

# FUND EVALUATION REPORT

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## San Jose Federated City Employees Retirement System

Quarterly Review  
December 31, 2010



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**Executive Summary  
As of December 31, 2010**

**In the fourth quarter, the global economy continued to improve, sparking renewed investor optimism.**

- In the U.S., real GDP growth estimates for the fourth quarter was 2.8% annualized, up from 2.6% during the third quarter.
- In an effort to provide further support to the economic recovery, Congress announced a two year extension of Bush-era tax cuts, as well as a reduction in social security taxes for 2011, while the Fed announced another round of quantitative easing. These actions further weakened the U.S. dollar against most major currencies.
- The U.S. unemployment rate declined 0.2% during the fourth quarter to 9.4%. Although 293,000 jobs were added during the quarter, the reduction in unemployment was largely due to workers exiting the labor market.

**Stocks continued to advance globally in the fourth quarter, as policymakers announced further stimulative measures.**

- Domestic stocks outpaced international stocks across the capitalization spectrum in the quarter.
- For the eighth consecutive quarter, emerging market equities (+7.3%) outpaced developed international equities (+6.6%).
- Domestically, growth stocks continued to outpace value stocks across the capitalization spectrum.
- Small cap stocks outpaced large cap stocks both domestically and abroad.

**Optimistic growth expectations and the announcement of further quantitative easing weighed on the majority of fixed income sectors in the quarter.**

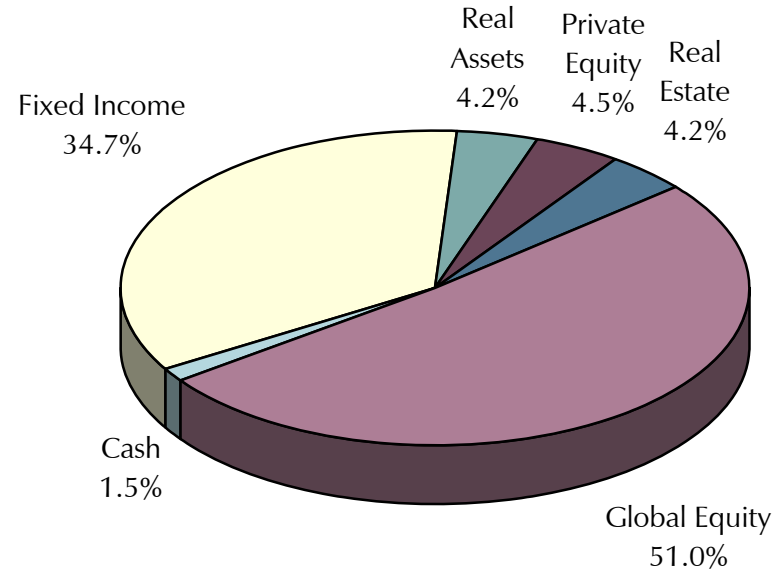
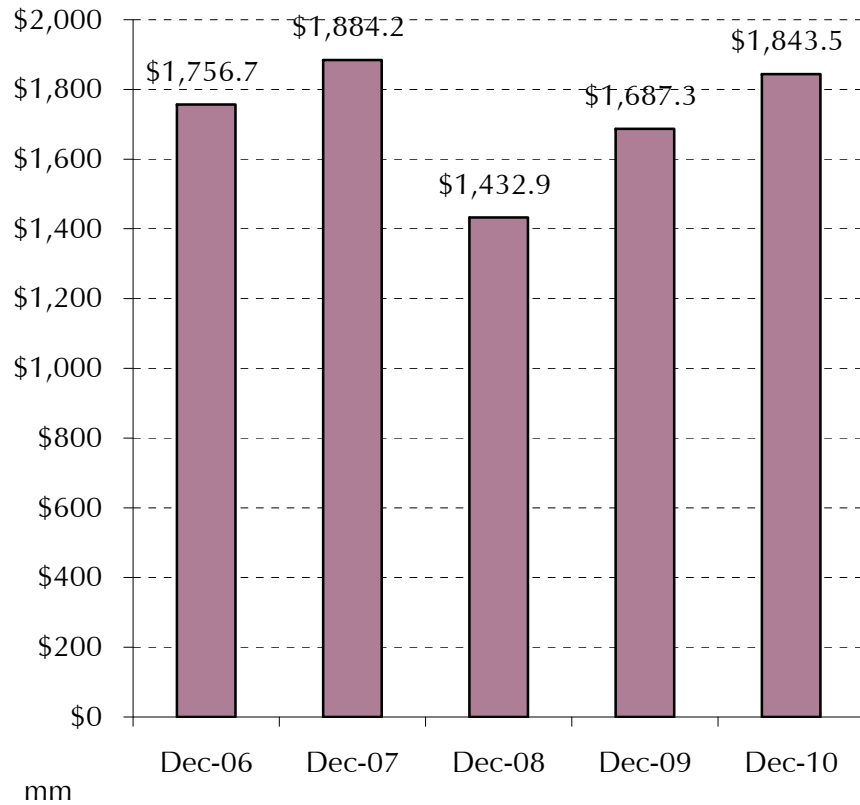
- High yield bonds were the best performing fixed income asset class, advancing 3.2%. Spreads compressed by approximately 90 basis points over the quarter to 5.3%, a level roughly equal to their long-term average.
- The Barclays Aggregate index and TIPS declined 1.3% and 0.7%, respectively.

**The value of the San Jose Federated City Employees Retirement System assets was \$1.844 billion on December 31, 2010, up approximately \$58 million since the end of the third quarter.**

- During the first quarter of 2010, the Board of Trustees adopted a new asset allocation in response to the results of an asset-liability study, and in order to position the Plan to better weather future market downturns.
- The policy benchmark has been updated to reflect the new asset allocation beginning in April 2010. This report also includes a dynamic benchmark, which reflects the actual asset allocation of the Plan using asset class benchmarks, and re-weighted monthly. The policy benchmark shows how a passive portfolio would perform if allocated according to the Plan's target allocations, and the dynamic benchmark shows how a passive portfolio would perform as the Plan is actually allocated.
- While housing assets reserved for future alternatives investments in fixed income boosted the Retirement System's performance during the second quarter, it was detrimental on a relative basis during the third and fourth quarters, as risky assets tended to outperform. During the fourth quarter, the Retirement System returned 5.2% net of fees, underperforming the policy benchmark by 180 basis points, and underperforming the dynamic benchmark by 30 basis points.
- Longer-term performance has been strong on an absolute basis. The fourth quarter return brings the trailing one-year return to 12.7% net of fees.
- The Board has recently approved the hiring of several new active managers, including global equity managers Artisan and Tradewinds, commodities managers First Quadrant and Credit Suisse, and opportunistic direct lending managers GSO, Medley, and White Oak.

- During the fourth quarter, Eagle Small Cap Growth returned 17.7% net of fees, compared to 17.1% for the Russell 2000 Growth benchmark. Eagle's trailing one year net of fees return was 450 basis points higher than the benchmark. An overweight position in energy stocks, as well as strong stock selection, contributed to the outperformance, while an underweight position in healthcare detracted from relative returns during the fourth quarter.
- New small cap value manager RS Investments, which the Board voted to hire during the third quarter, posted performance of 19.0% net of fees during the fourth quarter, outperforming the Russell 2000 Value benchmark by 360 basis points. RS was able to generate strong returns during the fourth quarter through superior stock selection in the financials and hard assets sectors, among others.
- With a return of 2.7% net of fees, fourth quarter performance for the MacKay Shields High Yield Active Core portfolio fell in between that of the broad high yield market, as proxied by the Barclays High Yield Index, and that of the more conservative sector of the high yield market, as proxied by the Barclays High Yield BB/B Index. The Barclays High Yield Index returned 3.2% during the quarter, while the Barclays High Yield BB/B Index returned 2.5%. MacKay Shield manages a portfolio that is generally more conservative than the overall high yield market.

**Plan Summary**  
**As of December 31, 2010**





	Market Value 12/31/10 (\$ mm)	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,843.5</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,786.0</b>
Global Equity Assets	939.8	51	49	43-55	853.8
Fixed Income Assets <sup>1</sup>	640.3	35	20	15-25	663.0
Alternative Assets	236.6	13	31	26-36	221.9
Real Assets	76.6	4	10	0-15	69.3
Private Equity Assets	82.5	4	6	0-9	77.8
Real Estate Assets	77.4	4	5	0-8	74.8
Opportunistic Assets	0.0	0	5	0-8	0.0
Hedge Funds Assets	0.0	0	5	0-8	0.0
Cash	26.8	1	0	0-5	47.2

<sup>1</sup> Fixed Income Assets include funds reserved for future investments in alternative assets.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/10

	Market Value 12/31/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,843.5</b>	<b>NA</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,786.0</b>
<b>Global Equity Assets</b>	<b>939.8</b>	<b>100</b>	<b>51</b>	<b>49</b>	<b>43-55</b>	<b>853.8</b>
Northern Trust MSCI All Country World Index <sup>1</sup>	266.9	28	14			244.6
MSCI All Country World Value	160.9	17	9			148.7
MSCI EAFE Small Cap	96.7	10	5			86.8
Northern Trust MSCI Emerging Markets Index	95.2	10	5			88.7
Northern Trust Russell 3000 Index	76.9	8	4			68.9
Eagle Small-Cap Growth	70.1	7	4			59.5
MSCI EAFE Growth	59.4	6	3			54.6
Calamos Global Convertibles	58.2	6	3			55.3
RS Investments Small Cap Value	55.5	6	3			46.6

<sup>1</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/10

	Market Value 12/31/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/10 (\$ mm)
<b>Fixed Income Assets<sup>1</sup></b>	<b>640.3</b>	<b>100</b>	<b>35</b>	<b>20</b>	<b>15-25</b>	<b>663.0</b>
Barclays U.S. TIPS	264.1	41	14			266.8
Barclays Intermediate Government Bond	263.7	41	14			272.6
MacKay Shields High Yield Active Core	53.7	8	3			58.4
Seix Credit Dislocation Strategy	38.1	6	2			43.7
Northern Trust Long Term Credit Bond Index	20.7	3	1			21.4
<b>Real Assets</b>	<b>76.6</b>	<b>100</b>	<b>4</b>	<b>10</b>	<b>0-15</b>	<b>69.3</b>
Dow Jones-UBS Commodities	40.9	53	2			35.3
S&P Global Infrastructure	35.7	47	2			34.0
<b>Private Equity Assets</b>	<b>82.5</b>	<b>100</b>	<b>4</b>	<b>6</b>	<b>0-9</b>	<b>77.8</b>
Pathway Private Equity Fund VIII	28.5	35	2			29.1
Pantheon Global Secondary Fund III	27.7	34	2			26.3
Pantheon USA Fund VII	18.2	22	< 1			16.7
Partners Group Secondary 2008	6.2	8	< 1			4.3
Great Hill Equity Partners IV	1.9	2	< 1			1.4

<sup>1</sup> Fixed Income Assets include funds reserved for future investments in alternative assets.



	Market Value 12/31/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/10 (\$ mm)
<b>Real Estate Assets</b>	<b>77.4</b>	<b>100</b>	<b>4</b>	<b>5</b>	<b>0-8</b>	<b>74.8</b>
PRISA I	22.6	29	1			22.0
American Core Realty Fund, LLC	15.3	20	< 1			14.8
DRA Growth & Income Fund V	15.0	19	< 1			14.7
Milpitas Warehouse	8.7	11	< 1			8.7
Fidelity Real Estate Growth Fund III, L.P.	5.4	7	< 1			3.9
GEAM Value Add Realty Partners, L.P.	5.3	7	< 1			4.7
DRA Growth & Income Fund VI	5.1	7	< 1			6.0
<b>Cash</b>	<b>26.8</b>	<b>100</b>	<b>1</b>	<b>0</b>	<b>0-5</b>	<b>47.2</b>
Internal Cash Account	26.8	100	1			47.2

	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>5.2</b>	<b>12.9</b>	<b>1.1</b>	<b>4.9</b>	<b>6.0</b>	<b>1/1/94</b>	<b>7.9</b>
<b>Net of Fees</b>	<b>5.2</b>	<b>12.7</b>	<b>0.8</b>	<b>4.6</b>	<b>5.7</b>		<b>7.7</b>
<i>CPI (inflation)</i>	0.3	1.5	1.4	2.2	2.3		2.4
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	7.0	14.9	1.8	5.3	5.4		7.8
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	5.5	NA	NA	NA	NA		NA
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	5.3	NA	NA	NA	NA		NA
<i>Master Trust (Median)</i>	5.3	12.5	1.0	4.5	4.8		NA
Global Equity	10.1	NA	NA	NA	NA	5/1/10	10.9
<i>MSCI ACWI IMI</i>	9.3	14.3	-3.5	3.9	4.0		9.7
<i>MSCI ACWI</i>	8.7	12.7	-4.3	3.4	3.2		9.1
<i>Global Equity Policy Benchmark<sup>5</sup></i>	9.4	NA	NA	NA	NA		10.1

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.

<sup>2</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000 Growth, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Credit, 2.5% Barclays High Yield, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 10% Dow Jones UBS Commodity, and 5% 3-Month Libor +5%. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

<sup>3</sup> Dynamic Benchmark consists of each manager's individual benchmark, as shown on the following performance pages, weighted according to actual allocations and readjusted monthly.

<sup>4</sup> Custom Benchmark consists of the individual benchmarks that comprise of the Policy Benchmark (see footnote 2) weighted according to actual allocations and readjusted monthly.

<sup>5</sup> The Global Equity Policy Benchmark consists of 33% MSCI ACWI, 18% MSCI ACWI Value, 10% MSCI Emerging Markets, 10% MSCI EAFE Small Cap, 6% MSCI EAFE Growth, 6% Russell 3000 Growth, 5% Russell 2000 Growth, 5% Russell 2000 Value, and 6% ML 300 Global Convertibles.



	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Net of Fees (continued)</b>							
Fixed Income	-0.8	6.9	6.9	6.6	6.6	1/1/94	6.4
<i>Barclays Universal</i>	-1.0	7.2	6.0	5.9	6.1		6.3
<i>Fixed Income Policy Benchmark<sup>2</sup></i>	0.0	7.7	6.3	6.0	6.0		6.3
Real Assets	10.4	NA	NA	NA	NA	5/1/10	14.0
<i>S&amp;P Global Infrastructure Index</i>	5.0	5.8	NA	NA	NA		7.8
<i>Dow Jones - UBS Commodities</i>	15.8	16.7	-4.2	-1.0	4.7		20.6
<i>Real Assets Policy Benchmark<sup>3</sup></i>	13.6	14.5	NA	NA	NA		18.0
Private Equity	2.4	9.2	-3.4	0.1	NA	1/1/06	0.1
<i>Venture Economics Private Equity Composite</i>	5.1	15.4	0.0	8.7	4.6		8.7
Real Estate <sup>4</sup>	2.1	3.9	-12.7	-1.5	6.8	1/1/94	8.0
<i>NCREIF Property (lagged)</i>	3.9	5.8	-4.6	3.7	7.2		8.6

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.

<sup>2</sup> The Fixed Income Policy Benchmark consists of 38% Barclays U.S. TIPS, 25% Barclays IT Gov't, 13% Barclays Credit, 13% Barclays High Yield, 13% CSFB Leveraged Loan Index. Prior to April 2010 is 100% Barclays Aggregate.

<sup>3</sup> The Real Assets Policy Benchmark consists of 80% Dow Jones - UBS Commodities and 20% S&P Global Infrastructure Index.

<sup>4</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.



	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>5.2</b>	<b>12.9</b>	<b>1.1</b>	<b>4.9</b>	<b>6.0</b>	<b>1/1/94</b>	<b>7.9</b>
<b>Net of Fees</b>	<b>5.2</b>	<b>12.7</b>	<b>0.8</b>	<b>4.6</b>	<b>5.7</b>		<b>7.7</b>
<i>CPI (inflation)</i>	0.3	1.5	1.4	2.2	2.3		2.4
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	7.0	14.9	1.8	5.3	5.4		7.8
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	5.5	NA	NA	NA	NA		NA
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	5.3	NA	NA	NA	NA		NA
<i>Master Trust (Median)</i>	5.3	12.5	1.0	4.5	4.8		NA
<b>Global Equity</b>	<b>10.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>10.9</b>
Northern Trust MSCI All Country World Index <sup>5</sup>	9.1	NA	NA	NA	NA	6/1/10	20.9
<i>MSCI ACWI</i>	8.7	12.7	-4.3	3.4	3.2		20.5
MSCI All Country World Value	8.2	NA	NA	NA	NA	6/1/10	18.5
Net of Fees	8.2	NA	NA	NA	NA		18.5
<i>MSCI ACWI Value</i>	7.7	10.2	-5.3	2.6	3.7		18.1

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.

<sup>2</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000 Growth, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Credit, 2.5% Barclays High Yield, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 10% Dow Jones UBS Commodity, and 5% 3-Month Libor +5%. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

<sup>3</sup> Dynamic Benchmark consists of each manager's individual benchmark, as shown on the following performance pages, weighted according to actual allocations and readjusted monthly.

<sup>4</sup> Custom Benchmark consists of the individual benchmarks that comprise of the Policy Benchmark (see footnote 2) weighted according to actual allocations and readjusted monthly.

<sup>5</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.

	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>							
MSCI EAFE Small Cap	11.5	NA	NA	NA	NA	6/1/10	27.8
Net of Fees	11.5	NA	NA	NA	NA		27.7
<i>MSCI EAFE Small Cap</i>	11.8	22.0	-1.7	2.8	9.5		30.8
Northern Trust MSCI Emerging Markets Index	7.3	NA	NA	NA	NA	6/1/10	25.5
<i>MSCI Emerging Markets</i>	7.3	18.9	-0.3	12.8	15.9		25.8
Northern Trust Russell 3000 Index	11.6	17.2	-1.8	2.9	2.3	9/1/99	2.5
<i>Russell 3000</i>	11.6	16.9	-2.0	2.7	2.2		2.3
Eagle Small-Cap Growth	17.9	34.4	6.6	10.6	10.4	6/1/98	7.0
Net of Fees	17.7	33.6	6.0	10.0	9.7		6.4
<i>Russell 2000 Growth</i>	17.1	29.1	2.2	5.3	3.8		3.6
<i>Peer Small Cap Growth</i>	16.9	28.0	2.1	5.9	5.6		7.8
<i>Peer Ranking (percentile)</i>	33	16	7	1	6		63
MSCI EAFE Growth	8.7	NA	NA	NA	NA	6/1/10	23.8
Net of Fees	8.7	NA	NA	NA	NA		23.8
<i>MSCI EAFE Growth</i>	7.9	12.2	-5.9	3.5	2.7		25.7

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.





	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>							
Calamos Global Convertibles	5.1	11.5	NA	NA	NA	11/1/09	14.2
Net of Fees	5.0	11.0	NA	NA	NA		13.7
<i>Merrill Lynch Global 300 Convertible Index</i>	5.4	11.7	2.5	5.3	NA		14.9
RS Investments Small Cap Value	19.2	NA	NA	NA	NA	9/1/10	31.0
Net of Fees	19.0	NA	NA	NA	NA		30.6
<i>Russell 2000 Value</i>	15.4	24.5	2.2	3.5	8.4		27.8
<i>Peer Small Cap Value</i>	16.1	27.7	6.1	6.0	10.6		28.6
<i>Peer Ranking (percentile)</i>	8	NA	NA	NA	NA		35
<b>Fixed Income</b>							
Barclays U.S. TIPS	-1.2	NA	NA	NA	NA	6/1/10	3.1
Net of Fees	-1.2	NA	NA	NA	NA		3.0
<i>Barclays U.S. TIPS</i>	-0.6	6.3	5.0	5.3	7.1		3.3
Barclays Intermediate Government Bond	-1.3	NA	NA	NA	NA	6/1/10	2.1
Net of Fees	-1.3	NA	NA	NA	NA		2.1
<i>Barclays IT Gov't</i>	-1.6	5.0	4.9	5.4	5.1		1.9

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.



	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Fixed Income (continued)</b>							
MacKay Shields High Yield Active Core	2.8	13.5	NA	NA	NA	5/1/09	20.6
Net of Fees	2.7	13.0	NA	NA	NA		20.1
<i>Barclays High Yield</i>	3.2	15.1	10.4	8.9	8.9		29.2
<i>Barclays High Yield BB/B</i>	2.5	14.3	8.8	7.9	8.1		23.6
<i>Peer High Yield</i>	3.6	15.3	9.1	8.3	8.6		27.7
<i>Peer Ranking (percentile)</i>	85	84	NA	NA	NA		90
Seix Credit Dislocation Strategy	2.6	7.9	NA	NA	NA	5/1/09	10.6
Net of Fees	2.6	7.6	NA	NA	NA		10.3
<i>CSFB Leveraged Loan Index</i>	3.3	10.0	4.3	4.4	4.8		21.1
Northern Trust Long Term Credit Bond Index	-3.6	NA	NA	NA	NA	5/1/10	5.6
<i>Barclays Long U.S. Credit</i>	-3.7	10.7	7.5	5.9	7.7		5.1
<b>Real Assets</b>	<b>10.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>14.0</b>
Dow Jones-UBS Commodities	15.8	NA	NA	NA	NA	5/1/10	20.6
<i>Dow Jones - UBS Commodities</i>	15.8	16.7	-4.2	-1.0	4.7		20.6
S&P Global Infrastructure	4.8	NA	NA	NA	NA	5/1/10	7.3
<i>S&amp;P Global Infrastructure Index</i>	5.0	5.8	NA	NA	NA		7.8

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.



	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Private Equity</b>	<b>2.4</b>	<b>9.2</b>	<b>-3.4</b>	<b>0.1</b>	<b>NA</b>	<b>1/1/06</b>	<b>0.1</b>
Venture Economics Private Equity Composite	5.1	15.4	0.0	8.7	4.6		8.7
<b>Real Estate<sup>2</sup></b>	<b>2.1</b>	<b>3.9</b>	<b>-12.7</b>	<b>-1.5</b>	<b>6.8</b>	<b>1/1/94</b>	<b>8.0</b>
PRISA I	3.1	8.0	-13.5	-1.6	NA	7/1/04	2.7
Net of Fees	2.8	6.9	-14.3	-2.5	NA		1.8
NCREIF Property (lagged)	3.9	5.8	-4.6	3.7	7.2		6.7
American Core Realty Fund, LLC	3.7	11.2	-9.7	NA	NA	1/1/07	-3.6
Net of Fees	3.4	10.1	-10.6	NA	NA		-4.5
NCREIF Property	4.6	13.1	-4.2	3.5	7.4		0.5
DRA Growth & Income Fund V <sup>3</sup>	2.0	-1.0	-8.3	-0.8	NA	1/1/06	-0.8
NCREIF Property (lagged)	3.9	5.8	-4.6	3.7	7.2		3.7
Milpitas Warehouse	0.0	2.0	-8.0	4.5	6.1	1/1/95	9.4
Net of Fees	0.0	1.8	-8.1	4.1	5.5		8.7
NCREIF Property (lagged)	3.9	5.8	-4.6	3.7	7.2		8.9
Fidelity Real Estate Growth Fund III, L.P. <sup>3</sup>	14.4	38.4	-40.6	NA	NA	10/1/07	-40.7
NCREIF Property (lagged)	3.9	5.8	-4.6	3.7	7.2		-3.2

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.

<sup>2</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.

<sup>3</sup> Performance is net of fees.



	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Real Estate<sup>2</sup> (continued)</b>							
GEAM Value Add Realty Partners, L.P.	9.4	8.3	-33.6	NA	NA	1/1/07	-25.5
Net of Fees	8.6	5.0	-35.0	NA	NA		-27.9
<i>NCREIF Property (lagged)</i>	3.9	5.8	-4.6	3.7	7.2		0.4
DRA Growth & Income Fund VI <sup>3</sup>	3.7	-0.1	-4.4	NA	NA	10/1/07	-2.5
<i>NCREIF Property (lagged)</i>	3.9	5.8	-4.6	3.7	7.2		-3.2

<sup>1</sup> Inception Date on all pages indicates that performance data is available after the date noted.

<sup>2</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate</b>	<b>12.9</b>	<b>20.0</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.7</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	14.9	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Dynamic Benchmark<sup>2</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Master Trust (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
Global Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
<i>MSCI ACWI IMI</i>	14.3	36.4	-42.3	11.2	20.9	11.5	16.4	35.5	-17.6	-15.6
Fixed Income	6.9	15.7	-1.3	6.7	5.8	0.8	6.3	9.0	10.5	6.5
<i>Barclays Universal</i>	7.2	8.6	2.4	6.5	5.0	2.7	5.0	5.8	9.8	8.1
<i>Fixed Income Policy Benchmark<sup>3</sup></i>	7.7	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4

<sup>1</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000 Growth, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Credit, 2.5% Barclays High Yield, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 10% Dow Jones UBS Commodity, and 5% 3-Month Libor +5%. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

<sup>2</sup> Dynamic Benchmark consists of each manager's individual benchmark, as shown on the following performance pages, weighted according to actual allocations and readjusted monthly.

<sup>3</sup> The Fixed Income Policy Benchmark consists of 38% Barclays U.S. TIPS, 25% Barclays IT Gov't, 13% Barclays Credit, 13% Barclays High Yield, 13% CSFB Leveraged Loan Index. Prior to April 2010 is 100% Barclays Aggregate.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate (continued)</b>										
Real Assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	5.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities</i>	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	25.9	-19.5
<i>Real Assets Policy Benchmark<sup>1</sup></i>	14.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Private Equity	9.2	-14.1	-4.0	15.5	-3.5	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite</i>	15.4	-6.6	-7.2	27.4	19.3	29.7	16.0	8.9	-14.9	-26.5
Real Estate <sup>2</sup>	3.9	-32.4	-5.4	23.4	13.2	22.9	10.3	28.7	10.7	7.5
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1

<sup>1</sup> The Real Assets Policy Benchmark consists of 80% Dow Jones - UBS Commodities and 20% S&P Global Infrastructure Index.

<sup>2</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate</b>	<b>12.9</b>	<b>20.0</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.7</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	14.9	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Dynamic Benchmark<sup>2</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Master Trust (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
<b>Global Equity</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust MSCI All Country World Index <sup>3</sup>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
MSCI All Country World Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	10.2	31.7	-41.5	6.7	25.6	10.8	19.1	39.0	-19.3	-14.3
MSCI EAFE Small Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	22.0	46.8	-47.0	1.4	19.3	26.2	30.8	61.3	-7.8	-12.5

<sup>1</sup> Policy Benchmark consists of 16% MSCI ACWI, 9% MSCI ACWI Value, 5% MSCI Emerging Markets, 5% MSCI EAFE Small Cap, 3% MSCI EAFE Growth, 3% Russell 3000 Growth, 2.5% Russell 2000 Growth, 2.5% Russell 2000 Value, 7.5% Barclays U.S. TIPS, 5% Barclays Int. Govt., 2.5% Barclays Credit, 2.5% Barclays High Yield, 2.5% CSFB Leveraged Loan, 3% ML 300 Global Convertibles, 5% HFRI, 5% NCREIF Property, 6% Venture Economics Private Equity, 10% Dow Jones UBS Commodity, and 5% 3-Month Libor +5%. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

<sup>2</sup> Dynamic Benchmark consists of each manager's individual benchmark, as shown on the following performance pages, weighted according to actual allocations and readjusted monthly.

<sup>3</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Global Equity (continued)</b>										
Northern Trust MSCI Emerging Markets Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	18.9	78.5	-53.3	39.4	32.2	34.0	25.6	55.8	-6.2	-2.6
Northern Trust Russell 3000 Index	17.2	28.9	-37.3	5.3	15.8	6.2	12.0	31.2	-21.4	-11.3
<i>Russell 3000</i>	16.9	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5
Eagle Small-Cap Growth	34.4	40.3	-35.8	12.7	21.4	4.2	20.8	44.7	-22.5	14.5
Net of Fees	33.6	39.5	-36.1	12.0	20.7	3.6	20.0	43.8	-23.0	13.7
<i>Russell 2000 Growth</i>	29.1	34.5	-38.5	7.0	13.3	4.2	14.3	48.5	-30.3	-9.2
MSCI EAFE Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Growth</i>	12.2	29.4	-42.7	16.5	22.3	13.3	16.1	32.0	-16.0	-24.6
Calamos Global Convertibles	11.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	11.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Merrill Lynch Global 300 Convertible Index</i>	11.7	36.3	-29.3	6.5	12.8	6.0	NA	NA	NA	NA
RS Investments Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	24.5	20.6	-28.9	-9.8	23.5	4.7	22.2	46.0	-11.4	14.0





## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Fixed Income</b>	<b>6.9</b>	<b>15.7</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>	<b>9.0</b>	<b>10.5</b>	<b>6.5</b>
Barclays U.S. TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS</i>	6.3	11.4	-2.4	11.6	0.4	2.8	8.5	8.4	16.6	8.2
Barclays Intermediate Government Bond	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays IT Gov't</i>	5.0	-0.3	10.4	8.5	3.8	1.7	2.3	2.3	9.6	8.4
MacKay Shields High Yield Active Core	13.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	13.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays High Yield</i>	15.1	58.2	-26.2	1.9	11.8	2.7	11.1	29.0	-1.4	5.3
<i>Barclays High Yield BB/B</i>	14.3	45.4	-22.5	2.5	10.7	3.2	10.0	23.3	-0.5	6.8
Seix Credit Dislocation Strategy	7.9	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	7.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>CSFB Leveraged Loan Index</i>	10.0	44.9	-28.8	1.9	7.2	5.7	5.6	11.0	1.1	2.6
Northern Trust Long Term Credit Bond Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Long U.S. Credit</i>	10.7	16.8	-3.9	3.6	3.5	3.8	9.4	10.4	11.9	12.2



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Real Assets</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Dow Jones-UBS Commodities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities</i>	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	25.9	-19.5
S&P Global Infrastructure	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	5.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Private Equity</b>	<b>9.2</b>	<b>-14.1</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Venture Economics Private Equity Composite</i>	15.4	-6.6	-7.2	27.4	19.3	29.7	16.0	8.9	-14.9	-26.5
<b>Real Estate<sup>1</sup></b>	<b>3.9</b>	<b>-32.4</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>	<b>10.3</b>	<b>28.7</b>	<b>10.7</b>	<b>7.5</b>
PRISA I	8.0	-42.2	3.7	19.7	18.7	19.7	NA	NA	NA	NA
Net of Fees	6.9	-42.7	3.0	18.8	17.8	18.7	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
American Core Realty Fund, LLC	11.2	-30.0	-5.3	17.3	NA	NA	NA	NA	NA	NA
Net of Fees	10.1	-30.7	-6.2	16.2	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	13.1	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3
DRA Growth & Income Fund V <sup>2</sup>	-1.0	-24.3	2.8	18.7	5.3	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1

<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.

<sup>2</sup> Performance is net of fees.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/10

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Real Estate<sup>1</sup> (continued)</b>										
Milpitas Warehouse	2.0	-25.2	2.3	46.7	8.7	-14.9	9.1	9.0	11.0	29.5
Net of Fees	1.8	-25.4	2.1	45.8	7.9	-15.7	8.3	8.1	10.0	28.6
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
Fidelity Real Estate Growth Fund III, L.P. <sup>2</sup>	38.4	-77.5	-32.6	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
GEAM Value Add Realty Partners, L.P.	8.3	-65.7	-21.1	5.0	NA	NA	NA	NA	NA	NA
Net of Fees	5.0	-66.3	-22.2	-1.6	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
DRA Growth & Income Fund VI <sup>2</sup>	-0.1	-19.8	9.0	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1

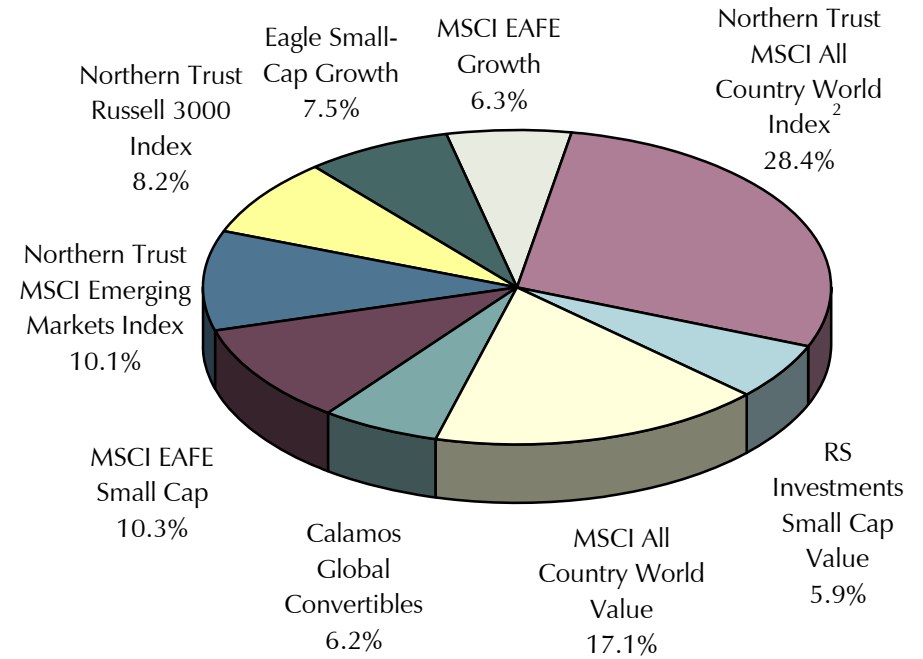
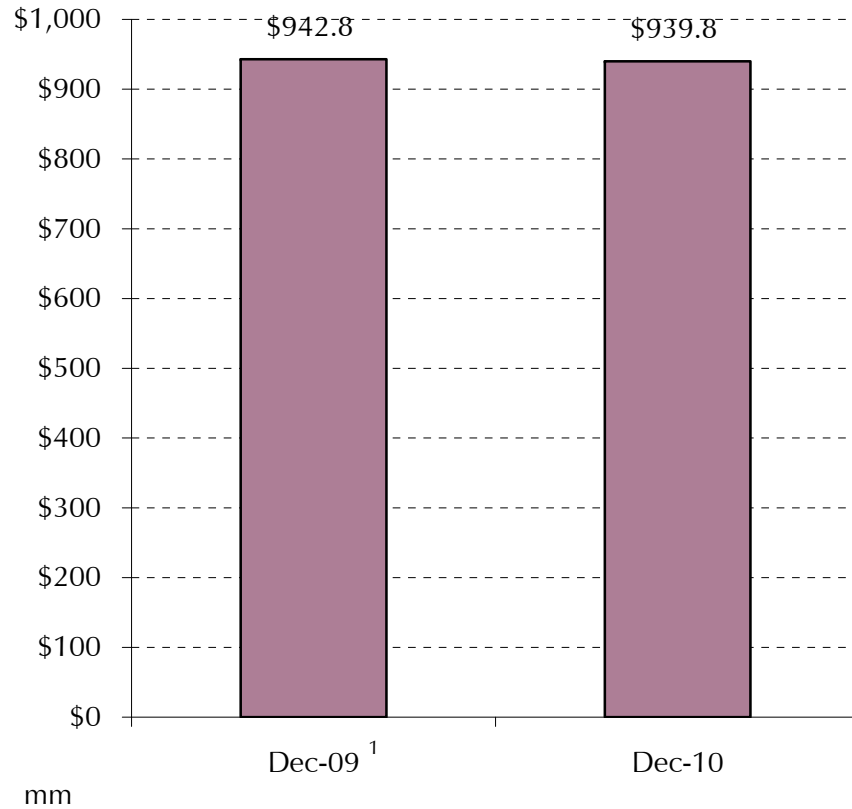
<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund which is not lagged.

<sup>2</sup> Performance is net of fees.



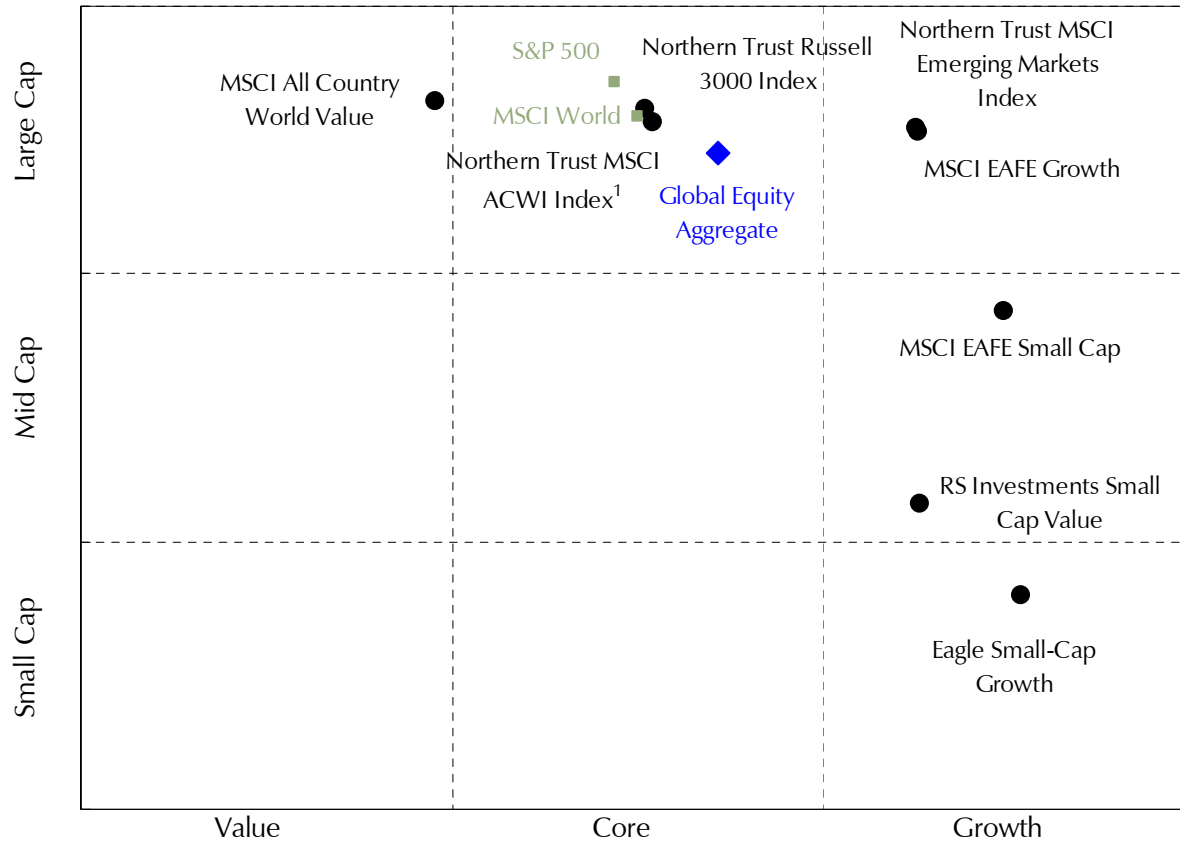
## Plan Detail

**Global Equity Assets  
As of December 31, 2010**



<sup>1</sup> During 1Q10, San Jose Federated City Employees Retirement System adopted a new asset allocation policy that included an allocation to Global Equities. The market value of Global Equities as of 12/31/09 reflects the prior asset class categories of domestic equities and international equities.

<sup>2</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.



<sup>1</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.

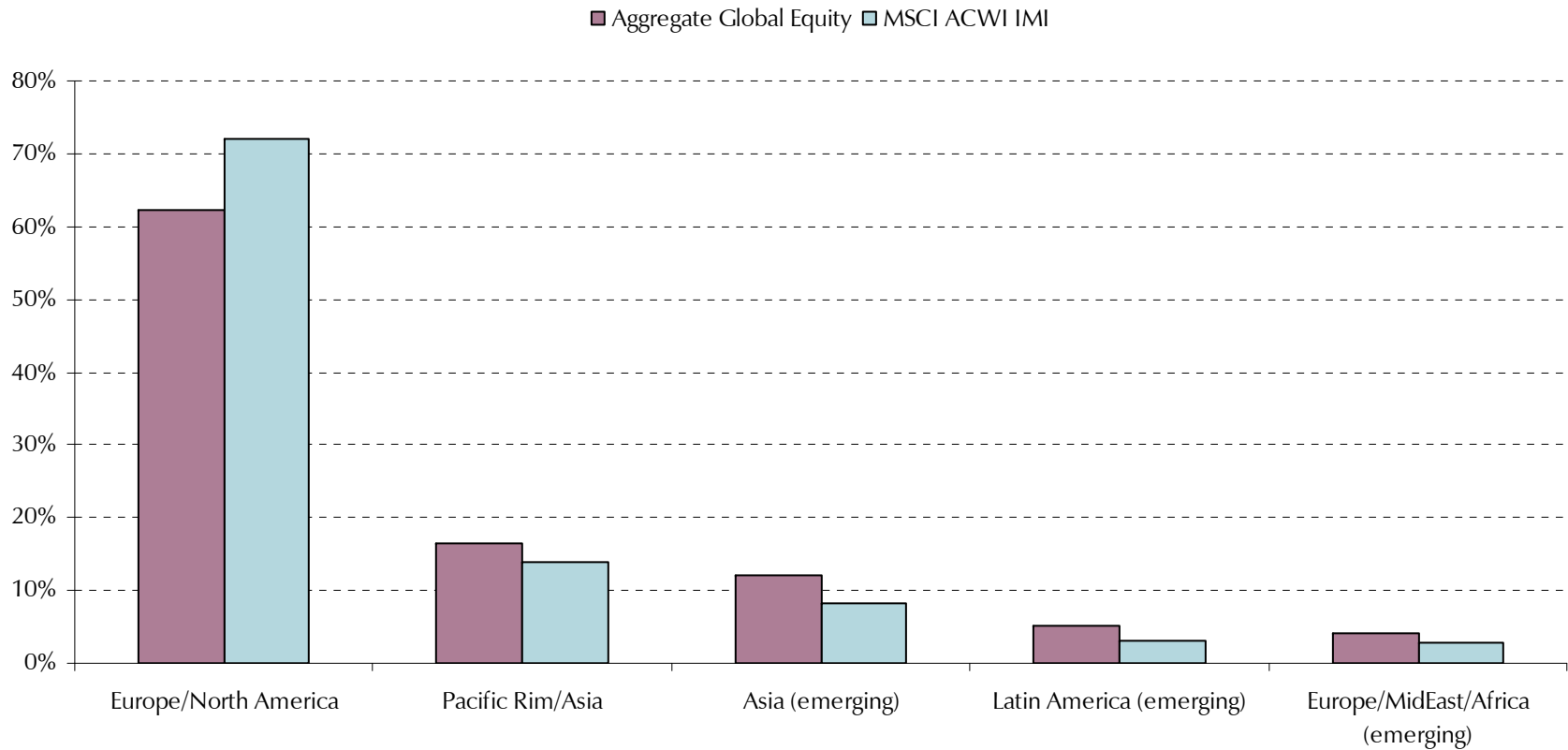


	Aggregate Global Equity 12/31/10	MSCI ACWI IMI 12/31/10	Aggregate Global Equity 9/30/10
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	50.5	57.7	49.2
Median Market Cap. (US\$ million)	2.7	1.0	2.4
Large (% over US\$9 billion)	66	72	67
Medium (% US\$1.5 billion to US\$9 billion)	24	22	24
Small (% under US\$1.5 billion)	10	7	10
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	22	22	19
Price-Book Value Ratio	2.9	3.0	2.7
Dividend Yield (%)	2.0	2.5	2.2
Historical Earnings Growth Rate (%)	6	9	7
Projected Earnings Growth Rate (%)	15	13	14

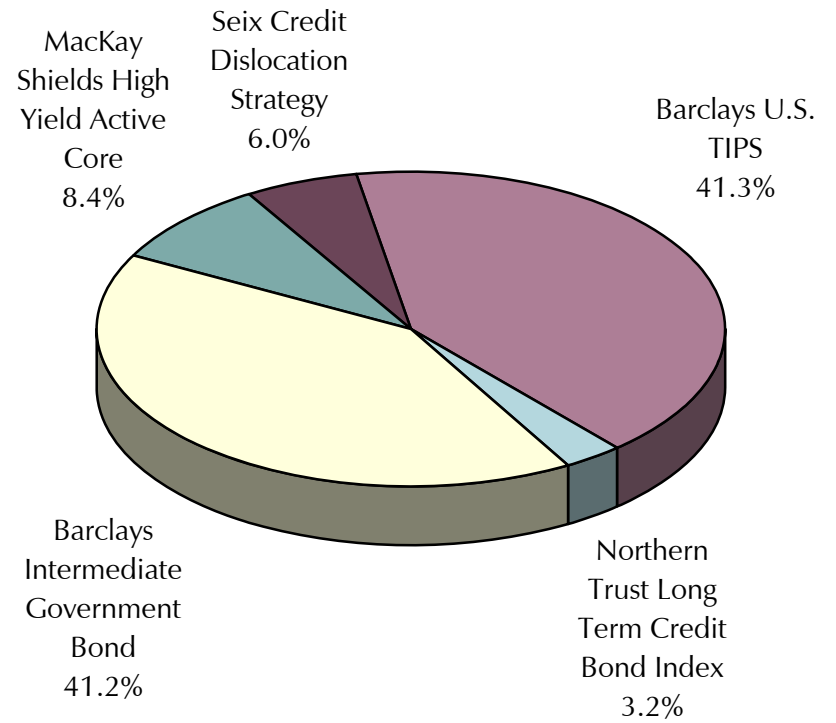
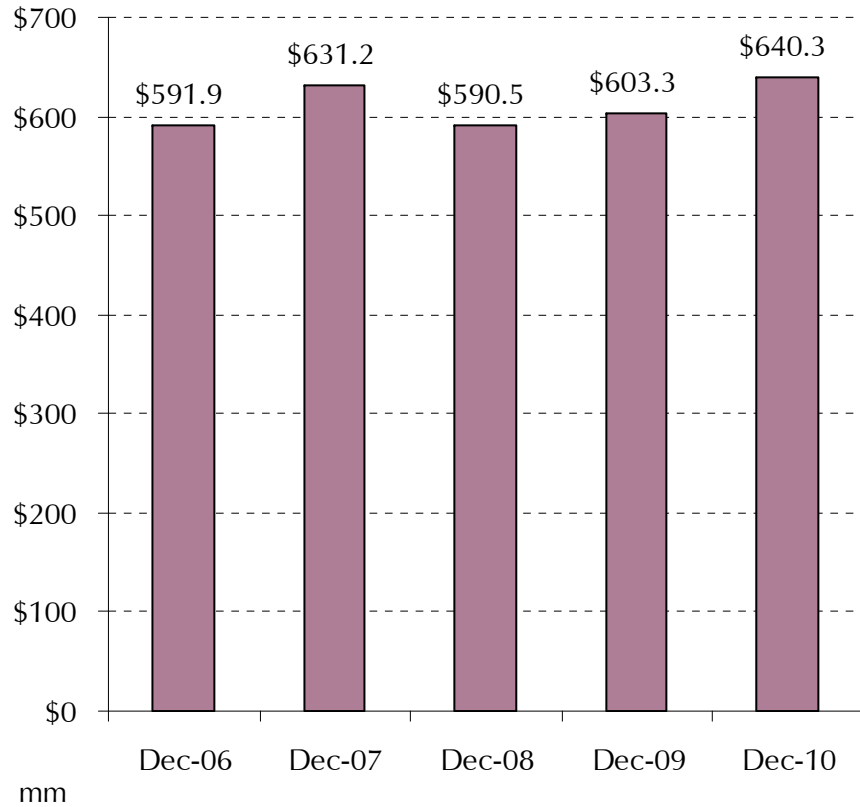


Industry Allocation (%):	Aggregate Global Equity 12/31/10	MSCI ACWI IMI 12/31/10	Aggregate Global Equity 9/30/10
Industrials	13	12	13
Consumer Discretionary	11	11	11
Information Technology	12	12	13
Energy	11	11	10
Health Care	8	8	9
Telecom	4	4	4
Utilities	4	4	4
Financials	20	21	20
Materials	9	9	8
Consumer Staples	7	9	8

	Aggregate Global Equity 12/31/10 (%)	MSCI ACWI IMI 12/31/10 (%)		Aggregate Global Equity 12/31/10 (%)	MSCI ACWI IMI 12/31/10 (%)
<b>Europe/North America</b>	<b>68.6</b>	<b>72.1</b>	<b>Latin America (emerging)</b>	<b>4.3</b>	<b>3.0</b>
United States	43.8	43.1	Brazil	2.8	2.0
Italy	1.1	1.0	<b>Europe/MidEast/Africa (emerging)</b>	<b>3.5</b>	<b>2.8</b>
France	3.4	3.4	South Africa	1.4	1.1
Switzerland	2.8	2.9	Russia	1.1	0.8
Sweden	1.2	1.3	<b>Other</b>	<b>0.0</b>	<b>0.0</b>
Germany	2.6	3.1			
United Kingdom	7.5	8.2			
Canada	1.9	4.7			
<b>Pacific Rim/Asia</b>	<b>13.3</b>	<b>14.0</b>			
Japan	8.7	8.6			
Australia	3.1	3.4			
<b>Asia (emerging)</b>	<b>10.3</b>	<b>8.1</b>			
China	3.1	2.3			
South Korea	2.5	1.9			
India	1.4	1.1			
Taiwan	1.9	1.7			

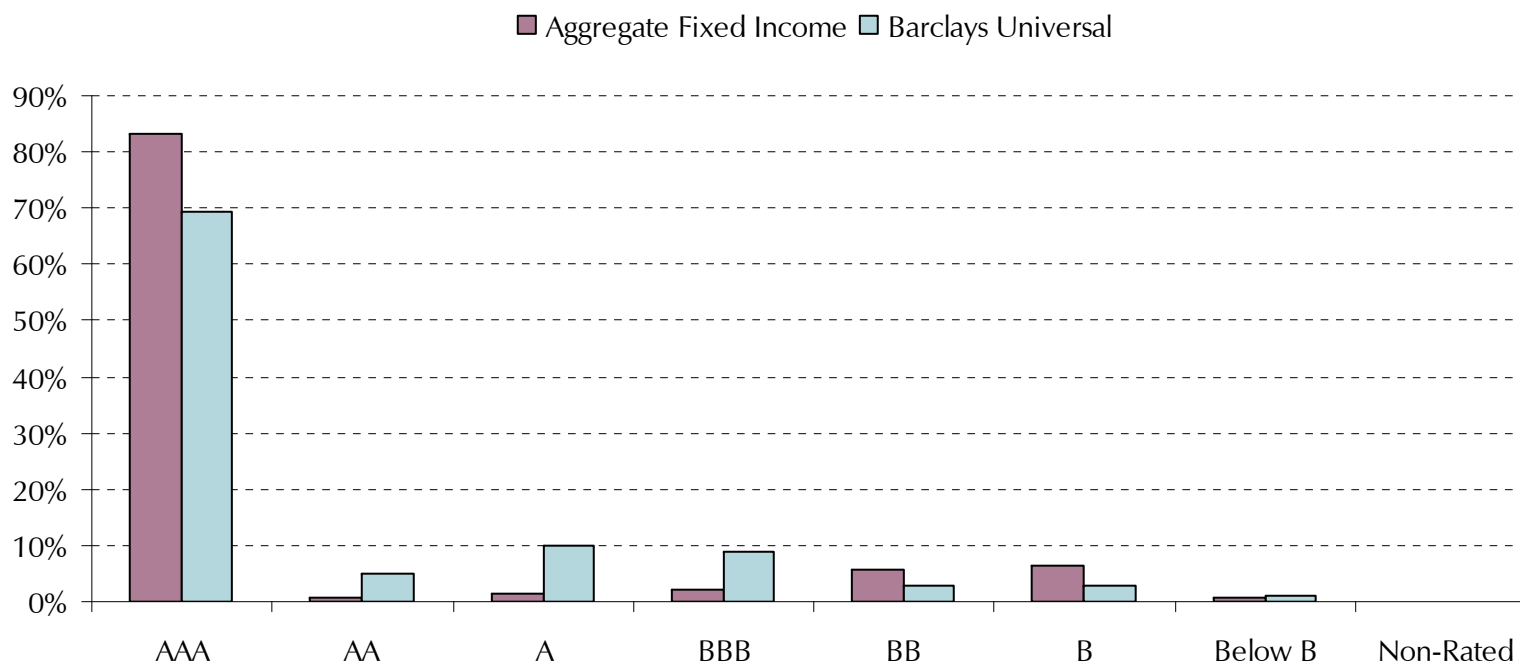


**Fixed Income Assets  
As of December 31, 2010**



Risk: (sixty months)	Aggregate Fixed Income 12/31/10	Barclays Universal 12/31/10
Annualized Return (%)	6.6	5.9
Standard Deviation (%)	4.9	4.0
Best Monthly Return (%)	4.8	3.8
Worst Monthly Return (%)	-3.8	-3.6
Beta	1.10	1.00
Correlation (R <sup>2</sup> ) to Index	0.90	1.00
Correlation to Total Fund Return	0.63	NA
Sharpe Measure (risk-adjusted return)	0.87	0.88
Information Ratio	0.35	NA

Duration & Yield:	Aggregate Fixed Income 12/31/10	Barclays Universal 12/31/10	Aggregate Fixed Income 9/30/10
Average Effective Duration (years) <sup>1</sup>	3.9	4.9	3.7
Yield to Maturity (%)	2.7	3.3	2.2



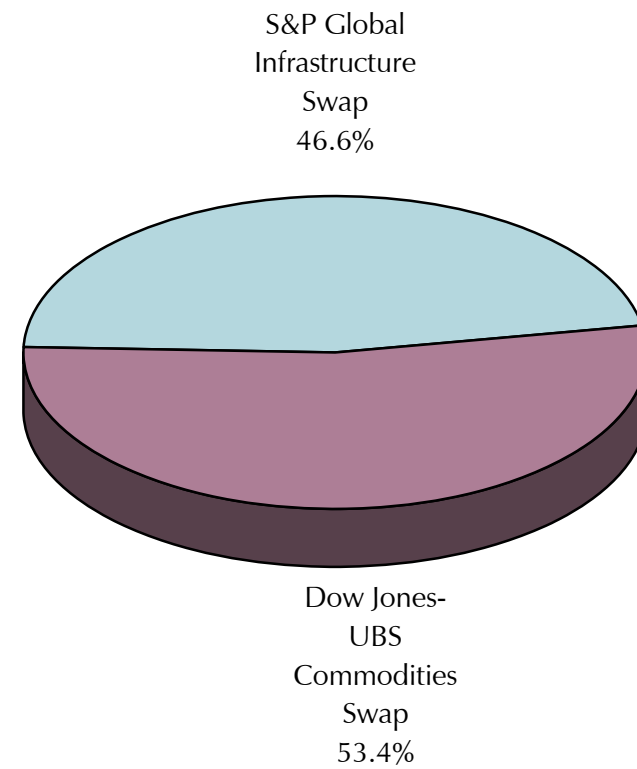
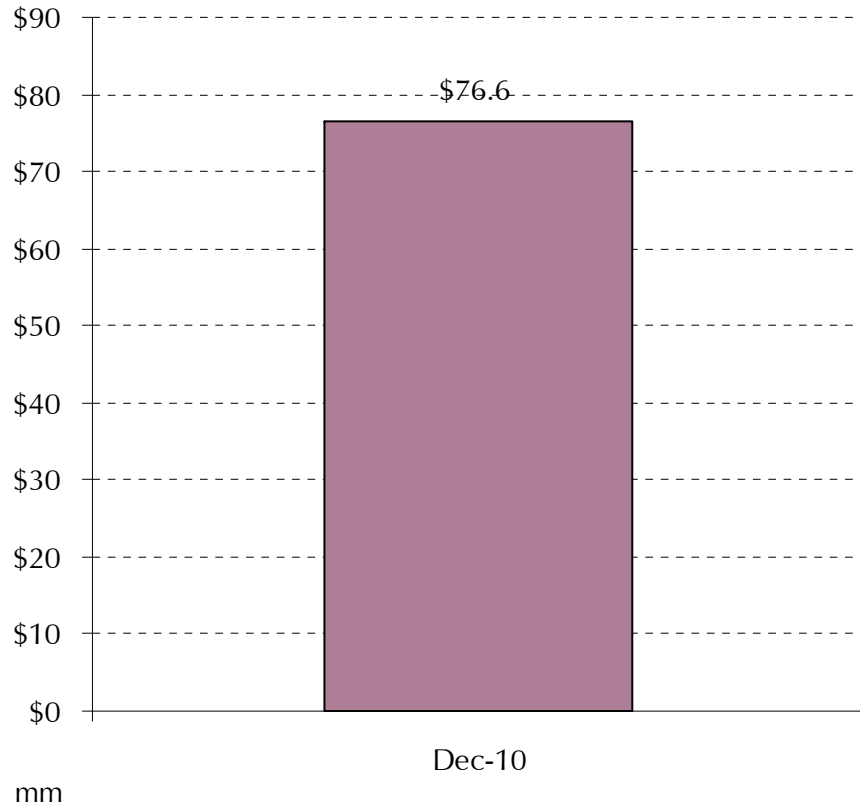
<sup>1</sup> Excludes TIPS.



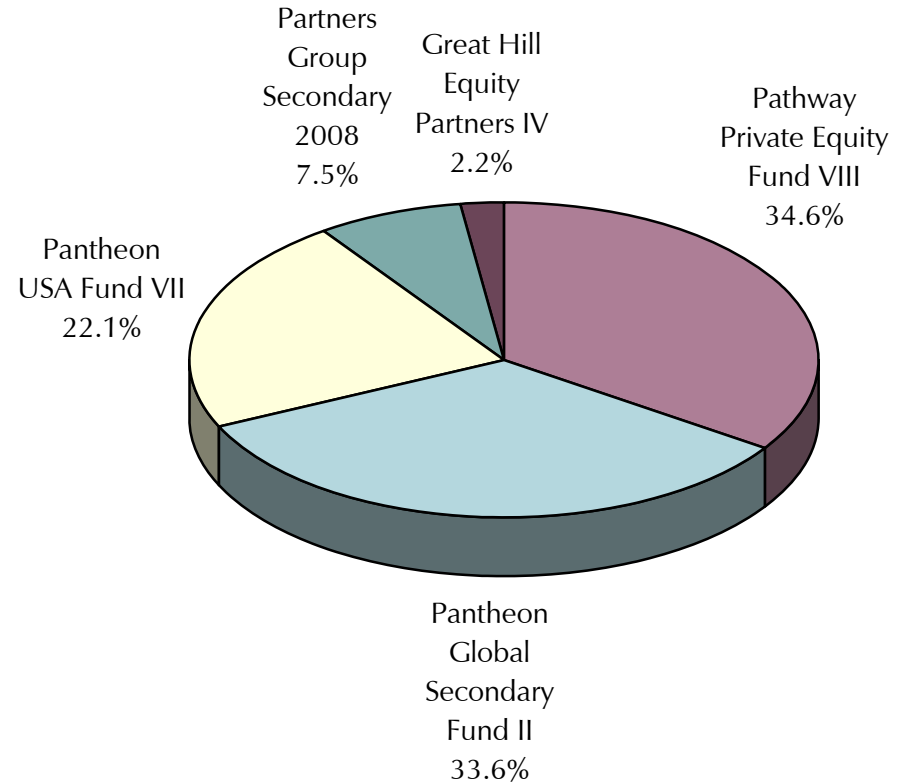
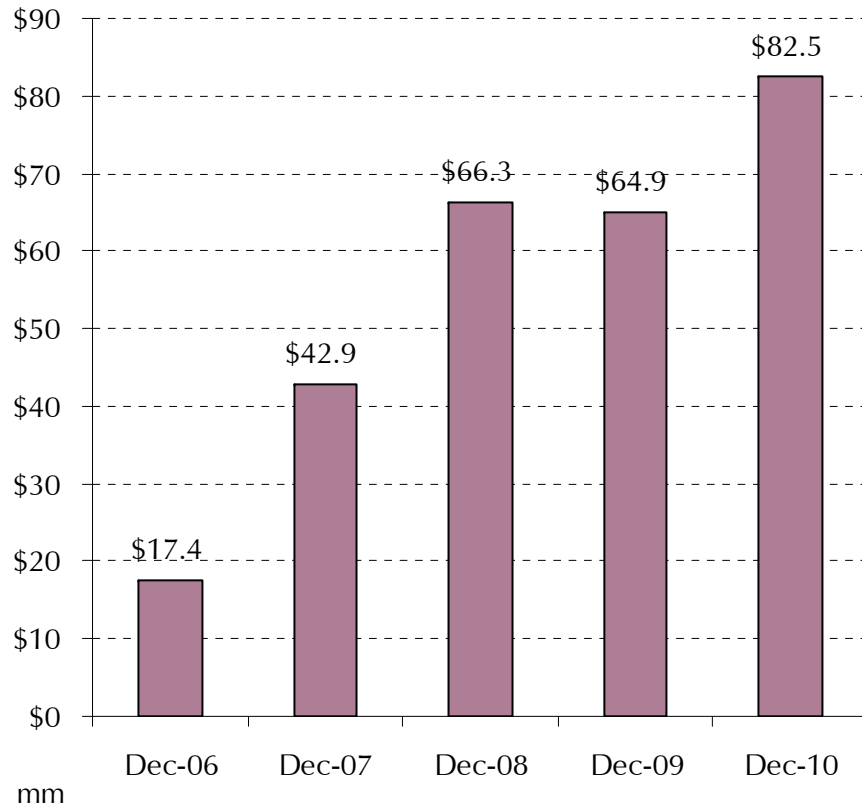
	Aggregate Fixed Income 12/31/10	Barclays Universal 12/31/10	Aggregate Fixed Income 9/30/10
<b>Market Allocation (%):</b>			
United States	99	86	99
Foreign (developed markets)	1	12	1
Foreign (emerging markets)	0	2	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	33	28	34
U.S. Treasury-TIPS	41	0	40
U.S. Agency	8	6	6
Mortgage Backed	0	29	0
Corporate	10	27	14
Bank Loans	6	0	5
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	6	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	0	0
Cash Equivalent	1	0	1
Other	0	0	0



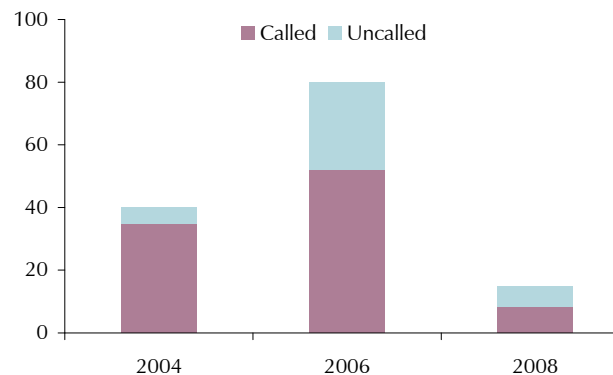
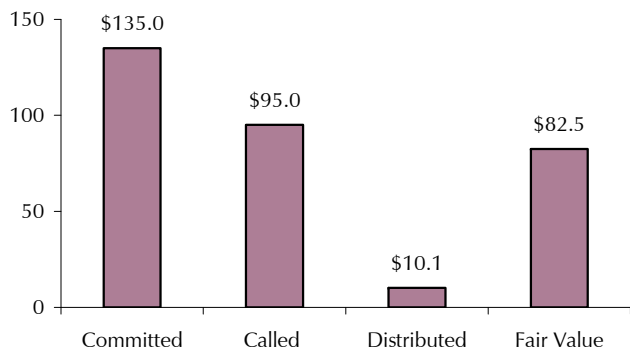
**Real Return Assets  
As of December 31, 2010**



**Private Equity Assets  
As of December 31, 2010**



*Fair values for private markets assets are based on reported values of 9/30/10, adjusted for cash flows through 12/31/10. Unless otherwise denoted, all values have been converted into US dollars using 12/31/10 exchange rates.*



**Financial Summary:** (Reported value as of 9/30/2010, adjusted for cash flows through 12/31/2010)

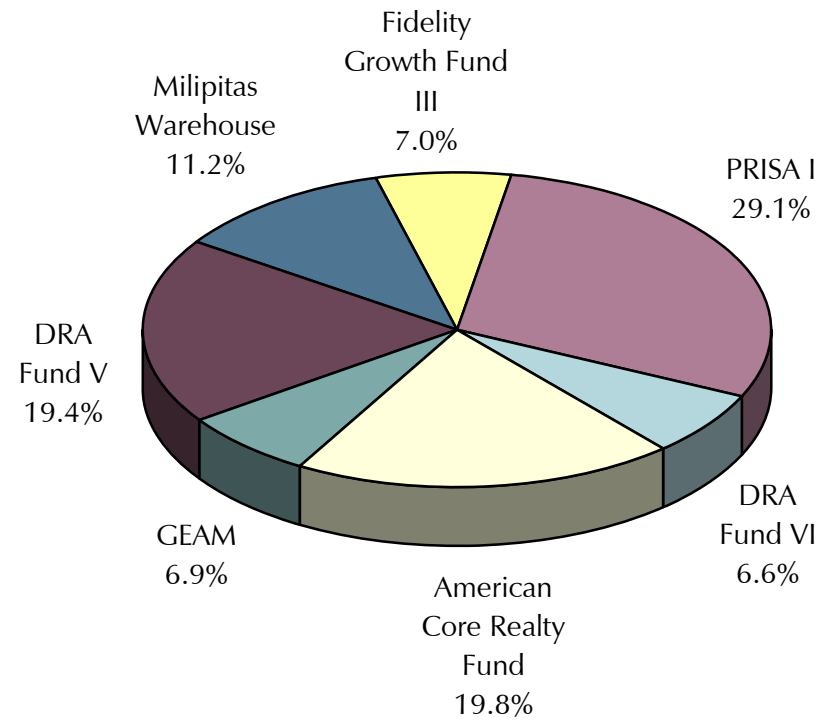
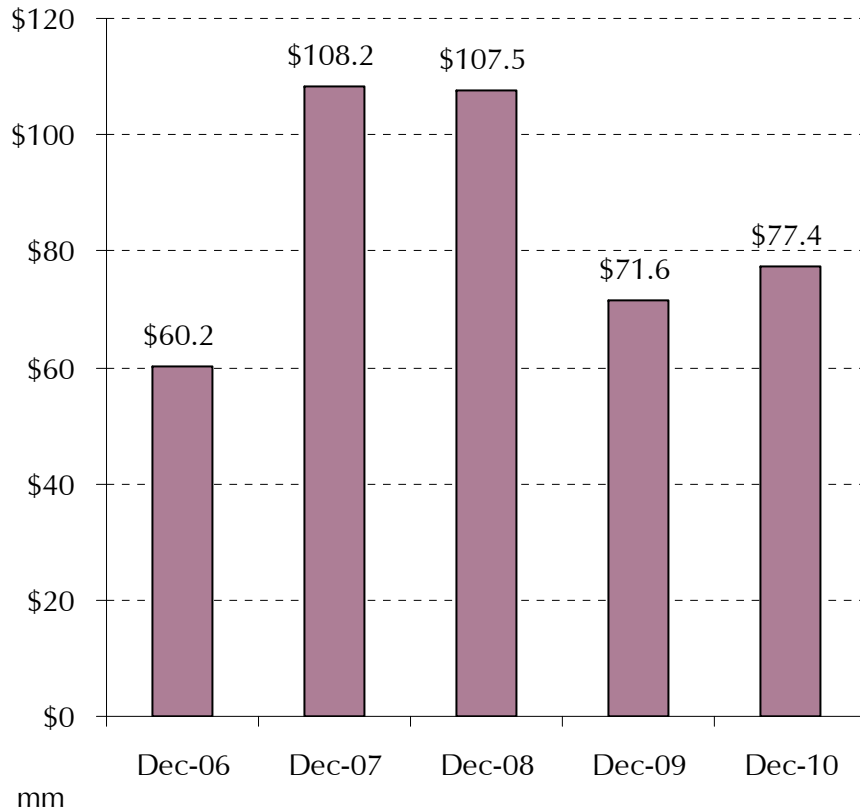
	<b>Program to Date</b>
<b>Allocation Target:</b>	6%
<b>Number of Funds:</b>	5
<b>Commitments:</b>	\$135.0
<b>Capital Called:</b>	\$95.0
<b>Distributions:</b>	\$10.1
<b>Reported Value:</b>	\$82.5

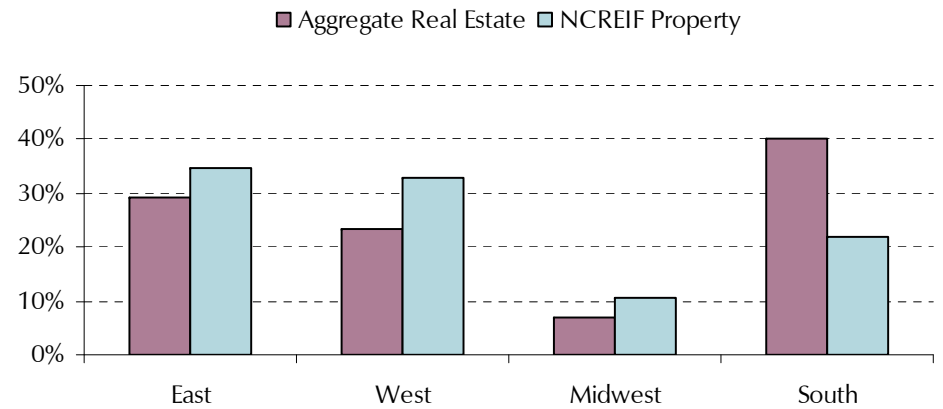
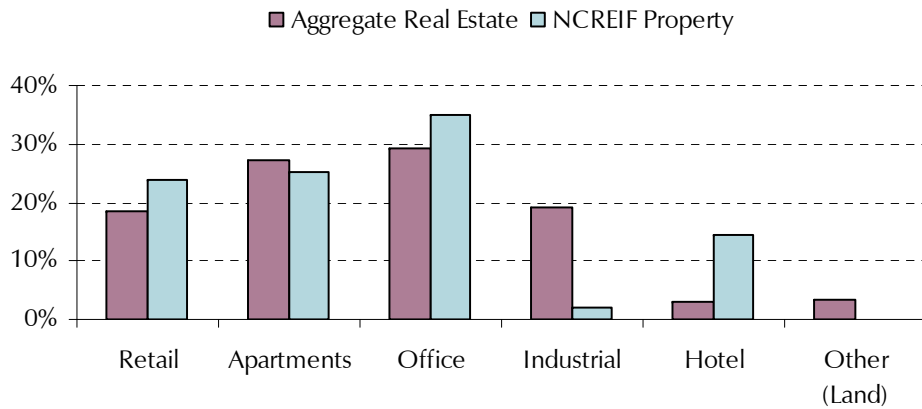
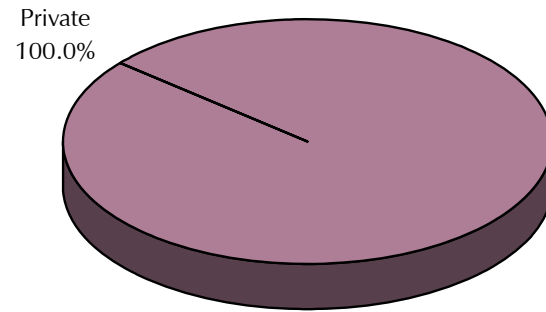
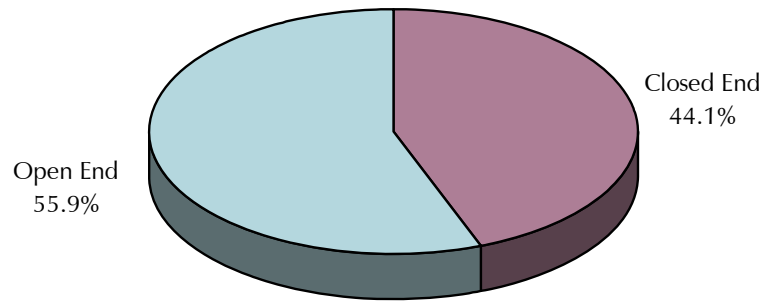
Partnership	Type	Focus	Vintage Year
Pathway Private Equity Fund VIII	Fund of Funds	Diversified Buyout	2004
Pantheon Global Secondary Fund III	Secondary Market	Diversified Buyout	2006
Pantheon USA Fund VII	Fund of Funds	Diversified Buyout	2006
Great Hill Equity Partners IV, LP	Buyout	Middle Market Buyout	2008
Partners Group Secondary 2008, L.P.	Secondary Market	Diversified Buyout	2008

Partnership	Committed (\$ mm)	Called (\$ mm)	Distributed (\$ mm)	Fair Value (\$ mm)	% of Total
Great Hill Equity Partners IV, LP	5.0	2.0	0.0	1.9	2
Pathway Private Equity Fund VIII	40.0	34.7	5.8	28.5	35
Pantheon USA Fund VII	40.0	19.0	0.0	18.2	22
Pantheon Global Secondary Fund III	40.0	33.0	3.8	27.7	34
Partners Group Secondary 2008, L.P.	10.0	6.4	0.5	6.2	8

**Real Estate Assets  
As of December 31, 2010**







<b>Portfolio Characteristics:</b>	<b>Aggregate Real Estate 12/31/10</b>	<b>NCREIF Property Index 12/31/10</b>
Private Investments	100%	100%
Debt Investments	4%	NA
Open End Investments	56%	NA
# Portfolios	7	NA
# Properties	341	6,057
Leverage	46%	NA
Average Occupancy	78%	NA

	Market	Strategy	Reported Value 12/31/10 (\$ mm)	% of Asset Class
<b>Real Estate Assets</b>			<b>77.4</b>	<b>100</b>
PRISA I	Private	Diversified Core	22.6	29
American Core Realty Fund, LLC	Private	Diversified Core	15.3	20
DRA Growth & Income Fund V	Private	Value-Added	15.0	19
Milpitas Warehouse	Private	--	8.7	11
Fidelity Real Estate Growth Fund III, L.P.	Private	Diversified Core	5.4	7
GEAM Value Add Realty Partners, L.P.	Private	Value-Added	5.3	7
DRA Growth & Income Fund VI	Private	Value-Added	5.1	7

**Portfolio Reviews**  
**As of December 31, 2010**

**Global Equity Portfolios Reviews  
As of December 31, 2010**

# San Jose Federated City Employees Retirement System

# Northern Trust MSCI All Country World Index<sup>1</sup> Portfolio Detail as of 12/31/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$266.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.07% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Northern Trust All Country World Index (ACWI) strategy seeks to match, as closely as possible, the performance of the Morgan Stanley Capital International All Country World (ex. U.S.) Index. This passive strategy gives low cost, broad exposure to developed and emerging equity markets.

Performance (%):	4Q10	YTD	Since 6/1/10
<b>Northern Trust MSCI All Country World Index<sup>1</sup></b>	<b>9.1</b>	<b>NA</b>	<b>20.9</b>
MSCI ACWI	8.7	12.7	20.5

Capitalization Structure:	12/31/10		9/30/10	
	NT MSCI ACWI	MSCI ACWI	NT MSCI ACWI	MSCI ACWI
Weighted Average Market Cap. (US\$ billion)	64.7	64.8	59.4	59.3
Median Market Cap. (US\$ billion)	7.3	7.2	6.9	6.9
Large (% over US\$9 billion)	83	83	81	81
Medium (% US\$1.5 billion to US\$9 billion)	17	17	18	18
Small (% under US\$1.5 billion)	0	0	0	0

Fundamental Structure:	12/31/10	9/30/10	12/31/09	9/30/09
Price-Earnings Ratio	20	21	19	20
Price-Book Value Ratio	3.0	3.0	2.7	2.9
Dividend Yield (%)	2.3	2.2	2.5	2.3
Historical Earnings Growth Rate (%)	6	9	6	9
Projected Earnings Growth Rate (%)	13	13	14	13

Sector Allocation (%):	12/31/10	9/30/10	12/31/09	9/30/09
Financials	21	21	21	21
Information Technology	12	12	12	12
Energy	11	11	11	11
Industrials	11	11	11	11
Consumer Discretionary	10	10	10	10
Consumer Staples	9	9	10	10
Materials	9	9	9	9
Health Care	8	8	9	9
Telecom	5	5	5	5
Utilities	4	4	4	4

Diversification:	12/31/10	9/30/10	12/31/09	9/30/09
Number of Holdings	2,462	2,462	2,410	2,410
% in 5 largest holdings	5	5	4	4
% in 10 largest holdings	8	8	8	8

Region Allocation (%):	12/31/10	9/30/10	12/31/09	9/30/09
Europe/North America	72	72	72	72
Pacific Rim/Asia	14	14	14	14
Asia (emerging)	8	8	8	8
Latin America (emerging)	3	3	3	3
Europe/MidEast/Africa (emerging)	3	3	3	3

Largest Five Holdings:	12/31/10	Industry
ExxonMobil	1.3	Energy
Apple	1.0	Technology Hardware
Microsoft	0.8	Software & Services
Nestle	0.7	Food Beverage & Tobacco
General Electric	0.7	Capital Goods

<sup>1</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.



# San Jose Federated City Employees Retirement System

# MSCI All Country World Value Portfolio Detail as of 12/31/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$160.9 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The strategy seeks to replicate the performance of the MSCI ACWI Value Index.

**Guidelines:**  
 NA

Performance (%):	4Q10	YTD	Since 6/1/10
<b>MSCI All Country World Value</b>	<b>8.2</b>	<b>NA</b>	<b>18.5</b>
<b>Net of Fees</b>	<b>8.2</b>	<b>NA</b>	<b>18.5</b>
MSCI ACWI Value	7.7	10.2	18.1

Capitalization Structure:	12/31/10		9/30/10	
	MSCI ACW Value	MSCI ACWI Value	MSCI ACW Value	MSCI ACWI Value
Weighted Average Market Cap. (US\$ billion)	75.2	70.7	68.3	62.7
Median Market Cap. (US\$ billion)	26.5	6.7	23.9	6.2
Large (% over US\$9 billion)	92	84	92	83
Medium (% US\$1.5 billion to US\$9 billion)	7	16	7	17
Small (% under US\$1.5 billion)	1	0	1	0

Fundamental Structure:	12/31/10	9/30/10	12/31/10	9/30/10
Price-Earnings Ratio	19	17	19	17
Price-Book Value Ratio	2.0	1.9	2.0	1.9
Dividend Yield (%)	2.8	3.0	3.0	3.1
Historical Earnings Growth Rate (%)	2	3	1	3
Projected Earnings Growth Rate (%)	12	10	13	11

Sector Allocation (%):	12/31/10	9/30/10	12/31/10	9/30/10
Financials	28	31	28	32
Industrials	15	8	15	9
Energy	15	16	14	14
Consumer Discretionary	8	7	8	7
Health Care	7	9	7	8
Telecom	7	8	7	8
Utilities	6	7	7	7
Consumer Staples	6	5	6	6
Materials	5	6	5	5
Information Technology	3	5	3	4

Diversification:	12/31/10	9/30/10	12/31/10	9/30/10
Number of Holdings	274	1,334	275	1,316
% in 5 largest holdings	9	8	9	7
% in 10 largest holdings	15	13	15	13

Region Allocation (%):	12/31/10	9/30/10	12/31/10	9/30/10
Europe/North America	71	72	71	72
Pacific Rim/Asia	15	14	14	14
Asia (emerging)	8	8	8	8
Latin America (emerging)	3	3	3	3
Europe/MidEast/Africa (emerging)	3	3	3	3
Other	0	0	0	0

Largest Five Holdings:	12/31/10	Industry
ExxonMobil	2.7	Energy
General Electric	1.7	Capital Goods
AT&T	1.5	Telecommunication Services
JPMorgan	1.5	Diversified Financials
HSBC	1.5	Banks





# San Jose Federated City Employees Retirement System

## MSCI EAFE Small Cap Portfolio Detail as of 12/31/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$96.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The strategy seeks to replicate the performance of the MSCI EAFE Small Cap Index.

**Guidelines:**  
 NA

Performance (%):	4Q10	YTD	Since 6/1/10
MSCI EAFE Small Cap	11.5	NA	27.8
Net of Fees	11.5	NA	27.7
MSCI EAFE Small Cap	11.8	22.0	30.8

Capitalization Structure:	12/31/10		9/30/10	
	MSCI EAFE Small Cap	MSCI EAFE Small Cap	MSCI EAFE Small Cap	MSCI EAFE Small Cap
Weighted Average Market Cap. (US\$ billion)	15.0	1.7	13.8	1.6
Median Market Cap. (US\$ billion)	1.3	0.7	1.1	0.6
Large (% over US\$9 billion)	38	0	35	0
Medium (% US\$1.5 billion to US\$9 billion)	31	47	35	44
Small (% under US\$1.5 billion)	30	53	31	56

Fundamental Structure:	12/31/10	9/30/10	12/31/09	9/30/09
Price-Earnings Ratio	27	25	25	24
Price-Book Value Ratio	2.6	2.6	2.5	2.4
Dividend Yield (%)	2.0	9.7	2.1	10.8
Historical Earnings Growth Rate (%)	4	8	4	8
Projected Earnings Growth Rate (%)	21	21	20	17

Sector Allocation (%):	12/31/10	9/30/10	12/31/09	9/30/09
Industrials	27	24	26	24
Consumer Discretionary	16	18	16	17
Financials	13	19	13	19
Materials	12	11	12	11
Information Technology	11	9	11	9
Consumer Staples	7	6	7	7
Health Care	5	5	5	6
Energy	5	6	5	5
Utilities	2	2	3	2
Telecom	2	1	2	1

Diversification:	12/31/10	9/30/10	12/31/09	9/30/09
Number of Holdings	400	2,376	399	2,334
% in 5 largest holdings	5	2	5	2
% in 10 largest holdings	9	3	9	3

Region Allocation (%):	12/31/10	9/30/10	12/31/09	9/30/09
Americas	2	0	2	0
Europe	58	58	58	58
Pacific Rim	39	41	38	41
Other	1	1	1	1

Largest Five Holdings:	12/31/10	Industry
Dassault Systemes	1.3	Software & Services
Adecco	1.2	Commercial & Professional Services
WPP Plc	1.0	Media
Swatch Group	0.9	Consumer Durable & Apparel
Shire	0.8	Pharmaceuticals & Biotech



# San Jose Federated City Employees Retirement System

# Northern Trust MSCI Emerging Markets Index Portfolio Detail as of 12/31/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$95.2 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.15% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Northern Trust Emerging Markets Index strategy seeks to replicate the returns of the MSCI Emerging Markets index. The fund provides the investors with broad diversification with relatively low investment management fees.

Performance (%):	4Q10	YTD	Since 6/1/10
<b>Northern Trust MSCI Emerging Markets Index</b>	<b>7.3</b>	<b>NA</b>	<b>25.5</b>
MSCI Emerging Markets	7.3	18.9	25.8

	12/31/10		9/30/10	
	NT MSCI EM	MSCI Emerging Markets	NT MSCI EM	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	60.0	59.3	42.2	42.0
Median Market Cap. (US\$ billion)	5.4	5.5	5.4	5.5
Large (% over US\$9 billion)	71	71	69	69
Medium (% US\$1.5 billion to US\$9 billion)	28	28	30	29
Small (% under US\$1.5 billion)	1	1	1	1
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	21	21	20	20
Price-Book Value Ratio	3.3	3.3	3.3	3.3
Dividend Yield (%)	2.0	2.0	2.1	2.1
Historical Earnings Growth Rate (%)	17	16	17	17
Projected Earnings Growth Rate (%)	19	19	18	18
<b>Sector Allocation (%):</b>				
Financials	25	25	26	26
Materials	15	15	15	14
Energy	14	14	14	14
Information Technology	13	13	12	12
Telecom	7	7	8	8
Industrials	7	7	7	7
Consumer Discretionary	7	7	7	7
Consumer Staples	7	7	7	7
Utilities	3	3	4	4
Health Care	1	1	1	1
<b>Diversification:</b>				
Number of Holdings	848	802	794	754
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	15	16	15	16
<b>Region Allocation (%):</b>				
Asia	58	58	57	58
Latin America	24	24	24	24
Europe, Middle East and Africa	19	19	18	18
Canada	0	0	0	0
Other	0	0	0	0
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Samsung	2.3	Semiconductors		
Petrol Brasileiros	1.7	Energy		
China Mobile	1.5	Telecommunication Services		
Taiwan Semiconductor	1.5	Semiconductors		
Vale	1.5	Materials		



# San Jose Federated City Employees Retirement System

# Northern Trust Russell 3000 Index Portfolio Detail as of 12/31/10

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$76.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**

0.50% on first \$0.5 mm; 0.20% on next \$4.5 mm; 0.10% on next \$20 mm; 0.067% on next \$25 mm; 0.05% on next \$25 mm; 0.02% thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

The Northern Trust strategy seeks to replicate the return of the Russell 3000 Index. Northern Trust employs a proprietary process in combination with low-cost trade execution to accomplish this objective. To efficiently manage cash flows, Northern Trust seeks to maximize the liquidity of trade lists and match the relevant benchmark's systemic risk. The result is a portfolio that tightly tracks the index while incurring lower transaction costs.

Performance (%):	4Q10	1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>11.6</b>	<b>17.2</b>	<b>-1.8</b>	<b>2.9</b>	<b>2.5</b>
Russell 3000	11.6	16.9	-2.0	2.7	2.3

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>19.4%</b>	<b>1.00</b>	<b>0.03</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	19.4	1.00	0.02	NA	1.00

Capitalization Structure:	12/31/10		9/30/10	
	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	71.4	70.6	64.2	64.2
Median Market Cap. (US\$ billion)	1.2	1.0	1.0	0.9
Large (% over US\$10 billion)	72	72	70	70
Medium (% US\$1.5 billion to US\$10 billion)	22	22	24	23
Small (% under US\$1.5 billion)	5	6	6	6

Fundamental Structure:	12/31/10	9/30/10
Price-Earnings Ratio	21	20
Price-Book Value Ratio	3.3	3.2
Dividend Yield (%)	1.8	1.8
Historical Earnings Growth Rate (%)	10	11
Projected Earnings Growth Rate (%)	11	12

Sector Allocation (%):	12/31/10	9/30/10
Information Technology	18	18
Financials	16	16
Industrials	12	12
Energy	11	10
Health Care	11	12
Consumer Discretionary	11	11
Consumer Staples	9	10
Materials	4	4
Utilities	3	4
Telecom	3	3

Diversification:	12/31/10	9/30/10
Number of Holdings	2,710	2,708
% in 5 largest holdings	9	9
% in 10 largest holdings	15	15

Largest Ten Holdings:	12/31/10	Industry
ExxonMobil	2.6	Energy
Apple	2.1	Technology Hardware
Microsoft	1.5	Software & Services
General Electric	1.4	Capital Goods
IBM	1.3	Software & Services
Procter & Gamble	1.3	Household/Personal Products
Chevron	1.3	Energy
AT&T	1.2	Telecommunication Services
Johnson & Johnson	1.2	Pharmaceuticals & Biotech
JPMorgan	1.2	Diversified Financials



# San Jose Federated City Employees Retirement System

## Eagle Small-Cap Growth Portfolio Detail as of 12/31/10

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$70.1 million  
**Portfolio Manager:** Bert L. Boksen, CFA  
**Location:** St. Petersburg, Florida  
**Inception Date:** 6/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.75% on first \$3 mm; 0.70% on next \$10 mm; 0.60% on next \$50 mm; 0.50% thereafter

### Liquidity Constraints:

Daily

### Strategy:

Eagle Asset Management seeks to capture the significant long-term capital appreciation potential of small, rapidly growing, under-researched companies. The market capitalization of these companies ranges between \$100 million and \$1.5 billion at the time of purchase. Since the small company sector historically has been less efficient than the large capitalization sector, they believe that conducting extensive proprietary research on companies that are not widely followed or owned institutionally should enable Eagle to capitalize on market inefficiencies and thus outperform the Russell 2000 Growth Index.

### Guidelines:

Maximum of 5% in one issuer, and maximum of 5% preferred stock.

Performance (%):	4Q10	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small-Cap Growth</b>	<b>17.9</b>	<b>34.4</b>	<b>6.6</b>	<b>10.6</b>	<b>7.0</b>
<b>Net of Fees</b>	<b>17.7</b>	<b>33.6</b>	<b>6.0</b>	<b>10.0</b>	<b>6.4</b>
Russell 2000 Growth	17.1	29.1	2.2	5.3	3.6
Peer Small Cap Growth	16.9	28.0	2.1	5.9	7.8
Peer Ranking (percentile)	33	16	7	1	63

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Eagle Small-Cap Growth</b>	<b>25.8%</b>	<b>0.96</b>	<b>0.29</b>	<b>0.98</b>	<b>0.98</b>
Russell 2000 Growth	25.2	1.00	0.09	NA	1.00

	12/31/10		9/30/10	
Capitalization Structure:	Eagle	Russell 2000 Growth	Eagle	Russell 2000 Growth
Weighted Average Market Cap. (US\$ billion)	1.7	1.4	1.6	1.1
Median Market Cap. (US\$ billion)	1.3	0.6	1.2	0.5
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	44	38	42	28
Small (% under US\$1.5 billion)	56	62	58	72

### Fundamental Structure:

Price-Earnings Ratio	32	31	32	30
Price-Book Value Ratio	3.5	4.3	3.3	4.0
Dividend Yield (%)	0.2	0.5	0.3	0.5
Historical Earnings Growth Rate (%)	14	12	15	12
Projected Earnings Growth Rate (%)	14	17	17	23

### Sector Allocation (%):

Energy	8	5	6	4
Consumer Discretionary	18	17	19	18
Financials	5	5	5	5
Materials	5	5	5	5
Industrials	17	17	17	17
Utilities	0	0	0	0
Information Technology	27	27	28	28
Telecom	0	1	0	1
Health Care	17	19	20	20
Consumer Staples	1	3	1	3

### Diversification:

Number of Holdings	80	1,269	78	1,261
% in 5 largest holdings	13	3	14	3
% in 10 largest holdings	24	5	25	5

### Largest Ten Holdings:

		Industry
Genesco	3.1	Retailing
Lufkin Industries	3.0	Energy
Rovi	2.6	Software & Services
Oyo Geospace	2.4	Energy
Progress Software	2.3	Software & Services
BJ's Restaurants	2.3	Consumer Services
Vitamin Shoppe	2.2	Retailing
Informatica	2.2	Software & Services
Sirona Dental Systems	2.1	Health Equipment & Services
Tibco Software	1.9	Software & Services



# San Jose Federated City Employees Retirement System

# MSCI EAFE Growth Portfolio Detail as of 12/31/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$59.4 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The strategy seeks to replicate the performance of the MSCI EAFE Growth Index.

**Guidelines:**  
 NA

Performance (%):	4Q10	YTD	Since 6/1/10
MSCI EAFE Growth	8.7	NA	23.8
Net of Fees	8.7	NA	23.8
MSCI EAFE Growth	7.9	12.2	25.7

	12/31/10		9/30/10	
	MSCI EAFE Growth	MSCI EAFE Growth	MSCI EAFE Growth	MSCI EAFE Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	61.5	56.2	56.2	49.0
Median Market Cap. (US\$ billion)	14.5	7.7	12.6	6.9
Large (% over US\$9 billion)	85	82	82	79
Medium (% US\$1.5 billion to US\$9 billion)	14	18	17	21
Small (% under US\$1.5 billion)	1	0	1	0
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	25	26	24	25
Price-Book Value Ratio	3.1	3.4	3.1	3.4
Dividend Yield (%)	2.3	1.9	2.4	2.1
Historical Earnings Growth Rate (%)	5	6	5	6
Projected Earnings Growth Rate (%)	17	19	18	18
<b>Sector Allocation (%):</b>				
Consumer Staples	17	18	18	18
Materials	16	16	15	15
Industrials	15	18	14	16
Financials	14	13	15	13
Consumer Discretionary	11	13	11	13
Health Care	11	7	11	11
Information Technology	7	7	7	6
Energy	4	4	4	4
Telecom	3	1	3	2
Utilities	3	2	3	2
<b>Diversification:</b>				
Number of Holdings	272	577	271	600
% in 5 largest holdings	12	13	12	12
% in 10 largest holdings	19	20	19	19
<b>Region Allocation (%):</b>				
Americas	1	0	1	0
Europe	65	64	66	66
Pacific Rim	33	35	32	33
Other	0	1	0	1
<b>Largest Five Holdings:</b>				
			<b>Industry</b>	
Nestle	4.1		Food Beverage & Tobacco	
Novartis	2.0		Pharmaceuticals & Biotech	
Roche	2.0		Pharmaceuticals & Biotech	
BHP Billiton	2.0		Materials	
Rio Tinto	1.9		Materials	



## San Jose Federated City Employees Retirement System

## Calamos Global Convertibles Portfolio Detail as of 12/31/10

**Mandate:** Fixed Income  
**Active/Passive:** Active  
**Market Value:** \$58.2 million  
**Portfolio Manager:** John P Calamos/ Nick P Calamos  
**Location:** Naperville, Illinois  
**Inception Date:** 11/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.50% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

Calamos seeks to leverage their capital structure research by investing in global convertible securities, in order to generate consistent alpha and manage downside volatility. The portfolio construction process incorporates top-down and bottom-up analysis. Top-down considerations focus on the global macroeconomic environment, sectors and the identification of long-term secular themes that they believe will influence growth opportunities for decades to come. For bottom-up research, they first determine the intrinsic value of the company and then utilize quantitative and qualitative analysis to value the securities within the company's capital structure. Investment candidates emerge from the intersection of the top-down and bottom-up considerations. These investments are vetted more extensively within the context of the overall portfolio. Calamos continually monitors risk characteristics to ensure that the strategy maintains appropriate diversification and risk/reward characteristics.

**Guidelines:**

<5% in single issuer. Investments in minimum of five countries. Allocation to single sector <1.5x sector weight of benchmark.

Performance (%):	4Q10	1 YR	Since 11/1/09
<b>Calamos Global Convertibles</b>	<b>5.1</b>	<b>11.5</b>	<b>14.2</b>
<b>Net of Fees</b>	<b>5.0</b>	<b>11.0</b>	<b>13.7</b>
Merrill Lynch Global 300 Convertible Index	5.4	11.7	14.9

	12/31/10		9/30/10	
	Calamos	ML Global 300 Convertible	Calamos	ML Global 300 Convertible
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	2.6	2.5	3.2	2.8
Yield to Maturity (%)	0.4	2.0	0.8	0.0
<b>Quality Structure (%):</b>				
Average Quality	BBB	BB-	BBB-	BB-
AAA (includes Treasuries and Agencies)	0	0	0	0
AA	5	5	4	5
A	29	18	26	18
BBB	33	28	27	28
BB	32	33	39	33
B	2	12	5	12
Below B	0	4	0	4
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	2	0	2	0
Other	98	100	98	100
<b>Market Allocation (%):</b>				
United States	58	47	57	47
Foreign (developed markets)	32	44	37	44
Foreign (emerging markets)	9	9	7	9
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	17	36	18	36



# San Jose Federated City Employees Retirement System

## RS Investments Small Cap Value Portfolio Detail as of 12/31/10

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$55.5 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 9/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**

1.00% on first \$30 mm; 0.80% on next \$20 mm; 0.60% thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

RS employs a bottom-up, fundamental stock picking approach to portfolio management. The investment team seeks to optimize risk-adjusted returns through deep company-specific fundamental research. When evaluating investments for the strategy, RS Investments employs a return-on-capital analysis, combining balance sheet and cash flow analysis. RS believes that stock price performance is more highly correlated to improving returns on capital than it is to traditional valuation measurements like price-to-earnings, price-to-sales or price to book value. The strategy typically invests most of its assets in securities of U.S. companies but may also invest up to 15% of its assets in foreign securities.

**Guidelines:**

Position size <9%, industry exposure <25%, maximum 10% non U.S.

Performance (%):	4Q10	YTD	Since 9/1/10
<b>RS Investments Small Cap Value</b>	<b>19.2</b>	<b>NA</b>	<b>31.0</b>
<b>Net of Fees</b>	<b>19.0</b>	<b>NA</b>	<b>30.6</b>
Russell 2000 Value	15.4	24.5	27.8
Peer Small Cap Value	16.1	27.7	28.6
Peer Ranking (percentile)	8	NA	35

Capitalization Structure:	12/31/10		9/30/10	
	RS SCV	Russell 2000 Value	RS SCV	Russell 2000 Value
Weighted Average Market Cap. (US\$ billion)	3.4	1.1	2.6	1.0
Median Market Cap. (US\$ billion)	2.5	0.5	2.1	0.4
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	81	29	75	22
Small (% under US\$1.5 billion)	19	71	25	78

Fundamental Structure:				
Price-Earnings Ratio	31	26	27	23
Price-Book Value Ratio	2.7	1.6	2.4	1.4
Dividend Yield (%)	0.4	1.7	0.5	1.9
Historical Earnings Growth Rate (%)	8	4	7	5
Projected Earnings Growth Rate (%)	15	11	14	10

Sector Allocation (%):				
Information Technology	22	9	21	10
Health Care	10	6	12	6
Energy	11	8	10	7
Materials	8	6	8	6
Consumer Discretionary	11	10	12	10
Telecom	0	1	0	1
Utilities	3	6	3	7
Consumer Staples	0	3	0	3
Financials	33	37	35	38
Industrials	0	14	0	14

Diversification:				
Number of Holdings	36	1,297	35	1,282
% in 5 largest holdings	25	2	22	2
% in 10 largest holdings	46	4	42	4

Largest Ten Holdings:			Industry
Atmel	6.6		Semiconductors
ACI Worldwide	4.7		Software & Services
Myriad Genetics	4.7		Pharmaceuticals & Biotech
Denbury Resources	4.5		Energy
Compass Minerals Intl	4.4		Materials
Gamestop	4.4		Retailing
Associated Banc-Corp	4.3		Banks
First Horizon National	4.2		Banks
Borgwarner	4.1		Automobiles & Components
New Gold	4.0		Materials



**Fixed Income Portfolio Reviews  
As of December 31, 2010**



# San Jose Federated City Employees Retirement System

# Barclays U.S. TIPS Portfolio Detail as of 12/31/10

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$264.1 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The strategy seeks to replicate the performance of the Barclays U.S. TIPS Index.

**Guidelines:**  
 NA

Performance (%):	4Q10	YTD	Since 6/1/10
<b>Barclays U.S. TIPS</b>	-1.2	NA	3.1
<b>Net of Fees</b>	-1.2	NA	3.0
Barclays U.S. TIPS	-0.6	6.3	3.3

Quality Structure (%):	12/31/10		9/30/10	
	Barclays US TIPS	Barclays TIPS	Barclays US TIPS	Barclays TIPS
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0

Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	100	100	100	100
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0

Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0

Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



# San Jose Federated City Employees Retirement System

# Barclays Intermediate Government Bond Portfolio Detail as of 12/31/10

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$263.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.05% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The strategy seeks to replicate the performance of the Barclays Intermediate Government Bond Index.

**Guidelines:**  
NA

Performance (%):	4Q10	YTD	Since 6/1/10
<b>Barclays Intermediate Government Bond</b>	<b>-1.3</b>	<b>NA</b>	<b>2.1</b>
<b>Net of Fees</b>	<b>-1.3</b>	<b>NA</b>	<b>2.1</b>
Barclays IT Gov't	-1.6	5.0	1.9

Duration & Yield:	12/31/10		9/30/10	
	Barclays Int Gov't Bond	Barclays IT Gov't	Barclays Int Gov't Bond	Barclays IT Gov't
Average Effective Duration (years)	3.7	3.7	3.4	3.8
Yield to Maturity (%)	1.5	1.5	0.9	1.1
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	81	81	82	81
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	19	19	13	19
Mortgage Backed	0	0	0	0
Corporate	0	0	5	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



# San Jose Federated City Employees Retirement System

# MacKay Shields High Yield Active Core Portfolio Detail as of 12/31/10

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$53.7 million  
**Portfolio Manager:** Dan Roberts, Ph.D.  
**Location:** New York, New York  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.425% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**

The High Yield Active Core Investment Team believes that attractive risk-adjusted returns and, ultimately, attractive absolute returns are generated by a strategy of yield capture and error avoidance. Based on the observation that bonds, even high yield bonds, have a limited upside, but a 100% downside potential, this simple observation leads to the most fundamental element of the High Yield Active Core investment philosophy: the high yield market does not reward inappropriately high levels of risk. When this view is considered in combination with the observation that, over any given cycle, total return is driven almost entirely by income, this is the team's goal: capture the yield offered by the market by investing in stable, quality credits; aggressively protect this yield through a variety of risk control measures; resist the temptation to augment returns by "stretching" for the yield offered by the market's riskiest credits; and manage risk relative to the client's benchmark.

**Guidelines:**

Average rating of BB- or better. Maximum of 20% bank loans, and maximum of 5% CCC.

Performance (%):	4Q10	1 YR	Since 5/1/09
<b>MacKay Shields High Yield Active Core</b>	<b>2.8</b>	<b>13.5</b>	<b>20.6</b>
<b>Net of Fees</b>	<b>2.7</b>	<b>13.0</b>	<b>20.1</b>
Barclays High Yield	3.2	15.1	29.2
Barclays High Yield BB/B	2.5	14.3	23.6
Peer High Yield	3.6	15.3	27.7
Peer Ranking (percentile)	85	84	90

Duration & Yield:	12/31/10		9/30/10	
	Mackay High Yield	Barclays High Yield	Mackay High Yield	Barclays High Yield
Average Effective Duration (years)	3.2	4.3	3.3	4.2
Yield to Maturity (%)	6.1	7.5	6.4	7.8
Quality Structure (%):				
Average Quality	BB	B+	BB-	B+
AAA (includes Treasuries and Agencies)	7	0	6	0
AA	0	0	0	0
A	0	0	0	0
BBB	6	0	4	0
BB	35	39	34	39
B	41	42	45	42
Below B	9	19	9	19
Non-Rated	2	0	2	0
Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	85	100	87	100
Bank Loans	2	0	2	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	4	0	4	0
Cash Equivalent	7	0	6	0
Other	1	0	1	0
Market Allocation (%):				
United States	96	88	92	88
Foreign (developed markets)	4	11	8	11
Foreign (emerging markets)	1	1	0	1
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



# San Jose Federated City Employees Retirement System

# Seix Credit Dislocation Strategy Portfolio Detail as of 12/31/10

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$38.1 million  
**Portfolio Manager:** Michael McEachern, CFA  
**Location:** Upper Saddle River, New Jersey  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.30% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
Seix manages a diversified credit portfolio employing primarily a buy and hold strategy to generate attractive absolute returns as acceptable risk levels. Sales or exchanges occur due to credit impaired assets or defaults. The portfolio will be comprised primarily of high yield floating rate bank loans, with a maximum of 20% in high yield corporate bonds.

**Guidelines:**  
Average Credit quality of BB- or better. Maximum of 20% high yield bonds, and maximum of 5% rated C or lower

Performance (%):	4Q10	1 YR	Since 5/1/09
<b>Seix Credit Dislocation Strategy</b>	<b>2.6</b>	<b>7.9</b>	<b>10.6</b>
<b>Net of Fees</b>	<b>2.6</b>	<b>7.6</b>	<b>10.3</b>
CSFB Leveraged Loan Index	3.3	10.0	21.1

Duration & Yield:	12/31/10		9/30/10	
	Seix	CSFB Lev Loan	Seix	CSFB Lev Loan
Average Effective Duration (years)	1.7	0.3	1.7	0.3
Yield to Maturity (%)	4.1	4.4	4.0	4.4
Quality Structure (%):				
Average Quality	BB-	B	BB	B
AAA (includes Treasuries and Agencies)	3	0	10	0
AA	0	0	0	0
A	0	0	0	0
BBB	4	0	7	0
BB	46	39	61	39
B	47	44	21	44
Below B	0	4	0	4
Non-Rated	0	13	2	13
Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	4	0	20	0
Bank Loans	93	100	71	100
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	3	0	10	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



# San Jose Federated City Employees Retirement System

# Northern Trust Long Term Credit Bond Index Portfolio Detail as of 12/31/10

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$20.7 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 5/1/2010  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.04% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Northern Trust Long Term Credit Bond Index strategy seeks to replicate the returns of the Barclays Long Term Credit Index. The Fund is passively managed, employing statistical methods to replicate performance and composition of the index.

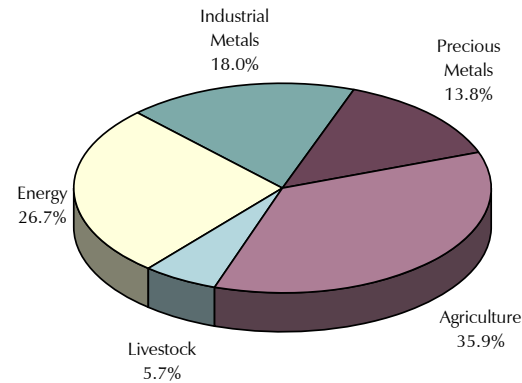
Performance (%):	4Q10	YTD	Since 5/1/10
<b>Northern Trust Long Term Credit Bond Index</b>	<b>-3.6</b>	<b>NA</b>	<b>5.6</b>
Barclays Long U.S. Credit	-3.7	10.7	5.1

	12/31/10		9/30/10	
	NT Barclays Credit	Barclays Long U.S. Credit	NT Barclays Credit	Barclays Long U.S. Credit
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	12.2	12.2	12.7	12.6
Yield to Maturity (%)	5.8	5.8	5.2	5.4
<b>Quality Structure (%):</b>				
Average Quality	A	A	A	A
AAA (includes Treasuries and Agencies)	3	3	5	3
AA	17	17	16	17
A	40	40	41	40
BBB	40	40	38	40
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	1	1	0	1
Mortgage Backed	0	0	0	0
Corporate	79	79	79	79
Bank Loans	0	0	0	0
Local & Provincial Government	13	13	10	13
Sovereign & Supranational	7	7	8	7
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	3	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	78	78	92	78
Foreign (developed markets)	14	14	8	14
Foreign (emerging markets)	8	8	0	8
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



**Real Assets Portfolio Reviews  
As of December 31, 2010**

**Mandate:** Commodity  
**Active/Passive:** Passive  
**Market Value:** \$40.9 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 5/1/2010  
**Account Type:** Separately Managed



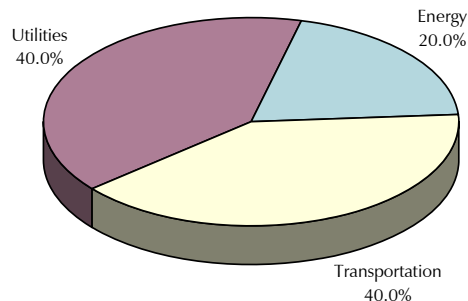
**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Monthly

**Strategy:**  
 The DJ -UBS Commodities swap seeks to replicate the performance of the Dow Jones – UBS Commodities Index.

Performance (%):	4Q10	YTD	Since 5/1/10
<b>Dow Jones-UBS Commodities</b>	<b>15.8</b>	<b>NA</b>	<b>20.6</b>
Dow Jones - UBS Commodities	15.8	16.7	20.6

**Mandate:** Infrastructure  
**Active/Passive:** Passive  
**Market Value:** \$35.7 million  
**Portfolio Manager:** Russell Investments  
(Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 5/1/2010  
**Account Type:** Separately Managed



**Fee Schedule:**  
 0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**  
 Monthly

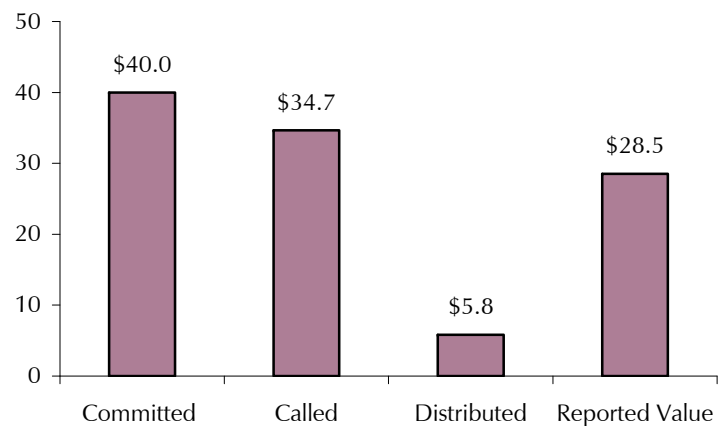
**Strategy:**  
 The S&P Global Infrastructure swap seeks to replicate the performance of the Standard & Poor's Global Infrastructure Index.

Performance (%):	4Q10	YTD	Since 5/1/10
<b>S&amp;P Global Infrastructure</b>	<b>4.8</b>	<b>NA</b>	<b>7.3</b>
S&P Global Infrastructure Index	5.0	5.8	7.8



**Private Equity Portfolio Reviews  
As of December 31, 2010**

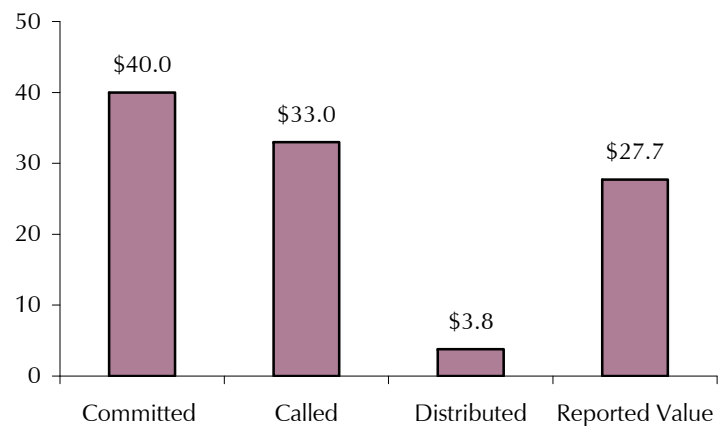
<b>Strategy:</b> Private Equity Fund of Funds Diversified Buyout	<b>Commitment:</b> \$40.0 million
<b>Senior Professionals:</b> Jim Reinhardt; Terry Melican	<b>Capital Contributions:</b> \$34.7 million
<b>Location:</b> Irvine, California	<b>Outstanding Commitment:</b> \$5.3 million
<b>Vintage Year:</b> 2004	<b>Realized Proceeds:</b> \$5.8 million
<b>Fee Schedule:</b> 0.80% on all assets	<b>Total Value:</b> \$28.5 million



**Investment Strategy:**

As a Fund of Funds, Pathway’s investment philosophy centers on manager selection, opportunistically taking advantage of market conditions, and portfolio diversification, both across industries and geographic regions. The investment team uses its extensive existing relationships, as well as substantial research and proactive development of new relationships, to source investment opportunities. The team then adheres to tested investment criteria in order to avoid excess risk.

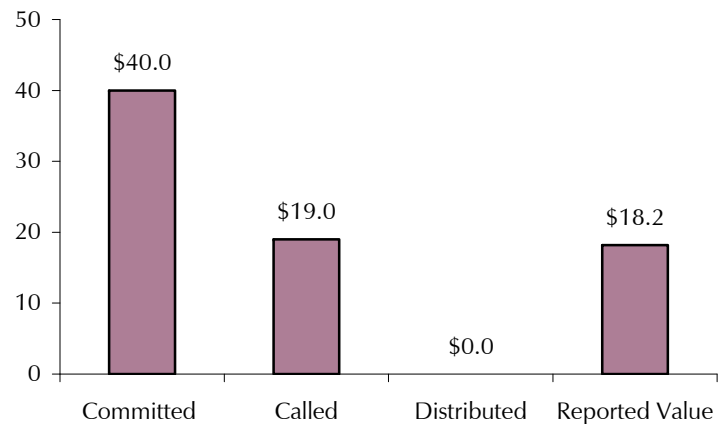
<b>Strategy:</b> Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b> \$40.0 million
<b>Senior Professionals:</b> Team	<b>Capital Contributions:</b> \$33.0 million
<b>Location:</b> London, United Kingdom	<b>Outstanding Commitment:</b> \$7.0 million
<b>Vintage Year:</b> 2006	<b>Realized Proceeds:</b> \$3.8 million
<b>Fee Schedule:</b> 1.00% of commitments; 10% Preferred Return	<b>Total Value:</b> \$27.7 million



**Investment Strategy:**

Pantheon is a global private equity primary and secondary fund-of-funds manager. Originally formed in 1982 as the private equity investment division of GT Management in London, Pantheon’s management acquired the private equity division in 1988 through a management buyout. Pantheon has been part of Russell Investments since March 2004. Pantheon has 148 employees, including 65 investment professionals of which 20 are dedicated to secondaries. Pantheon targets a range of secondary transactions including single fund interests, large portfolios of fund interests and to a lesser extent, portfolios of direct company interests in addition to complex and structured global deals with hybrid portfolios (funds and directs). Pantheon has a stated focus on manager and asset quality and will not complete many synthetic transactions due to perceived risk associated with backing an unknown manager.

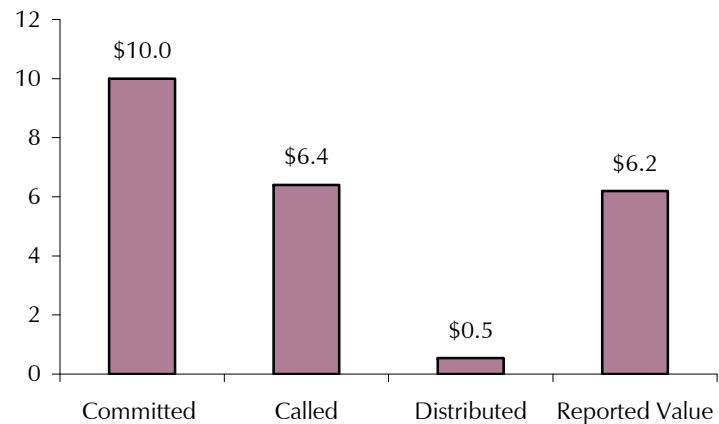
<b>Strategy:</b> Private Equity Fund of Funds Diversified Buyout	<b>Commitment:</b> \$40.0 million
<b>Senior Professionals:</b> Team	<b>Capital Contributions:</b> \$19.0 million
<b>Location:</b> London, United Kingdom	<b>Outstanding Commitment:</b> \$21.0 million
<b>Vintage Year:</b> 2006	<b>Realized Proceeds:</b> \$0.0 million
<b>Fee Schedule:</b> 0.75% of commitments; 10% Preferred Return; 5% carried interest	<b>Total Value:</b> \$18.2 million



**Investment Strategy:**

Pantheon is a global private equity primary and secondary fund-of-funds manager. Originally formed in 1982 as the private equity investment division of GT Management in London, Pantheon’s management acquired the private equity division in 1988 through a management buyout. Pantheon has been part of Russell Investments since March 2004. Pantheon has 148 employees, including 65 investment professionals. Starting in 1993, Pantheon has built a regional primary investments program that invests in new private equity funds in the U.S., Europe and Asia. Three dedicated investment teams look to select managers and develop portfolios with exposure to what it believes to be the most attractive segments within each market.

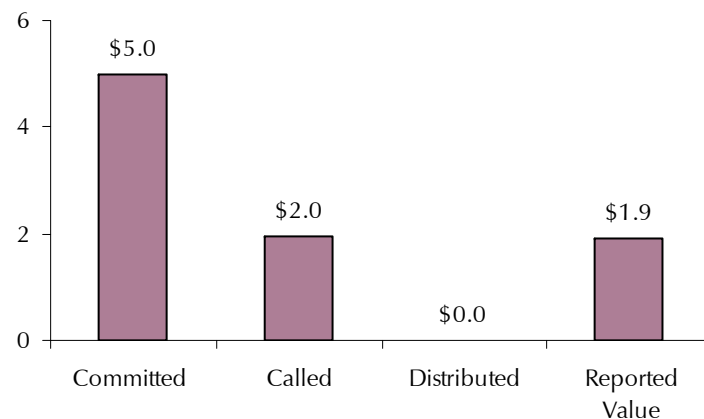
<b>Strategy:</b> Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b> \$10.0 million
<b>Senior Professionals:</b> Team	<b>Capital Contributions:</b> \$6.4 million
<b>Location:</b> Baar-Zug, Switzerland	<b>Outstanding Commitment:</b> \$3.6 million
<b>Vintage Year:</b> 2008	<b>Realized Proceeds:</b> \$0.5 million
<b>Fee Schedule:</b> 1.25% of commitments; 8% preferred return; 15% carried interest	<b>Total Value:</b> \$6.2 million



**Investment Strategy:**

PG Secondary 2008 is a global opportunistic secondary fund that classifies secondaries as being either "manager" or "financial" depending on the maturity of the underlying portfolio investments of a given opportunity. Although the team has stated that it actively invests in both manager- and financial-driven secondaries, it specializes in manager secondaries, which are characterized by younger fund portfolios that are typically in the J-curve period of the fund's life cycle. This is different than many other large secondary players which tend to focus on almost-to-fully funded interests.

<b>Strategy:</b>	Private Equity Buyout Middle Market Buyout	<b>Commitment:</b>	\$5.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$2.0 million
<b>Location:</b>	Boston, Massachusetts	<b>Outstanding Commitment:</b>	\$3.0 million
<b>Vintage Year:</b>	2008	<b>Realized Proceeds:</b>	\$0.0 million
<b>Fee Schedule:</b>	2.3% of commitments; 8.0% preferred return; 20% carried interest	<b>Total Value:</b>	\$1.9 million



**Investment Strategy:**

Great Hill Equity Partners IV will make investments ranging in size from \$50 million - \$150 million, to finance the growth and acquisition of middle market companies in its targeted industry sectors. The Fund will be the fourth generation private equity fund managed by the Great Hill Partners team. The Fund will also represent a continuation of the strategic approach employed by the team in assembling the private equity portfolios of prior Great Hill funds. The Fund focuses on middle market growth companies operating in a variety of sectors within the Business Services and Consumer Services segments of the economy.

**Real Estate Portfolio Reviews  
As of December 31, 2010**

**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$22.6 million

**Senior Professionals:** Kevin R. Smith

**Location:** San Francisco, California

**Inception Date:** 7/1/04

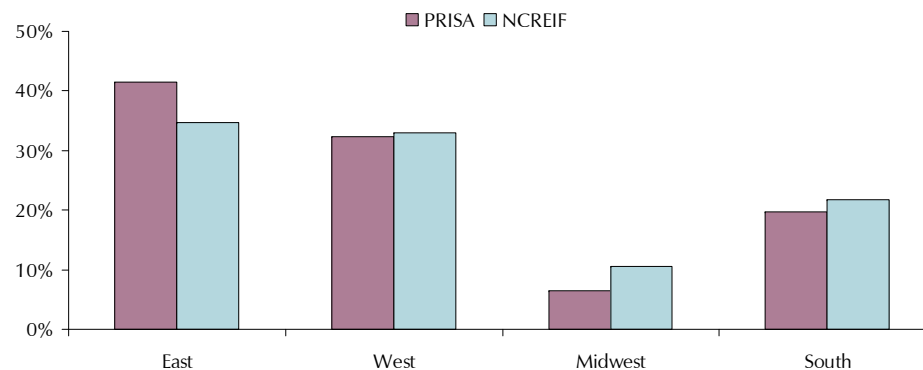
**Account Type:** Separately Managed

**# of Investments:** 54

**Liquidity Constraints:** Quarterly (with 30 days advance notice)

**Fee Schedule:** 1.20% on first \$25 mm; 1.15% on next \$25 mm; 1.10% on next \$50 mm; 1.05% on next \$100 mm; 1.00% thereafter

**Geographic Region:**



**Property Type:**



Performance (%):	4Q10	1 YR	3 YR	5 YR	Since 7/1/04
<b>PRISA I</b>	<b>3.1</b>	<b>8.0</b>	<b>-13.5</b>	<b>-1.6</b>	<b>2.7</b>
<b>Net of Fees</b>	<b>2.8</b>	<b>6.9</b>	<b>-14.3</b>	<b>-2.5</b>	<b>1.8</b>
NCREIF Property (lagged)	3.9	5.8	-4.6	3.7	6.7

**Investment Strategy:** PRISA invests primarily in existing, income-producing properties with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation. The Account makes investments primarily in office, retail, industrial, apartment, and hotel properties. Investments may be made through direct property ownership, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, mortgage loans and other loan types, including mezzanine debt, and debt secured by an interest in the borrowing entity or interests in companies or entities that directly or indirectly hold real estate or real estate interests.



**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$15.3 million

**Senior Professionals:** Scott Darling

**Location:** Glendale, California

**Inception Date:** 1/1/2007

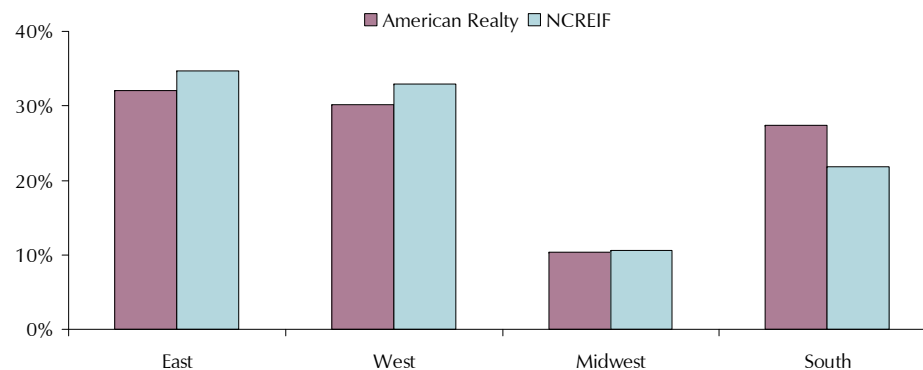
**Account Type:** Commingled Fund

**# of Investments:** 53

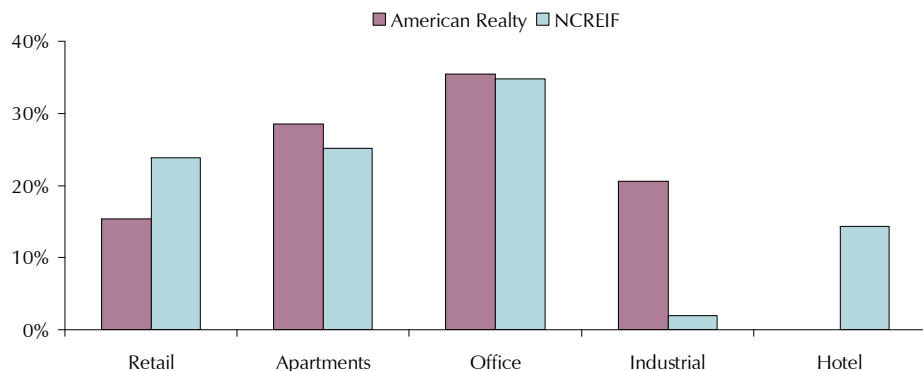
**Liquidity Constraints:** Quarterly (with 30 days advance notice)

**Fee Schedule:** 1.10% on first \$25 mm; 0.95% on next \$50 mm; 0.85% thereafter

**Geographic Region:**



**Property Type:**



Performance (%):	4Q10	1 YR	3 YR	Since 1/1/07
American Core Realty Fund, LLC	3.7	11.2	-9.7	-3.6
Net of Fees	3.4	10.1	-10.6	-4.5
NCREIF Property	4.6	13.1	-4.2	0.5

**Investment Strategy:** American Realty targets institutional-quality office, industrial, retail, and multifamily properties in the United States. American Realty will seek properties in the \$5 million to \$50 million range. Target properties will be 80% to 100% occupied, less than ten years old, and will be diversified by tenant base.

**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$15.0 million

**Senior Professionals:** Team

**Location:** New York, New York

**Vintage Year:** 2005

**Account Type:** Commingled Fund

**# of Investments:** 12

**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 90 bps of Gross Asset Cost during the Acquisition Period, dropping to 60 bps of Gross Asset Cost after the Acquisition Period, with Gross Asset Cost reduced by leverage in excess of 65%

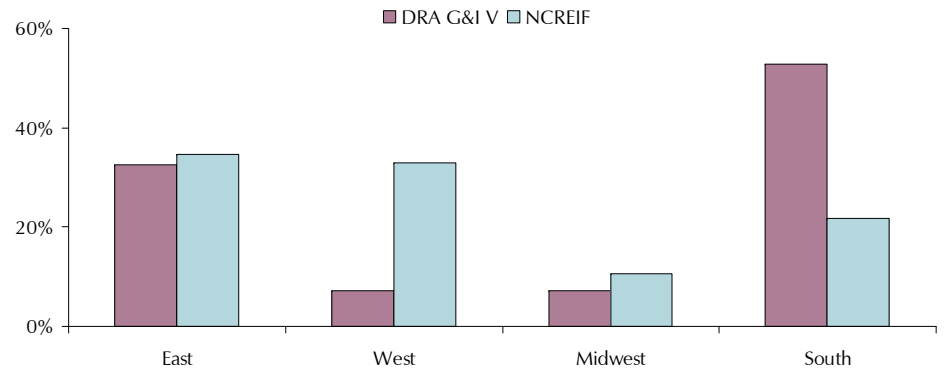
Portfolio Size:



Property Type:



Geographic Region:



**Investment Strategy:** The Fund continues the fund series' strategy of making value-added commercial real estate investments. DRA invests in diversified portfolios of office, retail, multi-family, industrial and other real-estate related properties and assets across the United States. DRA targets investments that offer competitive income returns and the potential for capital appreciation. Preservation of capital, downside protection and stability of cash flows underlie the firm's investment approach. DRA's value-added funds attempt to capitalize on inefficiencies in real estate markets to acquire high quality operating assets at discounts to replacement cost

**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$5.4 million

**Senior Professionals:** Team

**Location:** Boston, Massachusetts

**Vintage Year:** 2006

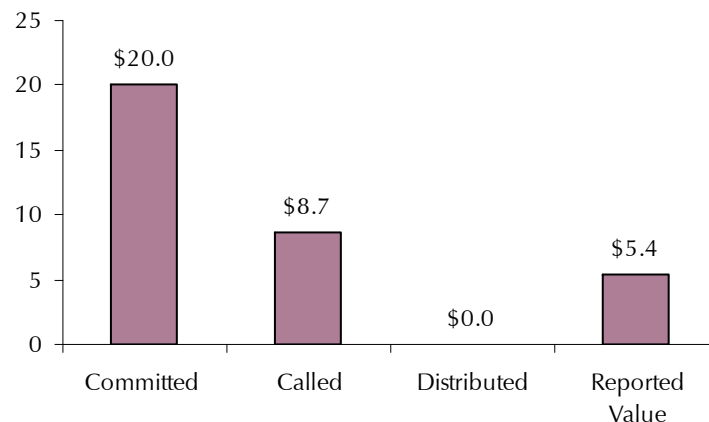
**Account Type:** Ltd. Partnership

**# of Investments:** 18

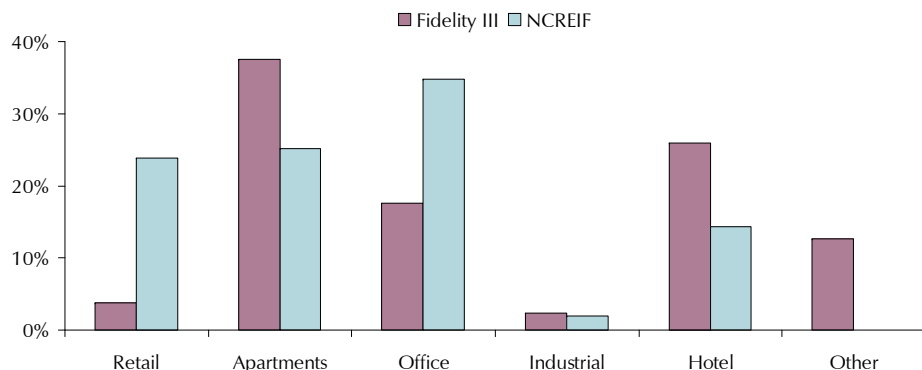
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 1.0% of committed capital; 17.5% on performance

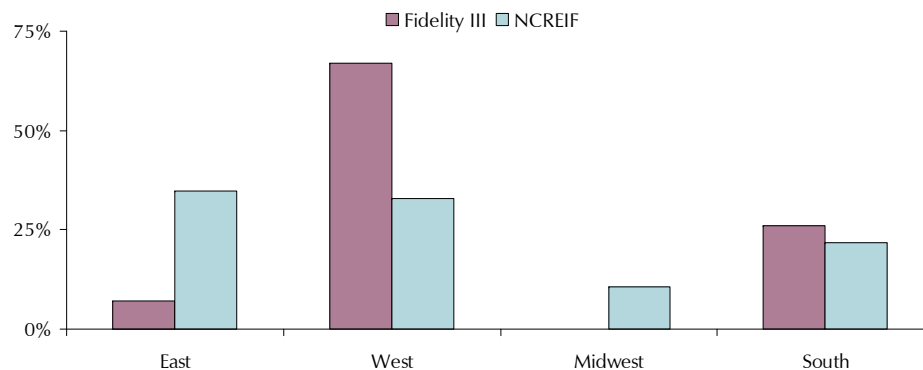
Portfolio Size:



Property Type:



Geographic Region:



**Investment Strategy:** Fidelity Real Estate Growth Fund III will seek to generate gross annualized returns of at least 18% through investments in value-added private equity and equity-related real estate transactions. Fidelity principally targets transactions in markets with positive fundamentals that offer an opportunity to increase returns through the execution of a value-added strategy. Accordingly, such investments will benefit not only from improving market conditions but also from the excess return created by the successful completion of each value-enhancement plan.

**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$5.3 million

**Senior Professionals:** Philip Riordan and Susan Doyle

**Location:** Stamford, Connecticut

**Vintage Year:** 2006

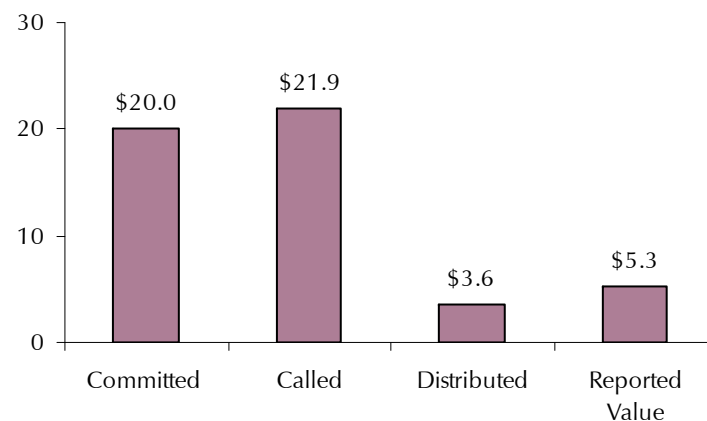
**Account Type:** Ltd. Partnership

**# of Investments:** 12

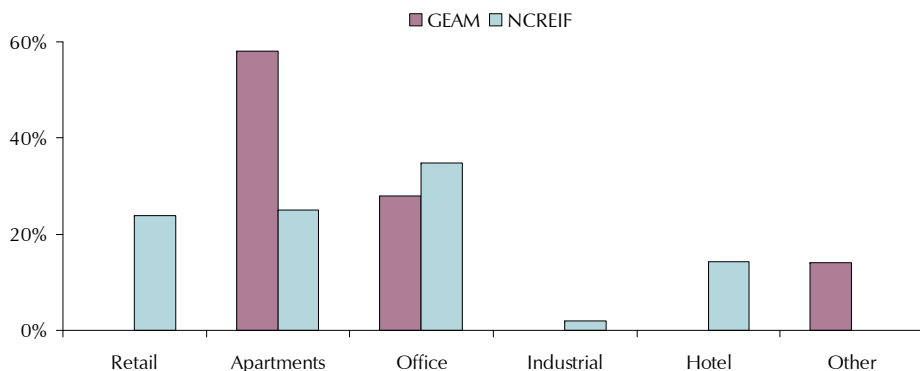
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** Fees for services equal to (a) during the Commitment Period, one percent (1%) per annum of the total aggregate Capital Commitments of all Limited Partners and (b) thereafter, one percent(1%) per annum of the Net Equity actually invested in all Real Estate Investments held by the Partnership, determined as of the last day of each calendar quarter.

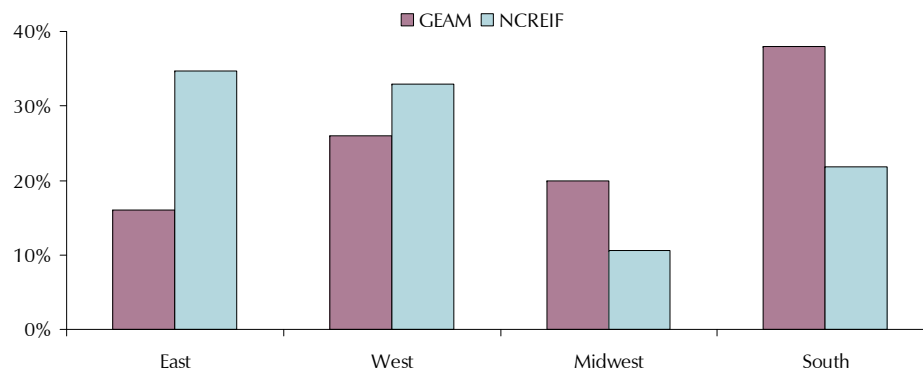
Portfolio Size:



Property Type:



Geographic Region:



**Investment Strategy:** The objective of the GEAM Value Add Realty Partners, L.P. is to invest in U.S. commercial and multi-family properties in which value can be created through redevelopment, renovation, repositioning, and/or releasing.

**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$5.1 million

**Senior Professionals:** Team

**Location:** New York, New York

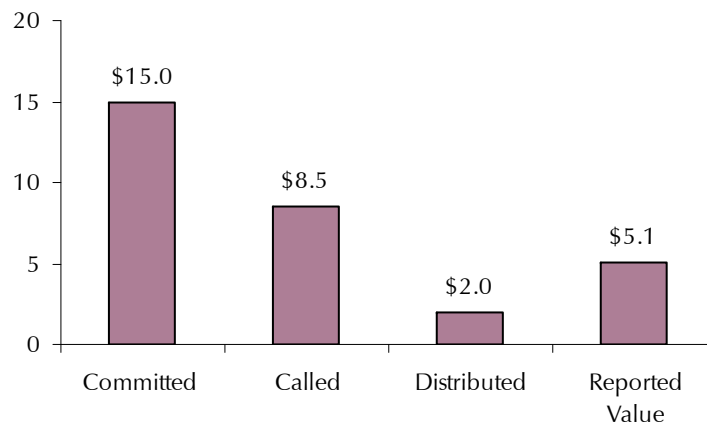
**Vintage Year:** 2007

**Account Type:** Ltd. Partnership

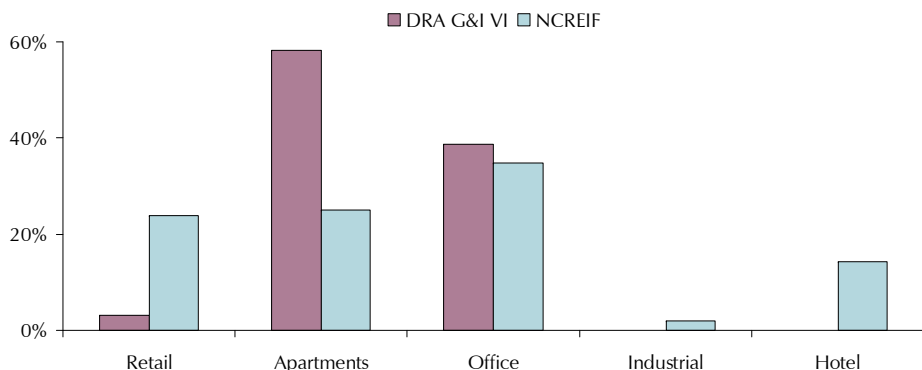
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 90 bps of Gross Asset Cost during the Acquisition Period, dropping to 60 bps of Gross Asset Cost after the Acquisition Period, with Gross Asset Cost reduced by leverage in excess of 65%

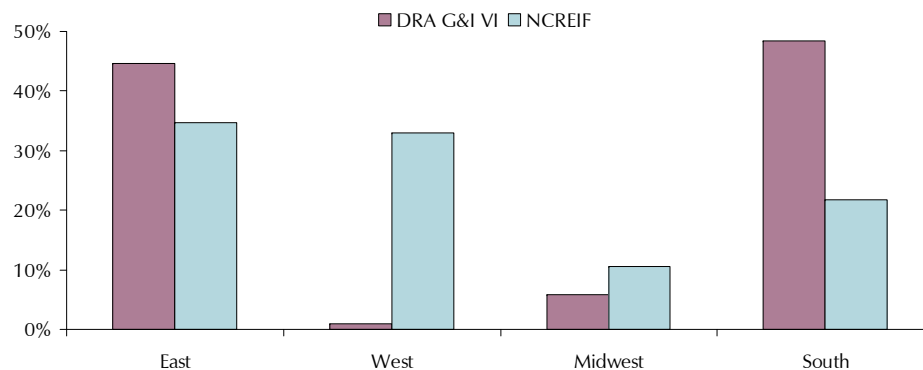
Portfolio Size:



Property Type:



Geographic Region:



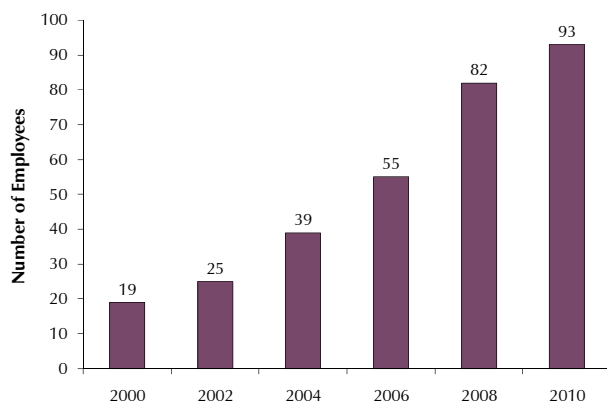
**Investment Strategy:** The Fund continues the fund series' strategy of making value-added commercial real estate investments. DRA invests in diversified portfolios of office, retail, multi-family, industrial and other real-estate related properties and assets across the United States. DRA targets investments that offer competitive income returns and the potential for capital appreciation. Preservation of capital, downside protection and stability of cash flows underlie the firm's investment approach. DRA's value-added funds attempt to capitalize on inefficiencies in real estate markets to acquire high quality operating assets at discounts to replacement cost.



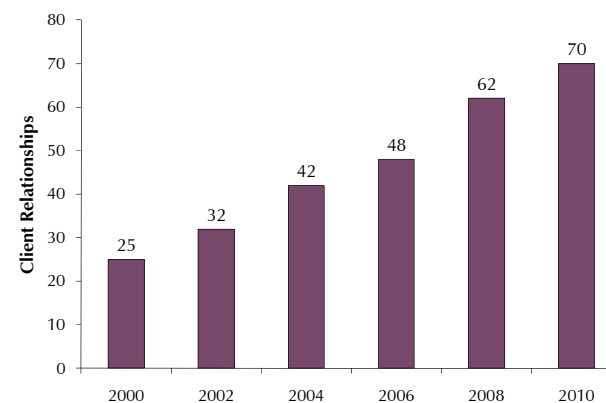
# **Meketa Investment Group Corporate Update**

- Staff of 93, including 56 investment professionals and 17 CFA charterholders
- 70 clients, with over 140 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston and San Diego
- Clients have aggregate assets of over \$280 billion
  - Over \$18 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

**Employee Growth**



**Client Growth**



**Meketa Investment Group is proud to work for 3.2 million American families everyday**



**Asset Classes Followed Intensively by Meketa Investment Group**

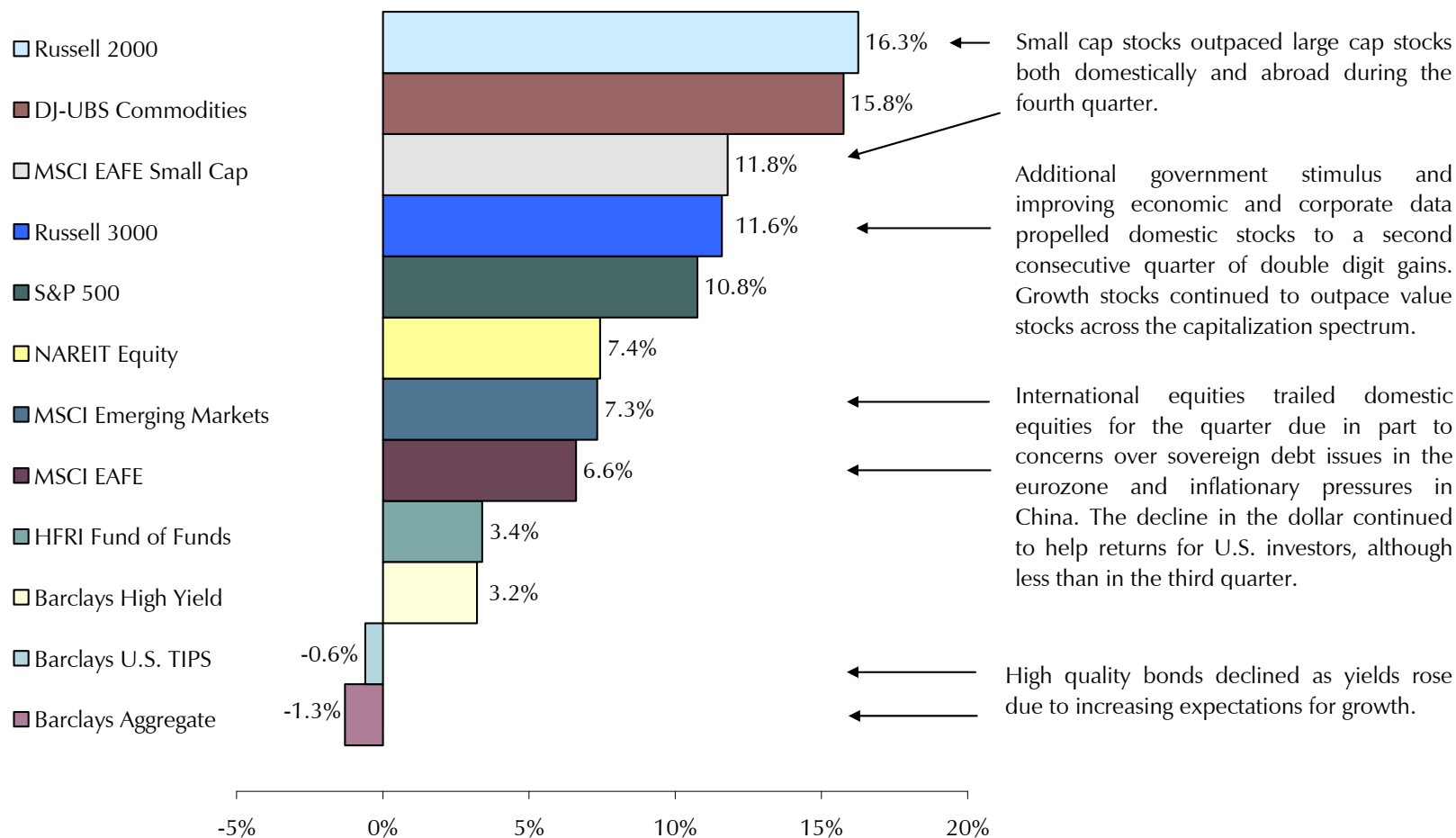
Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: none"> <li>- Large Cap Developed</li> <li>- Small Cap Developed</li> <li>- Emerging Markets</li> <li>- Frontier Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Buyouts</li> <li>- Venture Capital</li> <li>- Private Debt</li> <li>- Special Situations</li> <li>- Secondaries</li> <li>- Fund of Funds</li> </ul>	<ul style="list-style-type: none"> <li>- Public REITs</li> <li>- Core Real Estate</li> <li>- Value Added Real Estate</li> <li>- Opportunistic Real Estate</li> <li>- Infrastructure</li> <li>- Timber</li> <li>- Natural Resources</li> <li>- Commodities</li> </ul>	<ul style="list-style-type: none"> <li>- Short-Term</li> <li>- Core</li> <li>- Core Plus</li> <li>- TIPS</li> <li>- High Yield</li> <li>- Bank Loans</li> <li>- Distressed</li> <li>- Global</li> <li>- Emerging Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Long/Short Equity</li> <li>- Event Driven</li> <li>- Relative Value</li> <li>- Fixed Income Arbitrage</li> <li>- Multi Strategy</li> <li>- Market Neutral</li> <li>- Global Macro</li> <li>- Fund of Funds</li> <li>- Portable Alpha</li> </ul>



# Appendices

## The World Markets Fourth Quarter of 2010

The World Markets  
Fourth Quarter of 2010

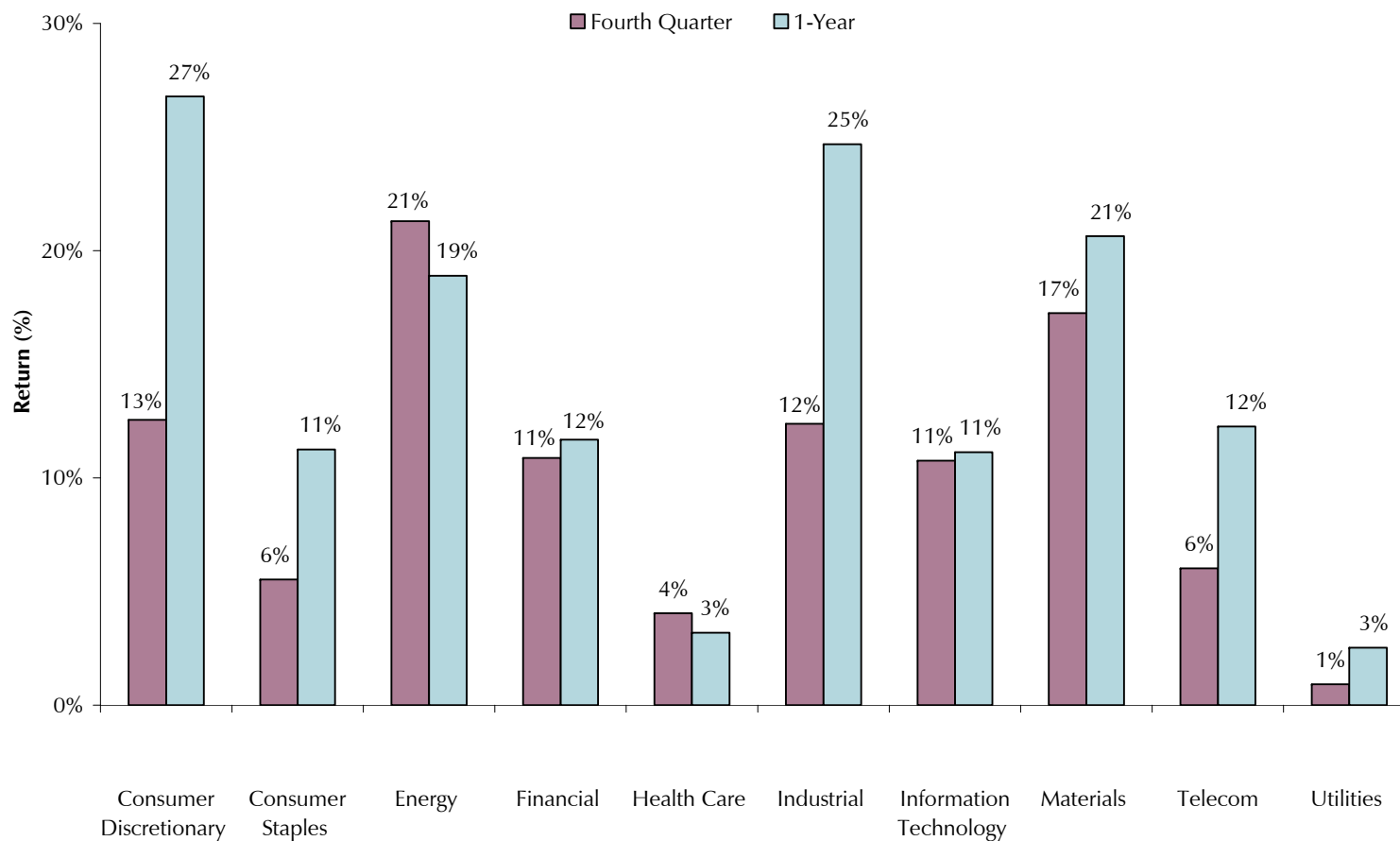


## Index Returns

	4Q10 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	11.6	16.9	-2.0	2.7	2.2
Russell 1000 Growth	11.8	16.7	-0.5	3.8	0.0
Russell 1000	11.2	16.1	-2.4	2.6	1.8
Russell 1000 Value	10.5	15.5	-4.4	1.3	3.3
Russell MidCap Growth	14.0	26.4	1.0	4.9	3.1
Russell MidCap	13.1	25.5	1.1	4.7	6.5
Russell MidCap Value	12.2	24.8	1.0	4.1	8.1
Russell 2000 Growth	17.1	29.1	2.2	5.3	3.8
Russell 2000	16.3	26.9	2.2	4.5	6.3
Russell 2000 Value	15.4	24.5	2.2	3.5	8.4
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	7.2	11.2	-5.0	4.8	5.5
MSCI EAFE	6.6	7.8	-7.0	2.5	3.5
MSCI EAFE Small Cap	11.8	22.0	-1.7	2.8	9.5
MSCI Emerging Markets	7.3	18.9	-0.3	12.8	15.9
<b>Fixed Income</b>					
Barclays Universal	-1.0	7.2	6.0	5.9	6.1
Barclays Aggregate	-1.3	6.5	5.9	5.8	5.8
Barclays U.S. TIPS	-0.6	6.3	5.0	5.3	7.1
Barclays High Yield	3.2	15.1	10.4	8.9	8.9
JPMorgan GBI-EM Global Diversified	-0.4	15.7	10.2	12.7	NA
<b>Other</b>					
NAREIT Equity	7.4	28.0	0.7	3.0	10.8
DJ-UBS Commodities	15.8	16.7	-4.2	-1.0	4.7
HFRI Fund of Funds	3.4	5.5	-2.6	2.4	4.1

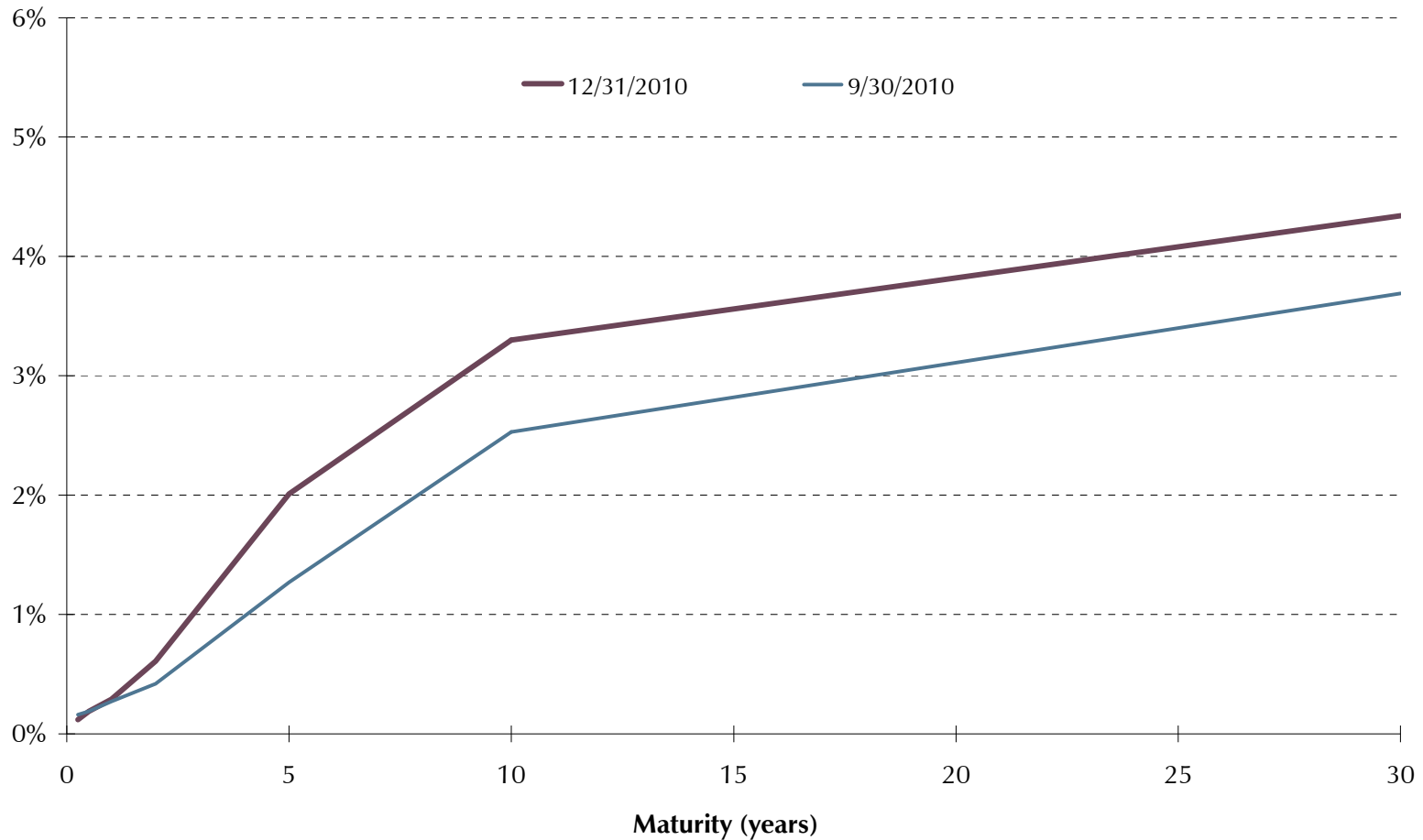
### S&P Sector Returns

All sectors posted positive returns in the fourth quarter and for the trailing one-year period. Energy (+21%) and materials (+17%) led the way for the quarter, while the consumer discretionary (+27%) and industrial (+25%) sectors posted the strongest returns for the trailing one-year period.



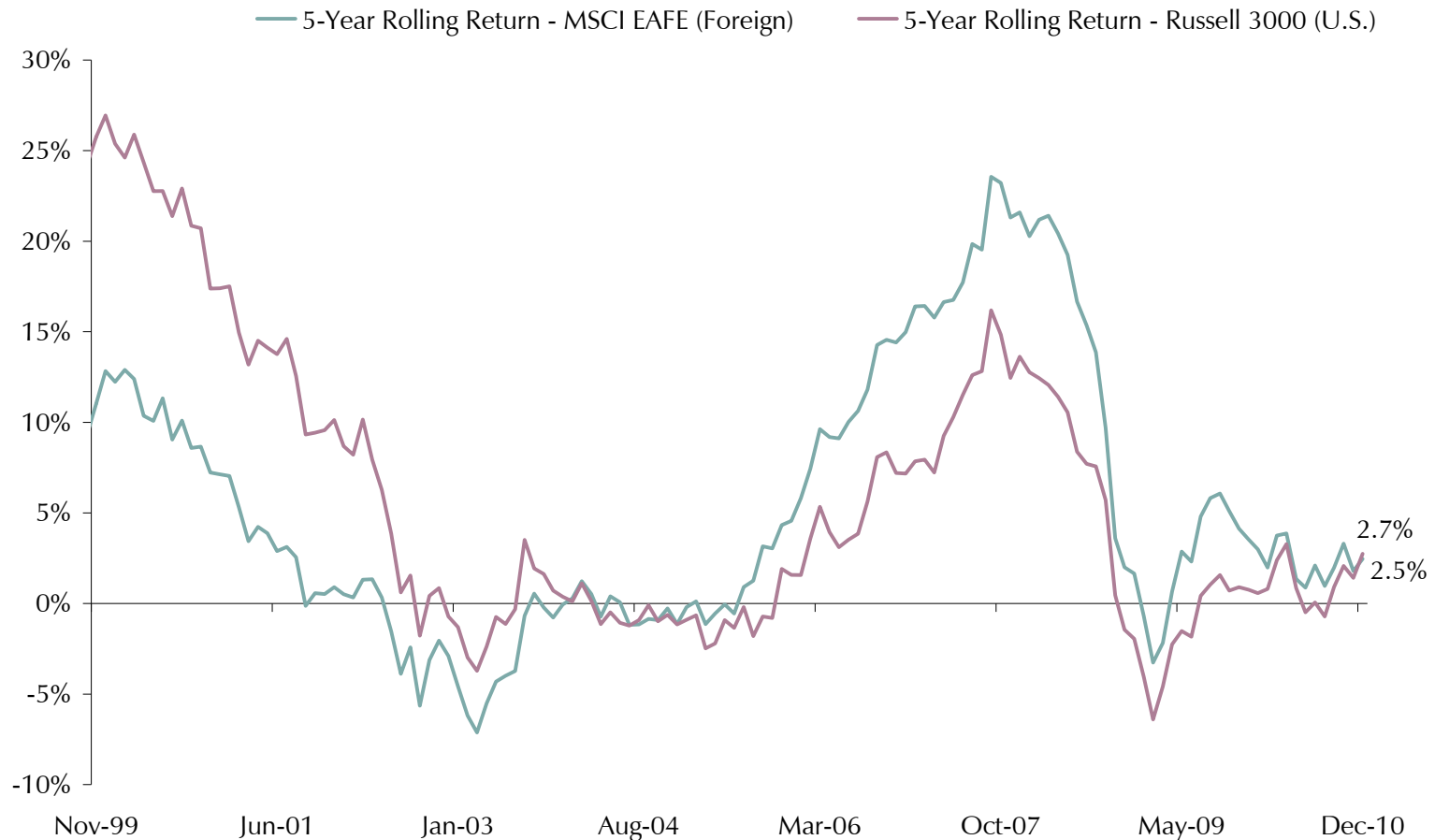
### Treasury Yields

Increasing expectations for growth created upward pressure on U.S. Treasury yields during the quarter. The yield on the ten-year Treasury rose 0.8%, finishing the quarter at 3.3%.



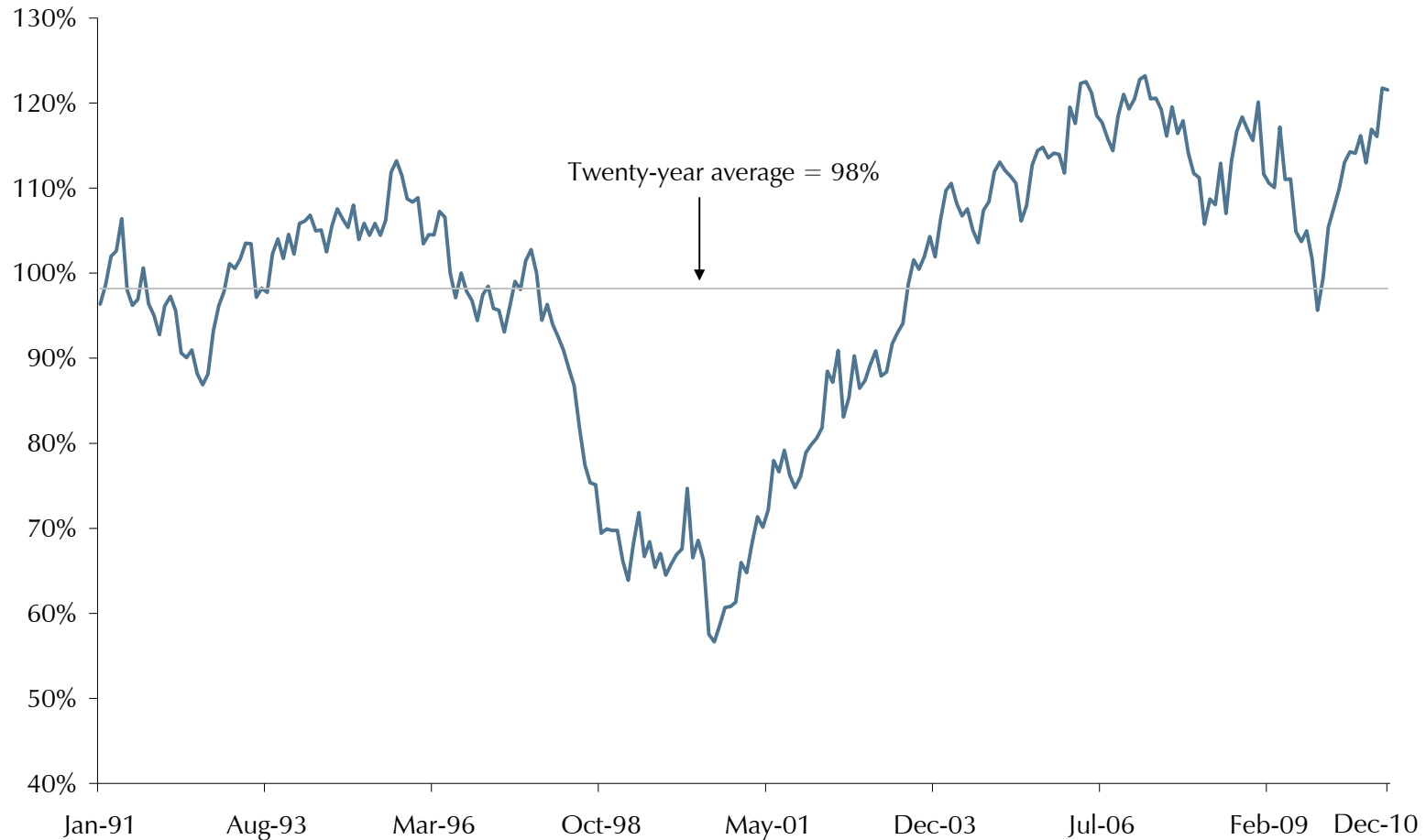
Equity Markets

The broad domestic equity market posted double-digit returns (+11.6%) in the fourth quarter, outpacing the broad developed international equity market by 5.0%. For the first time since September 2004, the trailing five-year return of the domestic equity market outpaced (+0.2%) the return of the international equity market.



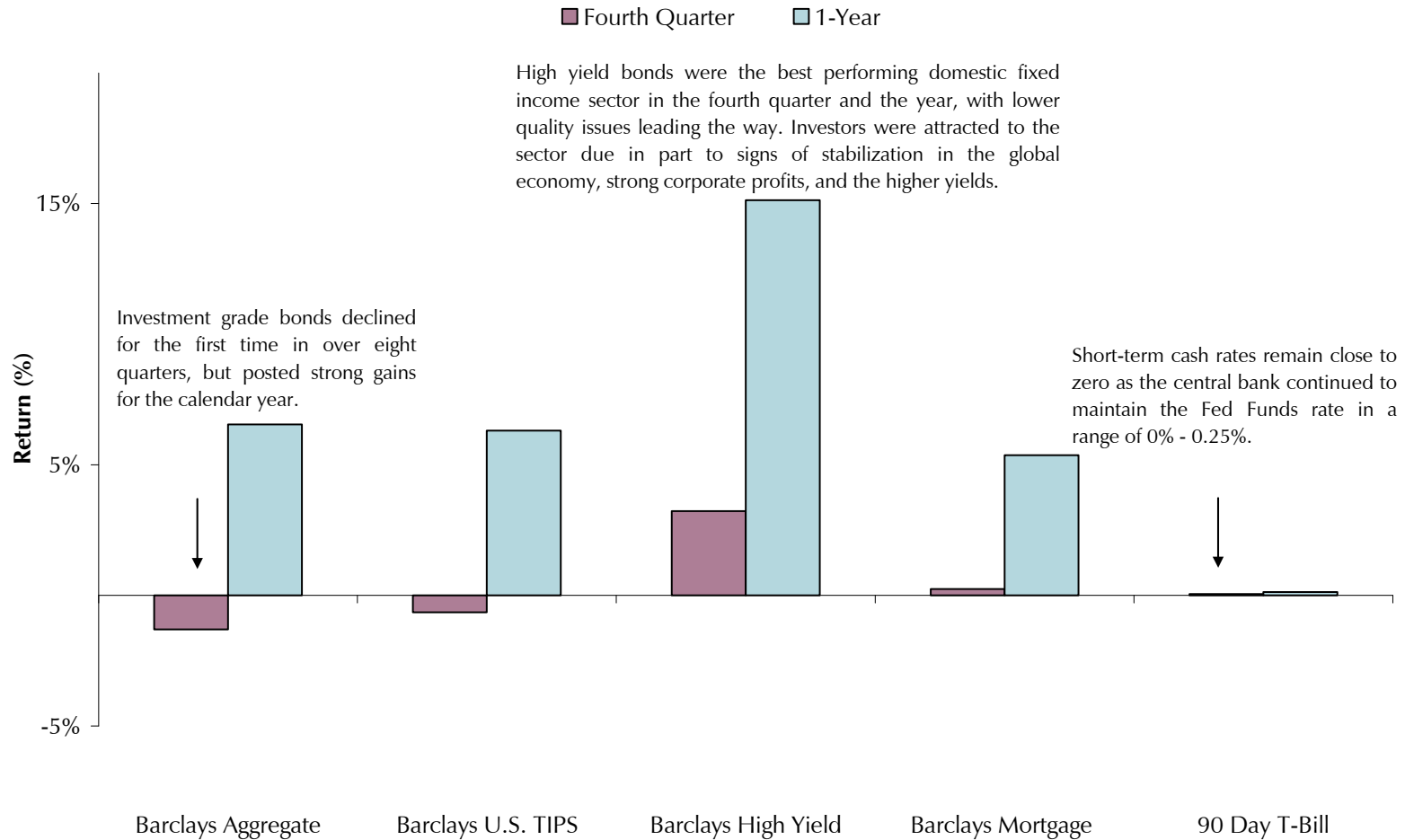
**Russell 2000 P/E (Small Cap) vs. Russell 1000 P/E (Large Cap)**

During the fourth quarter, the ratio of small cap (Russell 2000) P/Es to large cap (Russell 1000) P/Es rose to a level close to the highs reached in March of 2007. The increase was due in part to small cap stocks outpacing large cap stocks by 5.1%.



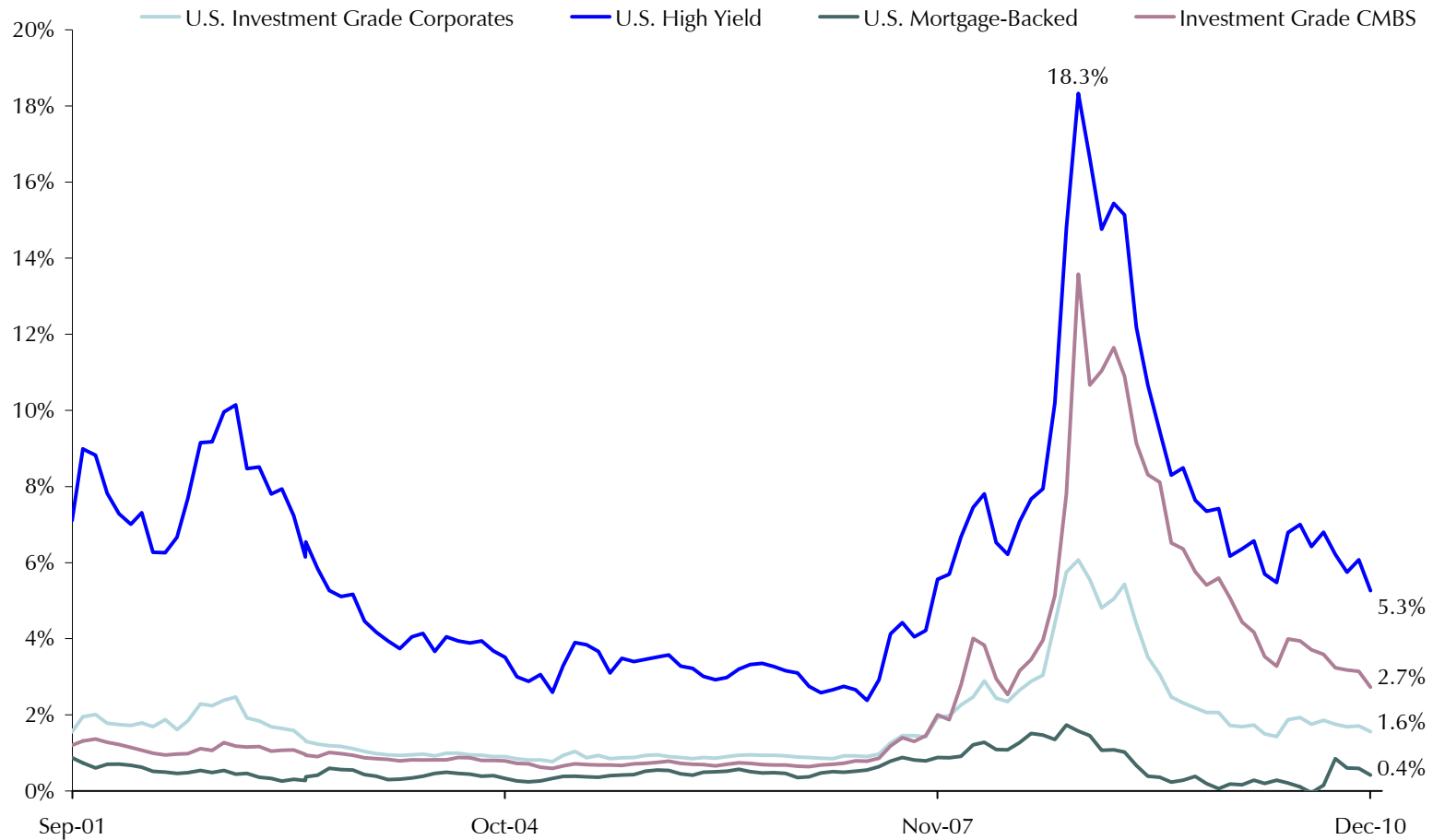


U.S. Fixed Income Markets

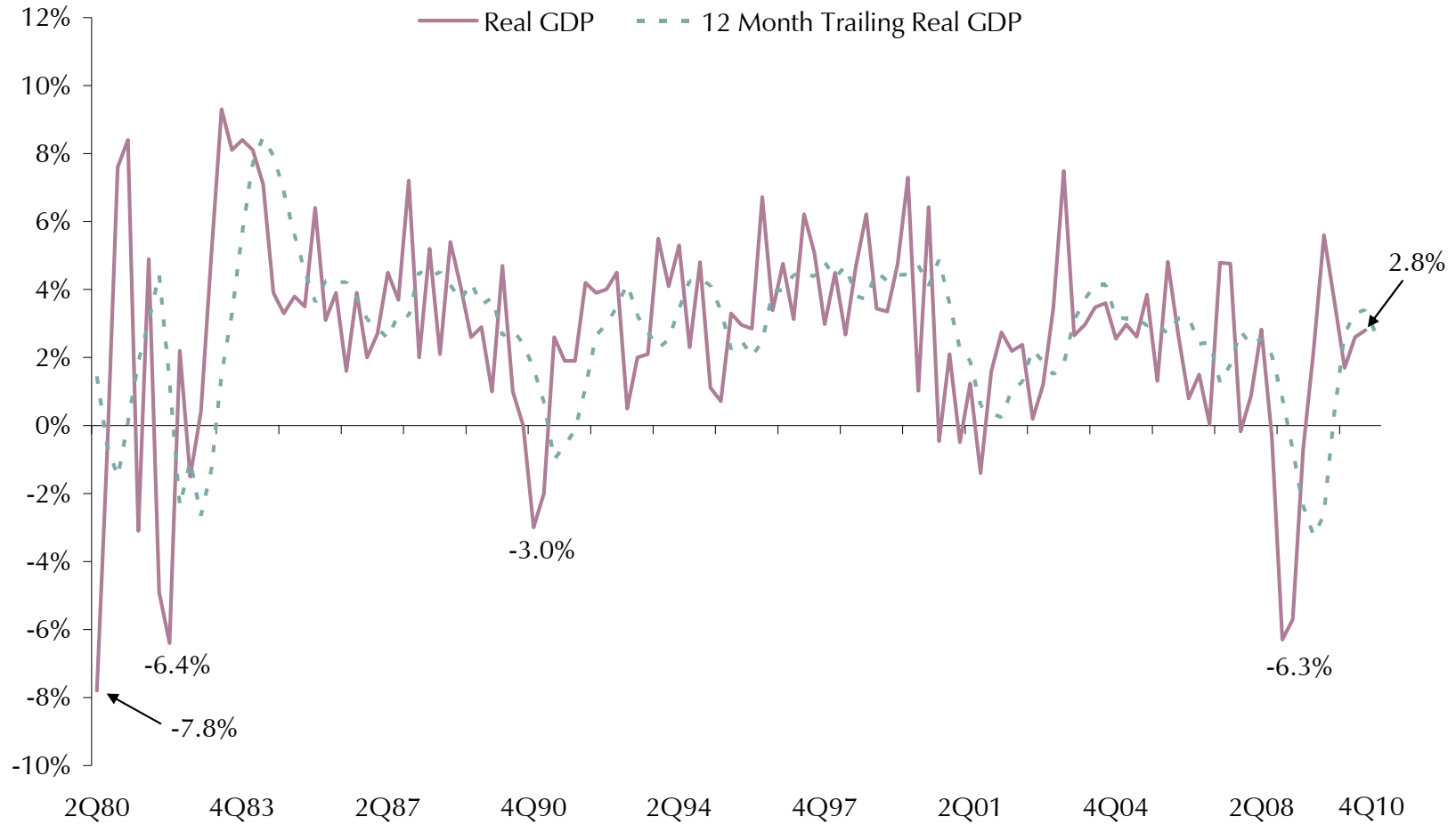


**Credit Spreads vs. U.S. Treasury Bonds**

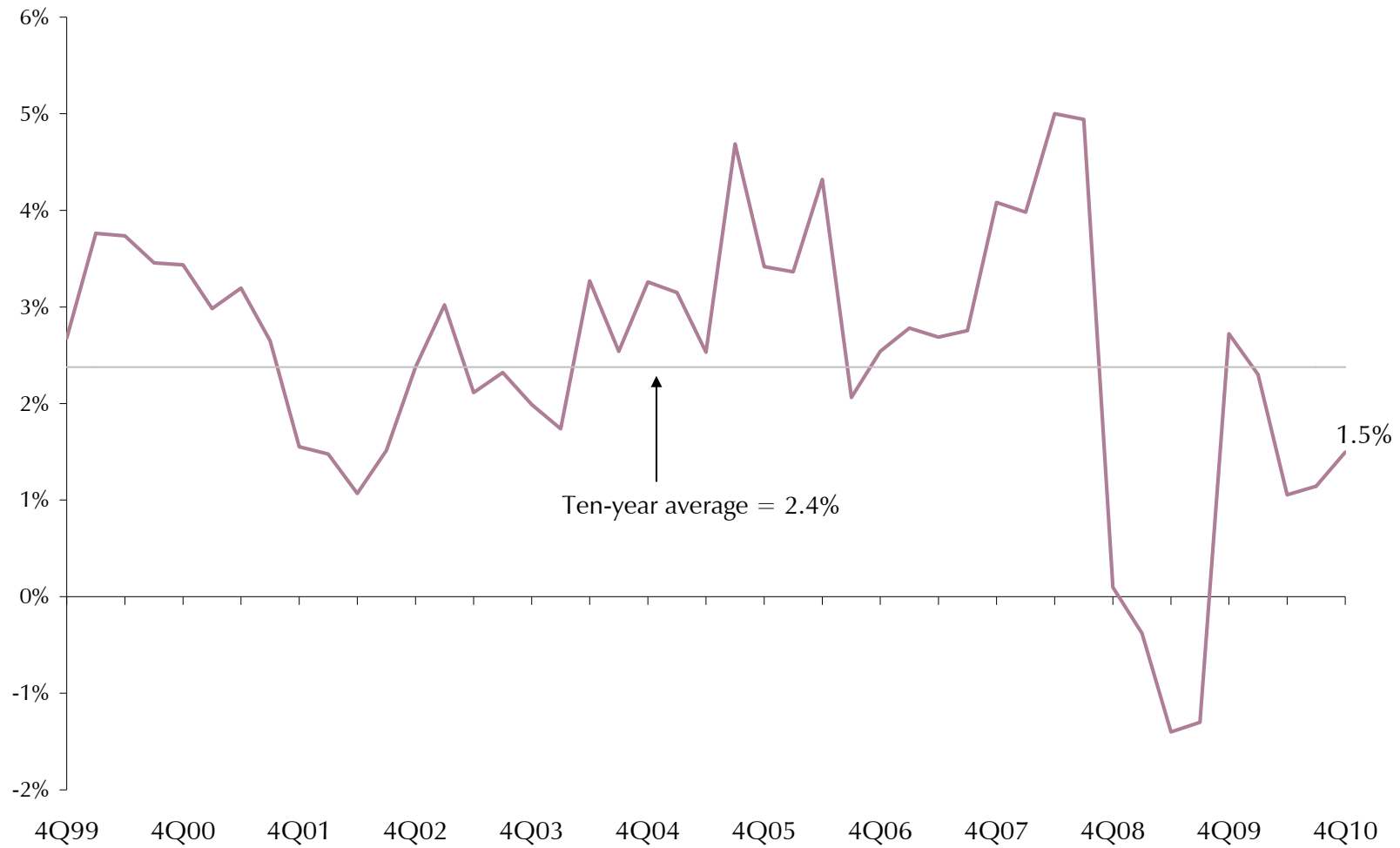
Credit spreads compressed across all sectors in the fourth quarter. High yield spreads declined approximately 90 basis points to 5.3%, a level thirteen percentage points below the peak reached in November of 2008.



### Real Gross Domestic Product (GDP) Growth

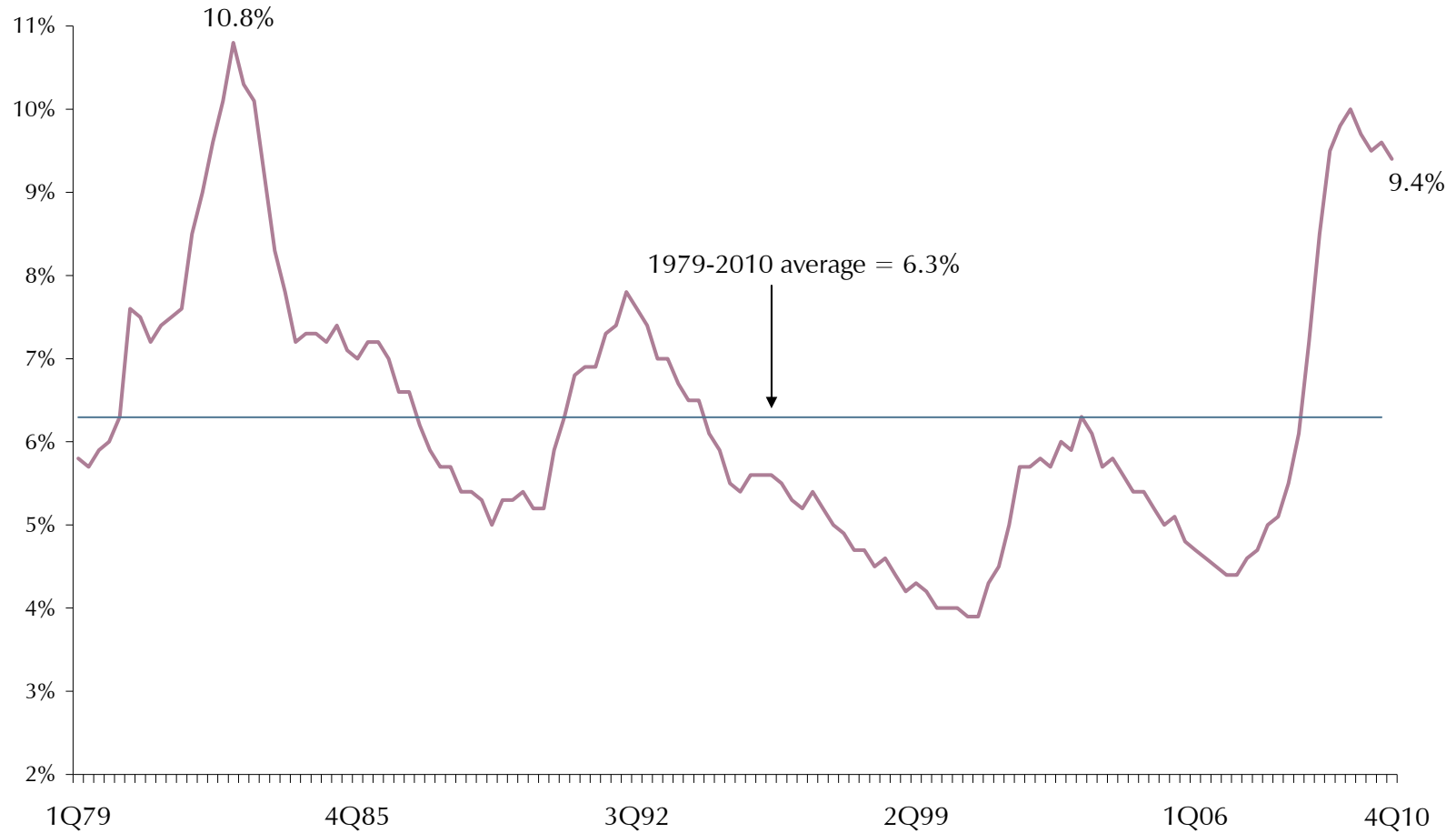


**U.S. Inflation (CPI)  
Trailing Twelve Months**



### U.S. Unemployment

The unemployment rate declined 0.2% over the fourth quarter, finishing 2010 at 9.4%. Although nonfarm payroll employment increased over the quarter (+293,000), the reduction in the unemployment rate was largely due to workers leaving the labor market.



**Glossary and Notes  
As of December 31, 2010**

**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends.

Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.  
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.



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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.