Citigroup Inflation Linked Securities Index or equivalent. The Citigroup Inflation-Linked Securities Index is a market weighted index comprised of US Treasury Inflation-Indexed Securities with fixed-rate coupon payments. To be eligible for inclusion, the minimum remaining maturity must be at least one year and the amount outstanding must be at least $5 billion. One cannot invest directly in an index.

Gross of fee performance results are presented before management and custodial fees but after trading commissions. Past performance does not guarantee future results.

Dispersion is the spread of asset weighted account returns around the average for the period, using standard deviation of the population.

Accounts that experience *cash inflows* greater than 20% of the total portfolio value at the beginning of the month will be removed from the composite until fully invested, but for no longer than 3 months. Accounts that experience *cash withdrawals* greater than 20% of the total portfolio value at the beginning of the month will be removed from the composite until liquidations and withdrawals are completed. Additional information about significant cash flows is available on request.

The composite name was changed from “Inflation Indexed Securities – Moderate Authority” to “Treasury Inflation Protected Securities” as of Dec. 31, 2007.

A complete list of composites and their descriptions is available on request.

The standard management fee for accounts with assets under management of up to $100 million is 0.15% per annum and 0.10% per annum on the balance. The minimum annual fee is $50,000. This fee example assumes a $10 million investment, 5% compounded annual return and the highest applicable fee charged.

	1 Year	5 Years
Balance Before Fees	$10,500,000	$12,762,815
Balance After Fees	$10,485,000	$12,671,912

Additional information regarding the firm’s policies and procedures for calculating and reporting performance returns is available upon request.

There are risks associated with the strategy. Investors should be able to withstand short-term fluctuations in the fixed income markets in return for potentially higher returns over the long term. The value of portfolios change every day and can be affected by changes in interest rates, general market conditions and other political, social and economic developments.

VII. Investment Guidelines

BROWN BROTHERS HARRIMAN

EXHIBIT C

INVESTMENT OBJECTIVES, GUIDELINES AND FEE AGREEMENT

The following investment objectives and guidelines shall apply to the portfolio(s) (the "Portfolio") of the San Mateo County Employees' Retirement Association (hereinafter referred to as the "Board") that are managed by (Manager Name) under the Investment Management Agreement dated (Date) (the "Agreement").

Pursuant to the provisions of the *Investment Policy* (the *"Policy"*) as incorporated as Exhibit A the Board will, from time to time, allocate Assets to the Investment Manager for investment in a Portfolio of domestic fixed income securities. The Investment Manager shall invest and reinvest such Assets within the Portfolio to which they were allocated and will segregate each allocation into individual accounts for reporting purposes. The Investment Manager may allocate any or all of the Assets to commingled funds, when it determines that it is prudent to do so. The Board, from time to time, may direct the Investment Manager to rebalance the allocations in accordance with applicable provisions of the *Policy*.

Investment Objectives

The Portfolio shall be treated as a tax-exempt portfolio. As a result, the tax consequences of individual transactions shall not be considered as part of the Investment Manager's purchase and sales decisions.

The primary objective of the portfolio will be current income and growth through moderate capital appreciation. Acceptable risk levels will be maintained through the use of mainly high-quality securities. Additional considerations governing investments shall include:

A. The Portfolio shall be invested and reinvested with the objective of performing better than the total rate of return of the Merrill Lynch US TIPS Index.

B. The portfolio duration limit shat be +/- 1.0 year relative to the benchmark

C. The minimum average credit quality shall be AA or Aa

D. Reasonable diversification should be maintained subject to reasonable limitations on the number of total holdings.

E. Guidelines for the Portfolio of Assets to be managed by the Investment Manager are set forth below. The Board has independently evaluated and approved the investment objectives and guidelines and determined that investment of the Assets and the Portfolio in accordance with the investment objectives and guidelines is suitable for *SamCERA*.

Security/Sector Level	Acceptable	Maximum Maturity/ Avg. Life	Maximum Exposure (%MV)	Minimum Credit Quality	Comments
U.S. Government Obligations:	**Yes**	**30 years**	**100%**	**N/A**	
U.S. Treasury Inflation-Indexed Securities	Yes	30 years	100%	N/A	
U.S. Treasury Notes/Bonds (Nominal)	Yes	30 years	20%*	N/A	
Federal Agency Inflation Indexed Securities	Yes	30 years	20%*	AAA or Aaa	Maximum 5% per issuer
Federal Agency Nominal Securities	No	N/A	N/A	N/A	
Federal Agency MBS (Pass-through)	No	N/A	N/A	N/A	
Corporate Obligations:	**Yes**	**30 years**	**N/A**	**N/A**	
Investment-Grade Inflation-Indexed	Yes	30 years	20%*	BBB or Baa3	Maximum 5% per issuer
Investment-Grade Nominal Securities	No	N/A	N/A	N/A	
Non-U.S. Inflation Indexed	**Yes**	**40 years**	**20%***	**BBB or Baa3**	Sovereign Only (currency hedge) Maximum 5% per issuer Country must be in Salomon WGBI Index
Money Market Securities	**Yes**	**30- days**	**10%**		
Treasury Bills	Yes	30- days	10%	N/A	
Repurchase Agreements	Yes	30- days	10%	N/A	U.S. Treasury Collateral Only
Time Deposits	No	N/A	N/A	N/A	
Certificates of Deposit	No	N/A	N/A	N/A	
Commercial Paper	No	N/A	N/A	N/A	
Asset-backed Securities	**No**	**N/A**	**N/A**	**N/A**	
Auto Receivable	No	N/A	N/A	N/A	
Credit Card Receivables	No	N/A	N/A	N/A	
Equipment Loans	No	N/A	N/A	N/A	
Student Loans	No	N/A	N/A	N/A	
Rate Reduction Bonds	No	N/A	N/A	N/A	
Other	No	N/A	N/A	N/A	
Home Equity Loans/LOC	No	N/A	N/A	N/A	
Commercial Mortgage-Backed Securities	**No**	**N/A**	**N/A**	**N/A**	

* Nominal bonds (other than Cash Equivalents), corporate inflation-linked bonds, Federal Agency inflation-linked bonds, and non-U.S. (Sovereign) inflation-linked bonds in aggregate shall not total more than 20% of the portfolio's market value at any time.

Derivatives

Derivatives may be used in the portfolio for hedging purposes or to capture break-even spread change only.
Derivatives may not be used to introduce leverage into the portfolio or to establish a position in a sector/security that is expressly prohibited by these guidelines

Derivatives Guidelines	Acceptable	Maximum Term	Maximum Notional Exposure (%MV)	Minimum Counterpart Credit Quality	Comments
Derivatives – Total	**Yes**	**N/A**	**20%**		For hedging or to capture break-even spread change only
Futures	Yes	N/A	10%	N/A	
Options	No	N/A	N/A	N/A	
Interest Rate Swaps	No	N/A	N/A	N/A	
Total Rate of Return Swaps	No	N/A	N/A	N/A	
Currency Forwards	Yes	90-days	20%	N/A	
Credit default Swaps	No	N/A	N/A	N/A	

VIII. Economic & Financial Markets Outlook

- Restructuring and recuperation remain the secular themes in the U.S. that will keep growth below its long-term potential for an extended period.
- European debt problems have not been resolved, and are likely to get worse, as fiscal austerity undermines growth.
- A new playbook is being written in the Middle East, but not yet in the countries that matter most.
- Broken export-driven business models in many EM countries will inevitably give way to a rebalancing of economic priorities around the world. The “China Story” is not without its challenges.

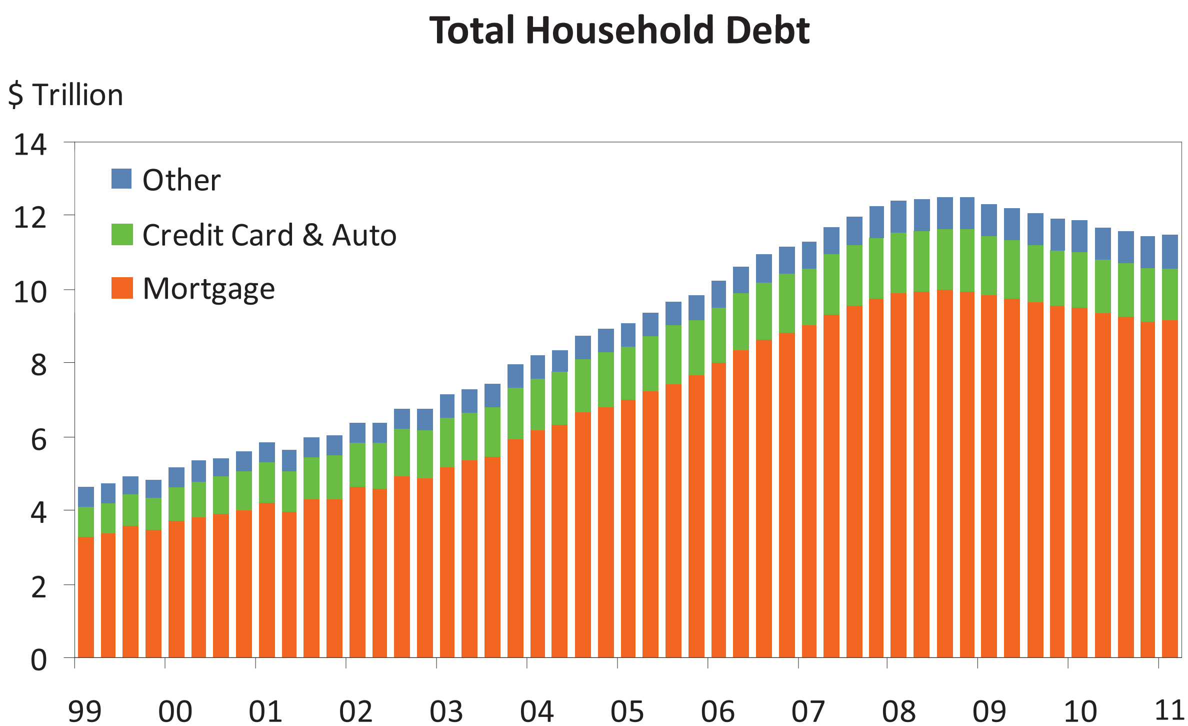
Key BBH U.S. Expectations

BROWN BROTHERS HARRIMAN

- U.S. households are in the midst of a multi-year restructuring of their finances, leading them to lift savings, reduce debt levels, and spend cautiously. This cannot, and will not, happen quickly.
- After the heroics of 2008-2009, there is little that government policy makers can do to accelerate these adjustments.
- Business decision makers understand these trends and are therefore guarded in their hiring and spending, leaving unemployment painfully high for an extended period.
- Stronger growth in developing markets is providing a boon for U.S. exporters, but not sufficiently to offset the drag from curtailed growth in consumer spending.
- Inflation in the U.S. is largely driven by labor market developments, not commodity prices. Persistently high unemployment will keep wage and inflation pressures moderate.
- Emergency monetary policy is no longer required, but the Fed is feeling no pressure to tighten policy soon.

Restructuring and Recuperation In the U.S.

Brown Brothers Harriman



Data as of Q1 2011
Sources: Federal Reserve and BBH Analysis

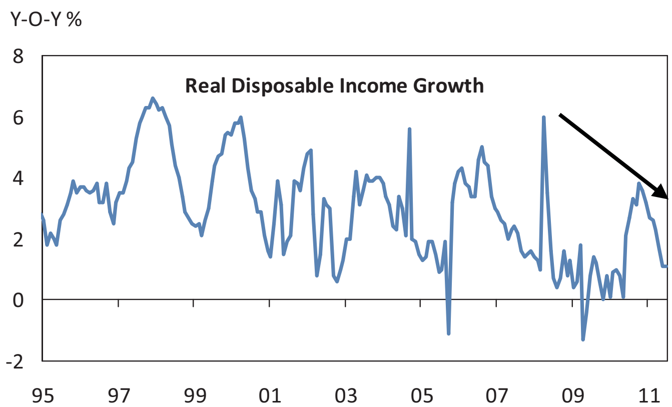
- Deleveraging remains the big story among consumers… and it will be a persistent headwind for some time to come.

Restructuring and Recuperation In the U.S.

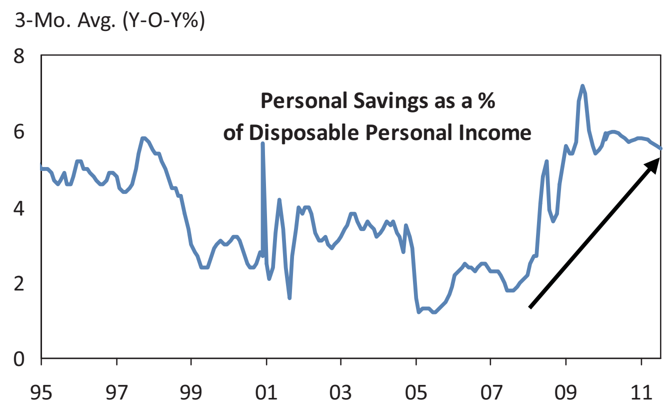
Brown Brothers Harriman

- An unambiguous and serious shift in household behavior has been underway…

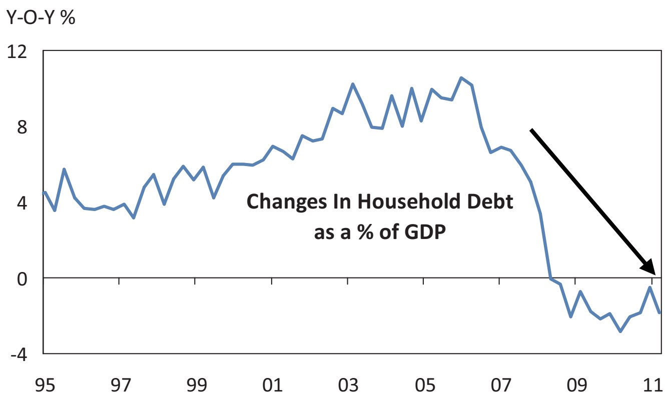
Income Growth Remains Anemic…



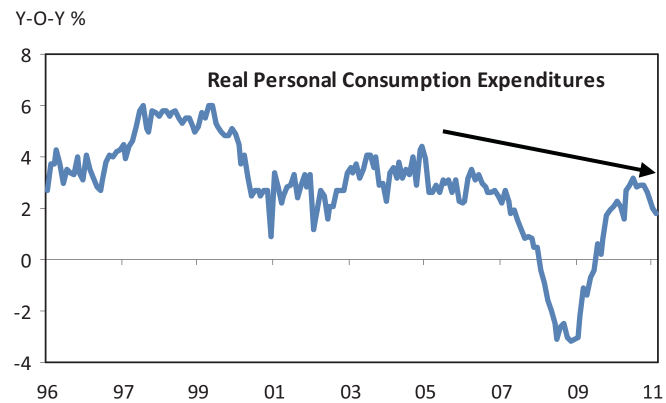
…While Consumers are Saving More…



…Paying Down Debt…



…Leaving Less Available for Consumption

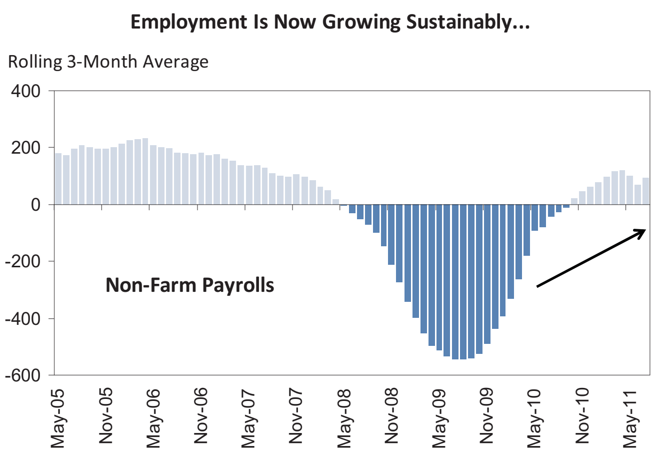


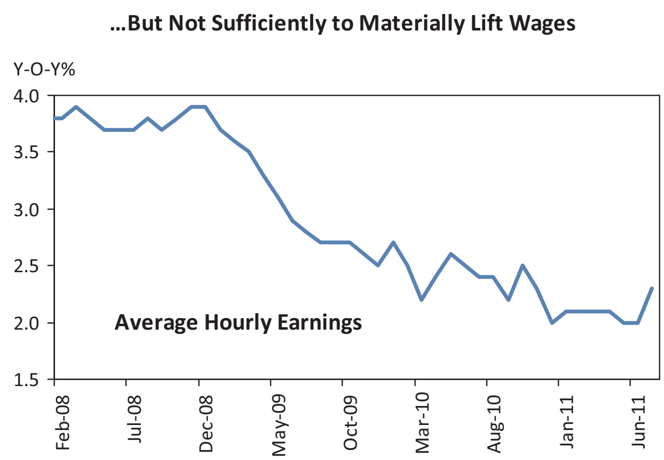
Sources: Bloomberg and BBH Analysis

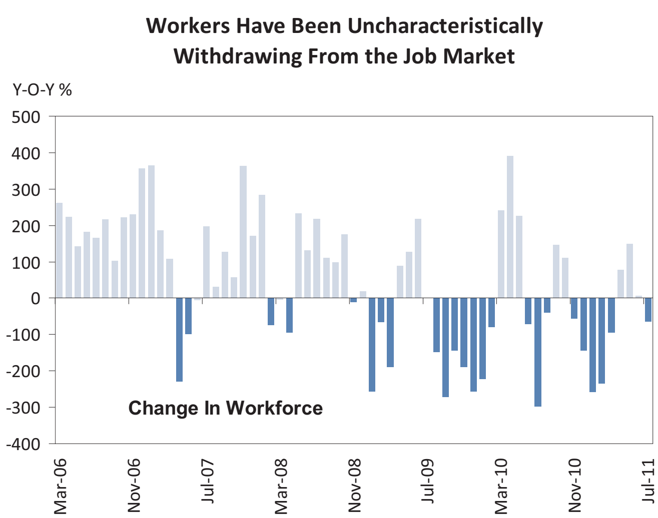
- …which will lead to continued cautious consumer spending.

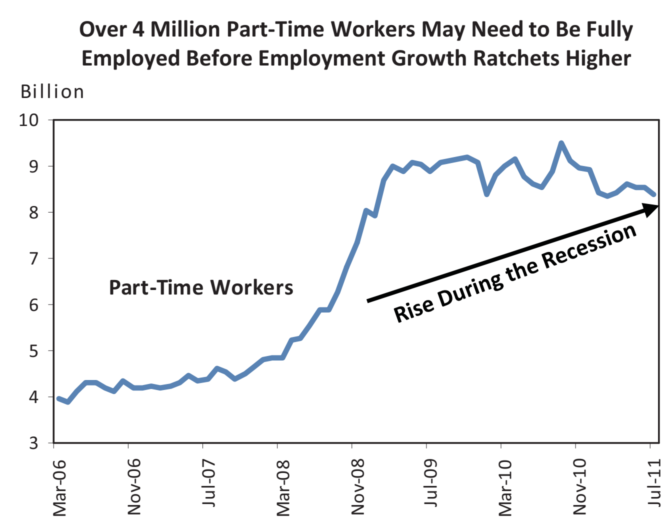
Labor Market Woes Remain Serious

- Job growth has not been fast enough to sustainably lower unemployment or lift wages.









Sources: Bloomberg and BBH Analysis

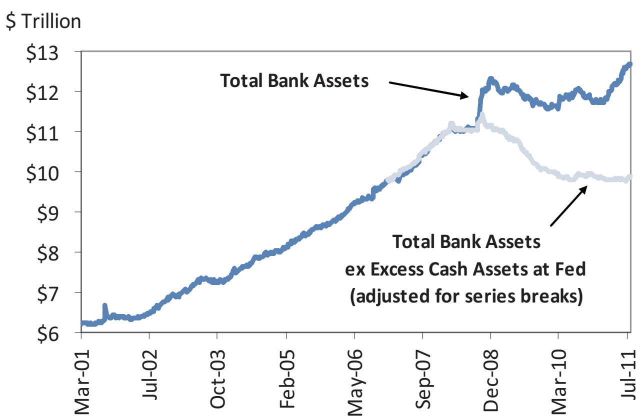
- Inflation pressures are unlikely to build with so much unutilized labor capacity.

Is Monetary Policy Ease Working?

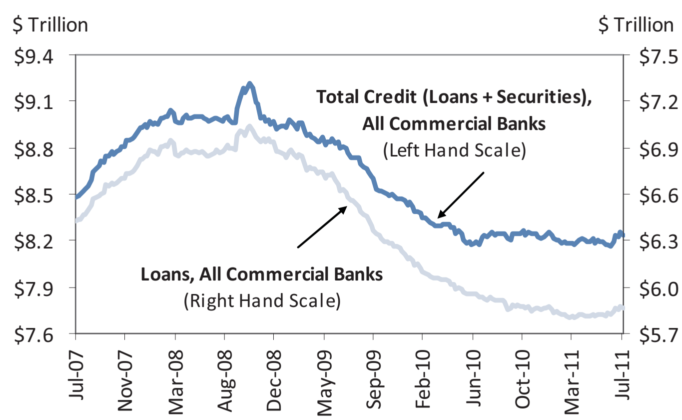
BROWN BROTHERS HARRIMAN

- The Fed's zero interest rate policy, and its nearly $2 trillion of security purchases, have allowed the Fed to achieve its primary goals of:
  - Promoting a self-sustaining economic expansion
  - Preventing deflation
  - Lifting stock prices
- Easy monetary policy should also be inducing banks to expand their balance sheets (↑ loans and/or ↑ security holdings) – but they haven't.

Bank Assets Are Not Growing Excluding Fed-Engineered Holdings…



…As Securities Purchases Barely Keep Pace With Shrinking Loans



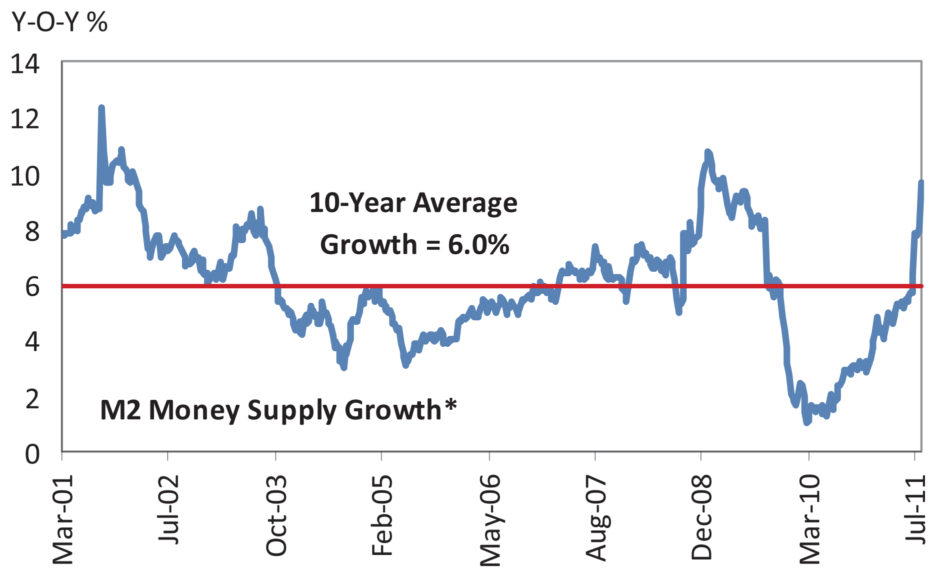
Sources: Federal Reserve and BBH Analysis

- Outstanding loans continue to decline, and banks are not adding to security holdings in sufficient size to overwhelm their loan shrinkage.
- There is no political consensus for QE3, but the Fed may pursue other measures, including:
  - Extending the duration of its securities portfolio
  - Lowering the rate it pays on bank reserves

BROWN BROTHERS HARRIMAN

- Without banks more willing to expand credit, and without significantly higher loan demand on the part of private sector borrowers, the impact of easy monetary policy will be limited.

Money Supply Growth Improving, But Still Slow



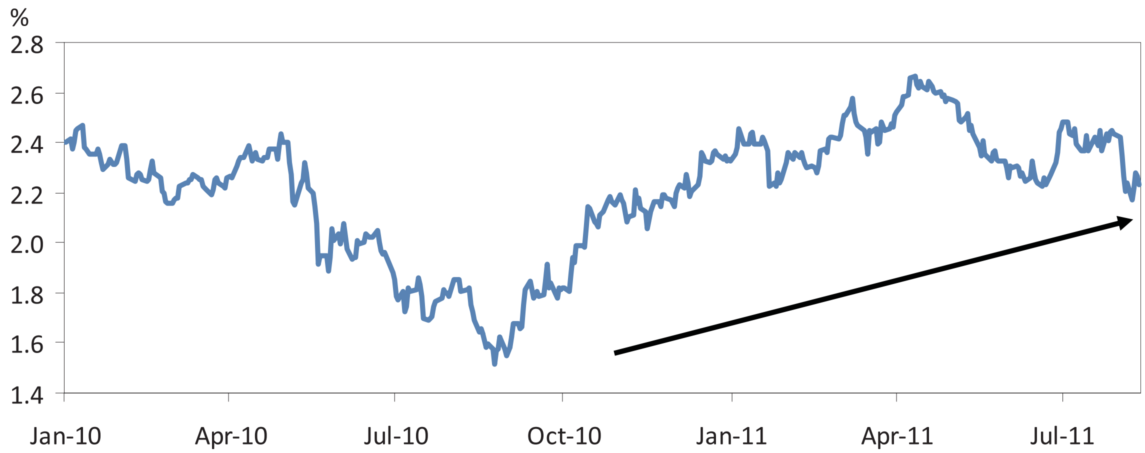
Sources: Federal Reserve and BBH Analysis

- A cautious credit cycle is most evident in slow money supply growth which remains subdued (4.3%) compared to long-term averages (6.4% growth over the 10 years preceding the credit crisis).

* Demand deposits + savings and other time deposits

- Actual rates of inflation should remain tame, but inflation expectations may continue to rise with hyper-easy monetary policy in place for the foreseeable future.

Long-Term Inflation Expectations On the Rise*



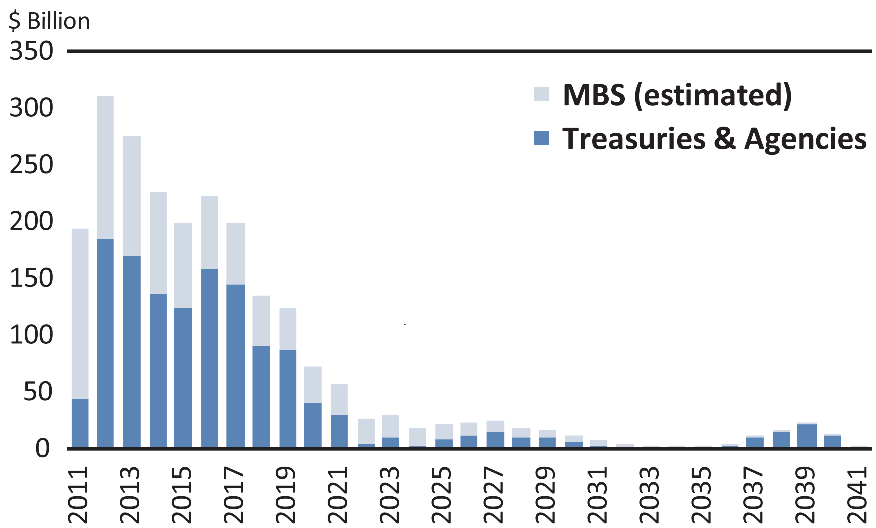
* 10-Year Breakeven Inflation Rate
Sources: Bloomberg and BBH Analysis

BROWN BROTHERS HARRIMAN

U.S. Fixed Income

- The Fed has now confirmed that hyper-easy monetary policy will remain in place until mid 2013.
- QE2 has ended, but…
- …QE 2.5 – where the Fed rolls over maturity proceeds into new Treasuries – will continue to provide Treasury market support.

Projected Fed Asset Portfolio Maturities



Sources: Federal Reserve and BBH Analysis

- Credit-oriented strategies — municipals and corporates — should continue to outperform.

Equities

- Aggressive monetary easing regimes should continue to be supportive for stocks.
- Stock market returns have closely followed historical patterns.

Bear Market Loss			S&P 500 % Gain		Real GDP 4Q % Change	
Low	% Decline	Duration (months)	First 12 Months	Second 12 Months	First 12 Months	Second 12 Months
AVERAGE	-33.9%	18	37.7%	10.0%	1.9%	5.1%
Mar-09	*-57.0%*	*17*	*71.8%*	*17.8%*	*2.5%*	*2.3%*

Not indicative of future returns
Sources: Bloomberg and BBH Analysis

- Price/earnings ratios are below average and profit growth should remain strong.

Key Asset Allocation Strategic Views

Brown Brothers Harriman

- Easy monetary policy should continue supporting risk-oriented asset classes.
- Equity valuations are not high, and we expect stocks to outperform bonds over the intermediate term.
- Bond returns are below average, challenged by low starting yields, and eventual normalization in interest rates.
- Income-oriented Real Estate is an attractive (but illiquid) enhancement to conventional Fixed Income strategies.

European Sovereign Debt: Is There a Way Out?

Brown Brothers Harriman

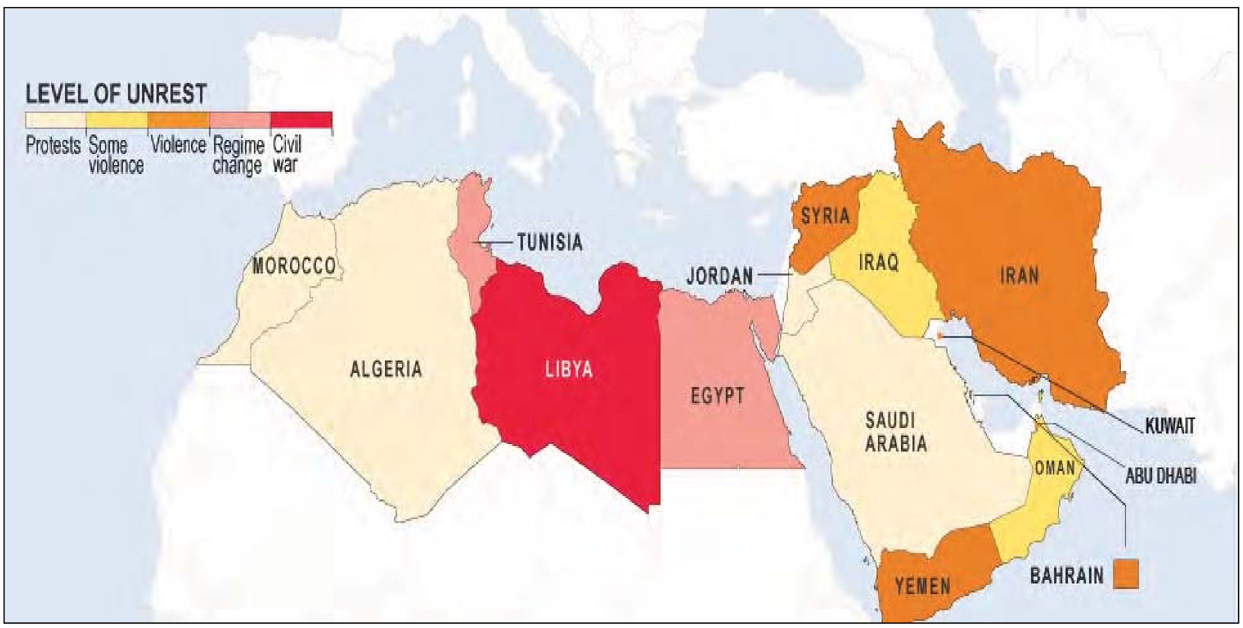
- “Drop Out”
- “Tough It Out”
- “Grow Faster”
- “Give Up and Restructure”
- “Pan-European Guarantees”

Europe: Major Long-Term Headwinds

BROWN BROTHERS HARRIMAN

- GDP growth will likely be 0.5%-1.5% into the future.
- Core inflation will likely remain quite low in a weak growth environment…
- …But monetary policy is being tightened in the face of higher headline inflation.
- The Euro has lost its budding reserve currency status, but it is supported by the prospects of higher rates.

Middle East: A New Playbook Being Written



Sources: New York Times and BBH Analysis

Middle East: A New Playbook Being Written

BROWN BROTHERS HARRIMAN

Intra-Regional Similarities

- Oppressive, Non-Democratic Regimes
- High Birth Rates – Young Population
- Poor Economic Prospects – High Unemployment
- Constrained Flow of Capital

Middle East: A New Playbook Being Written

Intra-Regional Differences

- Sunni/Shiite Dominance
- Tolerance For Unrest
- Government Wealth Levels
- Western Alliances

Middle East: A New Playbook Being Written

Brown Brothers Harriman

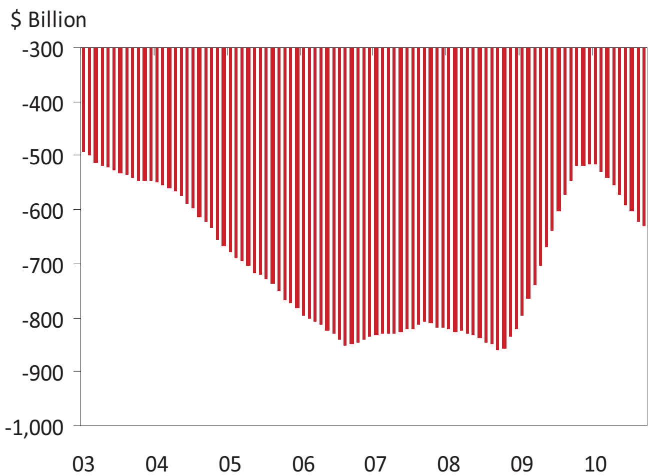
Near Term Expectations:

- Unrest is not likely to topple governments in the countries that globally matter – Saudi Arabia, (12%), Abu Dhabi, (3%), Kuwait, (3%), Iraq, (3%)
- Libya (2%) is not as globally important
- Bahrain is strategically very important to the U.S. and Saudi Arabia – Syria is not
- Iran (5%) is the biggest wildcard

Note that numbers represent percentage of world oil supply

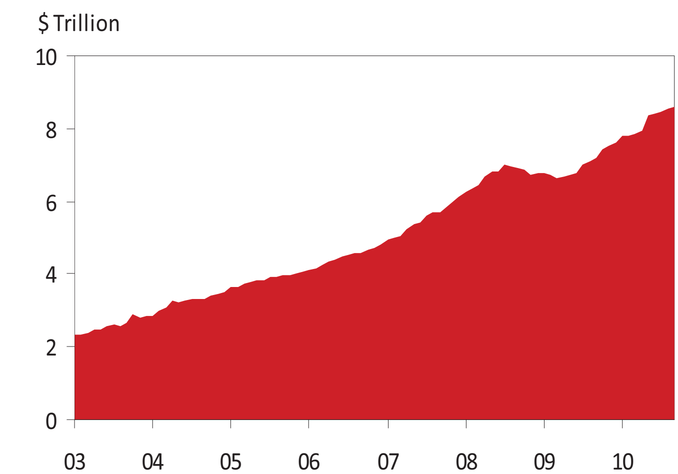
The Pre-Crisis Global Business Model

U.S. Trade Balance



Sources: Bloomberg and BBH Analysis

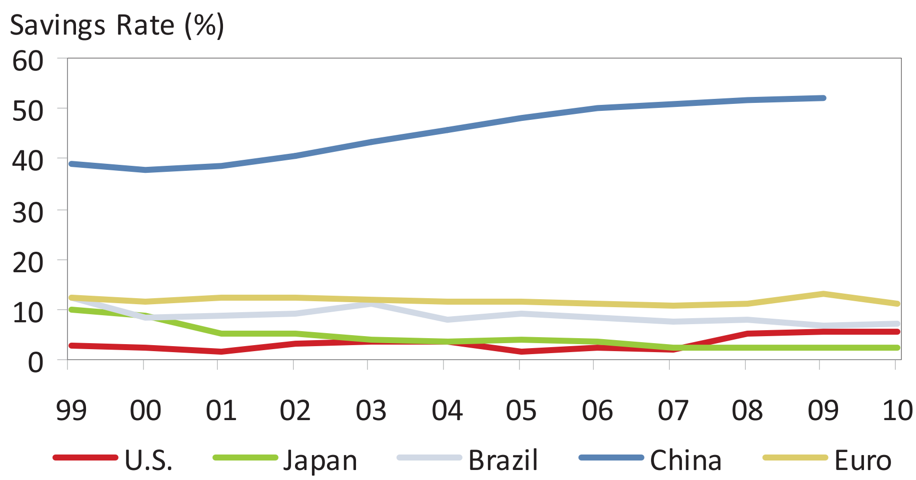
Foreign Government $ Reserves



Sources: Bloomberg and BBH Analysis

- Over the last two decades, the West has served the role as the global net consumer, while the East has served the role as the global net producer. If the West is now consuming at a slower pace, which means import growth will naturally subside, then the export-oriented business model of the East needs to change, supplanted by internal sources of growth to sustain its rapid economic advances.
- Economic history tells us that the path to a consumption-driven economic model only takes place over long periods of time, and only when accompanied by the implementation of social safety nets so that households feel more secure to save less and spend more.
- Safety nets (social security, private pensions, unemployment and medical insurance) do not exist in China, so it is perfectly understandable why savings rates have been above 50%. We would not be surprised to see significant new initiatives to support a more consumer-driven economic model when China announces its new five-year plan.

No Safety Nets = High Savings Rate In China



Sources: Bureau of Economic Analysis, Eurostat, OECD, IMF, and BBH Analysis

BROWN
BROTHERS
HARRIMAN

SamCERA's ANNUAL REVIEW QUESTIONNAIRE

Brown Brothers Harriman – Treasury Inflation Protected Securities (TIPS)

I. ORAGANIZATIONAL BACKGROUND & GENERAL INFORMATION

1. Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.

In 1818, the merchant bank of Brown Brothers & Co. was founded in Philadelphia and by the mid-19th Century, it had firmly established itself as one of the major financial firms in America. In 1882, Brown Brothers & Co. became a member of the New York Stock Exchange and remained a member until demutualization in 2006. Through that time, BBH was the only commercial bank with a direct membership on the New York Stock Exchange and other principal U.S. exchanges. By the 1920s, Brown Brothers began providing portfolio management services. In 1931, Brown Brothers & Co., Harriman Brothers & Co., and W.A. Harriman & Co., Inc. were combined under the name Brown Brothers Harriman & Co. to form our present organization.

Through five integrated businesses - Investment Management, Wealth Management, Banking, Advisory, and Investor Services - we serve a diverse group of clients worldwide.

As a private firm, we are unable to share data regarding revenues and profitability. However, we are extremely proud of our record of steady revenue and profit growth over the 193 year history of our firm.

2. Describe the firm's ownership structure, including a list of individuals or entities with at least 5% ownership, the total number of active employee owners and their aggregate level of ownership.

BBH occupies a unique position in the financial community. We are 100% owned and managed by 41 general partners, who are both collectively and individually responsible for the firm's policies and management. General partners carry unlimited liability for the firm's obligations and they take an active role in the day-to-day management of our business. No single partner owns more than 10% of the firm. As a private firm, we do not disclose the percent ownership of individual partners.

3. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

Our business development strategy emphasizes taking a scalable approach, achieving fees that are reflective of what we believe to be a more compelling value proposition, diversifying our business development effort across multiple channels, and assisting our clients/prospects in meeting their critical investment goals.

Over the next five years we expect compounded organic growth in our Investment and Wealth Management businesses of approximately 10-15% per annum. This targeted/managed rate of growth appropriately balances the needs of our existing client base with the competitive realities that we face.

Senior management has concluded that the client types that offer the strongest growth prospects are: pension funds, endowments and foundations, insurance companies, family offices, central banks, sovereign wealth funds, corporate treasury, and ultra high net-worth private clients. New products offered to these markets will be built on the foundation of our existing core competencies so as not to be dilutive.

4. Describe your succession and continuity plans for management of the firm.

In general, younger partners are accumulating ownership over time while tenured partners are reducing their ownership. This process of "recycling" capital has been successfully in place for almost 200 years, providing for consistent growth of the capital base at the same time it provides for a smooth ownership transition from generation to generation.

5. List all significant firm-wide personnel changes in the past three years.

Departures generally do not have a significant or lasting adverse impact on the level of investment performance or risk management achieved by the team. On all levels throughout the firm (partners, senior management, professionals and administrative) we employ a team approach, which minimizes the impact of any single departure.

Over the past 3 years, there has been only one departure of a senior manager or investment professional that would be relevant to this assignment. Bob Gould, Head of Investment & Wealth Management, retired from the firm as of year-end 2010 after 30 years of service. He remains affiliated with the firm as a Limited Partner. Bob was succeeded by veteran BBH Partners Rick Witmer and Charlie Izard.

6. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in $US millions, as of the most current quarter end.

Product Type	AUM as of 6/30/11
Alternative Investment	671,838,662
Balanced	9,730,801,102
Core/Intermediate	9,090,151,261
Equity	5,431,967,159
Inflation Indexed	6,546,953,249
Municipals	3,157,688,634
Short Duration	8,194,217,444
Total	**42,823,617,511**

Client Type	AUM as of 6/30/11
Banks/Financial	10,316,110,182
Corporate	5,287,674,891
Endowments/Foundations	1,660,094,209
Healthcare	330,439,787
High Net Worth	12,536,919,164
Insurance	4,804,748,395
Mutual Fund	6,262,879,027
Public	1,624,751,854
Total	**42,823,617,511**

As of June 30, 2011, BBH's Institutional Investment Management & Wealth Management divisions had a combined total of $42.8 billion in assets under management. For GIPS purposes, the Firm is defined as Brown Brothers Harriman Institutional Investment Management, whose total assets under management are $28.8 billion as of June 30, 2011.

7. **Provide the number of clients gained or lost and assets gained or lost in *SamCERA's* strategy over the past eighteen months.**

Between 1/1/10 and 6/30/11, we gained 3 TIPS accounts with assets that totaled $138 million. In addition, we launched a new collective investment trust that mirrors our primary TIPS strategy. That fund received initial funding from new investors of over $30 million. The total gain in new assets exceeded $168 million. Over the same period we lost 2 TIPS accounts with assets that totaled $34 million.

Generally, account losses are due to a variety of reasons including asset reallocation, performance, liquidity needs, or a change in the client's investment time horizon.

Since June 30, 2011, our TIPS assets under management increased by over $675 million from one new relationship and a significant addition from an existing client.

II. INVESTMENT TEAM

8. Attach an organizational chart encompassing the group(s) responsible for managing *SamCERA's* strategy.

9. Identify the key individual(s) who are responsible for managing the strategy and describe their respective role(s) and experience. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing *SamCERA's* strategy.

Jeffrey A. Schoenfeld – Partner, Co-Head of Fixed Income Management
27 years of investment experience – Directly involved in the management of BBH TIPS since the market's inception in 1997
Joined BBH&Co. in 1984. Previously employed by Bank of America.
Educated at University of California, Berkeley, BA; The Wharton School of The University of Pennsylvania, MBA.

Radford W. Klotz – Partner, Co-Head of Fixed Income Management
34 years of investment experience.
Joined BBH&Co, in 1977.
Educated at University of Virginia, BA.

Gregory S. Steier – Managing Director, Director of Fixed Income Portfolio Management
19 years of investment experience – Directly involved in the management of BBH TIPS since the market's inception in 1997
Joined BBH&Co. in 1992.
Educated at New York University, BS; New York University, MBA.

Andrew P. Hofer – Managing Director, Head of Fixed Income Research
23 years of investment experience.
Joined BBH& Co. in 1988.
Educated at Yale University, BA, Columbia University School of International and Public Affairs, MIA

James J. Evans, CFA – Senior Vice President, TIPS Portfolio Manager
26 years of investment experience – Directly involved in the management of BBH TIPS since the market's inception in 1997
Joined BBH&Co. in 1996. Previously employed by Lazard Freres and Fleet Investment Advisors.
Educated at University of Delaware, BS; New York University, MBA.

Jorge G. Aseff, PhD – Quantitative Research - TIPS
7 years of investment experience.
Joined BBH&Co. in 2005. Previously employed by Morgan Stanley and DePaul University's Kellstadt Graduate School of Business.
Educated at Arizona State University, MS; PhD.

Douglas R. Mark – Sector Manager - Treasuries/Agencies/TIPS
8 years of investment experience.
Joined BBH&Co. in 2004. Previously employed by State Street Corporation.
Educated at Boston University, BS.

All members of the Fixed Income Team listed above (with the exception of James Evans) maintain responsibilities for our broader Fixed Income product offerings and business.

10. E-mail biographies for each of the individuals named in response to the above question to gclifton@samcera.org.

Please refer to the answer to question #9.

11. Identify the named portfolio manager(s) who is responsible for *SamCERA's* specific portfolio.

James Evans is the lead portfolio manager for SamCERA's specific portfolio.

12. List all significant personnel changes to this strategy in the past three years.

None

13. Provide an overview of the compensation structure for the investment professionals involved in managing the strategy. In addition, specifically discuss any employment contracts or other retention mechanisms related to those individuals.

Salaries, bonuses and opportunities for advancement form the elements of BBH's compensation program for all employees. We review salaries at least once a year, taking into consideration such factors as firm and individual performance, as well as comparative industry pay levels and changes in inflation. We participate in many industry-wide surveys to determine the competitiveness of our base salary and incentive pay programs within the industry. Performance-related bonuses are awarded separately after the end of the calendar year and represent a significant (50%-200% of salary) portion of senior professionals' compensation. The most important criterion for portfolio manager, sector manager, and research analyst bonus awards is (mark-to-market) performance contribution to total returns for clients. Relationship managers are evaluated on a range of criteria including effectiveness of client service and business generated from new and existing accounts.

BBH also offers a discretionary profit sharing plan available to all employees. In addition, compensation for leveraging existing business within investment management or for cross-selling other BBH services are reflected in a manager's bonus. BBH has also instituted a Special Award Program that rewards all investment management employees for introducing new client relationships and expanding assets under management.

There are no investment professionals involved in an employment contract or other retention mechanism with Brown Brothers Harriman & Co.

14. Describe your succession and continuity plans for the management of the strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Our fixed income investment process is based on a team approach that reduces the reliance of any one individual. We pool the talents of our portfolio managers, sector managers, and research analysts, and this team approach ensures our clients of both management continuity and consistency of decision making in the event of an individual departure.

15. Are any of the investment activities or administrative services associated with the strategy fully or partially outsourced to third-party service providers? If so, please list each firm and describe their respective roles. Are any of these firms considered affiliates of your firm?

All investment activites and administrative services are provided by Brown Brothers Harriman & Co.

III. INVESTMENT STRATEGY & PROCESS

16. Describe your overall investment philosophy and approach as it relates to the strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

- **We are value investors:** We believe prices often overshoot fundamentals, and we seek to exploit mispricing created by short-term volatility.
- **We invest with a margin of safety:** Mispricing gives us the opportunity to purchase investments at discounted valuations; i.e., an added margin of safety. When attractive valuations are not available, we maintain cash, Treasury or other liquid reserves.
- **We aim to preserve capital through independent research**: We are committed to deep fundamental research and have made it the foundation of our investment process. We commit capital only to durable, transparent, well-managed and appropriately structured investments.
- **We take a long-term approach:** In some cases, the market will not recognize the additional value in a bond prior to maturity. Therefore, we invest with a long-term approach, employing discipline, patience, and an ownership perspective.
- **We let value opportunities drive portfolio construction**: Our security selection and sector weightings build "bottom-up" from the depth and availability of attractively-priced opportunities, not "top-down" from benchmarks, ratings, or macro-thematic views.
- **We foster a culture of transparency, process discipline, and open debate:** We believe these principles, supported by tools such as check-lists and clear evaluation criteria, lead to greater objectivity and better decisions.

Publicly available economic and bond market data provide the rudimentary inputs for our proprietary models. Through our modeling processes, we endeavor to create unique sources of information from which we predicate our relative value judgments. Our modeling processes seek to reveal deviations from equilibrium between:

Real economic activity and real interest rates
Real vs. nominal yield curves
Real yield curve slope vs. inflation and monetary policy expectations
Individual inflation-indexed securities pricing

Our TIPS philosophy began – and remains - a "pure play" strategy, as we seek to add value above passive approaches by focusing our active management *within* the TIPS market. As the market has developed over its 14-year life, we have broadened our active strategies to capture a range of fundamentally-based and technically-based opportunities present in the inflation-indexed securities market. When allowed, we will also occasionally include Non-U.S. Sovereign Inflation-linked securities, always on a fully hedged basis, to complement U.S. TIPS opportunities. What has remained consistent over the life of this product is our strict adherence to the size and diversification of the product's overall risk budget. Any strategy alterations have been relatively minor and have not resulted in large and/or abrupt changes in the excess return stream.

For TIPS portfolios, the strategies that we employ to capture anomalies and inefficiencies fall into three broad categories, including:

Fundamental Strategies

Duration Management: We will adjust the real yield duration of the portfolio, typically by no more than +/- one year relative to benchmark, based upon fundamental judgments and signals from our proprietary multi-factor macroeconomic valuation model.

Yield Curve Management: We will alter the term structure of the portfolio based on an observed lag that exists between the reshaping of the real yield curve relative to an earlier reshaping of the nominal yield curve. Within the inflation-indexed sector, we have used the econometric technique of co-integration to develop a model of the slope of the real yield curve relative to the nominal yield curve, taking into account time-varying inflation expectations. This work assists in the determination of the optimal maturity structure in our inflation-indexed portfolios.

Technical Strategies

Auction Cycle Trading: We will alter the term structure, real yield duration, or break-even position of the portfolio to take advantage of supply/demand imbalances that typically occur around auction periods.

Security Selection/Roll-Down: We use proprietary analytics to identify a sub-set of securities with superior risk and return qualities relative to the benchmark. To the extent possible, we will use securities identified in this analysis to express the biases of our other six primary strategies.

Seasonal vs. Non-Seasonal CPI: We will position the portfolio (duration and term structure) to take advantage of the regular seasonal pattern of non-seasonally adjusted CPI (the inflation-adjustment factor for TIPS).

Deflation Floor Valuation: TIPS securities mature at par or the accrued value adjusted for CPI inflation, whichever is higher. This unique quality creates a "deflation floor" value that is different from bond to bond. We use our propriety modeling to value this deflation floor option and will overweight and underweight individual bonds accordingly.

Opportunistic Strategies

Nominal Bond Arbitrage: We will make tactical shifts into and out of nominal bonds based on our assessment of relative value between inflation indexed securities and nominal bonds.

Non-U.S. Inflation Indexed Securities: We will make tactical shifts into and out of non-U.S. inflation indexed bonds, typically on a fully-hedged basis, based on our perceived relative value differential between these assets.

Importantly, many of these active strategies are unique to the TIPS market, they are independent of each other, and they are independent of the other active strategies that are often pursued in nominal bond portfolios. We are very proud to report that every one of these active strategies has added return over the 14-years of our TIPS management.

17. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

Combination – Please see answer to question #16.

18. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other TIPS managers?

The BBH TIPS investment process has three essential components: idea generation, research, and implementation. Using expected returns over an appropriate time horizon, we use proprietary analytics to highlight areas of potential market opportunities. Publicly available economic and bond market data provide the rudimentary inputs for our proprietary models. Through our modeling processes, we endeavor to create unique sources of information from which we predicate our relative value judgments. Please see our answer to question #16 for a description of our unique strategies.

Our competitors in this product category often pursue Core and Core Plus sources of alpha for their TIPS product. Our unique alpha sources fit with a "pure play" approach and are diversifying relative to the Core/Core Plus alpha sources that are assumed to exist elsewhere in your fixed income portfolio.

Within the TIPS asset class, our value proposition is unique. Since the inception of our product in 1997, we have delivered peer group leading excess return (+50 annualized bp), low tracking error (58 bp) and an information ratio (0.85) that makes a very powerful case for our brand of active management. Additionally, we have managed to deliver positive excess returns in 129 out of 138 rolling 3-year periods since the inception of our TIPS product.

19. Describe the investment universe for the strategy, including the types of securities utilized. Within this universe, are there any subsets that could be characterized as the primary focus?

The investment universe for this strategy is the full maturity spectrum of Treasury Inflation Protected Securities (TIPS). A typical TIPS portfolio at BBH holds 12 - 20 securities with at least 80% of the portfolio market value in U.S. Treasury TIPS themselves. Opportunistic investments may also include nominal U.S. Treasury securities and non-U.S. sovereign inflation-linked securities.

20. Provide an estimate of the approximate long-term breakdown of "alpha" for the strategy into the following main components:

a) Duration management: 15%
b) Yield curve positioning: 40%
c) Security selection: 20%
d) Other (please specify): 25% (SECTOR ALLOCATION)

21. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions.

Our Fixed Income portfolio management team is centrally located and managed from our New York headquarters. The investment decision-making team today includes 31 professionals and is organized around four key competencies; portfolio management, sector management, credit analysis and quantitative analysis. Our team approach is characterized by a shared and consistently applied investment philosophy that relies on a unique blend of rigorous quantitative analysis and reasoned fundamental judgments. The dedicated TIPS investment professionals listed in Question #10 have an average of 21 years of investment experience and average tenure at BBH of 19 years.

Please see the chart in our answer to question #8 for an overview of our research structure.

22. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process.

Please refer to the answer for question #16.

23. To the extent that tactical sector allocation shifts, duration management and other top-down "macro" bets are utilized, how are these components implemented? How do they interact with the more bottom-up aspects of your approach?

Please refer to the answer for question #16.

24. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Fixed Income Research is a team effort and includes quantitative, fundamental and credit analysis. Seventy-five percent of our research is conducted internally by our staff of quantitative, fundamental and credit analysts. On a monthly basis, our senior management convenes to discuss progress on existing research initiatives and potential research topics. Over the shorter-term, daily dialogues between research personnel and portfolio and sector managers help determine shorter-term research direction. The Head of Fixed Income Research allocates his team's resources based on a prioritization between these short- and long-term research objectives. Integrating independent research and proprietary BBH modeling allows us to capitalize on inefficiencies in the TIPS market. The remaining twenty-five percent of research is external sell side research.

25. Describe the decision making process, including the committees, groups or individuals ultimately responsible for trading decisions.

We do not employ a top-down Investment Committee structure. The role of macro-oriented and sector-directional ideas is minimized in our portfolio management process. We have observed that we have greater success with investments when we find misvaluation on an individual, fundamental basis, than when we attempt to predict the direction of spreads or the future flows of liquidity through the bond market (traditional Investment Committee responsibilities). Thus, our sector and sub-sector positions are derived entirely from where we are finding the best values as opposed to a top-down view that a particular sector is likely to do well.

The Managing Directors and Partner running fixed income, chair a weekly Strategy Review to discuss/debate the valuation of holdings and review model portfolio structures. Senior portfolio managers and analysts/traders participate in the weekly Strategy Review as experts in their respective sector and advocates for particular securities and strategies. The Strategy Review results in broad thematic views that are expressed across client portfolios to the extent allowed by individual client guidelines. Individual portfolio managers do not have latitude to construct individual portfolios that are inconsistent with group strategy.

26. Provide a brief overview of your portfolio construction process, including a discussion of how position size is determined and managed.

Publicly available economic and bond market data provide the rudimentary inputs for our proprietary models. Through our modeling processes, we endeavor to create unique sources of information from which we predicate our relative value judgments. Our modeling processes seek to reveal deviations from equilibrium between:

Real economic activity and real interest rates
Real vs. nominal yield curves
Real yield curve slope vs. inflation and monetary policy expectations
Individual inflation-indexed securities pricing

We employ a predominately research-driven, bottom-up approach to the full range of investment management decisions, from security selection to real interest rate anticipation. We estimate that the apportionment of resources and time to the bottom-up vs. top-down aspects of our management process is 70%/30%.

At the center of the portfolio construction process is our Strategy Review (See Answer #25). This group consists of senior investment professionals from portfolio management, sector management and research. The group has ultimate decision-making authority as it relates to key strategic investment themes in client portfolios. It manages a bottom-up approach to a *relative value driven strategy.* Its mandate is to formulate specific risk-adjusted return expectations for all potential active management positions relative to product benchmarks, based on the inputs from our credit, sector and quantitative research teams. We derive value from opportunities present within the full fixed income opportunity set.

The Group formulates a model portfolio structure, for an unconstrained TIPS portfolio, embodying the preferred collection of active management strategies. We scrutinize each existing and potential position on the basis of its expected risks and excess returns.

Once the model portfolio is created it is then passed on to the portfolio management team for construction of individual client portfolios. Portfolio managers have latitude to create substitute exposures when policy portfolio exposures are not actionable because of unique client restrictions. This stage involves a heavy degree of customization given the unique nature of individual client assignments.

Portfolio management teams consist of both market generalists and sector specialists who work together to determine the optimal conversion of the policy portfolio into an active portfolio which meets each specific client's objectives or constraints. This team approach allows full-time attention to both the science of constructing a portfolio and identifying the best values within different sectors and sub-sectors. We also believe that the team structure achieves superior, and more consistent, risk-adjusted returns for all discretionary portfolios.

Given the high sovereign exposures (and low credit exposures) in a typical TIPS mandate, position limits are generally not applicable. To the extent that credit risk is introduced into the portfolio, a proprietary issuer exposure matrix is applied. We manage client portfolios with a strict adherence to internal position limits. These limits set maximum permissible levels for credit-oriented products, including corporate and asset-backed securities relative to benchmark weights. We do not target a minimum exposure for securities in our portfolios. Position limits vary by credit quality and maturity. Shorter, high quality instruments have greater limits than longer, lower quality instruments. We implemented these limits in recognition of market event risk.

27. List applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

- We seek to outperform the Citigroup U.S. TIPS Index or equivalent by at least 50 basis points over full market cycles, with a volatility profile similar to that of the TIPS market.
- We manage the exposures that comprise the portfolio's risk budget in a diversified fashion, to avoid an over-dependence on any single strategy.
- A typical TIPS portfolio would have a risk budget deconstructed as outlined below:

Average Gross Exposure Range (Duration Contribution versus Citigroup U.S. TIPS Index)	0.50 – 1.50 Years

Achieved through:

Active Investment Decision	Objective	
Sector Allocation	25%	100%
Security (Issue) Selection	20%	
Yield Curve Management	40%	
Duration Management	15%	

28. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

The following events and circumstances activate our inflation-indexed securities buy/sell discipline:

- A change in our investment policy
- A material variance occurs between our expected and realized risk/return measures.
  1) Aggregate portfolio
  2) Individual security
- A stop loss/gain is triggered
- Better uses of the portfolio's risk budget appear

We do not apply hard stop loss controls in our portfolios. However, we complete performance attribution for our accounts on a daily basis and are constantly reviewing performance compared to expectations. Each active management exposure is monitored in terms of return and risk behavior relative to the expected level. These data are regularly provided to our Portfolio Managers. Positions exhibiting more (or less) favorable characteristics may then be either increased (or decreased) in size.

29. Regarding derivative securities:

a) Does the strategy involve investments in derivative securities?

Derivatives use is defined at the individual client level.

b) What percentage of the portfolio do derivative securities typically constitute?

Where allowed, the notional value of derivatives typically does not exceed 5% of the portfolio market value.

c) How does your analysis and process differ for these types of securities?

Where appropriate and when allowed within client guidelines, BBH utilizes derivative instruments to achieve more efficient management of our for fixed income portfolios. We use futures, options, and currency forwards to establish investment positions when it is more economical to do so than can be done in the cash market, or in instances when a desired instrument is not available in the cash market. Derivative are also used for hedging portfolio risk, for creating customized risk and return tradeoffs, or for constructing portfolios in the most economic way possible. In all cases, derivative positions are aggregated with cash market securities in the risk budgeting process. The two most prominent uses of derivatives in a BBH TIPS portfolio are as follows:

1) Currency Forwards – When Non-U.S. (Sovereign) Inflation-Linked bonds are purchased in a client portfolio, we use currency forwards to hedge the currency risk back to U.S. dollars.

2) Treasury Futures – When our modeling and fundamental analysis supports the view that break-even inflation rates are too low, we may sell Treasury Futures to create a short position in Nominal U.S. Treasuries.

30. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

We do not employ leverage in the management of our TIPS product.

31. Does the strategy employ short positions, in either cash bonds or synthetically using CDS, for "alpha" generation purposes? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

No, we do not employ short positions in the management of our TIPS strategy portfolios.

32. Describe any hedging activities pursued in the strategy, including what risks/exposures are typically hedged, instruments used and how your hedging activities add value.

Please refer to answer #29(c).

33. Regarding risk management:

a) List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

Given the high (Government) credit quality of a TIPS mandate, our risk management process defines risk as the volatility of portfolio returns relative to a TIPS benchmark (tracking error). We typically constrain our inflation-indexed bond product to a maximum ex ante tracking error of 100 basis points (normal range= 50-75 bp), a target consistent with our typical client's risk tolerance and return expectation. As a manager of customized mandates, we are prepared to increase/decrease ex-ante tracking error targets based on client preference. We typically operate within a duration band of +/- 1 year relative to a benchmark.

The benchmark provides a standard and unambiguous point of reference from which to measure and evaluate manager performance. The benchmark communicates an aggregate level of return and risk, as prescribed by the client. We carefully tailor our investment activities and apply our active strategies in line with our client's guidelines, and seek to achieve performance in line with our client's expectations and consistent with their asset allocation assumptions.

Portfolio risk is systematically measured and budgeted across all portfolio decisions (sector and security selection, real yield duration, yield curve, etc.) based on our forecast confidence, return and risk expectations, and experience. Risk is kept well-diversified across a number of individual strategies and exposures in order to reduce overdependence on any one strategy.

Given the full sovereign exposure in a TIPS mandate, position limits are generally not applicable, though we are always conscious of not representing too large of an ownership concentration in any single issue. When credit risk is introduced into a (non TIPS) client portfolio, a proprietary issuer exposure matrix is applied. We manage client portfolios with a strict adherence to internal position limits which are set at maximum permissible levels for credit-oriented products, including corporate and asset-backed securities relative to benchmark weights. We do not target a minimum exposure for securities in our portfolios.

b) Identify the person(s) or group primarily responsible for the risk management function.

Fixed Income Management has a dedicated Risk Manager, Kerin Rausch to assist with the groups ongoing risk management needs. Kerin Rausch has been with BBH for 20 years, with previous positions in the firm's Compliance and Corporate Governance groups.

c) Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

Our portfolio management activities take place within a well-defined system of checks and balances. We believe strongly in the concept of peer review, and we govern our business and account management activities with highly transparent policies. Our risk management, portfolio construction, research, trading, and compliance frameworks are constantly reviewed by the Firm's senior management.

Key Risk Management Measures and Processes

- Beta-weighted spread duration:
  - Risk-adjusted spread duration statistic that measures sensitivity to spread changes.
  - Applied based on quality, sector, and industry / collateral type.
  - Does not assume a correlation benefit between sectors.
  - Beta-weights can be raised above, but not lowered below long-term cyclical averages.

- Internal position limits:
  - Protect against unforeseen real or perceived deterioration in value.

- Weekly portfolio construction meetings:
  - Monitor that all discretionary mandates are consistent with strategic model portfolio.
  - Review changes in client circumstances.
  - Portfolio managers and traders explain account structuring variances.

- Monthly investment committee meetings:
  - Monitor execution statistics
  - Strategy Review
  - Update status of watch list / illiquid securities
  - Review vendor pricing

- Performance attribution:
  - Proprietary system designed to provide feedback on our investment activities.
- We seek to outperform the Citigroup U.S. TIPS Index or equivalent by at least 50 basis points over full market cycles, with a volatility profile similar to that of the TIPS market.

- We manage the exposures that comprise the portfolio's risk budget in a diversified fashion, to avoid an over-dependence on any single strategy.

- A typical client portfolio would have a risk budget deconstructed as outlined below:

Average Gross Exposure Range (Duration Contribution versus Citigroup U.S. TIPS Index)	0.50 – 1.50 Years

Achieved through:

<table>
<tr><th>Active Investment Decision</th><th colspan="2">Objective</th></tr>
<tr><td>Sector Allocation</td><td>25%</td><td rowspan="4">100%</td></tr>
<tr><td>Security (Issue) Selection</td><td>20%</td></tr>
<tr><td>Yield Curve Management</td><td>40%</td></tr>
<tr><td>Duration Management</td><td>15%</td></tr>
</table>

Additionally, Fixed Income Management has a dedicated Risk Manager, Kerin Rausch to assist with the groups ongoing risk management needs. Kerin Rausch has been with BBH for 20 years, with previous positions in the firm's Compliance and Corporate Governance groups.

34. Describe any key systems or tools that are used for credit research, default modeling, valuation, risk management, etc.

Credit Research

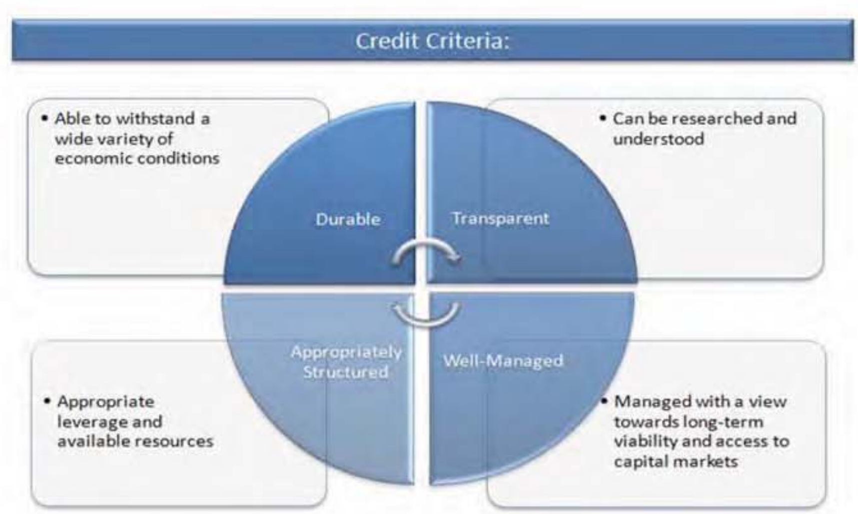
Sovereign Credit Research
BBH&Co. evaluates sovereign and banking system credit through a centralized research capability (International Risk Analysis and Administration, or "IRAA") that governs all of the firm's and our client's principal exposures. Our team of analysts evaluates countries, banking systems and individual banks and presents their recommended exposure limits to BBH's International Risk and Credit Committee (or "IRCC") for approval. This research covers all the developed countries that are liquid issuers of inflation-protected securities. For our managed portfolios where sovereign issues are eligible, we use these country evaluations to define the acceptable universe of sovereign credits. The Head of IRAA is also member of the Fixed Income Credit Committee. Our Fixed Income Credit Committee also take these reports to the Strategy Review Committee as inputs into relative valuation decisions for the purpose of expressing portfolio positions. Expectations of inflation and real rates across many countries are a central topic of discussion at the weekly strategy meeting.

While BBH does not include corporate credit risk in its TIPS portfolios, we maintain a robust, independent, proprietary corporate bond research effort to support our broader work in investment grade fixed income described below.

The Credit Research team, organized by industry segment, covers the full investment-grade securities landscape. The team provides portfolio recommendations by integrating credit fundamentals with market valuation. Ultimately, the Credit Research team is responsible for determining the list of approved fixed income issuers and securities from which the sector managers can choose.

Core Credit Principles
Our goal is to invest in issuers with:

• Financial models (and associated collateral) that are viable under a variety of economic scenarios, thereby mitigating default risk and improving potential recoveries.
• Management that takes a long-term, balanced view of protecting their entity's access to all capital markets.
• Obligors we fully understand and have independently researched and debt instruments whose terms and protections are clear and well understood.
• Debt that is unlikely to be subject to material price decline due to real or perceived deterioration in credit quality.
• Debt that we believe is attractively priced relative to instruments of comparable quality.



35. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

There have been no material changes to our TIPS investment strategy since the inception of the product in 1997.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

36. Identify the most appropriate benchmark for the strategy and provide a brief rationale.

Benchmarks used for managing TIPS mandates would be any of the following:

Citigroup Inflation-Linked Securities Index
Barclays Capital U.S. TIPS Index
Merrill Lynch U.S. Treasuries Inflation-Linked Index

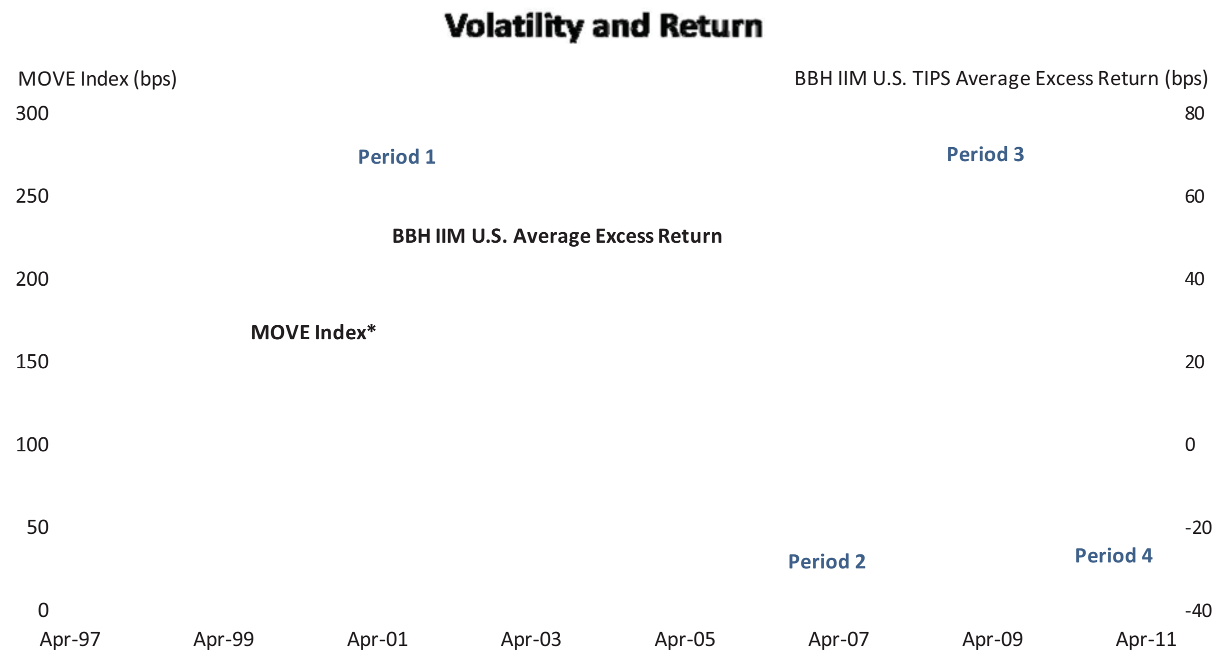
The indices appropriately capture the critical features and characteristics of the domestic inflation-linked market.

37. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy.

We seek to outperform the Citigroup Inflation-Linked Securities Index or an equivalent index by at least 25-50 basis points over full market cycles, with a tracking error of approximately 50-75 basis points. These targets are consistent with our typical client's risk tolerance and return expectation. We manage the exposures that comprise the portfolio's risk budget in a diversified fashion to avoid an over-dependence on any single strategy.

38. Discuss any periods during which the strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that would be considered abnormal.

Excess return generation in the BBH TIPS strategy has traditionally had a high correlation with market volatility. Specifically, periods of high market volatility have corresponded with excess returns above long term averages. Conversely, periods of low market volatility have corresponded with excess returns below long term averages.



* The MOVE Index is an index which captures option volatility for 1-month options on all On-The-Run Treasuries across the maturity spectrum.
Data as of June 30, 2011
Sources: Bloomberg and BBH Analysis

Period	Annualized Excess Return	Market Characteristics
Period 1	74	Young, inefficient market; significant volatility: active management opportunities were rich
Period 2	–23	Volatility collapses; active management opportunities became scarce; alpha was much reduced
Period 3	65	Unprecedented volatility re-emerges, active management opportunities were also unprecedented
Period 4	–21	Volatility subsides and QE2 distorts a number of mean-reverting relationships

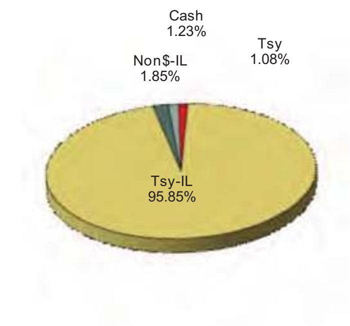
39. Provide metrics associated with the following areas:

1) Number of securities held
2) Position size
3) Cash & equivalents allocation

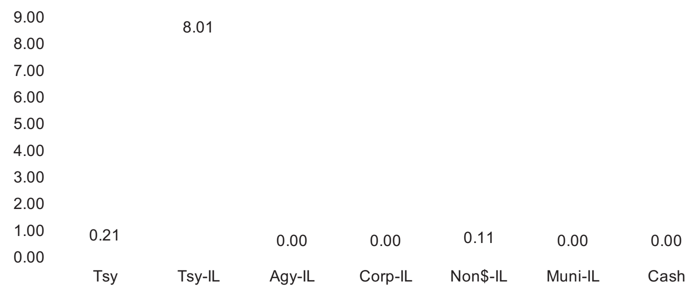
Portfolio characteristics for the SamCERA TIPS portfolio as of 8/31/11 are found in the below table.

Last Month	%	YTD	%	Duration:	8.34	$ Market Value:	$ 75,684,571
Portfolio:	1.09	Portfolio:	11.15	Avg. Maturity:	9.77	Issues:	14
Index:	0.90	Index:	11.14	Real YTM:	-0.05	Avg. Quality:	AAA

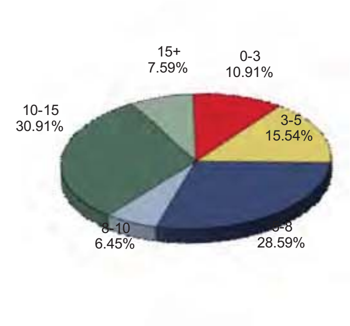
Sector Allocation (% Market Value)



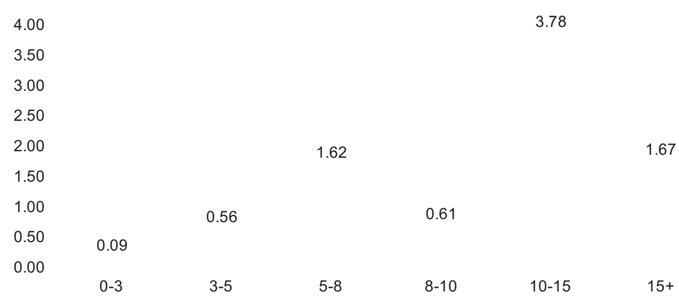
Sector Allocation (Duration Contribution)



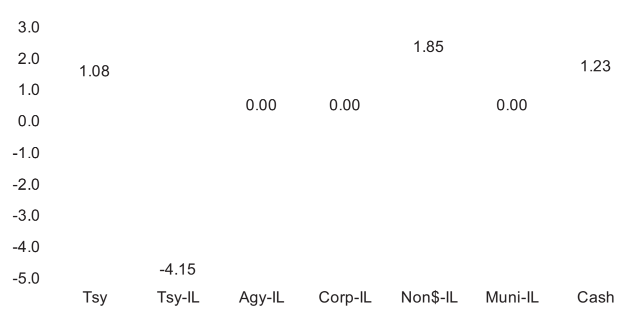
Yield Curve Allocation (% Market Value)



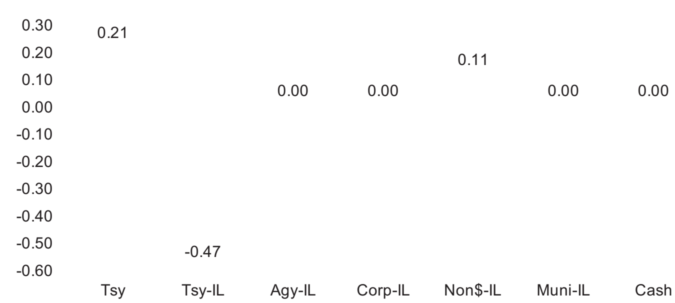
Yield Curve Allocation (Duration Contribution)



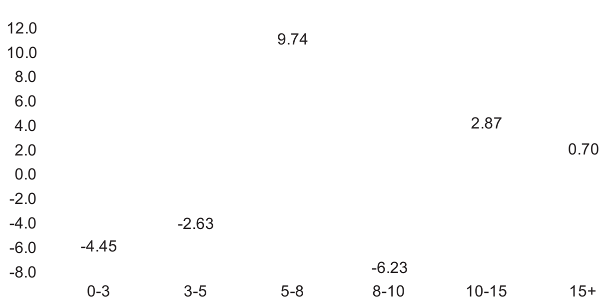
Sector Allocation vs. Index (% Market Value)



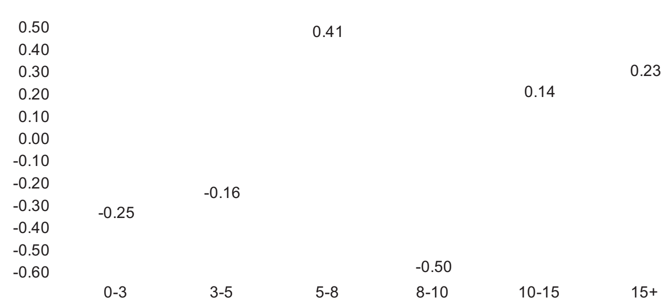
Sector Allocation vs. Index (Duration Contribution)



Yield Curve Allocation vs. Index (% Market Value)



Yield Curve Allocation vs. Index (Duration Contribution)



40. Is the composite for the strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance? Please e-mail the most recently audited GIPS compliance to gclifton@samcera.org.

Our Inflation Indexed Securities Composite is calculated in compliance with GIPS. The inception date of the composite is 04/01/97.

41. Discuss performance relative to the benchmark for 2010 and the first six months in 2011. Provide a description of how the portfolio is currently positioned.

The portfolio did not fund until July 2010. As such, we have provided performance attribution through 8/31/11 for year-to-date, last 12 months, and since inception.

	Year-to-Date	Last 12 Months	Since Inception (Annualized)*
Portfolio Performance (Gross)	11.15%	10.57%	11.73%
Index Performance	11.14%	11.05%	12.07%
Excess Return	0.01%	-0.48%	-0.34%
Performance Attribution			
Security Selection/Roll Down	0.02%	-0.03%	-0.02%
Auction Cycle Trading	0.00%	0.00%	0.02%
Seasonal vs. Non-Seasonal CPI	0.00%	0.00%	0.00%
Real Yield Duration	-0.09%	-0.16%	-0.17%
Real Yield Curve vs. Nominal Yield Curve	-0.07%	-0.19%	-0.17%
Non-U.S. Inflation-Linked Bonds	-0.04%	-0.04%	0.02%
Nominal Bonds	0.19%	-0.06%	-0.02%
Total	0.01%	-0.48%	-0.34%

*Inception = 8/1/10

The active positions in the SamCERA TIPS portfolio as of 8/31/11 are as follows:

	Real Yield Duration	We are presently neutral to short duration. Real yields are too low and do not represent value but Federal Reserve purchases could push rates lower.
	Yield Curve	Overweight the longer maturity sector of the TIPS market. The real curve is steep versus the nominal curve and history.
	Roll-Down	We utilize securities identified in our proprietary analysis to maximize portfolio roll-down potential. Currently, we are overweight in securities that offer the best roll-down.
	Auction Cycle Trading	The next TIPS auction will be 10-year TIPS in late September. We expect a concession to build over the next few weeks and own a small exposure of nominal bonds.
	Security Selection	Individual TIPS have various amounts of inflation accrued and cash flow based on the seasonal pattern to inflation. We value the options and flows to determine the best available securities to own.
	Nominal Bonds	We own nominal bonds in the 30-year sector, expecting supply concession to emerge.
	Non-U.S Exposure	We presently hold U.K. inflation-linked debt, which provides yield pick up vs. U.S. TIPS in our clients' portfolios.

V. INVESTMENT VEHICLES AND ORANIZATIONAL PRACTICES

42. Comment on the growth of assets in the strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

Given the size, depth, and growth (absolute and relative) of the TIPS market, we have not limited the asset size and number of client accounts in this strategy.

With $28.8 billion in Institutional Investment Management assets under management as of June 30, 2011 and $6.6 billion in our TIPS product, we occupy the desirable position of being large enough to commit the significant resources necessary to run a state of the art investment management business while being small enough so as not to dilute the alpha provided to our clients.

43. Briefly describe your administrative/back office operations and organizational structure.

All account-related operational and administrative functions are managed by our Investment Management Services Division (IMS). Daniel La Lima manages the team in New York. They are responsible for the following:

- Ensuring proper set-up of new account on IA portfolio accounting system and BBH's implementation system.
- Coordinating the funding of new accounts via cash or securities. Ensure securities are properly established on IA portfolio accounting system.
- Managing cash positions by ensuring funds are available for pending trades and that excess cash is invested according to firm's and client's guidelines. Researching and resolving all overdrafts.
- Verifying that portfolio positions are accurately reflected in IA portfolio accounting system by reconciling to the respective custody system (BBH or outside custodian). Investigating and resolving any discrepancies.
- Ensuring the proper settlement of all security transactions in the BBH, or outside, custodian system. Identifying and investigating any trade execution or settlement exceptions. Interfacing with broker and custodian on any related issues.
- Preparing and mailing clients' IA monthly statements in a timely manner. Ensuring statement accuracy by using standard accounting principles.
- Researching and resolving performance discrepancies that relate to the IA portfolio accounting system or data entry errors.
- Fielding and resolving client and portfolio/relationship manager's inquiries regarding the clients' accounts.
- Providing data required for client presentations.

44. If applicable, discuss fund administration and custody, indicating any relevant outside service providers.

N/A

45. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third party or internally developed.

BBH utilizes internally built fixed income analytics to value, analyze, and manage TIPS portfolios as described in #16 (above). These analytics were developed at BBH by our quantitative analyst team and have been updated and improved throughout the time we have been managing TIPS portfolios. The system we currently have in place has been used since before the TIPS market began and has been continuously improved.

a) Have there been upgrades to these systems in the past eighteen months?

No

b) Are there anticipated changes in the systems in the next eighteen months/?

No

46. Regarding valuation practices:

a) Provide an overview of pricing procedures for securities in the strategy, including sources and frequency of marks.

Investment information is updated in our core accounting system via a combination of near real-time interfaces and reconciliation/correction facilities. Automated interfaces include trading, cash, corporate actions, pricing, security reference data, analytics, and benchmark information.

The Investment Management Services group (IMS) prices securities using independent pricing services, I.D.C. and Bloomberg. If those sources are unable to price a security, we seek prices from at least three broker/dealers and use the average price of the group. IMS will not accept prices from Portfolio Managers, Relationship Managers or any other person responsible for the management of the portfolio.

b) Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

Yes, please refer to answer for question #46(a).

47. Provide an overview of your operational risk monitoring and management practices. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit. E-mail the most recent SAS 70 to gclifton@samcera.org.

At BBH, the proactive identification, assessment, monitoring and mitigation of risk is everyone's responsibility; our risk tolerance is conservative and continuously communicated across the firm. BBH's partnership structure is a significant motivator to our risk management culture and infrastructure as partners are jointly and severally liable for all business activities. The Firm's organizational and management structure is designed to recognize that the firm is a partnership, while at the same time meeting current best practice governance standards for financial institutions. This governance structure includes oversight committees which are comprised of partners and executives who represent the business lines as well as finance, risk management, legal, systems, operations and human resources functions. The Firm has a well established, comprehensive risk management framework which is comprised of dedicated resources in Enterprise Risk Management, Line of Business Risk Managers, Compliance and Internal Audit groups.

BBH's Enterprise Risk Management ("ERM") group is responsible for coordination and oversight of firm-wide risk programs and initiatives. Working with dedicated Risk Management teams that are in place for each of the Firm's business lines and support areas, ERM facilitates the development of best practice risk mitigation strategies across the Firm as well as enhancing the monitoring, measuring and reporting of risk.

Our Investment & Wealth Management division is responsible for oversight of operations and internal controls. Management's control objectives are to safeguard assets, comply with laws and regulations, ensure integrity of financial records and comply with firm policies. These objectives are achieved through a flat organizational structure which allows the partners/management team to be actively involved in risk management activities. Certain control principles/activities (i.e., segregation of duties, delegation of authority, duality, reconciliation(s), information and physical security, etc.) have been incorporated within the firm's control infrastructure to not only manage and control risk, but also to mitigate the potential for fraud. These are the mandatory standards that must be embedded in all business activities performed. Adherence to these control principles is regularly tested by both internal and external audit.

Primary responsibility for risk management for Investment & Wealth Management rests with the embedded Risk Managers.

PricewaterhouseCoopers is the firm's external auditors. Audits are conducted annually and the last audit conducted was as of 5/24/11. Our external auditors issued an unqualified opinion.

Please see a copy of our Statement SAS 70 reports (Custody and Securities Lending Services) in Appendix A.

48. Discuss procedures used to monitor and control personal trading activities.

BBH Personnel have an obligation to conduct their personal investing activities and related securities transactions lawfully and in a manner that avoids actual or potential conflicts between their own interests and the interests of BBH and its clients. BBH Personnel must carefully consider the nature of their BBH responsibilities – and the type of information that he or she might be deemed to possess in light of any particular securities transaction – before engaging in any personal investment-related activity or transaction.

Opening and Maintaining Personal Securities and Commodities Accounts:

All BBH Personnel must obtain prior written consent from the Compliance Division before opening and maintaining a personal securities or commodities account at any financial services firm other than BBH and before involvement in a private securities transaction.

Prior consent is also required before opening a personal investment or trading account at any bank, insurance company, investment adviser, or other financial institution, whether domestic or foreign.

Written consent must be obtained from the Compliance Division. Once approved, the Compliance Division will send a letter to the entity managing the account granting permission to open or maintain the account and request that the entity send duplicate copies of trade confirmations and account statements to BBH.

Prohibited Transactions and Trading Patterns:

The transactions described below represent a non-exclusive list of those transactions that are prohibited by, among other things, the applicable banking laws, NYSE Rules and the BBH Code of Ethics. Pre-clearance cannot detect inappropriate or illegal transactions, which are by their definition dependent upon intent. The fact that the proposed transaction receives pre-clearance does not provide a full and complete defense to an accusation of a violation of this Policy or of any laws.

As such, adherence to this Policy remains the responsibility of BBH Personnel who effects personal securities transactions.

The following transactions are considered market manipulations and are prohibited:

1. Front-running: BBH Personnel may not front-run any trade of a BBH Fund or client. Front running is defined in NYSE Rule 92.

2. Scalping: BBH Personnel may not purchase a security with the intention of recommending that the security be purchased for a client, or sell short a security (or its economic equivalent) with the intention of personally benefiting from any movement in the stock price. Scalping is prohibited whether or not a profit is realized from the transaction.

3. Trading Parallel to a Fund or Client: You may neither buy nor sell a security if you know that the same or a related security is being bought or sold at the same time by a client. An exception to this prohibition is when BBH Personnel are trading alongside a client in a centrally managed account, and the parallel trading is done with the knowledge, consent and oversight of the assigned supervisor after consultation with the Compliance Division.

Any other manipulative and/or deceptive trade practices that may raise the appearance of a conflict of interest are prohibited.

Periodic reviews of trade confirmations and account statements will be conducted by the Compliance Division for BBH Personnel.

When a breach of this policy is discovered, an investigation and escalation process will typically be followed to discourage repeated violations. Each circumstance will be reviewed individually and the escalation process may be adapted for each situation. Quarterly, violations of this policy will result in the individual being reported to the NYSE, as required by NYSE Rule 351(e).

BBH personnel are permitted to engage in derivatives transactions (i.e options).

49. Does your firm maintain a written ethics or standards of conduct policy? What steps are taken to ensure that employees comply with this policy? E-mail a copy of the ethics policy to gclifton@samcera.org.

We maintain a Code of Ethics (the "Code") that reaffirms basic policies of ethical and professional conduct for personnel of Brown Brothers Harriman & Co.("BBH") and its subsidiaries (collectively, "BBH Personnel") and those supporting the registered BBH proprietary mutual funds. BBH Personnel are responsible for upholding the highest ethical and professional standards and must adhere to this Code to help ensure they abide by applicable regulatory requirements for private banks, custodians, investment advisers and FINRA members. However, this Code does not supplant the rules and regulations of government and regulatory bodies.

This Code is to be read and affirmed by each employee in conjunction with BBH's Personal Trading and Insider Trading policies (together referred to as the "Trading Policies"). The Code addresses a broad spectrum of business activities, practices and procedures and sets out basic principles which are intended to guide BBH Personnel.

BBH Personnel must conduct themselves in accordance with this Code and avoid even the appearance of improper, unethical, or unprofessional behavior. It is the responsibility of BBH Personnel to help ensure prompt and consistent action against violations of this Code. Practical guidelines are given to employees to help them assess and escalate issues when they occur.

Our Code of Ethics Policy covers the following areas:

Business Conduct, Accounting Practices and Internal Controls
Compliance with Laws and Regulation
Statement of Principles
Confidential Information
Protection and Proper Use of BBH Assets
Conflicts of Interest
Competing Business Ventures
Gifts, Entertainment and Personal Remuneration
Payments to Government Personnel
Document Integrity and Recordkeeping
Administration of the Code and Annual Acknowledgement

BBH Personnel are required to annually evidence acknowledgment that they agree to abide by the terms of this Code. Violation of any provision of the Code of Ethics may be grounds for disciplinary action, up to and including termination of employment.

50. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

BBH launched a TIPS Commingled Vehicle (Collective Investment Trust) in 2011. The fund employs essentially the identical strategies that are used across our TIPS separate accounts. We are not aware of any conflicts of interest posed by this fund.

51. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

Allocations of trades across accounts are determined prior to execution. Allocations are input into our Bloomberg AIMS trading system prior to execution. Assets are allocated across portfolios pro rata on a market value basis. We determine which portfolios are included in the pro rata allocation based upon suitability. Attention is given to each portfolio's investment guidelines and benchmark in determining suitability. Our process assures fair distribution of bonds among the appropriately identified accounts. By allocating in this manner, we maintain consistent issue/issuer exposures and provide higher levels of consistency in performance to similarly managed accounts.

Generally, if an aggregated order has been placed and the order is only partially filled as of the end of the trading day, then the quantity of securities allocated to each participating account is reallocated on a pro-rata basis, based on the original allocation to such account, subject to minor adjustments for rounding and odd-lots. Any exception to the reallocation of securities on a pro-rata basis of partially filled orders must be documented and approved by the Head of Portfolio Management.

The effectiveness of our portfolio management and trade allocation process is best exemplified by the uniformity of performance among our TIPS accounts with similar guidelines and constraints. Within our TIPS Composite, total return performance for our account universe has varied (low performing account to high performing account) by only 20 basis points over the past three years and 16 basis points over the past five years. We are very proud of this performance consistency.

52. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

BBH employs the Bloomberg AIMS Compliance system to ensure that specific account investment guidelines, regulatory requirements and risk exposure limits are properly adhered to. The system has both pre- and post-trade compliance functionality that is employed for securities and futures activity. Trades that are exceptions to client guidelines will be stopped from execution by the Bloomberg Trading & Compliance system as a potential trading violation. Violations are escalated electronically to the Heads of Trading, Portfolio Management, and Risk for review.

Guideline constraints are stored on this system as well as an intranet-based system for the portfolio management team. This is an automated process. Trades are reviewed by either the Director of Portfolio Management or the Heads of Fixed Income for compliance with BBH Fixed Income mandates as well as client-specific guidelines. The BBH Fixed Income Performance Committee meets on a quarterly basis to review individual account performance relative to benchmarks, industry peer groups, and similarly managed assignments. The Committee carefully reviews any individual account dispersion that cannot be attributed to individual guideline restrictions.

Our portfolio management activities take place within a well-defined system of checks and balances. We believe strongly in the concept of peer review, and we govern our business and account management activities with highly transparent policies. Our risk management, portfolio construction, research, trading, and compliance frameworks are constantly reviewed by the Firm's senior management.

53. Regarding counterparties:

a) List all counterparties you have engaged to execute trades/establish positions within the strategy over the year ending 12/31/10 (including any OTC swap counterparties).

List to be supplied separately.

b) How are your trading counterparties selected, monitored and evaluated?

BBH Fixed Income Trading is authorized to transact only with approved counterparties. The current approved dealer list is maintained on the BBH shared Lotus Notes database. Additions and subtractions to the approved dealer list are presented formally to the BBH Fixed Income Credit Committee. The committee takes appropriate action when necessary. Each counterparty is continually monitored for material changes. The counterparty's FOCUS report (Financial and Operational Combined Uniform Single Report, SEC Form X-17A-5) is reviewed semi-annually. A formal year end written review of each counterparty is completed once financials become available.

c) Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.

BBH Fixed Income trading is authorized to transact only with approved counterparties (see answer 53(b) above). All other restrictions are defined at the individual client level.

54. Provide an overview of your business continuity and disaster recovery systems and plans.

BBH's Business Continuity Plan (BCP) is an ongoing process to develop, document, test and maintain
BBH's contingency plan includes arrangements to accommodate power and computer failure, as well as limited and generalized disasters. Our continuity plan exists for all data centers and business units within all our offices. These plans are tested and refined by the Business Continuity Planning (BCP) steering committee, which is comprised of senior management from each business unit.

Our BCP utilizes a three-prong approach that supports planning for systems, office and business unit recovery. Our systems recovery plan includes all hardware, software, market data, and communications based on the business requirements and assigned critical rating of the operation. The office recovery plan outlines the plans for alternative work sites, relocation of staff, and elaborates which processes will be conducted at each location. Business unit plans define the team members or their backups who are to be on site as well as what tools will be needed for them to support the rapid resumption of business activities

Our New Jersey location offers state of the art protection capabilities. The facilities are connected to the building's command console for additional onsite notification and recognition. In addition to the baseline building safeguards, we have installed a dual UPS system complete with auxiliary battery power to affect a seamless (non-disruptive) auto-transfer of load to the building's diesel generator, thus circumventing any electrical fluctuation or failure. Additionally, the UPS power distribution units and air conditioners are monitored both locally and remotely. Finally, the data center is also protected by an FM200 fire extinguishing agent system, which uses a cross-zone (under floor and above ceiling) detection method.

To ensure the safety and integrity of our client's records, we employ technologies to mitigate the impact of a business interruption. If our entire central processing systems fail, our "hotsite" at Sungard Recovery Systems Inc. will come online within 30 minutes through the use of remote mirrored direct access storage device ("DASD"). Recovery of critical communications is anticipated within 2 hours. Our computer center has a dual power supply from separate sources as well as a backup uninterrupted power supply ("UPS") and generator system. All of our data and voice communication lines are designed with dual access into the data center and every leased line has dial backup connection capability. We also have a secondary backup in place with Sungard, which reserves space and equipment for us at their Philadelphia MegaCenter® should our New Jersey office be damaged.

Our BCP employs the latest technologies, such as data mirroring, hot failover of processors, alternate communication paths, voice forwarding, automated notification system and a formalized plan documentation package. Recovery facilities are tested on a platform or unit basis to include cross system integration wherever necessary. We generally execute 12-16 tests per year of various scopes.

VI. LEGAL & REGULATORY ISSUES

55. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If so, e-mail your firm's most recent ADV Parts I, II, and IIb to gclifton@samcera.org

In connection with its Private Wealth Management business, Brown Brothers Harriman & Co. is exempt from registration with the SEC and therefore does not complete form ADV. However, we do maintain an Investment Advisor Disclosure Document, please see appendix B.

56. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.

BBH from time to time becomes involved in litigation and regulatory matters typical of similar service providers in the industry. BBH currently has no pending litigation or regulatory matters that would materially affect its ability to provide the services requested.

57. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state

agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

See answer to question 56.

58. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers). E-mail current certifications of insurance to gclifton@samcera.org.

Errors and Omissions Insurance
$100 million Investment Advisory E&O
Deductible: $5 million
Primary Carrier: Vigilant Insurance Company (a subsidiary of Chubb Group of Insurance Companies)

Fund Errors and Omissions Insurance
$10 Million Limit of Liability
Deductible: $500k
Primary Carrier: Vigilant Insurance Company (a subsidiary of Chubb Group of Insurance Companies)

Fidelity Bonding (Financial Institution Bond)
$100 Million Coverage
Deductible: $5 million
Primary Carrier: Vigilant Insurance Company (a subsidiary of Chubb Group of Insurance Companies)

We have attached our current certificates of insurance in Appendix C.

59. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

No.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 6.5 (d)

To: Board of Retirement

Gary Clifton

From: Gary Clifton, 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 October 6, 2011, staff interviewed *SamCERA's* special strategy bond managers in *SamCERA's* conference room.

Franklin Templeton Institutional was interviewed at approximately 12:30 p.m. Those present were:

Lauryn Agnew – *SamCERA* Trustee
Ben Bowler – *SamCERA* Trustee
Patrick Thomas – Strategic Investment Solutions Investment Consultant
Steve Masarik – Strategic Investment Solutions Investment Consultant
David Bailey – *SamCERA's* Chief Executive Officer
Brian Henry CFA – Vice President, Institutional Portfolio Manager
Thomas J. Dickson Senior Vice President, Client Services

Attached to this agenda item are the presentation materials used by Franklin Templeton for the review and Franklin's response to *SamCERA's* annual questionnaire.

A more detailed cover memorandum will be available in the second mailing.

OCTOBER 6, 2011

San Mateo County Employees' Retirement Association

Brian Henry, CFA
Vice President, Institutional Portfolio Manager
Franklin Templeton Fixed Income Group

Thomas J. Dickson
Senior Vice President
Franklin Templeton Institutional
650.312.3203
tdickson@templeton.com

Data as of August 31, 2011

FRANKLIN TEMPLETON
INSTITUTIONAL

Table of Contents

Investment Platform Overview

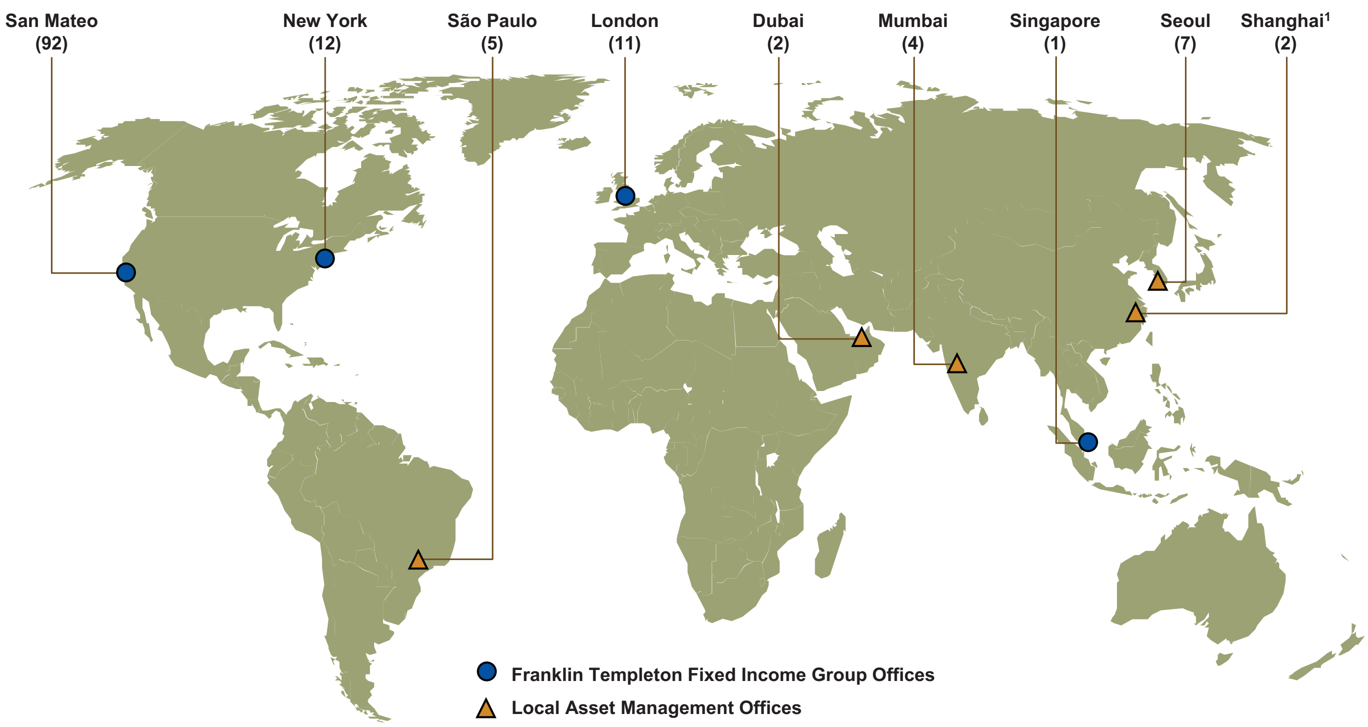
FRANKLIN TEMPLETON INVESTMENTS
Total Combined Assets Under Management (AUM) : US$734.2 Billion

Institutional AUM : US$182.2 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
Established	1947	1987	1940	1949	1971	1993	1984	1994	1982
Focus	• U.S. Equity • Global Equity • International Equity	• Emerging Markets Equity	• Global Equity • International Equity	• Global Equity • International Equity • U.S. Equity • Distressed Debt & Merger Arbitrage	• Global Fixed Income • Regional Fixed Income • Emerging Market Debt	• Global Equity and Fixed Income • Regional Equity and Fixed Income • Single-Country Equity and Fixed Income	• Global Private Real Estate • Global Listed Real Estate Securities • Global Private Infrastructure and Real Resources	• Emerging Markets Private Equity & Mezzanine Finance • Infrastructure	• Multi-Asset • Fund-of-Funds Strategies • Global Tactical Asset Allocation
Style	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
AUM	US$135.1 Billion	US$56.7 Billion	US$110.1 Billion	US$68.2 Billion	US$298.6 Billion	US$16.1 Billion	US$4.4 Billion	US$1.7 Billion	US$31.4 Billion

Source: Franklin Templeton Investments (FTI), as of June 30, 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. Numbers may not equal 100% due to rounding. Please note that the table above does not include all affiliates under FTI. 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 origins 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 1971 and 1973, respectively).
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, an indirect wholly-owned subsidiary of Franklin Resources, Inc.
Franklin Templeton Real Asset Advisors originated in 1984 as the global real estate team of Fiduciary Trust Company International.
Franklin Templeton Multi-Asset Strategies (FTMAS) AUM as of May 31, 2011. 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 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. 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.

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.[2]

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 June 30, 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[1]

Top-Down

Fixed Income Policy Committee (FIPC) and Multi-Sector Strategists

Senior leaders seek to capitalize on global economic trends

- Sector Rotation
- Country Duration
- Yield Curve
- Currency
- Volatility

Bottom-Up

Sector Specialists

Dedicated sector teams strive to add value through security- and sector-specific insights

- Corporate Credit
- Global Sovereign/Emerging Markets Debt
- Mortgages
- Bank Loans
- Municipals

Quantitative

Quantitative Analysts

Dedicated team builds proprietary risk models to identify potential alpha opportunities

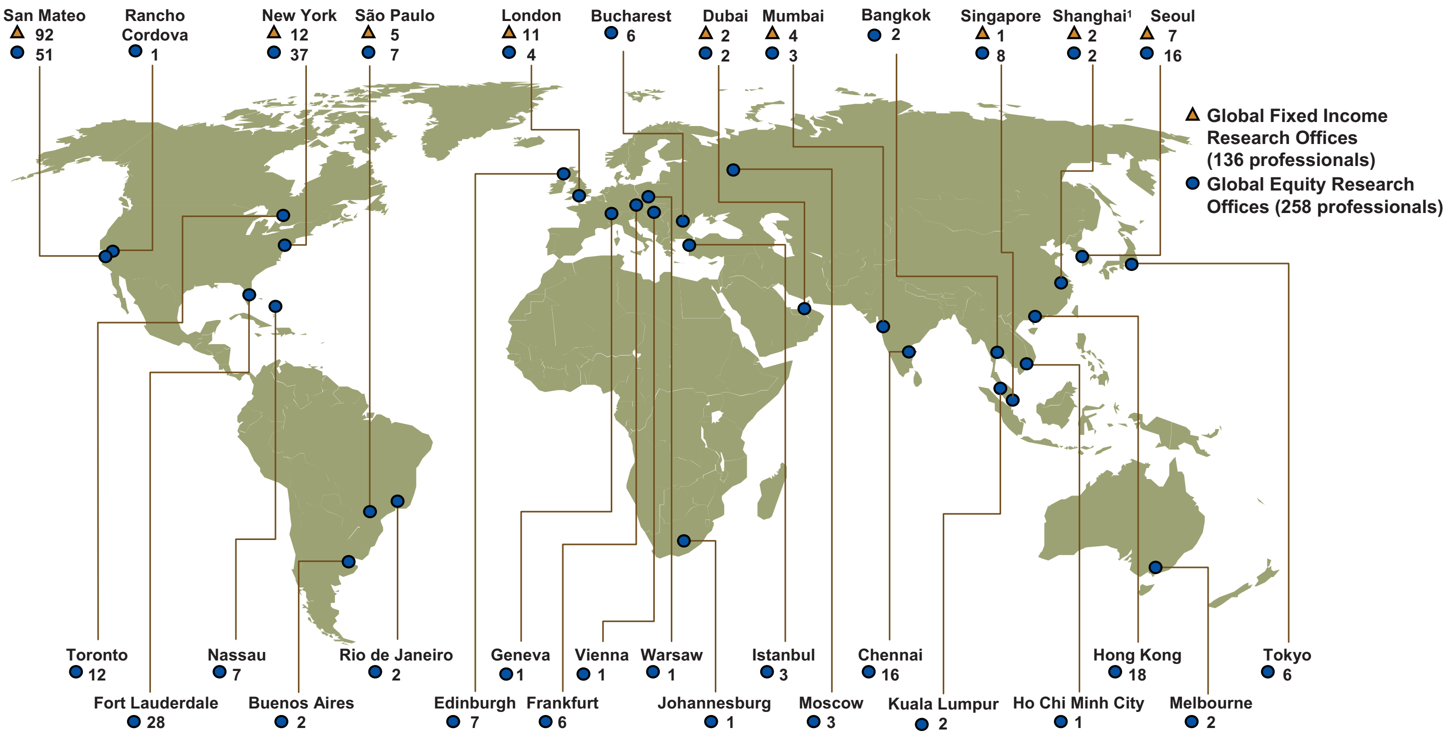
- Active Risk Analysis
- Portfolio Optimizations and Expected Returns
- Relative Value Analysis
- Derivatives

Combination of Expertise Aiming to Build:

Diverse Portfolios of Low-Correlated Positions

1. Investment professionals include portfolio managers, analysts and traders.

Global Fixed Income and Equity Research Offices



Global Resources Supporting Seasoned Local Teams[2] 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 June 30, 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[1]
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,[2] India, Korea, and UAE
33 Professionals	23 Professionals	9 Professionals	14 Professionals	29 Professionals	20 Professionals

Additional Resources

QUANTITATIVE: David Yuen, CFA, FRM, 6 Professionals

Over 100 Dedicated Fixed Income Investment Professionals
47 CFA Charterholders, 11 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.

As of June 30, 2011.

Global Multisector Plus Strategy Overview

Investment Objectives[1]

- 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%[1] (annualized, gross of fees)
    - Tracking error: 4–7%[1] (annualized, gross of fees)
    - Alpha: 4–7%[1] (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.

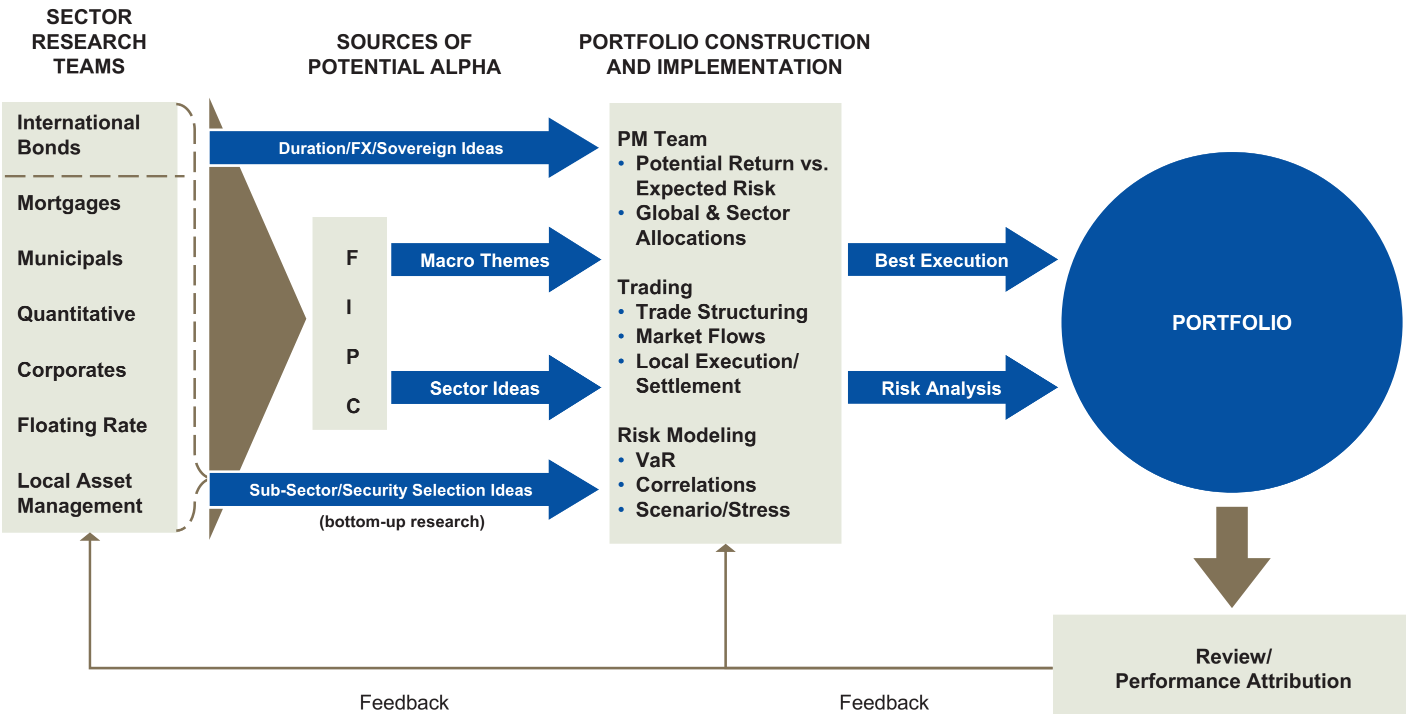
Investment Strategy

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

There is no assurance that a portfolio will achieve its investment objective. **Past performance does not guarantee future results.**

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 August 31, 2011

Portfolio Overview	
Investment Mandate	Global Fixed Income
Benchmark	Barclays Capital Multiverse Index
Inception Date	January 1, 2011
Portfolio Manager(s)	Michael Hasenstab
Marketing Representative	Tom Dickson
Total Net Assets (USD)	106,696,124
Cash & Cash Equivalents	0.5%
Number of Holdings	115

Indexes are unmanaged and one cannot invest directly in an index.
All portfolio holdings are subject to change.

Historical Performance

San Mateo County Employees' Retirement Association

As of August 31, 2011

Annualized Total Returns (%)

	Inception Date	1 Mth	3 Mths	Since Incept
San Mateo County Employees' Retirement Association—Gross of Fees	1.1.2011	-1.2	0.2	6.5
San Mateo County Employees' Retirement Association—Net of Fees		-1.2	0.1	6.3
Barclays Capital Multiverse Index		1.1	3.2	7.7

Indexes are unmanaged and one cannot invest directly in an index.

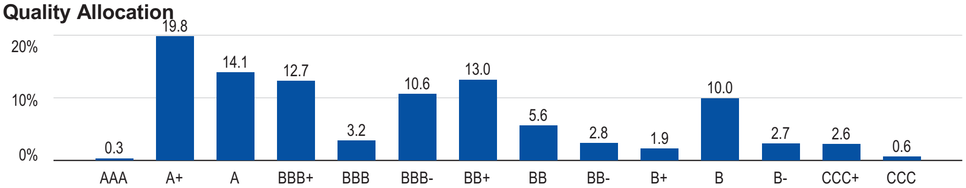
Portfolio Characteristics

San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011

	Portfolio	Index
Average Duration	3.0 Yrs	5.8 Yrs
Yield to Maturity	7.3%	2.7%
Yield to Worst	7.3%	2.6%

Quality Allocation

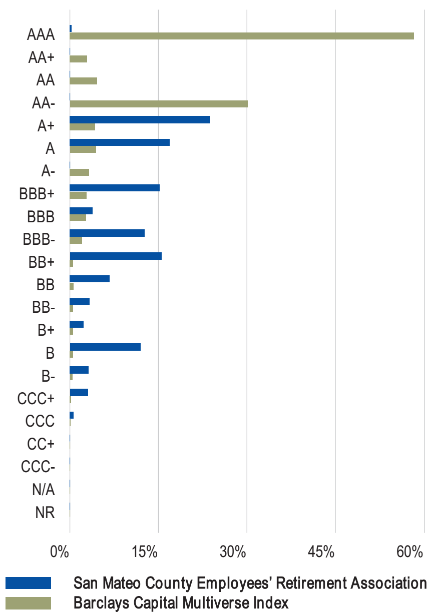


Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.
Indexes are unmanaged and one cannot invest directly in an index.
Yield figures quoted should not be used as an indication of the income to be received.
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.

Quality Allocation

San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011



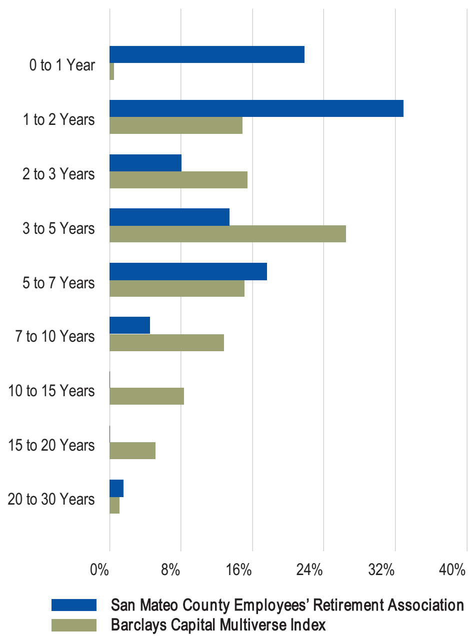
	Portfolio %	Index %	Over/Under
AAA	0.3	48.5	-48.2
AA+	0.0	2.5	-2.5
AA	0.0	3.9	-3.9
AA-	0.0	25.1	-25.1
A+	19.8	3.6	16.2
A	14.1	3.7	10.4
A-	0.0	2.7	-2.7
BBB+	12.7	2.4	10.3
BBB	3.2	2.3	0.9
BBB-	10.6	1.8	8.9
BB+	13.0	0.5	12.5
BB	5.6	0.6	5.0
BB-	2.8	0.5	2.3
B+	1.9	0.5	1.5
B	10.0	0.5	9.5
B-	2.7	0.4	2.3
CCC+	2.6	0.2	2.3
CCC	0.6	0.1	0.5
CC+	0.0	0.0	0.0
CCC-	0.0	0.0	0.0
N/A	0.0	0.0	0.0
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. 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.
Indexes are unmanaged and one cannot invest directly in an index.

Duration Breakdown

San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011



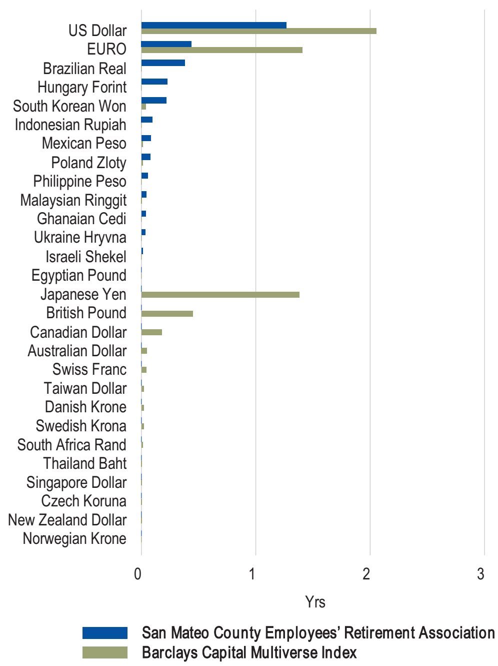
	Portfolio %	Index %	Over/Under
0 to 1 Year	21.8	0.5	21.3
1 to 2 Years	32.9	14.9	18.0
2 to 3 Years	8.0	15.5	-7.4
3 to 5 Years	13.5	26.5	-13.0
5 to 7 Years	17.6	15.1	2.5
7 to 10 Years	4.6	12.8	-8.3
10 to 15 Years	0.0	8.4	-8.4
15 to 20 Years	0.0	5.2	-5.2
20 to 30 Years	1.6	1.1	0.5

Weightings as percent of Market Value. 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.
Indexes are unmanaged and one cannot invest directly in an index.

Duration Contribution by Currency

San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011



	Portfolio (Yrs)	Index (Yrs)	Over/Under
US Dollar	1.3	2.1	-0.8
EURO	0.4	1.4	-1.0
Brazilian Real	0.4	0.0	0.4
Hungary Forint	0.2	0.0	0.2
South Korean Won	0.2	0.0	0.2
Indonesian Rupiah	0.1	0.0	0.1
Mexican Peso	0.1	0.0	0.1
Poland Zloty	0.1	0.0	0.1
Philippine Peso	0.1	0.0	0.1
Malaysian Ringgit	0.0	0.0	0.0
Ghanaian Cedi	0.0	0.0	0.0
Ukraine Hryvna	0.0	0.0	0.0
Israeli Shekel	0.0	0.0	0.0
Egyptian Pound	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
Taiwan Dollar	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
New Zealand Dollar	0.0	0.0	0.0
Norwegian Krone	0.0	0.0	0.0

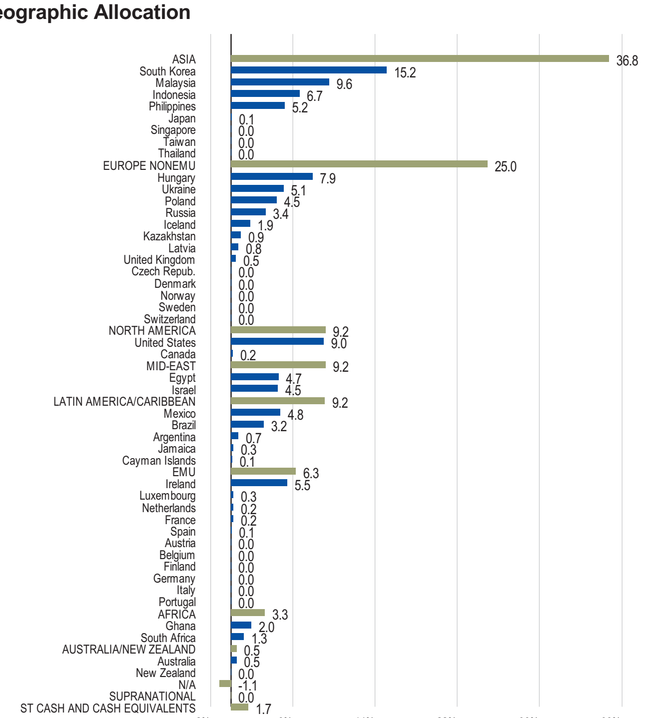
All portfolio holdings are subject to change.
Indexes are unmanaged and one cannot invest directly in an index.

Geographic Allocation

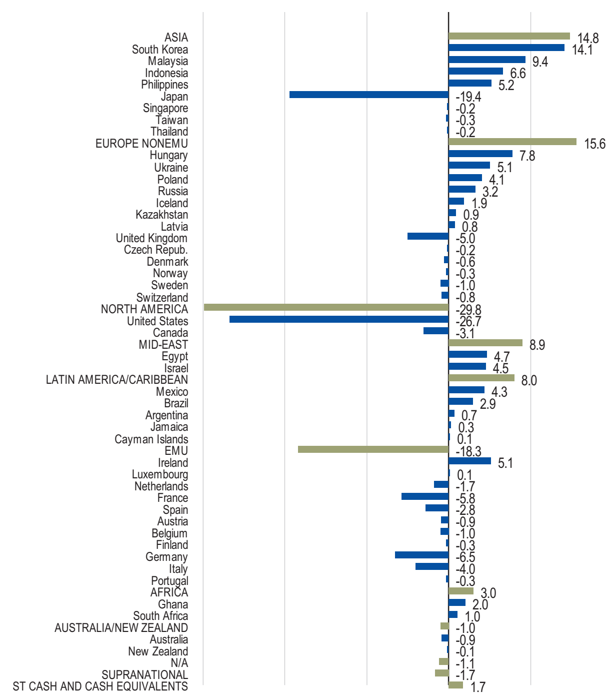
San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011

Geographic Allocation



Benchmark Deviations



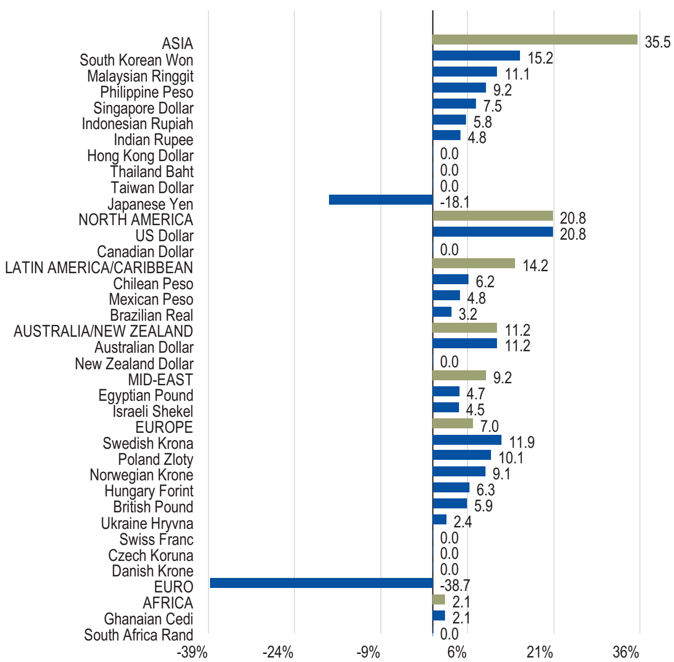
Weightings as percent of total. Percentage may not total 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. Indexes are unmanaged and one cannot invest directly in an index.

Currency Allocation

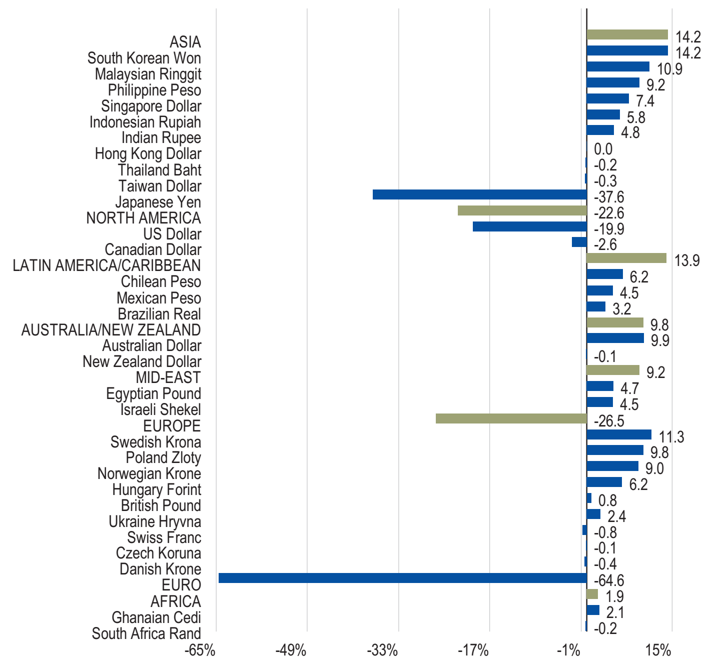
San Mateo County Employees' Retirement Association vs. Barclays Capital Multiverse Index

As of August 31, 2011

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.
Indexes are unmanaged and one cannot invest directly in an index.

Management Profile

MICHAEL HASENSTAB, PH.D.
Senior Vice President, Portfolio Manager
Co-Director, International Bond Department
Franklin Templeton Fixed Income Group

Franklin Advisers, Inc.
San Mateo, California, United States

Dr. Michael Hasenstab, Ph.D., is 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

BRIAN HENRY, CFA
Institutional Portfolio Manager
Franklin Templeton Fixed Income Group

Franklin Advisers, Inc.
San Mateo, California, United States

Brian Henry joined the Franklin Templeton Fixed Income Group as Institutional Portfolio Manager in 2007. As a member of the Global Fixed Income Team, Brian's primary responsibility is to represent the team and communicate the investment philosophy, process and current strategy to domestic and international clients, as well as to external gatekeepers and decision makers.

Mr. Henry has over twenty years of portfolio management experience. He began his career at Dresdner RCM Global Investors, where he served as a director and senior portfolio manager, and was responsible for development and implementation of portfolio strategies. More recently, he served as Senior Portfolio Manager and Fixed Income Strategist at McMorgan & Company.

Mr. Henry holds a B.S. in finance from Fairfield University. He is a Chartered Financial Analyst and a member of the CFA Society of San Francisco and the CFA Institute.

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 an 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.

RESPONSE TO ANNUAL REVIEW QUESTIONNAIRE FROM

San Mateo County Employees' Retirement Association

Franklin Templeton Global Multisector Plus

October 4, 2011

Tom Dickson
Senior Vice President
Franklin Templeton Institutional
Tel: 650-312-3203
Email: TDickson@Templeton.com

FRANKLIN TEMPLETON
INSTITUTIONAL

TABLE OF CONTENTS

SamCERA's ANNUAL REVIEW QUESTIONNAIRE
Franklin Templeton – Global Bond

I. BACKGROUND & GENERAL INFORMATION

1. **Provide a brief overview of the firm, its history and main lines of business. Specify any lines of business other than investment management and provide the approximate percentage of firm revenues that each comprises.**

Franklin Resources, Inc. (operating worldwide as Franklin Templeton Investments) is the holding company for various subsidiaries that form the global investment management organization known as Franklin Templeton Investments. It is comprised of nine distinct investment management platforms. Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties.

Following is the history of Franklin Templeton Investments:

1947 Franklin is founded in New York as Franklin Distributors, Inc.

1957 Charles B. Johnson joins Franklin Distributors, Inc., as President and Chief Executive Officer.

1969 Franklin Resources, Inc. is formed as a holding company and parent corporation for Franklin Distributors, Inc.

1971 The company goes public, trading its shares in the over-the-counter market.

1973 Franklin Resources acquires Winfield and Company, and moves its offices from New York to California.

1986 Franklin relocates its headquarters to San Mateo, California. Franklin Resources stock begins trading on the New York Stock Exchange.

1988 Franklin Resources acquires L.F. Rothschild Fund Management Company.

1992 Franklin Resources acquires Templeton, Galbraith and Hansberger Ltd.

1996 Franklin Resources merges with Heine Securities Corporation, the investment adviser to Mutual Series Fund, Inc.

2000 Franklin Resources acquires Bissett & Associates Investment Management Ltd.

2001 Franklin Resources acquires Fiduciary Trust Company International of New York.

2003 Franklin Resources acquires Darby Overseas Investments, Ltd., and Darby Overseas Partners, L.P.

2006 The fixed income resources of Franklin Advisers and Fiduciary Trust Company International are combined into the Franklin Templeton Fixed Income Group.

2007 The equity research and portfolio management teams of Franklin Advisers and Fiduciary Global Advisors are combined into Franklin Global Advisers (now the Franklin Equity Group), and the Fiduciary Global Real Estate Group is re-branded as Franklin Templeton Real Estate Advisors (now Franklin Templeton Real Asset Advisors).

2007 Franklin Templeton forms a strategic partnership with China Life Insurance Asset Management Co. Limited, and a joint venture with Algebra Capital, a leading asset management firm in the Middle East/North Africa region.

2008 Franklin Templeton acquires 49% stake in Vietcombank Fund Management, an investment management firm focused on private equity investment in Vietnam.

2009 Franklin Templeton establishes an office in Kuala Lumpur, Malaysia.

2011 Franklin Templeton enters into a strategic relationship with Pelagos Capital Management, LLC, an independent investment advisor based in Boston, Massachusetts, acquiring a 20% equity stake in the firm.

2011 Franklin Templeton Global Investors Limited (UK) acquires Rensburg Fund Management Limited, a subsidiary of Investec plc.

2011 The Dubai-based asset manager Algebra Capital becomes a wholly-owned subsidiary of Franklin Resources, and is rebranded Franklin Templeton Investments (Middle East) Limited.

2011 Franklin Templeton Real Estate Advisors is renamed Franklin Templeton Real Asset Advisors.

Franklin Resources, Inc. (operating worldwide as Franklin Templeton Investments) is the holding company for various subsidiaries that form the global investment management organization known as Franklin Templeton Investments. It is comprised of nine distinct investment management platforms. Each of these investment platforms maintains its own process and approach to investment under its own brand, while maintaining its individual style and specialties.

The chart on the following page highlights the investment platforms that service the institutional marketplace and their main product offerings as of June 30, 2011.

Investment Platform Overview

FRANKLIN TEMPLETON INVESTMENTS
Total Combined Assets Under Management (AUM) : US$734.2 Billion

Institutional AUM : US$182.2 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
Established	1947	1987	1940	1949	1971	1993	1984	1994	1982
Focus	U.S. Equity Global Equity International Equity	Emerging Markets Equity	Global Equity International Equity	Global Equity International Equity U.S. Equity Distressed Debt & Merger Arbitrage	Global Fixed Income Regional Fixed Income Emerging Market Debt	Global Equity and Fixed Income Regional Equity and Fixed Income Single-Country Equity and Fixed Income	Global Private Real Estate Global Listed Real Estate Securities Global Private Infrastructure and Real Resources	Emerging Markets Private Equity & Mezzanine Finance Infrastructure	Multi-Asset Fund-of-Funds Strategies Global Tactical Asset Allocation
Style	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
AUM	US$135.1 Billion	US$56.7 Billion	US$110.1 Billion	US$68.2 Billion	US$298.6 Billion	US$16.1 Billion	US$4.4 Billion	US$1.7 Billion	US$31.4 Billion

Source: Franklin Templeton Investments (FTI), as of June 30, 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. Numbers may not equal 100% due to rounding. Please note that the table above does not include all affiliates under FTI. 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 origins 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 1971 and 1973, respectively).
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, an indirect wholly-owned subsidiary of Franklin Resources, Inc.
Franklin Templeton Real Asset Advisors originated in 1984 as the global real estate team of Fiduciary Trust Company International.
Franklin Templeton Multi-Asset Strategies (FTMAS) AUM as of May 31, 2011. 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 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. 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.
For firms claiming compliance with the Global Investment Performance Standards (GIPS®), figures for the assets under management above may not correspond to the assets under management as defined by GIPS®. For GIPS® purposes, Franklin Equity Group and Franklin Templeton Fixed Income Group are both units of the firm Franklin; Templeton Emerging Markets Group and Templeton Global Equity Group are both units of the firm Templeton.

Franklin Templeton earns substantially all of its revenue from providing investment management and related services to our institutional, retail and high-net-worth clients. All nine investment platforms are wholly-owned subsidiaries of Franklin Resources, Inc. The company does not produce separate audited, publicly available accounts for each individual entity; therefore, we are unable to provide the contribution of each subsidiary to the group's overall net profit. Our revenues depend to a large extent on the amount of assets under management. Franklin Templeton has $734.2 billion in assets under management as of June 30, 2011.

2. Attach an organizational chart depicting the firm's distinct business units and provide the total number of employees within each business unit.

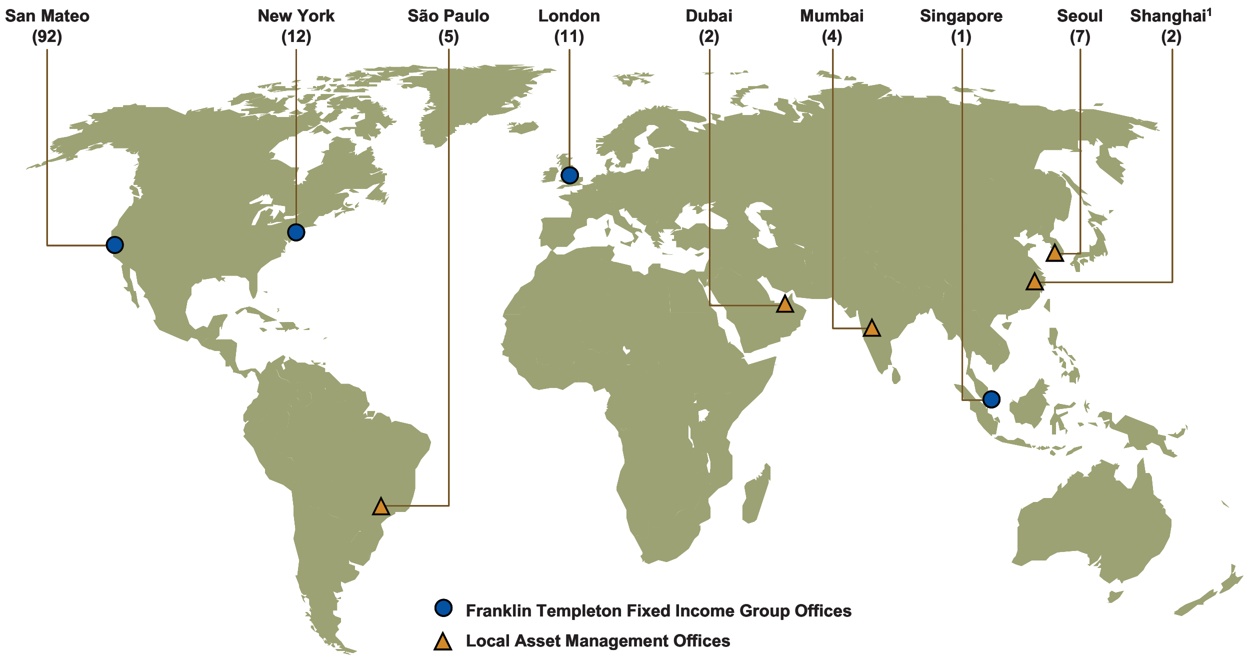
Please refer to Appendix 1 – Firm Organizational Chart for additional information.

3. Indicate the location(s) of the investment team responsible managing the strategy.

Headquartered in San Mateo, California, Franklin Templeton Investments offers investment products and services in 170 countries and maintains offices in over 30 countries worldwide. The investment team responsible for managing the Franklin Templeton Global Multisector Plus strategy is the Franklin Templeton Fixed Income Group.

The Franklin Templeton Fixed Income Group is comprised of more than 100 fixed income investment professionals based in New York, San Mateo and London, combined with local asset management offices in Brazil, India, Dubai, India, South Korea and China. This structure allows Franklin Templeton to gain a true global perspective of the interaction between the economic environment and the world's bond markets.

The map below illustrates the locations in which Franklin Templeton fixed income research and portfolio management are conducted.



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.[2]

1. Includes individuals who 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 6.30.11

4. Describe the firm's ownership structure, including a list of individuals or entities with at least 5% ownership, the total number of active employee owners and their aggregate level of ownership.

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.

As of June 30, 2011, 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.

The following table represents the top ten shareholders of Franklin Resources, Inc. as of June 30, 2011. Individual entities with more than 5% ownership have been highlighted in grey.

Name	Number of Shares	Percentage of Ownership
Charles B. Johnson	36.5M	16.6%
Rupert H. Johnson, Jr.	36.2M	16.4%
T. Rowe Price Associates, Inc.	16.8M	7.6%
Vanguard Group, Inc	6.8M	3.1%
State Street Global Advisors	5.6M	2.6%
BlackRock Fund Advisors	5.4M	2.4%
Columbia Management	4.9M	2.2%
Harris Associates LP	3.3M	1.5%
Northern Trust Investments	2.7M	1.3%
Winslow Capital Management, Inc.	2.6M	1.2%

5. Outline your firm's strategic focus and growth targets over the next three years, including new investment strategies or products currently under consideration.

Franklin Templeton seeks to become the premier global investment management organization by offering high quality products, providing outstanding service, and attracting and retaining talented individuals. To achieve this, our firm engages in an ongoing strategic planning process that emphasizes a disciplined approach to building its business and improving its position in the market. Based on a three- to five-year outlook, annual business plans are put in place to channel the firm's efforts toward its strategic goals.

We have reviewed longer-term trends and have focused our strategic efforts on the following goals:

- Expand our presence, build scale, and deepen our presence in key international markets;
- Continue to enhance and extend our retirement capabilities and delivery through the products, tools, and value we offer to advisors and their clients;
- Extend our reputation as a global asset manager to capture growth with a focused approach to the Institutional products and investment strategies;
- Meet the emerging needs of clients for increased diversification and outcome-oriented products;
- Continue to build our investment capabilities to offer clients increased portfolio diversification through lower-correlated asset classes – balancing risk, return, and volatility.

6. Describe your succession and continuity plans for management of the firm.

Franklin Templeton's management succession plan includes an annual review by line managers, senior managers, and the Board of Directors. During this process, we scrutinize the composition of management and their direct successors, as well as identify other promising employees. This enables us to implement appropriate development plans for potential successors, provide challenging opportunities, and retain key employees.

To ensure continuity of leadership, and consistent investment performance, the firm employs a team approach to investing. In addition to the lead manager, a secondary portfolio manager and/or experienced research analysts are involved in the investment decision-making process. In addition to the developmental benefits associated with this joint coverage structure, it also addresses the issues of travel, manager availability, and succession.

7. Describe turnover among senior staff over the past three years:

There have been no additions or departures to the senior officers and directors of the firm over the past three years as of June 30, 2011.

Please refer to the table below for the executive management's information as of June 30, 2011.

Name	Title	Tenure with Firm
Charles B. Johnson	Chairman	45
Rupert H. Johnson, JR.	Vice Chairman and Director	45
Greg Johnson, CPA	President, Chief Executive Officer	25
Vijay Advani	Executive Vice President – Global Advisory Services	16
Jennifer Johnson	Executive Vice President, Chief Operating Officer	23
Kenneth Lewis, CPA	Executive Vice President, Chief Financial Officer	22
John Lusk, CPA	Executive Vice President – Investment Management	18
Donald F. Reed, CFA, CIC	President and CEO - Templeton Investment Counsel, LLC	22
Craig S. Tyle	Executive Vice President, General Counsel	6
William Y. Yun, CFA	Executive Vice President – Alternative Strategies	19

8. Provide a breakdown of assets under management (AUM) by client and asset class/product type, in $US millions, for the dates listed:

The following table represents the assets under management for Franklin Resources, Inc. as of June 30, 2011.

AUM by Client Type (Total Firm Assets in $mm)					
as of	6/30/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Public	20,837.43	18,968.28	15,933.36	14,378.82	24,167.29
Corporate	11,428.46	10,236.77	101,99.18	8,655.96	14,777.09
Endowment & Foundation	2,205.79	2,137.76	2,205.37	2,158.22	3,848.06
Union/Multi-Employer	1,512.65	1,501.21	13,58.95	1,052.92	1,593.85
Sovereign Entity	12,593.27	11,740.83	5,055.20	3,169.44	4,805.69
High Net Worth	11,211.87	10,594.14	9,299.26	7,645.69	10,178.98
Other	674,377.87	615,540.43	509,464.27	379,142.00	584,369.38
Total	734,167.34	670,719.42	553,515.59	416,203.05	643,740.34

* Other may include Central Bank, Commingled Trust, Energy/Utilities, Fiduciary/Bank, Healthcare, Hedge Fund, Individual, Institutional, Institutional Mutual Fund, Insurance, Insurance Product, Multi Manager, Mutual Fund, Partnership, PCG, Pension, Private, Religious, Sub Advised, Supranational, Trust, Universities, and Wrap.

This information relating to assets under management (AUM) is being provided in response to the particular request contained in the RFP. The figures provided may, therefore, be categorized differently than those reported for regulatory or other disclosure purposes. AUM includes assets for which the firm provides various investment management services as described in Franklin Resources, Inc.'s Form 10K for the fiscal year ended September 30, 2010. See Item I, "Business." A copy of the Annual Report and Form 10K can be located at www.franklintempleton.com.

9. Provide a table listing all global fixed income strategies/composites/funds you manage:

The following chart represents the global fixed income products available:

Franklin Templeton Fixed Income Group Products Overview

As of June 30, 2011

	Strategy	Asset Size (USD Billions)[1]	Benchmark	Average Quality	Excess Return Targets (Gross of Fees)[2]
Multi-Sector Strategies	Global Aggregate	US$4.4	Barclays Capital Global Aggregate Index	AA	150–200 bps
	U.S. Core Plus[3]	US$13.2	Barclays Capital U.S. Aggregate Index	AA	100–150 bps
	U.S. Long Duration Government/Credit[3]	US$0.3	Barclays Capital U.S. Government/Credit - Long Index	AA	75–125 bps
	U.S. Low & Intermediate Duration Strategies[3]	US$3.5	BofA Merrill Lynch U.S. Corporate & Government 1–5 Years Index and Barclays Capital U.S. Intermediate Index	AAA–AA	75–150 bps
	Euro Aggregate	US$1.1	Barclays Capital Euro Aggregate (EUR) Index	AA	100–150 bps
	Asian Bond	US$4.3	HSBC Asian Local Bond Index	A	200–400 bps
	Global Multisector Plus	US$27.7	Barclays Capital Multiverse Index	A–BBB	400–700 bps
Single-Sector Strategies	U.S. TIPS	US$0.8	Barclays Capital U.S. TIPS Index	AAA	25–100 bps
	Global Credit	US$0.3	Citigroup World BIG Corp Index	A	75–125 bps
	Mortgages	US$18.2	Barclays Capital U.S. MBS Index	AAA	50–100 bps
	Municipals[4]	US$65.7	Barclays Capital Municipal Index	AA	50–100 bps
	Global Bond Plus	US$117.3	JP Morgan Global Government Bond Index	AA–A	300–600 bps
Single-Sector, Non-Investment Grade Strategies	Global High Yield	US$0.4	Barclays Capital Global High Yield Excl CMBS & EMG 2% Cap Index	BB–B	100–200 bps
	U.S. High Yield	US$8.2	JP Morgan Global High Yield Index	BB–B	100–200 bps
	European High Yield	US$0.9	BofA Merrill Lynch Euro HY Constrained Index	BB–B	100–200 bps
	Bank Loans	US$5.0	Credit Suisse Leveraged Loan Split BB Index	BB–B	50–150 bps
	Emerging Market Debt Opportunities	US$8.2	JP Morgan EMBI Global Diversified Index	BB	300–500 bps
Alternative Strategies	Global Absolute Return	US$0.4	UBS Australian Bank Bill Index	A	150–300 bps

Objective: Consistent Outperformance across All Strategies

1. Asset size includes all discretionary, nondiscretionary, and advisory accounts within the given mandate 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.
2. The excess return targets represent the goals of the constituent composites against their designated benchmarks. Target returns are gross of fees and do not take into account investment management fees or other expenses an investor would incur in the management of an account, which would reduce returns that would be realized by investors. There is no assurance that employment of any of the above strategies will result in the intended targets being achieved.

10. Has your firm ever liquidated, dissolved or otherwise terminated a strategy, hedge fund or other commingled fund that was focused on global fixed income? If so, please provide details.

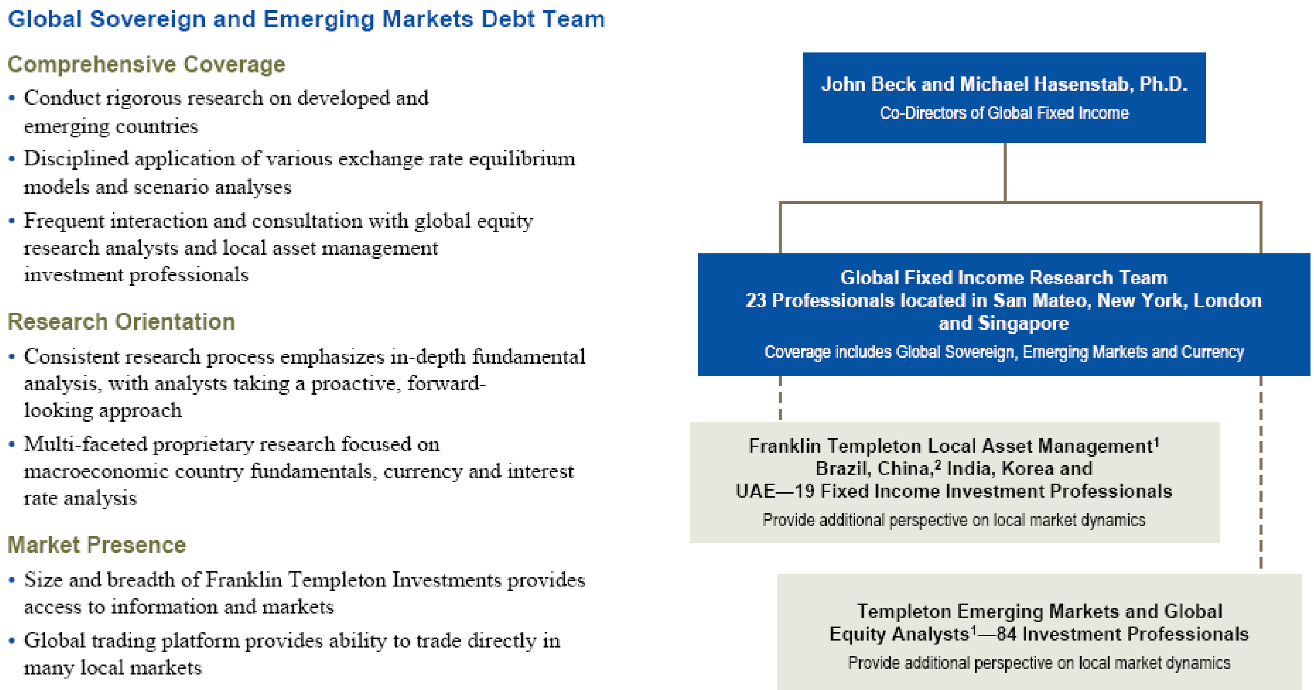
From time to time, there have been products that have been liquidated, dissolved, or otherwise terminated within Franklin Templeton Investments. For additional information, please contact your client relationship manager, Tom Dickson. Mr. Dickson's contact information is listed on the cover page of the document.

II. INVESTMENT TEAM

11. Attach an organizational chart encompassing the group(s) responsible for managing the strategy.

Michael Hasenstab, Ph.D. is the lead portfolio manager for the Global Multisector Plus strategy. The Global Bond Team is actively involved in the management of the Global Multisector Plus strategy and reports to Dr. Hasenstab. This core team is part of the broader Global Sovereign/EMD team.

The following chart represents a high level organization table for the Global Sovereign and Emerging Markets Debt Team.



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.
As of June 30, 2011.

12. Identify the key individual(s) who are responsible for managing the strategy and describe their respective role(s) and experience. In addition, indicate other responsibilities, both in terms of investment products and management/administrative duties, for each of the named individuals and provide an estimate of the percentage of time each spends managing the strategy.

Michael Hasenstab, Ph.D. is the lead portfolio manager for the Global Multisector Plus strategy. He is Co-Director of the Fixed Income Group International Bond Department and is a member of the Fixed Income Policy Committee. Dr. Hasenstab specializes in global macroeconomic analysis, focusing on currency, interest rate, and sovereign credit analysis of developed and emerging market countries. He has ultimate decision-making authority for the strategy and is accountable for strategy implementation, including buy/sell decisions and risk management.

Canyon Chan is a co-portfolio manager for this strategy and participates in the decision-making process. He can assume the lead portfolio management role, if necessary, without delay or interruption of strategy implementation. He has expertise in portfolio structuring, derivatives/quantitative strategies, and risk budgeting/management, and conducts general research across global asset classes.

The Global Bond Team is actively involved in the management of the Global Multisector Plus strategy and reports to Dr. Hasenstab. This core team is part of the broader Global Sovereign/EMD team and is described in the following table. As the Global Bond Team benefits from the expertise of the other nine members of the Global Sovereign/EMD team, they are also listed.

Name	Title	Location	Years with Firm	Years in Industry	Research Coverage
Global Bond Team:					
Michael Hasenstab, Ph.D.	SVP, Lead Portfolio Manager	San Mateo	12	16	--
Canyon Chan, CFA	SVP, Co-Portfolio Manager	San Mateo	19	19	--
Sonal Desai, Ph.D.	Director of Research, Portfolio Manager	San Mateo	1	17	--
Brian Henry, CFA	Institutional Portfolio Manager	San Mateo	4	4	--
Vivek Ahuja	Research Analyst, Portfolio Manager	Singapore	4	15	India, Asia
Laura Burakreis	Research Analyst, Portfolio Manager	San Mateo	4	24	Middle East, Africa
Calvin Ho, Ph.D.	Senior Global Macro and Research Analyst	San Mateo	6	6	Latin America, Europe, FX Models, Global Macro
Hyung-Cheol Shin, Ph.D.	Senior Global Macro and Research Analyst	San Mateo	5	19	Asia, Interest Rate Models, Global Macro
Kang Tan, Ph.D.	Senior Global Macro and Research Analyst	San Mateo	3	11	Asia, Global Macro
Isaac Salem	Research Analyst	San Mateo	4	4	Latin America
Diego Valderrama, Ph.D.	Senior Global Macro and Research Analyst	San Mateo	1	8	Dollar Bloc, UK, Global Macro
Christine Zhu	Quantitative Research Analyst	San Mateo	4	8	--
Michael Messmer	Senior Trader	San Mateo	9	10	--
Matt Henry	Trader	San Mateo	4	4	--
Andrew Mesic	Trader	San Mateo	4	4	--
Other Global Sovereign/EMD Team Members:					
John W. Beck	Portfolio Manager	London	21	24	--
William Ledward, Ph.D.	Portfolio Manager	London	14	26	--
Robert Waldner, CFA	Portfolio Manager	New York	15	24	--
David Zahn, CFA	Portfolio Manager	London	5	17	--
Vi-Minh Tran, CFA	Portfolio Manager	London	13	16	--
Claire Husson-Citanna, CFA	Portfolio Manager	New York	5	11	--
Nicholas Hardingham, CFA	Portfolio Manager	London	8	11	--
Fatma Charlwood	Research Analyst	London	7	8	Emerging Markets
Philip Spires	Senior Trader	London	5	16	--
Product Management					

Name	Title	Location	Years with Firm	Years in Industry	Research Coverage
Brian Henry, CFA	Institutional Portfolio Manager	San Mateo	4	21	--

June 30, 2011

Also actively contributing to the investment process are investment professionals on the Local Asset Management teams in South Korea, India, China, Brazil, Japan, Vietnam, and the U.A.E. who provide regional market insight. Additionally, the investment team leverages the broad capabilities and deep resources of the entire Fixed Income Group, particularly the sector teams who offer comprehensive coverage of potential alpha opportunities in all major fixed income sectors worldwide. The Quantitative Research Group also works with the investment team, identifying sources of portfolio risk and recommending risk control measures, as well as alpha generating ideas.

We believe that our investment process benefits from the integration of research and portfolio management, as this facilitates the exchange of new investment ideas from a variety of perspectives. Although portfolio managers devote the majority of their time (approximately 70%) to portfolio management and positioning responsibilities, they allocate 20% to specific research duties and analysis. The remaining 10% is given to other activities, such as client service and marketing.

13. Attach biographies for each of the individuals named in the above response.

Please refer to Appendix 2 for the biographies for the investment professionals mentioned above.

14. Identify the named portfolio manager(s) who are responsible for the specific portfolio.

Michael Hasenstab, Ph.D. is the lead portfolio manager for the Global Multisector Plus strategy. He is Co-Director of the Fixed Income Group International Bond Department and is a member of the Fixed Income Policy Committee. Dr. Hasenstab specializes in global macroeconomic analysis, focusing on currency, interest rate, and sovereign credit analysis of developed and emerging market countries. He has ultimate decision-making authority for the strategy and is accountable for strategy implementation, including buy/sell decisions and risk management.

Canyon Chan is a co-portfolio manager for this strategy and participates in the decision-making process. He can assume the lead portfolio management role, if necessary, without delay or interruption of strategy implementation. He has expertise in portfolio structuring, derivatives/quantitative strategies, and risk budgeting/management, and conducts general research across global asset classes.

15. Briefly describe the broader group(s) or additional individuals that are involved in the management of the strategy.

The following chart represents the broader groups involved with managing the Franklin Templeton Global Multisector Plus strategy and the flow of information between the different groups.

Global Fixed Income Research Team

- The Franklin Templeton Global Fixed Income Team exchanges insight and information with fixed income and equity investment professionals around the globe
  - The Franklin Templeton Fixed Income Group: $298.6 billion in assets under management
  - The Franklin Templeton Global Fixed Income Team: $174.4 billion in assets under management

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.
As of June 30, 2011.

16. List all turnover in the group within the last eighteen months.

The following tables represent the additions and departures to the Global Bond Team over the past eighteen months through June 30, 2011.

Additions

Date	Name	Responsibility
1/1/2011	Andrew Mesic	Trader
7/1/2010	Yuhui Zhu	Research Analyst
6/25/2010	Vivek M. Ahuja*	Research Analyst

*Internal transfer

Departures

Date	Name	Responsibility	Reason for Departure
02/23/2011	Jennifer Bousman	Research Analyst	Left to pursue other opportunities

17. Provide an overview of the compensation structure for the investment professionals involved in managing the strategy. In addition, specifically discuss any employment

contracts or other retention mechanisms related to the individuals named in number twelve above.

Investment Professional Compensation

In accordance with Franklin Templeton's compensation program, all investment professionals receive a base salary; a cash incentive bonus opportunity, restricted equity compensation opportunity, and restricted fund shares opportunity; and a competitive benefits package.

Reviewed annually, compensation is based upon three factors: individual performance, the salary range for an investment professional's level of responsibility, and Franklin Templeton guidelines. Portfolio managers and analysts are provided no financial incentive to favor one fund or account over another.

Portfolio Managers' Compensation

Portfolio managers' compensation consists of the following three elements:

- ***Base salary:*** Each portfolio manager is paid a base salary.
- ***Annual bonus:*** Annual bonuses are structured to align the interests of the portfolio manager with those of our clients. Each portfolio manager is eligible to receive an annual bonus. Bonuses generally are split between cash (50% to 65%), restricted shares of Franklin Resources, Inc. stock (17.5% to 25%), and mutual fund units (17.5% to 25%). The deferred equity-based compensation is structured to create a vested interest of the portfolio manager in the financial performance of both Franklin Resources and the mutual funds they advise. The bonus plan seeks to provide a competitive level of annual bonus compensation, commensurate with the portfolio manager's consistently strong investment performance. In accordance with Franklin Templeton guidelines, the Chief Investment Officer and/or other officers of the portfolio manager who also bear responsibility for the account, have discretion in the granting of annual bonuses. The following factors are generally considered when determining bonuses:
    - *Investment performance.* Primary consideration is given to the historic investment performance over the one, three, and five preceding years of all accounts managed by the portfolio manager. The pre-tax performance of each fund managed is measured relative to a relevant peer group and/or applicable benchmark, as appropriate.
    - *Non-investment performance.* The more qualitative contributions of a portfolio manager to the company's business and the investment management team, including professional knowledge, productivity, responsiveness to client needs, and communication, are evaluated in determining the amount of any bonus award.
    - *Responsibilities.* The characteristics and complexity of accounts managed by the portfolio manager are factored in the manager's appraisal.
- ***Additional long-term equity-based compensation:*** Portfolio managers may also be awarded restricted shares or units of Franklin Resources stock or restricted shares or units of one or more mutual funds. Vesting of such deferred equity-based compensation awards is subject to achievement of key corporate and investment management metrics, designed to retain key talent through attractive incentives, whilst maintaining line of sight to both Corporate and Fund performance.

Research Analyst Compensation

All analysts are compensated with a base salary, and are eligible to receive a bonus in the form of cash, restricted stock, mutual fund units, performance shares (when relevant to plan), and a defined contribution retirement plan. A component of the overall compensation package is based on a percentage of top-line firm revenue.

Research recommendations and analyst performance are continually tracked, and this information is used in determining compensation. At the end of the year, analyst performance is tabulated and compared against relevant benchmarks, funds, and sectors/industries they follow; and this is factored into an analyst's annual bonus. Our research analysts are assessed over one-, three- and five-year time frames. Although bonuses are awarded annually, a significant portion will vest over the following three years. The bonus system ensures that the investment team has a personal as well as a professional stake in the continued success of the portfolios they manage.

Retention

As a premier global investment management firm, our philosophy begins with attracting and retaining the best employees—those who have the ability to perform at high levels and the potential to continue growing in their professions. To provide a quality work environment, the firm offers a number of programs, including competitive salary and bonus plans, employee stock investment programs, education reimbursement, competitive health benefits that include vision, dental and flexible spending accounts, continuing education opportunities, a "Real Life" benefits program that offers discounted prices for many services (for example, financial planning, legal, elderly care insurance, etc.) and corporate sponsored events.

Franklin Templeton's global compensation program is designed to create and support programs that, at a global level:

- Link to overall company results;
- Reward the performance of individuals and teams that contribute to overall company results and, with respect to investment management personnel, the results of our fund products;
- Encourage key employees, through equity participation, to think as shareholders and position the Franklin Templeton organization for long-term growth.

Compensation and incentives are part of an ongoing review. As an integral component in helping the firm remain competitive, compensation and incentives packages are analyzed periodically. Franklin Templeton uses pertinent, up-to-date third-party compensation market surveys, including data from McLagan Partners, an AON consulting company, and other globally-recognized consulting firms with expertise in this area to determine the firm's relative standing versus competitors and provide a basis for summarizing and establishing compensation policy.

We strongly believe that our comprehensive financial and social benefits effectively support our goal of encouraging all of our valuable employees—not just key professionals—to remain with our organization over the long term.

18. Describe your succession and continuity plans for the management of the strategy if any of the key investment professionals are internally redeployed or cease to be with the firm altogether.

Continuity is a cornerstone of the Fixed Income Group portfolio management approach, reflecting our commitment to adhering to strategy guidelines and meeting the investment needs of our clients. In addition to the lead manager, we typically assign one or two portfolio managers to each portfolio. Although the lead portfolio manager is ultimately responsible for all strategy implementation decisions and portfolio investment objectives, all managers as well as analysts on the team participate in the decision-making process. Macroeconomic views and sector-specific information are discussed at the weekly Fixed Income Policy Committee meetings and shared with all Fixed Income Group investment professionals. Should the lead portfolio manager leave the team or temporarily be unavailable, a secondary manager can step into the lead role without delay or interruption in strategy implementation. Additionally, senior sector analysts drive the security selection process in our multi-sector strategies, further reducing the reliance on any single individual.

19. Are any of the investment activities or administrative services associated with the strategy fully or partially outsourced to third-party service providers? If so, please list each service provider and describe their respective role(s). Are any of these firms considered affiliates of your firm?

Consultants, contractors, and strategic partners are used, as needed, to address the fluctuating level and types of resources required to meet business needs. Internal, experienced staff members manage these efforts and provide oversight, and subject matter expertise. Franklin Templeton retains in-house skills where they align with the core business of the company to ensure long-term stability, and makes use of external outsourcing partners, as appropriate.

III. INVESTMENT STRATEGY & PROCESS

20. Describe your overall investment philosophy and approach as it relates to the strategy, including its theoretical basis and specific market anomalies or inefficiencies it seeks to exploit.

Investment Philosophy

We believe that applying a fundamental, research-driven approach focused on identifying potential sources of total return worldwide (current income and capital appreciation) and seeking to capitalize on ideas across the entire fixed income opportunity set will provide the best potential for solid risk-adjusted returns. The Global Multisector Plus strategy is run independently of its benchmark. The portfolio holds only the positions the strategy team believes have the best potential to maximize risk-adjusted returns. This is a high alpha seeking strategy that invests globally and may allocate to both developed and emerging markets. However, below investment grade exposure is limited to no more than 50% of total assets.

Investment Approach

With a fundamental, research-driven investment approach, the Global Multisector Plus strategy team focuses on identifying potential sources of total return to capitalize on investment opportunities across the entire global fixed income market. This benchmark-agnostic strategy aims to be broadly diversified, giving the portfolio managers the flexibility to actively take advantage of opportunities that offer the highest expected risk-adjusted returns.

The strategy draws from significant Fixed Income Group global resources ranging from top-down macroeconomic views to bottom-up country and sector-specific research combined with quantitative analysis and rigorous risk management techniques. The investment team tailors the macroeconomic investment themes formulated by the Fixed Income Policy Committee to its benchmark-independent investment style, conducting fundamental, country-by-country macroeconomic research. To identify potential sources of alpha and the most attractive risk exposures relative to current valuations, the investment team independently evaluates five sources of potential returns—interest rate, currency, sovereign credit, corporate credit/other spread sectors, and security selection. Portfolio positions are built to capitalize on short-term market inefficiencies, allowing for shifts in portfolio holdings to reflect anticipated changes in interest rates and yield curve spreads. On a security-by-security basis, the portfolio managers maintain a keen awareness of risk, building a portfolio within a specific risk budget, which will shift, based on relative attractiveness of each security during global economic and credit cycles. Precise risk exposures are isolated so that only those with the most attractive valuations will be held in the portfolio.

21. Is your approach primarily fundamental, quantitative, technical, or some combination thereof?

With a fundamental, research-driven investment approach, the Franklin Templeton Global Multisector Plus strategy team focuses on identifying potential sources of total return to capitalize on investment opportunities across the entire global fixed income market.

22. Discuss unique methods of gathering or analyzing information – what is your firm's competitive advantage over other global fixed income managers?

We believe that a combination of these factors gives the Global Multisector Plus strategy a competitive advantage.

Global Expertise

The Global Bond Team is part of the Franklin Templeton Fixed Income Group, a fully integrated global investment platform based in London, New York, San Mateo, and Singapore and supported by investment professionals in South Korea, India, China, Brazil, Japan, Vietnam, and the U.A.E. Comprised of 136 investment professionals, the Fixed Income Group functions as one investment team, with a unified structure and diversified expertise that facilitate the search for alpha sources across all fixed income securities, sectors, and regions of the world. Drawing from Fixed Income Group resources, the Global Bond Team gains a true global perspective of the interaction between global economies and the world's bond markets and benefits from the varying views of investment professionals who bring the best ideas from around the globe to the investment process within a disciplined risk management framework.

Ability to be Nimble

Leveraging its size, global presence, and assets under management, the Fixed Income Group can obtain favorable allocations and superior execution in the primary and secondary markets. Due to our centralized decision-making structure, we are nimble and flexible when capitalizing on investment opportunities and can take full advantage of perceived mispricing and temporary market inefficiencies to pinpoint potential sources of high current income worldwide and capitalize on global interest rates and currency trends.

Opportunistic and Flexible Approach

Global Multisector Plus employs an actively managed, benchmark-unconstrained investment approach that focuses on maximizing total return subject to overall volatility rather than on tracking error against an index. The strategy's investment universe includes the entire global fixed income opportunity set in both developed and emerging markets. This benchmark independence gives the investment team flexibility to hold only the positions that are believed to have the best potential to maximize risk-adjusted returns.

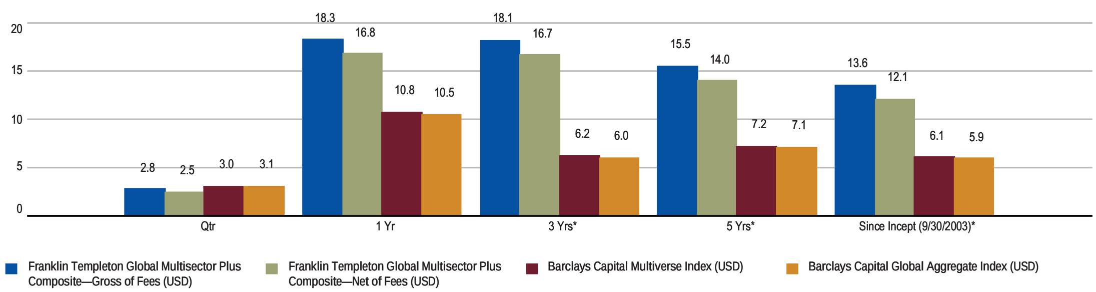
Consistent Returns Earned Over Time

The Global Multisector Plus strategy has performed well in a wide variety of market environments, producing strong, risk adjusted long-term returns. As demonstrated in the following performance chart, the Global Multisector Plus composite has consistently outperformed the Barclays Capital Multiverse Index for periods ending June 30, 2011.

Historical Performance (%)

Franklin Templeton Global Multisector Plus Composite

As of June 30, 2011



Franklin is in compliance with the Global Investment Performance Standards (GIPS®) from January 1, 2000 to the present. Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.

Please see accompanying full performance presentation prepared in accordance with GIPS®. Please also see the Important Information page in the Appendix.

Past performance does not guarantee future results and may differ over future time periods.

Indexes are unmanaged and one cannot invest directly in an index.

*Average Annual Returns.

Diversification Benefits

As an active global fixed income manager, we can exploit country specifics to take advantage of differing business cycles and economic conditions around the world to enhance diversification and returns. In addition, the five different independent sources of alpha may help provide stability in a down market and enable the Global Multisector Plus strategy to generate excess returns in a wide variety of global market environments.

23. Describe the investment universe for the strategy, including both region/country exposures and the types of securities utilized. Within this universe, are there any subsets that could be characterized as a primary focus?

The Global Multisector Plus investment universe is broad, spanning all global fixed income opportunities in developed and emerging markets. Although not required, the portfolio may invest in fixed rate, floating/variable rate, inflation/index linked, and zero coupon debt securities and debt obligations issued by the following:

- Governments of any nation
- Government-related entities (owned, supported, or guaranteed by the government)

- Supranationals (entities organized or supported by several national governments)
- Municipal and local/provincial governments
- Corporations (including convertible securities and preferred stock)

Additionally, the strategy may invest in the following instruments:

- Private placement debt
- Securities or structured notes/products,
- Mortgage-backed and asset-backed securities
- Collateralized debt obligations and collateralized loan obligations
- Other securitized assets, including but not limited to commercial mortgage-backed securities, collateralized mortgage obligations, etc.
- Money market instruments, cash and cash equivalents
- Exchange traded funds/notes, mutual funds, and other open-end investment structures that may be managed by Franklin Templeton Investments or its subsidiaries
- Derivatives

These holdings may be denominated in any currency and may be of any maturity.

24. Provide an estimate of the approximate long-term breakdown of “alpha” for the strategy into the following main components:

a. Duration/yield curve positioning
b. Country rotation
c. Sector rotation
d. Security selection
e. Currency management
f. Other (Credit)

The sources of alpha for a typical Global Multisector Plus account include currencies, interest rates, sovereign credit, corporate/spread sectors and security selection. Changes in allocation to these five exposures are made based on our macroeconomic research and outlook. In addition, changes to the current environment can affect the contribution for each risk exposure.

Historically, the contribution of the different sources of alpha has varied according to various market environments and changes in allocation of our risk budget based on our fundamental macroeconomic research and outlook assumptions. Certainly currency positioning has been a more dominant part of the risk budget at various times over the history of the strategy. However, in aggregate our risk budget between each of these exposures has been in a range of 1/5 to 3/5.

25. Provide an overview of how the research efforts are organized, including identification of the groups or individuals that are responsible for specific areas/functions.

The Franklin Templeton 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. Our 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 our 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. They scrutinize 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 South Korea, India, China, Brazil, Japan, Vietnam, 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

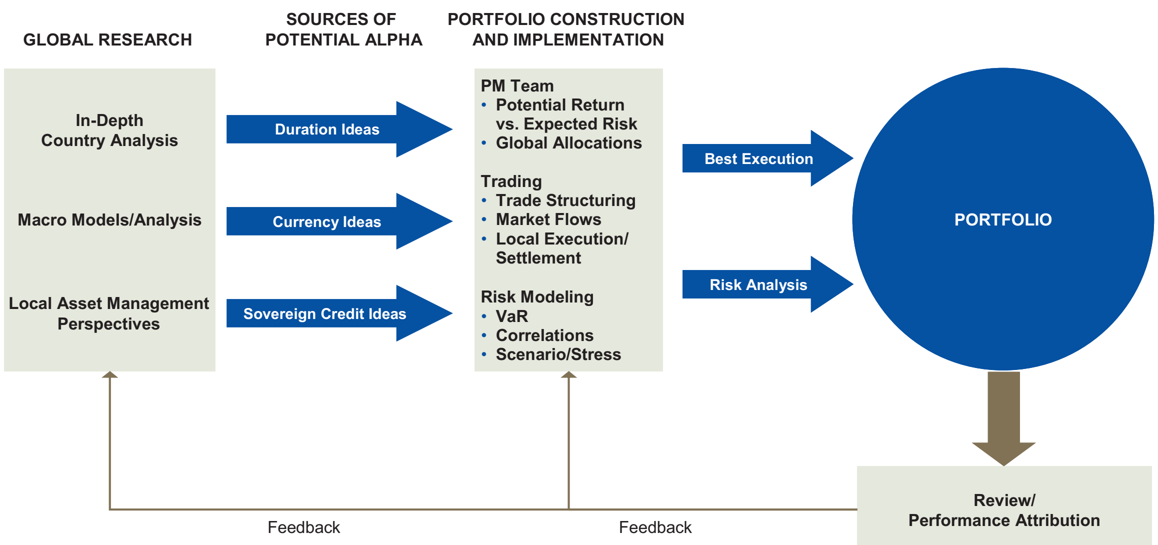
The goal of our disciplined bottom-up investment approach is to optimize asset exposure. Although issue size and expected trading liquidity are evaluated and bond ratings are considered, investment decisions are based primarily on our internal, fundamental research process. Rather than relying on rating agency or Wall Street sell-side research, we build credit models based on our 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 our 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.

26. Outline and briefly describe the main steps of your investment process.

As a high alpha-seeking strategy, Global Multisector Plus applies a fundamental, research-driven approach to identifying potential sources of total return globally. The strategy seeks investment opportunities by identifying market disequilibria or inefficiencies in the fixed income and currency markets, capitalizing on global investment opportunities as it pursues absolute returns over a one- to three-year time horizon.

One of the Fixed Income Group products, the Global Multisector Plus strategy draws on the expertise of a global fixed income platform with more than 30 years of experience managing single-sector and multi-sector U.S., international, and global strategies. With a long-term, value-based investment style, the strategy pursues diversified sources of alpha across global markets, sectors, and securities, utilizing significant Fixed Income Group resources ranging from top-down macroeconomic view formulation to bottom-up sector-specific research combined with quantitative analysis.



Macroeconomic View Formulation

Long-term macroeconomic investment themes are established by the Fixed Income Policy Committee, which evaluates the factors impacting the global fixed income markets including economic output, monetary policy, duration/yield curve, global currency and geo-political trends, as well as fiscal policy. The policy committee also considers the in-depth insight of senior sector team leaders focusing on government, credit, mortgages/asset-backed securities, municipals, emerging market debt, and bank loan sectors. Local market perspectives from asset management colleagues in South Korea, India, China, Brazil, Japan, Vietnam, and the U.A.E. are also factored into committee recommendations. The policy committee sets relative sector values from the weightings recommendations of the senior team leaders, which are utilized by strategy leaders within the risk parameters of their strategies.

Investment Strategy Formulation

The Global Multisector Plus team tailors the recommendations of the policy committee to its active management, benchmark-agnostic investment style, employing fundamental, country-by-country macroeconomic research that entails quantitative analysis, macro-analytic models, local market insight, and rigorous risk management. The process incorporates regular communication between all team members including portfolio managers, traders, research analysts, and risk analysts—all benefiting from the expertise of other members of the Fixed Income Group.

Investment Strategy Implementation

With a long-term, fundamentally driven investment focus, the investment team conducts global macroeconomic analysis of the following factors to identify economic imbalances that can lead to value in developed and emerging market countries:

- Duration positioning
- Currency allocation
- Sovereign credit allocation
- Spread sector allocation
- Security selection/sub-sector allocation

Combining qualitative analysis with sophisticated quantitative tools to build portfolio positions, the team capitalizes on short-term market inefficiencies, allowing for shifts in portfolio holdings to reflect anticipated changes in interest rates and yield curve spreads in developed and emerging markets. This process begins with a very broad, global perspective and then shifts its focus beyond the core markets (mostly developed) that get the most attention to the scores of peripheral markets that not only provide excellent sources of diversification, but also often offer the potential for higher returns than those offered by traditional markets.

To construct portfolios, the team precisely identifies desired currency, duration, and credit exposures to reflect the most attractive risk exposures relative to current valuations. These exposures are then isolated and compiled to ensure that only the most attractive opportunities are held. To validate positioning, exposures are discussed among members of the Franklin Templeton extended fixed income team.

During the implementation phase, traders and other local market investment professionals advise on market flows, trade structure, and local execution. The team takes into consideration the level of risk aversion in the global markets—on a security-by-security basis, the portfolio management team maintains a keen awareness of risk, building a portfolio within a specific risk budget which will shift, based on the relative attractiveness of each security during global economic and credit cycles. The team uses proprietary and state-of-the-art third-party tools to measure risk, including scenario analysis that models potential crises, such as geopolitical risks or oil price shocks, to analyze the impact on currency values and interest rates.

Through fundamentals-driven analysis, the Global Multisector Plus strategy has delivered outstanding returns in a variety of global environments while maintaining an investment-grade credit rating since inception. This approach has been particularly beneficial in periods of financial market stress, as the strategy has avoided severe downturns suffered by some securities.

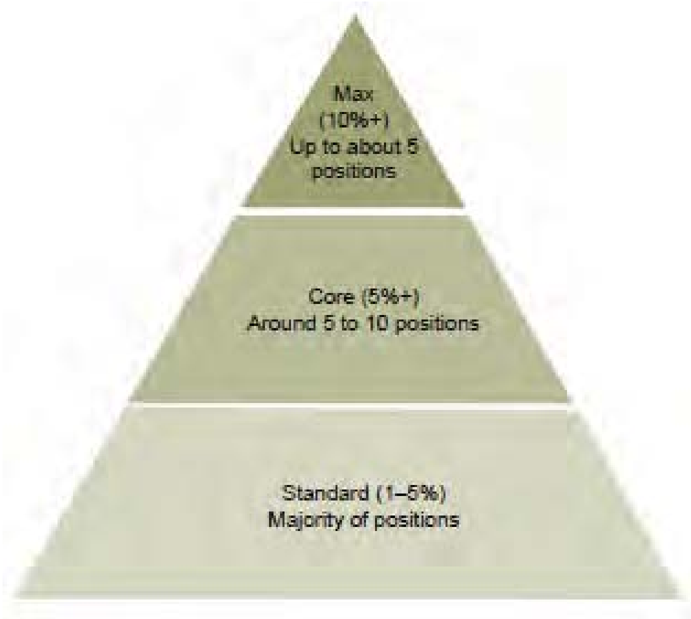
27. To the extent that top-down decisions are made, e.g. with regard to country allocations or duration/yield curve positioning, how are these views researched and implemented? How do they interact with and inform the more bottom-up aspects of your approach, and vice-versa?

We conduct global research through multiple lenses, seeking to add value by exploiting market inefficiencies through both top-down allocation decisions and bottom-up security selection. These decisions are made on a tactical and strategic basis. Although sector allocation is primarily focused on top-down/sector issues, our research groups and sector specialists devote the majority of their time to bottom-up analysis, for both individual security selection and sector recommendations.

28. Describe your methodology for analyzing individual securities in detail, including any key metrics or areas of focus that drive the process. If appropriate, include separate sections covering the analysis of sovereigns, corporate bonds, structured securities, etc.

Position sizes are based on attractiveness, valuation, and expected return, weighted against risk and volatility. A Global Multisector Plus portfolio holds 25-35 diversified global macro views or exposures, i.e., duration, currency, sovereign credit, or corporate/spread sectors. These views are counted separately in position sizing. Utilizing an unconstrained investment approach, the portfolio starts from an all-cash "clean slate" and is continually re-evaluated. A range of potential investments is compared, based on expected total return and risk analysis. The strategy team focuses on investments in areas that offer the best total return, choosing to hold only investments it believes are the most attractive and for which it has a high conviction. The strategy team avoids taking benchmark-oriented positions if the team does not have a high conviction view of those positions.

Based on overall total return and risk parameters, the number of portfolio positions based on size typically falls within the ranges illustrated in the following chart. For diversification purposes, the majority of positions will be within the standard range of 1%-5%. Higher conviction positions will be in the core range, scaled up to 5% or more. The highest or maximum conviction views will be scaled up to 10% or more, although typically no more than a handful of positions reach this level. Position size will rarely exceed 15%. Portfolio composition and the characteristics of individual accounts will vary due to a number of factors, such as account inception date and size, and specific investment guidelines and restrictions.



29. Discuss how external research is used and incorporated into your investment process, including the main sources of external research and how providers are compensated.

Although the majority of research originates internally, approximately 20% is generated externally by consultants, brokerage firms, credit rating agencies, and on-line news sources including Reuters, Bloomberg, and First Call. We also receive credit and financial reports and other company/issuer information through subscriptions to nationally-recognized statistical rating agencies. Additionally, our analysts regularly engage analysts at credit rating agencies and brokerage firms in discussions on industry and issuer trends. Outside research enhances our ability to continually monitor market news and developments, providing our analysts with an even deeper understanding of activity within specific regions and sectors.

The Fixed Income Group does not engage in client commission arrangements (soft dollar arrangements), as no set commissions are paid to our 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.

30. Describe the decision making process, including the committees, groups or individuals ultimately responsible for investment decisions.

Michael Hasenstab, Ph.D. is the lead portfolio manager for the Global Multisector Plus strategy. He is Co-Director of the Fixed Income Group International Bond Department and is a member of the Fixed Income Policy Committee. Dr. Hasenstab specializes in global macroeconomic analysis, focusing on currency, interest rate, and sovereign credit analysis of developed and emerging market countries. He has ultimate decision-making authority for the strategy and is accountable for strategy implementation, including buy/sell decisions and risk management.

The Franklin Templeton Fixed Income Policy Committee establishes the long-term macroeconomic investment themes and views that guide the portfolio construction process across all fixed income strategies. The committee is composed of 16 senior fixed income investment professionals based in London, New York, and San Mateo, representing the global fixed income markets.

Through videoconferencing, the committee meets weekly in sessions that alternate between global macroeconomic discussions and bottom-up sector allocation dialogues. The meetings serve as a forum to exchange ideas and share information and can include real-time market perspectives from colleagues in asset management offices in South Korea, India, China, Brazil, Japan, Vietnam, and the U.A.E.

At the semimonthly global macroeconomic meeting, the Policy Committee reviews current data on key economic metrics and the market consensus to formulate the macroeconomic views for the Fixed Income Group. The following topics generally form the framework for the meeting, although the discussions are not limited to these issues.

Franklin Templeton Fixed Income Policy Committee Global Macroeconomic Meetings	
Economic Output:	Duration/Yield Curve
Consumption/Employment	Global:
Income/Savings/Housing	Currency
Corporate Spending/Earnings	Global Economic/Geo-Political Trends
Inventory/Investment	Other:
GDP	Fiscal Policy
Monetary Policy:	Market Technicals
Inflation	Equity Markets
Central Bank Policy	

On alternating weeks, the Policy Committee focuses on relative-value discussions in the sector allocation meetings. At these sessions, senior members of each sector team provide in-depth insight on their respective fixed income sectors, which are listed below. The Policy Committee considers qualitative assessments and quantitative valuations (including but not limited to spread duration, risk adjusted spread, and standard deviation), as well as benchmark comparisons to determine recommended sector weightings.

Franklin Templeton Fixed Income Policy Committee Sector Allocation Meetings	
Investment Grade Corporates	Mortgages
U.S./Euro	CMBS
High Yield	Asset Backed Securities
Bank Loans	Agencies
International Governments (local currency)	Treasuries/TIPS
Investment Grade/Sub-Investment Grade	Municipal Bonds
EM Sovereign Hard Currency	Additional Structured Instruments

Franklin Templeton Fixed Income Policy Committee Sector Allocation Meetings
Investment Grade/Below Investment Grade

Policy Committee meeting reports are distributed weekly to all members of the Fixed Income Group and generally include the following:

- Impact of economic and political factors on the global fixed income markets
- Quantitative sector valuations
- Sector weighting recommendations

The lead portfolio manager in each strategy is responsible for implementing the broad investment themes, tailored to meet individual portfolio objectives and constraints.

31. Provide a brief overview of your portfolio construction framework, including a discussion of any models that are utilized and how region/country/sector allocations and individual position sizes are determined and managed.

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.

Position sizes are based on attractiveness, valuation, and expected return, which are weighted against risk and volatility. A Global Multisector Plus portfolio holds 25-35 diversified global macro views or exposures, i.e., duration, currency, sovereign credit, or corporate/spread sectors. These views are counted separately in position sizing. Utilizing an unconstrained investment approach, the portfolio starts from an all-cash "clean slate" and is continually re-evaluated. A range of potential investments is compared, based on expected total return and risk analysis. The strategy team focuses on investments in areas that offer the best total return, holding only investments it believes are the most attractive and for which it has a high conviction. The strategy team avoids taking benchmark-oriented positions if it does not have a high conviction view of those positions.

32. List all applicable portfolio constraints or guidelines (e.g., target exposures and allowable ranges, either benchmark-relative or absolute) and describe any other quantitative or qualitative risk controls.

Common risk factors vary from sector to sector. For example, interest rate risk in the Treasury sector is significant, while currency risk in the government bond sector is important. The Quantitative Research Group, which is dedicated to fixed income strategies, actively monitors all Franklin Templeton Global Multisector Plus portfolio risk exposures, producing daily risk reports utilized by the portfolio management team in the portfolio construction and risk management process. Portfolio risk is also monitored by the Performance Analysis and Investment Risk Group (PAIR), an independent risk management team that conducts periodic reviews of all Franklin Templeton portfolios. PAIR quantifies sources and levels of portfolio risk and suggests methods of effective risk deployment.

The following are the portfolio Constraints of the Franklin Templeton Global Multisector Plus strategy.

Sector and Industry Exposure Limits

A typical Franklin Templeton Global Multisector Plus portfolio may not invest more than 25% of its net assets in securities of issuers in any one industry (other than securities issued or guaranteed by the U.S. government or any of its agencies or instrumentalities or securities of other investment companies). Although exposure to individual sectors is not limited, it is unlikely that more than 50% of the portfolio will be invested in corporates or other spread sectors.

Credit Quality Limits

The strategy may invest in a wide variety of instruments of varying credit quality, depending on the market cycle and sector. In normal market conditions, up to 50% of total net assets at the time of investment may be invested in securities either rated as non-investment grade or not rated by various credit rating agencies. When securities are not rated, the portfolio manager may use the rating of the issuer for monitoring purposes or may assign a comparable rating if the issuer is not rated. In the emerging markets sector, investments are analyzed at the country level to determine credit quality.

Position Limits

Position sizes are based on attractiveness, valuation, and expected return, weighted against risk and volatility. A Global Multisector Plus portfolio holds 25-35 diversified global macro views or exposures, i.e., duration, currency, sovereign credit, or corporate/spread sectors. These views are counted separately in position sizing. Utilizing an unconstrained investment approach, the portfolio starts from an all-cash "clean slate" and is continually re-evaluated. A range of potential investments is compared, based on expected total return and risk analysis. The strategy team focuses on investments in areas that offer the best total return, choosing to hold only investments it believes are the most attractive and for which it has a high conviction. The strategy team avoids taking benchmark-oriented positions if the team does not have a high conviction view of those positions.

Based on overall total return and risk parameters, the number of portfolio positions based on size typically falls within the ranges illustrated in the following chart. For diversification purposes, the majority of positions will be within the standard range of 1%-5%. Higher conviction positions will be in the core range, scaled up to 5% or more. The highest or maximum conviction views will be scaled up to 10% or more, although typically no more than a handful of positions reach this level. Position size will rarely exceed 15%. Portfolio composition and the characteristics of individual accounts will vary due to a number of factors, such as account inception date and size, and specific investment guidelines and restrictions.

33. Describe your sell discipline, including any specific criteria or triggers. Do you employ any form of stop-loss provisions?

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 we 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.

34. Does the strategy employ leverage? If so, discuss how leverage is used, typical amounts, limits, etc., and provide justification for its use. In addition, describe the leverage facility including providers, structure, terms, cost, etc.

The Global Multisector Plus strategy does not employ leverage.

35. Does the strategy employ short positions, in either cash bonds or synthetically using CDS, for "alpha" generation purposes? If so, discuss the role of short positions, typical amounts, limits, etc., and provide justification for their inclusion.

Short positions are taken to express negative investment views or to hedge out undesired risks. For example, the short euro is used to hedge out euro risk implicit in our long peripheral European currencies, and the short yen is used to hedge out the risk from a rise in U.S. interest rates (based on an historical tie between increasing U.S. rates and a depreciation of the Japanese yen). These short positions have been implemented through currency forwards.

Franklin Templeton Global Multisector Plus does not use long/short positions as a strategy; however directional views are taken through our positive and negative positions on currencies and duration. In 2009, our net negative position in the New Zealand dollar was used to hedge risk in case market sentiment turned. The team felt that financial markets viewed New Zealand as a generic, high yield, hard commodity exporting economy with a liquid, unmanaged currency. However, as dairy was the economy's only major commodity export, the fundamentals did not support the strong currency performance.

As the most economically sensitive in all the Asian economies, the Singapore dollar was used to hedge against potential threats in the region in the wake of the global economic crisis. With China as the largest and most important economy in the region, a downturn in Chinese markets would have caused a ripple effect throughout the whole region, with Singapore the first to feel its impact.

36. Describe any portfolio- or security-level hedging activities utilized in the strategy, including what risks/exposures are typically hedged, the types of instruments used and how your hedging activities are expected to add value. If applicable, please provide specific examples of how your hedging activities have reduced risk at an opportune time and positively impacted returns.

The investment team actively manages currencies to capture potential returns from currency realignments or to hedge-out an undesired currency exposure. To implement it's long-term strategy, the portfolio management team may use derivative instruments such as foreign exchange forward contracts and currency futures to implement its overall strategy, either for hedging purposes and/or to express (positive and negative) currency views. It also may engage in cross-hedging as a more efficient means of implementing the portfolio's optimal currency structure.

37. Describe your approach to managing and hedging non-USD currency exposures. Is currency evaluated and managed on a stand-alone basis, or is it integrated into the broader research process? Can the portfolio hold long or short currency positions that are not related to an underlying cash bond? (E.g., the portfolio holds no Brazilian realdenominated bonds but has a long position in the currency).

Currency is managed as a separate asset class and is influenced by similar macroeconomic factors that affect duration positioning. Currency views can be expressed either tactically or on a longer-term strategic basis. At any time currency management can represent up to two-thirds of the strategy's risk budget and alpha. Significant emphasis is placed on sizing allocations in the portfolio relative to the appropriate amount of risk.

Fluctuations in the value of developed country currencies versus the U.S. dollar have an important impact on returns. The Global Bond Team carefully assesses the trends of currency values by analyzing spot and trend valuations. We believe that no one model of analysis can adequately manage currency investments. We employ a range of analytics and only when a preponderance of evidence across the following three distinct main areas of analysis supports a given currency valuation will we overweight that currency.

Fundamental Long-Term Currency Valuations

A range of processes are strictly adhered to when analyzing fundamental long-term currency valuations including the following analyses:

- General equilibrium analysis, which looks at the currency effects of macro variables (growth, inflation, trade) and market prices (equity, interest rate, commodity) on currency levels;
- Macro-economic analysis, which looks at the comparison between nominal exchange rates and economic output;
- Fundamental equilibrium exchange rate analysis—the calculation of the misalignments of the exchange rates for major currencies—looks at relative value and investment relationships between currency pairs;

- Real equilibrium exchange rate analysis, which explores the concept of relative inflation-adjusted currency performance;
- Behavioral equilibrium exchange rate analysis, a proprietary model used to measure a currency's over- or under-valuation based on economic fundamentals;
- Rudimentary measures including purchasing power parity analysis.

Short-Term Dynamics

The analysis of short-term dynamics assesses the drivers of currencies, either toward or away from their long-term equilibrium value. This process examines:

- Relative real and nominal interest rates;
- Relative trade and current accounts;
- Relative capital account financing;
- Relative growth, productivity, and return on capital rates;
- Relative broad balance of payments.

Scenario Analysis

Scenario analysis focuses on the modeling of potential shocks such as oil price shocks or geopolitical risks and examines their potential impact on currency values. Based on this analysis, probability-weighted expected returns are calculated for each currency. Managers then construct aggregate currency allocations for the strategy.

Long/Short Positions

Global Multisector Plus does not use long/short positions as a strategy; directional views are taken through our positive and negative positions on currencies and duration. In 2009, our net negative position in the New Zealand dollar was used to hedge risk in case market sentiment turned. The team felt that financial markets viewed New Zealand as a generic, high yield, hard commodity exporting economy with a liquid, unmanaged currency. However, as dairy was the economy's only major commodity export, the fundamentals did not support the strong currency performance.

As the most economically sensitive in all the Asian economies, the Singapore dollar was used to hedge against potential threats in the region in the wake of the global economic crisis. With China as the largest and most important economy in the region, a downturn in Chinese markets would have caused a ripple effect throughout the whole region, with Singapore the first to feel its impact.

38. If not covered above, describe the use of derivatives in the strategy including the rationale, types, typical amounts, and any associated limits or constraints.

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. 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.

39. Does the strategy invest in countries classified as either Emerging or Frontier markets? Please discuss the rationale for including these types of securities and highlight any areas where the analysis differs from your general research process. Are investments in Emerging or Frontier markets limited to sovereign or quasi-sovereign securities? What limits are placed on investments in Emerging or Frontier markets and/or currencies?

The strategy does not set limits on exposure to emerging market countries in aggregate and may invest a substantial portion of portfolio assets in this sector. Exposure is adjusted when the team anticipates changes in interest rates and credit yield spreads and currencies in emerging market bonds.

40. Regarding risk management:

a. List the main risks associated with the strategy and describe how each is explicitly measured and managed at both the individual security and aggregate portfolio level.

Risks are primarily associated with individual, bottom-up risk positions rather than overarching thematic views. In general we focus on the five main sources of risk which can lead to value opportunities:

- Interest rates (duration)
- Currencies
- Sovereign credit
- Corporate/spread sectors
- Bottom-up security selection/sub-sector allocation

There is also a small degree of idiosyncratic risk, although this is mitigated through debt structure analysis as part of fundamental country analysis. We also consider trading risk, as bid/ask spreads can be wide in some global markets.

The Quantitative Research Group, which is dedicated to fixed income strategies, actively monitors all Global Multisector Plus portfolio risk exposures, producing daily risk reports utilized by the portfolio management team in the portfolio construction and risk management process. Portfolio risk is also monitored by the Performance Analysis and Investment Risk Group (PAIR), an independent risk management team that conducts periodic reviews of all Franklin Templeton portfolios. PAIR quantifies sources and levels of portfolio risk and suggests methods of effective risk deployment.

b. Identify the person(s) or group primarily responsible for the risk management function.

c. Discuss how risk management both interacts with and maintains independence from the other aspects of the investment process.

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

We look 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 we do look at tracking error versus the benchmark, we 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.

41. If not already covered above, describe any key systems, tools or models that are used for credit research, default modeling, valuation, risk management, etc.

When making portfolio management decisions, fixed income portfolio managers and analysts rely on both quantitative tools as well as their own qualitative market insight to determine the most attractive investment opportunities and formulate the optimal risk/return profile for each portfolio. We have developed tools to supplement the analysis provided by non-proprietary tools to gain a deeper level of analysis in the portfolio construction process. Proprietary tools as well as the third-party software we use are described in the following chart.

Proprietary Portfolio Management Tools

Tool	Function
Expected Return Methodology*	Calculates expected returns across countries and sectors in a variety of market scenarios due to various changes in the global interest rate environment. Portfolio managers express views in these scenarios about possible directional movements in interest rates as well as implications relative to currency and spread products.
Sector-Level Optimizers	Generates optimal portfolio allocations detailing the attractiveness of various sectors or securities relative to comparable sectors given their historical risk profiles. Expected return forecasts are also included in the exercise from a point of historical valuation relationships.
Mortgage-Specific Optimizer	Instrumental in selecting individual mortgage securities that we believe will offer the best return profile given our views on potential interest rate scenarios and Treasury volatility. Overall housing-related datapoints can also be considered.
Currency and Interest Rate Models	Guide our currency and country decisions. Generate probability forecasts on the economy utilizing real-time information in each country's term spread. Compute momentum factors from moving averages of the differences in U.S. and foreign interest rates, which, together with the probability forecasts, generate buy/sell signals for each country.

Non-Proprietary Portfolio Management Tools

Tool	Function	Strategy
Barclays POINT*	Compares portfolio positioning versus benchmark to determine risk exposure magnitude. Sector classification capabilities instrumental in developing corporate sector attribution reports.	All fixed income strategies
Citigroup Yield Book*	MBS prepay model analyzes relative value among individual securities.	Euro Aggregate Global Absolute Return Global Aggregate Global Multisector Plus Strategic Mortgage Total Return U.S. Core/Core Plus U.S. Low Duration U.S. TIPS

*Also contains functions used by risk management teams.

42. Discuss any material changes that have been made to the investment process or risk management techniques since inception of the strategy. Were these changes considered normal enhancements, or were they made in response to the macroeconomic environment and/or specific market events?

Franklin Templeton has had the same investment philosophy and has been applying the same broad fixed income investment process for more than 40 years. We continuously evaluate the components of our process, making refinements as needed. For instance, we added a proprietary covariance-based risk model and a proprietary performance attribution system to our risk management process, enhancing our evaluation of the risks associated with each active position and the return that each position generates. We expect to continue to refine our investment process, although no significant changes are anticipated in the near future.

IV. PERFORMANCE & PORTFOLIO COMPOSITION

43. Identify the most appropriate benchmark for the strategy and provide a brief rationale.

The primary benchmark for the strategy is Barclays Capital Multiverse Index, which is broadly indicative of the Global Multisector Plus strategy and is used for comparative purposes rather than for portfolio construction. This index was chosen as it is a comprehensive measure of the global fixed income markets and includes a wide range of sectors, quality, maturities, and countries in all eligible currencies. Also, benchmark returns are based on total returns, rather than only on principal movement or interest payments.

44. Indicate established performance targets or expectations (e.g., absolute return, relative return, volatility, tracking error) for the strategy.

The strategy does not set a performance target relative to the benchmark, but rather seeks to maximize total return—current income and capital appreciation—subject to expected volatility in all market conditions.

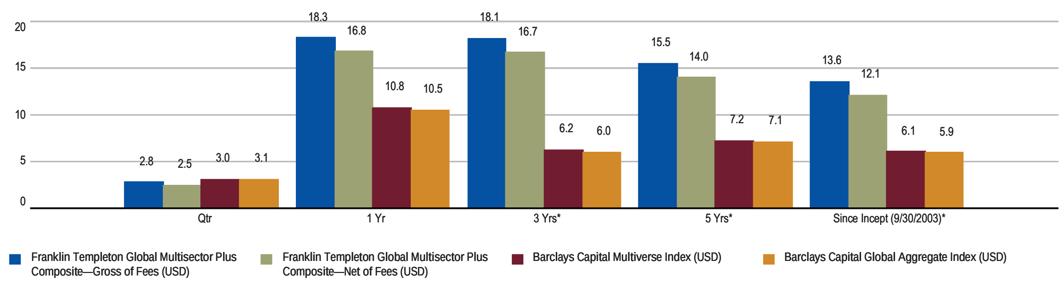
45. Describe any structural elements or biases (e.g., a focus on sovereigns, avoidance of a specific region or country) that might cause the strategy to over/underperform in certain market environments.

Global Multisector Plus has performed well in a variety of market environments. The benchmark-agnostic approach of the strategy gives the portfolio management team flexibility when making sector allocation and security selection decisions, enabling them to find independent sources of alpha in all sectors, global currencies, and related derivatives in the entire fixed income market. The team systematically anticipates changes in interest rates and credit yield spreads in developed bond markets and emerging market bonds and adjusts country weightings and portfolio duration accordingly. As demonstrated in the following chart, the strategy has consistently outperformed the benchmark since inception, underscoring the strength of the strategy in different market conditions.

Historical Performance (%)

Franklin Templeton Global Multisector Plus Composite

As of June 30, 2011



Franklin is in compliance with the Global Investment Performance Standards (GIPS®) from January 1, 2000 to the present. Total returns are presented inclusive of commissions and transaction costs, and assume reinvestment of any dividends, interest income, capital gains, or other earnings.

Please see accompanying full performance presentation prepared in accordance with GIPS®. Please also see the Important Information page in the Appendix.

Past performance does not guarantee future results and may differ over future time periods.

Indexes are unmanaged and one cannot invest directly in an index.

*Average Annual Returns.

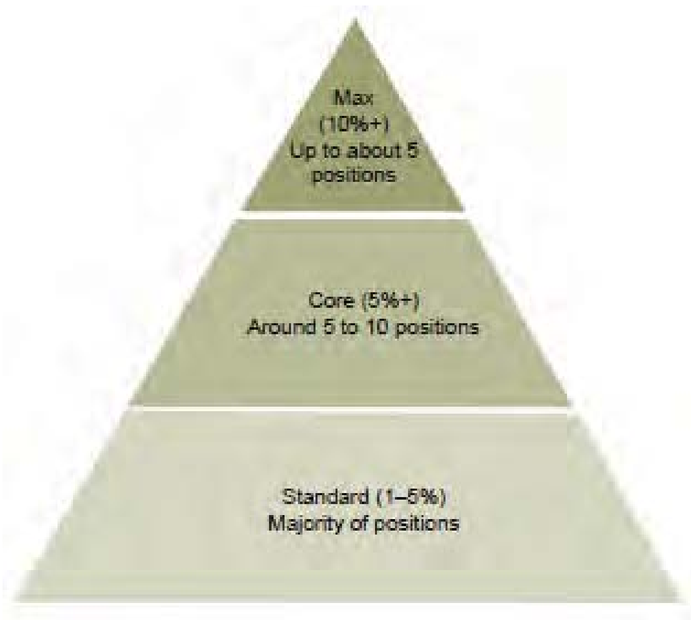
46. Discuss any periods during which the strategy experienced exceptionally good/bad performance or high/low volatility – in essence provide context and explanation for any periods that are considered to be outside of normal expectations.

The Franklin Templeton Multisector Plus strategy has consistently outperformed the benchmark since inception.

47. How many securities are typically held? What has been the historical range?

Position sizes are based on attractiveness, valuation, and expected return, weighted against risk and volatility. A Global Multisector Plus portfolio holds 25-35 diversified global macro views or exposures, i.e., duration, currency, sovereign credit, or corporate/spread sectors. These views are counted separately in position sizing. Utilizing an unconstrained investment approach, the portfolio starts from an all-cash "clean slate" and is continually re-evaluated. A range of potential investments is compared, based on expected total return and risk analysis. The strategy team focuses on investments in areas that offer the best total return, choosing to hold only investments it believes are the most attractive and for which it has a high conviction. The strategy team avoids taking benchmark-oriented positions if the team does not have a high conviction view of those positions.

Based on overall total return and risk parameters, the number of portfolio positions based on size typically falls within the ranges illustrated in the following chart. For diversification purposes, the majority of positions will be within the standard range of 1%-5%. Higher conviction positions will be in the core range, scaled up to 5% or more. The highest or maximum conviction views will be scaled up to 10% or more, although typically no more than a handful of positions reach this level. Position size will rarely exceed 15%. Portfolio composition and the characteristics of individual accounts will vary due to a number of factors, such as account inception date and size, and specific investment guidelines and restrictions.



48. What is the average position size? What is the maximum position size? What percentage of the portfolio is typically represented by the top ten holdings?

For diversification purposes, the majority of positions will be within the standard range of 1%-5%. As of June 30, 2011, the representative account of the Franklin Templeton Global Multisector Plus composite held 21.31% of the portfolio in the top ten holdings.

49. Attach an Excel file with monthly gross of fee returns for the strategy and its primary benchmark, since inception through 6/30/2011.

Please refer to Appendix 3 for the monthly gross of fee returns for the Franklin Templeton Global Multisector Plus composite and the Barclays Capital Multiverse Index since inception through June 30, 2011.

Please refer to Appendix 4 for the full GIPS Presentation of the Franklin Templeton Global Multisector Plus composite.

50. Discuss the performance of the portfolio since inception of *SamCERA's* portfolio.

During year-to-date period ending August 30, 2011, the portfolio underperformed its benchmark mainly due to its currency positions followed by its credit exposures, while interest-rate strategies contributed to relative performance. During the period, the account's underweighted exposure to the euro detracted from relative performance. Exposures to peripheral European currencies, including the Norwegian krone, Polish zloty, Swedish krona and Hungarian forint, mitigated this effect.

The portfolio's significantly underweighted position in the Japanese yen detracted from relative performance. However, currency exposures elsewhere in Asia, such as the Australian dollar, South Korean won, Philippine peso, Malaysian ringgit and Singaporean dollar more than offset this effect.

In Latin America, the account's overweighted exposure to the Mexican peso and Brazilian real positively impacted relative performance.

Credit exposures detracted from relative performance during the period as high-yield corporate bonds performed poorly. Sovereign credit also detracted slightly from performance. The account's duration exposures to Indonesia, Brazil and Mexico contributed to relative performance. On the other hand, the portfolio's underweighted duration exposure to the U.S. and Japan hurt relative results.

51. Attach a performance attribution report covering the periods since the inception of *SamCERA's* portfolio.

Please refer to Appendix 5 for the performance attribution of the SamCERA portfolio.

52. Attach an Excel file containing a list of portfolio holdings as of 8/31/2011. Please include security name, CUSIP or other relevant identifier, amount, cost basis, market value, rating and % of total portfolio.

Please refer to Appendix 6 for the portfolio holdings of the SamCERA portfolio as of August 31, 2011.

53. Regarding composite quality:

Please refer to Appendix 4 for the full GIPS Presentation of the Franklin Templeton Global Multisector Plus composite.

a. Is the composite for the strategy calculated in compliance with CFA Institute GIPS? If so, what is the initial date of compliance?

Franklin (the firm) encompasses the equity, fixed income and balanced accounts managed by Franklin Advisers, Inc., and related Franklin affiliates, including, effective January 1, 2007, the equity accounts managed by the institutional investment teams of Franklin Templeton Institutional, LLC under the former firm name of Fiduciary Global Advisors. The combined equity assets of Franklin and Fiduciary Global Advisors form the Franklin Equity Group (formerly Franklin Global Advisors prior to June 30, 2010) unit of Franklin. Effective January 1, 2006, the fixed income assets managed from that date forward by Franklin Templeton Institutional, LLC (FTI) or its related affiliates (managed previously by Fiduciary Trust Company International—Institutional Division or FTCI's Institutional Division) that went through the institutional portfolio review process were combined with the fixed income assets of Franklin to form the Franklin Templeton Fixed Income unit of Franklin.

Franklin Advisers, Inc., and related Franklin affiliates, claim compliance with the Global Investment Performance Standards (GIPS®) as amended in 2005 by the CFA Institute for the period January 1, 2000 through December 31, 2010, and claim compliance with the 2010 edition of GIPS®, beginning January 1, 2011. The firm completed its work to achieve GIPS® compliance during the course of the fourth quarter of 2005. GIPS® replaced AIMR-PPS®, effective January 1, 2006.

Franklin has undergone a verification of its compliance with the GIPS® standards on a firm-wide basis for the period from January 1, 2003 through December 31, 2009 by Independent Accountants (specifically, PricewaterhouseCoopers). A copy of the verification report is available upon request. In addition to the firm-wide verification of compliance, Independent Accountants also undertook a performance examination for selected composites, again for the period January 1, 2003 through December 31, 2009 (or for a shorter period if the composite incepted or merged due to firm redefinitions with Franklin after January 1, 2003). Independent Accounts did not express an opinion for periods prior to January 1, 2003 (or prior to any mergers), nor did Independent Accountant examine the returns for the benchmarks for any period. A list of the composites examined by Independent Accountants is available upon request.

b. Has it been your firm's policy to include all fully discretionary portfolios in the composite since its inception? If not, please explain.

Yes. Eligible new accounts and eligible accounts that have changed to this mandate are added to the composite after one full month of performance, excluding any first partial month following inception or notification of mandate change.

c. Are there currently any fully discretionary portfolios excluded from the composite? If so, provide an explanation for each instance.

No.

d. Are terminated portfolios included in the composite? If not, please explain.

Terminated accounts are included in composites through the end of the month prior to the date the termination notice is received.

e. When are new portfolios included in the composite? Has this policy been consistently applied since inception of the composite?

Eligible new accounts and eligible accounts that have changed to this mandate are added to the composite after one full month of performance, excluding any first partial month following inception or notification of mandate change.

f. How are portfolios in the composite weighted? Has this policy been consistently applied since inception of the composite?

For separate accounts, the performance system that is used for generating returns is GlobalMax, a portfolio accounting system that generates daily returns which are then linked geometrically to generate returns for any reported period (monthly, quarterly, annually, and multi-year returns—returns for periods of more than one year are annualized). All cash flows are recognized on the day that they occur—since the performance system is a daily system, no day-weighting method such as Modified Dietz is required.

For mutual funds, NAVs and distributions are loaded into FundStation, which is deemed to be the source system of record for mutual fund net performance.

g. Are cash returns mixed with asset returns? Has this policy been consistently applied since inception of the composite?

Returns from cash and cash equivalents held in the portfolios are included in the total return calculations.

h. Are accounts ever switched from one composite to another? What determines the appropriateness of any such changes?

Portfolios are not switched from one composite to another unless documentation supports such a reassignment, due to a change in investment objective, in any investment restriction (restricting emerging markets investment, for example) or tax status. The historical record of the portfolio remains with the appropriate composite prior to the change.

i. For each calendar year-end since inception of the composite through 12/31/10, provide the number of accounts and assets for both the investment style of the strategy and the composite itself.

Please refer to the table below for the number of accounts and assets for both the Franklin Templeton Global Multisector Plus strategy and the Franklin Templeton Global Multisector Plus composite as of December 31, 2010.

	Number of Accounts	AUM (USD millions)
Franklin Templeton Global Multisector Plus Strategy	12	16,876.74
Franklin Templeton Global Multisector Plus Composite	5	16,336.13

This information relating to assets under management (AUM) is being provided in response to the particular request contained in the RFP. The figures provided may, therefore, be categorized differently than those reported for regulatory or other disclosure purposes. AUM includes assets for which the firm provides various investment management services as described in Franklin Templeton Investments' Form 10K for the fiscal year ended September 30, 2010. See Item I, "Business." A copy of the Annual Report and Form 10K can be located at www.franklintempleton.com.

Please refer to our GIPS presentation package attached as Appendix 4 for important performance disclosures.

j. Provide the performance dispersion (high, low and median returns) of the accounts in the composite for each of the past five calendar years ending 12/31/10.

We are pleased to provide standard deviation figures as a fair representation of internal dispersion. The dispersion of annual returns is measured by the standard deviation of equal-weighted returns for those accounts that were in the composite for each full calendar year or partial year for the most recent year-to-date. Dispersion is not meaningful where there are five or fewer accounts in a given year or time period, so is not presented for any composite when this is applicable, in accordance with GIPS® guidelines. Please refer to Appendix 4 for the full composite performance presentation prepared in accordance with GIPS® requirements which includes standard deviation information.

54. Comment on the growth of assets in the strategy and indicate the size at which the firm will consider closing the product. How was this AUM level chosen?

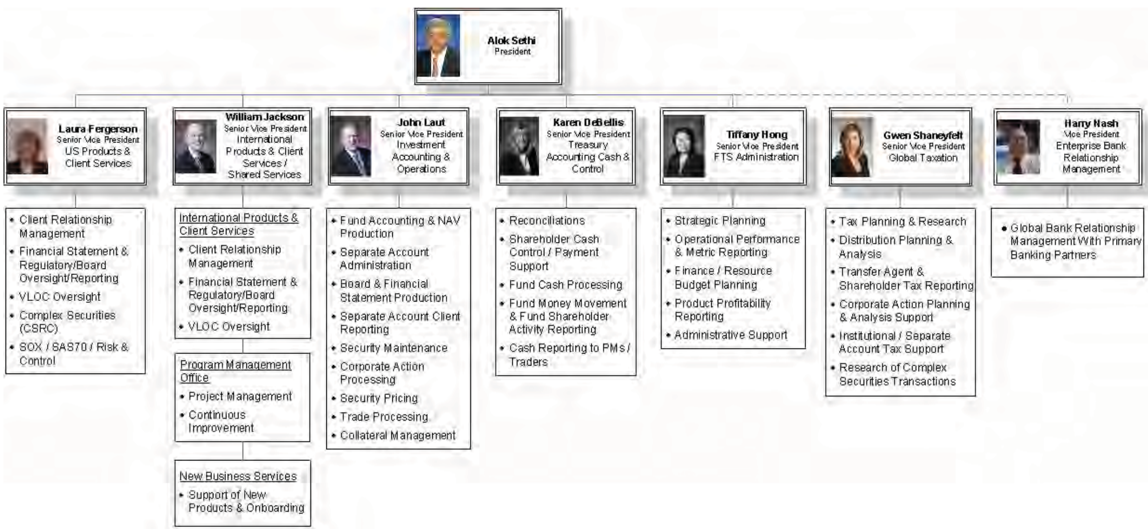
There currently are no constraints on the level of assets or number of accounts that can be managed successfully by the strategy. Capacity will be capped as warranted by factors such as liquidity in the marketplace, which is closely monitored. Asset growth and its impact on portfolio managers and research analysts are also monitored to ensure that our investment approach and management discipline can be applied consistently over the long term.

VI. OPERATIONS, TRADING & CONTROLS

55. Describe your administrative/back office operations, main functions and organizational structure.

Franklin Templeton Services (FTS) is the entity that provides back-office operational services for Franklin Templeton. The following organization charts show our senior management team and the functions they lead.

FTS Functional Organization Chart



The following tables summarize the back office personnel in the main locations as of June 30, 2011:

Group	Bucharest	Cape Town	Chennai	Edinburgh	Ft. Lauderdale	Hong Kong	Hyderabad	Luxembourg	Melbourne	Mumbai	Nassau	New York
Investment Accounting & Operations			19	31	54		182				4	
Treasury Accounting Cash & Control			18	14			153	8		2		
International Products & Client Services	6		10	6				14	6	14		
Program Management Office				9	10		10			2		1
New Business Services		1		2								
Enterprise Bank Relationship Management												
Luxembourg General Management				6	1			4				
U.S. Products & Client Services					24							
FTS Administration					1							
Total	6	1	47	68	90	0	345	26	6	18	4	1

Group	Poznan	Rancho Cordova	St. Petersburg	San Mateo	Sao Paulo	Seoul	Short Hills	Singapore	Toronto	Group Totals
Investment Accounting & Operations	69	50	10	15			7	18	55	514
Treasury Accounting Cash & Control	43	13	69						13	333
International Products & Client Services					3	6		6		71
Program Management Office		10	7	10					2	60
New Business Services		1							1	5
Enterprise Bank Relationship Management										5
Luxembourg General Management								2		9
U.S. Products & Client Services		37		2						63
FTS Administration		1	2	2						6
Total	112	112	88	29	3	6	7	26	71	1,066

Franklin Templeton Services (FTS), the entity which provides back office operational services for Franklin Templeton, has an automated back-office workflow that utilizes a combination of in-house and third-party vendor systems to provide seamless operations processing. For example, trade matching with brokers, trade instruction to custodian, and fail trade resolution are automated using Omgeo CTM, Swift, and Failstation, respectively. Securities information and pricing of securities are retrieved directly from vendor systems such as Reuters, Bloomberg, and Interactive Data Corporation (IDC). Although corporate actions processing requires manual input to internal systems, controls are in place to ensure data accuracy, timeliness, and close monitoring of events. Event instructions to the custodian are via custodian proprietary systems. Asset and cash reconciliation are automated using Swift messages in a reconciliation system.

56. Briefly describe the key systems and tools used for portfolio management, analysis, trading and accounting. Indicate if these systems are third-party or internally-developed.

Portfolio Management

When making portfolio management decisions, fixed income portfolio managers and analysts rely on both quantitative tools as well as their own qualitative market insight to determine the most attractive investment opportunities and formulate the optimal risk/return profile for each portfolio. We have developed tools to supplement the analysis provided by non-proprietary tools to gain a deeper level of analysis in the portfolio construction process. Proprietary tools as well as the third-party software we use are described in the following chart.

Proprietary Portfolio Management Tools

Tool	Function
Expected Return Methodology*	Calculates expected returns across countries and sectors in a variety of market scenarios due to various changes in the global interest rate environment. Portfolio managers express views in these scenarios about possible directional movements in interest rates as well as implications relative to currency and spread products.

Tool	Function
Sector-Level Optimizers	Generates optimal portfolio allocations detailing the attractiveness of various sectors or securities relative to comparable sectors given their historical risk profiles. Expected return forecasts are also included in the exercise from a point of historical valuation relationships.
Mortgage-Specific Optimizer	Instrumental in selecting individual mortgage securities that we believe will offer the best return profile given our views on potential interest rate scenarios and Treasury volatility. Overall housing-related datapoints can also be considered.
Currency and Interest Rate Models	Guide our currency and country decisions. Generate probability forecasts on the economy utilizing real-time information in each country's term spread. Compute momentum factors from moving averages of the differences in U.S. and foreign interest rates, which, together with the probability forecasts, generate buy/sell signals for each country.

Non-Proprietary Portfolio Management Tools

Tool	Function	Strategy
Barclays POINT*	Compares portfolio positioning versus benchmark to determine risk exposure magnitude. Sector classification capabilities instrumental in developing corporate sector attribution reports.	All fixed income strategies
Citigroup Yield Book*	MBS prepay model analyzes relative value among individual securities.	Euro Aggregate Global Absolute Return Global Aggregate Global Multisector Plus Strategic Mortgage Total Return U.S. Core/Core Plus U.S. Low Duration U.S. TIPS

*Also contains functions used by risk management teams.

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. Fully automated, Charles River views holdings in real time and consists of three seamlessly integrated modules:

Module	Function
Charles River Manager Workbench	Modeling, rebalancing, and hypothetical analysis to evaluate transaction impact on portfolios
Charles River Compliance	Specific portfolio guideline and regulatory compliance on a pre-trade, post-trade, or batch-run basis
Charles River Trader	Trade execution and allocation

In addition, we 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 our accounting program.

Accounting System

GlobalMax is a proprietary portfolio accounting system with a dedicated team of programmers that work solely on enhancing the system. GlobalMax is constantly being upgraded to accommodate efficiencies and/or client requests. GlobalMax is a user-friendly system that uses Graphical User Interface (GUI) technology.

57. Regarding valuation practices:

a. Provide an overview of pricing procedures for securities in the strategy, including sources and frequency of marks.

Information Gathering

The Pricing Department gathers information throughout the day to value all Franklin Templeton portfolios, including:

- Security prices to establish the value of holdings;
- Foreign exchange rates to convert security prices from one currency to another and price currency forward positions;
- Position data to capture the quantity of shares held for each security;
- Fund data to capture net assets without portfolio data.

The Pricing Department gathers price information from various price providers on a daily basis to ensure that the most up-to-date data is used. The prices are gathered through either an automated feed directly into OneTIS, Franklin Templeton’s proprietary pricing system, or through manual efforts. Up to three pricing providers are assigned to each security, with prices sent as they are determined. All pricing provider information and links are built into the OneTIS system.

The Pricing Department also gathers and analyzes market data throughout the day to build a benchmark against which to evaluate individual security prices. By understanding how the various markets are acting, what market news has been released, which securities are experiencing high trade volume, and which securities have pending corporate actions, the Pricing Department is prepared to properly evaluate whether or not the prices they obtain from the various service providers are accurate.

All market data providers and pricing vendors are subject to board approval, annual due diligence and regular service level meetings throughout the year.

Security Pricing

Once the prices for each active security held in a Franklin Templeton portfolio are loaded into OneTIS, the Pricing Department runs a series of tolerance tests to create a derived price for each security. A combination of six reports is used to verify the accuracy of the security prices, as described below.

Stale/Unchanged Price Report

This report lists all securities whose prices are unchanged over a specified number of days. This alerts the Pricing Department to the possibility that a service provider is no longer updating the security's price data. The Pricing Department investigates each listed security to ensure that the security's data is correct.

Previous Day Price Comparison Report

This report lists all securities whose current prices have significantly changed from their previous day's prices. The Pricing Department sets a tolerance level for each security type. Securities whose price changes fall outside the established range are indicated in the report. The listed securities are researched to verify that their price changes are correct.

Mirror Priced Portfolio Report

In order to help meet SEC requirements for U.S.-registered money funds, this report lists all short-term taxable and tax-exempt money market securities, making it easier for the Pricing Department to monitor short-term and fixed income securities. The report compares for each security the amortized cost to the market value.

Trade Comparison Report

This report compares the vendor prices of a security to the trade price received by Franklin Templeton's Trading Group. The Pricing Department researches all large variances that appear on the report, including and specific for equity securities, trade prices outside the high and low trading range. Pricing will reach out to the Trading Desk to validate the trade price.

Vendor Tolerance Report

This report compares the prices submitted by the three pricing service providers. The Pricing Department selects a range within which price differences are acceptable. If the prices submitted by the service providers differ by more than the specified acceptable amount, the securities appear on the Tolerance Report. The Pricing Department researches the prices for all securities appearing on this report.

Inter-vendor NAV Comparison Report

This report compares the NAV calculated for a fund based on the primary service provider's supplied price against the NAV calculated for a fund based on the secondary service provider's supplied price. The Pricing Department researches pricing discrepancies that result in material NAV differences.

Portfolio Valuation

Once prices have been fed into OneTIS and verified using the process described above, portfolio managers have real-time access to portfolio valuations. Daily prices and other valuation data are fed to Franklin Templeton's proprietary accounting system, GlobalMax, which forms the basis of the information on which client reporting is based.

b. Do you currently contract with outside pricing services? If so, provide a list of the firms and indicate the general types of securities each prices on your behalf.

Interactive Data Corporation (IDC) is the primary third-party service that supplies factors for fair valuation of international equities.

The Pricing Department prepares correlation between the foreign markets and their market proxies that trade contemporaneously with the fund's NAV. Price movements beyond a trigger's limits are not conclusive proof that a significant event has occurred, but just one element to be considered in the Valuation and Liquidity Oversight Committee's (VLOC) determination of whether there has been a significant event. On certain occasions, the committee may adjust triggers based on the magnitude of the event or when broad market events have occurred and the movements in a foreign country's market proxy may not accurately reflect the movements of the individual securities of the specific foreign country held by the funds and portfolios.

The fact that movements in a particular foreign market correlate with movements in the U.S. markets (or trading in certain financial instruments) does not necessarily mean that they will do so in the future, or that they will do so on any given day. The VLOC, therefore, has delegated to the Pricing Department the responsibility to monitor the market proxies and to provide recommendations for changes and/or new market proxies. The Pricing Department performs a quarterly refresh and review of the historical data to determine if any refinements to proxies or trigger limits are necessary.

In addition, if the VLOC determines that a broad based significant event has occurred on a given day, they may direct the Pricing Department to invoke additional analysis that may result in the utilization of fair value prices for other markets that are near or approaching their breach threshold. This determination would generally be based upon a situation where a significant number of the markets in which Franklin Templeton portfolios have exposure are in breach of their proxy triggers and the direction and/or magnitude of the breach is congruent across the majority of the markets.

c. Do you maintain a formal valuation committee or other entity that provides oversight for security/portfolio valuation?

Valuation & Liquidity Oversight Committee

Franklin Templeton's cross-functional Valuation and Liquidity Oversight Committee (VLOC) provides oversight and administration of the policies and procedures governing fair valuation and liquidity determination of securities held in Franklin Templeton portfolios.

The VLOC meets monthly to review and approve fair valuation reports for submission to the relevant fund Board of Directors/Trustees and also gathers as necessary to review potentially significant events and take appropriate steps to adjust valuations in accordance with established procedures. The VLOC is also responsible for ensuring compliance with third-party valuation committees where Franklin Templeton acts as sub-advisor to separate accounts, and for reviewing and approving regular illiquid securities reports. The VLOC voting members comprise key individuals from across the organization:

Investment Accounting and Operations (IA&O)

U.S. Products and Client Services (includes Funds Treasurers)

Other key groups, such as the Legal, Compliance, Trading, and Global Risk Management and Performance act as non-voting members of the committee, as do portfolio managers and analysts—who act as advisors and consultants to the VLOC but may not vote on any proposed actions.

The chairperson of the VLOC is responsible to the Valuation Oversight Board, which provides executive-level oversight of Franklin Templeton's global fair valuation and liquidity determination activities, and serves as the primary point of contact for communication and reporting to the Board of Directors/Trustees.

58. Provide an overview of your operational risk monitoring and management practices.

There are multiple layers of oversight within Franklin Templeton Investments, including dedicated risk, compliance and audit departments. These are explained in more detail as follows:

Enterprise Risk Management

The Enterprise Risk Management Committee, which consists of the direct reports to the CEO and their risk representatives, is responsible for facilitating the identification, assessment, and reporting of key risks across the company. This facilitation is accomplished by conducting a formal annual enterprise-wide risk assessment process, as well as frequent updates, reports and reviews of the identified key risks and the related monitoring programs. In addition, the Chair of the Enterprise Risk Management Committee meets with the Franklin Resources, Inc. Audit Committee to discuss Enterprise Risk Management processes, findings, and trends.

Global Compliance

The role of Global Compliance is to assist Franklin's boards of directors, senior management, and business unit leaders to effectively manage the compliance risks to Franklin, its subsidiaries and respective functional business units. Compliance risk is the risk to Franklin that business units may not be in compliance with applicable laws and regulations and internal policies and procedures that relate to our regulated activity requirements. Failure to adequately address compliance risks may result in financial, regulatory, and reputational exposure to Franklin and its senior management, which has staff located in the United States, Canada and throughout Europe and Asia. Global Compliance evaluates compliance policies and procedures of key functional business units and subsidiary entities of Franklin on a global basis and reports the results of such evaluations to Franklin's boards of directors, senior management and business unit leaders. Those areas include, but are not limited to, transfer agent operations, portfolio management and trading, sales and marketing activities, client and fund administration, e-business, and codes of ethics.

Global Investment Adviser Compliance

Global Investment Adviser Compliance is responsible for overseeing the firm's investment adviser compliance program which includes Portfolio Compliance. The team conducts self-assessment testing for compliance with investment adviser policies and procedures. This testing includes compliance with investment restrictions derived from contractual agreements, offering documents, fund board directives, and applicable securities regulations.

Trading Desk Compliance Officers are located on the trading desks and act as a liaison with the trading and portfolio management teams to assist in preventing violations of investment mandate requirements. Portfolio Compliance Analysts conduct reviews of each portfolio to detect portfolio compliance issues in a timely manner. The Charles River Investment Management System (Charles River) is used by the team to leverage automation for the pre-trade and post-trade analysis of portfolios. Charles River is used as an order management tool to perform "what if" analysis and submit proposed trades against pre-programmed compliance tests.

Performance Analysis and Investment Risk

Franklin Templeton Investments' organization-wide group, Performance Analysis and Investment Risk (PAIR), helps mitigate investment risk for all portfolios managed by the firm. PAIR consists of investment professionals with complementary risk and investment backgrounds, spread out across the globe, with the express mandate to integrate investment risk management into the portfolio construction process. PAIR was initiated firm-wide in 2002 and started implementing disciplined risk reporting and review soon after. PAIR seeks continuous improvement in the tools, practices, and relationships required to decompose and manage various investment risk factors that the portfolios may encounter.

Internal Audit

The Franklin Templeton Internal Audit group provides an independent function within the Franklin Templeton organization. Internal Audit evaluates processes and controls of key functional areas within the Franklin Templeton group on a global basis. Results of the group's work are shared with management, corporate and/or mutual fund audit committees, and Franklin Templeton's external auditors.

Internal Audit adopts a risk-based approach to prioritizing functions within the organization for purposes of allocating Internal Audit resources. The Franklin Templeton Internal Audit group has unrestricted access to the company's records, facilities and personnel necessary to carry out its responsibilities.

Multi-Departmental Committees

There are several multi-departmental committees that oversee the application of global standards and processes.

Committee	Members	Function
Global Trading Oversight Committee	Investment Management Platforms, Global Investment Adviser Compliance, Global Trading, Global Compliance	Provides efforts around best execution of trades as well as monitoring of and insight into trading risks and current conditions. Ensures trading function policies and procedures are consistently applied. Administers broker selection and evaluation procedures.
Global Best Execution Committee	Global Trading (sub-committee of Global Trading Oversight Committee)	Reviews broker ratings and evaluates brokers' execution performance.
Global Product Committee	Distribution, Portfolio, Finance, Operations.	Reviews and approves all new products, from an organizational perspective, to ensure appropriate alignment with stated investment objectives and organizational values.
Client Commission Oversight Committee	Global Trading (sub-committee of Global Trading Oversight Committee), Global Portfolio and Corporate Services, Legal, Global Compliance	Reviews client commission payments and general policies to help ensure best practice.
Complex Securities Review Committee	Legal, Fund Accounting, Tax, Performance Analysis and Investment Risk, Settlements, Global Compliance, Global Trading	Reviews and approves the use of complex securities, such as derivatives, within portfolios from an operational, legal, and risk perspective.

Committee	Members	Function
Valuation and Liquidity Oversight Committee	Fund Accounting, Performance Analysis and Investment Risk, Performance, Global Trading, Global Investment Adviser Compliance	Monitors securities from a liquidity perspective and implements an indepenent pricing review process for all securities that cannot be priced by a third party."
Counterparty Credit Committee	Performance Analysis and Investment Risk, Global Investment Adviser Compliance, Trading	Oversees firm-wide exposure to counterparties across all trading partners from a trading and derivative perspective and in response to changing market conditions.
Investment Management Committee	Global Portfolio and Corporate Services, Investment Management Platforms, Global Trading, Legal, Global Compliance	Shares best practices across investment groups and reviews emerging industry issues.

Note that the list comprises committees that are focused on investment management and oversight, and is not a full list of all cross-functional or regional committees focused on broader issues.

59. Does your firm participate in SAS 70 or equivalent reviews? If available, provide your auditor's opinion on whether controls are adequate to achieve specified objectives and whether controls were operating effectively at the time of audit.

Franklin Templeton Investor Services, LLC and Franklin Templeton Technologies (FTT) file a SSAE - 16 declaration on an annual basis. Please refer to a copy of the SSAE - 16 Management Letter attached as Appendix 7 for additional information.

60. Discuss procedures used to prevent and detect rogue/unauthorized trading in client or firm accounts.

The Global Investment Adviser Compliance Group includes both Trading Desk Compliance and Portfolio Compliance. The teams are responsible for overseeing compliance of all portfolios with the terms of their offering documents (such as Prospectus, Investment Management Agreement, or other documentation) and applicable local and foreign regulations. The teams use the Charles River Investment Management System (Charles River) to monitor compliance with investment limitations and guidelines.

The Global Investment Adviser Compliance Group also monitors firm-wide ownership percentages to help ensure compliance with various company and/or industry ownership limits.

Trading Desk Portfolio Compliance

Trading Desk Compliance personnel liaise directly with traders and portfolio teams at the point of order entry to ensure compliance with applicable investment limitations/restrictions.

Exceptions generated via the automated pre-trade compliance review (Charles River) are reviewed by Trading Desk Compliance for further investigation, escalation, etc.

In addition, Trading Desk Compliance reviews participation in initial public offerings, inter-account transactions and correction/reporting of trade errors to ensure that all adopted compliance policies and procedures are followed. The team participates in a number of business committees, including, but not limited to, the Complex Securities Review Committee, Global Trading Oversight Committee, and Counterparty Credit Committee.

Portfolio Compliance

In addition to pre-trade compliance testing, the Global Investment Adviser Compliance team conducts post-trade compliance testing of the portfolio holdings and exposures. The team reviews exceptions generated via the Charles River overnight automated testing review and conducts additional analysis, as required, to verify the results. The automated testing compares the security, account, and position information from these systems with the compliance rules programmed in Charles River. The system produces a report reflecting the concentration calculations for each account and any compliance exceptions generated.

This review is supplemented with periodic manual testing and analysis conducted by the Global Investment Adviser team to verify the accuracy of the automated testing.

61. Discuss procedures used to monitor and control personal trading activities.

The process of monitoring employees' personal trading activities is automated. The Code of Ethics Department uses the SunGard's Protegent Personal Trading Assistant (PTA) system.

62. Does your firm maintain a written ethics or standards of conduct policy? If yes, e-mail a copy to gclifton@samcera.org. What steps are taken to ensure that employees comply with this policy?

Yes, the firm maintains a written ethics or standards of conduct policy. All Franklin Templeton Investments' employees are governed by the Franklin Templeton ***Code of Ethics and Insider Trading Compliance Policy and Procedures***, which contains the following principles with respect to employee personal trading:

- The interests of shareholders and clients are paramount and come before the interests of any director, officer, or employee of Franklin Templeton Investments.
- Personal trading activities of all directors, officers, and employees of Franklin Templeton Investments must be conducted in a manner to avoid actual or potential conflicts of interest with Fund shareholders and other clients of any Franklin Templeton adviser.
- Directors, officers, and employees of Franklin Templeton Investments shall use their positions with Franklin Templeton Investments (and any investment opportunities they learn of because of their positions with Franklin Templeton Investments) in a manner consistent with applicable Federal Securities Laws, and their fiduciary duties to use such opportunities and information for the benefit of Funds' shareholders and clients.

The Code of Ethics applies to all employees; however, each individual's job function determines the restrictions and reporting requirements that pertain to the employee. Access Persons are monitored most closely as they are in a position to exploit information about Funds' or clients' securities transactions or holdings due to their access to non-public, portfolio-related information. This includes involvement in the investment decision-making for portfolio securities and having access to trading systems, portfolio accounting systems, research databases, or settlement information. Employees defined as Access Persons include members of investment teams managing portfolios; directors and senior business managers for the firm's mutual and pooled fund investment vehicles and worldwide subsidiaries; and personnel involved in portfolio administration functions and other support services (such as compliance and risk management).

The Code of Ethics Administration Team—a dedicated group within the Global Compliance Department—is responsible for monitoring the personal trading activity of Access Persons. To comply with the Code, Access Persons must obtain advance clearance for all personal transactions with the exception of small quantity transactions and trading in shares of open-ended mutual funds, including Franklin Templeton funds. Personal trading requests are compared against the trading activity of the funds to determine whether there is a conflict of interest. The Code of Ethics Administration Team also receives duplicate brokerage statements and confirmations for review. Upon review of confirmations and statements, any trades that violate the Code of Ethics are brought to the attention of the employee, the employee's supervisor, the Legal Department, the Human Resources Department, and the Board of Directors and dealt with in accordance with the disciplinary actions set forth in the Code of Ethics.

On an annual basis, all Access Persons must acknowledge in writing that they have read, understood, and will adhere to the Code of Ethics. Further, Access Persons are required to disclose their brokerage accounts and securities holdings annually.

Please refer to Appendix 8 for the Code of Ethics.

63. Describe any potential or actual conflicts of interest that exist with respect to the strategy and how each is addressed through internal controls or guidelines.

Franklin Templeton's policy is to take all reasonable steps to maintain and operate effective organizational and administrative controls to identify and manage relevant conflicts either between Franklin Templeton and its clients or between multiple clients.

Following is a summary of the main conflicts that have been identified and the controls in place to manage such conflicts within the Franklin Templeton group.

Franklin Templeton Seed Money versus Shareholders' Investment

As part of normal business practice, Franklin Templeton will invest money, initially, at the launch of a fund in order to diversify and attract clients. The investment by Franklin Templeton is treated in a manner that does not conflict with the interests of any client. Franklin Templeton is treated like a normal shareholder of the fund.

Franklin Templeton Currency Trading vs. Client Currency Trading

In order for Franklin Templeton to manage its own market risk to its financial result, it trades currencies. This trading activity is performed by a separate team and in a different trading account to the currency trading activity conducted on behalf of clients.

Fairness of Trading Allocation and Order Priority amongst Clients

Franklin Templeton has trading aggregation, allocation, and best execution policies and procedures that ensure all trades are treated in an equitable and fiduciary manner relative to investment objectives. Where there is insufficient liquidity, the allocation policy automatically attributes liquidity proportionately across all client orders. The aggregation and allocation procedures are subject to a regular review.

Interfund Trading and Franklin Templeton Funds Purchasing Franklin Templeton Funds

At times, Franklin Templeton may match internal orders of sales and purchases of portfolio securities. This is known as crosses or Interfunds. Some Franklin Templeton funds can also trade units in other Franklin Templeton funds. This process is dealt within the existing trading system and procedures. The trade is executed at market price with no commissions or spread taken by Franklin Templeton. This activity is regularly reviewed to ensure clients are treated fairly.

Research Material and Soft Dollars

Franklin Templeton proprietary research material is not offered to clients or the general public for sale. Franklin Templeton has written procedures to ensure that all personal interests in stocks are disclosed by recommending research analysts or personnel investing in those securities on behalf of clients, and the Code of Ethics requires that research analysts identify and manage possible conflicts. Franklin Templeton purchases research material from third parties which is paid for, in part, by commissions paid by the brokers on fund and client account trades, but only when the client has explicitly consented. Such payments are periodically reviewed in detail at the Global Trading Oversight Committee.

The Use of Sensitive Data and Non-Public Information

Franklin Templeton has a number of policies and procedures in place that place restrictions on staff use of confidential or non-public information. There are formal reporting and approval procedures to release such information to satisfy Franklin Templeton's fiduciary obligations to clients and shareholders. These policies and procedures are regularly reviewed.

Chinese Walls amongst Investment Advisors and Dealer Broker Relationships

To ensure that sensitive decision information could not be used to the disadvantage of another fund and that confidential information is not shared inappropriately, Franklin Templeton has Chinese Walls in place that separate the physical and logistical investment information between different advisor groups. Each advisor group is also bound by the Code of Ethics that does not allow them to discuss investment matters amongst themselves. Such procedures are regularly reviewed.

Code of Ethics

All Franklin Templeton personnel are bound by a Code of Ethics and Business Conduct which requires staff to conduct themselves with ethics and integrity and to avoid a conflict, particularly where their personal interests (including family members) could interfere with the interests of the firm and/or the client. In addition, Franklin Templeton requires pre-clearance for personal transactions, including those of the immediate family of staff members who have access to confidential and non-public information. The code is regularly monitored and includes a full sanction and disciplinary process in the event of a breach.

Equitable and Fair Treatment amongst Clients

At the heart of Franklin Templeton procedures is the requirement to treat clients fairly and equitably in line with the firm's fiduciary obligations and investment objectives. This includes, but is not limited to, activity such as the allocation of fees and expenses, redemption in kind, and the lending of securities of a fund. Franklin Templeton procedures are regularly reviewed.

Investment in Client Securities

At times, Franklin Templeton funds or investors will invest in client securities. Such investment decisions made by Franklin Templeton to invest in client securities are always guided by what is in the best interest of the relevant fund, account, or its investors. Investment decisions are regularly reviewed.

Gifts and Entertainment

Franklin Templeton has procedures in place that lay down strict standards regarding what is acceptable in terms of gifts and business entertainment. Like the code, this is regularly reviewed, and strict sanction and disciplinary processes apply in the event of a breach.

64. List and briefly describe any internally managed strategies, funds, separate accounts, etc., that have the potential to invest in the same or similar securities as those held in the strategy. Comment on the potential conflicts of interest these strategies pose and how they are addressed by internal controls or guidelines.

To mitigate any potential conflicts of interest related to certain investment groups with access to non-public information, Franklin Templeton has established policies and procedures for restricting the flow of pertinent information from these groups. The disclosure of such information may be authorized only in strict accordance with the specific information barrier procedures summarized as follows:

- The investment group, subject to the information barrier, must obtain prior approval from the Global Compliance Department before making any disclosure of non-public investment information to an access person within another investment group.
- Before approval is granted, an executive officer within the investment group proposing to cross the information barrier must provide the Global Compliance Department with a written notification stating their justification for doing so—including detailed information about the investment information to be discussed, the applicable issuer(s), and the identity of the access persons in the investment group receiving the investment information.
- If approval is obtained from an executive officer within the receiving investment group, personnel from the Global Compliance Department, or their designees, must attend all meetings where barrier-crossing communications are conducted.

65. Provide an overview of your trade allocation protocols and procedures for controlling performance dispersion between accounts with substantially the same guidelines.

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, and the U.A.E. is handled by colleagues in our local asset management offices in these countries or by select traders in the New York, San Mateo, or London offices.

Although our 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 us in our effort to achieve best execution. We typically seek competitive bids/offerings from multiple broker-dealers on our approved broker list. These bids/offerings are then compared with our 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, we are 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 we 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.

66. Provide an overview of your pre- and post-trade investment guideline monitoring practices. Is a separate, independent group responsible for ensuring guideline compliance?

The Global Investment Adviser Compliance Group includes both Trading Desk Compliance and Portfolio Compliance. The teams are responsible for overseeing compliance of all portfolios with the terms of their offering documents (such as Prospectus, Investment Management Agreement, or other documentation) and applicable local and foreign regulations. The teams use the Charles River Investment Management System (Charles River) to monitor compliance with investment limitations and guidelines.

The Global Investment Adviser Compliance Group also monitors firm-wide ownership percentages to help ensure compliance with various company and/or industry ownership limits.

Trading Desk Portfolio Compliance

Trading Desk Compliance personnel liaise directly with traders and portfolio teams at the point of order entry to ensure compliance with applicable investment limitations/restrictions.

Exceptions generated via the automated pre-trade compliance review (Charles River) are reviewed by Trading Desk Compliance for further investigation, escalation, etc.

In addition, Trading Desk Compliance reviews participation in initial public offerings, inter-account transactions and correction/reporting of trade errors to ensure that all adopted compliance policies and procedures are followed. The team participates in a number of business committees, including, but not limited to, the Complex Securities Review Committee, Global Trading Oversight Committee, and Counterparty Credit Committee.

Portfolio Compliance

In addition to pre-trade compliance testing, the Global Investment Adviser Compliance team conducts post-trade compliance testing of the portfolio holdings and exposures. The team reviews exceptions generated via the Charles River overnight automated testing review and conducts additional analysis, as required, to verify the results. The automated testing compares the security, account, and position information from these systems with the compliance rules programmed in Charles River. The system produces a report reflecting the concentration calculations for each account and any compliance exceptions generated.

This review is supplemented with periodic manual testing and analysis conducted by the Global Investment Adviser team to verify the accuracy of the automated testing.

67. Regarding counterparties:

1. List all counterparties you have engaged to execute trades/establish positions within the strategy over the year ending 12/31/10 and provide an estimate of the percentage of trades allocated to each.

Please refer to Appendix 9 for the counterparty policy summary.

2. How are your trading counterparties selected, monitored and evaluated?

Derivative exposure is monitored at the portfolio level, however, counterparty risk exposure is monitored on a firm-wide level.

The following components make up the review and approval process of new OTC counterparties, which include derivative counterparties:

- The Performance Analysis and Investment Risk group (PAIR) is responsible for monitoring that established counterparty credit exposure limits are not breached, and regularly reports on enterprise counterparty exposure to Trading, Portfolio Management, and Franklin Templeton's senior management.
- The Franklin Templeton Money Markets Credit Review Desk is responsible for approving new counterparties prior to the first trade with a new counterparty (and at least annually thereafter), based on a review of the counterparty's financial condition as evidenced in recent financial statements and company announcements, and as measured against certain internally established standards and benchmarks.
- The Counterparty Credit Committee oversees the exposure monitoring process for approved counterparties; determines the credit limit for each counterparty; monitors the credit status of, and current firm-wide counterparty exposure to, existing counterparties; and is authorized to change the approval status of current counterparties (for example, Watch," "Delivery versus Payment," or "Do Not Trade"). The committee is chaired by the head of PAIR, and includes the head of Equity trading, Fixed Income trading, and representatives from Portfolio Management, Settlements and Global Investment Adviser Compliance.

- Trading monitors news and other information on existing counterparties in order to help the Counterparty Credit Committee perform its oversight duties, monitors each counterparty's trade execution with Franklin Templeton, and maintains compliance with exposure limits and approval status established by the Counterparty Credit Committee.

3. Are there any firm-wide or strategy-specific guidelines/restrictions related to counterparties? If so, please outline them.

Counterparty risk is an issue addressed at a firm-wide level by Franklin Templeton. Our Counterparty Risk Oversight Committee provides overall risk management coordination. The committee dynamically monitors and measures counterparty risk, directing reduction of exposure to certain counterparties when deemed appropriate.

Counterparty Risk Assessment

Franklin Templeton Investments has a clear and detailed policy on the assessment and selection of counterparties. Some of the factors that may be used to assess the counterparty are as follows:

- Financial information about the issuer and any party that has issued credit support assure timely payment;
- Any short term or long-term credit ratings assigned by an unaffiliated, nationally recognized statistical rating organization to the issuer of the instrument or other instruments of the issuer;
- Reserve requirements and accounting, auditing, reporting and record-keeping standards applicable to the issuer as well as the quantity and quality of information available concerning the issuer involved.

68. Provide an overview of your business continuity and disaster recovery systems and plans.

Franklin Templeton Investments has adopted the following features of a Corporate Continuity Planning Policy, which establishes corporate programs for business and technology disaster planning as well as life/safety and emergency response efforts:

- The Business Continuity effort provides for the recovery of critical business unit operations.
- The Disaster Recovery effort provides for the recovery of critical computer hardware, software, and networks.
- Life/safety is provided through emergency evacuation and general safety program standards and regulations.
- Emergency response is performed through Franklin Templeton's Emergency Management and Crisis Management infrastructure to quickly notify management and employees, gather information, decide on a plan of action and respond to any significant operational threats.

We believe the sum of these efforts is consistent with industry best practices and is maintained through periodic exercises throughout the calendar year.

Business Continuity Planning

Business Continuity Planning involves the identification of risk, its impact to business objectives, and subsequent prevention, mitigation, response, recovery, resumption, and restoration planning to minimize or eliminate those risks in order to continue critical business processes in the event of a critical business disruption. Each business continuity plan has a foundation of three guiding principles:

- Displacing the performance of the impacted process to another functional site;
- Manually working around the disruption to the critical process;
- Relocating physical resources and personnel to an alternate site.

Disaster Recovery Planning

Disaster Recovery planning primarily applies to the generation of plans to support the high availability/recoverability of the technology infrastructure for the organization.

Critical applications have been identified and prioritized. These applications run across several types of platforms, monitored by computer operations staff, in data center facilities supported by UPSs and generators. A combination of methods is used in support of critical application high availability and recovery. These methods include, but are not limited to:

- Daily back-ups;
- Data replication to back-up sites;
- Network redundancy;
- Local and remote fail-over of hardware and systems;
- Detailed operational and recovery procedures.

Frequency of Recovery Plan Testing

All critical business unit Business Continuity Plans are exercised at least annually and signed off by business unit management to vouch for their viability and actionability. If significant changes occur to critical business unit processes, strategy and/or resources, a plan review and exercise will be performed in addition to the regularly-scheduled maintenance exercise. Mission critical computer systems are tested annually. In either case, annual internal and external audits ensure compliance.

Back-up Power and Generator Tests

UPSs and generators at all Franklin Templeton locations are maintained and tested on a scheduled basis. Vendor location responsibility for performing maintenance and testing schedules helps to ensure readiness.

Third-party Recovery Assistance

As of November 2010, we utilize an internal recovery site for disaster recovery of technology. Workspace recovery is also available at internal locations in the U.S., and disaster recovery and workspace recovery are facilitated by a contract with third party vendors at certain locations in Asia and Europe.

Business Continuity Planning Integration with Disaster Recovery Planning

These disciplines are geared toward maintaining the continuity of core business processes. As business unit critical processes are identified and dependent Information Technology is associated with these critical processes, both business unit and technology areas are provided recovery plans. To maintain expected results, all Business Continuity and Disaster Recovery Plans’ recovery strategies are validated through periodic plan review, exercise, and maintenance.

Recovery Plan Development and Maintenance Responsibility

Management for each business unit is responsible for developing and maintaining their respective business continuity plans. The Business Continuity Planning group is responsible for guiding, consulting, and facilitating the development and eventual exercising of the plan.

The Disaster Recovery staff is responsible for developing plans that recover systems and applications while business units develop validation, “catch-up” and technology interface procedures. Disaster recovery plan exercises are a shared responsibility between the Disaster Recovery staff and business unit management.

Frequency of Recovery Plan Updates

On at least an annual basis, Business Continuity and Disaster Recovery plans are exercised and updated with key learnings from each exercise in order to maintain viable and actionable recovery plans.

Back-up of Proprietary Data

Computer systems at our primary data center in Rancho Cordova are backed-up at least daily and stored off-site. Critical systems are also replicated to our alternate data center. All off-site media is handled by a nationally recognized, reputable vendor. All contracts for such services are required to contain provisions obligating third party providers of such services to conform to industry-standard transportation, storage, retrieval and back-up processes, as well as appropriate security measures to help ensure proprietary information is not released to unauthorized personnel. In addition to establishing a legal obligation to adhere to such standards, the actual security practices of such vendors are reviewed in detail by a Franklin security team to ensure that practice conforms to contractual obligations.

Trading Desk Alternative Recovery Locations

Major sites within the U.S. and overseas provide alternative recovery processes for our trading desks. The U.S. sites are located in California, New Jersey, and Florida. International trading desks use one or more of the U.S. alternate recovery sites, or another site within their country or other countries or continents (if legally allowed).

Back-up Space Locations

Our primary choice for recovering business functions is to shift work to alternate sites where personnel are trained and capable of accepting additional work during catastrophic situations. For U.S. locations, we have some internal Workspace Recovery Centers to which staff can relocate. For certain locations in Asia and Europe, we have contracted with vendors to provide back-up work space recovery areas.

Communication Arrangements between the Firm and Employees

We have developed a number of means to help ensure our employees are kept informed during an incident. In addition to normal email and voicemail systems, these include a telephone hotline, a website, and an emergency notification system to proactively contact employees.

Results of Testing

Franklin Templeton conducts over 60 exercises per year and each of our major sites conducts at least three exercises annually.

Recent global tests, conducted throughout 2011 included:

- Crisis management exercises with scenarios requiring Emergency Management Teams to address a specific type of incident;
- Business Continuity Exercise recovering critical business processes at the pre-defined recovery location;
- A Disaster Recovery (Technical Application Recovery) exercise, conducted in May 2011, with critical applications being recovered at a predefined recovery site.

All tests were completed successfully and met the goals and objectives.

VII. LEGAL & REGULATORY ISSUES

69. Is your firm registered as an investment advisor under the Investment Advisors Act of 1940? If yes, e-mail your firm's latest ADV Part I, Part II, and Part IIb to gclifton@samcera.org. If exempt, please describe the exemption.

Yes. Franklin Advisers, Inc. ("FAV") is a California corporation formed on October 31, 1985 and is based in San Mateo, California. FAV is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940. The initial SEC registration date is December 16, 1985. It is also registered as an investment adviser in the State of California. FAV provides investment advisory and portfolio management services to most of the funds within Franklin Templeton Investments.

Please refer to Appendix 10 for Franklin Advisers, Inc.'s Form ADV Parts I and II.

70. Has your firm or any officer, director, partner, principal or employee ever been involved in any past or pending civil or criminal litigation or legal proceeding concerning the management of institutional assets? If so, describe each instance.

Franklin Advisers, Inc. and certain of its directors and officers have been named as defendants in material, investment-management-related private civil litigation concerning management of certain mutual funds. For a summary of such litigation pending at any time during the last five years ended June 30, 2011, please see Appendix 11. Furthermore, in the past 10 years ended June 30, 2011, Franklin Advisers, Inc. entered into consent *orders* resolving certain *investment-related* investigations by federal and state regulatory agencies concerning management of certain mutual funds. For a summary of those *orders*, please see Appendix 12. (Italicized terms are as defined on the U.S. Securities and Exchange Commission's Form ADV.)

71. Has your firm or any officer, director, partner, principal or employee ever been the subject of any past or pending non-routine investigation or inquiry by a federal or state agency or self-regulatory body regarding fiduciary responsibilities or other investment-related matters? If so, describe each instance and indicate if any directives, letters or opinions were issued concerning said inquiry.

Yes. In the past 10 years ended June 30, 2011, Franklin Advisers, Inc. has been the subject of investment-related orders of investigation brought by federal and state regulatory agencies, some of which resulted in investment-related proceedings, findings, or orders. For a summary of the resulting investment-related proceedings, findings, and orders, please see Appendix 12. In addition, one of Franklin Advisers, Inc.'s current officers was also initially a subject of the U.S. Securities and Exchange Commission's (SEC) 2004 market timing investigation referenced in Appendix 11, however, the SEC did not bring or make any proceedings, findings, or orders against him as a result of that investigation. (Italicized terms are as defined on the SEC's Form ADV.)

72. Has any officer, director, partner, principal or employee of your firm ever been convicted of, pled guilty to, or pled *nolo contendere* to a felony? If so, describe each instance.

No. To the best of Franklin Advisers, Inc.'s knowledge, in the past 10 years ended June 30, 2011, none of its officers, directors or employees (excluding those performing only clerical, administrative, support or similar functions) has been convicted of, pled guilty to, or pled *nolo contendere* to a felony.

73. Summarize the coverage for errors and omissions, professional liability, fiduciary insurance or fidelity bonds held by your firm (i.e., amounts and respective carriers) and e-mail the certificates of insurance to gclifton@samcera.org.

Franklin Resources, Inc. maintains the following comprehensive, worldwide insurance programs:

Fidelity Bond

A Fidelity Bond covers Franklin Resources, Inc., its worldwide subsidiaries, funds and accounts. Issued by the ICI Mutual Insurance Company, the bond has an occurrence limit of US$100 million and a deductible of US$250,000. This bond provides insurance against loss of money through the following activities:

- Dishonest or fraudulent acts;
- Forgery or alteration;
- Theft;
- Other losses.

Professional Liability

This program provides Directors & Officers Liability and Errors & Omissions coverage to Franklin Resources, Inc., its worldwide subsidiaries, funds and accounts. Coverage is provided for settlements, judgments and defense expenses. The program has a US$150 million annual aggregate limit and a US$5 million deductible. The coverage is provided by a syndicate of commercial insurance companies and is lead by the Ace Insurance Company.

ERISA Bonds

This bond provides the Fiduciary Fidelity Bonds required by ERISA law. St. Paul Fire and Marine Insurance Company issues these bonds, subject to a limit of 10% of each Insured's Plan Property with a maximum limit of US$500,000 per plan ($1,000,000 for plans that hold employer securities) and a minimum limit of at least $1,000 and no deductible.

Coverage Term

The policy period for these insurance coverages is June 30, 2011 to June 30, 2012.

Other Insurance Coverage

The firm also maintains a total of US$51 million in Public and General Liability limits. Additional coverage for Fire, Hazard, and Documents in Transit has various limits.

74. Has your firm ever submitted a claim to your errors and omissions, liability, fiduciary or fidelity bond carrier(s)? If so, describe each instance.

As a global asset management firm, Franklin Resources, Inc. (on its own behalf and/or on behalf of other insureds) may submit claims to its insurers from time to time; however, the firm considers its insurance claim history to be confidential.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 | Agenda Item 7.1

To: Board of Retirement

CBMilan
Mabel

From: Chezelle Milan, Retirement Senior Accountant
Mabel Wong, Finance Officer

Subject: Preliminary Monthly Financial Report for the Period Ending September 30, 2011

STAFF RECOMMENDATION: Staff recommends that the board review the attached preliminary financial statements.

COMMENT: The attached preliminary statements fairly represent *SamCERA's* Financial Statements.

Statement of Fiduciary Net Assets

SamCERA's Net Assets Held in Trust for Pension Benefits as of month end, totaled $2,121,737,332.

Statement of Changes in Fiduciary Net Assets

Net assets held in trust for pension benefits decreased by approximately $126.4 million, month over month. The decrease is primarily due to market depreciation in assets.

The following reports are attached to this agenda item:

Table of Contents	Page
Statement of Fiduciary Net Assets (Year to Year YTD Comparative)	2
Statement of Changes in Fiduciary Net Assets (Year to Year YTD Comparative)	3
Cash Flow Statements	4
Statement of Fiduciary Net Assets (YTD Monthly Comparative)	5
Statement of Changes in Fiduciary Net Assets (YTD Monthly Comparative)	6

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - YTD Comparative
September 2011
PRELIMINARY

	September 2011	September 2010
ASSETS		
CASH AND CASH EQUIVALENTS	98,243,989	70,680,937
SECURITIES LENDING CASH COLLATERAL	239,505,077	169,475,224
TOTAL CASH	337,749,066	240,156,162
RECEIVABLES		
Contributions	0	0
Due from Broker for Investments Sold	178,432,160	95,022,999
Investment Income	5,947,744	6,591,101
Securities Lending Income	43,181	50,132
Other Receivable	113,542	113,551
TOTAL ACCOUNTS RECEIVABLES	184,536,627	101,777,783
PREPAID EXPENSE	7,669	7,669
INVESTMENTS AT FAIR VALUE		
Domestic Fixed Income Securities	568,187,354	603,889,984
Domestic Equities	724,752,507	892,488,854
International Equities	326,819,125	402,752,798
Real Estate	135,475,106	117,068,313
Private Equities	7,067,250	0
Risk Parity	146,355,411	0
Hedge Funds	69,042,461	0
Commodities	67,006,505	0
Held for Securities Lending	0	0
Other Investment	0	0
	2,044,705,718	2,016,199,949
FIXED ASSETS	0	0
LESS ACCUMULATED DEPRECIATION	0	0
	0	0
TOTAL ASSETS	**2,566,999,080**	**2,358,141,562**
LIABILITIES		
Investment Management Fees	2,505,395	1,684,141
Due to Broker for Investments Purchased	202,448,180	138,395,105
Collateral Payable for Securities Lending	239,505,077	169,475,224
Other	803,096	656,847
TOTAL LIABILITIES	**445,261,748**	**310,211,317**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,121,737,332**	**2,047,930,245**

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - YTD Comparative
September 2011
Preliminary

	September 2011	September 2010	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	69,916,918	76,942,825	(7,025,907)
Employee Contribution	9,973,110	10,270,213	(297,103)
TOTAL CONTRIBUTIONS	79,890,028	87,213,038	(7,323,010)
INVESTMENT INCOME			
Interest and Dividends	10,816,555	8,816,548	2,000,007
Net Appreciation (Depreciation) in fair value of investments	(247,563,804)	170,951,934	(418,515,739)
Less Investment Expense	(3,304,967)	(1,990,934)	(1,314,034)
Less Asset Management Expense	0	(128,160)	128,160
NET INVESTMENT INCOME	(240,052,217)	177,649,389	(417,701,606)
SECURITIES LENDING INCOME			
Earnings	97,800	154,791	(56,991)
Less: Securities Lending Expenses	17,041	(42,119)	59,160
NET SECURITIES LENDING INCOME	114,841	112,672	2,169
OTHER ADDITIONS	895	22,374	(21,479)
TOTAL ADDITIONS	**(160,046,453)**	**264,997,473**	**(425,043,926)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	29,990,011	27,968,646	2,021,365
Disability Retirement Allowance	3,777,772	3,578,938	198,834
Survivor, Death and Other Benefits	181,374	188,479	(7,105)
TOTAL ASSOCIATION BENEFITS	33,949,157	31,736,063	2,213,094
REFUND OF MEMBER CONTRIBUTIONS	915,578	564,652	350,926
ADMINISTRATIVE EXPENSE	1,079,450	653,360	426,090
OTHER EXPENSE	47,860	9,608	38,252
TOTAL DEDUCTIONS	**35,992,044**	**32,963,683**	**3,028,361**
NET INCREASE	**(196,038,497)**	**232,033,790**	**(428,072,287)**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,317,775,829	1,815,896,455	
End of Period	2,121,737,332	2,047,930,245	

San Mateo County Employees' Retirement Association
CHANGES IN FIDUCIARY NET ASSETS - TRAILING THREE MONTHS
For the Month Ending September 30, 2011
PRELIMINARY

	July 2011	August 2011	September 2011	YTD
ADDITIONS				
CONTRIBUTIONS				
Employee Contribution	2,796,875	3,502,213	3,674,023	9,973,110
Employer Contributions - Regular	5,858,439	7,315,021	7,338,753	20,512,213
Employer Contributions - COLA	3,261,580	4,069,393	4,080,186	11,411,159
Employer Prefunded Contribution	60,704,948	(11,323,486)	(11,387,916)	37,993,546
TOTAL CONTRIBUTIONS	72,621,842	3,563,141	3,705,046	79,890,028
INVESTMENT INCOME				
Interest and Dividends	2,674,939	4,171,586	3,970,031	10,816,555
Net Appreciation (Depreciation) in fair value of investments	(17,096,881)	(109,194,124)	(121,271,905)	(247,562,910)
Securities Lending Income	36,093	29,250	32,457	97,800
Other Additions				0
Asset Management Expense	0	0	0	0
Other Investment Related Expense	(465,397)	(383,151)	(90,536)	(939,085)
Securities Lending Expense	3,410	(4,157)	17,788	17,041
TOTAL ADDITIONS	57,774,005	(101,817,457)	(113,637,118)	(157,680,570)
DEDUCTIONS				
ASSOCIATION BENEFITS				
Retiree Annuity	2,577,870	2,603,168	2,606,554	7,787,592
Retiree Pension	6,081,746	6,213,436	6,141,097	18,436,280
Retiree COLA	2,583,422	2,567,502	2,563,624	7,714,548
Retiree Deathe and Modified Work Benefit	3,579	3,579	3,579	10,737
Active Member Death Benefit	0	0		0
Voids and Reissue	0	0		0
TOTAL ASSOCIATION BENEFITS	11,246,618	11,387,685	11,314,854	33,949,157
REFUND OF MEMBER CONTRIBUTIONS	193,618	323,124	398,836	915,578
ACTUARIAL FEES	32,750	111,250	(2,500)	141,500
CONSULTANT FEES - INVESTMENT (SIS)	33,333	33,333	33,333	100,000
CUSTODIAN FEES - STATE STREET	18,000	18,000	18,000	54,000
INVESTMENT MANAGEMENT FEE - R1000 INDEX	5,628	5,470	5,405	16,503
INVESTMENT MANAGEMENT FEE - ABERDEEN	27,574	23,680	25,719	76,973
INVESTMENT MANAGEMENT FEE - PYRAMIS	16,867	15,879	16,411	49,158
INVESTMENT MANAGEMENT FEE - ANGELO GORDON	0	0	0	0
INVESTMENT MANAGEMENT FEE - BROWN BROTHERS	6,306	10,512	8,411	25,228
INVESTMENT MANAGEMENT FEE - BRIGADE CAPITAL	0	0	0	0
INVESTMENT MANAGEMENT FEE - FRANKLIN TEMPLETON	35,092	34,924	32,659	102,674
INVESTMENT MANAGEMENT FEE - CHARTWELL	36,804	31,200	30,945	98,948
INVESTMENT MANAGEMENT FEE - D E SHAW	46,529	42,946	41,605	131,080
INVESTMENT MANAGEMENT FEE - T ROWE PRICE	31,601	29,143	28,311	89,054
INVESTMENT MANAGEMENT FEE - BLACKROCK	64,729	58,521	57,473	180,723
INVESTMENT MANAGEMENT FEE - BARROW HANLEY	60,870	53,054	53,621	167,545
INVESTMENT MANAGEMENT FEE - THE BOSTON COMPANY	34,303	30,503	29,627	94,433
INVESTMENT MANAGEMENT FEE - JENNISON ASSOCIATES	76,350	58,429	63,029	197,808
INVESTMENT MANAGEMENT FEE - MONDRIAN	32,441	30,065	28,417	90,923
INVESTMENT MANAGEMENT FEE - ARTIO	82,213	73,789	69,364	225,366
INVESTMENT MANAGEMENT FEE - WESTERN ASSET	27,267	24,934	26,191	78,392
INVESTMENT MANAGEMENT FEE - INVESCO CORE	51,937	51,937	51,937	155,810
INVESTMENT MANAGEMENT FEE - SHERIDAN PRODUCTIONS	0	0	0	0
INVESTMENT MANAGEMENT FEE - ABRY ADVANCED	0	0	0	0
INVESTMENT MANAGEMENT FEE - AQR GLOBAL RISK PARITY	48,540	50,082	0	98,622
INVESTMENT MANAGEMENT FEE - AQR DELTA FUND	58,322	58,004	0	116,326
INVESTMENT MANAGEMENT FEE - SSGA MULTISOURCE	26,087	25,200	23,529	74,815
TOTAL PROFESSIONAL FEE	853,543	870,856	641,484	2,365,883
ADMIN EXPENSE - SALARIES & BENEFITS	151,218	236,478	239,549	627,245
ADMIN EXPENSE - SERVICES & SUPPLIES	155,314	121,359	175,531	452,205
TOTAL ADMINISTRATIVE EXPENSES	306,532	357,837	415,081	1,079,450
INTEREST FOR PREPAID CONTRIBUTION	0	0	0	0
OTHER DEDUCTIONS	31,671	13,151	3,037	47,860
TOTAL DEDUCTIONS	12,631,982	12,952,654	12,773,291	38,357,927
NET INCREASE	45,142,023	(114,770,111)	(126,410,410)	(196,038,497)

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets - Monthly Comparative
For the Month Ending September 30, 2011

	September 2011	August 2011	Increase/(Decrease)	% of Incr/Decr
ASSETS				
CASH AND CASH EQUIVALENTS	98,243,989	104,156,626	(5,912,637)	-5.68%
SECURITIES LENDING CASH COLLATERAL	239,505,077	239,505,077	0	0.00%
TOTAL CASH	337,749,066	343,661,703	(5,912,637)	(0)
RECEIVABLES				
Contributions	0	0	0	N/A
Due from Broker for Investments Sold	178,432,160	191,609,944	(13,177,783)	-6.88%
Investment Income	5,947,744	6,096,436	(148,692)	-2.44%
Securities Lending Income	43,181	18,027	25,153	139.53%
Other Receivable	113,542	113,592	(50)	-0.04%
TOTAL ACCOUNTS RECEIVABLES	184,536,627	197,837,999	(13,301,372)	-6.72%
PREPAID EXPENSE	7,669	7,669	0	0.00%
INVESTMENTS AT FAIR VALUE				
Domestic Fixed Income Securities	568,187,354	582,659,533	(14,472,180)	-2.48%
Domestic Equities	724,752,507	788,404,009	(63,651,502)	-8.07%
International Equities	326,819,125	363,648,152	(36,829,026)	-10.13%
Real Estate	135,475,106	135,475,106	0	0.00%
Private Equity	7,067,250	7,067,250	0	0.00%
Risk Parity	146,355,411	146,355,411	0	N/A
Hedge Funds	69,042,461	69,042,461	0	N/A
Commodities	67,006,505	73,086,065	(6,079,560)	-8.32%
Held for Securities Lending	0	0	0	N/A
Other Investment	0	0	0	N/A
	2,044,705,718	2,165,737,986	(121,032,268)	-5.59%
FIXED ASSETS	0	0	0	N/A
LESS ACCUMULATED DEPRECIATION	0	0	0	N/A
	0	0	0	0.00%
TOTAL ASSETS	**2,566,999,080**	**2,707,245,357**	**(140,246,277)**	-5.18%
LIABILITIES				
Investment Management Fees	2,505,395	1,940,848	564,547	29.09%
Due to Broker for Investments Purchased	202,448,180	216,938,437	(14,490,257)	-6.68%
Collateral Payable for Securities Lending	239,505,077	239,505,077	(0)	0.00%
Other	803,096	713,254	89,842	12.60%
TOTAL LIABILITIES	**445,261,748**	**459,097,616**	**(13,835,867)**	-3.01%
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**2,121,737,332**	**2,248,147,742**	**(126,410,410)**	-5.62%

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets - Monthly Comparative
For the Month Ending September 2011

	September 2011	August 2011	
ADDITIONS			
CONTRIBUTIONS			
Employer Contribution	69,916,918	69,885,895	31,023
Employee Contribution	9,973,110	6,299,087	3,674,023
TOTAL CONTRIBUTIONS	79,890,028	76,184,983	3,705,046
INVESTMENT INCOME			
Interest and Dividends	10,816,555	6,846,524	3,970,031
Net Appreciation (Depreciation) in fair value of investments	(247,563,804)	(126,291,900)	(121,271,905)
Less Investment Expense	(3,304,967)	(2,572,947)	(732,020)
Less Asset Management Expense	0	0	0
NET INVESTMENT INCOME	(240,052,217)	(122,018,323)	(118,033,894)
SECURITIES LENDING INCOME			
Earnings	97,800	65,343	32,457
Less: Securities Lending Expenses	17,041	(748)	17,788
NET SECURITIES LENDING INCOME	114,841	64,595	50,246
OTHER ADDITIONS	895	895	0
TOTAL ADDITIONS	**(160,046,453)**	**(45,767,850)**	**(114,278,602)**
DEDUCTIONS			
ASSOCIATION BENEFITS			
Service Retirement Allowance	29,990,011	19,962,982	10,027,029
Disability Retirement Allowance	3,777,772	2,549,073	1,228,700
Survivor, Death and Other Benefits	181,374	122,249	59,125
TOTAL ASSOCIATION BENEFITS	33,949,157	22,634,303	11,314,854
REFUND OF MEMBER CONTRIBUTIONS	915,578	516,742	398,836
ADMINISTRATIVE EXPENSE	1,079,450	664,369	415,081
OTHER EXPENSE	47,860	44,823	3,037
TOTAL DEDUCTIONS	**35,992,044**	**23,860,237**	**12,131,808**
NET INCREASE	**(196,038,497)**	**(69,628,087)**	**(126,410,410)**
Net Assets Held in Trust for Pension Benefits:			
Beginning of Period	2,248,147,742	2,362,917,852	
End of Period	2,121,737,332	2,248,147,742	

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.2

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Finance Officer

Subject: Acceptance of Auditor's Report on the Financial Audit for the Period Ended June 30, 2011

COMMENT: Attached to this agenda item are presentation materials for the audit review. Attachments will be delivered in a separate mailing by Monday, 10/25/2011.

Immediately following this cover memorandum is an agenda that **Andrew J. Paulden** will employ as he reviews with the board the following draft reports:

1. *Independent Auditor's Report*
2. *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Governmental Auditing Standards.*
3. *Required Communications to the Audit Committee in Accordance with Professional Standards*
4. *Report to Management -Agreed Upon Conditions Report Designed to Increase Efficiency, Internal Controls and/or Financial Reporting.*

The *Independent Auditor's Draft Report...* provides an unqualified opinion. It states, "*In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of SamCERA as of June 30, 2011, and 2010, and its changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.*"

In the *Auditor's Report on Internal Control over Financial Reporting...*, the auditor notes no instances of noncompliance that are required to be reported under *Government Auditing Standards*. The auditor also notes no matters involving the internal control over financial reporting and its operation that they consider to be material weaknesses.

The *Required Communications to the Audit Committee...* in accordance with professional standards provides an overview of the auditor's responsibility under the U.S. Generally Accepted Auditing Standards. The report goes on to provide the reader with useful information to assist in understanding the audit process and accounting policies utilized to complete the audit.

The *Report to Management...* is designed to increase efficiency, internal controls and/or financial reporting. There are two current year findings. The findings address a timely reconciliation of the securities lending account and reconciliation of certain alternative asset manager's statements with the custodian's postings. Management provided responses to the findings and will discuss the responses at the board meeting.

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.2

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Finance Officer

Subject: Attachments for Agenda Item 7.2 - Acceptance of Auditor's Report on the Financial Audit for the Period Ended June 30, 2011

COMMENT: Attached are an agenda for Andrew J. Paulden's presentation and the audit reports listed in Agenda item 7.2 for your review.

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

San Mateo County Employees' Retirement Association
Audit Committee/Board of Retirement presentation
of the June 30, 2011 audit results
By: Andrew J. Paulden, CPA
Brown Armstrong Accountancy Corporation
October 25, 2011

1. Purpose of the Audit

2. The Audit Process
   a. Timeline coordination with SamCERA staff
   b. Understanding and evaluation of SamCERA internal controls through inquiry and observation
   c. Confirmation of account balances, legal, active and retired participants, and actuary
   d. Interim testing
   e. Final fieldwork
   f. Report presentation

3. Significant Audit Areas/Scope of Audit Work
   a. Risk based approach
   b. Investments and related earnings
   c. Participant data and actuarial information
   d. Employee and employer contributions
   e. Benefit payments

4. Audit Reports
   a. Independent Auditor's Report (opinion) on financial statements – unqualified ("clean") opinion
   b. Independent Auditor's Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*
   c. Required Communication to the Audit Committee in accordance with professional standards – SAS 114
   d. Report to Management

5. Financial Statement Review

6. Questions and/or Comments?

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
San Mateo County Employees' Retirement Association

We have audited the accompanying Statement of Fiduciary Net Assets of the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2011 and 2010, and the related Statement of Changes in Fiduciary Net Assets for the years then ended. These financial statements are the responsibility of SamCERA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of SamCERA as of June 30, 2011 and 2010, and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of SamCERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the Investment, Actuarial and Statistical Sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of SamCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
October 19, 2011

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAK RSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Retirement
San Mateo County Employees' Retirement Association

We have audited the financial statements of the San Mateo County Employees' Retirement Association (SamCERA), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of SamCERA as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered SamCERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of SamCERA's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Retirement, and management of SamCERA, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
October 19, 2011

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAK RSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

REQUIRED COMMUNICATION TO THE AUDIT COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

Board of Retirement
San Mateo County Employees' Retirement Association

We have audited the financial statements of the San Mateo County Employees' Retirement Association (SamCERA) for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 17, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SamCERA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by SamCERA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the fair market value of investments.

> Management's estimate of the fair market value of investments is derived by various methods as detailed in Note 2 to the financial statements. We evaluated the key factors and assumptions used to develop the fair market value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements:

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not note any material misstatements.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the independent auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the Management Representation Letter dated October 19, 2011.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the SamCERA financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SamCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

****

This information is intended solely for the use of the Board of Retirement, Audit Committee and management of SamCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Andrew J. Paulden

Bakersfield, California
October 19, 2011

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT TO MANAGEMENT

FOR THE YEAR ENDED JUNE 30, 2011

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922

BROWN ARMSTRONG
Certified Public Accountants

October 19, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, California 94065

Dear Board Members:

In planning and performing our audit for the San Mateo County Employees' Retirement Association ("SamCERA") for the year ended June 30, 2011, we considered the internal control structure in order to determine our auditing procedures and not to provide assurance on the internal control structure. Although our audit was not designed to provide assurance on the internal control structure, we noted certain matters involving the internal control structure and its operations, and are submitting for your consideration, related recommendations designed to help SamCERA make improvements and achieve operational efficiencies. Our comments reflect our desire to be of continuing assistance to SamCERA.

We appreciate the cooperation that we have received from SamCERA in connection with developing these recommendations, and the opportunity to have been of service to you and others at SamCERA. Should you have any questions about our recommendations, this letter, or other matters, please contact Andrew Paulden, Engagement Partner, at (661) 324-4971.

The accompanying comments and recommendations are intended solely for the information and use of the Audit Committee, the Board of Retirement, management, and others within SamCERA.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Andrew J. Paulden

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

TABLE OF CONTENTS

I. CURRENT YEAR OBSERVATIONS AND RECOMMENDATIONS

1. Observation – Security Lending Monthly Reconciliation

During our audit procedures of securities lending transactions, we noted a discrepancy between SamCERA's general ledger balance and the investment manager's balance as of June 30, 2011. Per further inquiry of SamCERA staff it was noted that a journal entry had been posted incompletely to the general ledger in October 2010. Although the discrepancy did not have an effect on SamCERA's Net Asset Value, inadequate review and reconciliation of this particular security lending account left this discrepancy unnoticed until discovered during our audit procedures.

Recommendation

We recommend that SamCERA management review general ledger entries to securities lending accounts in a timely and consistent manner to ensure that all securities lending transactions are entered correctly.

Management Response

SamCERA management will examine its current procedures for reviewing and reconciling this particular security lending account between custodial statements and its general ledger. Although SamCERA staff was still in the process of reconciling general ledger accounts during Brown Armstrong's final fieldwork, SamCERA management agrees that procedures should be put in place that would ensure reconciliation of the account in a timely manner. Due to the nature of this particular account, SamCERA would also like to note that the discrepancy had no effect on SamCERA's financial statements.

2. Observations – Alternative Investments

During our analysis of income generated by SamCERA's alternative investments we noted that SamCERA staff was receiving limited information from alternative investment managers on a monthly basis. Due to the limited information received on a monthly basis an adequate reconciliation between custodian and investment manager statements was not feasible. This resulted in an inaccurate classification of investment income in the general ledger.

Recommendation

SamCERA should request detailed monthly statements from alternative investment managers to ensure that income generated from these alternative investments are classified correctly in the financial statements and accounted for completely and accurately in the general ledger.

Management Response

SamCERA began investing in alternative investments in the past fiscal year, management was not aware that the information provided by the Association's alternative investment managers to staff and custodian were considered inadequate. Per Brown Armstrong's recommendation, SamCERA has begun requesting detailed monthly or quarterly statements from alternative investment managers to more accurately reflect income generated from these investments. Although it has always been SamCERA's policy to book investment activity per custodial statements, SamCERA has since changed its policy for alternative investment managers. As of fiscal year ending June 30, 2011, SamCERA's financial statements are booked per investment manager statements in the alternative investment asset class.

II. DISPOSITION OF PRIOR YEAR COMMENTS

1. Observation – Outstanding/Stale Dated Benefit Payments

   During our testing of outstanding/stale dated benefit payments, we found that, due to a change in staff assignments, there was a lack of communication related to the status of these benefit payments between the Finance Division's Retirement Analyst/Controller and the Benefits Division's Senior Retirement Analyst. Discussion and research of any new or recurring outstanding/stale dated benefit payments took place on a quarterly basis prior to the staff change.

   Recommendation

   We recommend that SamCERA ensure that current procedures in place for outstanding/stale dated benefit payments are followed. Additionally, staff should be informed of responsibilities when staffing changes occur to ensure compliance with all current policies and procedures.

   Management Response

   The Outstanding/Stale Dated Benefit Payments procedure was transferred from the Senior Accountant to the Retirement Analyst/Controller during the fiscal year. In the transition, certain parts of the task were dropped. The Finance Officer and the Benefits Manager are working with staff to correct and streamline the process. We believe that the outstanding checks list will be brought to current and routinely maintained within the next three months.

   Current Year Status

   Implemented.

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.3

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Finance Officer

Subject: Approval of *SamCERA's Comprehensive Annual Financial Report* for the period ended June 30, 2011

STAFF RECOMMENDATION: Staff recommends that the board review the *Comprehensive Annual Financial Report* (CAFR) for the period ended 6/30/2011.

STAFF COMMENT: Attached to this item is *SamCERA's* June 30, 2011, Comprehensive Annual Financial Report. You will note the format has changed. Staff and Management wish to thank *SamCERA's* new Communications Specialist, Colin Bishop, for his efforts in updating the look. The CAFR will be delivered in a separate mailing, electronic version will be available by Thursday, 10/20/2011, hard copy will be available by Monday, 10/25/2011.

For the fourteenth consecutive year, the Government Finance Officers Association (GFOA) has awarded *SamCERA* its Certificate of Achievement for Excellence in Financial Reporting. This award is in recognition of *SamCERA's* Comprehensive Annual Financial Report for the year ended June 30, 2010.

Staff will provide an oral report presenting the CAFR as a useful reference for trustees, staff, and interested parties. The report will provide an overview of the six sections: Introductory, Financial, Investment, Actuarial, Statistical and Compliance.

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.3

To: Board of Retirement

From: Mabel Wong, Finance Officer

Subject: Attachment for Agenda Item 7.3 - Approval of *SamCERA's Comprehensive Annual Financial Report* for the period ended June 30, 2011

COMMENT: Attached is the *Comprehensive Annual Financial Report* (CAFR) for the period ending June 30, 2011 for your review.

SamCERA

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2011
A Component Unit of the
County of San Mateo, Redwood City,
State of California

2011

On the cover (left to right):
Wunderlich County Park, Woodside, San Mateo County
Old County Courthouse, Redwood City, San Mateo County
Pigeon Point Lighthouse, Pescadero, San Mateo County
On page 7:
400 County Center, Redwood City, San Mateo County

San Mateo County

Employees' Retirement Association

A Component Unit of the County of San Mateo

Comprehensive Annual Financial Report

for the year ended June 30, 2011

C. David Bailey

Chief Executive Officer

Mabel Wong

Finance Officer

Gary Clifton

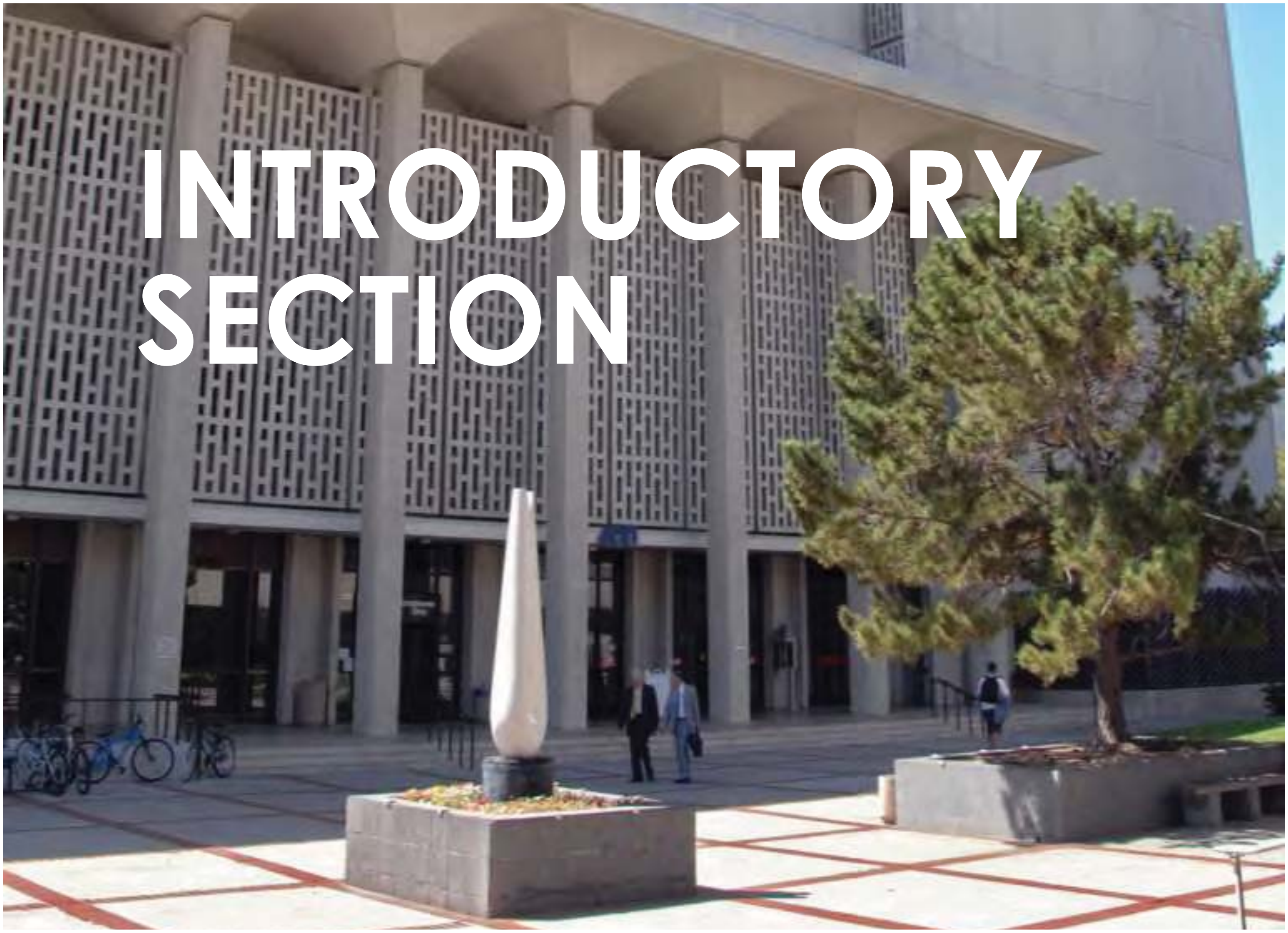
Chief Investment Officer

SamCERA

100 Marine Parkway, Suite 125

Redwood City, California 94065

Table of Contents



INTRODUCTORY SECTION

SamCERA's Mission

SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.

SamCERA's Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to *SamCERA*'s clients and the public. Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system and assure the ability to pay all earned benefits while minimizing the costs to its employers. Constantly improve the effectiveness of *SamCERA*'s services and the efficiency of its operations.

ADMINISTRATOR'S LETTER OF TRANSMITTAL

SamCERA

San Mateo County Employees' Retirement Association | 100 Marine Parkway, Suite 125 | Redwood City, CA 94065
Phone: 650-599-1234 | Toll Free: 1-800-339-0761 | Fax: 650-591-1488 | samcera@samcera.org

C. David Bailey
SamCERA
Chief Executive Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present the *Comprehensive Annual Financial Report (CAFR) of the San Mateo County Employees' Retirement Association (SamCERA)* for the fiscal years ending June 30, 2011, and June 30, 2010.

SamCERA's management is responsible for the accuracy of the data; the complete, full disclosure of all matters of material consequence and the fairness of the presentation. Management's discussion and analysis of the data may be reviewed on pages 24-33.

SamCERA's management is also responsible for establishing and maintaining an internal control structure designed to ensure that *SamCERA*'s assets are protected from loss, theft, or misuse. *SamCERA* recognizes that even sound internal controls have inherent limitations. Our internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and the fair presentation of the financial statements and supporting schedules. As Chief Executive Officer, I hereby certify that *SamCERA*'s system of internal controls is adequate and that this report accurately, completely, fully and fairly discloses all matters of material consequence.

Brown Armstrong Accountancy Corporation provides audit services to *SamCERA*. The financial audit ensures that *SamCERA's* financial statements are presented in conformity with generally accepted accounting principles and are free of material misstatements. Internal controls are reviewed to ensure that *SamCERA's* operating policies and procedures are being adhered to and that the controls are sufficient to ensure accurate and reliable financial reporting and to safeguard *SamCERA's* assets. This report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

SamCERA's financial statements are prepared on the accrual basis of accounting. Revenues are taken into account when earned, regardless of the date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value. The Financial Section of this report contains *SamCERA's* financial statements, required supplementary schedules, and supporting schedules.

SamCERA's funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, by obtaining superior investment returns consistent with established risk controls and by minimizing employer contributions to the retirement fund.

SamCERA engages an independent actuarial consulting firm, Milliman, Inc., to conduct an annual actuarial valuation of the plan. The purpose of the valuation is to reassess the magnitude of the benefit commitments in comparison with the assets expected to be available to support those commitments so that employer and employee contribution rates can be adjusted accordingly. *SamCERA* strives to provide the most recent financial and actuarial data in its annual report. Therefore, the actuarial valuation of June 30, 2011, is used in this CAFR.

Authority, Responsibilities & Duties

SamCERA was created by the Board of Supervisors in 1944, pursuant to the provisions of California's County Employees' Retirement Law of 1937 (the '37 Act) and County Ordinance 564.

SamCERA provides retirement, disability and death benefits for its eligible members in accordance with the provisions of the Constitution of the State of California and the provisions of Section 17 of Article XVI of the Constitution of the State of California and the County Employees' Retirement Law of 1937 commencing at Government Code Section 31450 as well as applicable statutes, regulations and case law.

The Board of Retirement serves as fiduciary for all of *SamCERA's* members. The board is responsible for administering the provisions of the '37 Act that the Board of Supervisors has made applicable to San Mateo County. The Board of Retirement has adopted its *Mission & Goals, Statement of Strategic Services,* *Regulations of the Board of Retirement, SamCERA's Investment Policy, SamCERA's Sources, Uses and Budget Report, Conflict of Interest Code, Code of Fiduciary Conduct* and *Delegation of Authority, et al* to document the board's policies. In addition, the board has executed contracts for the professional services of an actuary, investment consultant, investment managers, a global custodian and a medical advisor to help the board fulfill its duties. The board's professional consultants are highlighted in the organizational chart on page 20.

SamCERA's Chief Executive Officer (CEO) is responsible for the day-to-day operations of the association. The CEO serves at the pleasure of the Board of Retirement and manages *SamCERA*'s operations in accordance with the board's *Delegation of Authority*. *SamCERA*'s staff of twenty full-time employees is responsible for assuring that the needs of the members, employers and board are met in accordance with the high standards set forth in *SamCERA's Mission & Goals'* statement. *SamCERA*'s staff is sworn to carry out its fiduciary duties in accordance with staff's *Code of Fiduciary Conduct* and the staff's own high *Performance Standards*.

SamCERA's members include all permanent employees of the County of San Mateo, the San Mateo County Mosquito and Vector Control District, the Superior Court of the County of San Mateo, all vested former employees who elected deferred retirement, and all current retirees and benefit recipients. More than 85% of *SamCERA*'s members are classified as General Members. General Members are covered by the applicable provisions set forth in the '37 Act and the laws and rules governing federal Social Security benefits. The remainder of *SamCERA*'s members are law enforcement employees classified as Safety Members or Probation Safety Members. These members are covered by specific Safety Member provisions of the '37 Act but are not covered by Social Security.

I encourage you to review the following narrative introduction as well as the Management Discussion and Analysis beginning on page 24.

Looking Backward and Forward

Trustees

Michal Settles was appointed by the Board of Supervisors in June 2011 to fill the vacant, unexpired term of the ninth member. Ms. Settles is a business professor at the City College of San Francisco. Her teaching experiences also include the University of San Francisco, Saint Mary's College and San Francisco State University. For more than 10 years she served as the chair of the San Francisco Bay Area Rapid Transit District (BART) Investment Plans Committee. Her term will expire June 30, 2013.

For many years **Sandie Arnott** sat on the Retirement Board as the constitutional alternate for long-time County Treasurer Lee Buffington. At the end of 2010, Mr. Buffington retired and Ms. Arnott was elected Treasurer/Tax Collector for San Mateo County. She plans to continue serving on the Retirement Board.

The officers for the Board of Retirement at the end of the 2010-2011 fiscal year were **Albert David**, Chair; **Sandie Arnott**, Vice Chair; and **Natalie Kwan Lloyd**, Secretary. These officers were elected in October 2010 and, thus, served less than a full year term. They will continue to serve during the 2011-2012 fiscal year.

Other board trustees for the 2010-2011 fiscal year are: **Eric Tashman, David Spinello, Paul Hackleman, Michal Settles, Benedict Bowler, and Lauryn Agnew.** Alternate trustees are **Alma Salas**, Safety Alternate, and **John Murphy**, Retiree Alternate.

Each board term is three years. The *SamCERA* Board of Retirement consists of nine members. Four positions are appointed by the Board of Supervisors. Four members are elected from the membership. The County Treasurer is a member of the board by virtue of her office.

Elections

SamCERA and its county Elections Division are planning to allow Internet voting for the next trustee elections to be held in June 2012. All previous elections have been by paper ballot. The expectation is that an Internet election will increase turnout, which has been about 20% of eligible voters for recent elections. After substantial research, *SamCERA* believes that an Internet election will not only be secure, but more secure than a paper ballot election. It will also be green (less paper and less gas burned in delivery of ballots), and more convenient for voters (no more envelope sealing, walking to the mailbox, etc.).

Investments

For the fiscal year ending June 30, 2011, *SamCERA's* fund earned **23.92%**.

Working with its investment consulting firm, Strategic Investment Solutions, and Chief Investment Officer, **Gary Clifton**, the Retirement Board continued to build its alternatives portfolio. The overall target portfolio allocation is 53% equities, 22% fixed income, 20% alternatives and 5% real estate. The new alternatives portfolio will be constructed with 8% private equity, 6% risk parity, 3% hedge funds and 3% commodities. It will most likely take more than an additional twelve months to fully implement some of the alternative strategies. *SamCERA* expects the portfolio changes will reduce risk and increase returns. This has been the case over the short period in which some of the strategies have been implemented.

Staffing

During the 2010-2011 fiscal year, the Board of Retirement and the San Mateo County Board of Supervisors recognized the growing complexity of the retirement system and the need to maintain quality services for system members by approving three new positions for *SamCERA*. An **Executive Secretary** position was added to consolidate duties in service to the board, the Chief Executive Officer and other *SamCERA* managers. Most of the duties of the Executive Secretary were previously performed by the Investment Analyst. The new position will allow the Investment Analyst to focus on investment related duties, which have increased with the implementation of a 20% allocation to alternative investments. The system was pleased to select **Nilita Meitz** to fill this position. A **Communications Specialist** position was added to consolidate the many and varied communications responsibilities of the association. **Colin Bishop** was welcomed to this position in May 2011. Finally, a **Chief Legal Counsel** position was approved in June 2011. With this action, *SamCERA* became the 10th 1937 Act retirement association to establish in-house counsel. Previously, all legal services were provided through the County Counsel's Office. *SamCERA's* first Chief Legal Counsel is **Brenda Carlson**. Ms. Carlson was a Chief Deputy County Counsel for San Mateo County and in that role provided legal services to *SamCERA* for more than 15 years.

Actuarial Valuation

SamCERA's actuarial consulting firm, Milliman, Inc., conducted an Experience Study in concert with its June 30, 2011, Actuarial Valuation. Actuarial audits of both the Experience Study and the Valuation were performed by the Segal Co.

In the early stages of the valuation, the Board of Retirement discussed the assumed earnings rate of the system along with other economic assumptions. Among the information the board reviewed were earnings projections for all asset classes from a variety of investment consulting firms. The board kept its annual assumed earnings rate at 7.75%.

Key results of the June 30, 2011 valuation showed improvement in the Funded Ratio, and slight reduction in employer Normal Cost and Unfunded Accrued Actuarial Liability (UAAL). The Funded Ratio, a measurement of the funded status of the system, increased from 70.3% to 74.1%. The Employer Normal Cost rate decreased from 11.57% to 11.25%; the employer's required contribution rate to finance the UAAL over 15 years deceased slightly from 19.83% to 19.72%.

Plan Changes

San Mateo County concluded most of its negotiations with its bargaining units. The resulting agreements will reduce retirement formulas for new hires and shift some costs. For most new hires in the 2011-2012 fiscal year pension formulas will be at the levels they were at prior to adoption of enhanced formulas in the middle of the last decade. The majority of new hires will also pay 50% of the actuarially determined Cost of Living Adjustment (COLA), and in some cases there is additional cost sharing.

General employees hired on or after August 7, 2011, will choose between an existing non -contributory plan or a 2% @ 61.25 contributory plan. The current general member contributory plan is 2% @ 55.5. Newly hired deputy sheriffs after January 8, 2012 will go into a 3% @ 55 plan. Current members are in a 3% @ 50 plan. Current probation officers are entitled to the 3% @ 50 formula. New hires after July 10, 2011 will be allowed to choose between the 3% @ 55 plan with a cost share contribution of 3.5% of pay, or a 2% @ 50 plan with no cost share. All new hires in these bargaining units will also pay half the actuarial cost of COLAs.

Cost of Living Allowance

The Bay Area experienced low inflation during 2010 according to the U.S. Bureau of Labor Statistics, resulting in a 1.5% COLA for nearly all *SamCERA* retirees and beneficiaries. California law requires that *SamCERA's* COLAs be based on the annual change in the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area as determined by the federal Bureau of Labor Statistics. To determine this change, *SamCERA* compares the average CPI of one year to the average CPI of the next. The law also requires the amount to be rounded to the nearest one-half of one percent.

For calendar year 2010, the Bay Area CPI, as validated by *SamCERA's* actuarial firm, Milliman, Inc., showed a 1.37% increase. Per law this number was rounded to 1.5%, and this COLA percent was applied for nearly all members.

New Administrative Expense Cap

The passage of Assembly Bill 609 changes the 1937 Act system administration expense limit from 23 basis points (bp) of total assets to 21 bp of Accrued Actuarial Liability. Since the system's liability is more consistent from year to year and not affected by capital market volatility, the change will allow *SamCERA* to manage its administrative expenses more effectively. *SamCERA* will use the new cap beginning with the FY 2011-2012 administrative budget.

Information Technology

In FY 2010-2011 *SamCERA* completed virtualizing 100% of its server environment, which brings many advantages in technology administration and eases the task of offsite disaster recovery. *SamCERA* also implemented paperless board technologies using the Apple iPad, which cuts the board packet expense by more than half, reduces the amount of staff time required to assemble packets, and has a positive environmental impact.

In FY 2011-2012 *SamCERA* will be working on several projects including website redesign, penetration testing for the web member portal, and the hiring of an oversight technology project manager. *SamCERA* will continue to improve its technology infrastructure this fiscal year, in part by upgrading technologies used for backups. *SamCERA* will also upgrade and enhance the financial software which is used in-house.

The oversight manager will help *SamCERA* with its major multi-year projects including a pension system request for proposal (RFP), electronic content management and imaging, data cleansing, and business process optimization projects.

Strategic Planning

During a retreat held February 9 and 10, 2011, the staff began working through the steps in a strategic planning process as recommended by the Government Finance Officers Association (GFOA). As a result of the retreat planning, during the 2011-2012 fiscal year *SamCERA* will pursue three major goals, all of which are derived from and consistent with *SamCERA's* mission statement:

1. *Constantly improve the effectiveness and*

efficiency of SamCERA's operations. This will include assuring that *SamCERA* is ready to serve new employees under new benefit formulas and contribution rates, addressing expanding needs for legal services, and taking the next steps to upgrade *SamCERA's* core technologies.

2. *Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement association.* Major projects under this goal include building the alternatives portfolio, assessing the results of the 2011 actuarial valuation, experience study and actuarial audit, and considering the benefits of commission recapture.
3. *Provide caring, fair, accurate, timely and knowledgeable professional services to SamCERA's clients and the public. Constantly improve the effectiveness of SamCERA's services.* This goal will include the development of a Comprehensive Communications Plan to take into account increasing member needs for education and new technologies available to help members make informed decisions about their benefits.

Each goal has a number of specific projects designed to help achieve it. The projects incorporate ideas generated during all six staff retreats beginning in 2005. The 2011-2012 plan is *SamCERA's* most ambitious. The plan includes 51 projects for the staff to initiate and/or complete during the fiscal year. During the previous plan year, the staff completed 14 projects. Projects that were not completed but still relevant were moved to the 2011-2012 Action Plan. In the previous five years staff have completed a total of 106 projects, all in addition to their regular duties.

Certificate of Achievement and Acknowledgements

For the fourteenth consecutive year, the GFOA has awarded *SamCERA* its Certificate of Achievement for Excellence in Financial Reporting. This award was in recognition of *SamCERA's* CAFR for the year ended June 30, 2010. The certificate is reproduced on page 16.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the eighth year running. The association received this honor for the PAFR for the fiscal year ended June 30, 2010.

These awards recognize contributions to the practice of government finance exemplifying outstanding financial reporting; in doing so, they stress practical, documented work that offers leadership to the profession.

The Public Pension Coordinating Council presented *SamCERA* its *Public Pension Standards Award* for 2010. The award recognizes that *SamCERA* has met professional standards for plan funding and administration as set forth in the Public Pension Standards of the Council. The standards judge retirement systems on their Funding Adequacy, Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments and Communications. The award is reproduced on page 17.

The compilation of the CAFR in a timely manner reflects the combined efforts of *SamCERA's* staff under the leadership, dedication and support of the Board of Retirement.

The association continues to maintain the highest financial reporting standards while providing quality services to its members. I am sincerely grateful to the *SamCERA* Board of Retirement and staff who perform so diligently to ensure the successful operation and financial soundness of *SamCERA*.

Respectfully submitted,

C. David Bailey, Chief Executive Officer

October 19, 2011

GFOA Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County

Employees' Retirement Association

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

PPCC Public Pension Standards Award

PPC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2010_

Presented to

San Mateo County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Members of the Board of Retirement

Sandie Arnott

Ex Officio per the 1937 Act, First Member

Sandra Arnott is the San Mateo County Treasurer/ Tax Collector. She first began serving in this office in January 2011. She served as Assistant County Treasurer for many years during which she was also active on the Retirement Board. Currently she is the Board Vice Chair. Her term will expire December 31, 2013.

Albert David

Elected by the General Members, Second Member

Albert David is an Information Services Dept. IMS-Health Relationship Manager for San Mateo County. He is also a retired Army Reserve Lieutenant Colonel. He joined the board in July 2008. He was re-elected to a full term in 2009 and serves as Board Chair. His term will expire June 30, 2012.

Natalie Kwan Lloyd

Elected by the General Members, Third Member

Natalie Kwan Lloyd is an Appraiser in the San Mateo County Assessor's Office. She joined the board in July 2008 to serve out the unexpired term of Tom Bryan. She is currently the Board Secretary. In June 2010 she was elected to a full term which will expire June 30, 2013.

Eric Tashman

Appointed by the Board of Supervisors, Fourth Member

Eric Tashman is a public finance partner in the San Francisco office of law firm Sidley Austin LLP, where he is head of the firm's West Coast public finance practice group. He was appointed by the Board of Supervisors in 2009. He is a member of the Audit Committee. His term expires June 30, 2012.

Benedict J. Bowler

Appointed by the Board of Supervisors, Fifth Member

Ben Bowler is the Assistant Treasurer of Finance and Planning at Con-Way, Inc. He was appointed in August 2008 to fill the unexpired term of the Fifth Member. He is chair of the Investment Committee. In June 2010 he was re-appointed to a full term, which will expire June 30, 2013.

Lauryn Agnew

Appointed by the Board of Supervisors, Sixth Member

Lauryn Agnew is a Principal at Seal Cove Financial and Chair of the Investment Committee at United Way of the Bay Area. She was appointed by the Board of Supervisors in 2009. She is a member of the *SamCERA* Investment Committee. Her term expires June 30th, 2012.

David Spinello

Elected by the Safety Members, Seventh Member

David Spinello is a Deputy with the San Mateo County Sheriff's Office. He was elected to the board in 2009 and began his term in July of that year. He is a member of the Audit Committee. His term expires on June 30, 2012.

Paul Hackleman

Elected by the Retired Members, Eighth Member

Paul Hackleman was elected in June 2010 to serve as the Retired Member of the Board of Retirement. Paul served as the county Benefits Manager from 1982 through March 2008. Today he is the head of I.C. Benefits Consulting. His term will expire June 30, 2013.

Michal Settles

Appointed by the Board of Supervisors, Ninth Member

Michal Settles is a business professor at the City College of San Francisco. Her teaching experience also includes The University of San Francisco, Saint Mary's College, and San Francisco State University. For more than 10 years she served as the chair of the San Francisco Bay Area Rapid Transit District (BART) Investment Plans Committee. She was appointed by the Board of Supervisors in June 2011. Her term will expire June 30, 2013.

John Murphy

Elected by the Retired Members, Retiree Alternate

John Murphy was appointed by the Board of Retirement in July 2006 to serve as the Retiree Alternate. He was elected to the alternate position in June 2007 and again in 2010. He substitutes in the absence of the Eighth Member and his term will expire June 30, 2013.

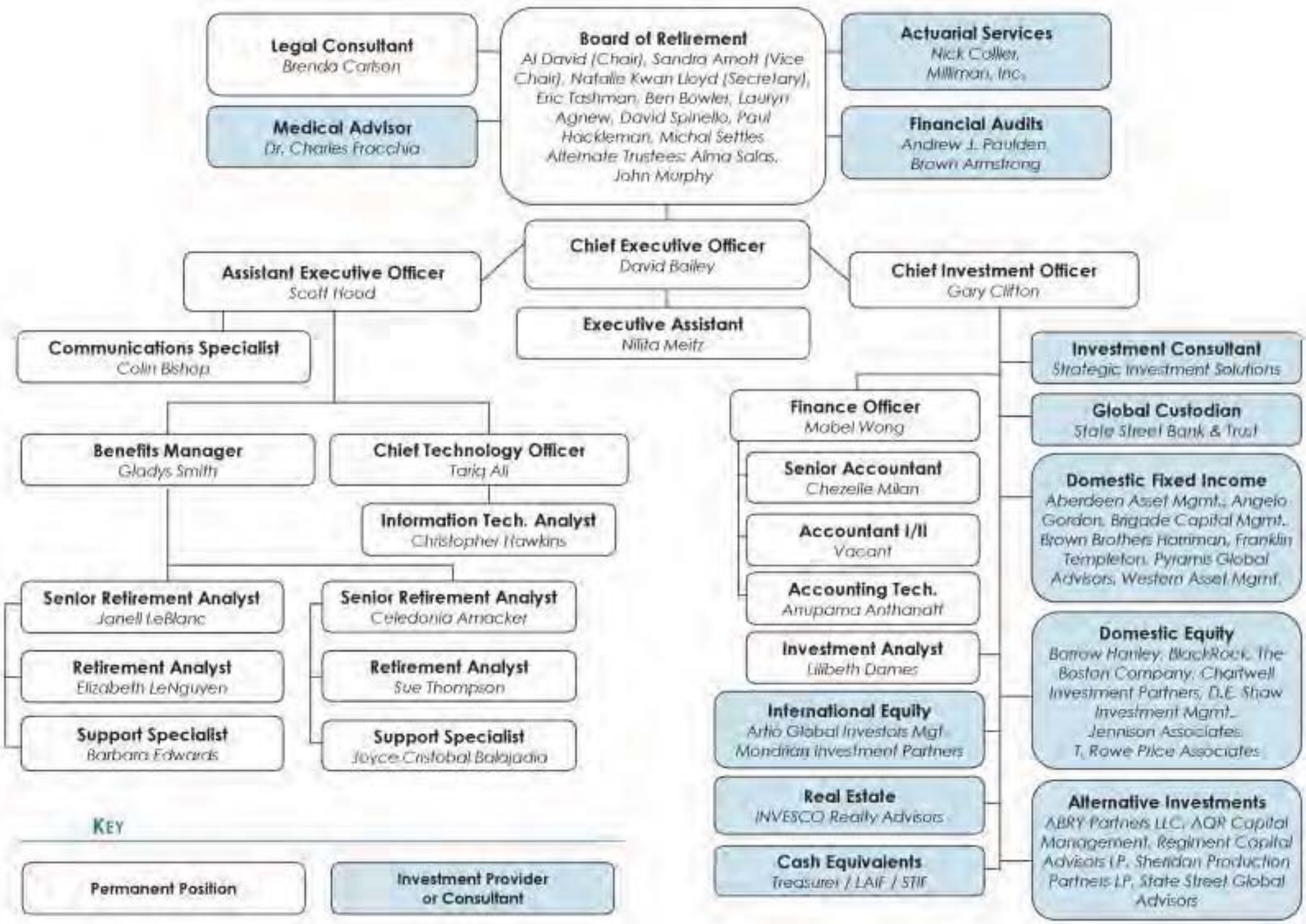
Alma Salas

Elected by the Safety Members, Safety Alternate

Alma Salas is a Probation Services Manager with San Mateo County. Alma joined the board in May of 2001. She served as Board Chair during the 2004 - 2005 fiscal year. She was elected to serve as the Safety Alternate beginning July 2006. In this role she will substitute in the absence of the Second, Third, or Seventh Member.

SAMCERA 2010-2011 ORGANIZATIONAL CHART

as of June 30, 2011



FINANCIAL SECTION

$2.3 billion

Asset Value

SamCERA's total net assets have grown by 27.6% since the previous fiscal year.

Independent Auditor's Report

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
San Mateo County Employees' Retirement Association

We have audited the accompanying Statement of Fiduciary Net Assets of the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2011 and 2010, and the related Statement of Changes in Fiduciary Net Assets for the years then ended. These financial statements are the responsibility of SamCERA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of SamCERA as of June 30, 2011 and 2010, and its changes in fiduciary net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Other Supplementary Information as listed in the table of contents, and the Investment, Actuarial and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of SamCERA. The Other Supplementary Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the Investment, Actuarial and Statistical Sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2011, on our consideration of SamCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
October 19, 2011

Management's Discussion and Analysis Fiscal Year 2010-2011

As fiduciaries of the San Mateo County Employees' Retirement Association, we offer readers of *SamCERA*'s financial statements this narrative overview and analysis of its financial position and results of operation for the fiscal years ended June 30, 2011, and 2010. The information presented here, in conjunction with the Notes to the Financial Statements beginning on page 36, provides a clear picture of *SamCERA's* overall financial status and activities.

Financial Highlights

- $2.3 billion in net assets as of June 30, 2011, are held in trust for pension benefits. All of the assets are available to meet S*amCERA's* ongoing obligation to plan participants and their beneficiaries.
- *SamCERA's* total net assets held in trust for pension benefits increased by $501.9 million or 27.64% primarily as a result of positive investment returns.
- *SamCERA*'s funding objective is to meet long-term benefits obligations through contributions and investment income. As of June 30, 2011, the actuarial funded ratio for *SamCERA* increased from 70.3% to 74.1%. The increase is primarily from required contributions made to the fund. The current year's recognized asset gain is offset by recognition of asset loss deferred from prior years.
- Revenues (Additions to Fiduciary Net Assets) for the year were $637.7 million which includes employer contributions of $150.5 million, member contributions of $49.0 million, investment gains of $454.3 million (excluding investment expense of $16.6 million), security lending income of $530,311 and other additions of $73,305. The 81% increase over the prior year is mainly due to exceptional investment gains and increased employer contributions.
- Expenses (Deductions in Fiduciary Net Assets) increased from $128.3 million to $135.9 million over the prior year, or approximately 5.91%. The fiscal year 2011 expenses include $129.8 million in benefit payments, $2.5 million in member refunds, $3.5 million in administrative expenses and $9,529 for other expenses. The majority of this increase was due to an increase in the amount of benefits paid in the fiscal year.
- *SamCERA*'s actuarial value of assets had $87.4 million of unrecognized investment losses as of June 30, 2011, a 76% decrease compared to $363.2 million in the prior year.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to *SamCERA's* financial statements, which are comprised of these components:

1. Comparative Statements of Fiduciary Net Assets
2. Comparative Statements of Changes in Fiduciary Net Assets
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

Please note, however, that this report also contains clarifying information to supplement the basic financial statements listed above.

The Comparative Statement of Fiduciary Net Assets is a snapshot of account balances at year-end. It discloses the assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of June 30, 2011. The net assets, which are assets less liabilities, reflect the funds available for future use.

The Comparative Statement of Changes in Fiduciary Net Assets provides a view of all the activities that occurred during the fiscal year and shows the impact of those activities as additions and deductions to the plan. Both statements are in compliance with Governmental Accounting Standards Board (GASB) pronouncements.

The Comparative Statement of Fiduciary Net Assets and the Comparative Statement of Changes in Fiduciary Net Assets report information about *SamCERA's* activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current fiscal year's revenues and expenses are recognized when they are incurred, regardless of when cash is received or paid. All investment purchases and sales are reported as of the trade date, not the settlement date. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized. Each component of capital assets is depreciated over its useful life.

These two statements report *SamCERA's* net assets held in trust for pension benefits as one way to measure the plan's financial position. Over time, increases and decreases in *SamCERA's* net assets are one indicator of whether its financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring *SamCERA's* overall financial position. The increase in *SamCERA's* plan net assets for the year ended June 30, 2011, was 27.64%. This increase reflects in part the overall asset appreciation in the global capital markets. Although it is an indicator that *SamCERA's* financial position improved during the past fiscal year, it does not represent a trend. *SamCERA's* total gross fund return of 23.92% outperformed *SamCERA's* 7.75% actuarial assumed interest rate. The net deferred investment losses from the past five years decreased significantly from -$363.2 million in FY 2010 to -$87.4 million in FY 2011. The investment gains from FY 2011 have been added to prior year losses to be spread over the next five years.

SamCERA's Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets appear on pages 34 and 35.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year. Notes to the Financial Statements appear on pages 36-60.

Required Supplementary Information follows the notes and provides additional information and detail concerning *SamCERA's* progress in funding its obligations to provide pension benefits to members, the trend of employers' contributions, pertinent actuarial information as of the latest valuation, and notes to the schedules of trend information. The postemployment benefit program is administered by the plan sponsor, San Mateo County (please refer to the County's CAFR for additional information). Required Supplementary Information appears on page 61.

Other Supplementary Information includes the schedules of administrative expenses, schedule of investment expenses, and schedule of payments to consultants. These schedules are presented immediately following the Required Supplementary Information on page 61.

Financial Analysis

Tables 1, 2, 3, 4 and 5 summarize and compare *SamCERA's* financial results for current and prior periods.

SamCERA's Fiduciary Net Assets held in trust for pension benefits as of June 30, 2011, totaled $2.3 billion which represents an increase of $501.9 million or 27.64% over the period. The increase during the fiscal year is mostly due to market appreciation of investments, and higher employer contributions. All of the net assets are available to meet *SamCERA's* ongoing obligations to plan participants and their beneficiaries.

In Table 1, total assets are comprised of investments at fair value and "other" assets. The other assets are cash and deposits, security lending cash collateral, receivables, prepaid expense and capital assets. The increase in other assets from FY 2010 to FY 2011 is due to cash transactions for the security lending program as well as the

SAMCERA'S NET ASSETS (CONDENSED): TABLE 1

For the Years Ended June 30, 2011 and 2010

	2011	2010	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$2,271,145,860	$1,753,167,629	$517,978,231	29.55%
Other Assets	$426,668,536	$352,017,057	$74,651,479	21.21%
Total Assets	$2,697,814,396	$2,105,184,686	$592,629,710	50.75%
Total Liabilities	$380,038,567	$289,288,231	$90,750,336	31.37%
Net Assets	**$2,317,775,829**	**$1,815,896,455**	**$501,879,374**	**27.64%**

For the Years Ended June 30, 2010 and 2009

	2010	2009	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$1,753,167,629	$1,565,558,673	$187,608,956	11.98%
Other Assets	$352,017,057	$264,382,782	$87,634,275	33.15%
Total Assets	$2,105,184,686	$1,829,941,455	$275,243,231	15.04%
Total Liabilities	$289,288,231	$238,541,897	$50,746,334	21.27%
Net Assets	**$1,815,896,455**	**$1,591,399,558**	**$224,496,897**	**14.11%**

amount of receivables from brokers for investment sold. The increase in other assets from FY 2009 to FY 2010 is also attributed to the security lending cash collateral and due from brokers for investment accounts. The total liabilities referred to in Table 1 are the following payables: investment management fees, due to broker for investments purchased, collateral payable for security lending and other miscellaneous payables. The increase in total liabilities for FY 2011 is due to an increase in the amount due to brokers for investments purchased as well as collateral payable for security lending. The increase in total liabilities from FY 2009 to FY 2010 represents an increase in collateral payable for security lending.

Despite recent market volatility and enriched retirement benefits, *SamCERA* remains in a good financial position to meet its obligations to plan participants and beneficiaries.

Capital Assets

As of June 30, 2011, the balance of *SamCERA's* capital assets (net of accumulated depreciation and amortization) remained at $0. The capital expenditures in the fiscal year ended June 30, 2011 were for various technology infrastructure. The purchases were generally less than $15,000 and expensed in the fiscal year.

Reserves

The statement of *SamCERA's* reserves as shown in Table 2 indicates how *SamCERA's* fiduciary net assets have accumulated in the current fiscal year. *SamCERA's* reserves are established from employer and member contributions and the accumulation of investment earnings, after deducting investment and administrative expenses (see Table 2). When a member retires, the fiduciary net assets attributable to that member are transferred to the Retiree Reserves from the Member Reserves and

SamCERA's Reserves: Table 2

	2011	2010	2009
VALUATION RESERVES			
Member Reserves	$485,125,877	$449,354,818	$412,146,516
Employer Advanced Reserves	$310,568,622	$264,507,768	$235,873,867
Retiree Reserves	$765,312,626	$693,630,776	$636,170,664
Cost of Living Reserves	$760,505,829	$682,673,956	$625,488,423
NON-VALUATION RESERVES			
Unallocated Earnings	$83,655,373	$88,908,428	$0
Market Stabilization Account	($87,392,498)	($363,179,291)	($318,279,912)
Net Reserves Held in Trust for Pension Benefits	**$2,317,775,829**	**$1,815,896,455**	**$1,591,399,558**

County Advanced Reserves. During the past several years the following significant Board actions have impacted the reserve accounts:

- The adoption of the GASB Pronouncement 25, which mandates that investments be stated at fair value, effective in fiscal year 1995-1996.
- The creation of the Market Stabilization Account as recommended by William M. Mercer, *SamCERA's* actuary at that time.
- The Board of Retirement adopted a policy in 2002 which states that the amount of investment earnings added or subtracted from the Market Stabilization Account cannot exceed 20% of the investment return. If it does, then the excess is allocated to the Valuation Reserves.

In December and June of each year, the actuarial assumed investment returns are credited to each of the Valuation Reserves. When actual investment returns differ from the actuarial assumed investment returns, the surplus or deficit is recorded in the Market Stabilization Account. The balance of the account is allocated to the Valuation Reserves over a five-year period. This process reduces the volatility of annual contribution rates for the employers. This year *SamCERA's* Market Stabilization Account decreased by $275.8 million to -$87.4 million of deferred loss to be recognized over the next five years.

Additions to Fiduciary Net Assets

The primary sources of funding for *SamCERA* member benefits are employer contributions, member contributions, and net investment income. Total additions to fiduciary net assets for the fiscal years ended June 30, 2011, and 2010 were $637.7 million and $352.8 million respectively. The increase in FY 2011 was primarily due to market appreciation of assets and a result of the asset allocation changes that the Board of Retirement implemented during the fiscal year. The new investment strategies included further diversification of the fixed income portfolio and the addition of alternative investments. Employer contributions also added to the increase in additions to Fiduciary Net Assets.

Employer contributions for FY 2011 were $150.5 million, an increase of $44 million over the prior year. The significant increase was primarily a result of a substantial increase in the County's required contribution rate to finance the UAAL over fifteen years. The required total contribution rate increased from 23.62% to 34.00% of payroll and was almost entirely due to the recognition of accumulated asset losses. Member contributions were $49 million. The $1.3 million decrease over FY 2010 is due to a combination of a decrease in labor force as well as a decrease in member optional service credit purchases.

ADDITIONS TO FIDUCIARY NET ASSETS (CONDENSED): TABLE 3

For the Years Ended June 30, 2011 and 2010

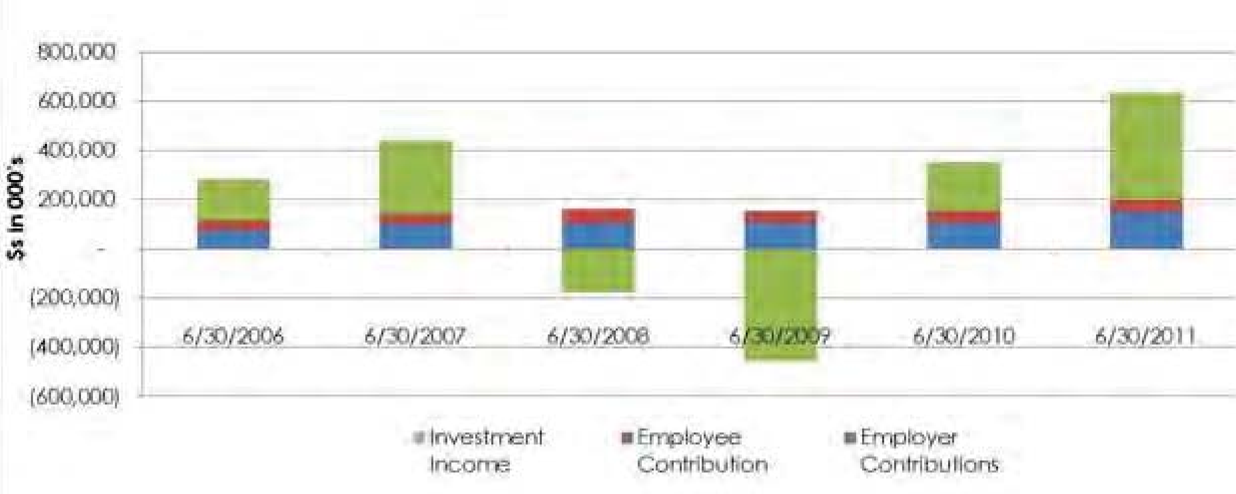
	2011	2010	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$150,474,872	$106,265,329	$44,209,543	41.60%
Member Contributions	$49,013,027	$50,318,477	($1,305,450)	-2.59%
Investment Income/(Loss)	$454,254,572	$204,317,017	$249,937,555	122.33%
Less Investment Expense	($16,600,673)	($8,905,477)	($7,695,196)	86.41%
Security Lending Income	$530,311	$742,936	($212,625)	-28.62%
Other Additions	$73,305	$41,474	$31,831	76.75%
Total	**$637,745,414**	**$352,779,756**	**$284,965,658**	**80.78%**
Current Membership	10,582	10,556	26	0.25%

For the Years Ended June 30, 2010 and 2009

	2010	2009	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$106,265,329	$106,123,055	$142,274	0.13%
Member Contributions	$50,318,477	$50,371,591	($53,114)	-0.11%
Investment Income/(Loss)	$204,317,017	($446,191,499)	$650,508,516	-145.79%
Less Investment Expense	($8,905,477)	($11,117,817)	$2,212,340	-19.90%
Security Lending Income	$742,936	$1,631,274	($888,338)	-54.46%
Other Additions	$41,474	($15,957)	$57,431	-359.91%
Total	**$352,779,756**	**($299,199,353)**	**$651,979,109**	**-217.91%**
Current Membership	10,556	10,708	-152	-1.42%

ADDITIONS TO FIDUCIARY NET ASSETS

FY 2006-2011



Deductions from Fiduciary Net Assets

SamCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the plan, refund of contributions to terminated members, and the cost of administering the system. Deductions for the fiscal year ended June 30, 2011, totaled $135.9 million, an increase of 5.91% over the prior fiscal year (refer to Table 4).

Retirement annuities, survivor benefits, and permanent disability benefits were $129.8 million, an increase of $7.7 million or 6.3% over 2010. The growth in benefit payments was due to the combined effects of the following: (1) the net increase in the number of retirees and beneficiaries for the year and (2) the increase in the average retirement allowance of those who were added to the retirement payroll.

Member refunds were $2.5 million in 2011, a decrease of $0.3 million or -9.56% over 2010.

Administrative expense was $3.5 million for 2011. Administrative expense covers the basic costs of operating the retirement system. These include staffing, office expense, information technology systems, depreciation, and miscellaneous expenses. Approximately half of the administrative expense is for staffing (wages, fringe benefits, and temporary labor).

The system's administrative expenses increased by $174,559 or 5.18% in fiscal year 2011. The increase in expenditure is mostly attributable to the increase in staffing. *SamCERA* hired three new employees during the fiscal year.

Expenses for *SamCERA's* professional services are included with investment expense. For the fiscal year ended June 30, 2011 the expenditures for actuarial services, custodian services and investment consultant services increased by $254,004 compared to 2010. The higher custodial and investment consultant fees result from a change in asset allocation structure, including the addition of several new investment managers and alternative investments. Investment management fees are driven by contractual agreements and based on total fair market value of assets under management. The combination of the implementation of alternative investments (private equity, hedge funds and risk parity) as well as market appreciation of assets resulted in higher investment management fees in 2011.

Deductions of $135.8 million are less than additions of $637.7 million, resulting in an increase of $501.9 million in fiduciary net assets for the fiscal year ended June 30, 2011.

DEDUCTIONS IN FIDUCIARY NET ASSETS: TABLE 4

For the Years Ended June 30, 2011 and 2010

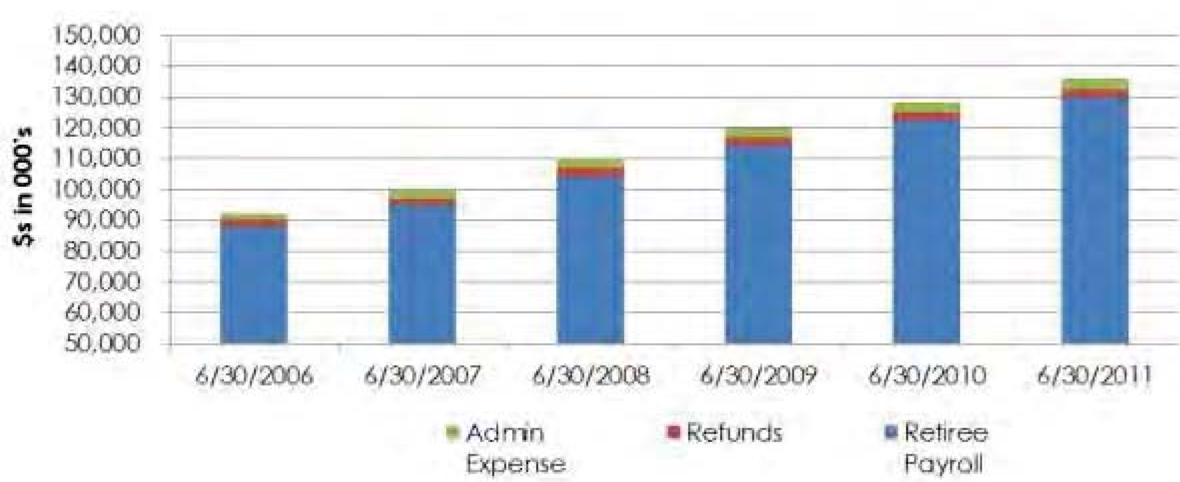
	2011	2010	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$129,834,540	$122,141,091	$7,693,449	6.30%
Member Refunds	$2,474,445	$2,736,025	($261,580)	-9.56%
Administrative Expenses	$3,547,526	$3,372,967	$174,559	5.18%
Other Expenses	$9,529	$32,776	($23,247)	-70.93%
Total	**$135,866,040**	**$128,282,859**	**$7,583,181**	**5.91%**
Benefit Recipients	4,147	4,002	145	3.62%

For the Years Ended June 30, 2010 and 2009

	2010	2009	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$122,141,091	$113,990,807	$8,150,284	7.15%
Member Refunds	$2,736,025	$2,794,916	($58,891)	-2.11%
Administrative Expenses	$3,372,967	$3,286,995	$85,972	2.62%
Other Expenses	$32,776	$67,139	($34,363)	-51.18%
Total	**$128,282,859**	**$120,139,857**	**$8,143,002**	**6.78%**
Benefit Recipients	4,002	3,935	67	1.70%

DEDUCTIONS TO FIDUCIARY NET ASSETS

FY 2006-2011



The change in fiduciary net assets consists of total additions reduced by total deductions. Table 5 below shows condensed information about this financial activity. Fiduciary net assets increased by $501.9 million for the year ended June 30, 2011. The magnitude of this increase is due to the appreciation of investment assets during the fiscal year.

CHANGES IN FIDUCIARY NET ASSETS (CONDENSED): TABLE 5

For the Years Ended June 30, 2011 and 2010

	2011	2010	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Assets	$1,815,896,455	$1,591,399,558	$224,496,897	14.11%
Total Additions	$637,745,414	$352,779,756	$284,965,658	80.78%
Total Deductions	$135,866,040	$128,282,859	$7,583,181	5.91%
Ending Plan Net Assets	**$2,317,775,829**	**$1,815,896,455**	**$501,879,374**	**27.64%**

For the Years Ended June 30, 2010 and 2009

	2010	2009	Amount Increase/ Decrease	Percent Increase/ Decrease
Beginning Plan Net Assets	$1,591,399,558	$2,010,738,768	($419,339,210)	-20.85%
Total Additions	$352,779,756	($299,199,353)	$651,979,109	-217.91%
Total Deductions	$128,282,859	$120,139,857	$8,143,002	6.78%
Ending Plan Net Assets	$1,815,896,455	$1,591,399,558	$224,496,897	14.11%

SamCERA's Fiduciary Responsibilities

SamCERA's Board and management staff are fiduciaries of the pension trust fund. Under the California Constitution and the County Employees' Retirement Law of 1937, assets of the retirement system can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

These Financial Statements are designed to provide *SamCERA's* board, membership, taxpayers, investment managers, and interested parties a general overview of the San Mateo County Employees' Retirement Association's financial position and to show accountability for the funds it receives.

Additional information is available on our website at www.samcera.org.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

> San Mateo County Employees'
> Retirement Association
> 100 Marine Parkway, Suite 125
> Redwood City, CA 94065
> Telephone: (650) 599-1234
> Facsimile: (650) 591-1488

Respectfully submitted,

Mabel Wong
Retirement Finance Officer
October 19, 2011

Statement of Fiduciary Net Assets

For the Years Ended June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and deposits	$62,694,785	$74,232,656
Security lending cash collateral	199,438,881	181,645,752
Total cash	262,133,666	255,878,408
Receivables		
Contributions	10,470,382	7,464,274
Due from broker for investments sold	148,074,596	83,850,705
Investment income	5,800,573	4,654,787
Security lending income	67,915	47,427
Other receivables	113,735	113,787
Total Receivables	164,527,201	96,130,980
Prepaid Expense	7,669	7,669
Investments, at fair value		
Domestic & global fixed income securities	585,292,402	505,441,320
Domestic equities	932,277,233	797,467,287
International equities	398,753,172	341,048,550
Real estate	135,475,106	109,210,472
Private Equities	3,740,976	0
Risk parity	145,620,699	0
Hedge funds	69,986,272	0
Total Investments	2,271,145,860	1,753,167,629
Total Assets	2,697,814,396	2,105,184,686
LIABILITIES		
Payables		
Investment management fees	1,869,336	1,562,410
Due to broker for investments purchased	175,192,142	105,212,469
Collateral payable for securities lending	199,438,881	181,645,752
Other	3,538,208	867,600
Total Liabilities	380,038,567	289,288,231
Net Assets Held in Trust For Pension Benefits	**$2,317,775,829**	**$1,815,896,455**

The accompanying Notes to the Financial Statement beginning on page 36 are an integral part of these financial statements.

Statement of Changes in Fiduciary Net Assets

For the Years Ended June 30, 2011 and 2010

	2011	2010
ADDITIONS		
Contributions (Note 3)		
Employer	$150,474,872	$106,265,329
Member	49,013,027	50,318,477
Total Contributions	199,487,899	156,583,806
Investment Income		
Interest and dividends	50,758,044	42,179,828
Net appreciation in fair value of investments	403,496,528	162,137,189
	454,254,572	204,317,017
Less investment expense	(16,600,673)	(8,905,477)
Net Investment Income	437,653,899	195,411,540
Security Lending Income		
Earnings	558,768	988,514
Less security lending expense	(28,457)	(245,578)
Net Security Lending Income	530,311	742,936
Other Additions	73,305	41,474
Total Additions	637,745,414	352,779,756
DEDUCTIONS		
Association benefits		
Service retirement allowance	114,422,667	106,607,286
Disability retirement allowance	14,552,927	14,585,746
Survivor, death and other benefits	858,946	948,059
Total Association Benefits	129,834,540	122,141,091
Refunds of members' contributions	2,474,445	2,736,025
Administrative expense (Note 3)	3,547,526	3,372,967
Other Expense	9,529	32,776
Total Deductions	135,866,040	128,282,859
Net Increase	501,879,374	224,496,897
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,815,896,455	1,591,399,558
End of Year	$2,317,775,829	$1,815,896,455

The accompanying Notes to the Financial Statement beginning on page 36 are an integral part of these financial statements.

Notes to the Financial Statement

Note 1: Plan Description

The following description of the San Mateo County Employees' Retirement Association (the Association) is provided for general information purposes. The Association is governed by the California Constitution, the County Employees' Retirement Law of 1937 (a component of the California Government Code) and the bylaws, procedures and policies adopted by the Board of Retirement.

General

The Association is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for substantially all permanent employees of the County of San Mateo (Primary Employer) and the San Mateo County Mosquito and Vector Control District. The Association is a Component Unit of the Primary Employer. Management of the Association is vested in the Board of Retirement consisting of nine members. The 1937 Act states one member shall be the County Treasurer; the second and third members shall be general members of the Association elected by their peers; the fourth, fifth, sixth and ninth members shall be qualified electors of the county and shall be appointed by the Board of Supervisors; the seventh member shall be elected by and be a member of the Association's safety membership; and the eighth member shall be a retired member elected from the retired membership.

The Association has four tiers, which cover members classified as general, safety or probation. Members hired on or before July 6, 1980, became members of Tier 1. Members hired after July 6, 1980, and before July 13, 1997, became members of Tier 2. Members hired on or after July 13, 1997, become members of Tier 4. New General Members may also elect membership under Tier 3, a non-contributory plan. New employees appointed to positions of active law enforcement become safety members under Tier 4. In 1990, probation officers were given the choice of remaining in the general plan or electing safety status for future service under a new probation plan. All new probation officers become members under Tier 4 for probation officers. From January 1, 1993, general members in Tier 3 with five years of continuous service have the option to change to the plan they were eligible for at entry date. Former Tier 3 members are authorized to purchase service credit in their current plan. Earned Tier 3 service credit is forfeited in an amount equivalent to the purchase.

The Association is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

As of June 30, 2011, the Association membership is shown in the table on the following page.

Benefit Provisions

The Association provides service retirement, disability and death benefits based on defined benefit formulas, which use final average compensation, years of service, and age factors to calculate benefits payable. In addition, the Association provides annual cost-of-living adjustments upon retirement for members of Tiers 1, 2 and 4. The benefits of Tier 3 are reduced by a portion of Social Security benefits received by the

ASSOCIATION MEMBERSHIP PROFILE

For the Year Ended June 30, 2011

	Tier 1	Tier 2	Tier 3	Tier 4	Total
RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS					
General	1,979	1,389	102	153	3,623
Safety	285	110	0	10	405
Probation	71	42	0	6	119
Subtotal	2,335	1,541	102	169	4,147
TERMINATED MEMBERS ENTITLED TO BUT NOT RECEIVING BENEFITS (DEFERRED)					
General	31	458	111	481	1,081
Safety	1	32	0	31	64
Probation	0	20	0	25	45
Subtotal	32	510	111	537	1190
Total	2,367	2,051	213	706	5,337
CURRENT MEMBERS					
Vested					
General	63	1,102	77	1,957	3,199
Safety	6	132	0	195	333
Probation	2	75	0	181	258
Non-Vested					
General	0	0	74	1,221	1,295
Safety	0	0	0	113	113
Probation	0	0	0	47	47
Subtotal	71	1,309	151	3,714	5,245
Total	**2,438**	**3,360**	**364**	**4,420**	**10,582**

member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

Members with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service and 10 years of membership) are eligible to retire at the following minimum ages:

Tier 1	Age 50
Tier 2	Age 50
Tier 3	Age 55
Tier 4	Age 50

General members in Tiers 1, 2 and 4 may retire at any age after 30 years of service. Safety members and Probation members may retire at any age after 20 years of service.

A member who leaves county service may withdraw his or her contributions, plus any accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members (Tier 3) with 10 years of service who terminate their employment with the county may elect a deferred retirement.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The Association follows the accounting principals and reporting guidelines as set forth by the GASB. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of *SamCERA*. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable in accordance with the terms of each tier.

SamCERA is an independent public employee retirement system with its own governing board. *SamCERA's* financial statements are included in the County of San Mateo's financial statements as a component unit of the county. Maintaining appropriate controls and preparing the Association's financial statements are the responsibility of *SamCERA's* management.

Cash and Investments

The Board of Retirement has exclusive control of the investments of the Association. Government Code Section 31595 of the 1937 Act authorizes the board to invest, or delegate the authority to invest, the assets of the Association in any investment allowed by statute and deemed prudent in the informed opinion of the board.

Cash is pooled with other funds of the county or custodians, when appropriate, so as to earn a higher rate of return than could be earned by investing the funds individually. All highly liquid investments with maturities of three months or less when purchased, in addition to the pooled cash with the county and custodians, are considered cash equivalents.

Investments: The Association records investment transactions on the trade date. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets. In the interim quarters, real estate assets are reported at fair value utilizing an income approach to valuation.

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized gains and losses and unrealized gains and losses on investments are combined and reported together as the net appreciation (depreciation) in the fair value of investments.

Security Lending Activity

Security lending transactions are short-term collateralized loans of *SamCERA* securities for the purpose of generating additional investment income. For each lending transaction, *SamCERA* receives either cash collateral or non-cash collateral.

The underlying securities out on loan are reported on *SamCERA*'s statement of fiduciary net assets as if the lending transaction had not occurred.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash collateral held (or any security that can be sold or pledged without a default by the borrower) is separately reported on the statement of fiduciary net assets among the current assets. A corresponding liability of an equal amount (the obligation to return the cash collateral) is reported as a liability.

Non-cash collateral held is not reported on the statement of fiduciary net assets nor is there a corresponding liability reported on this statement. Note 4 – Deposit and Investment Risk Disclosure discloses the amount of securities lending non-cash collateral.

Income Taxes

The Internal Revenue Service has ruled that plans such as *SamCERA* qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present income tax laws. On January 6, 1988, the Internal Revenue Service issued a favorable Tax Determination Letter. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the Plan is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 401, and the California Revenue and Taxation Code, Section 23701, respectively.

Receivables

Receivables consist primarily of interest, dividends, investments in transition, i.e., traded but not yet settled, and contributions owed by the employing entities as of June 30, 2011, and 2010.

Property, Plant and Equipment

Capital assets are valued at historical cost, net of accumulated depreciation. Capital assets with an initial cost of more than $3,000 and an estimated useful life in excess of three years are capitalized and depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. The estimated useful lives for the assets in each category are as follows: office furniture – seven years; office equipment – five years; business continuity assets – three years; computer hardware – three years; and computer software – three years.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

Foreign Currency Transactions

Gains earned and losses incurred resulting from foreign currency transactions during the year are recorded as a component of investment income. Gains and losses from translation of international investments at fiscal year-end rates of exchange are included in investment income.

Forward currency contracts are used by our investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counter parties to meet the terms of their contracts and from movements in exchange and interest rates.

Reclassification

Certain financial statement items from the prior year's financial statements have been reclassified for comparative purposes. Such reclassifications had no effect on previously reported net plan assets.

Summarized Prior Year Information

The accompanying financial statements include certain prior year summarized information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

Accordingly, such information should be read in conjunction with *SamCERA* financial statements as of and for the year ended June 30, 2010, from which the summarized information was derived.

Note 3: Contributions, Administrative Expenses and Reserves

Contributions

The 1937 Act establishes the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The employer and member rates are based on membership type (General, Safety, Safety/Probation) and tier (Tier 1, Tier 2, Tier 3 and Tier 4). The funding objective of the plan is to establish employer and member contribution rates which, over time, will remain level as a percentage of payroll, unless plan benefit provisions change.

For Tiers 1, 2 and 4 active members are required by statute to contribute toward their retirement benefits. Tier 3 is a non-contributory plan. The member contribution rates are formulated on the basis of age at the date of entry and the actuarially calculated benefits. Member contributions along with credited interest are refundable upon termination of membership.

Interest Crediting is explained in this Note under Reserves & Accounts. The Association's Tier 3 is a non-contributory plan for members. For the other tiers, the member basic contribution rates are based on age at entry into the Association and are a percentage of covered compensation. Under a Memorandum of Understanding with San Mateo County, its General Members contribute an additional 3.0% of covered salary to help offset benefits. San Mateo County Mosquito and Vector Control District implemented the enhanced benefits formula effective July 1, 2010, but the employees do not make additional contributions.

The participating employers are required by statute to contribute the amounts necessary to fund the estimated benefits accruing to *SamCERA* members not otherwise funded by member contributions or expected investment earnings. Employer contribution rates for each tier are determined pursuant to Government Code Section 31453 of the 1937 Act. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by members during the current year) and an amount required to amortize the unfunded actuarial accrued liability. Beginning with the June 30, 2008 actuarial valuation *SamCERA* converted to the 15-year layered amortization methodology. Under this methodology, the original unfunded amount (UAAL) is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over new 15-year periods. Details of the funding progress, annual required member contribution and employer contribution, and the latest actuarial valuation are presented in the Required Supplementary Information Schedules.

The normal cost and UAAL contribution rates are shown in the following table.

NORMAL COST AND UAAL RATES

	2011	2010	Change
Normal Cost	11.25%	11.57%	-0.32%
UAAL Amortization	22.75%	22.43%	0.32%
Total Contribution Rate	34.00%	34.00%	0.00%

Effective May 2, 2010, the county reduced from 100% to 75% the percentage it pays of management employees', unrepresented attorneys' and sheriff's sergeants' contributions. As of October 31, 1999, the county pays 70% of confidential employees' contributions. Both are on a refundable basis. In addition, members of certain bargaining units who are in a contributory retirement plan have a portion of their retirement deduction paid by the county based on individual years of service using schedules set forth in a Memorandum of Understanding. Effective April 23, 2006, the county pays 20% of Safety/Probation contributions on a non-refundable basis.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution (unit $000)	Percentage Contributed
2011	$150,475	100%
2010	$106,265	100%
2009	$106,123	100%

For the fiscal year ended June 30, 2011, the county paid its employer contributions owed to *SamCERA* in two semi-annual prepayments in July 2010 and January 2011. The prepayment is based on the adopted actuarial contribution rates and the estimated remaining covered payroll by tier discounted by the actuarial assumption rate. Throughout the rest of the year, the prepayment was reduced by actual contributions owed reflective of actual payroll. At fiscal year end, there is a true-up based on the actual contributions owed. At the end of the 2010-2011 fiscal year, the prepayment account had an excess balance of $2,822,540 which included a credit to the county of $85,270 for the replacement benefits program. The excess in the prepayment account will be credited towards the 2011-2012 fiscal year employer contribution.

The county will continue with the semi-annual prepayment in FY 2011-2012.

Administrative Expenses

The *SamCERA* Board of Retirement annually adopts the operating budget for the administration of *SamCERA*. The administrative expenses are charges against earnings of the retirement fund and are limited to twenty-three hundredths of one percent (0.23%) of total system assets as set forth under Government Code Section 31580.3. *SamCERA's* policy is to assess compliance with the limitation based on an asset valuation, which is the average of the Net Assets Held in Trust for Pension Benefits. The average is a simple calculation of the sum of the assets at the beginning of the year and the assets at the end of the year divided by two. *SamCERA's* administrative expenses totaled 0.15% for the fiscal year ended June 30, 2011.

With the fiscal year ended June 30, 2009, *SamCERA* implemented two changes in the methodology for calculating administrative expenses. The first is to reclass all in-house expenditures related to investments. The Board of Retirement wished to have separate visibility for these expenditures and created an Asset Management Budget, which appears below. The second change was to invoke Government Code Section 31580.3 versus 31580.2 when determining compliance with administrative expenditure limitations. That section increases the expenditure limits from eighteen hundredths of one percent (0.18%) of the total assets to twenty-three hundredths of one percent (0.23%) of total system assets.

Administrative costs of the Association are financed through employer and member contributions and investment earnings. Administrative costs reported in the statement of changes in plan net assets include:

Administrative Budget

	2011	2010
Salaries and member benefits	$2,353,184	$2,147,698
Services and supplies	1,194,342	1,120,862
Capital assets	0	104,406
Administrative Expenditures	$3,547,526	$3,372,967

Budget to Actual Analysis of Adminstrative Expense

As of June 30, 2011 and 2010 (Amounts in Thousands)

	2011	2010
Projected Net Asset Base at Fair Value	$2,275,000	$1,716,000
Maximum Limit for Administrative Expense (23 bp)	$5,233	$3,947
Operating Budget for Administrative Expense	$4,983	$3,946
Actual Administrative Expense	$3,548	$3,373
Under-expended Operating Budget	$1,435	$573

Asset Management Expenses

The *SamCERA* Board of Retirement annually adopts the operating budget for the administration of *SamCERA*. The overall budget has three subdivisions. The first is the Administrative Budget as detailed above. The second is the Asset Management Budget, which is discussed here. The third is the Professional Services Budget, which appears in the Investment Section on page 68. The Asset Management and Professional Services Budgets are considered investment-related expenses.

SamCERA's Asset Management Budget contains in-house expenses that directly relate to the investment and management of *SamCERA's* investment portfolio. Those expenses include staff salary and benefits, as well as administrative expenses directly tied to investment.

Asset Management Budget

	2011	2010
Salaries and member benefits	$486,626	$397,465
Services and supplies	207,681	111,067
Capital assets	0	16,063
Asset Mgmt. Expenditures	$694,307	$524,595

New Administrative Expense Cap

The passage of Assembly Bill 609 in October 2010 changes the 1937 Act system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liability. Since the system's liability is more consistent from year to year and not affected by capital market volatility, the change will allow *SamCERA* to manage its administrative expenses more effectively. *SamCERA* will use the new cap beginning with the administrative expense budget for fiscal year 2011-2012. Asset Management Expenses will be reclassified and combined with Administrative Expense. Under the new limit, information technology expenses are not included in administrative expense. Hence, there will be a separate information technology budget starting in fiscal year 2011-2012.

Reserves and Accounts

The reserves represent the components of *SamCERA's* net assets. Reserves are established from employer and member contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy retirements and other benefits as they become due. *SamCERA's* major classes of reserves are valuation and non-valuation. The valuation reserves will be credited interest at the assumed actuarial interest rate. The interest crediting and allocation process will be discussed below. The valuation reserves are as follows:

Member Deposit Reserve: This reserve represents the total accumulated member contributions of current active and inactive (deferred) members. Additions include member contributions and credited interest. Deductions include refunds to members and transfers to Retired Member Reserve made at the time the member retires.

Employers' Advance Reserve: This reserve represents the total accumulated employer contributions for future retirement payments to active and deferred members. Additions include contributions from the employers and credited interest. Deductions include lump-sum death benefit payments to member's survivors, supplementary disability payments, and transfers to the Retired Member Reserve made at the time each member retires. When a terminating member elects to receive a refund of member contributions, there is no corresponding effect on the balance of the Employers' Advance Reserve because the employers' contribution rates are based on an actuarial assumption that takes into account the expected rate of member terminations.

Retired Member Reserve: This reserve represents funds accumulated to pay retirement benefits for retired members. Additions include the total accumulated transfers from the Member Deposit Reserve, the Employers' Advance Reserve (both made at the time each member retires) and credited interest. Deductions include payment to retired members, beneficiaries and survivors.

Cost of Living Adjustment Reserve: This reserve represents the total accumulated employer contributions for future cost of living adjustments under provisions of the 1937 Act. Additions include contributions from employers and credited interest. Deductions include payments to retired members, beneficiaries and survivors. Effective April 1 of each year, for those members retired on or prior to April 1, the board adjusts the retirement allowances by a percentage of the total allowance to approximate the nearest one-half of one percent of the percentage of the annual increase in the cost of living for the preceding calendar year. The cost of living increase is based on that shown by the Bureau of Labor Statistics Consumer Price Index (CPI) for All Urban Consumers in the San Francisco, Oakland, and San Jose Bay Area. The increase is capped at 5.0% for Tier 1 (Probation/Safety Tier 1 is 3.0%), 3.0% for Tier 2 and 2.0% for Tier 4. Tier 3 has no cost of living adjustment.

SAMCERA'S NON-VALUATION RESERVES AND ACCOUNTS

Reserves

Contingency Reserve: This reserve represents reserves accumulated for future earnings deficiencies, investment losses, and other contingencies. Additions include investment income and other revenues. Deductions include investment expenses, administrative expenses, and interest allocated to other reserves. The Contingency Reserve is used to satisfy the California Government Code requirement to reserve at least 1% of total assets against future earnings deficiencies.

Accounts

Generally Accepted Accounting Principles do not allow for a negative reserve. Therefore, the Board of Retirement adopted two policies that establish accounts that may have a negative balance. The non-valuation accounts are the Contingency Account and the Market Stabilization Account.

Effective January 1, 1993, the Board of Retirement provided for the implementation of Actuarial Standards Board Standard of Practice No. 4 and adopted five-year smoothing of all returns for valuing actuarial assets and calculating the unfunded actuarial accrued liability. Effective June 30, 1997, the board provided for the implementation of Governmental Accounting Standard No. 25 and authorized the creation of a Market Stabilization Account to reconcile differences between the market value of assets and the actuarial value of assets.

Effective retroactive to June 30, 2002, the board amended its Market Stabilization Account policy to limit the difference between the market value of assets and the actuarial value of assets to not more than ±20% of the market value. The board's objective in adopting this policy is to minimize the impact of short-term volatility in the market value of the retirement fund on employer and member contribution rates by smoothing market returns over a five-year period. All of the board's prior decisions regarding the Market Stabilization Account were assembled into a single policy decision as Resolution 03-04-01, which was adopted by the board on August 26, 2003.

On June 22, 2004, the Board of Retirement adopted Resolution 03-04-17, *Statement of Interest Crediting Policy.* This policy was amended on September 28, 2004, to establish an Unallocated Earnings / (Loss) Account.

Contingency Account: This account was established to facilitate the mandates of the interest crediting policy, which specifies the manner in which interest is credited to the reserves semi-annually. When there are insufficient allocable earnings to credit the reserves as specified in the policy, the Contingency Account may be debited by the amount required. However, in no event may the total of the non-valuation reserves be allowed to drop lower than 1% of the market value of assets.

Market Stabilization Account: This account represents the deferred balance of investment earnings not yet credited to the reserves. This balance arises from the five-year actuarial smoothing process for investment earnings described below. The Market Stabilization Account balance thus represents the difference between (1) the aggregate amounts initially deferred (smoothed) from the ten most recent semi-annual periods and (2) the amounts subsequently recognized for semi-annual interest crediting from these same ten periods.

Actuarial Smoothing: Net investment income reported on the Statement of Changes in Fiduciary Net Assets affects the reserves indirectly through an actuarial "smoothing" process approved by the Board of Retirement. This process operates semi-annually with calculation periods ending December 31 and June 30. It involves spreading the difference between actual and expected market return over ten successive semi-annual periods.

Semi-Annual Interest Crediting: *SamCERA* updates reserve balances on a semi-annual basis as of December 31 and June 30 each year. At these times, *SamCERA* carries out a multi-step process to calculate new reserve balances as specified in Article 5 of the 1937 Act. The amount of "net earnings" to be credited for the semi-annual period is calculated based on the actuarial smoothing process described above. To the extent that net earnings are available, interest is credited to all reserves, except the Member Deposit Reserves, at the actuarial assumed interest rate of 3.875% semi-annually for the fiscal year ended June 30, 2011, to specific components of reserves in a prescribed sequence. Pursuant to the Board of Retirement's interest crediting policy Member Deposit Reserves are credited at the lesser of the actuarial smoothed earnings rate or the actuarial assumed interest rate, but the rate credited cannot be less than zero.

Allocation of Earnings to Reserves: For the year ended June 30, 2011, *SamCERA's* distributed allocation of earnings to reserves of $164.2 million and retained $83.7 million as unapplied interest crediting. Earnings on average, resulting from the five-year smoothing process, were sufficient to provide credits to the reserves at the actuarial assumed interest rate in effect during the year, 3.875% semi-annually. The actuarial smoothed interest rate was 5.41% and 1.62% at December 31, 2010, and June 30, 2011, respectively.

RESERVES REQURED FOR REPORTING PURPOSES BY THE 1937 ACT

	2011	2010
Member Deposit Reserve	485,125,877	$449,354,818
Employers' Advance Reserve – Current Service	310,568,622	264,507,768
Retiree Member Reserve	765,312,626	693,630,776
Cost-of-Living Adjustment Reserve	760,505,829	682,673,956
Total Allocated Reserves	2,321,512,954	2,090,167,318
Unallocated Earnings / Losses Account	83,655,373	88,908,428
Market Stabilization Account	(87,392,498)	(363,179,291)
Net Assets Held in Trust for Pension Benefits	**$2,317,775,829**	**$1,815,896,455**

Reserves are restricted to specific purposes. Member contributions are credited to the Member Deposit Reserve. County contributions are credited to County Advance Reserve and the Cost of Living Adjustment Reserve. At retirement, a member's accumulated contributions plus interest and the related county contributions are transferred to the Retiree Reserve. The Retiree Reserve and the Cost of Living Adjustment Reserve represent amounts set aside for retirement benefits promised under the plan less benefits paid.

The reserves required by Section 31592 of the 1937 Act represent earnings in excess of the total interest credited to contributions and reserves. The 1937 Act requires that the excess earnings remain in the retirement fund as a reserve against any deficiencies in interest earnings in other years, losses on investments and other contingencies. However, excess earnings exceeding one percent of the total assets of the Association may be transferred into the County Advance Reserve for payment of benefits described under the Act.

GASB 25 mandates the recognition of unrealized gains and losses in the current period. However, on the recommendation of its actuary, *SamCERA* utilizes a Market Stabilization Account to account for unrealized actuarial investment gains and losses, which are calculated as the difference between the actual market return and the return that would have been generated if earnings had been at the actuarial interest rate. The Market Stabilization Account is designed to smooth the impact on employer annual contribution rates due to volatility in investment returns. Balances in the Market Stabilization Account are amortized over five years in accordance with a schedule established by the actuary.

The June 30, 2011, balance in the Market Stabilization Account of -$87.4 million reflects the balance of the current year's and previous four years' net deferred returns.

On June 26, 2004, *SamCERA* adopted an Interest Crediting Policy which mandates Actuarial Valuation Reserves be credited at the Actuarial Interest Rate. The policy acknowledges that actual earnings may be greater than or less than the Actuarial Interest Rate. An Undistributed Earnings / Losses Account was established to account for periods when Actual Earnings do not equal the Actuarial Interest Rate.

Note 4: Deposit and Investment Risk Disclosure

The County Employees Retirement Law of 1937 vests the Board of Retirement with exclusive control over *SamCERA's* investment portfolio. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board established an investment policy statement in accordance with applicable local, state and federal laws. The trustees exercise authority and control over the management of *SamCERA's* assets by setting the policy. The board oversees and guides the plan subject to the following fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Shall diversify the investments of the plan as to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

Deposits

Operational cash consists of deposits with financial institutions as well as deposits held in a pooled account with the County of San Mateo. All operational cash is in interest bearing instruments. Deposits with financial institutions are swept into a pooled money market fund, which invests in repurchase agreements and U.S. Treasury bills and notes. All participants in the treasury pool share earnings and losses. The short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All deposits are carried at cost, which approximates fair value.

Investments

The Association's investments are managed by independent investment management firms subject to the guidelines and controls specified in the investment plan and contracts executed with the board. The board utilizes third party institutions as custodians over the plan's assets.

The board approved its first comprehensive investment plan on September 29, 1994. The plan specified an asset allocation target of 50% equities, 40% fixed income securities, and 10% real estate. On August 24, 2010, the Board of Retirement concluded an asset/liability modeling study and adopted a new asset allocation. The new allocation allows for 20% of the portfolio to be invested in alternative investments. The alternatives portfolio consists of 40% private equity, 30% risk parity, 15% commodities and 15% hedge funds. Funding for alternative investments comes from reducing equities from 67% to 53%, fixed income from 27% to 22% and real estate from 6% to 5%. *SamCERA* does not have an allocation to cash. As of June 30, 2011, actual asset allocation was 58.8% equities, 25.9% fixed income, 9.6% alternative investments, 5.5% real estate and 0.2% in cash.

For financial reporting purposes, the Association's investments are categorized to give an indication of the risk assumed by the Association as of June 30, 2011. The Governmental Accounting Standards Board (GASB) Statement No. 3 established custodial credit risk categories. The GASB Statement No. 40 and Statement No. 53 update the custodial credit risk disclosure requirements of Statement No. 3 and establish and modify disclosure requirements related to investment risk, credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk.

SamCERA has chosen to manage the investment risks described by GASB Statements No. 40 and 53 by contractually requiring each portfolio investment manager to abide by restrictive investment guidelines specifically tailored to that investment manager rather than adopting across the board investment policies with respect to manager risk. The guidelines stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

Each manager is likewise subject to a "manager standard of care" that establishes a fiduciary relationship requiring the manager to act prudently and solely in the best interest of the Association. Separately *SamCERA's* guidelines also require manager's investment return performance to compare favorably with performance of a relative passive market index over specific periods.

SamCERA's investment consultant and investment staff continually monitor all investment managers for compliance with respective guidelines.

Derivatives

SamCERA implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*, for the fiscal year ended June 30, 2010. As *SamCERA* records all of its investments at fair market value and has no hedging derivatives, there was no financial statement effect from implementing the new standards. Further disclosure on the derivative positions held at fiscal year-end are contained in the table below. In comparison to *SamCERA's* total investments at fair value, the fair value of *SamCERA's* derivative positions as of June 30, 2011 is not material.

SamCERA's investments contain various derivative positions as of and for the year ended June 30, 2011, primarily in swaps and foreign currency forward positions. As of June 30, 2011, *SamCERA* held derivatives with a notional amount of $129,114,883 and a fair value of -$829,926. Changes in fair value during fiscal year 2011 are reported in the statement of changes in fiduciary net assets as a component of investment income. No derivatives were held that would be classified as hedging derivatives – all are classified as investment derivatives.

The fair values of the derivatives are determined using a pricing service and validated by *SamCERA's* custodians. Management of *SamCERA* accepts these valuations. For foreign currency forwards, published foreign exchange rates are the primary source of information.

The fair values of currency forward contracts are determined using a proprietary pricing service, which uses published foreign exchange rates as the primary source. The fair values of credit rate swaps, interest rate swaps and warrants are determined using the custodian pricing vehicles. The fair value of To Be Announced (TBA) transactions are also determined by the custodian pricing vehicles.

As of June 30, 2011, *SamCERA's* derivatives were not subject to custodial credit risk. However, they are subject to other risks.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates.

SamCERA has investments in seven fixed income portfolios containing individual debt securities as well as investments in external investment pools containing debt securities. *SamCERA's Investment Policy* does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates. The Association's active bond portfolios are managed duration neutral to their respective benchmark. Its enhanced index portfolio does not rely on active duration management, but instead maintains duration within a very narrow band around that of the benchmark (for the Barclays Capital Aggregate Bond Index, approximately +/- 0.20 year of the index). To facilitate this, Pyramis Global Advisors models the option-adjusted durations of the securities that comprise the index on a daily basis, and uses the output to align the portfolio duration to that of the benchmark.

Credit Risk – Derivatives: *SamCERA* is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include

Investment Derivatives

For the Year Ended June 30, 2011

	Notional Value	Fair Value
Credit Default Swaps Bought	$1,680,904	$165,986
Credit Default Swaps Written	$778,000	$(41,608)
FX Forwards	$114,382,176	$(785,907)
Pay Fixed Interest Rate Swaps	$4,840,000	$(373,182)
Receive Fixed Interest Rate Swaps	$7,000,000	$184,263
Rights	$7,800	$18,798
Total Return Swaps Bond	$425,674	$963
Warrants	$329	$761
Grand Total	**$129,114,883**	**$(829,926)**

credit default and interest rate swaps, currency forward contracts, rights, warrants and TBA transactions. To minimize credit risk exposure, *SamCERA's* investment managers continuously monitor credit rating of counter parties. Should there be a counterparty failure, *SamCERA* would be exposed to the loss of fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. *SamCERA* has no general investment policy with respect to netting arrangements or collateral requirements. Netting arrangements legally provide *SamCERA* with a right of offset in the event of bankruptcy or default by the counterparty. As of June 30, 2011, *SamCERA* has no exposure to loss in case of default of a counter party, In addition, *SamCERA* has no collateral reducing exposure or liabilities subject to netting arrangements.

Custodial Credit Risk – Deposits: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, *SamCERA* will not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party. *SamCERA* has no general policy on custodial credit risk for deposits.

SamCERA maintains operation cash deposits to support day-to-day cash management requirements. As of June 30, 2011, cash held with a financial institution in a pooled money market fund totaled $194.2 million. As of June 30, 2010, cash held with a financial institution totaled $2.5 million. Cash held in the San Mateo County Treasurer's investment pool was $2.5 million and $11.6 million as of June 30, 2011 and 2010, respectively. These deposits are uninsured and uncollateralized, and subject to custodial credit risk.

Custodial Credit Risk – Investments: The custodial credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, *SamCERA* will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held in the name of *SamCERA*. The master custodian may rely on sub-custodians. The custodial requirement does not apply to real estate investments and investments in pools. As of June 30, 2011, *SamCERA* had no investments that were exposed to custodial risk. *SamCERA* does not have a general policy addressing custodial credit risk, but it is the practice of the Association that all investments are insured, registered, or held by the plan or its agent in the Association's name. Deposits are to be insured, registered or collateralized with securities held at fiscal agents in *SamCERA's* name.

Custodial Credit Risk – Derivatives: As of June 30, 2011, *SamCERA's* investments did not include collateral associated with derivatives activity.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of *SamCERA's* investment in a single issuer of securities. *SamCERA's Investment Policy* states no investment shall constitute more than

5% of a company's outstanding equity. When measuring this aspect of compliance the board will consider its ownership in relation to the "free float" of a particular security. As of June 30, 2011, *SamCERA* did not hold any investments in any one issuer that would represent 5% or more of total investments.

As of June 30, 2011, the Association had the investments categorized for interest rate and credit risk shown in the table on the following page.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *SamCERA's Investment Policy* seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control credit risk, credit quality guidelines have been established. *SamCERA's Investment Policy* has three requirements addressing fixed income quality. First, the minimum average rating of the total portfolio of fixed income assets under a manager's supervision must be "A" or better (Standard & Poor's or Moody equivalent), dollar weighted at market value. Second, the minimum quality rating eligible for the portfolio must be "B" or better (as rated by Standard & Poor's or Moody's equivalent). The third requirement is that no more than 10% of *SamCERA's* fixed income assets under a manager's supervision shall be invested in securities with a rating below "Baa3," "BBB-," "P-1" or "A-1." The Association's core plus fixed income manager was given an exemption and may hold more than 10% in assets rated below BBB.

On June 30, 2011, the quality breakdown of the Association's investments in bonds were rated as indicated in the table on the following page.

Active Fixed Income Portfolio Characteristics

Aberdeen Asset Management, Pyramis Global Advisors & Western Asset Management Bond Portfolios Combined

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Agency	$7,648,762	4.67%	12.1	5.94
Asset Backed Securities	18,117,006	2.02%	5.68	3.78
Commercial Mortgage-Backed Securities	22,499,100	5.17%	3.86	2.37
Collateralized Mortgage Obligations	30,751,539	2.01%	4.94	3.93
Commingled Funds	8,802,424			
Corporate Bonds	165,333,628	6.64%	8.01	4.49
Foreign	73,658,553	4.27%	3.72	2.61
Mortgage Pass Through	92,752,856	4.91%	5.81	3.85
Taxable Municipal Bonds	5,574,833	4.79%	17.88	5.75
United States Treasuries	100,169,743	2.41%	11.25	4.95
Yankee	21,118,624	3.99%	19.09	17.93
Total / Average	**$546,427,068**	**4.62%**	**7.84**	**5.4**

Active Fixed Income Portfolio Characteristics

Angelo Gordon PPIP Portfolio

Investment Type	Fair Value	Coupon	Weighted Average Maturity (Years)	Effective Duration (Years)
Angelo Gordon	$38,865,334	4.88%	28.57	4.26

Quality Breakdown for SamCERA's Investments in Bonds

For the Year Ended June 30, 2011

Credit Risk	Active Management	Commingled Management
AAA	36.00%	2.40%
AA	1.40%	1.60%
A	7.60%	5.10%
BBB	47.60%	20.70%
Less than BBB	5.70%	70.20%
NR	1.70%	N/A
	100.00%	100.00%

Foreign Currency Risk: Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair values of an investment or deposit. *SamCERA's* international equity and global bond managers are permitted to invest in authorized countries. *SamCERA's* policy states forward currency contracts and currency futures are permitted for defensive currency hedging to mitigate foreign currency risk on the portfolio.

The foreign currency risk analysis schedule on the following page shows the fair value of investments that are exposed to foreign currency risk by investment type and currency denomination. The schedule offers the magnitude of risk for each foreign currency. The foreign currency positions are denominated in U.S. dollars. They are not denominated in their native currencies.

Foreign Currency Risk – Foreign Exchange Contracts: Foreign currency contracts are subject to foreign currency risk. Foreign exchange contracts include forward contracts and spot contracts. Currency forward contracts are derivatives and generally serve to hedge or offset the impact of foreign currency exchange rate fluctuations on the reported U.S. dollar fair value of investments denominated in foreign currencies. Spot contracts are generally used when *SamCERA* is required to make or receive payments in a foreign currency. Spot contracts are agreements to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days.

There was no dollar impact from foreign exchange contracts on foreign exchange currency risk as of June 30, 2011.

Security Lending Collateral Credit Risk: All of the cash collateral received for securities lending is invested in the State Street Navigator Securities Lending Prime Portfolio, which is not rated by credit rating agencies. All investments will qualify as "eligible securities" within the meaning of Rule 2(a)-7 of the Investment Companies Act of 1940. The portfolio seeks to maintain a stable net asset value per share of $1.00 by valuing its portfolio using an amortized cost method and will comply with the requirements of Rule 2(a)-7.

Security Lending Collateral Interest Rate Risk: Cash collateral from loans of securities are invested in the State Street Navigator Securities Lending Prime Portfolio. Its average effective duration is restricted to 90 days or less. As of June 30, 2011, and 2010, the actual effective duration was 31 days and 25 days, respectively.

Securities Lending Activity

Beginning on July 1, 2007, the Board of Retirement policies authorize *SamCERA* to participate in a securities lending program. Security Lending transactions are short-term collateralized loans of *SamCERA* securities for the purpose of generating additional investment income. *SamCERA* has a securities lending agreement in place that authorizes the securities lending agent to lend *SamCERA* securities to broker-dealers and banks pursuant to a loan agreement. For each securities loan, *SamCERA* receives either cash or non-cash collateral. *SamCERA* invests the cash and receives earnings on it

FOREIGN CURRENCY RISK

For the Year Ended June 30, 2011

Local Currency	Common Stock	Corporate Bonds	Foreign Currency	Government Issues	Preferred Stock	Depository Receipts	Total
AUSTRALIAN DOLLAR	$16,300,542		($1)	$1,404,876			$17,705,417
BRAZILIAN REAL	1,818,833		152,013	3,286,285			5,257,131
CANADIAN DOLLAR	15,655,620		984,896				16,640,516
CZECH KORUNA	1,448,568						1,448,568
DANISH KRONE	2,836,791		1,990,539				4,827,330
EGYPTIAN POUND				4,874,089			4,874,089
EURO CURRENCY	106,134,527	136,753	2,240,121	2,291,736	2,735,110	573,359	114,111,606
GHANA CEDI			1,978	2,088,467			2,090,445
HONG KONG DOLLAR	20,949,628		2,632,454				23,582,082
HUNGARIAN FORINT				5,768,664			5,768,664
INDONESIAN RUPIAH				6,017,667			6,017,667
ISRAELI SHEKEL				5,037,179			5,037,179
JAPANESE YEN	49,226,984		573,211				49,800,195
MALAYSIAN RINGGIT				10,015,254			10,015,254
MEXICAN PESO	746,680			5,206,410			5,953,090
NEW BULGARIA LEV	466,546						466,546
NEW ROMANIAN LEU			3				3
NEW TAIWAN DOLLAR	4,642,759		13				4,642,772
NEW ZEALAND DOLLAR	454,139						454,139
NORWEGIAN KRONE	569,621		65,998				635,619
PHILIPPINE PESO		492,411	6,523	4,616,249			5,115,183
POLISH ZLOTY	55,496			4,911,335			4,966,831
POUND STERLING	64,392,441		49,827	1,406,474			65,848,742
SINGAPORE DOLLAR	5,510,374						5,510,374
SOUTH AFRICAN RAND	1,055,242		122,196				1,177,438
SOUTH KOREAN WON	3,979,522		224,089	15,996,703			20,200,314
SWEDISH KRONA	3,271,534		16,702				3,288,236
SWISS FRANC	16,022,632		101,799				16,124,431
UKRAINE HRYVNA		2,525,291					2,525,291
TOTAL	$315,538,479	$3,154,455	$9,162,361	$72,921,388	$2,735,110	$573,359	$404,085,152

in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower also pays *SamCERA* a loan premium.

For the year ended June 30, 2011, on behalf of *SamCERA*, the securities lending agent lent *SamCERA* securities to borrowers under the securities lending agreement and *SamCERA* received cash, securities issued or guaranteed by the United States government, and sovereign debt or irrevocable bank letters-of credit as collateral.

SamCERA did not have the ability to pledge or sell collateral securities delivered absent a borrower default therefore, such non-cash collateral is not reported on the statements of plan net assets.

Borrowers were required to deliver collateral for each loan (margin) equal to:

- Loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the market value of the loaned securities; and
- Loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the market value of the loaned securities.

Moreover borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA did not impose any restrictions for the year ended June 30, 2011, on the amount of loans that the securities lending agent made on its behalf. The securities lending agent indemnified *SamCERA* by agreeing to purchase replacement securities or supplement the amount of cash collateral in the event the borrower failed to return the loaned securities and the collateral was inadequate to replace the securities lent or the borrower failed to pay *SamCERA* for any income distributions on loaned securities. There were no losses during the year ended June 30, 2011, resulting from a default of the borrowers or the securities lending agent.

SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a short term investment pool managed by the securities lending agent. As of June 30, 2011, this investment pool had an average duration of 71 days, and an average weighted maturity of 31 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. For the year ended June 30, 2011, *SamCERA* had no credit risk exposure to borrowers because, for each borrower, the value of borrower collateral held exceeded the value of the securities on loan to the borrower.

As of June 30, 2011, *SamCERA* had securities on loan with a total value of $195.3 million and the cash and other collateral held against the loaned securities of $199.4 million.

Note 5: Risk Management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. *SamCERA* manages and finances these risks by purchasing commercial insurance and through the County of San Mateo's self-insurance program.

SamCERA is covered by the County of San Mateo's self-insurance program for general liability and workers' compensation coverage. For general liability coverage, the county maintains a self insurance retention of $600 per occurrence for claims occurring from May 27, 2011 through May 27, 2012. For workers' compensation coverage, the county maintains a self-insured retention of $1,000 per occurrence. Excess coverages for both of the above are provided by commercial companies that are limited to the following:

- Real and personal property in excess of $100 per incident, but limited to a maximum of $500,000.
- Earthquake in excess of $250 or 5.0% of the replacement value, whichever is more per incident, but limited to a maximum of $25,000 in aggregate.
- Flood damage in excess of 5.0% of the replacement value per location, but limited to a maximum of $25,000 in aggregate.
- General liability in excess of $600 per incident, but limited to a maximum of $55,000.
- Worker's compensation in excess of $1,000 per incident, but limited to a statutory amount.
- Auto liability in excess of $600 per incident, but limited to a maximum of $55,000.
- Malpractice in excess of $10 per incident, but limited to a maximum of $25,000 per claim and aggregate.

Settled claims have not exceeded the commercial coverage in any of the past three fiscal years and there has not been a significant reduction in coverage in fiscal year 2009-2010.

SamCERA pays for risk management administration via a Memorandum of Understanding with the County's Human Resources Department and via a pro-rata share of certain insurances based on the number of employees.

The Board of Retirement purchases separate Fiduciary Liability coverage for actual or alleged breach of fiduciary duties through a policy provided by Travelers. Limits of coverage are $10,000,000 annual aggregate with a $50,000 deductible.

Note 6: Actuarial Valuation

Pursuant to provisions in the County Employees Retirement Law of 1937, *SamCERA* engages an independent actuarial firm, Milliman, Inc., to perform an annual actuarial valuation to monitor its funding status and funding integrity. The purpose of the valuation is to reassess the magnitude of *SamCERA's* benefit commitments in comparison with the assets expected to be available to support those commitments so employer and member contribution rates can be adjusted accordingly. For the pension plan, the actuarial assumptions have been selected in order to estimate as closely as possible what the actuarial cost of the plan will be so as to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Milliman, Inc. completed the actuarial valuation as of June 30, 2010, and June 30, 2011, and determined the funding status (the ratio of system assets to system liabilities) to be 70.3% and 74.1%, respectively. The June 30, 2011, funding status was established based on entry age normal actuarial cost methods, an assumed 7.75% investment return, an assumed 4.0% annual total payroll growth rate, an inflation rate of 3.5% and an actuarial value on assets using a five-year smoothed method based on the difference between expected and actual market value of the assets as of the valuation date.

The most recent actuarial valuation is June 30, 2011. The valuation discloses the actuarial value of asset at $2.405 billion with an actuarial accrued liability of $3.247 billion for a funded ratio of 74.1%. The unfunded actuarial accrued liability is $841.6 million, which is 194.6 % percent of the $432.5 million covered payroll. The employer contribution rate, which has an effective date of June 30, 2012, was set equal to 19.72% of payroll for the amortization of the UAAL over the new 15 years, plus the normal cost rate of 11.25% for a total contribution rate of 30.97% of payroll.

However, the Board of Retirement chose to retain the higher contribution rate of 34.00% of payroll for another year. A schedule of *SamCERA's* funding progress may be found in the required supplementary information on page 61. The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

Additional information regarding the actuarial methods and significant assumptions used as of the latest actuarial valuation of plan assets and liabilities is shown on the following page.

Statement No. 50 of the Governmental Accounting Standards Board, *Pension Disclosures*, mandates that the above information regarding actuarial methods and significant assumptions appear in the notes to the financial statements. Historically this information appeared in the required supplementary information section following the notes.

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier 1 (Probation/Safety Tier 1 is 3.0%), 3% for Tier 2 and 2% for Tier 4. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

Note 7: Capital Commitments

Pursuant to the terms of the Limited Partnership Agreement of AG GECC Public -Private Investment Fund, L.P., *SamCERA* made a capital commitment of $35 million. As of June 30, 2011, in accordance with the provisions of the Partnership Agreement, the fund has called 90% of all partner's commitment. For *SamCERA* that represents a total calling of $31.5 million with a remaining commitment of $3.5 million.

As of June 30, 2011, *SamCERA* has also made capital commitments to four separate private equity funds. Pursuant to the terms of each of the funds' Limited Partnership Agreement, *SamCERA* made a total capital commitment of $70 million. As of June 30,

LATEST ACTUARIAL VALUATION OF PLAN ASSETS AND LIABILITIES

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods (including the change in UAAL as of June 30, 2011). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected Salary Increases	5.20%
Attributed to Inflation	4.00%
Attributed to Adjustments for Merit and Longevity	1.20%

2011, in accordance with the provisions of the partnership agreements, the funds have called 6.7% of all partners' commitments, representing a total calling of $4.7 million. *SamCERA* intends to make additional capital commitments to private equity within the next year.

Note 8: Related Party Transactions

By necessity, *SamCERA* is involved in various business transactions with the County of San Mateo, the primary plan sponsor. *SamCERA* funds the county for the cost of services provided by the following departments: County Counsel, Auditor-Controller, Purchasing, Human Resources, Information Services and the Department of Hospitals and Clinics. In addition, *SamCERA* reimburses the county for the salary and benefits of *SamCERA* staff members paid through the county and the costs of services in the areas of reprographics, telecommunications, and the Board of Retirement elections.

Note 9: Contingent Liability

SamCERA is subject to legal proceedings and claims, which arise in the ordinary course of its business. There are currently no such actions to be adjudicated or reported.

Note 10: Subsequent Events

Subsequent events are those events or transactions that occur subsequent to the effective date of the financial statements, but prior to the issuance of final reports, which may have a material effect on the financial statements or disclosures contained therein.

Financial Disclosures

Subsequent to June 30, 2011, and through October 19, 2011, the date through which management evaluated subsequent events and on which the financial statements were issued, *SamCERA* did not identify any subsequent financial events that required disclosure.

Employer Plan Changes

The County of San Mateo will be implementing a number of new tiers for new hires beginning in fiscal year 2011-2012. The new tiers are mostly pension formulas prior to the adoption of enhanced formulas in the middle of the last decade with some cost shifting. Existing plans will be closed simultaneously.

General employees hired on or after August 7, 2011, will choose between an existing non-contributory plan or a 2% @ 61.25 contributory plan. Newly hired Safety members subsequent to January 8, 2012 will be enrolled in a 3% @ 55 or a 2% at 50 contributory plan. New Probation members hired after July 10, 2011, will have the option to choose between the 3% @ 55 formula with an additional cost-share contribution of 3.5% of pay, or a 2% @ 50 formula with no cost-share provision. All new hires in these bargaining units will also pay half the actuarial cost of COLAs.

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/05	$1,615,585	$2,177,759	$562,174	74.20%	$334,315	168.16%
6/30/06	$1,769,021	$2,345,149	$576,128	75.40%	$368,972	156.14%
6/30/07	$1,976,731	$2,555,504	$578,773	77.40%	$407,812	141.92%
6/30/08	$2,218,937	$2,806,222	$587,285	79.10%	$416,243	141.09%
6/30/09	$1,909,679	$2,987,712	$1,078,033	63.90%	$436,424	247.02%
6/30/10	$2,179,076	$3,098,453	$919,377	70.30%	$428,559	214.53%
6/30/11	$2,405,140	$3,246,727	$841,587	74.10%	$424,061	198.46%

Schedule of Employer Contributions

(in thousands)

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	$76,931	100%
2006	$76,090	100%
2007	$100,550	100%
2008	$105,340	100%
2009	$106,123	100%
2010	$106,265	100%
2011	$150,475	100%

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The Association provides the valuation of plan assets and liabilities, which is normally carried out as of June 30^{th} of each year, and contribution requirements resulting from such valuations become effective on July 1st of the next fiscal year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation of plan assets and liabilities is on the following page.

Cost of Living Adjustments

The maximum increase in retirement allowance is 5% for Tier 1 (Probation/Safety Tier 1 is 3%), 3% for Tier 2 and 2% for Tier 4. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

Schedule of Funding Progress

A schedule of funding progress presents a consolidated snapshot of a retirement system's ability to meet current and future liabilities with the assets of the plan. Of particular interest to most is the funded status ratio. This ratio quickly conveys a retirement system's level of assets to liabilities which is important in determining the financial health of a retirement system. The greater a system's funded ratio, the better position it will be in to meet all of its future liabilities.

As of June 30, 2011, the date of the last actuarial valuation, the San Mateo County Employees' Retirement Association had a 74.1% funded status. Overall, the financial condition of *SamCERA* continues to be sound in accordance with the actuarial principles of entry age normal cost funding.

SamCERA currently has a UAAL, resulting from actuarial accrued liabilities (AAL) exceeding the actuarially determined value of assets. With the actuarial valuation of June 30, 2008, *SamCERA* is converted to the 15-year layered amortization methodology, which is explained above.

Schedule of Employers' Contributions

The sources of revenues that fund a retirement system are employer contributions, member contributions, and investment earnings on plan assets. Each year, *SamCERA's* actuary determines the amount of employer contributions required to fund a given schedule of benefits (current and future liabilities). The calculation for the benefit schedule is based on the following factors: (1) the Association's benefit structure, (2) statistical data about members of the system, and (3) current and predicted future retirees and beneficiaries of *SamCERA*. Assumptions must be made to estimate how many members terminate employment, leave on a disability retirement or service retirement, and the average ages of members at retirement and at mortality. Finally, the preceding data is combined with an actuarially assumed investment rate of return and assumed salary increases of *SamCERA's* members. All of this information taken together is presented in an annual actuarial valuation in which the actuary recommends an employer contribution rate (percentage) to the participating employers. This contribution rate percentage is applied to the valuation payroll for each of the participating members. The resulting dollar amounts, as depicted in the Schedule of Employer Contributions above, are the actuarially calculated required employer contributions necessary to fund the promised benefits to *SamCERA*'s members.

The employers' contribution schedule contains six years of historical information with respect to *SamCERA's* actuarially calculated, required contributions versus the actual employer contributions made on an annual basis. Over the past six years, the employer has contributed 100% percent of the amount recommended by the actuary.

LATEST ACTUARIAL VALUATION OF PLAN ASSETS AND LIABILITIES

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods (including the change in UAAL as of June 30, 2011). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected Salary Increases	5.20%
Attributed to Inflation	4.00%
Attributed to Adjustments for Merit and Longevity	1.20%

Schedule of Administrative Expenses

For the Years Ended June 30, 2011 and 2010

	2011	2010
Salaries and Member Benefits	$2,353,184	$2,147,698
Services and Supplies	1,194,342	1,120,862
Capital Assets	0	104,407
Total Administrative Expense	**$3,547,526**	**$3,372,967**

SCHEDULE OF INVESTMENT EXPENSES

For the years ended June 30, 2011 and 2010

	2011	2010
INVESTMENT MANAGER		
Aberdeen Asset Management	$343,853	390,993
Artio Global Management	1,027,524	942,496
AXA Rosenberg Investment Management	0	157,794
Barclays Global Investors	0	0
Barrow, Hanley, Mewhinney, & Strauss	707,566	574,230
BlackRock Capital Management	834,773	726,741
The Boston Company	401,617	315,278
Brandes Investment Partners	0	11,236
Chartwell Investment Partners	402,670	300,510
D.E. Shaw Investment Management	526,081	421,132
Invesco Realty Advisors	568,140	631,782
Jennison Associates	865,082	685,083
Mondrian Investment Partners	446,594	510,044
Pyramis Global Advisors	230,119	244,677
Angelo Gordon PPIP	350,000	0
Brown Brothers Harriman	65,146	0
Brigade	323,122	0
Franklin Templeton	210,795	0
State Street Global Advisors	0	0
T. Rowe Price Associates	365,744	306,556
Western Asset Management	365,642	391,708
Sheridan Production Partners	225,000	0
ABRY Advanced Sec II	101,111	0
AQR Global	191,921	0
AQR Delta Fund	58,333	0
GLOBAL CUSTODIAN		
State Street Bank	236,793	140,569
Investment & Actuarial Consultants	435,334	277,553
Sub-total Professional Expense	9,282,960	7,028,382
Asset Management Expense	694,307	524,595
Other Investment Related Expense	3,758,980	570,789
Interest Paid on Prepaid Contribution	2,864,426	781,711
Total Investment Expense	**$16,600,673**	**$8,905,477**

Schedule of Asset Management Expenses

For the years ended June 30, 2011 and 2010

	2011	2010
Salaries and Member Benefits	$486,626	$397,465
Services and Supplies	207,681	111,067
Capital Assets	0	16,063
Total Asset Management Expense	**$694,307**	**$524,595**

Schedule of Payments to Consultants

For the years ended June 30, 2011 and 2010

	2011	2010
Investment Consultant Expense		
Strategic Investment Solutions	$366,667	$200,820
Actuarial Consultant Expense		
Milliman, Inc., and Segal	68,667	76,733
Total Consultant Expense	**$435,334**	**$277,553**

NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

Administrative Services Budget

Government Code §31580.2 states in part, *". . . the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system."*

Government Code §31580.3 increases the budget to 23 basis points when expenses include computer technology-related expenses. SamCERA's budget for 2011 and 2010 were approved by the Board of Retirement based on §31580.3.

SamCERA has always been within the government code restriction on administrative expenditures.

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.*

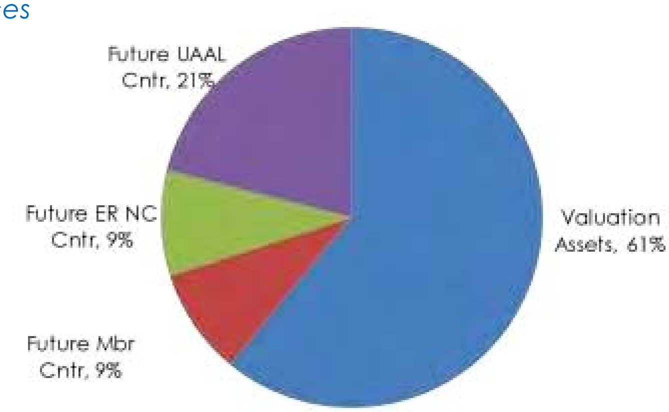
(e) *The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."*

SamCERA's professional services budget is driven by contractual agreements with its actuary, custodian, investment consultant, and investment managers.

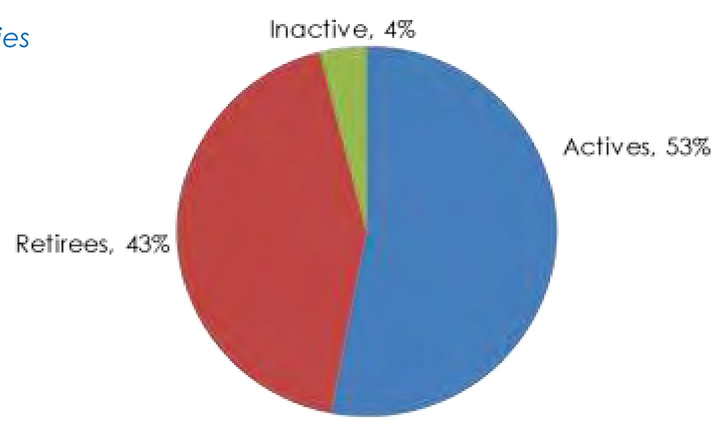
APPLICABLE VALUATION ASSETS

ACTUARIAL RESOURCES AND LIABILTIES

Resources



Liabilities



INVESTMENT SECTION

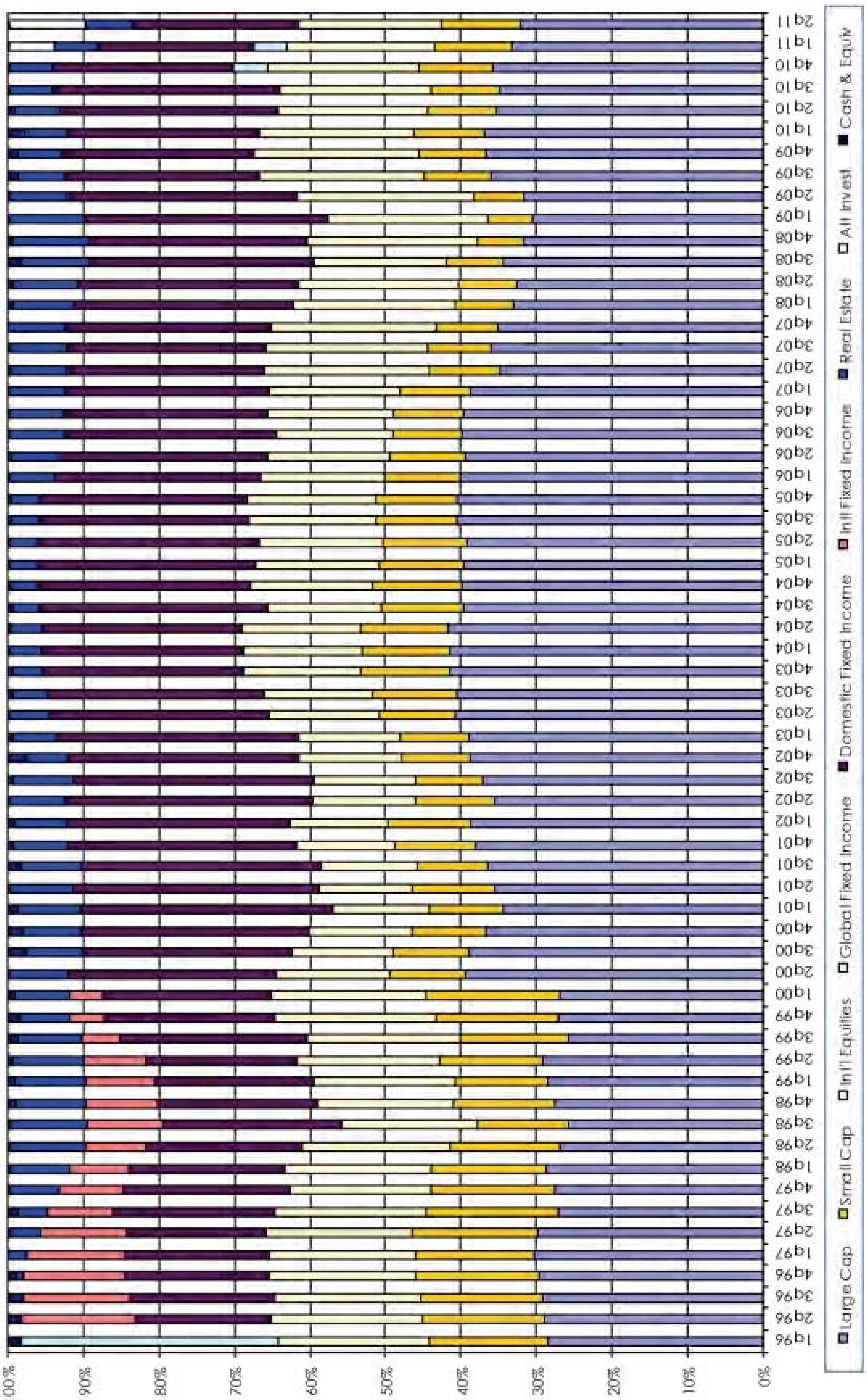
23.9%

Total Fund Return

SamCERA had a record year for investment return, ranking in the top 15th percentile of peer retirement systems.

Actual Historical Quarterly Asset Allocation

Period ending June 30, 2011



CHIEF INVESTMENT OFFICER'S REPORT

SamCERA

San Mateo County Employees' Retirement Association | 100 Marine Parkway, Suite 125 | Redwood City, CA 94065
Phone: 650-599-1234 | Toll Free: 1-800-339-0761 | Fax: 650-591-1488 | samcera@samcera.org

Gary Clifton
SamCERA
Chief Investment Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of *SamCERA's* investment operations, I am pleased to present reports on the pension fund's investments and portfolio performance for the period ended June 30, 2011. This data was compiled by *SamCERA's* investment staff, its investment consultant Strategic Investment Solutions, and the master custodian State Street Bank & Trust. The reported performance is presented in accordance with Global Investment Performance Standards (GIPS).

SamCERA achieved record returns for the fiscal year ended June 30, 2011. In fact, it was the second straight year of exceptionally positive market returns which follow the dramatic market slide of August 2008 through March 2009.

The fiscal year return for the composite portfolio of 23.9% places the association's performance in the top 15th percentile of peer retirement systems. *SamCERA's* strong two-year performance of 18.2% ranks the association in the 33rd percentile for peer systems. Both years strongly outperformed the association's actuarial assumption rate of 7.75%.

SamCERA's performance for the fiscal year was led by appreciation in the equity portfolios, especially the domestic equity portfolios. Domestic small cap equities returned 40.8%, while domestic large cap equities returned 32.4%. *SamCERA's* international equity portfolios lagged at a respectable 26.8%. Rounding out the composite portfolio's performance, the commercial real estate portfolio returned 24.8% and the fixed income portfolio returned 8.68%.

The combination of portfolio appreciation and investment income added approximately $454 million to the fund, raising the net portfolio market value to $2.318 billion.

The association partially attributes the portfolio's strong rebound from the severe market downturn of 2008 to the board's decision to further diversify the portfolio. The board restructured the passive / active mix of the domestic large cap equity allocation in August of 2009. Passively managed assets were allocated to four active managers. Two of the active mandates were for "core" portfolios each of which has a different investment strategy. The other two mandates were allocated to growth and value styles. The first step toward diversification in the bond portfolio began in December of 2009 when the board invested in the Public-Private Investment Program for Legacy Assets. The program was designed to provide liquidity for so-called "toxic fixed income assets" on the balance sheets of financial institutions. In August 2010, *SamCERA* funded two new bond strategies. One was to take advantage of credit opportunities. The other was a hedge against inflation through investment in Treasury Inflation Protection Securities. The bond portfolio restructuring was completed in January 2011, when the association funded an international fixed income portfolio.

To further diversify, the trustees commissioned an asset liability modeling study. At the Board of Retirement's August 24, 2010 meeting, the trustees adopted a new asset allocation. The new allocation allows for 20% of the portfolio to be invested in alternative investments. The components of the alternative portfolio are 8% private equity, 6% risk parity, 3% commodities and 3% hedge funds. Funding for alternative investments comes by reducing equities from 67% to 53%, fixed income from 27% to 22% and real estate from 6% to 5%. *SamCERA* does not have an allocation to cash.

As of June 30, 2011, the allocations to the risk parity and hedge fund mandates were fully implemented. Implementation of the private equity strategies will be carried out over the next several years to diversify vintage years. By the fiscal year end, the board had made a total of $70 million in capital commitments to four separate private equity funds. Of that commitment, $4.7 million had been called. The allocation to commodities, the remaining alternative investment mandate, was implemented in August, after the close of the fiscal year.

To recap, the fiscal year started out uniformly weak as the U.S. Federal Reserve said that the country's economic recovery was "more modest" that had been anticipated. The market feared a double-dip recession. At the Jackson Hole conference near the end of August, Federal Reserve Chairman Bernanke informed the financial markets that they should anticipate further quantitative easing (QEII) in the near future. In response, the global equity markets began a powerful rally.

The strong rally in equities since the end of August 2010 took a breather at the end of November 2010. U.S. indices were flat to slightly up for the month, with the exception being small caps, which continued to advance. The markets began to see problems abroad. The Irish government asked the European Union and the International Monetary Fund for a bail out to help it meet the costs of propping up its struggling banks. There were also worries about the need of a bail out for Portugal and Spain.

In December, President Obama reached a compromise on a series of legislative measures with Republicans in Congress that included keeping the Bush-era tax cuts for another two years and extending benefits for the unemployed. Those measures improved significantly the outlook for the economy in 2011 and breathed renewed strength into the recovery.

Dramatic overseas headlines overshadowed mundane domestic news in January. Shockwaves rippled throughout the Middle East after month-long protests in Tunisia forced the country's ruler of 23 years to step down and flee. Protests spread to Egypt, Bahrain, Libya and other countries in the region. It was the beginning of what would be known as the "Arab Spring." Equity volatility increased slightly toward month-end as investors fretted over potential spillover effects, such as a decrease in shipping traffic through the strategically vital Suez Canal or the possibility of protests spreading to oil-rich Saudi Arabia.

By March 2011, easy monetary policy and effective corporate restructurings were a one two punch too powerful for those outside events to overcome. Improved demand, rising corporate profit margins, and even employment data had sustained the lift to financial markets. Then on March 11 at 2:46 p.m. JST a massive 9.0-magnitude earthquake occurred near the northeastern coast of Japan, creating extremely destructive tsunami waves. The earthquake and tsunami served to dampen global markets and disrupt global supply chains.

The markets continued to lose confidence throughout the rest of the fiscal year. In April Standard & Poor's lowered its long-term outlook on Treasury securities to "negative" from "stable" for the first time ever, raising the possibility of a credit downgrade for the U.S. government. Market indexes reversed course and slumped sharply in May over fears of a slowdown in the U.S. economy and pressure by global events. A clear plan for resolving the sovereign debt crisis in Europe remained elusive, Japan's sovereign credit rating was threatened with possible downgrades from rating agencies, and there was little progress made on plans to address long-term fiscal imbalances in the U.S. The broad US equity market, as represented by the Russell 3000 Index, finished the quarter ended June 30, 2011 essentially flat.

As I mentioned, Standard & Poor's lowered its outlook for the United States government in April 2011. Subsequent to the closing of the fiscal year, on August 5th, Standard & Poor's removed for the first time the AAA rating the U.S. held for 70 years. It downgraded long-term U.S. debt to AA+, a score that ranks below more than a dozen governments. The rating agency also put the new grade on "negative outlook," meaning the U.S. has little chance of regaining the top rating in the near term.
Standard & Poor's said the downgrade "reflects our opinion that the fiscal consolidation plan that Congress and the administration agreed to falls short of what

would be necessary to stabilize the government's medium-term debt dynamics." It also blamed the weakened "effectiveness, stability, and predictability" of U.S. policy-making and political institutions at a time when challenges were mounting.

One would expect the downgrade of the U.S. government securities to have a negative impact upon the price of government issues. However, the immediate impact was the reverse. Shortly after the downgrade, the markets were rocked by news that Greece may default on its government debt. This news caused a flight to quality, which meant money rushing to the relative security of the United States, and bolstered the price of U.S. government obligations.

Most market participants are concerned that the fundamental underpinnings that caused the 2008 market plunge have only been partially rectified. Until those fundamentals are under control, we will see continued volatility in world markets. These concerns, resulting in market uncertainty, support the board's actions toward greater diversification.

While it is unlikely that future years will be as exceptional for *SamCERA* as was 2010-2011, we are certainly pleased the association achieved record returns for the fiscal year, and we believe the portfolio is better positioned for today's evolving world economy.

Respectfully submitted,

Gary Clifton
Investment and Finance Manager
October 19, 2011

Strategic Investment Solutions, Inc.

[illegible]

[illegible]

October 19, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

Dear Board Members:

During fiscal year 2011, global capital markets continued to rebound from the extraordinary market trauma of the fall of 2008 and its aftermath. Despite a backdrop of continued substandard economic and employment growth, and growing fears of a renewed systemic crisis from sovereign bond defaults, investor confidence generally strengthened during the year.

It was a strongly positive year for risk assets and for overall portfolios that, like the *SamCERA* portfolio, showed fidelity to their strategic plans and investment horizons. Global Equities and risk assets of all kinds produced high absolute returns during the year. The broad US Equity market, as measured by the Russell 3000 Index, returned 32.4% during the year. The Russell 1000 large cap component of US Equity gained 31.9%, while the small cap Russell 2000 fared even better, returning 37.4%. International Equity investments, which for US-based investors were helped by the weakness of the US dollar, provided slightly lower, though still very robust, returns: the Developed Markets index returned 30.9%, while Emerging Markets came in slightly lower at 28.2%. Investment Grade US Bonds (Barclays Aggregate) provided modest, but still positive returns for investors; with bonds essentially earning their coupons in a period of flat interest rates, and returning 3.9% for the year. High yield bonds returned 15.3%, reflecting the continuation of improvement in the credit environment during the year. After lagging the recovery in 2010, the real estate asset class rebounded in 2011 as the NCREIF ODCE Index of institutional Real Estate posted a 20.4% return.

PLAN INVESTMENT RESULTS

In this generally positive capital market environment, the *SamCERA* portfolio performed extraordinarily well during fiscal 2011. The San Mateo County Employees' Retirement Association (the Association) total Plan returned 23.9%, far above the Association's 7.75% actuarial return expectation. The plan also performed well above its peers, performing 2.3% better than the Independent Consultants Cooperative (ICC) Large Public Fund Universe median plan return of 21.6%.

The Association's US Equity portfolio outperformed its equity policy benchmark by 1.08% during the fiscal year, which placed it in the 48th percentile of the universe, just above its median peer. Within the US Equity asset class, the large cap managers as a group returned 32.4% for the year, besting the Russell 1000 index by 40 basis points and the average institutional large cap composite, which returned 31.2%, by 120 basis points. The managers in aggregate performed in the 37th percentile of the peer universe. Among the large cap managers, noteworthy performance was achieved by the value manager Barrow Hanley, which bested its benchmark by over 5% during fiscal 2011. The strong showing of the US large cap managers was augmented by the comparably strong performance of the Small Cap Composite, which returned 40.8% for fiscal 2011, more than 300 basis points ahead of the Russell 2000 index and over 200 basis points ahead of the median peer, placing the composite in the 37th percentile in its universe. Jennison, the Association's small cap core manager, enjoyed a particularly good year, beating its benchmark index by over 500 basis points.

In the one negative note for the portfolio, during fiscal 2011, both of *SamCERA's* International Equity managers failed to keep pace with their benchmarks. The International Equity Composite returned 26.8%, trailing the benchmark's return of 30.3%. The International Equity Composite return also trailed the median peer return of 30.4% by 360 basis points, and performed in the 80th percentile of the peer universe. At this writing, *SamCERA* is in the process of a enhancing the structure of its international equity portfolio by introducing a dedicated Small Cap and Emerging markets mandates.

The Plan's Total Fixed Income Composite return of 8.7% significantly exceeded the Barclays Aggregate Index's 3.9%, and the plan's hybrid total Fixed Income Benchmark return of 5.0%, for the fiscal year. All three of *SamCERA's* core bond managers continued to perform far above their benchmarks as their recoveries from the bond market debacle of 2008 continued through fiscal 2011. The Association's PPIP Fund managed by Angelo Gordon, created to participate in the US Government's Public-Private Investment Program, enjoyed an exceptional year, returning 25.9% and remaining strongest of the eight managers selected for the PPIP program. The Association also funded mandates in Opportunistic Credit, Unconstrained Global, and TIPS during the year. The composite's 8.7% return for the fiscal year was in the 25th percentile and 379 basis points ahead of the median peer in the Independent Consultants' Cooperative (ICC) Large Public Fund Universe.

Real Estate was yet another bright spot in the *SamCERA* portfolio. For the year ended June 2011, the NCREIF ODCE index posted a 20.4% return while the Association's Real Estate Composite was more than 4% higher at 24.8%. The real estate manager's return was also over 6% above the median manager in the real estate universe, placing the composite in the 25th percentile overall among its peers.

ASSET ALLOCATION AND MANAGER STRUCTURE

During fiscal 2011 *SamCERA* completed an asset allocation study that led to a strategic broadening of the *SamCERA* portfolio to include substantial allocations to Private Equity, Commodities, Hedge Funds and other Alternative Investments. Much of the year was devoted to selecting managers and completing the funding of these strategic initiatives, along with the completion of the funding of the new fixed income structure

Letter to SamCERA
October 19, 2011
Page 3

discussed above. The funding of the Private Equity portfolio, which commenced in 2011, is expected to be completed over the next three to five years.

During fiscal 2011 *SamCERA* also undertook a reexamination of the structure of its International Equity portfolio. The Association determined that it could increase both the diversification and the return potential of the portfolio by introducing dedicated small cap and emerging markets mandates. As the year ended, work to select managers for these mandates was in progress, with funding expected early in fiscal 2011.

During fiscal 2011 the *SamCERA* portfolio produced extraordinary absolute and peer-relative returns that were generated for its participants in a risk averse, cost effective, and prudent fashion. The Association re-evaluated and reaffirmed its long term strategic plan, while also completing the process of diversifying the portfolio with enhanced public equity, fixed income and alternatives portfolios structures. The *SamCERA* plan has capitalized on its strengths and, through much hard work, has taken advantage of the investment opportunities made available to it by the recent market crisis. SIS firmly believes that the many strategic enhancements that the Association is in the process of completing will enable it to continue to serve its participants with excellent results for years to come.

Sincerely,

Strategic Investment Solutions

Patrick Thomas
Senior Vice President

[1] NOTE: Returns for periods greater than one year are annualized. Monthly return calculations are time-weighted, and market value based. The performance calculation methodology is consistent with the CFA Global Investment Performance Standards®.

Investment Philosophy, Objectives, and Policies

SamCERA's Investment Policy sets forth the board's investment policy, from which the following extracts have been drawn. The full plan may be viewed on *SamCERA*'s web site at www.samcera.org.

Investment Philosophy

The board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio. Therefore, the retirement fund should be invested across the spectrum of institutional grade asset classes. The board acknowledges that the asset allocation targets reflect a long-term view of the market and that professional management of the retirement fund will add value to the portfolio, by capitalizing on inefficiencies in the markets.

The board takes responsibility for allocating across asset classes and across styles within asset classes, but should not substitute its judgment for the professional judgment of those it retains.

The board believes that interest, dividends and capital appreciation must be pursued and captured, if the actuarial funding objectives of the retirement fund are to be achieved.

The board will not be market-timers (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses.

The board views short-term cash equivalents as insignificant contributors to real returns in the long run.

Investment Objectives

It is the investment objective of the Board of Retirement to:

Generate portfolio returns which, over the long-term, exceed the rate of inflation by not less than 3.25%, by generating market returns within each asset class.

Generate portfolio returns not less than the returns of a commitment-weighted aggregate of the performance benchmarks specified for the individual investment managers.

Provide for the full funding of the Pension Benefit Obligation.

Stabilize the employer contribution rate, as a percentage of payroll, for the present configuration of benefits, to the extent that the Board of Retirement has control.

Structure an investment program such that the short-term volatility of returns does not induce the board to alter its long-term asset allocation strategies, by striving for an annualized tracking error around the aggregate benchmark of ±3%.

Calculations for compliance with these objectives will be prepared using a time-weighted rate of return based on the market rate of return in accordance with the Global Investment Performance (GIP) standards.

Investment Policies

It is the Investment Policy of the Board of Retirement to pursue an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. On August 24, 2010, the Board of Retirement concluded an asset/liability modeling study and adopted a new asset allocation to guide the structure of the investment portfolio. The new allocation allows for 20% of the portfolio to be invested in alternative investments, including private equity, risk parity, commodities and hedge funds.

The board retains the most qualified investment managers with demonstrated expertise in the management of institutional pension funds. Objectives have been adopted which encourage the investment managers to maximize their performance relative to their individual investment style benchmark. They are delegated full discretion in management of their portfolio. The board monitors the performance of the investment managers, relative to their assigned custom benchmarks, to assure their conformance with the provisions of the board's investment policy.

The board discourages the use of cash equivalents, except for liquidity purposes, and refrains from dramatically shifting asset class allocations over short time spans.

Asset Allocation as a Percentage of Fair Value

ASSET CLASS	Allocation	June 30 actual
Equity	53.0%	58.8%
Bonds	22.0%	25.9%
Alternatives	20.0%	9.6%
Real Estate	5.0%	5.5%
Cash	0.0%	0.2%
Total	100.0%	100.0%

EQUITY MANAGEMENT STYLE	Allocation	June 30 actual
Domestic Large Cap		
Indexed	6.5%	6.2%
Actively Managed	21.5%	24.5%
	28.0%	30.7%
Domestic Small Cap (Actively Managed)	7.0%	10.2%
International Equities (Actively Managed)	18.0%	17.9%
Total Equity	53.0%	58.8%

BOND MANAGEMENT STYLE	Allocation	June 30 actual
Domestic Bond Managers		
Enhanced Index	3.8%	4.9%
Actively Managed	13.7%	16.4%
	17.5%	21.3%
Global Bond Managers (Actively Managed)	4.5%	4.6%
Total Bonds	22.0%	25.9%

ALTERNATIVE INVESTMENT MANAGEMENT STYLE	Allocation	June 30 actual
Private Equity (Actively Managed)	8.0%	0.2%
Hedge Fund (Actively Managed)	3.0%	3.0%
Commodities (Actively Managed)	3.0%	0.0%
Risk Parity (Actively Managed)	6.0%	6.4%
Total Alternative Investment	20.0%	9.6%

REAL ESTATE MANAGEMENT STYLE	Allocation	June 30 actual
Real Estate (Actively Managed)	5.0%	5.5%
Total Real Estate	5.0%	5.5%
TOTAL CASH & CASH EQUIVALENT	0.0%	0.2%
Total Assets	**100.0%**	**100.0%**

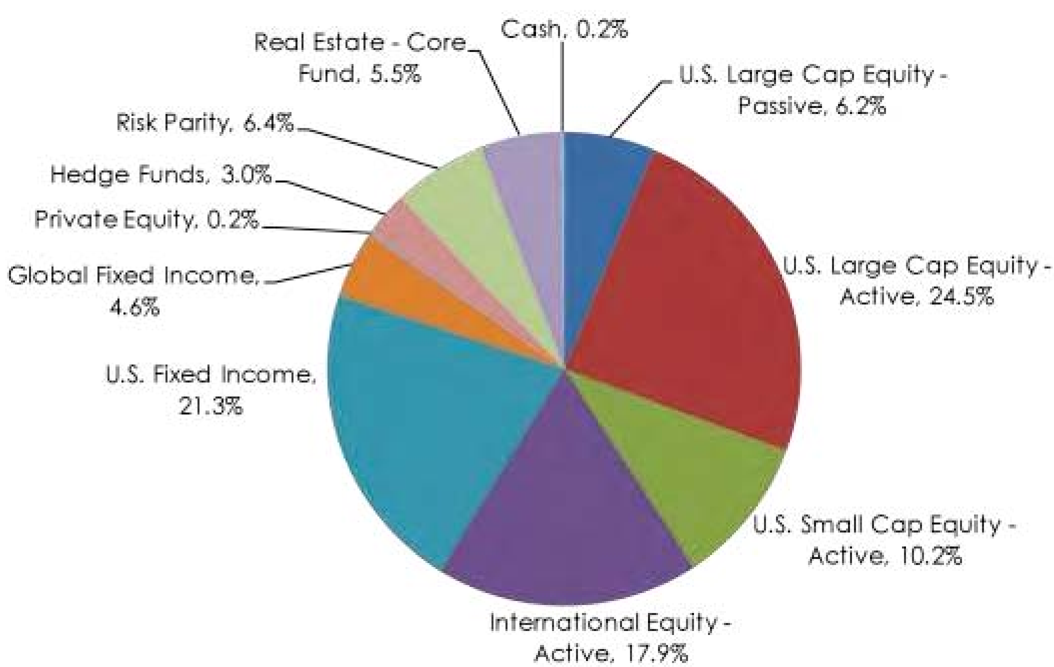
MARKET VALUE OF ASSET ALLOCATION

Asset Allocation	Market Value*
Large Capitalized Domestic Equities	$708,343,849
Small Capitalized Domestic Equities	$234,522,271
International Equities	$413,826,908
Total Equities	$1,356,693,028
Domestic Bonds	$489,363,118
Global Bonds	$106,143,892
Total Bonds	$595,507,010
Alternative Investments	$219,347,947
Real Estate	$135,475,106
Cash & Cash Equivalents	$10,752,738
Net Assets Held in Trust	**$2,317,775,829**

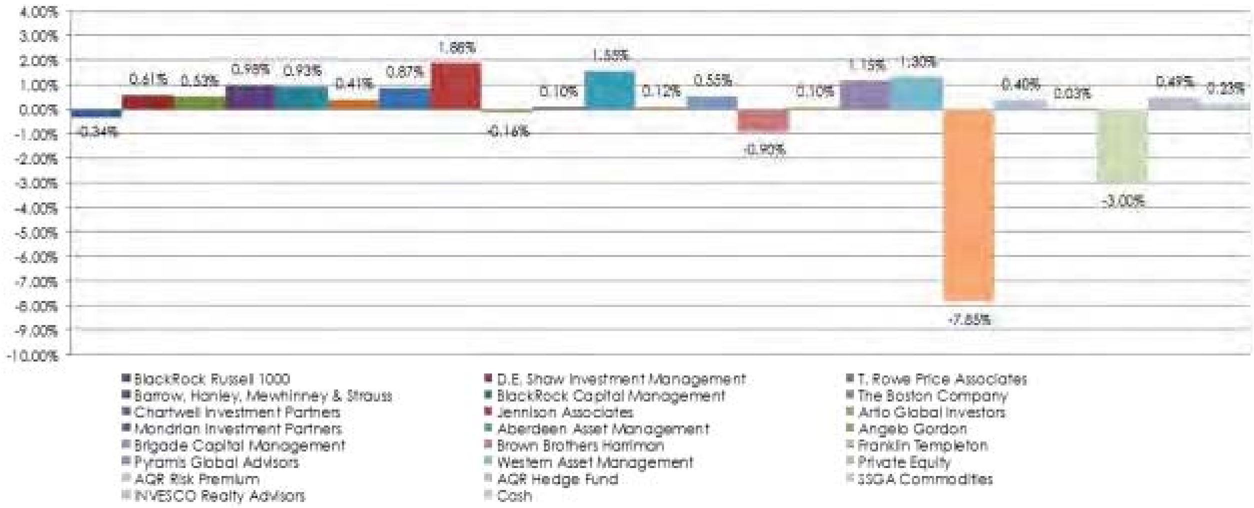
* Value includes investment receivables and payables. For market value without receivables and payable, refer to detailed schedule by managers on page 84.

ASSET ALLOCATION

As of June 30, 2011



Percent of Deviation from Asset Allocation



Schedule of Portfolio Returns

Performance as of June 30, 2011

Asset Category	One Year	Two Years	Three Years	Five Years
DOMESTIC EQUITY				
Large Cap				
BlackRock Russell 1000	32.00%	23.38%	3.76%	3.38%
D.E. Shaw Investment Management, LLC	30.46%	N/A	N/A	N/A
T. Rowe Price Associates	30.42%	N/A	N/A	N/A
Barrow, Hanley, Mewhinney & Strauss	33.98%	N/A	N/A	N/A
BlackRock Capital Management, Inc.	33.96%	N/A	N/A	N/A
Large Cap Composite	32.35%	22.59%	2.76%	2.12%
Small Cap				
The Boston Company	26.40%	N/A	N/A	N/A
Chartwell Investment Partners	49.89%	35.18%	7.20%	5.53%
Jennison Associates	43.13%	34.71%	10.24%	N/A
Small Cap Composite	40.80%	33.02%	6.98%	1.31%
INTERNATIONAL EQUITY				
Artio Global Management	24.87%	16.55%	-5.31%	1.08%
Mondrian Investment Partners	28.76%	17.52%	0.32%	3.62%
International Composite	26.81%	17.04%	-2.50%	2.37%
Total Equity Composite	31.84%	22.25%	1.80%	2.09%
DOMESTIC BONDS				
Core				
Aberdeen Asset Management	6.60%	12.07%	5.12%	4.92%
Pyramis Global Advisors	6.05%	10.19%	8.46%	6.68%
Western Asset Management	7.93%	13.04%	8.62%	6.73%
Credit				
Angelo Gordon GECC PPI Fund	25.92%	N/A	N/A	N/A
Brigade Capital Management	N/A	N/A	N/A	N/A
TIPS				
Brown Brothers Harriman	N/A	N/A	N/A	N/A
Global				
Franklin Templeton Investments	N/A	N/A	N/A	N/A
Total Bond Composite	8.68%	12.76%	8.05%	6.56%
ALTERNATIVE INVESTMENT				
Private Equity				
ABRY Fund II	N/A	N/A	N/A	N/A
ABRY Fund VII	N/A	N/A	N/A	N/A
Regiment	N/A	N/A	N/A	N/A
Sheridan Production Partners	N/A	N/A	N/A	N/A
Hedge Fund				
AQR Delta Hedge Fund	N/A	N/A	N/A	N/A
Risk Parity				
AQR Global Risk Premium	N/A	N/A	N/A	N/A
Commodities				
SSGA/SSARIS Multisource Commodities	N/A	N/A	N/A	N/A
Total Alternative Composite	N/A	N/A	N/A	N/A
REAL ESTATE				
Invesco Realty Advisors Core Fund	24.80%	7.57%	-6.71%	0.18%
Total Real Estate Composite	24.80%	7.57%	-6.71%	0.18%
CASH				
Cash Composite	1.04%	0.95%	-0.24%	1.51%
TOTAL FUND				
Composite Investment Portfolio	23.92%	18.23%	3.26%	3.45%
Policy Benchmark	24.06%	18.05%	4.28%	4.76%

Schedule of Investment Portfolio by Asset Class and Manager

As of June 30, 2011

Investment Manager	Asset Class	Assets Under Management	
DOMESTIC EQUITY			
BlackRock Russell 1000	Russell 1000 Index Fund	$142,029,424	
D.E. Shaw Investment Management, LLC	Large Cap Core	$111,815,754	
T. Rowe Price Associates	Large Cap Core	$109,808,406	
Barrow, Hanley, Mewhinney & Strauss	Large Cap Value	$169,172,885	
BlackRock Capital Management, Inc.	Large Cap Growth	$168,461,395	
The Boston Company	Small Cap Value	$49,368,398	
Chartwell Investment Partners	Small Cap Growth	$59,454,391	
Jennison Associates	Small Cap Core	$122,166,580	
Total Domestic Equity			$932,277,233
INTERNATIONAL EQUITY			
Artio Global Management	Large Cap Growth	$192,875,990	
Mondrian Investment Partners	Large Cap Value	$205,877,182	
Total International Equity			$398,753,172
Total Equity			$1,331,030,405
DOMESTIC BONDS			
Aberdeen Asset Management	Core Bonds	$120,900,042	
Angelo Gordon GECC PPI Fund	Credit Opportunity Bonds	$38,865,339	
Brigade Capital Management	Credit Opportunity Bonds	$50,141,760	
Brown Brothers Harriman	Treasury Inflation Protection Securities	$46,196,580	
Pryamis Global Advisors	Enhanced Bond Index	$113,091,421	
Western Asset Management	Core Plus Bonds	$112,557,936	
Total Domestic Bonds			$481,753,078
GLOBAL BONDS			
Franklin Templeton	Global Bonds	$103,539,324	
Total Global Bonds			$103,539,324
Total Bonds			$585,292,402
ALTERNATIVE INVESTMENTS			
ABRY Advanced Security Fund II. L.P.	Private Equity	$2,010,055	
ABRY Partners VII. L.P.*	Private Equity	-	
Regiment Capital Special Situations Fund V, LP*	Private Equity	-	
Sheridan Prodution Partners II-B, L.P.	Private Equity	$1,730,921	
AQR Delta Fund	Hedge Fund	$69,986,272	
AQR Global Risk Premium	Risk Parity	$145,620,699	
SSGA/SSARIS Multisource Commodities*	Commodities	-	
Total Alternative Investment			$219,347,947
REAL ESTATE			
Invesco Realty Advisors	U.S. Core Real Estate Fund		$135,475,106
Unequitized Cash			$262,133,666
Receivables & Prepaid Expenses			$164,534,870
<less> Current Liabilities			$380,038,567
Net Portfolio as of June 30, 2011			**$2,317,775,829**

* *SamCERA* has signed agreements and made capital commitments as of June 30, 2011.

SCHEDULE OF TOP TEN EQUITIES AND FIXED INCOME SECURITIES

As of June 30, 2011

*Top 10 Equity Securities**

Shares	Exchange	Ticker	Company Name		Market Value
24,100	NASDAQ	AAPL	APPLE INC.	$	8,089,647
70,900	NYSE	SWK	Stanley Black & Decker Inc	$	5,108,345
97,000	NYSE	COF	Capital One Financial Corp	$	5,011,990
88,600	NYSE	DHR	DANAHER CORP.	$	4,694,914
177,200	NYSE	PFE	Pfizer	$	4,636,689
88,600	NYSE	JNJ	Johnson & Johnson	$	4,423,580
48,426	NYSE	XOM	ExxonMobil	$	3,940,908
57,900	NYSE	KO	COCA-COLA CO.	$	3,896,091
221,400	NYSE	SLM	SLM Corp	$	3,721,734
221,400	NYSE	PG	PROCTER & GAMBLE CO.	$	3,680,703

*Some Domestic Equity Securities are owned in the Russell 1000 Index Fund managed by BlackRock Capital Management.

Top 10 Fixed Income Securities

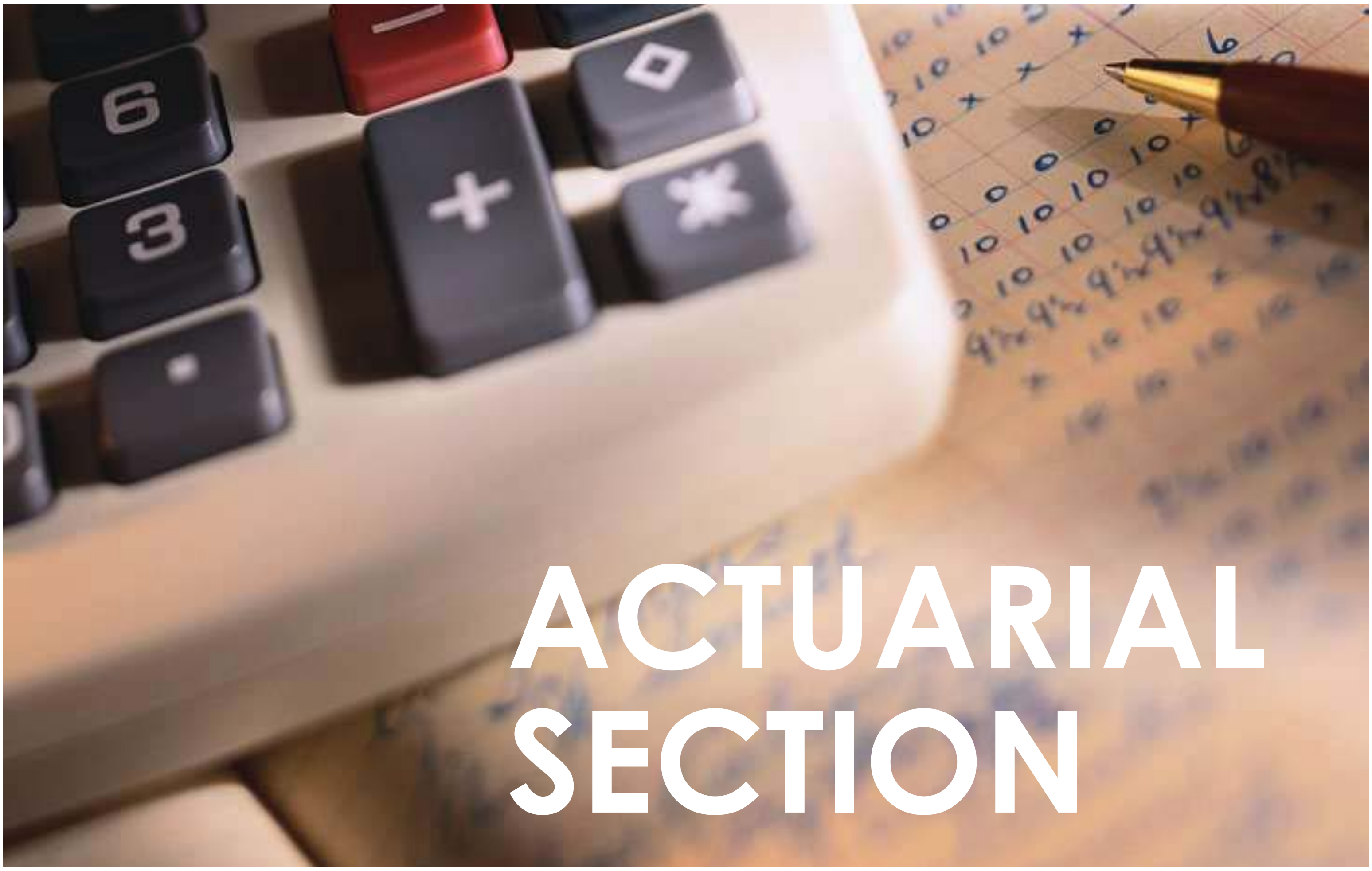
Par/Book Value	Security	Coupon	Maturity	Rating S&P	Rating-Moodys	Issue ID	Market Value
$ 8,163,630	US Treasury Notes (TIPS)	2.375	1/15/2017	AAA	Aaa	912828GD6	$ 9,402,359
6,105,106	US Treasury Notes (TIPS)	1.875	7/15/2015	AAA	Aaa	912828EA4	6,784,640
5,810,689	US Treasury Bonds (TIPS)	2.375	1/15/2025	AAA	Aaa	912810FR4	6,742,326
4,800,000	FNMA 30YR JUL FWD	5.500	7/1/2041	AAA	Aaa	01F052672	5,190,000
4,803,341	US Treasury Notes (TIPS)	3.000	7/15/2012	AAA	Aaa	912828AF7	5,078,466
4,846,022	US Treasury Notes	1.50	6/30/2016	AAA	Aaa	912828QR4	4,784,190
4,276,875	GNMA II 30YR POOL 4772	5.000	8/20/2040	AAA	Aaa	36202FJR8	4,666,026
3,788,000	US Treasury Note	3.125	05/15/2021	AAA	Aaa	912828QN3	3,792,474
3,400,000	FNMA 30YR JUL FWD	6.000	7/1/2041	AAA	Aaa	01F060675	3,734,689
3,236,217	US Treasury Note	2.63	7/31/2014	AAA	Aaa	912828LC2	3,445,763

A complete list of the portfolio holdings is available through the San Mateo County Employees' Retirement Association.

SCHEDULE OF PROFESSIONAL SERVICES AND FEES

As of June 30, 2011 and 2010

	2011	2010
INVESTMENT MANAGERS		
Aberdeen Asset Management	$343,853	$390,993
ABRY Fund II	$101,111	$0
ABRY Fund VII	$0	$0
Angelo Gordon	$350,000	$0
AQR Delta Fund	$58,333	$0
AQR Global Risk Premium	$191,921	$0
Artio Global Management	$1,027,524	$942,496
AXA Rosenberg	$0	$157,794
Barrow, Hanley, Mewhinney, & Strauss	$707,566	$574,230
BlackRock Capital Management (Index)	$89,096	$173,592
BlackRock Capital Management (Growth)	$745,677	$553,149
Brandes Investment Partners	$0	$11,236
Brigade Capital Management	$323,122	$0
Brown Brothers Harriman	$65,146	$0
Chartwell Investment Partners	$402,670	$300,510
D.E. Shaw investment Management, LLC	$526,081	$421,132
Franklin Templeton	$210,795	$0
Invesco realty advisors	$568,140	$631,782
Jennison Associates	$865,082	$685,083
Mondrian Investment Partners	$446,594	$510,044
Pyramis Global Advisors	$230,119	$244,677
Regiment	$0	$0
Sheridan Production Partners	$225,000	$0
State Street Global Advisors	$0	$0
T. Rowe Price Associates	$365,744	$306,556
The Boston Company	$401,617	$315,278
Western Asset Management	$365,642	$391,708
Total	$8,610,833	$6,610,260
INVESTMENT CONSULTANT		
Strategic Investment Solutions	$366,667	$200,820
ACTUARIAL CONSULTING		
Milliman	$43,667	$76,733
Segal Company	$25,000	$0
Total	$68,667	$76,733
MASTER CUSTODIAN		
State Street Bank and Trust Company	$236,793	$140,569
Total Professional Services	**$9,282,960**	**$7,028,382**



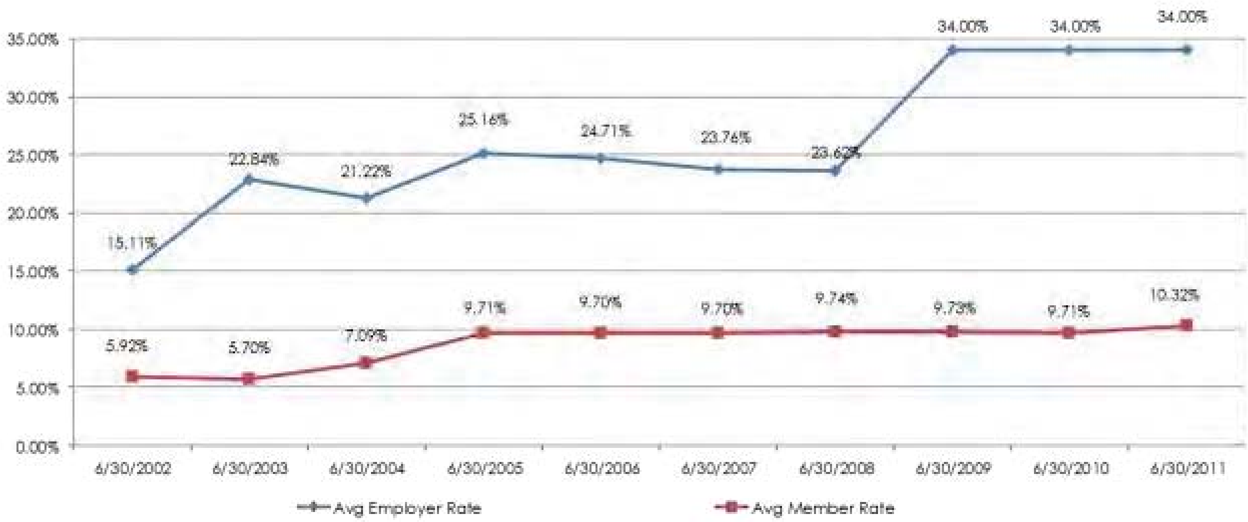
ACTUARIAL SECTION

7.75%

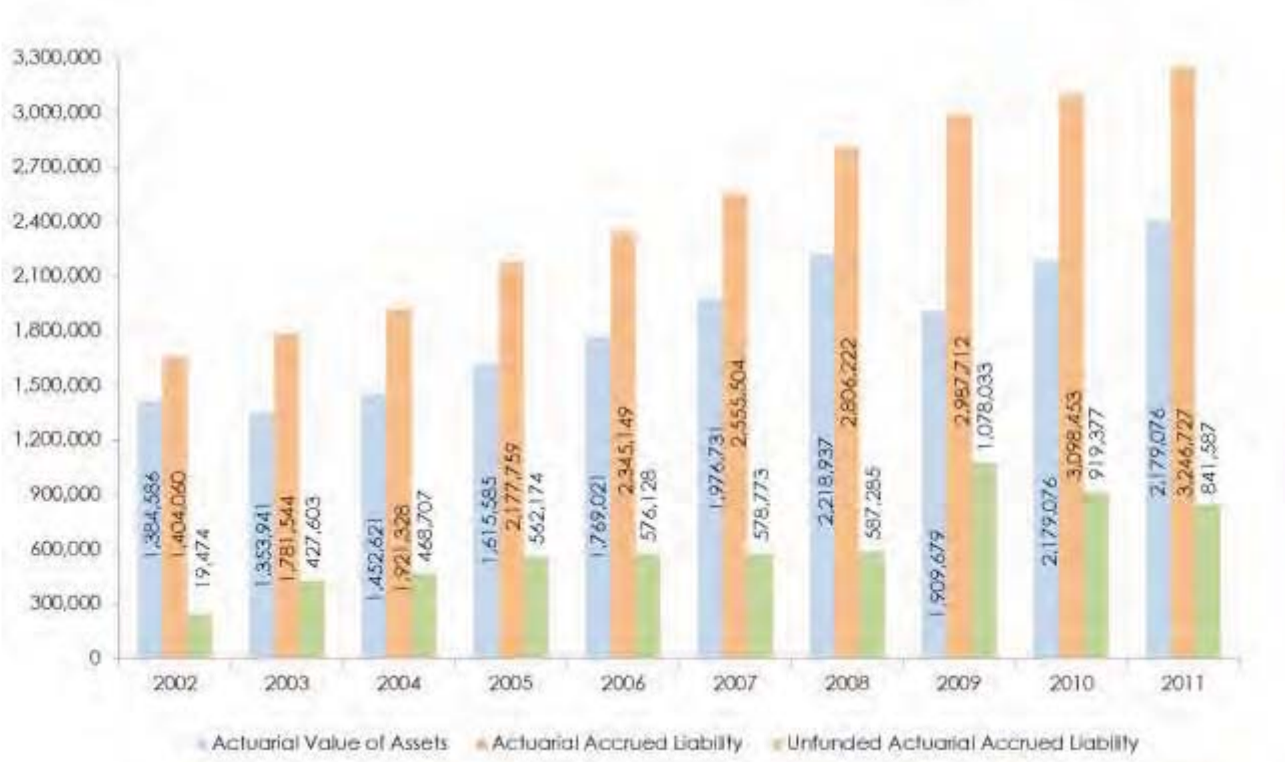
Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.75%, compounded annually.

HISTORY OF EMPLOYER AND MEMBER CONTRIBUTION RATES



SCHEDULE OF ACTUARIAL ASSETS VS. LIABILITIES



Milliman

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

October 19, 2011

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065-5208

Dear Members of the Board:

SamCERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

SamCERA measures its funding status as the ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funding status based on the past three actuarial valuations is shown below:

Valuation Date	Funded Status
June 30, 2009	63.9%
June 30, 2010	70.3%
June 30, 2011	74.1%

The funded ratio has increased in the last year primarily due to contributions in excess of the annual cost of benefits.

It is our opinion that *SamCERA* will continue to maintain a sound financial condition as of June 30, 2011 and later, as long as employer contributions are made based on a sound financial policy, such as the current funding policy. Under this policy, the County's contributions are set equal to the normal cost rate plus the amortization payment of any Unfunded Actuarial Accrued Liability (UAAL). The amortization of the initial UAAL as of June 30, 2008 is funded over a closed period ending June 30, 2023. The amortization of any future changes in the UAAL is funded over closed 15-year layers which are determined annually. It should be noted that the 2011 valuation results defer a portion of the market loss on assets that occurred in the fiscal year ending June 30, 2009 and earlier. Thus, the funded ratio is expected to be lower once that market loss is reflected in the 2012 and later valuations unless earnings continue to exceed the assumed rate.

The June 30, 2011 valuation results are based on the membership data and the asset information provided by *SamCERA*. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of *SamCERA's* current benefit provisions and the actuarial assumptions which were last reviewed and adopted by the Board in 2011. The assumptions were based on the triennial investigation of experience study report as of April 30, 2011. Assumptions will be reviewed again in 2014.

Milliman

Board of Retirement
October 19, 2011
Page 2

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for *SamCERA* consistent with our understanding of their funding requirements and goals. The liabilities are determined by using the entry age normal funding method. The actuarial assets are determined by using a five-year smoothed recognition method of asset gains and losses, determined as the difference of the actual market value to the expected market value. The actuarial assets are restricted to not vary more than 20% from the market value. We believe the actuarial assumptions and methods are internally consistent, reasonable and meet the parameters of Governmental Accounting Standards Board Statement No. 25 for fulfilling financial accounting requirements. Nevertheless, the emerging costs will vary from those presented in our report to the extent that actual experience differs from that projected by the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements as presented in the valuation report due to many factors. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our valuation report and this letter have been prepared exclusively for SamCERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA's operations, and uses SamCERA's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

We assisted *SamCERA* staff in preparing the supporting schedules in this section and the trend tables in the financial section are based on information supplied in prior actuarial reports, as well as our June 30, 2011 actuarial valuation report. In particular, it should be noted that many of the June 30, 2005 and earlier statistics were provided by the prior actuary and were on a different basis than we are using. This may affect the comparability between the years prior to 2006 shown in the data summaries and those shown in 2006 and later.

We certify that the June 30, 2011 valuation was performed in accordance with the Actuarial Standards Board (ASB) standards of practice and by qualified actuaries. We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

Nick Colli

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

NJC/nlo

ACTUARIAL ASSUMPTIONS AND COST METHOD

The actuary assumptions used in the valuations are intended to estimate the future experience of the members of *SamCERA* and of *SamCERA* itself in areas that affect the projected benefit flow and anticipated investment earnings. The actuarial assumptions used to determine the liabilities for the June 30, 2011, valuation are based on the results of the actuarial experience study for the period July 1, 2008, through April 30, 2011. The study retained the current economic assumptions and updated demographic assumptions and mortality rates; the study was adopted by the Board of Retirement on July 26, 2011.

Entry Age Actuarial Cost Method

Entry Age is the age at the member's date of entry. Actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The normal cost is calculated by summing the normal cost for each individual and dividing this amount by the total payroll for current members expected to earn a benefit during the year. This normal cost rate is then multiplied by the total current salaries. The total UAAL as of June 30, 2008 was amortized over a declining 15-year period. Future changes in the UAAL, including the change in UAAL as of June 30, 2011 is amortized over new 15 -year periods, referred to as 15-year layered amortization.

ACTUARIAL ASSUMPTIONS AND COST METHOD

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	Original unfunded amount (UAAL) as of June 30, 2008, is amortized over 15 years as of the valuation date. Future actuarial gains and losses will be amortized over new 15-year periods (including the change in UAAL as of June 30, 2011). This is referred to as 15-year layered amortization.
Asset Valuation Method	5-year smoothed market with 20% corridor
ACTUARIAL ASSUMPTIONS	
Investment Rate of Return	7.75%
Price Inflation (CPI)	3.50%
Payroll Increases	4.00%
Average Projected Salary Increases	5.20%
*Attributed to Inflation	4.00%
*Attributed to Adjustments for Merit and Longevity	1.20%

Actuarial Asset Valuation Method

The assets are valued using a five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the valuation date. The expected market value, with a five-year smoothing valuation basis for all assets, was adopted effective for the June 30, 1995, valuation.

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.75%, compounded annually, net of both investment and administrative expenses. This rate was adopted effective for the June 30, 2005, valuation and reaffirmed by the board for use in the June 30, 2011, valuation.

Projected Salary Increase

The rate of annual salary increases assumed for the purpose of the valuation is 5.20%. It is comprised of two components, inflation and merit and longevity increases. The inflation component is 4.0%. The merit and longevity component on average is 1.20%. This rate was adopted effective for the June 30, 2005, valuation and reaffirmed by the board for use in the June 30, 2011, valuation.

Cost-of-Living Adjustments

Post-retirement benefit increases depend upon the tier into which a member is enrolled and the Consumer Price Index for the San Francisco Bay Area. The maximum increase in retirement allowance is 5% for General and Safety Tier 1, 3% for Probation Tier 1 and Tier 2 for all Classes, and 2% for Tier 4 Members. Members do not contribute towards the cost-of-living benefit. Tier 3 benefits are not eligible for post-retirement increases.

Post-retirement Mortality Rates

The same post-retirement mortality rates are used in the valuation for active members, members retired for service, and beneficiaries. Beneficiary mortality is assumed to be the same assumption as healthy members. Beneficiaries are assumed to be of the opposite sex, and have the same mortality as General members.

Post-retirement Mortality – Service Retirement

General Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers. Ages are set back three years.

Safety Males: Same as General.

General Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment

PROJECTED SALARY INCREASE

Actuarial Assumption	6/30/11	6/30/10	Change
Annual Inflation Rate	3.50%	3.50%	0.00%
Annual Investment Return	7.75%	7.75%	0.00%
Average Annual Salary Increases	5.20%	5.20%	0.00%

for white collar workers. Ages are set back three years.

Safety Females: Same as General.

Post-retirement Mortality – Disability Retirement

General Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers and no minimum rate. Ages are set back three years.

Safety Males: RP-2000 Healthy Annuitant Mortality Table for Males with adjustment for white collar workers and minimum 1.00% rate. Ages are not adjusted.

General Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers and no minimum rate. Ages are set back three years.

Safety Females: RP-2000 Healthy Annuitant Mortality Table for Females with adjustment for white collar workers and minimum 0.40% rate. Ages are not adjusted.

Separation from Active Status

The probabilities of separation from active status are shown on page 99.

SUMMARY OF PLAN PROVISIONS

The Association provides basic retirement, disability and death benefits based on a defined benefit formula which uses final average salary, years of service, and age to calculate benefits payable and, in addition, provides annual cost-of-living adjustments upon retirement for members of Tiers 1, 2 and 4. The benefits of Tier 3 are reduced by Social Security benefits received by the member.

The plan sponsor has established ten defined benefit tiers based on a member's date of entry into *SamCERA*. Tiers 1, 2 & 4 are open to all members depending on their entry date and membership class (General, Safety or Probation/Safety.) Only General members are eligible for Tier 3.

Employees of the San Mateo County Mosquito and Vector Control District are eligible for participation in all General Tiers, except Tier 3.

Eligibility for Tiers is dependent upon the following entry dates

Tier 1 – Employees hired on July 6, 1980, and earlier.

Tier 2 – Employees hired after July 6, 1980, but on or before July 12, 1997.

Tier 3 – General members may elect to participate in Tier 3. After five years of service, Tier 3 members can elect membership under the open contributory tier. Members currently working in a contributory tier with Tier 3 service may purchase an upgrade of their Tier 3 service.

Tier 4 – Employees hired after July 12, 1997, (if Tier 3 is not elected.)

Eligibility for service retirement allowance is dependent upon the following

General Members Tiers 1, 2 & 4: Age 50 with 10 years of service; Any age with 30 years of service; or Age 70 regardless of service.

Safety & Probation Members Tiers 1, 2 & 4: Age 50 with 10 years of service; Any age with 20 years of service.

Tier 3: Age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service.

Final Compensation

Tiers 1 & 2: Monthly average of a member's highest twelve consecutive months of compensation.

Tiers 3 & 4: Monthly average of a member's highest three twelve consecutive months of compensation.

Monthly Allowance

General Members Tiers 1, 2 & 4: 1/60 x Final Compensation x General Age Factor x Years of Service.

All Safety & Probation Members: 3% x Final Compensation x Safety Age Factor x Years of Service.

Tier 3 General members: (a)+(b)-(c) where

(a) 2% x Final Compensation x Years of Service (up to 35 years), plus

(b) 1% x Final Compensation x Years of Service in excess of 35 years (up to 10), minus

(c) Estimated Primary Insurance Amount (PIA) x Years of Covered Service (up to 35 years) divided by 35.

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65.

If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor.

A member who leaves county service may withdraw the contributions made by the member to the Association, plus accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment with the county may elect to leave their accumulated contributions, if any, with the Association and choose a deferred retirement.

The 1937 Act vests the Board of Supervisors with the authority to initiate benefits. However, Government Code Section 31592.2 empowers the Board of Retirement to provide health benefits when the Section 31592 reserve exceeds 1% of assets.

It should be noted that the 34.00% Total Employer Rate is a weighted average for all *SamCERA* tiers. The actual percent of payroll to be contributed by the county varies by plan. On September 27, 2011, the Board of Retirement voted to retain the contribution rate from the June 30, 2009, actuarial valuation for a second year rather than the lower rate calculated in the June 30, 2010, valuation. A history of employer rates by class is on Page 95.

SUMMARY OF RECOMMENDATIONS

EMPLOYER CONTRIBUTION RATES

	06/30/11	06/30/10	Change
Normal Cost Rate	11.25%	11.57%	-0.32%
Rate of Contribution to Unfunded Actuarial Accrued Liability	22.75%	22.43%	0.32%
Total Employer Rate	34.00%	34.00%	0.00%

It should be noted that the 34.00% Total Employer Rate is a weighted average for all *SamCERA* tiers. The actual percent of payroll to be contributed by the county varies by plan. On September 27, 2011, the Board of Retirement voted to retain the contribution rate from the June 30, 2009, actuarial valuation for the second consecutive year rather than the lower rate calculated in the June 30, 2011, valuation. A history of employer rates by class is on Page 96.

MEMBER CONTRIBUTION RATES (1)

		07/01/11	07/01/10	Change (2)
GENERAL MEMBERS – COUNTY (3)				
Tier 1 & Tier 2	Age 25	9.06%	9.03%	0.03%
	35	10.25%	10.22%	0.03%
	45	11.71%	11.67%	0.04%
Tier 4	Age 25	8.80%	8.78%	0.02%
	35	9.94%	9.91%	0.03%
	45	11.29%	11.26%	0.03%
GENERAL MEMBERS – SMCM&VCD (4)				
Tier 1 & Tier 2	Age 25	6.06%	6.03%	0.03%
	35	7.25%	7.22%	0.03%
	45	8.71%	8.67%	0.04%
Tier 4	Age 25	5.80%	5.78%	0.02%
	35	6.94%	6.91%	0.03%
	45	8.29%	8.26%	0.03%
SAFETY MEMBERS – OTHER THAN DEPUTY SHERIFF (5)				
Tier 1 & Tier 2	Age 25	13.21%	13.16%	0.05%
	35	14.85%	14.78%	0.07%
	45	16.59%	16.52%	0.07%
Tier 4	Age 25	12.86%	12.81%	0.05%
	35	14.43%	14.37%	0.06%
	45	15.90%	15.83%	0.07%
PROBATION MEMBERS (REFLECTS EMPLOYER PICK-UP)				
Tier 1 & Tier 2	Age 25	10.07%	10.03%	0.04%
	35	11.38%	11.33%	0.05%
	45	12.77%	12.71%	0.06%
Tier 4	Age 25	9.79%	9.75%	0.04%
	35	10.99%	10.99%	0.00%
	45	12.16%	12.16%	0.00%

(1) The San Mateo County employer and member contribution rates include cost sharing. The San Mateo County Mosquito and Vector Control District does not have cost sharing. Does not include members of the California Nurses Association, who will also contribute 25% of the cost of COLA beginning with the 2011 actuarial valuation.
(2) The change represents the rates effective 07/01/2012 (based on the 6/30/11 valuation) minus the 07/01/2011 rates (based on the 6/30/10 valuation).
(3) Does not include members of the California Nurses Association, who will also contribute 25% of the cost of COLA beginning with the 2011 actuarial valuation.
(4) Beginning with the 6/30/2010 actuarial valuation, all current and future Mosquito and Vector Control District members contribute the same basic member rates as General County members.
(5) Cost sharing varies for Deputy Sheriffs as follows: If employee is less then 45 with less than 5 years of service 3.0%, between 5 and 15 years of service 3.5%, and at least 15 years of service 4.5%.

Summary of Significant Actuarial Statistics and Measures

ASSOCIATION MEMBERSHIP	**6/30/11**	**6/30/10**	**Change**
ACTIVE MEMBERS			
Number of Members	5,245	5,347	-1.9%
Average Age	45.7	45.4	0.7%
Average Credited Service	10.6	10.2	3.9%
Total Active Payroll in Thousands	$432,542	$437,130	-1.0%
Average Monthly Salary	$6,872	$6,813	0.9%
RETIRED MEMBERS			
Number of Members			
Service Retirement	3,242	3,108	4.3%
Disability Retirement	370	365	1.4%
Beneficiaries	535	529	1.1%
Average Age	71.3	71.3	0.0%
Total Retiree Payroll in Thousands	$129,835	$122,141	6.3%
Average Monthly Pension	$2,706	$2,601	4.0%
INACTIVE VESTED MEMBERS	1,190	1,207	-1.4%
ASSET AND LIABILITY VALUES(1)			
ASSET VALUES			
Market Value in Thousands	$2,317,493	$1,815,896	27.6%
Return on Market Value(2)	23.70%	12.2%	1,150 bps
Valuation Assets in Thousands	$2,405,140	$2,179,076	10.4%
Return on Valuation Assets	7.2%	12.7%	-550 bps
LIABILITY VALUES			
Actuarial Accrued Liability in Thousands	$3,246,727	$3,098,453	4.8%
Unfunded Actuarial Accrued Liability in Thousands	$841,587	$919,377	-8.5%
Deferred Asset (Gains)/Losses	$87,647	$363,179	-75.9%
REQUIRED COUNTY CONTRIBUTION RATE FOR ALL PLANS AS A PERCENTAGE OF TOTAL PAYROLL			
Gross Normal Cost	21.57%	21.28%	29 bps
Less: Member Contributions	10.32%	9.71%	61 bps
County Normal Cost	11.25%	11.57%	-32 bps
UAAL Amortization	22.75%	22.43%	-32 bps
Total County Rate	34.00%	34.00%	0 bps
FUNDED RATIO			
GASB Number 25 (3)	74.1%	70.3%	5.4%

(1) After the completion of the actuarial valuation, there was a restatement of approximately $280,000 in investment related fees resulting in a slight variance from the financial statement.
(2) Differs from CAFR due to timing of contributions and benefit payments and treatment of expenses.
(3) Based on actuarial value of assets for June 30, 2011, and June 30, 2010, respectively.

The table below compares the Actuarial Value of Assets to the types of Actuarial Accrued Liabilities, applying them first to Active Member contributions, then to retirees and beneficiaries, and then the remaining amount to the Active Member benefits.

SHORT-TERM SOLVENCY TEST (IN THOUSANDS)

Valuation Date	Valuation Assets	Active Member Contributions	Retirees and Beneficiaries (1)	Active Members (Employer Financed Portion)	Portion of Accrued Liability Covered by Valuation Assets		
		(A)	(B)	(C)	(A)	(B)	(C)
6/30/02	$1,416,850	$190,450	$866,985	$785,082	100%	100%	46%
6/30/03	$1,353,941	$202,551	$858,273	$915,108	100%	100%	32%
6/30/04	$1,452,621	$259,731	$942,765	$718,832	100%	100%	35%
6/30/05	$1,615,585	$281,231	$1,133,351	$763,177	100%	100%	26%
6/30/06	$1,769,021	$317,521	$1,234,005	$793,623	100%	100%	27%
6/30/07	$1,976,731	$359,484	$1,348,013	$848,007	100%	100%	32%
6/30/08	$2,218,937	$385,300	$1,550,875	$870,047	100%	100%	32%
6/30/09	$1,909,679	$412,147	$1,670,547	$905,018	100%	90%	0%
6/30/10	$2,179,076	$449,355	$1,745,146	$903,952	100%	99%	0%
6/30/11	$2,405,140	$485,126	$1,866,219	$895,382	100%	100%	6%

(1) Includes deferred vested.

SCHEDULE OF FUNDING PROGRESS (IN THOUSANDS)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	UAAL as a Percentage of Covered Payroll
6/30/02	$1,416,821	$1,660,566	$243,745	85.3%	$301,891	80.74%
6/30/03	$1,353,941	$1,781,544	$427,603	76.0%	$323,896	132.02%
6/30/04	$1,452,621	$1,921,328	$468,707	75.6%	$365,385	128.28%
6/30/05	$1,615,585	$2,177,759	$562,174	74.2%	$334,315	168.16%
6/30/06	$1,769,021	$2,345,149	$576,128	75.4%	$368,972	156.14%
6/30/07	$1,976,731	$2,555,504	$578,773	77.4%	$407,812	141.92%
6/30/08	$2,218,937	$2,806,222	$587,285	79.1%	$416,243	141.09%
6/30/09	$1,909,679	$2,987,712	$1,078,033	63.9%	$436,424	247.02%
6/30/10	$2,179,076	$3,098,453	$919,377	70.3%	$428,559	214.53%
6/30/11	$2,405,140	$3,246,727	$841,587	74.1%	$424,061	198.46%

Funded Ratio is a measurement of the funded status of the plan. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. In the table above, *SamCERA's* Funded Ratio indicates assets are approximately 30% less than liabilities. The Funded Ratio increased dramatically from June 30, 2009. The most significant reasons for the increase in the funded ratio was the market appreciation of investments and contributions by the employer and employee.

History of Employer Contribution Rates

Normal Cost is that portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Actuarial Present Value is the value of an amount or series of amounts payable or receivable at various times, determined as of a given date by application of a particular set of Actuarial Assumptions.

Actuarial Cost Method employed by *SamCERA* is the Entry Age Normal Method. The actuarial accrued liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Unfunded Actuarial Accrued Liability is the excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Actuarial Accrued Liability is that portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by the future Normal Costs.

Actuarial Value of Assets is the value of cash, investments and other property belonging to a pension plan, as used by the actuary for purposes of an Actuarial Valuation.

Actuarial Valuation is the determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

History of Employer Contribution Rates: San Mateo County Mosquito and Vector Control District

	General Member		
Year	Normal	UAAL	Total
2007	8.50%	7.76%	16.26%
2008	8.55%	8.04%	16.59%
2009	8.25%	15.09%	23.34%
2010	11.70%	16.35%	28.05%
2011	11.48%	16.96%	28.44%

History of Employer Contribution Rates: County

	General Member (excluding Nurses)			General Member Nurses			Safety Member			Probation Member		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2001	9.95%	0.71%	10.66%	Same as General			17.81%	1.51%	19.32%	17.94%	1.16%	19.10%
2002	9.71%	0.70%	10.41%	Same as General			17.22%	1.50%	18.72%	16.76%	1.17%	17.93%
2003	11.00%	4.60%	15.60%	Same as General			21.99%	12.74%	34.73%	23.45%	8.10%	31.55%
2004	9.76%	8.25%	18.01%	Same as General			15.34%	24.82%	40.16%	16.17%	15.28%	31.45%
2005	10.36%	10.38%	20.74%	Same as General			20.43%	32.02%	52.45%	21.10%	16.43%	37.53%
2006	10.49%	9.97%	20.46%	Same as General			20.18%	30.52%	50.70%	21.59%	14.85%	36.44%
2007	10.19%	9.46%	19.65%	Same as General			19.94%	29.32%	49.26%	20.83%	14.06%	34.89%
2008	10.16%	9.81%	19.97%	Same as General			19.32%	27.31%	46.63%	20.05%	12.81%	32.86%
2009	10.11%	18.40%	28.51%	Same as General			19.21%	51.83%	71.04%	19.92%	23.84%	43.76%
2010	10.05%	18.46%	28.51%	Same as General			19.01%	52.03%	71.04%	19.85%	23.91%	43.76%
2011	9.71%	18.80%	28.51%	8.70%	19.81%	28.51%	18.97%	52.07%	71.04%	19.52%	24.24%	43.76%

ACTIVE MEMBER VALUATION DATA

Valuation Date		Members (1)	Annual Salary	Average Annual Salary	% Change Average Salary
2002	General	4,159	$250,344,000	$60,192	6.7%
	Safety	431	$34,405,000	$79,824	5.1%
	Probation	282	$17,142,000	$60,792	6.8%
	Total	4,872	$301,891,000	$61,968	6.6%
2003	General	4,213	$267,150,000	$63,408	5.3%
	Safety	434	$37,973,000	$87,492	9.6%
	Probation	290	$18,773,000	$64,740	6.5%
	Total	4,937	$323,896,000	$65,964	6.4%
2004	General	4,487	$303,786,879	$67,700	6.8%
	Safety	411	$40,796,852	$99,202	13.4%
	Probation	288	$20,800,813	$72,225	11.6%
	Total	5,186	$365,384,544	$70,448	6.8%
2005	General	4,411	$304,289,437	$68,984	1.9%
	Safety	409	$39,999,593	$97,799	-1.4%
	Probation	278	$20,123,863	$72,388	0.2%
	Total	5,098	$364,412,893	$71,482	1.4%
2006	General	4,614	$312,934,324	$67,823	-1.7%
	Safety	428	$41,407,772	$96,747	-1.1%
	Probation	313	$22,009,210	$70,317	-2.9%
	Total	5,355	$376,351,306	$70,280	-1.7%
2007	General	4,767	$346,319,017	$72,649	7.1%
	Safety	443	$45,386,411	$102,452	5.9%
	Probation	329	$24,364,268	$74,056	5.3%
	Total	5,539	$416,069,696	$75,116	6.9%
2008	General	4,743	$353,518,525	$74,535	2.6%
	Safety	432	$46,326,906	$107,238	4.7%
	Probation	325	$24,741,003	$76,126	2.8%
	Total	5,500	$424,586,434	$77,198	2.8%
2009	General	4,777	$370,760,830	$77,614	4.1%
	Safety	436	$48,120,081	$110,367	2.9%
	Probation	330	$26,270,802	$79,608	4.6%
	Total	5,543	$445,151,713	$80,309	4.0%
2010	General	4,609	$363,305,740	$78,825	1.6%
	Safety	425	$48,576,912	$114,299	3.6%
	Probation	313	$25,247,595	$80,663	1.3%
	Total	5,347	$437,130,247	$81,752	1.8%
2011	General	4,494	$355,876,715	$79,189	0.50%
	Safety	446	$52,073,940	$116,758	2.20%
	Probation	305	$24,591,392	$80,628	0.00%
	Total	5,245	$432,542,047	$82,468	0.90%

(1) Numbers prior to 2006 were reported on a different basis.

Demographic Activity of Retirees and Beneficiaries

Year	At Beginning Of Year	Addition	Withdrawal	At End of Year	Annual Payroll Increase (in 000s)	Annual Payroll Decrease (in 000s)	Total Retiree Payroll (in 000s)	Percent Increase In Payroll	Average Annual Allowance
	Retirees and Beneficiaries [1]								
6/30/02	3,253	194	138	3,309	N/A	N/A	$66,974	7.3%	$19,524
6/30/03	3,309	128	115	3,322	N/A	N/A	$69,451	3.7%	$20,112
6/30/04	3,466	193	120	3,539	N/A	N/A	$75,493	8.7%	$21,336
6/30/05	3,539	238	95	3,682	N/A	N/A	$84,183	11.5%	$22,860
6/30/06	3,519	206	112	3,613	N/A	N/A	$91,006	8.1%	$25,188
6/30/07	3,613	155	74	3,694	N/A	N/A	$98,790	8.6%	$26,748
6/30/08	3,694	218	70	3,842	N/A	N/A	$109,616	11.0%	$28,536
6/30/09	3,842	159	66	3,935	$12,717	$3,281	$119,052	8.6%	$30,252
6/30/10	3,935	163	96	4,002	$9,076	$3,240	$124,888	4.9%	$31,212
6/30/11	4,002	209	64	4,147	$19,539	$2,916	$135,675	8.6%	$32,472

(1) For 6/30/2004 and 6/30/2005, retirees/beneficiaries who are entitled to multiple benefits are counted more than once. The 6/30/06 beginning of year count was revised to reflect only one retiree per benefit in 6/30/2006. Prior to 6/30/2004 retirees/beneficiaries who are entitled to multiple benefits are only counted once.

Actuarial Analysis of Financial Experience ($000)

Summary of (Gains) / Losses	Change In Liability				
	2011	2010	2009	2008	2007
Unfunded Liability as of July 1	$919,377	$1,078,033	$587,285	$578,773	$576,128
Expected Change in UAAL	($31,508)	$27,388	($11,786)	($31,649)	($16,745)
Salary (Gain) / Loss	($51,831)	($43,598)	($10,081)	($19,946)	$ 45,157
Retiree COLA more / (less) than expected	($27,561)	($41,258)	$ 1,080	$ 937	($3,380)
Assets (Gain) / Loss	$12,548	($88,485)	$522,444	($20,078)	($22,639)
Change due to Assumption Changes	$19,402			$ 61,011	
Miscellaneous Experience	$1,160	($12,703)	($10,909)	$ 18,237	$ 252
Change Due to New Formula					
Unfunded Liability as of June 30	$841,587	$919,377	$1,078,033	$587,285	$578,773

RATES OF SEPARATION FROM ACTIVE SERVICE

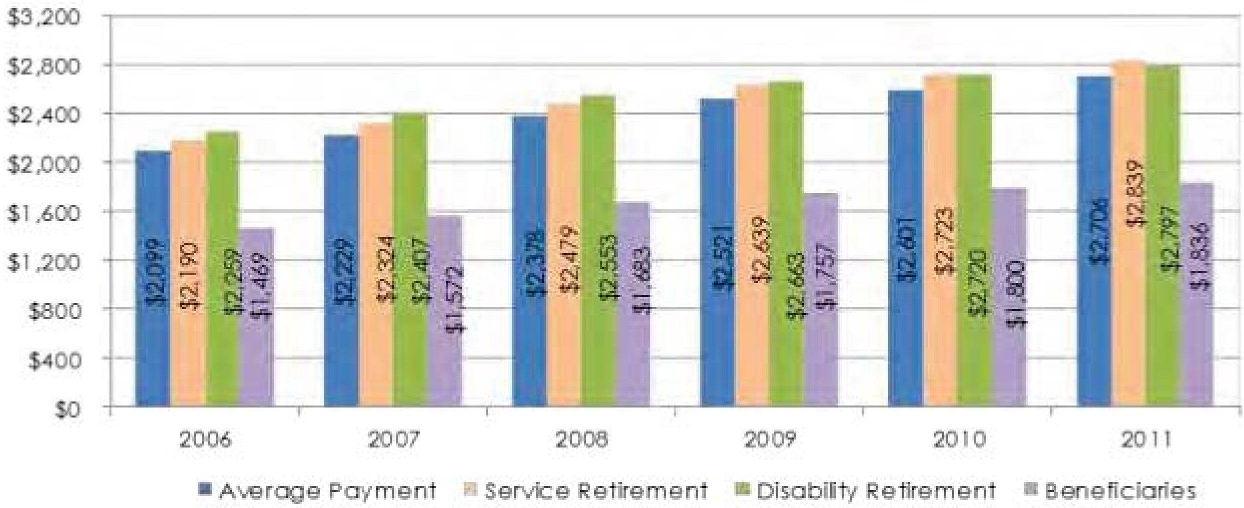
Service Retirement: Member retires after meeting age and service requirements for reasons other than disability.
Withdrawal: Member terminates and elects a refund of member contributions, or a deferred vested retirement benefit.
Service Disability: Member receives disability retirement; disability is service related.
Ordinary Disability: Member receives disability retirement; disability is not service related.
Service Death: Member dies before retirement; death is service related.
Ordinary Death: Member dies before retirement; death is not service related.

In the table below each rate represents the probability that a member will separate from service at each age due to a particular cause.

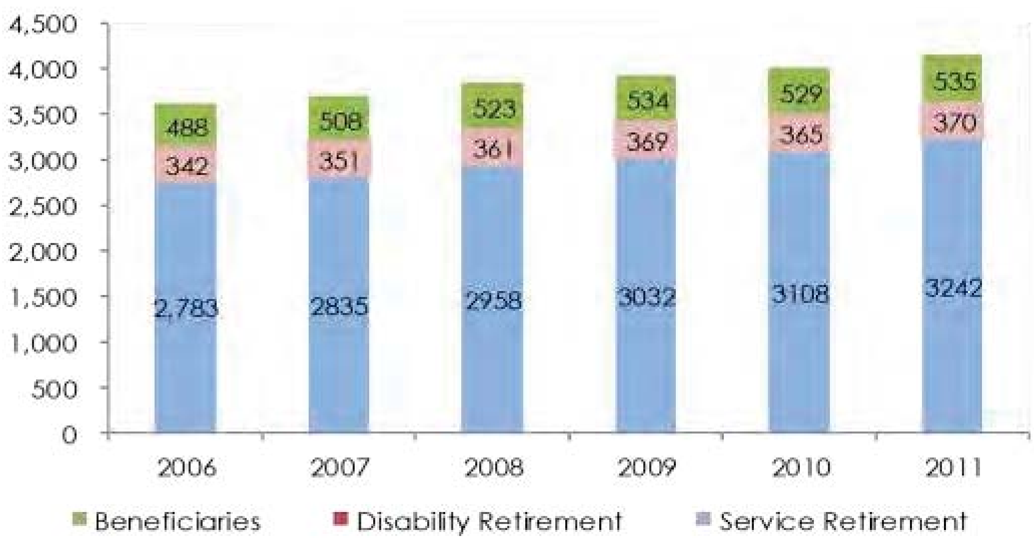
PROBABILITY OF SEPARATION DURING ACTIVE SERVICE

Years of	Other Terminations			Disability		Death while Active		Service
Service	Ordinary	Vested	Age	Ordinary	Service	Ordinary	Service	Retirement
General Plan 1, 2 & 4 Male Members								
0	0.1300	0.0000	20	0.0002	0.0004	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0003	0.0004	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0006	0.0010	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0010	0.0016	0.0017	0.0000	0.0500
20	0.0040	0.0150	60	0.0015	0.0022	0.0036	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 1, 2 & 4 Female Members								
0	0.1200	0.0000	20	0.0002	0.0003	0.0002	0.0000	0.0000
5	0.0265	0.0348	30	0.0002	0.0004	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0004	0.0007	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0012	0.0017	0.0013	0.0000	0.0400
20	0.0040	0.0150	60	0.0019	0.0029	0.0030	0.0000	0.1500
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Male Members								
0	0.1300	0.0000	20	0.0000	0.0000	0.0003	0.0000	0.0000
5	0.0285	0.0348	30	0.0000	0.0000	0.0004	0.0000	0.0000
10	0.0172	0.0238	40	0.0000	0.0000	0.0009	0.0000	0.0000
15	0.0099	0.0191	50	0.0000	0.0000	0.0017	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0036	0.0000	0.0300
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
General Plan 3 Female Members								
0	0.1200	0.0000	20	0.0000	0.0000	0.0002	0.0000	0.0000
5	0.0265	0.0348	30	0.0000	0.0000	0.0002	0.0000	0.0000
10	0.0153	0.0212	40	0.0000	0.0000	0.0006	0.0000	0.0000
15	0.0088	0.0172	50	0.0000	0.0000	0.0013	0.0000	0.0000
20	0.0040	0.0150	60	0.0000	0.0000	0.0030	0.0000	0.0400
30 & Above	0.0000	0.0000	70	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Male Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0003	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0004	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0009	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0036	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Female Members								
0	0.0700	0.0000	20	0.0000	0.0015	0.0002	0.0010	0.0000
5	0.0082	0.0151	30	0.0000	0.0018	0.0003	0.0010	0.0000
10	0.0050	0.0105	40	0.0000	0.0028	0.0007	0.0010	0.0000
15	0.0016	0.0094	50	0.0000	0.0044	0.0017	0.0010	0.1500
20 & Above	0.0000	0.0000	60	0.0000	0.0000	0.0039	0.0010	1.0000
			70	0.0000	0.0000	0.0000	0.0000	1.0000

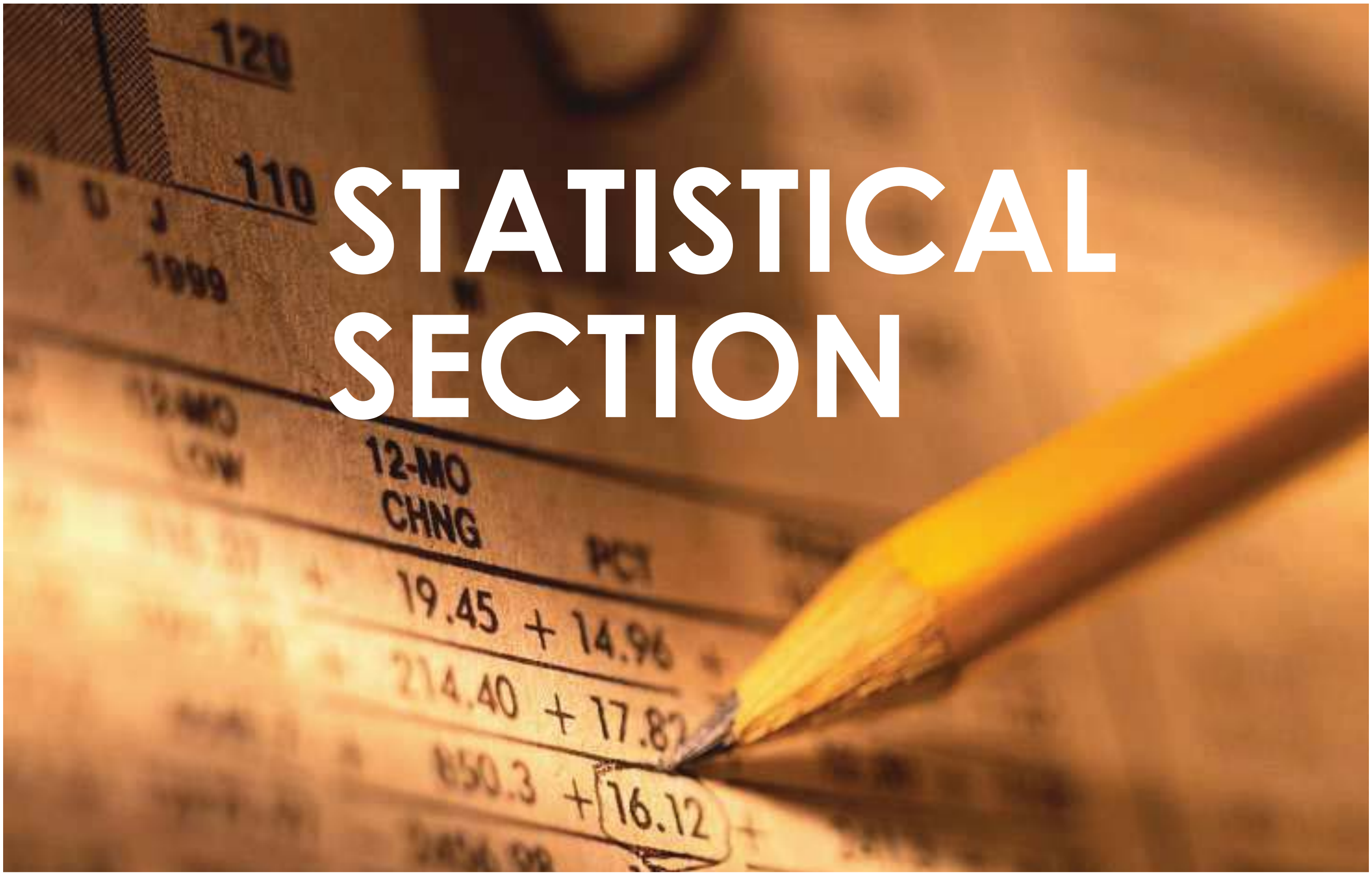
Average Monthly Benefit Payment



Retirees by Category



STATISTICAL SECTION



$638 million

TOTAL FUND ADDITION

Net investment income was $438 million, followed by employer contribution of $151 million and member contributions of $49 million.

Introduction to the Statistical Section

This section provides additional detailed information for a more thorough understanding of the financial statements, note disclosures and required supplemental information. The schedules presented on the following pages show trends in changes of plan net asset, revenues and expenses by category, detailed active member salary and retiree benefit information, as well as general membership populations over the past ten years. Most of the information presented is compiled by the actuary based on information from the pension administration system.

Change in Pension Plan Net Assets Last Ten Fiscal Years

as of June 30 (in thousands of dollars)

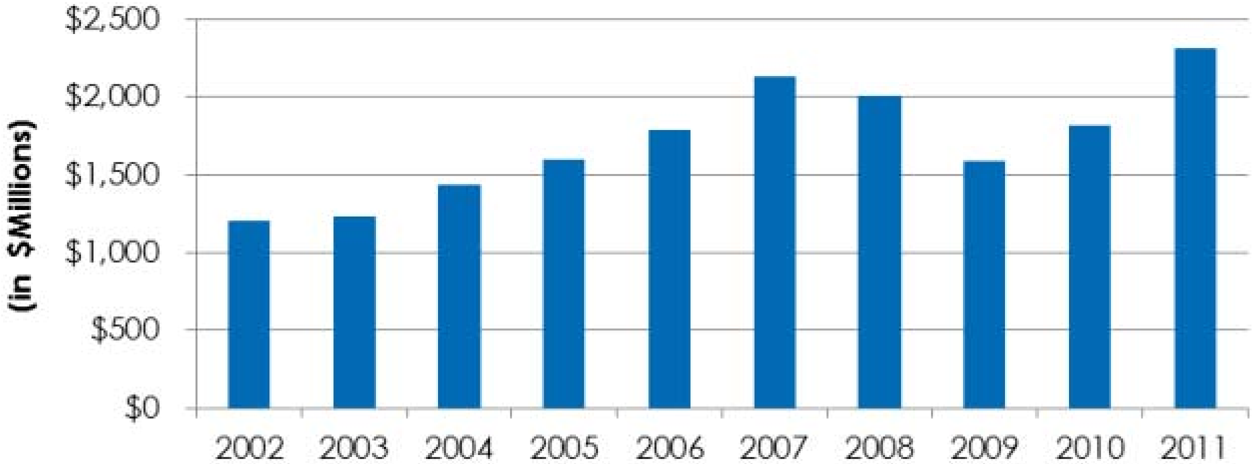
	2011	2010	2009	2008	2007
Additions					
Employer Contributions	$150,475	$106,265	$106,123	$105,340	$100,550
Member Contributions	49,013	50,319	50,372	60,111	42,696
Total Contributions	199,488	156,584	156,495	165,451	143,246
Investment Income (net of expenses)	437,654	195,412	(457,309)	(178,379)	298,260
Security Lending Income	530	743	1,631	1,699	0
Miscellaneous Additions	73	41	(16)	181	26
Total Additions (Declines)	637,745	352,780	(299,199)	(11,048)	441,532
Deductions					
Retiree Benefits	129,835	122,141	113,991	103,970	94,788
Member Refunds	2,474	2,736	2,795	3,075	2,244
Administrative Expenses	3,547	3,373	3,287	2,774	2,582
Other Expenses	10	33	67	8	201
Total Deductions	135,866	128,283	120,140	109,827	99,815
Change in Pension Plan Net Assets	**$501,879**	**$224,497**	**($419,339)**	**($120,875)**	**$341,717**

Change in Pension Plan Net Assets Last Ten Fiscal Years (Continued)

as of June 30 (in thousands of dollars)

	2006	2005	2004	2003	2002
Additions					
Employer Contributions	$76,090	$76,931	$60,042	$36,070	$33,541
Member Contributions	39,962	33,647	27,094	22,650	16,627
Total Contributions	116,052	110,578	87,136	58,720	50,168
Investment Income (net of expenses)	166,826	140,132	193,107	39,142	(82,410)
Security Lending Income	0	0	0	0	0
Miscellaneous Additions	49	79	226	8	0
Total Additions (Declines)	282,927	250,789	280,469	97,870	(32,242)
Deductions					
Retiree Benefits	87,915	83,182	74,016	68,989	65,186
Member Refunds	2,258	1,458	1,734	1,206	1,551
Administrative Expenses	2,086	2,235	1,912	1,887	1,509
Other Expenses	40	4	719	0	0
Total Deductions	92,299	86,879	78,381	72,082	68,246
Change in Pension Plan Net Assets	**$190,628**	**$163,910**	**$202,088**	**$25,788**	**($100,488)**

Total Plan Net Assets



Schedule of Employer Contributions

(in thousands of dollars)

Year End	Actuarially Required Contributions (ARC)	Contributions Made As a % of ARC
6/30/02	$33,541	100%
6/30/03	$36,070	100%
6/30/04	$60,042	100%
6/30/05	$76,931	100%
6/30/06	$76,090	100%
6/30/07	$100,550	100%
6/30/08	$105,340	100%
6/30/09	$106,123	100%
6/30/10	$106,265	100%
6/30/11	$150,475	100%

Summary of revenue by Source

(in thousands of dollars)

Year End	Employee Contribution	Employer Contribution	Investment Income	Total Contributions
6/30/02	$16,627	$33,541	($82,410)	($32,242)
6/30/03	$22,650	$36,070	$39,150	$97,870
6/30/04	$27,094	$60,042	$193,333	$280,469
6/30/05	$33,647	$76,931	$140,211	$250,789
6/30/06	$39,963	$76,090	$166,874	$282,927
6/30/07	$42,696	$100,550	$298,286	$441,532
6/30/08	$60,111	$105,340	($176,043)	($10,592)
6/30/09	$50,372	$106,123	($455,694)	($299,199)
6/30/10	$50,319	$106,265	$196,196	$352,780
6/30/11	$49,013	$150,475	$438,257	$637,745

Schedule of Expenses by Type

(in thousands of dollars)

Year End	Administrative Expenses	Other Expenses	Retirement Benefits Paid	Member Refunds	Total
6/30/02	$1,509	$0	$65,186	$1,551	$68,246
6/30/03	$1,887	$0	$68,989	$1,206	$72,082
6/30/04	$1,912	$719	$74,016	$1,734	$78,381
6/30/05	$2,235	$4	$83,182	$1,458	$86,879
6/30/06	$2,086	$40	$87,915	$2,258	$92,299
6/30/07	$2,582	$201	$94,788	$2,244	$99,815
6/30/08	$3,231	$8	$103,970	$3,075	$110,284
6/30/09	$3,287	$67	$113,991	$2,795	$120,140
6/30/10	$3,373	$33	$122,141	$2,736	$128,283
6/30/11	$3,547	$10	$129,835	$2,474	$135,866

Summary of Retired and Inactive Member Benefits

RETIRED MEMBERS	2011	2010	2009	2008	2007
Service Retirement					
Number	3,242	3,108	3,032	2,958	2,835
Annual Allowance					
Basic Only	87,254,000	79,007,000	73,038,000	66,704,000	59,687,000
COLA	$23,212,000	$22,542,000	$22,964,000	$21,289,000	$19,382,000
Total	$110,466,000	$101,549,000	$96,002,000	$87,993,000	$79,069,000
Average Monthly Payment	$2,839	$2,723	$2,639	$2,479	$2,324
Disability Retirement					
Number	370	365	369	361	351
Annual Allowance					
Basic Only	$9,414,000	$8,988,000	$8,722,000	$8,214,000	$7,571,000
COLA	$3,005,000	$2,926,000	$3,070,000	$2,847,000	$2,569,000
Total	$12,419,000	$11,914,000	$11,792,000	$11,061,000	$10,140,000
Average Monthly Payment	$2,797	$2,720	$2,663	$2,553	$2,407
Beneficiaries					
Number	535	529	534	523	508
Annual Allowance					
Basic Only	$6,672,000	$6,309,000	$6,052,000	$5,757,000	$5,220,000
COLA	$5,118,000	$5,116,000	$5,206,000	$4,805,000	$4,361,000
Total	$11,790,000	$11,425,000	$11,258,000	$10,562,000	$9,581,000
Average Monthly Payment	$1,836	$1,800	$1,757	$1,683	$1,572
Total Retired Members					
Number	4,147	4,002	3,935	3,842	3,694
Annual Allowance					
Basic Only	103,340,000	94,304,000	87,812,000	80,675,000	72,478,000
COLA	31,335,000	30,584,000	31,240,000	28,941,000	26,312,000
Total	$134,675,000	$124,888,000	$119,052,000	$109,616,000	$98,790,000
Average Monthly Payment	$2,706	$2,601	$2,521	$2,378	$2,229
INACTIVE MEMBERS	1,190	1,207	1,230	1,225	1,151

For 6/30/2004 and 6/30/2005 retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Beginning in 6/30/2006, a retiree is counted only once even if that retiree has multiple benefits from different tiers.

The data in the table above originates from PensionGold, *SamCERA*'s retirement benefit administration system. For the years 2001 through 2005 it also appears in *SamCERA*'s actuarial valuation reports.

SUMMARY OF RETIRED AND INACTIVE MEMBER BENEFITS (CONTINUED)

RETIRED MEMBERS	2006	2005	2004	2003	2002
Service Retirement					
Number	2,783	2,865	2,706	2,638	2,638
Annual Allowance					
Basic Only	54,942,000	49,760,000	41,723,000	36,260,000	36,260,000
COLA	$18,188,000	$17,759,000	$17,502,000	$16,668,000	$16,668,000
Total	$73,130,000	$67,519,000	$59,225,000	$52,928,000	$52,928,000
Average Monthly Payment	$2,190	$1,964	$1,824	$1,672	$1,672
Disability Retirement					
Number	342	334	339	316	316
Annual Allowance					
Basic Only	$6,915,000	$6,575,000	$6,164,000	$5,061,000	$5,061,000
COLA	$2,356,000	$2,205,000	$2,172,000	$2,049,000	$2,049,000
Total	$9,271,000	$8,780,000	$8,336,000	$7,110,000	$7,110,000
Average Monthly Payment	$2,259	$2,191	$2,049	$1,875	$1,875
Beneficiaries					
Number	488	483	494	477	477
Annual Allowance					
Basic Only	$4,659,000	$4,084,000	$4,250,000	$3,548,000	$2,950,000
COLA	$3,946,000	$3,800,000	$3,682,000	$3,388,000	$2,886,000
Total	$8,605,000	$7,884,000	$7,932,000	$6,936,000	$5,836,000
Average Monthly Payment	$1,469	$1,360	$1,338	$1,212	$1,108
Total Retired Members					
Number	3,613	3,682	3,539	3,431	3,102
Annual Allowance					
Basic Only	66,516,000	60,419,000	52,137,000	44,869,000	37,023,000
COLA	24,490,000	23,764,000	23,356,000	22,105,000	18,169,000
Total	$91,006,000	$84,183,000	$75,493,000	$66,974,000	$55,192,000
Average Monthly Payment	$2,099	$1,905	$1,778	$1,627	$1,483
INACTIVE MEMBERS	1,089	872	877	833	646

For 6/30/2004 and 6/30/2005 retirees/beneficiaries who are entitled to multiple benefits are counted more than once. Beginning in 6/30/2006, a retiree is counted only once even if that retiree has multiple benefits from different tiers.

The data in the table above originates from PensionGold, *SamCERA*'s retirement benefit administration system. For the years 2001 through 2005 it also appears in *SamCERA*'s actuarial valuation reports.

Schedule of Average Monthly Salary of Active Members

(by tier and membership type)

	2011	2010	2009	2008	2007
General Tier 1	$7,630	$7,543	$7,534	$7,252	$7,175
General Tier 2	$7,208	$7,193	$7,120	$6,872	$6,688
General Tier 3	$5,968	$5,818	$5,791	$5,619	$5,287
General Tier 4	$6,398	$6,348	$6,212	$5,914	$5,714
General Tier Total	$6,599	$6,569	$6,468	$6,211	$6,054
Safety Tier 1	$12,073	$11,578	$10,889	$11,113	$10,212
Safety Tier 2	$10,789	$10,548	$10,135	$9,612	$9,299
Safety Tier 4	$9,230	$8,931	$8,610	$8,349	$7,882
Safety Tier Total	$9,730	$9,525	$9,197	$8,937	$8,538
Probation Tier 1	$7,533	$8,922	$9,751	$9,791	$8,522
Probation Tier 2	$7,349	$7,393	$7,341	$6,960	$6,899
Probation Tier 4	$6,505	$6,456	$6,291	$5,978	$5,766
Probation Tier Total	$6,719	$6,722	$6,634	$6,344	$6,171
Average	$6,872	$6,813	$6,692	$6,433	$6,260

Schedule of Average Monthly Salary of Active Members (Continued)

(by tier and membership type)

	2006	2005	2004	2003	2002
General Tier 1	$6,749	$6,582	$6,514	$6,070	$5,806
General Tier 2	$6,148	$6,045	$5,980	$5,573	$5,311
General Tier 3	$4,988	$5,216	$5,101	$4,747	$4,737
General Tier 4	$5,315	$5,476	$5,281	$4,886	$4,545
General Tier Total	$5,652	$5,747	$5,642	$5,284	$5,016
Safety Tier 1	$10,019	$9,701	$9,516	$8,500	$7,820
Safety Tier 2	$8,585	$8,482	$8,530	$7,518	$6,853
Safety Tier 4	$7,403	$7,564	$7,582	$6,465	$5,789
Safety Tier Total	$8,062	$8,150	$8,267	$7,291	$6,652
Probation Tier 1	$7,735	$7,216	$6,856	$6,548	$6,253
Probation Tier 2	$6,479	$6,390	$6,291	$5,800	$5,542
Probation Tier 4	$5,444	$5,741	$5,711	$4,924	$4,502
Probation Tier Total	$5,860	$6,032	$6,019	$5,395	$5,066
Average	$5,857	$5,955	$5,871	$5,467	$5,164

The data in the table above originates from PensionGold, *SamCERA*'s retirement benefit administration system. For the years 2001 through 2005 it also appears in *SamCERA*'s actuarial valuation reports.

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

	2011	2010	2009	2008	2007
COUNTY OF SAN MATEO					
General Members	4,476	4,589	4,758	4,718	4,742
Safety Members	446	425	436	432	443
Safety/Probation Members	305	313	330	325	329
Total	5,227	5,327	5,524	5,475	5,514
SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT					
General Members Total	18	20	19	25	25
Total Active Membership	**5,245**	**5,347**	**5,543**	**5,500**	**5,539**

SCHEDULE OF PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS (CONTINUED)

	2006	2005	2004	2003	2002
COUNTY OF SAN MATEO					
General Members	4,594	4,391	4,474	4,202	4,175
Safety Members	428	409	411	434	431
Safety/Probation Members	313	278	288	290	293
Total	5,335	5,078	5,173	4,926	4,899
SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT					
General Members Total	20	20	13	11	11
Total Active Membership	**5,355**	**5,098**	**5,186**	**4,937**	**4,910**

This page intentionally left blank.

COMPLIANCE SECTION

74.1%

Funded Ratio

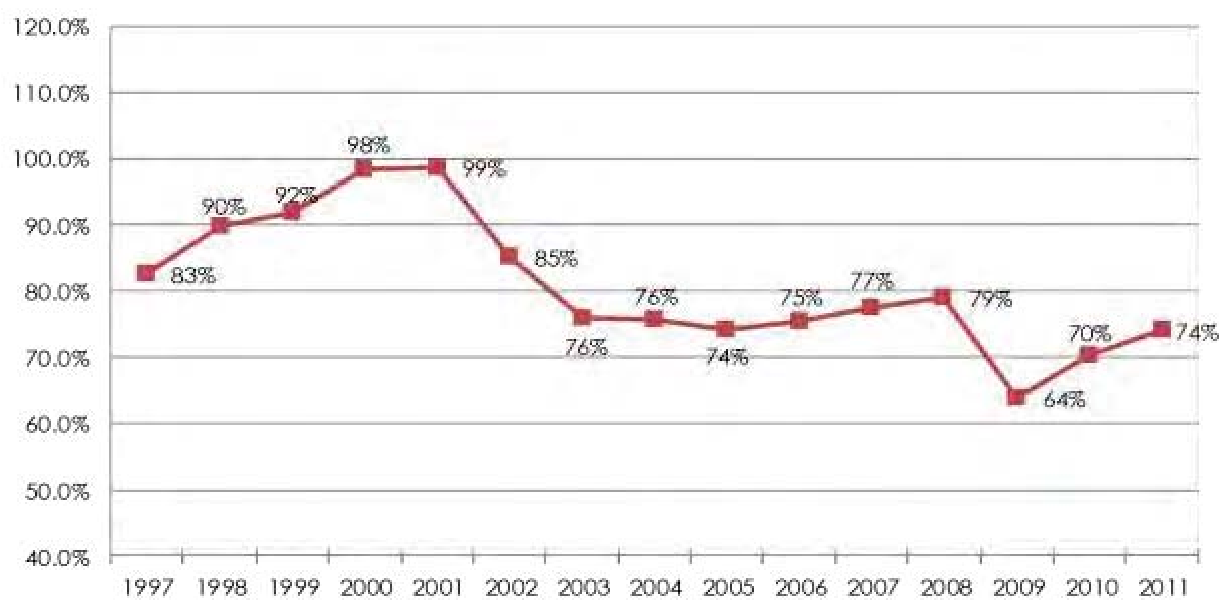
SamCERA's Funded Ratio is trending up from a low of 63.9% on June 30, 2009.

SAMCERA'S REVENUE AND EXPENSE

FY 2006-2011

SAMCERA'S FUNDING RATIO (GASB 25 BASIS)

FY 1997-2011



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Retirement
San Mateo County Employees' Retirement Association

We have audited the financial statements of the San Mateo County Employees' Retirement Association (SamCERA), as of and for the year ended June 30, 2011, and have issued our report thereon dated October 19, 2011. We conducted our audit in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements of SamCERA as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered SamCERA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of SamCERA's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

<u>Compliance and Other Matters</u>
As part of obtaining reasonable assurance about whether SamCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Retirement, and management of SamCERA, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
October 19, 2011

This page intentionally left blank.

To order your own copy of *SamCERA's 2011 Comprehensive Annual Financial Report*, contact *SamCERA* at:

SamCERA

100 Marine Parkway, Suite 125

Redwood City, CA 94065

You can also find this report on *SamCERA*'s website, www.samcera.org.

www.samcera.org

SamCERA

San Mateo County Employees' Retirement Association | 100 Marine Parkway, Suite 125 | Redwood City, CA 94065
Phone: 650-599-1234 | Toll Free: 1-800-339-0761 | Fax: 650-591-1488 | samcera@samcera.org

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.4

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Finance Officer

Subject: Annual Review of *SamCERA's* Independent Auditor – Brown Armstrong Accountancy Corporation.

STAFF RECOMMENDATION: Staff recommends that the board listen to the oral presentation provide by Brown Armstrong and staff regarding the annual review.

COMMENT: *SamCERA's* audit partner, **Andrew (Andy) Paulden,** will be available to respond to any questions or comments regarding the audit services relationship.

In general, staff and trustees are pleased with the quality of advice and services provided by Brown Armstrong Accountancy Corporation.

San Mateo County Employees' Retirement Association
The Board of Retirement

October 25, 2011 Agenda Item 7.5

To: Board of Retirement

Mabel Wong

From: Mabel Wong, Retirement Finance Officer

Gary Clifton

Gary Clifton, Chief Investment Officer

Subject: Review of *SamCERA's* Internal Control Structure

STAFF RECOMMENDATION: Staff recommends that the board review *SamCERA's* Risk Identifications.

BACKGROUND: Government Code §31520 vests management of the association in the Board of Retirement. Pursuant to Government Code §31522.2 the board appointed the Administrator as Chief Executive Officer. In April 1994 the board adopted its Delegation of Authority to the Chief Executive Officer. In that delegation, the board reserved unto itself all powers regarding the approval of the system of internal controls.

At the conclusion of the June 30, 2006, audit, the Audit Committee, staff and independent auditor discussed the possibility of an internal controls audit. The committee was reminded that an internal controls audit covers only those controls attested to by management. After a lengthy discussion, the committee opined that staff should develop and implement an internal controls system to identify and assess *SamCERA's* risks. Those guidelines begin below.

DISCUSSION: The internal control guidelines that appear below are *SamCERA's* framework for implementing an effective and efficient internal control system.

In addition to the guidelines below, there is a compilation of *SamCERA's* identified risks. The identification process drew heavily upon work completed by Brown Armstrong, *SamCERA's* independent audit firm. A staff project for the upcoming fiscal year will be to expand the areas of risk identification. The final step in this process will be to develop a risk manual that lists the identifiable risks, then details the procedure(s) in place to mitigate each specific risk.

Internal Control Guidelines

There are five internal control standards issued by the United States General Accounting Office. *SamCERA* will address these standards when documenting its internal controls. The purpose of the controls is to guide *SamCERA's* management in carrying out its goals and objectives. This guidance is not intended to take the place of management's judgment or to dictate how management chooses to carry out its responsibilities.

One definition of internal control or an internal control system is the integration of the activities, plans, attitudes, policies, and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its mission and objectives.

This definition establishes that:

- internal control impacts every aspect of an organization: all of its people, processes and physical structures;
- internal control is a basic element that permeates an organization - not a feature that is added on;
- internal control incorporates the qualities of good management;
- internal control is dependent upon people and will succeed or fail depending on the attention people give to it;
- internal control is effective when all of the people and the surrounding environment work together;
- internal control provides a level of comfort to an organization; controls do not guarantee success; and
- internal control helps an organization achieve its goals and objectives.

As stated in the above definition, internal control is a means for achieving an organization's goals and objectives. More specifically, there are four purposes of internal control:

- to promote orderly, economical, efficient and effective operations and to produce quality products and services consistent with the organization's mission;
- to safeguard resources against loss due to waste, abuse, mismanagement, errors and fraud;
- to ensure adherence to laws, regulations, contracts and management directives; and
- to develop and maintain reliable financial and management data, and to accurately present that data in a timely report.

If *SamCERA* addresses each of these four purposes in developing its internal control system, it will most likely achieve its goals and objectives. Failure to adequately address any one of these purposes may put the organization at risk.

The first internal control standard is Control Environment.

Control environment is the attitude toward internal control and control consciousness established and maintained by the management and the employees of *SamCERA*. It is a product of management's philosophy, style and supportive attitude, as well as the competence, ethical values, integrity, and morale of its people. *SamCERA's* structure and accountability relationships are key factors in the control environment.

SamCERA will establish and maintain a positive and supportive attitude towards the achievement of its objectives. While management sets the tone for the work environment, all employees have input into the control environment. Over the years, studies have found that there are two effective ways to reduce fraud. One way is to lock up everything in your workplace and the other way is to surround yourself with ethical people. Employees make internal controls work. The values in place at *SamCERA* determine its ethical tone.

The second internal control standard is Risk Assessment.

Risks are events that threaten the accomplishment of objectives. They ultimately impact *SamCERA's* ability to accomplish its mission. Risk assessment is the process of identifying, evaluating and determining how to manage these events. At every level within *SamCERA* there are both internal and external risks that could prevent the accomplishment of established objectives. Ideally, management should seek to prevent these risks. However, sometimes management cannot prevent the risk from occurring. In such cases, management should decide whether to accept the risk, reduce the risk to acceptable levels, or avoid the risk. To have reasonable assurance that the organization will achieve its objectives, management should ensure each risk is assessed and handled properly.

Risk identification occurs as a result of findings from audits, evaluations and other testing or assessments. Risk analysis includes estimating the likelihood and frequency of occurrence of each risk and determining whether it falls into the low, medium, or high-risk category. Once risk is identified, the potential impact on programs should be measured and additional controls should be developed. Risk is not another thing to manage, but a way of managing.

SamCERA will perform a risk assessment on an annual basis. This involves a review and analysis of program operations to determine where risk exists, and what those risks are. These risks are then measured towards the impact on our operations. A risk assessment also allows *SamCERA* to target high-risk areas or programs and focus on where the greatest exposure exists. Management will reassess risk as a result of changing conditions, both internal and external, in the workplace.

The third internal control standard is Control Activities.

Control activities are tools - both manual and automated - that help prevent or reduce the risks that can impede accomplishment of *SamCERA's* objectives and mission. *SamCERA* will establish control activities to effectively and efficiently accomplish its objectives and mission.

SamCERA will use methods to reduce risk identified during the risk assessment process to ensure that *SamCERA's* decisions and objectives are carried out. Methods used to control activities include polices, procedures, networking, auditing and investigations. Control activities can include both prepayment and/or post payment mechanisms to manage any improper payments.

SamCERA will have in place detection techniques to quickly identify and correct improper payments. Detection techniques play a large role in identifying improper payments and also provide information on why these payments were made so that corrections in our process can be made. Management will ensure that there is a proper segregation of duties, divided among different people to reduce error, waste, or fraud. No one individual will be allowed to control all key aspects on a transaction or event. The internal control activities will be flexible, weighing costs and benefits, to allow *SamCERA* to tailor these activities to fit its special needs. Once in place, control activities will provide useful information to meet *SamCERA's* objectives.

The fourth internal control standard is Information and Communications.

Communication is the exchange of useful information between and among people and organizations to support decisions and coordinate activities. Within *SamCERA*, information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities. Communication also takes place with outside parties such as members, departments of the county, outside professional staff and regulators.

For *SamCERA* to run and control its operations, it will foster fast, reliable and accurate information. Also, it will make sure that the types of communications are broad-based and that information technology management assures useful, reliable and continuous communications.

How *SamCERA* communicates is as important as what it communicates. Effective communication should occur in a broad sense with information flowing down, across, and up *SamCERA's* organization. By asking questions, management will treat feedback from employees as another way to consider if the internal controls are effective.

The fifth internal control standard is Monitoring.

Monitoring is the review of *SamCERA's* activities and transactions to assess the quality of performance over time and to determine whether controls are effective. Management should focus monitoring efforts on internal control and achievement of organizational objectives. For monitoring to be most effective, all employees need to understand the organization's mission, objectives, responsibilities and risk tolerance levels.

Monitoring performance is a critical tool to success. When risk is identified, internal control monitoring will be put in place to measure the quality of performance over time and ensure that the findings of audits and other reviews are promptly resolved. *SamCERA* will implement continuous monitoring activities as well as specific events, such as audits, special reviews or evaluations to monitor internal controls.

SamCERA's monitoring includes policies and procedures for tracking audit findings and other reviews brought to the attention of management to see they are promptly resolved. Specific evaluations are a great method to look at internal controls by focusing on a specific event and time. Proper monitoring and review allows *SamCERA* to track the progress of improvements and determine if deficiencies are corrected.

Monitoring activities will be ongoing to aid in reducing improper payments. *SamCERA's* monitoring process will include procedures for ensuring that results are communicated to the necessary people so that they can be promptly resolved. Using data from monitoring not only improves operations; it allows management ways to identify areas needing further attention or a shift in focus.

San Mateo County Employees' Retirement Association
Board of Retirement

October 25, 2011 Agenda Item 7.6

To: Board of Retirement

Gary Clifton

From: Gary Clifton, Chief Investment Officer

Subject: Preliminary First 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. *SamCERA* has not received all manager fee invoices in time for this report. Therefore, you will note the first quarter's total annualized management fee is significantly below the expected total annualized fee. 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 September 30th is approximately 31.4 basis points versus the expected fee of 41.8 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. *SamCERA* expended 19.9% of the appropriations. The administrative budget expenditures are not linear. Many of the appropriations will be expended later in the fiscal year. In prior years, *SamCERA* separated administrative expenditures and asset management expenditures. Those two budgets have been combined beginning this fiscal year. Under **Salaries & Benefits** *SamCERA* budgets all positions and benefits. Under **Services & Supplies** the association budgets all overhead and operational expenditures. This year's budget has not allocated any appropriation for **Capital Assets**.

SamCERA's Administrative Budget

	Adopted Budget	YTD Preliminary
Salaries & Benefits	$3,465,963	$627,245
Services & Supplies	$1,268,237	$316,664
Capital Assets	$ 0	$ 0
Total	$4,734,200	$ 943,909

Attachment Three provides a review of the line item technology appropriations versus the preliminary expenditures. Most of the appropriations for this budget will occur later in the fiscal year.

***SamCERA's* Technology Budget**

	Adopted Budget	YTD Preliminary
Property &Equipment	$60,000	$15,263
IT Infrastructure	$1,806,000	$120,278
IT Total	**$1,866,000**	**$135,541**

San Mateo County Employees' Retirement Association
Board of Retirement

October 25, 2011
Attachment One

First Quarter Analysis
09-30-2011

Agenda Item 7.6

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	$141,500	$75,000
Strategic Investment Solutions	Investment Consulting	0.4 bp	$100,000	$400,000
State Street Bank & Trust	Global Custody	0.1 bp	$54,000	$130,000
SUB-TOTAL NON INVESTMENT MANAGER CONTRACTUAL FEES			$295,500	$605,000
Estimated Market Value 06-30-2011			$2.3 Billion	$2.3 Billion
Average Basis Points (2)			1.3 bp	2.6 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 $2.3 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	$17,000	$90,000
D.E. Shaw Investment Management,	Domestic Large Cap Enhanced	49.5 bp	$131,000	$705,000
T. Rowe Price Associates	Domestic Large Cap Enhanced	35.0 bp	$89,000	$500,000
Barrow, Hanley, Mewhinney & Strauss	Domestic Large Cap Value	43.0 bp	$168,000	$830,000
BlackRock Capital Management	Domestic Large Cap Growth	45.1 bp	$181,000	$890,000
The Boston Company	Domestic Small Cap Equity	84.4 bp	$94,000	$485,000
Chartwell Investment Partners	Domestic Small Cap Equity	75.0 bp	$99,000	$495,000
Jennison Associates	Domestic Small Cap Equity	75.0 bp	$198,000	$1,020,000
Artio Global Investors	International Equity	47.2 bp	$225,000	$1,165,000
Mondrian Investment Partners	International Equity	27.0 bp	$91,000	$580,000
Aberdeen Asset Management	Domestic Fixed Income	24.3 bp	$77,000	$315,000
Angelo Gordon (PPIP)	Domestic Fixed Income	N/A	$000,000	$350,000
Brigade Capital Management	Domestic Credit Opportunity Fixed Income	43.8 bp	$000,000	$235,000
Brown Brothers Harriman	Treasury Inflation Protection Securities	15.0 bp	$25,000	$75,000
Franklin Templeton	Global Fixed Income	39.3 bp	$103,000	$425,000
Pyramis Global Advisors	Domestic Fixed Income	17.6 bp	$49,000	$205,000
Western Asset Management	Domestic Fixed Income	27.6 bp	$78,000	$330,000
AQR Risk Parity	Risk Parity Portfolio	N/A	$99,000	N/A
AQR Delta Hedge Fund	Hedge Fund	N/A	$116,000	N/A
Ssga/SSARIS Commodities	Commodities	N/A	$75,000	N/A
ABRY II	Private Equity	N/A	N/A	N/A
ABRY VII	Private Equity	N/A	N/A	N/A
Regiment Capital	Private Equity	N/A	N/A	N/A
Sheridan Production Partners	Private Equity	N/A	N/A	N/A
INVESCO Realty Advisors	Real Estate Management	14.3 bp	$156,000	$590,000
SUB-TOTAL INVESTMENT MANAGERS			$2,071,000	$9,285,000
Average Basis Points (1)			26.8 bp	38.9 bp
SUB-TOTAL NON- INVESTMENT MANAGERS (FROM PREVIOUS PAGE)			$295,500	$605,000
Average Basis Points (2)			2.9 bp	2.9 bp
TOTAL ESTIMATED CONTRACT FEES			$2,366,500	$9,890,000
Estimated Market Value 09-30-2011			$2.1 billion	$2.1 billion
Average Basis Points (2)			31.4 bp	41.8 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 $2.1 billion

San Mateo County Employees' Retirement Association
Board of Retirement

October 25, 2011
Attachment Two

San Mateo County Employees' Retirement Association
Preliminary Report
Fiscal Year 2011-2012
First Quarter Analysis
Line Item Administrative Budget

	Budget Allotment	**Year to Date Expenditures**	**Percentage Expended**	**Remaining Balance**	**Remaining Percentage**
Salaries	$2,313,000	$412,083	17.8%	$1,900,917	82.2%
Benefits	$1,152,963	$215,162	18.7%	$937,801	81.3%
Salaries & Benefits	**$3,465,963**	**$627,245**	**18.1%**	**$2,838,718**	**81.9%**
Board Expense	$10,500	$1,900	18.1%	$8,600	81.9%
Insurance	$77,000	$19,250	25.0%	$57,750	75.0%
Medical Evaluation	$45,000	$30,979	68.8%	$14,021	31.2%
Member Education	$45,000	$0	0.0%	$45,000	100.0%
Education & Conference	$148,700	$11,652	7.8%	$137,048	92.2%
Transportation and Lodging	$126,500	$6,510	5.1%	$119,990	94.9%
Technology Infrastructure	$0	$0	0.0%	$0	0.0%
Property & Equipment	$0	$2,261	0.0%	-$2,261	0.0%
General Office Supplies	$25,000	$5,923	23.7%	$19,077	76.3%
Postage & Printing	$125,000	$17,489	14.0%	$107,511	86.0%
Leased Facilities	$295,000	$121,265	41.1%	$173,735	58.9%
County Services	$325,037	$89,933	27.7%	$235,104	72.3%
Audit Services	$45,500	$9,086	20.0%	$36,414	80.0%
Other Administration	$0	$415	0.0%	-$415	0.0%
Services & Supplies	**$1,268,237**	**$316,664**	**25.0%**	**$951,573**	**75.0%**
Capital Assets	**$0**	**$0**	**0.0%**	**$0**	**0.0%**
Depreciation		**$0**			
Grand Total	**$4,734,200**	**$943,909**	**19.9%**	**$3,790,291**	**80.1%**

San Mateo County Employees' Retirement Association
Board of Retirement

October 25, 2011
Attachment Three

Agenda Item 7.6

San Mateo County Employees' Retirement Association
Preliminary Report
Fiscal Year 2011-2012
First Quarter Analysis
Line Item Technology Budget

	Budget Allotment	Year to Date Expenditures	Percentage Expended	Remaining Balance	Remaining Percentage
Property &Equipment	$60,000	$15,263	25.4%	$44,737	74.6%
IT Infrastructure	$1,806,000	$120,278	6.7%	$1,685,723	93.3%
IT Total	**$1,866,000**	**$135,541**	**7.3%**	**$1,730,459**	**92.7%**

October 25, 2011 Agenda Item 7.7

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Discussion of Items for the Fall SACRS Business Meeting

Issue

This item is a placeholder to allow trustees to discuss any proposals that are scheduled to be voted on by all designated ’37 Act system representatives at the SACRS Fall Conference Business Meeting. To date, no issues have been communicated. If information is received, we will provide it at the board meeting.

Background

At the September 27 board meeting, the board selected its fall SACRS Business Meeting voting delegate and alternates as follows:

Al David, Chair, as the Voting Delegate,
David Spinello, Trustee, as the First Delegate Alternate, and
David Bailey, Chief Executive Officer, as the Second Delegate Alternate

Staff Recommendation

Staff recommends the board members discuss significant issues if any are communicated by SACRS by the time of the October 25 board meeting.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 25, 2011 Agenda Item 7.8

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Discussion of Board/Staff Retreat Agenda, Scheduled for April 24 & 25, 2012

Staff Recommendation

Staff recommends the board discuss and provide input and/or direction to staff regarding the topics and schedule for the 2012 Board/Staff Retreat.

Background

The April 24 & 25, 2011, *SamCERA* Board/Staff Retreat is scheduled along the same lines as the 2011 retreat:

Days:	Two consecutive days
Timing:	Leave time in between speakers for discussion
Location:	In the *SamCERA* boardroom
Speakers:	Draw speakers from outside professionals as well as *SamCERA's* consultants and staff
Regular Business:	Conduct the board's regular monthly business during the afternoon on Tuesday of the retreat
Dates:	**April 24 & 25.**

PLEASE NOTE: The dates of the retreat were listed incorrectly on a previous memo. Please check your calendars to assure that you have the dates entered correctly.

Attached is the beginning of a draft agenda for the retreat.

Staff will bring the topics and agenda for the retreat before the board a few more times as the details evolve toward finalization.

Agenda & Presenters

Board / Staff Retreat

April 24 & 25, 2012

San Mateo County Employees' Retirement Association

SamCERA

Board / Staff Retreat Agenda

Day <u>One</u>—Tuesday, April 24, 2012

Time	Topic	Speaker
8:30 a.m.	• Coffee and Refreshments	
9:00 a.m.	• Welcome	**David Bailey**, Chief Executive Officer, *SamCERA*
9:15 a.m.	• Economist	???
10:15 a.m.	• Break	
10:30 a.m.	• Risk Parity- One Year Later. How Is It Working?	???
11:30 a.m.	• Open Discussion	
12 Noon	• Lunch	
1:15 p.m.	• Ethics and California Public Pension Plans • Legislation that May Affect SamCERA	**Brenda Carlson**, Chief Deputy County Counsel, San Mateo County
1:15 p.m.	• Processing and Evaluating *SamCERA* Disabilities	**Gladys Smith**, *SamCERA* Benefits Manager, **Dr. Henry Brodkin,** *SamCERA* Medical Advisor
2:15 p.m.	• Break	
2:30 p.m.	• Beginning of Regular Board Meeting Agenda	
5 p.m. (approx.)	• End of Day One	

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

TIME	*TOPIC*	*SPEAKER*
8:30 a.m.	• **Coffee and Refreshments**	
	• **Assumed Earnings Rates**	**Nick Collier**,
9 a.m.	• **How GASB Changes will Affect *SamCERA* and Its Employers**	Principal, Consulting Actuary, Milliman, Inc.
10:15 a.m.	• **Break**	
10:30 a.m.	• **Infrastructure Investing**	???
11:30 a.m.	• **Open Discussion**	
12 noon	• **Lunch (Board and *SamCERA* Staff)**	
1:15 p.m.	• **Trading Costs Report**	???
2:15 p.m.	• **Open Discussion**	
2:30 p.m.	• **Status of *SamCERA's* Tax Determination Letter**	**Bob Blum**, Hanson-Bridgett???
3:30 p.m.	• **Break**	
3:45 p.m.	• **Status of SamCERA's Technology Transitions**	**Tariq Ali**, SamCERA Chief Technology Officer, **???** Project Management Team Leader
4:45 p.m.	• **End of Retreat**	

October 25, 2011 Agenda Item 7.9

TO: Board of Retirement

FROM: David Bailey, Chief Executive Officer

SUBJECT: Appointment of Ad Hoc CEO Evaluation Committee

Staff Recommendation

Staff recommends the board chair appoint a committee to conduct the annual CEO performance review and that the committee report its conclusions to the full board after the first of the year.

Background

A clause in the CEO's employment contract states that, "Annually, the Chief Executive Officer shall present to the board a schedule for an evaluation of his performance."

Last year the board proceeded by appointing an Ad Hoc CEO Evaluation Committee at the November meeting. The committee then presented a review at the March meeting the following year.