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## City of San Jose Police and Fire Department Retirement Fund

**Investment Performance Analysis  
For the period ending December 31, 2011**

March 28, 2012

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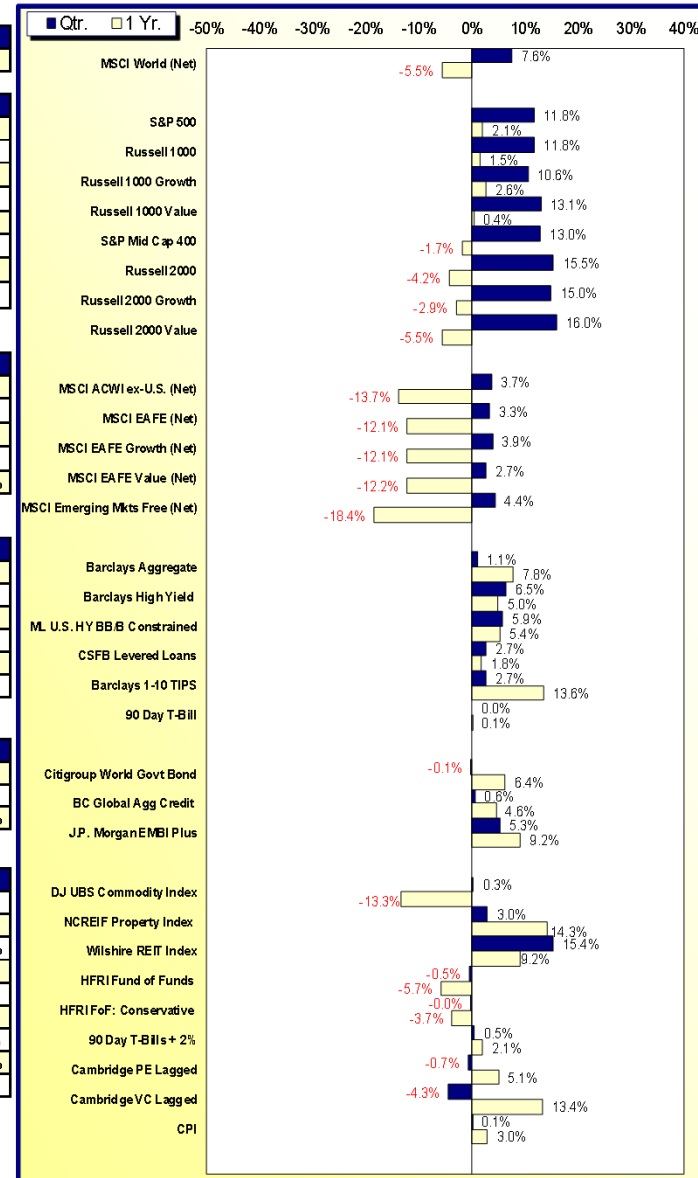
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25  
Years  
1986-2011

# Market Environment Overview

		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Global Equity Benchmarks</b>						
MSCI World (Net)	World	7.6%	-5.5%	11.1%	-2.4%	3.6%
<b>Domestic Equity Benchmarks</b>						
S&P 500	Large Core	11.8%	2.1%	14.1%	-0.3%	2.9%
Russell 1000	Large Core	11.8%	1.5%	14.8%	-0.0%	3.3%
Russell 1000 Growth	Large Growth	10.6%	2.6%	18.0%	2.5%	2.6%
Russell 1000 Value	Large Value	13.1%	0.4%	11.6%	-2.6%	3.9%
S&P Mid Cap 400	Mid Core	13.0%	-1.7%	19.6%	3.3%	7.0%
Russell 2000	Small Core	15.5%	-4.2%	15.6%	0.2%	5.6%
Russell 2000 Growth	Small Growth	15.0%	-2.9%	19.0%	2.1%	4.5%
Russell 2000 Value	Small Value	16.0%	-5.5%	12.4%	-1.9%	6.4%
<b>International Equity Benchmarks</b>						
MSCI ACWI ex-U.S. (Net)	International	3.7%	-13.7%	10.7%	-2.9%	6.3%
MSCI EAFE (Net)	Int'l Developed	3.3%	-12.1%	7.7%	-4.7%	4.7%
MSCI EAFE Growth (Net)	Int'l Developed	3.9%	-12.1%	8.5%	-3.2%	4.3%
MSCI EAFE Value (Net)	Int'l Developed	2.7%	-12.2%	6.8%	-6.3%	5.0%
MSCI Emerging Mkts Free (Net)	Int'l Emerging	4.4%	-18.4%	21.1%	2.4%	13.9%
<b>Domestic Fixed Income Benchmarks</b>						
Barclays Aggregate	Core Bonds	1.1%	7.8%	6.8%	6.5%	5.8%
Barclays High Yield	High Yield	6.5%	5.0%	24.1%	7.5%	8.9%
ML U.S. HY BB/B C Constrained	High Yield	5.9%	5.4%	20.7%	6.8%	7.9%
CSFB Levered Loans	Bank Loans	2.7%	1.8%	17.5%	3.3%	4.7%
Barclays 1-10 TIPS	Inflation-Linked	2.7%	13.6%	10.4%	8.0%	7.6%
90 Day T-Bill	Cash	0.0%	0.1%	0.1%	1.5%	2.0%
<b>Global Fixed Income Benchmarks</b>						
Citigroup World Govt Bond	Global Bonds	-0.1%	6.4%	4.7%	7.1%	7.8%
BC Global Agg Credit	Global Bonds	0.0%	4.6%	8.9%	5.2%	6.9%
J.P. Morgan EMBI Plus	Em. Mkt. Bonds	5.3%	9.2%	15.4%	8.1%	11.6%
<b>Alternative Benchmarks</b>						
DJ UBS Commodity Index	Commodities	0.3%	-13.3%	6.4%	-2.1%	6.6%
NCREIF Property Index	Real Estate	3.0%	14.3%	2.4%	3.1%	8.1%
Wilshire RBT Index	RBT	15.4%	9.2%	21.8%	-2.0%	10.2%
HFRF Fund of Funds	Hedge Funds	-0.5%	-5.7%	3.6%	-0.8%	3.3%
HFRF FoF: Conservative	Hedge Funds	-0.0%	-3.7%	3.5%	-0.9%	2.8%
90 Day T-Bills + 2%	Hedge Funds	0.5%	2.1%	2.2%	3.5%	4.0%
Cambridge PE Lagged	Private Equity	-0.7%	5.1%	-0.4%	3.7%	-0.4%
Cambridge VC Lagged	Venture Capital	-4.3%	13.4%	6.5%	8.6%	12.0%
CPI	Inflation	0.1%	3.0%	2.4%	2.3%	2.5%



Note: Cambridge Private Equity and Cambridge Venture Capital Indexes are lagged by one quarter. Performance shown as of September 30, 2011.



# NEPC 2012 Capital Market Observations

- **Low expected returns are here to stay – fundamental economic drivers remain depressed**
  - Developed world seeking to avoid rapid deleveraging by accepting slower growth.
  - Lower 30-year yields extend unattractive bond returns to the long-term.
- **Uncertainty around ultimate fate of Euro prolongs volatility and macro-driven markets**
  - Limited political will worldwide to recognize losses.
  - Official US recession (two negative quarters) is unlikely due to potential fiscal and monetary intervention.
- **Despite poor growth prospects, risky assets have some upside**
  - Corporate balance sheets are strong and valuations are modestly attractive.
  - Central bank stimulus unlikely to create jobs but can drive the stock market up.
  - Credit markets have more attractive risk-adjusted return expectations than equities – should protect better in downturn and have better risk adjusted returns in market rally.
- **Worldwide recovery, though unlikely, could spark inflation**
  - Real assets provide protection, but otherwise have low return prospects.
    - Still play an important strategic role in portfolios, but less attractive on a tactical basis.
- **Global economic leadership expected from emerging countries**
  - Higher relative investment performance expected as part of this transition.
  - Owners of “stuff people want” and increasingly home of “people wanting stuff”.

# NEPC 2012 General Actions for Clients

- **Recognize that current global deleveraging is a multi-year event**
  - Expect many themes to be repeated and reinforced for several years.
  - Ongoing commitment and patience required to capture returns.
- **If appropriate, increase portfolio risk – and expected return**
  - Seek higher risk premia, balanced across asset classes, factors, and strategies.
    - Broad-based credit markets are best positioned for volatility.
  - Review risk management processes – consider engaging an overlay manager.
    - Explore hedging a portion of developed country currency exposure.
- **Continue to increase emerging markets exposure**
  - Typical US institutional allocation still under market-capitalization weighting.
  - While potential for slowdown has increased, long-term structural themes for outperformance remain in place across equity, debt, and currencies.
- **Use active strategies to enhance returns**
  - Recognize challenges that active managers have faced with macro-driven markets and have patience where conviction remains strong.
  - Set reasonable expectations and evaluate manager's role in total portfolio structure.
- **“Buy Low” in segments of illiquid and less liquid assets**
  - Distressed strategies provide access to multiple phases of credit restructuring.
  - Structured securities offer attractive expected returns.
    - Accessed in both hedge fund and private structures.

# NEPC 2012 Focused Actions for Public Funds

- **Portfolio Risk Management**

- Enhanced Return and Risk targets should be thoughtfully implemented and managed.
- Asset Allocation Studies with increases to Portfolio Risk need to be conducted with an eye on potential market scenarios and an understanding of the downside.
- Increases to Illiquid Assets (including Private Equity, Real Estate, and Hedged Strategies) needs to be measured against total portfolio Liquidity Needs and Constraints.

- **Real Asset Considerations**

- Many public funds have cost of living adjustment mechanisms.
- While many inflation protection classes come with subdued return forecasts and appear overpriced, some exposure can mitigate unexpected inflation pressures.

- **Invest for the Long Term**

- Short to medium-term return assumptions are still subdued.
- Low yields have also dampened long-term expected returns.
- 5-7 Year expected target returns will struggle to meet actuarial targets but normalized expectations (long-term), while low, will improve chances of earning actuarial targets.

## Summary of Investment Results

- Over the last 12 months, the Fund experienced a net investment loss of \$27.2 M, which includes a net investment gain of \$93.5 M during the fourth calendar quarter. Total assets decreased from \$2.65 B one year ago to \$2.61 B on December 31, 2011, with \$6.6 M in net distributions during the period.
- Over the past five years, the Fund returned 1.5% per annum, trailing the policy benchmark by 0.1% and ranking in the 71<sup>st</sup> percentile of the Independent Consultant Cooperative's Public Funds > \$1 B Universe.
  - For the five-year period, active management detracted 30 basis points of value while increasing volatility for the period by 10 basis points.
  - The Fund's five-year risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the 70<sup>th</sup> percentile of its peers.
- For the three-year period ending December 31, 2011, the Fund returned 10.5% per annum, trailing the policy benchmark by 0.4% and ranking in the 64<sup>th</sup> percentile of its peers.
  - For the three-year period, active management added no value while lowering volatility for the period by 40 basis points.
  - Over the past three years, in what has been a highly volatile market environment, the Fund has reduced its volatility, producing a Sharpe Ratio of 1.0 for the period, which ranks in the 55<sup>th</sup> percentile of its peers.
- For the one-year period ending December 31, 2011, the Fund returned -0.9%, trailing the policy benchmark by 2.9% and ranking in the 99<sup>th</sup> percentile of its peers.
  - For the one-year period, active management detracted 50 basis points of value while lowering volatility for the period by 20 basis points.
  - The Fund's volatility ranks in the 27<sup>th</sup> percentile of its peers for the period.
- For the quarter, the Fund posted a 3.7% return, trailing the policy benchmark by 0.6% and ranking in the 84<sup>th</sup> percentile of its peers.
  - For the quarter, active management added 10 basis points of value.
- The Fund's allocation to real estate was below its lower policy range as of December 31, 2011.

Note: All performance, ranks, asset allocation and asset growth detailed above and throughout this report are as of December 31, 2011, unless otherwise noted, and take into account an unrealized loss of \$2,952,373 in the Fund's securities lending cash collateral reinvestment pool. The unrealized loss was accounted for in June 2009 performance calculations, which negatively impacted performance by 51 basis points at the Total Fund level for the month. This impact will be negated over time as market conditions improve and pricing of fixed income assets becomes more normalized, assuming there are no impairments or defaults in the pool. To date, State Street (who manages the Fund's securities lending program), has not experienced any impairments or defaults in the Fund's securities lending cash collateral reinvestment pool. Performance results are reported gross of fees.



## Fund Update

- In aggregate, Seix and Mackay Shields have distributed \$70.0 M of the \$100 M invested in April 2009 - \$50 M was allocated to each strategy.
  - Seix has distributed \$35.0 M as of December 31, 2011.
  - Mackay Shields has distributed \$35.0 M as of December 31, 2011.
- Global Equity Re-Structure – Phase 1 Complete.
  - Five active equity managers have been terminated - Robeco/Boston Partners, Brandes, William Blair, AllianceBernstein and The Boston Company.
  - Passive mandates overseen by Rhumblin (R1000, R1000 Growth and R2000) were terminated and a new passive R3000 portfolio was added to the Fund.
  - Optimized portfolios overseen by Russell now comprise the majority of the Fund's equity allocation (~71%).
    - MSCI ACWI - \$343.7 M
    - MSCI ACWI Value - \$428.6 M
    - MSCI EAFE + CAD Small Cap - \$83.7 M
  - Exposure to emerging markets through Vanguard ETF (ticker: VWO) - \$123.0 M
  - Next Steps – Investment Structure and Implementation
- On September 30, 2011, the Fund transferred three properties to the American Core Realty Fund in exchange for units in the Fund.
  - The transfer amount was ~\$53.9 M for the three properties.
  - SJ Deerwood, SJ Crescent Parkway and SJ 1900 Spring Road
- In December 2011, the Fund completed the sale of the Camelback Pointe Apartments property in Colorado Springs, CO
  - Net cash to the Fund as a result of the sale - ~\$31 M
- 5 Properties remain in the Fund's separately managed real estate portfolio



# Fund Allocation

	Market Value	Percent of Total Assets	Policy Benchmark <sup>1</sup>	Difference	Range
<b>TOTAL FUND</b>	<b>\$2,615,156,198</b>	<b>100.0%</b>			
<b>TOTAL EQUITY</b>	<b>\$1,196,792,196</b>	<b>45.8%</b>	<b>40.0%</b>	<b>5.8%</b>	<b>30-50%</b>
<i>TOTAL GLOBAL EQUITY</i>	<i>\$772,222,197</i>	<i>29.5%</i>	--	--	
<i>TOTAL U.S. EQUITY</i>	<i>\$134,033,877</i>	<i>5.1%</i>	--	--	
U.S. All Cap Equity	\$57,006,874	2.2%			
U.S. Small Cap Equity	\$77,027,003	2.9%			
<i>TOTAL NON-U.S. EQUITY</i>	<i>\$208,934,725</i>	<i>8.0%</i>	--	--	
Non-U.S. Developed Markets	\$85,933,658	3.3%			
Non-U.S. Emerging Markets	\$123,001,067	4.7%			
<i>CONVERTIBLE BONDS<sup>2</sup></i>	<i>\$81,601,396</i>	<i>3.1%</i>	--	--	
<b>TOTAL FIXED INCOME</b>	<b>\$786,516,615</b>	<b>30.1%</b>	<b>25.0%</b>	<b>5.1%</b>	<b>15-35%</b>
Core Bonds	\$232,355,509	8.9%	5.0%	3.9%	
TIPS	\$265,924,894	10.2%	10.0%	0.2%	
Long Bonds	\$147,259,736	5.6%	5.0%	0.6%	
Opportunistic Credit	\$140,976,476	5.4%	5.0%	0.4%	
<b>PRIVATE EQUITY</b>	<b>\$121,522,377</b>	<b>4.6%</b>	<b>5.0%</b>	<b>(0.4%)</b>	<b>0-10%</b>
<b>REAL ESTATE</b>	<b>\$127,438,038</b>	<b>4.9%</b>	<b>10.0%</b>	<b>(5.1%)</b>	<b>5-15%</b>
<b>INFLATION-LINKED ASSETS<sup>3</sup></b>	<b>\$301,076,652</b>	<b>11.5%</b>	<b>10.0%</b>	<b>1.5%</b>	<b>5-15%</b>
<b>OPPORTUNISTIC INVESTMENTS</b>	<b>\$69,786,873</b>	<b>2.7%</b>	<b>5.0%</b>	<b>(2.3%)</b>	<b>0-10%</b>
<b>ASOLUTE RETURN</b>	<b>\$0</b>	<b>0.0%</b>	<b>5.0%</b>	<b>(5.0%)</b>	<b>0-10%</b>
<b>CASH</b>	<b>\$404,681</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>SECURITIES LENDING<sup>4</sup></b>	<b>(\$2,952,373)</b>	<b>-0.1%</b>	--	--	
<b>OVERLAY</b>	<b>\$14,571,140</b>	<b>0.6%</b>	--	--	

<sup>1</sup>New asset allocation targets adopted by the Board of Administration at the October 1, 2009 meeting.

<sup>2</sup>The Fund's allocation to convertible bonds is a global mandate and included within the Fund's equity allocation for asset allocation purposes.

<sup>3</sup>Inflation-Linked Assets Composite currently consists of two risk balanced commodities portfolios managed by First Quadrant and Credit Suisse.

<sup>4</sup>Unrealized losses in the Fund's securities lending cash collateral reinvestment pool.

Note: Market values shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.



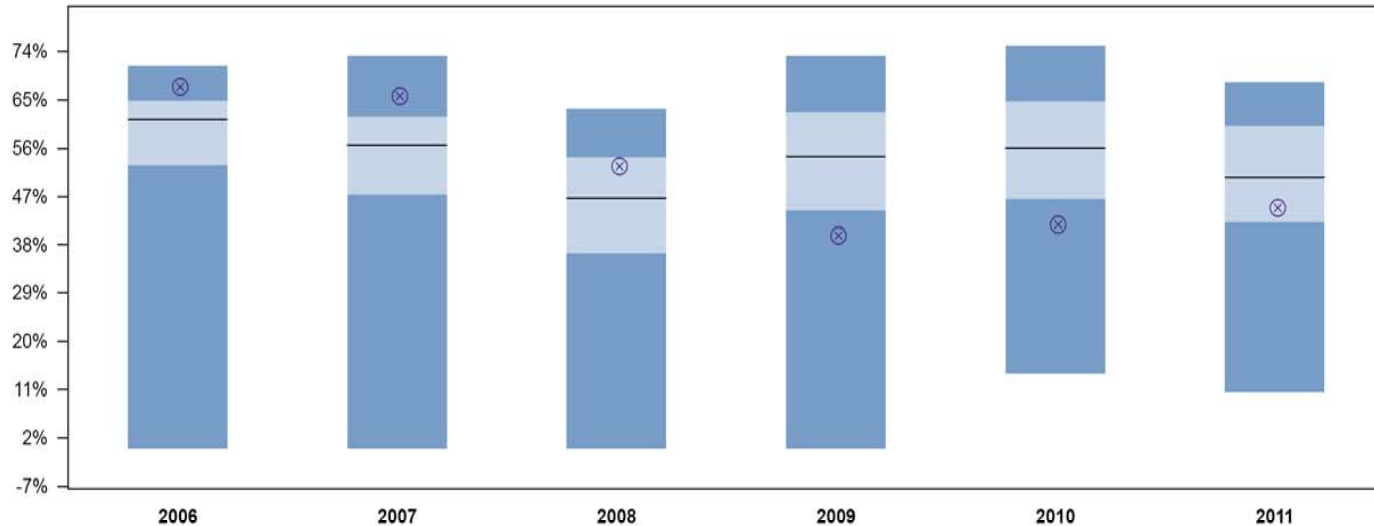


# Public Funds > \$1 Billion – Public Equity Commitment

## San Jose Police & Fire

Total Fund Allocation - Universe: Public Funds (DB) > \$1 Billion  
 Period Ending December 31, 2011

### Commitment to Equity (%)



	2006	2007	2008	2009	2010	2011
⊗ <b>TOTAL FUND</b>	<b>67.8</b> 16	<b>66.1</b> 14	<b>53.0</b> 29	<b>40.1</b> 83	<b>42.1</b> 83	<b>45.2</b> 72
5th Percentile	71.4	73.1	63.3	73.1	75.0	68.3
25th Percentile	64.9	62.0	54.4	62.8	64.8	60.2
50th Percentile	61.4	56.6	46.6	54.4	56.1	50.6
75th Percentile	52.8	47.3	36.4	44.3	46.5	42.2
95th Percentile	0.0	0.0	0.0	0.0	14.0	10.5

*Note: Includes allocation to convertible bonds.  
 Excludes cash held in separately managed portfolios.*



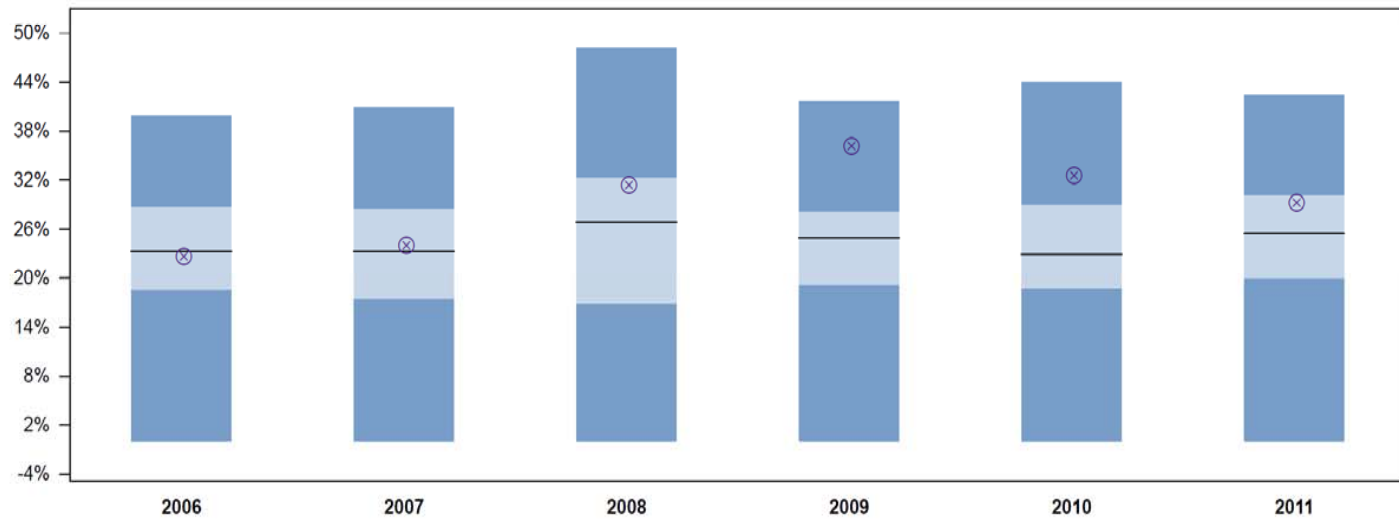
# Public Funds > \$1 Billion – Public Fixed Income Commitment

## San Jose Police & Fire

Total Fund Allocation - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Commitment to Fixed Income (%)



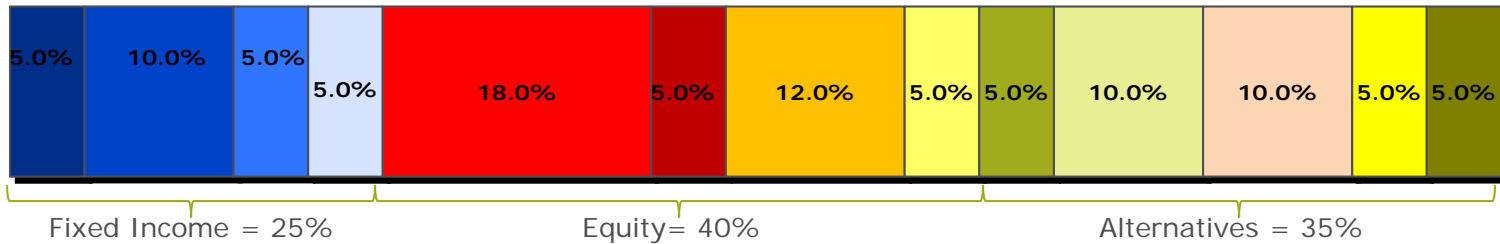
	2006	55	2007	47	2008	27	2009	8	2010	14	2011	30
⊗ <b>TOTAL FUND</b>	22.9	55	24.2	47	31.6	27	36.4	8	32.8	14	29.5	30
5th Percentile	39.9		40.9		48.2		41.6		44.0		42.4	
25th Percentile	28.7		28.5		32.3		28.2		29.0		30.2	
50th Percentile	23.3		23.3		26.9		24.9		22.9		25.5	
75th Percentile	18.4		17.4		16.8		19.1		18.6		19.9	
95th Percentile	0.0		0.0		0.0		0.0		0.0		0.0	



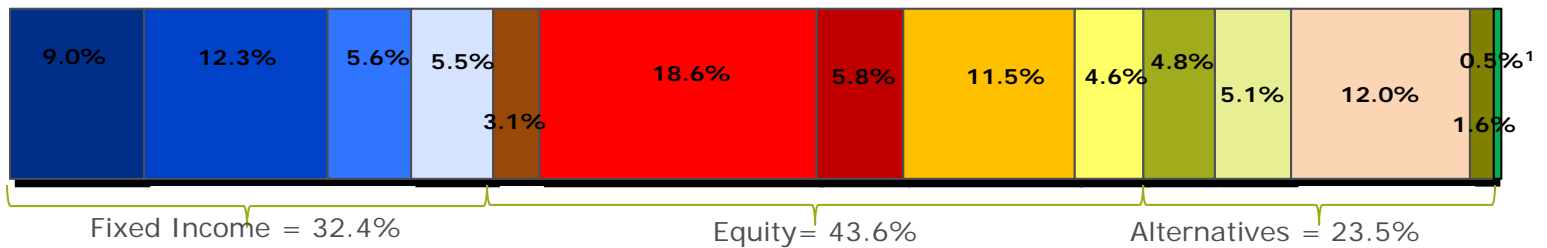
Note: Excludes cash held in separately managed portfolios.

# Asset Allocation – Beginning of the Quarter

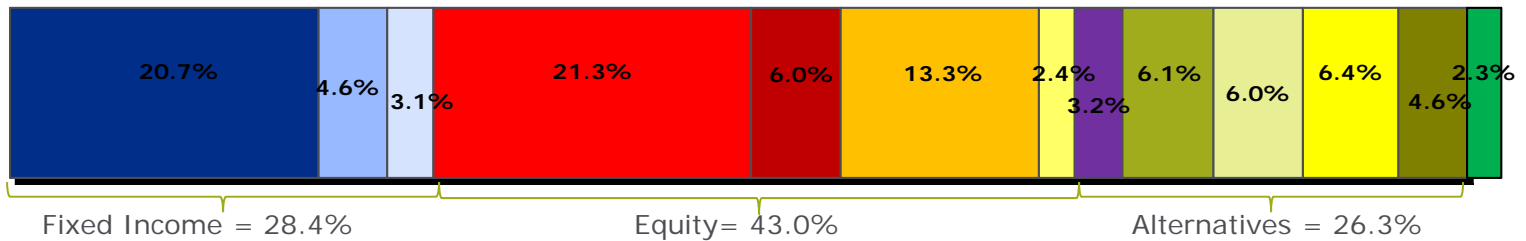
Policy Benchmark



Actual Asset Allocation



Average Asset Allocation of Public Funds > \$1 Billion



- |                |             |              |                    |                        |
|----------------|-------------|--------------|--------------------|------------------------|
| ■ Core         | ■ TIPS      | ■ Long Bonds | ■ Global Fixed/EMD | ■ Opportunistic Credit |
| ■ Convertibles | ■ Large Cap | ■ Small Cap  | ■ Non-U.S. Dev     | ■ Non-U.S. Emg         |
| ■ GAA          | ■ Priv Eq.  | ■ Real Est.  | ■ Inflation-Linked | ■ Abs. Return          |
| ■ Misc.        | ■ Cash      |              |                    |                        |

<sup>1</sup>Unrealized loss in the Fund's securities lending cash collateral reinvestment pool is netted with cash and overlay allocation to reach 100% allocation

Note: Market values shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.

# Total Fund Performance

	Ending Market Value	Last 3 Months	Rank	Annualized Returns														
				Fiscal YTD	Rank	Last Year	Rank	Two Years	Rank	Three Years	Rank	Five Years	Rank	Seven Years	Rank	Ten Years	Rank	Since Inception (Feb-1971)
San Jose Police & Fire	\$2,615,156,198	3.7%	84	-4.5%	47	-0.9%	99	6.0%	94	10.5%	64	1.5%	71	4.4%	55	6.0%	24	8.9%
San Jose Police & Fire (Net) <sup>1</sup>		3.6%		-4.6%		-1.2%		5.6%		10.2%		0.9%		3.8%		5.6%		8.5%
Allocation Index		3.6%		-4.4%		-0.4%		6.2%		10.5%		1.8%		4.8%		5.7%		--
Policy Benchmark		4.3%		-2.7%		2.0%		7.5%		10.9%		1.6%		4.7%		5.7%		--
60% S&P 500 / 40% BC Aggregate		7.5%		0.0%		4.7%		8.3%		11.6%		2.8%		4.2%		4.4%		
CPI		0.1%		1.0%		3.0%		2.2%		2.4%		2.3%		2.4%		2.5%		
IOC Public Funds > \$ 1 Billion Median		4.9%		-4.6%		0.9%		7.0%		11.0%		1.9%		4.4%		5.4%		
San Jose Police & Fire ex. Overlay	\$2,600,585,059	3.7%		-4.5%		-0.9%		6.0%		10.5%		1.5%		4.4%		6.0%		8.9%
San Jose Police & Fire ex. Overlay (Net) <sup>1</sup>		3.6%		-4.6%		-1.2%		5.6%		10.2%		0.9%		3.8%		5.6%		8.5%
	<u>Estimated PBO<sup>2</sup></u>																	
	\$3,554,361,367	6.5%		27.4%		28.3%		20.8%		15.2%		11.8%		9.5%		10.6%		
	(\$939,205,169)																	
	73.6%																	

<sup>1</sup>Net of fee returns longer than seven years are estimates based on an estimated annual investment management expense ratio of 40 basis points.

<sup>2</sup>Policy Benchmark history can be found in the appendix.

<sup>3</sup>Estimated Pension Benefit Obligation (PBO) calculated assuming a duration of liabilities of 13 years.

## Total Fund Asset Growth Summary (\$000)

	One Quarter	Fiscal Year to Date	One Year
<b>TOTAL FUND</b>			
Beginning Market Value	2,559,849	2,682,332	2,648,769
Net External Growth	-38,803	59,968	-6,625
Return on Investment	93,537	-127,719	-27,150
Income Received	15,278	33,851	62,802
Gain/Loss	78,259	-161,570	-89,951
Ending Market Value	2,614,582	2,614,582	2,614,582



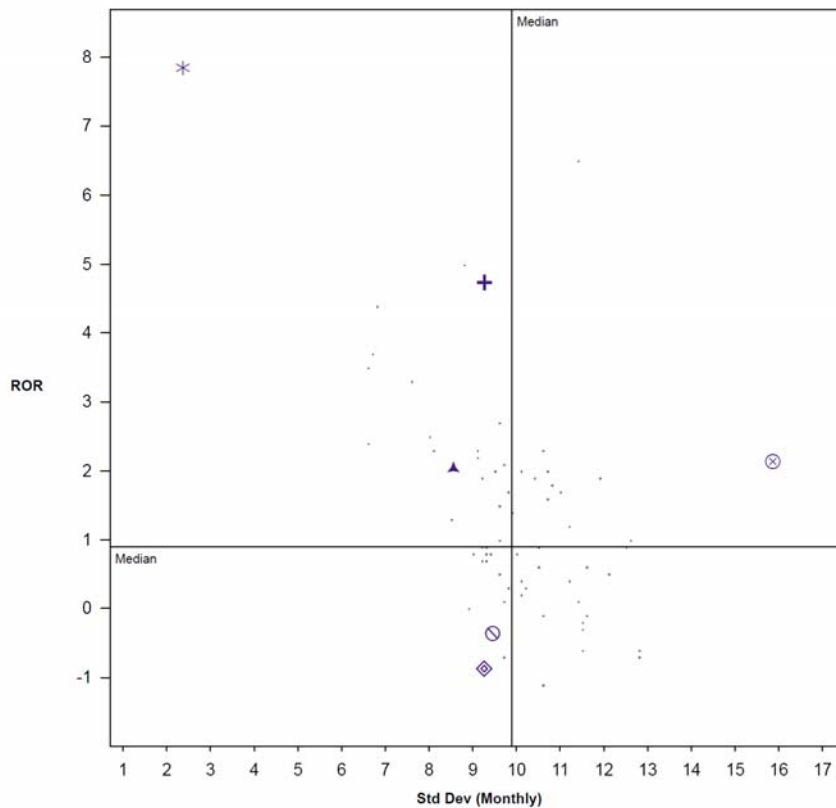
# Public Funds > \$1 Billion – 1 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Risk vs. Return - 1 Year



NAME	Return	Standard Deviation	Sharpe Ratio
◆ TOTAL FUND	-0.9 99	9.3 27	-0.1 98
⊘ Allocation Index	-0.4 92	9.5 36	-0.1 93
▲ Policy Benchmark	2.0 25	8.6 13	0.2 21
⊙ S&P 500	2.1 22	15.9 99	0.1 40
* BC AGGREGATE	7.8 2	2.4 1	3.3 2
+ 60% S&P 500/40% BARCLAYS AGG	4.7 5	9.3 27	0.5 9
Median	0.9	9.9	0.1

Note: Returns are gross of fees.



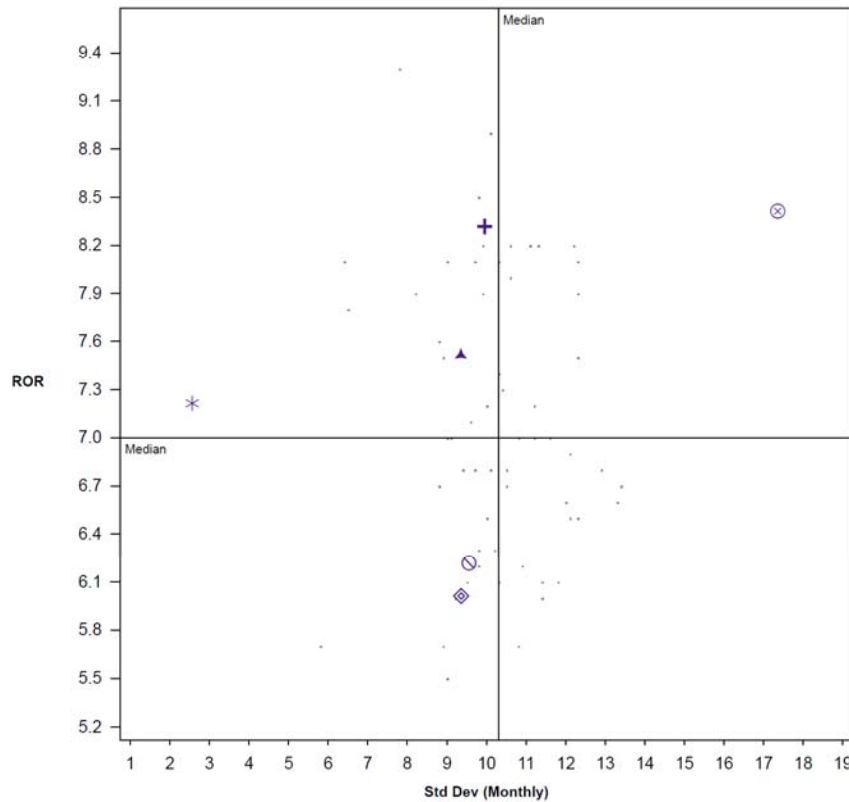
# Public Funds > \$1 Billion – 2 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Risk vs. Return - 2 Year



NAME	Return	Standard Deviation	Sharpe Ratio
◇ TOTAL FUND	6.0 94	9.4 23	0.6 71
○ Allocation Index	6.2 83	9.6 27	0.6 63
▲ Policy Benchmark	7.5 37	9.4 24	0.8 25
⊙ S&P 500	8.4 8	17.4 99	0.5 96
* BC.AGGREGATE	7.2 44	2.6 1	2.7 2
+ 60% S&P 500/40% BARCLAYS AGG	8.3 8	10.0 39	0.8 21
Median	7.0	10.3	0.6

Note: Returns are gross of fees.



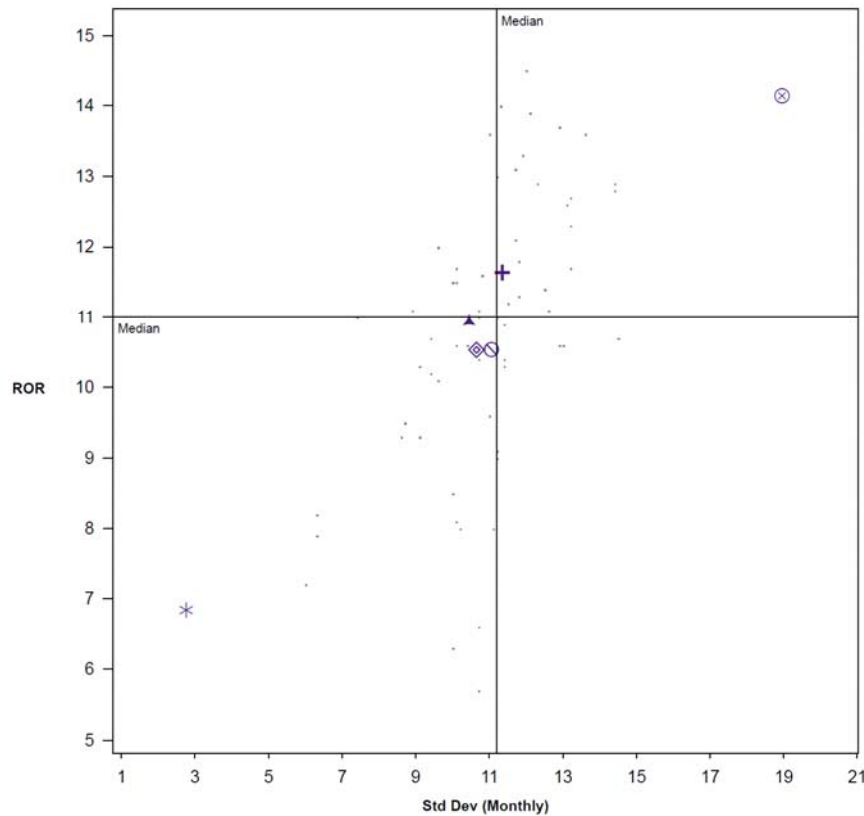
# Public Funds > \$1 Billion – 3 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Risk vs. Return - 3 Year



NAME	Return	Standard Deviation	Sharpe Ratio
◇ TOTAL FUND	10.5 64	10.7 36	1.0 55
⊙ Allocation Index	10.5 64	11.1 49	0.9 63
▲ Policy Benchmark	10.9 54	10.5 35	1.0 50
⊙ S&P 500	14.1 4	19.0 99	0.7 91
* BC AGGREGATE	6.8 96	2.8 1	2.3 2
+ 60% S&P 500/40% BARCLAYS AGG	11.6 35	11.4 63	1.0 52
Median	11.0	11.2	1.0

Note: Returns are gross of fees.





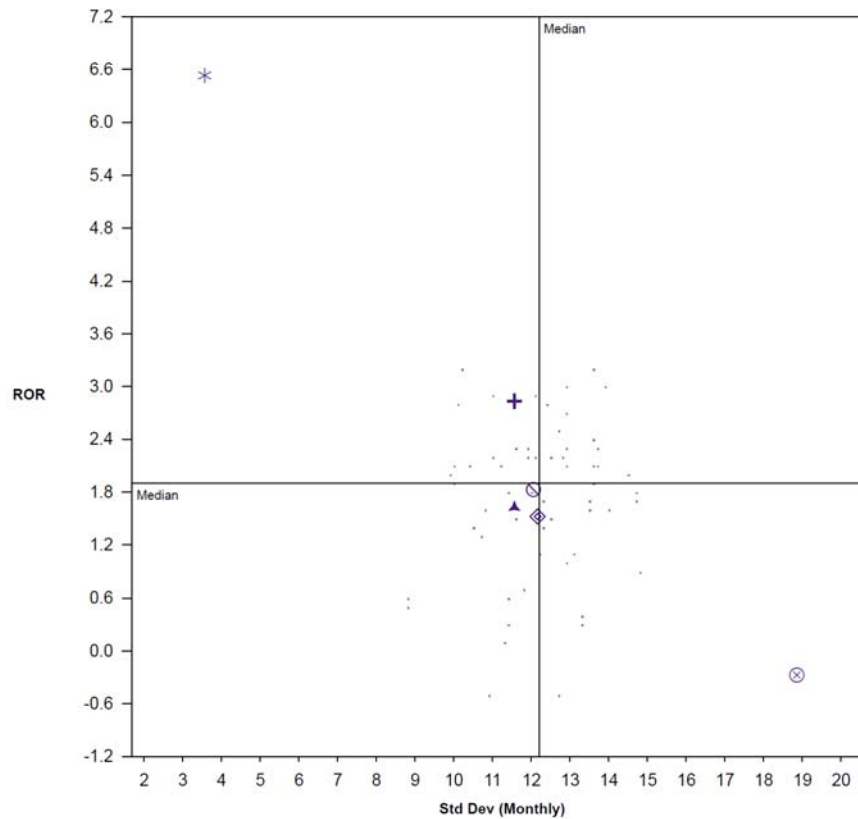
# Public Funds > \$1 Billion – 5 Year Return/Volatility

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Risk vs. Return - 5 Year

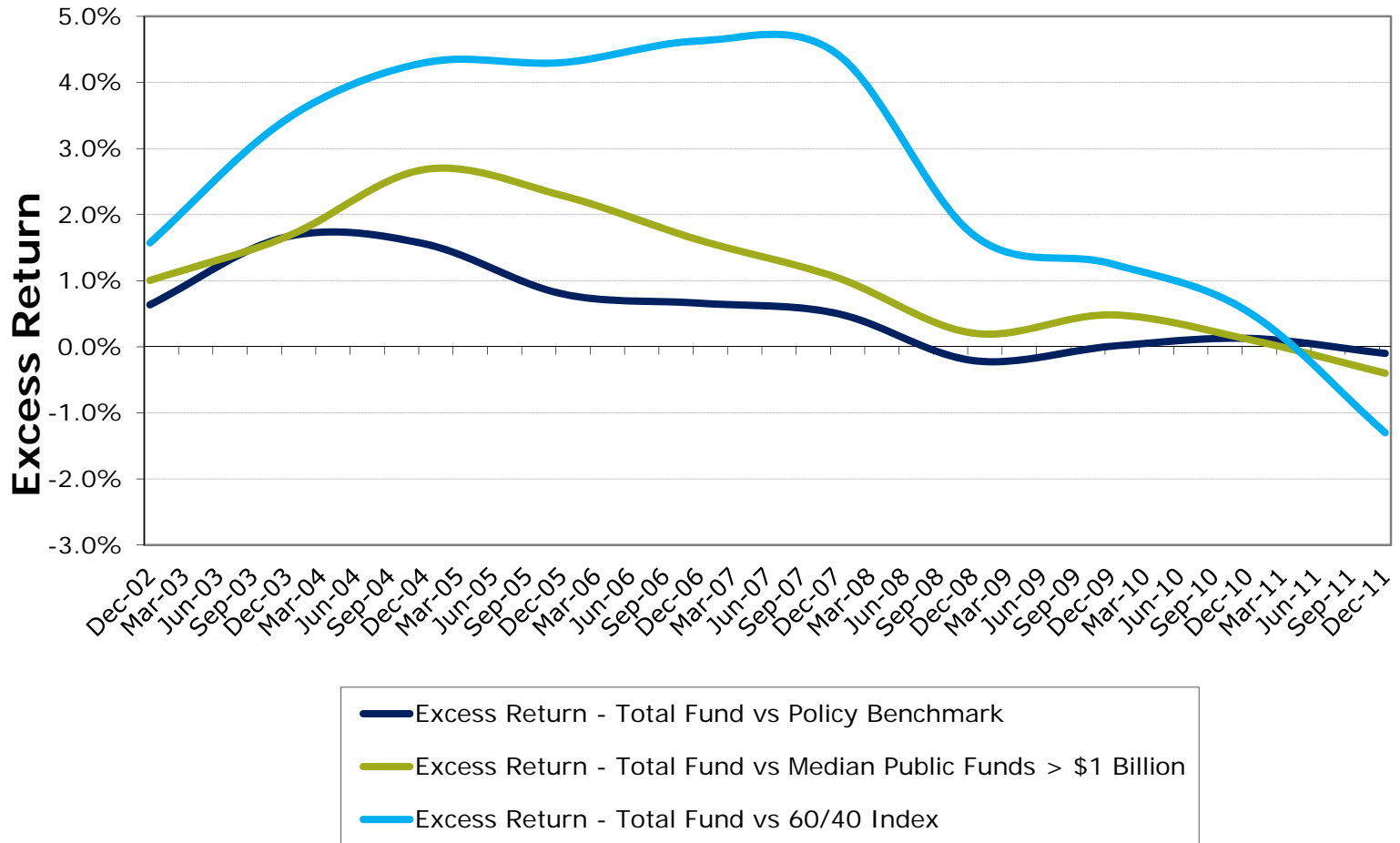


NAME	Return	Standard Deviation	Sharpe Ratio
◆ TOTAL FUND	1.5 71	12.2 52	0.0 70
○ Allocation Index	1.8 51	12.1 50	0.0 58
▲ Policy Benchmark	1.6 64	11.6 37	0.0 64
⊗ S&P 500	-0.3 97	18.9 99	-0.1 89
* BC AGGREGATE	6.5 2	3.6 1	1.4 3
+ 60% S&P 500/40% BARCLAYS AGG	2.8 13	11.6 37	0.1 9
Median	1.9	12.2	0.0

Note: Returns are gross of fees.



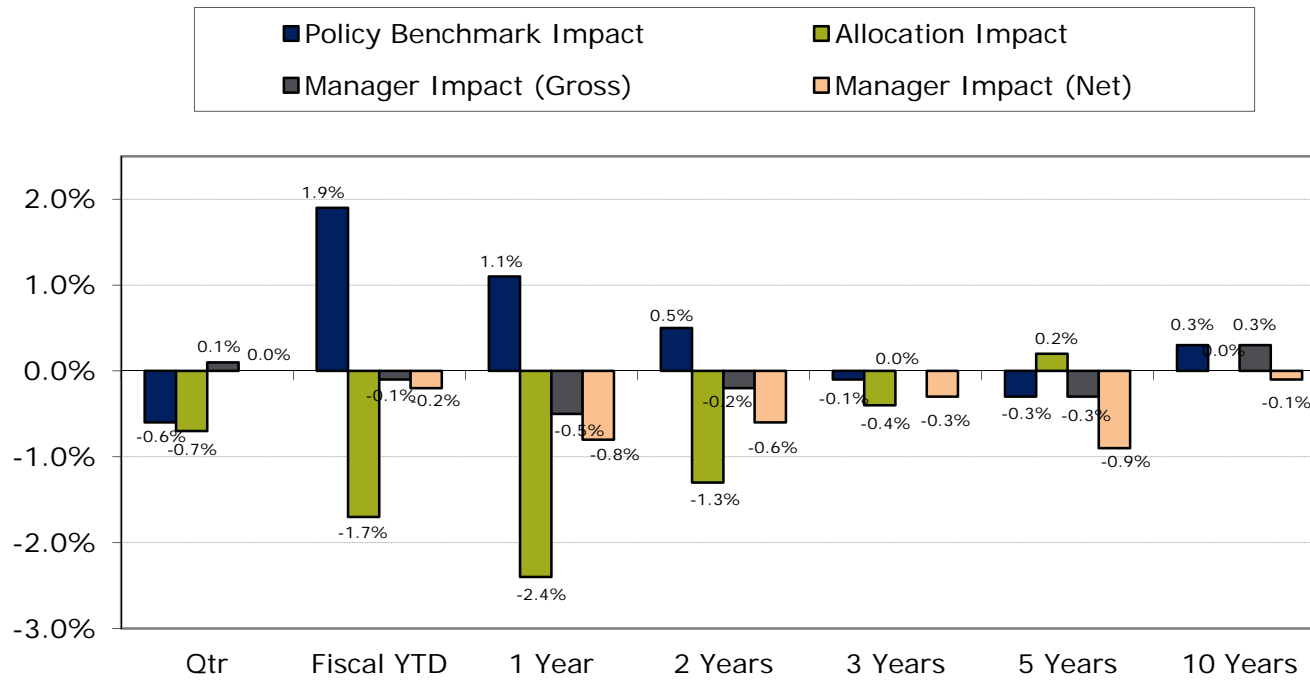
# Rolling 5-Year Excess Returns



Note: Returns are gross of fees.



# Performance Attribution



**Policy Benchmark Impact:** The policy index is calculated by multiplying the target asset class weights times the return of the respective passive benchmark (re-balanced monthly). The policy impact, which is the difference between the policy index and the median fund's performance, measures the effectiveness of Fund Structure.

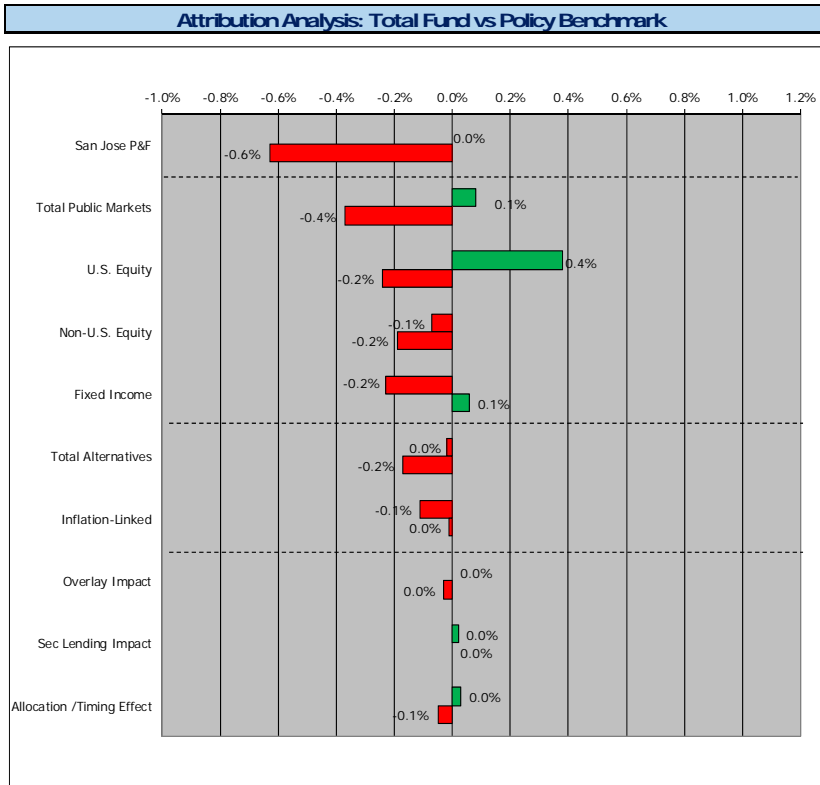
**Allocation Impact:** The allocation index is calculated by multiplying the actual asset class weights times the return of the respective passive benchmark. When the policy index is subtracted from the allocation index, the result measures the impact of deviating from the target weights.

**Manager Impact:** The Total Fund Composite is calculated by multiplying the actual asset class weights times the actual manager return. The allocation index is then subtracted from the Total Fund Composite. The result, manager impact, measures the contribution of active management.

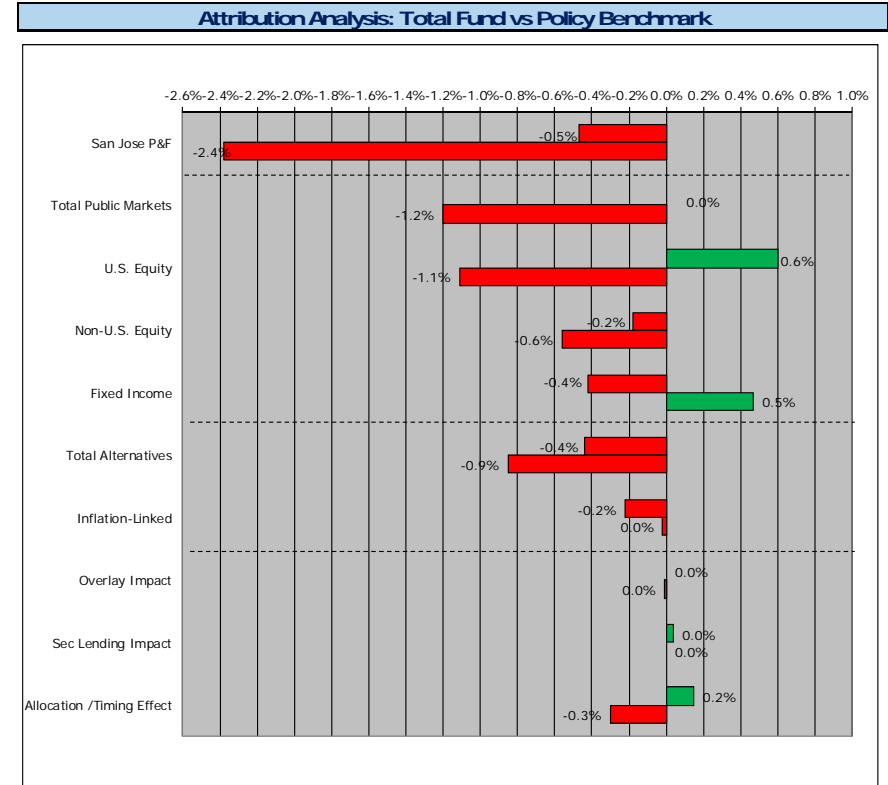


# Performance Attribution

## 4Q 2011



## One Year Ending December 31, 2011



The Top Bar represents Selection Effect (Manager Value Add)

The Bottom Bar represents Allocation Effect (Impact of Deviation from Policy Benchmark)

Note: Attribution based on gross of fee performance.

Attribution of U.S. Equity includes attribution of convertible bonds mandate.



# Performance Summary – Global and U.S. Equity

Weight in Fund	Target Weight		Ending Market Value	Annualized Returns																Inception Date	Annual Fee
				Last 3 Months	Rank	Fiscal YTD	Rank	Last Year	Rank	Two Years	Rank	Three Years	Rank	Five Years	Rank	Seven Years	Rank	Ten Years	Rank		
45.8%	40.0%	<b>Total Equity Composite<sup>1</sup></b>	\$1,196,792,196	7.7%	19	-10.8%	47	-7.0%	49	4.4%	36	13.3%	43	n/a	n/a	n/a	n/a	n/a			
		Total Equity Composite (Net)		7.7%		-10.9%		-7.3%		4.0%		12.9%		n/a	n/a	n/a	n/a	n/a			
		MSCI ACVM (Net)		7.2%		-11.5%		-7.3%		2.2%		12.0%		-1.9%		2.8%		4.2%			
		Performance Variance (Net)		0.5%		0.6%		0.0%		1.8%		0.9%		n/a	n/a	n/a	n/a	n/a			
		ICC Global Equity Funds Median		6.0%		-11.2%		-7.2%		3.0%		12.5%		-0.4%		4.1%		7.6%			
<b>Global All Cap Equity</b>																					
13.1%	--	<b>Russell MSCI ACVM<sup>4</sup></b>	\$343,666,814	n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a	Jan-12	0.12%	
		Russell MSCI ACVM (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a			
		MSCI ACVM (Net)		7.2%		-11.5%		-7.3%		2.2%		12.0%		-1.9%		2.8%		4.2%		n/a	
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a		n/a	
		ICC Global Equity Funds Median		6.0%		-11.2%		-7.2%		3.0%		12.5%		-0.4%		4.1%		7.6%	--		
<b>Global All Cap Value Equity</b>																					
16.4%	--	<b>Russell MSCI ACVM Value<sup>5</sup></b>	\$428,555,383	n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a	Jan-12	0.12%	
		Russell MSCI ACVM Value (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a			
		MSCI ACVM Value (Net)		7.1%		-11.8%		-7.3%		1.1%		10.4%		-3.5%		2.2%		4.5%		n/a	
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a		n/a	
		ICC Global Equity Funds Median		6.0%		-11.2%		-7.2%		3.0%		12.5%		-0.4%		4.1%		7.6%	--		
<b>U.S. All Cap Equity</b>																					
5.1%	--	<b>Total U.S. Equity Composite<sup>2</sup></b>	\$134,033,877	12.7%	44	-6.0%	36	0.1%	43	9.2%	46	14.7%	67	-0.3%	76	2.7%	80	3.7%	78		
		Total U.S. Equity Composite (Net)		12.7%		-6.1%		-0.1%		9.0%		14.6%		-0.6%		2.5%		3.5%			
		Policy Benchmark <sup>3</sup>		12.6%		-5.7%		0.3%		9.0%		15.1%		0.1%		3.0%		3.6%			
		Russell 3000		12.1%		-5.0%		1.0%		8.7%		14.9%		0.0%		3.0%		3.5%			
		Performance Variance (Net vs. Policy Benchmark)		0.1%		-0.4%		-0.4%		0.0%		-0.5%		-0.7%		-0.5%		-0.1%			
		ICC U.S. Equity Funds Median		12.3%		-7.5%		-0.8%		9.1%		16.3%		1.5%		4.2%		5.2%			
<b>U.S. All Cap Value Equity</b>																					
2.1%	--	<b>Rhumbline Russell 3000<sup>6</sup></b>	\$55,482,632	n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a	0.8%	Dec-11	0.035%
		Rhumbline Russell 3000 (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a	0.8%		
		Russell 3000		12.1%		-5.0%		1.0%		8.7%		14.9%		0.0%		3.0%		3.5%		0.8%	
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a	n/a	n/a	n/a	n/a	0.0%		
		ICC U.S. Equity Funds Median		12.3%		-7.5%		-0.8%		9.1%		16.3%		1.5%		4.2%		5.2%	--		
<b>U.S. Small Cap Value Equity</b>																					
2.9%	--	<b>RS Investments</b>	\$76,768,484	13.0%	86	-11.7%	83	-7.2%	70	n/a		n/a		n/a	n/a	n/a	n/a	n/a	9.7%	Aug-10	0.72%
		RS Investments (Net)		12.8%		-12.0%		-8.1%		n/a		n/a		n/a	n/a	n/a	n/a	n/a	9.0%		
		Russell 2000 Value		16.0%		-8.9%		-5.5%		8.5%		12.4%		-1.9%		2.3%		6.4%		8.1%	
		Russell 2000 Value + 2.0%		16.5%		-7.9%		-3.5%		10.5%		14.4%		0.1%		4.3%		8.4%		10.1%	
		Performance Variance (Net vs. Russell 2000 Value + 2.0%)		-3.7%		-4.1%		-4.6%		n/a		n/a		n/a	n/a	n/a	n/a	n/a	-1.1%		
		ICC Small Cap Value Median		15.9%		-8.8%		-5.5%		10.5%		18.8%		1.4%		4.7%		8.5%	--		

<sup>1</sup>Total Equity Composite includes \$390,469 of residual cash remaining in terminated manager accounts.

<sup>2</sup>Total U.S. Equity Composite includes \$178,761 of residual cash remaining in terminated manager accounts.

<sup>3</sup>Policy Benchmark is 78% Russell 1000/22% Russell 2000 as of 1/2010. Prior to January 2010, the index was the Russell 3000 Index.

<sup>4</sup>MSCI ACVM portfolio was funded on December 7, 2011. Inception date for performance reporting purposes is January 1, 2012.

<sup>5</sup>MSCI ACVM Value portfolio was funded on December 7, 2011. Inception date for performance reporting purposes is January 1, 2012.

<sup>6</sup>Rhumbline Russell 3000 Index portfolio was funded on November 3, 2011. Inception date for performance reporting purposes is December 1, 2011.

Note: Fee shown for RS Investments is based on an estimate of the total assets RS manages for San Jose P&F and San Jose Federated in aggregate - approximately \$31M.

Note: "(Net)" next to investment manager or composite refers to net of investment management fees.

"(Net)" next to index refers to net of dividend withholding tax that U.S. investors are subject to when investing outside of the U.S. Investment manager and composite performance is net of dividend withholding tax as well.



# Performance Summary – International Equity and Convertibles

Weight in Fund	Target Weight		Ending Market Value	Annualized Returns																		
				Last 3 Months Rank	Fiscal YTD Rank	Last Year Rank	Two Years Rank	Three Years Rank	Five Years Rank	Seven Years Rank	Ten Years Rank	Since Inception	Inception Date	Annual Fee								
8.0%	--	<b>Total International Equity Composite<sup>1</sup></b>	\$208,934,725	5.2%	26	-15.6%	38	-14.0%	60	-0.4%	48	12.3%	41	-2.1%	51	4.4%	48	8.2%	33			
		Total International Equity Composite (Net)		5.1%		-15.8%		-14.5%		-1.0%		11.6%		-2.8%		3.7%		7.5%				
		Policy Benchmark (Net) <sup>2</sup>		3.7%		-17.1%		-13.9%		-2.2%		8.0%		-4.5%		1.8%		4.8%				
		MSCI ACWI ex-U.S. (Net)		3.7%		-16.9%		-13.7%		-2.1%		10.7%		-2.9%		3.5%		6.3%				
		Performance Variance (Net vs. Policy Benchmark)		1.4%		1.3%		-0.6%		1.2%		3.6%		1.7%		1.9%		2.7%				
		ICC Int'l Equity Funds Median		4.0%		-16.7%		-12.8%		-0.5%		11.0%		-2.1%		4.2%		7.3%				
3.3%	--	<b>Developed International Equity Composite<sup>1</sup></b>	\$85,933,658	6.8%	8	-12.1%	16	-9.0%	24	2.1%	23	11.7%	36	-2.7%	54	3.4%	53	6.4%	68			
		Developed International Equity Composite (Net)		6.7%		-12.2%		-9.4%		1.6%		11.1%		-3.2%		2.9%		5.9%				
		MSCI EAFE (Net)		3.3%		-16.3%		-12.1%		-2.7%		7.7%		-4.7%		1.7%		4.7%				
		Performance Variance (Net)		3.4%		4.1%		2.7%		4.3%		3.4%		1.5%		1.2%		1.2%				
		ICC Int'l Developed Mkts Equity Median		4.0%		-16.4%		-12.1%		-0.6%		9.9%		-2.6%		3.7%		6.9%				
3.2%	--	<b>Russell MSCI EAFE + CAD Small Cap<sup>3</sup></b>	\$83,725,929	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		-1.6%	Dec-11	0.12%
		Russell MSCI EAFE + CAD Small Cap (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		-1.6%		
		Russell MSCI EAFE + CAD Small Cap		0.7%		-18.4%		-15.8%		2.4%		16.5%		-3.2%		3.4%		9.4%		-2.0%		
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		0.4%		
		ICC Int'l Developed Mkts Equity Median		4.0%		-16.4%		-12.1%		-0.6%		9.9%		-2.6%		3.7%		6.9%		--		
4.7%	--	<b>Emerging Markets Equity Composite</b>	\$123,001,067	4.1%	48	-21.3%	74	-22.0%	80	-4.5%	88	17.8%	80	1.6%	63	9.1%	87	14.3%	72			
		Emerging Markets Equity Composite (Net)		3.9%		-21.6%		-22.8%		-5.4%		16.7%		0.6%		8.0%		13.2%				
		MSCI Emg Mkts Free (Net)		4.4%		-19.1%		-18.4%		-1.5%		20.1%		2.4%		10.4%		13.9%				
		Performance Variance (Net)		-0.5%		-2.5%		-4.4%		-3.9%		-3.4%		-1.8%		-2.4%		-0.7%				
		ICC Int'l Emerging Mkts Equity Median		4.0%		-18.7%		-18.0%		-0.4%		20.5%		2.6%		10.6%		15.0%				
4.7%	--	<b>Russell Emerging Markets<sup>4</sup></b>	\$123,001,067	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		-8.5%	Nov-11	0.05%
		Russell Emerging Markets (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		-8.5%		
		MSCI Emg Mkts Free (Net)		4.4%		-19.1%		-18.4%		-1.5%		20.1%		2.4%		10.4%		13.9%		-7.8%		
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		-0.7%		
		ICC Int'l Emerging Mkts Equity Median		4.0%		-18.7%		-18.0%		-0.4%		20.5%		2.6%		10.6%		15.0%		--		
3.1%	--	<b>Convertible Bonds Composite</b>	\$81,601,396	2.7%		-2.7%		-0.7%		5.5%		n/a		n/a		n/a		n/a				
		Convertible Bonds Composite (Net)		2.6%		-2.8%		-1.2%		5.1%		n/a		n/a		n/a		n/a				
		ML Global 300 Convertible Index		2.5%		-8.4%		-5.7%		2.7%		12.8%		1.6%		3.7%		4.1%				
		Performance Variance (Net)		0.1%		5.6%		4.5%		2.4%		n/a		n/a		n/a		n/a				
3.1%	--	<b>Calamos<sup>5</sup></b>	\$81,601,396	2.7%		-2.7%		-0.7%		5.5%		n/a		n/a		n/a		n/a		7.8%	Sep-09	0.50%
		Calamos (Net)		2.6%		-2.8%		-1.2%		5.1%		n/a		n/a		n/a		n/a		7.5%		
		ML Global 300 Convertible Index		2.5%		-8.4%		-5.7%		2.7%		12.8%		1.6%		3.7%		4.1%		5.5%		
		ML Global 300 Convertible Index + 1.0%		2.8%		-7.9%		-4.7%		3.7%		13.8%		2.6%		4.7%		5.1%		6.5%		
		Performance Variance (Net vs. ML Global 300 Convertible + 1.0%)		-0.2%		5.1%		3.5%		1.4%		n/a		n/a		n/a		n/a		1.0%		

<sup>1</sup>Total Int'l Equity and Developed Int'l Equity Composites include \$2,077,228 of residual cash remaining in terminated manager accounts.

<sup>2</sup>Policy Benchmark is 70%MSCI EAFE/30%MSCI Emerging Mkts as of 1/1/2010. Prior to January 2010, the index was the MSCI EAFE Index.

<sup>3</sup>Russell MSCI EAFE-CAD Small Cap Portfolio was funded on November 8, 2011. Inception date for performance reporting purposes is December 1, 2011.

<sup>4</sup>Inception date for performance reporting purposes is November 1, 2011.

<sup>5</sup>The Funds' allocation to convertible bonds is a global mandate and is included within the Funds' equity allocation for asset allocation and performance reporting purposes. Effective January 2010, NEPCUSS manager provided data to calculate performance of the Calamos Global Convertible Bond mandate due to inconsistent pricing of securities at the Funds' custodian bank.

Note: "(Net)" next to investment manager or composite refers to net of investment management fees.

"(Net)" next to index refers to net of dividend withholding tax that US investors are subject to when investing outside of the US. Investment manager and composite performance is net of dividend withholding tax as well.



# Performance Summary – Fixed Income

Weight in Fund	Target Weight		Ending Market Value	Annualized Returns														Since Inception	Inception Date	Annual Fee		
				Last 3 Months	Rank	Fiscal YTD	Rank	Last Year	Rank	Two Years	Rank	Three Years	Rank	Five Years	Rank	Seven Years	Rank				Ten Years	Rank
30.1%	25.0%	<b>Total Fixed Income Composite<sup>1,3</sup></b>	\$786,516,615	1.5%	51	4.8%	23	9.2%	16	9.2%	30	11.0%	36	n/a	n/a	n/a						
		Total Fixed Income Composite (Net)		1.5%		4.8%		9.0%		8.9%		10.8%		n/a	n/a	n/a						
		Policy Benchmark <sup>2</sup>		2.6%		6.6%		11.5%		10.2%		8.8%		7.7%		6.4%		6.4%				
		BC Aggregate		1.1%		5.0%		7.8%		7.2%		6.8%		6.5%		5.6%		5.8%				
		Performance Variance (Net vs. Policy Benchmark)		-1.1%		-1.8%		-2.5%		-1.3%		-2.0%		n/a		n/a		n/a				
		ICC U.S. Fixed Income Median		1.5%		2.3%		5.9%		7.6%		9.4%		6.9%		6.1%		6.4%				
8.9%	5.0%	<b>Domestic Core Fixed Income Composite<sup>2</sup></b>	\$232,355,509	1.5%	34	6.0%	9	9.3%	7	8.2%	27	9.0%	51	6.3%	78	5.7%	70	6.1%	58			
		Domestic Core Fixed Income Composite (Net)		1.4%		5.9%		9.1%		8.0%		8.9%		6.1%		5.6%		6.0%				
		BC Aggregate		1.1%		5.0%		7.8%		7.2%		6.8%		6.5%		5.6%		5.8%				
		Performance Variance (Net)		0.3%		0.9%		1.3%		0.8%		2.1%		-0.4%		0.0%		0.2%				
8.9%	5.0%	<b>SEIX</b>	\$232,327,505	1.5%	32	6.0%	9	9.3%	7	8.5%	19	9.0%	54	7.8%	17	6.5%	18	6.6%	25	6.9%	0.17%	
		SEIX (Net)		1.4%		6.0%		9.1%		8.4%		8.8%		7.7%		6.4%		6.4%		6.8%		
		BC Aggregate		1.1%		5.0%		7.8%		7.2%		6.8%		6.5%		5.6%		5.8%		6.3%		
		BC Aggregate + 0.5%		1.2%		5.3%		8.3%		7.7%		7.3%		7.0%		6.1%		6.3%		6.8%		
		Performance Variance (Net vs. BC Aggregate + 0.5%)		0.2%		0.7%		0.8%		0.7%		1.5%		0.7%		0.3%		0.1%		0.0%		
		ICC Core Fixed Income Median		1.3%		4.2%		7.4%		7.4%		9.1%		6.9%		6.0%		6.2%		--		
10.2%	10.0%	<b>Treasury Inflation Protected Securities (TIPS)</b>	\$265,924,894	1.7%		4.5%		10.8%		8.9%		n/a		n/a		n/a		n/a		8.9%	Dec-09	
5.6%	5.0%	<b>Domestic Long Duration Fixed Income Composite</b>	\$147,259,736	2.9%	22	16.3%	16	20.7%	15	16.5%	12	14.5%	22	11.0%	10	8.8%	13	n/a				
		Domestic Long Duration Fixed Income Composite (Net)		2.9%		16.1%		20.5%		16.2%		14.2%		10.7%		8.5%		n/a				
		BC US Gov't/Credit Long		2.6%		18.6%		22.5%		16.2%		11.2%		9.7%		8.1%		8.5%		8.5%		
		BC US Gov't/Credit Long + 0.5%		2.7%		18.9%		23.0%		16.7%		11.7%		10.2%		8.6%		9.0%		8.6%		
		Performance Variance (Net vs. BC US Gov't/Credit Long + 0.5%)		0.2%		-2.8%		-2.5%		-0.5%		-2.5%		0.5%		n/a		n/a		-0.1%		
		ICC Long Duration Fixed Income Median		2.1%		6.0%		9.2%		9.7%		11.3%		7.4%		6.4%		6.8%		--		
5.4%	5.0%	<b>Total Credit Composite<sup>3</sup></b>	\$140,976,476	-0.1%		-5.4%		-3.3%		4.7%		11.3%		n/a		n/a		n/a				
		Total Credit Composite (Net)		-0.3%		-5.8%		-4.0%		4.0%		10.6%		n/a		n/a		n/a				
		ML US HY BB/B		5.9%		0.6%		5.4%		9.7%		20.7%		6.8%		6.7%		7.9%		7.9%		
		Performance Variance (Net)		-6.2%		-6.4%		-9.4%		-5.7%		-10.1%		n/a		n/a		n/a				
2.3%	2.5%	<b>Domestic Credit Composite</b>	\$59,136,017	3.1%		-0.1%		2.8%		6.9%		n/a		n/a		n/a		n/a				
		Domestic Credit Composite (Net)		3.0%		-0.3%		2.2%		6.5%		n/a		n/a		n/a		n/a				
		ML US HY BB/B		5.9%		0.6%		5.4%		9.7%		20.7%		6.8%		6.7%		7.9%		7.9%		
		Performance Variance (Net)		-2.9%		-0.9%		-3.2%		-3.2%		n/a		n/a		n/a		n/a				
0.9%	--	<b>Seix</b>	\$24,023,051	0.6%		-1.5%		0.0%		4.0%		n/a		n/a		n/a		n/a		6.6%	Apr-09	0.30%
		Seix (Net)		0.5%		-1.6%		-0.4%		3.7%		n/a		n/a		n/a		n/a		6.4%		
		CSFB Leveraged Loan		2.7%		-1.1%		1.8%		5.8%		17.5%		3.3%		4.2%		4.7%		13.5%		
		CSFB Leveraged Loan + 1.0%		3.0%		-0.6%		2.8%		6.8%		18.5%		4.3%		5.2%		5.7%		14.5%		
		Performance Variance (Net vs. CSFB Levered Loan + 1.0%)		-2.5%		-1.0%		-3.2%		-3.1%		n/a		n/a		n/a		n/a		-8.1%		
1.3%	--	<b>Mackay Shields</b>	\$35,112,966	4.9%		0.8%		4.8%		9.1%		n/a		n/a		n/a		n/a		14.8%	Apr-09	0.425%
		Mackay Shields (Net)		4.8%		0.6%		4.2%		8.7%		n/a		n/a		n/a		n/a		14.5%		
		ML US HY BB/B		5.9%		0.6%		5.4%		9.7%		20.7%		6.8%		6.7%		7.9%		16.9%		
		ML US HY BB/B + 1.0%		6.2%		1.1%		6.4%		10.7%		21.7%		7.8%		7.7%		8.9%		17.9%		
		Performance Variance (Net vs. ML US HY BB/B Constrained + 1.0%)		-1.4%		-0.5%		-2.2%		-2.0%		n/a		n/a		n/a		n/a		-3.4%		
3.1%	2.5%	<b>Opportunistic Credit Composite<sup>3</sup></b>	\$81,840,459	-2.3%		-9.0%		-7.4%		3.5%		16.0%		n/a		n/a		n/a				
		Opportunistic Credit Composite (Net)		-2.5%		-9.4%		-8.2%		2.5%		15.0%		n/a		n/a		n/a				
		ML US HY BB/B Constrained		5.9%		0.6%		5.4%		9.7%		20.7%		6.8%		6.7%		7.9%				
		Performance Variance (Net)		-8.4%		-10.0%		-13.6%		-7.2%		-5.7%		n/a		n/a		n/a				
3.1%	--	<b>PIMCO DISCO II<sup>4</sup></b>	\$81,601,266	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		0.9%	Nov-11	0.75%
		PIMCO DISCO II (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		0.8%		
		ML US HY BB/B Constrained		5.9%		0.6%		5.4%		9.7%		20.7%		6.8%		6.7%		7.9%		0.5%		
		Performance Variance (Net)		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		0.2%		

<sup>1</sup>Total Fixed Income and Domestic Core Fixed Income Composites include \$28.0M of illiquid securities remaining as a result of the termination of Western Asset Management Company (WAMCO) during the asset allocation transition that occurred in December 2009.

<sup>2</sup>Policy Benchmark is 20%BC Aggregate 40%TIPS20%BC US Govt/Credit Long 20%ML US HY BB/B (2%Constrained). Prior to January 2010, the index was the BC Aggregate.

<sup>3</sup>Total Fixed Income, Total Credit and Opportunistic Credit Composites include \$28.1B of residual cash remaining in liquidating PIMCO DISCO portfolio.

<sup>4</sup>PIMCO DISCO II was funded with assets distributed from the liquidating PIMCO DISCO investment in October 2011. Inception date for performance reporting purposes is November 1, 2011.





# Performance Summary – Alternative Assets

Weight in Fund	Target Weight		Ending Market Value	Last 3 Months	Fiscal YTD	Last Year	Annualized Returns					Since Inception	Inception Date
							Two Years	Three Years	Five Years	Seven Years	Ten Years		
4.6%	5.0%	<b>Total Private Equity Composite (Net)</b>	\$121,522,377	-2.4%	-3.1%	13.6%	10.9%	4.5%	n/a	n/a	n/a		
		Cambridge Associates Priv Equity Index (1 Qtr Lag)		-4.3%	0.0%	13.4%	15.5%	6.5%	8.6%	n/a	n/a		
		Venture Economics Index (1 Qtr Lag)		-3.8%	0.1%	12.7%	13.0%	5.8%	7.1%	11.6%	8.7%		
		<b>Performance Variance (Net vs. Cambridge Associates PE)</b>		1.9%	-3.1%	0.2%	-4.6%	-2.0%	n/a	n/a	n/a		
4.9%	10.0%	<b>Total Real Estate Composite (Net)</b>	\$127,438,038	-0.2%	0.6%	1.9%	7.4%	0.9%	3.0%	5.6%	5.5%		
		NCREIF Property Index		3.0%	6.4%	14.3%	13.7%	2.4%	3.1%	7.2%	8.1%		
		<b>Performance Variance (Net)</b>		-3.2%	-5.8%	-12.4%	-6.3%	-1.5%	-0.1%	-1.6%	-2.6%		
2.8%	--	<b>American Realty/Kennedy Combined (Net)<sup>1</sup></b>	\$72,558,078	-2.2%	-1.2%	0.0%	5.8%	1.8%	5.0%	7.3%	n/a	7.8%	Oct-03
		NCREIF Property Index		3.0%	6.4%	14.3%	13.7%	2.4%	3.1%	7.2%	n/a	8.2%	
		NCREIF Property Index + 1.5%		3.4%	7.2%	15.8%	15.2%	3.9%	4.6%	8.7%	n/a	9.7%	
		<b>Performance Variance (Net)</b>		-5.6%	-8.4%	-15.8%	-9.4%	-2.1%	0.4%	-1.4%	n/a	-1.9%	
2.1%	--	<b>American Realty Core Realty Fund (Net)<sup>2</sup></b>	\$54,879,960	2.6%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.6%	Sep-11
		NCREIF Property Index		3.0%	6.4%	14.3%	13.7%	2.4%	3.1%	7.2%	n/a	3.0%	
		NCREIF Property Index + 1.5%		3.4%	7.2%	15.8%	15.2%	3.9%	4.6%	8.7%	n/a	3.4%	
		<b>Performance Variance (Net)</b>		-0.8%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-0.8%	
11.5%	10.0%	<b>Inflation-Linked Assets Composite (Net)<sup>3</sup></b>	\$301,076,652	-1.9%	-7.2%	-9.8%	2.9%	n/a	n/a	n/a	n/a		
		Custom Commodity Risk Parity Index		-0.9%	-6.9%	n/a	n/a	n/a	n/a	n/a	n/a		
		Dow Jones/UBS Commodities Index		0.3%	-11.0%	-13.3%	0.6%	6.4%	-2.1%	1.6%	6.6%		
		<b>Performance Variance (Net vs. Custom Commodity Index)</b>		-1.0%	-0.3%	n/a	n/a	n/a	n/a	n/a	n/a		
6.3%	--	<b>Credit Suisse (Net)</b>	\$164,452,333	-1.1%	-7.4%	n/a	n/a	n/a	n/a	n/a	n/a	-12.0%	Mar-11
		Custom Commodity Risk Parity Index		-0.9%	-6.9%	n/a	n/a	n/a	n/a	n/a	n/a	-11.9%	
		Dow Jones/UBS Commodities Index		0.3%	-11.0%	-13.3%	0.6%	6.4%	-2.1%	1.6%	6.6%	-17.0%	
		<b>Performance Variance (Net vs. Custom Commodity Index)</b>		-0.2%	-0.5%	n/a	n/a	n/a	n/a	n/a	n/a	-0.1%	
5.2%	--	<b>First Quadrant (Net)</b>	\$136,624,319	-2.8%	-7.0%	n/a	n/a	n/a	n/a	n/a	n/a	-11.7%	Mar-11
		Custom Commodity Risk Parity Index		-0.9%	-6.9%	n/a	n/a	n/a	n/a	n/a	n/a	-11.9%	
		Dow Jones/UBS Commodities Index		0.3%	-11.0%	-13.3%	0.6%	6.4%	-2.1%	1.6%	6.6%	-17.0%	
		<b>Performance Variance (Net vs. Custom Commodity Index)</b>		-1.9%	-0.1%	n/a	n/a	n/a	n/a	n/a	n/a	0.2%	
2.7%	5.0%	<b>Opportunistic Composite (Net)<sup>4</sup></b>	\$69,786,873	3.0%	3.1%	7.2%	n/a	n/a	n/a	n/a	n/a		
		3-Month LIBOR + 5%		1.4%	2.7%	5.4%	5.4%	5.5%	7.0%	7.7%	7.4%		
		<b>Performance Variance (Net)</b>		1.6%	0.4%	1.8%	n/a	n/a	n/a	n/a	n/a		
0.9%	--	<b>White Oak (Net)</b>	\$23,173,442	-2.5%	-0.6%	0.9%	n/a	n/a	n/a	n/a	n/a	1.5%	Nov-10
0.6%	--	<b>GSO (Net)</b>	\$15,214,146	18.2%	19.7%	31.7%	n/a	n/a	n/a	n/a	n/a	27.4%	Dec-10
1.2%	--	<b>Medley Capital (Net)</b>	\$31,399,285	1.7%	0.2%	n/a	n/a	n/a	n/a	n/a	n/a	1.1%	Mar-11
		3-Month LIBOR + 5%		1.4%	2.7%	5.4%	5.4%	5.5%	7.0%	7.7%	7.4%	--	
0.0%	0.0%	<b>Cash<sup>5</sup></b>	\$404,681	0.0%	0.0%	0.2%	1.1%	1.1%	n/a	n/a	n/a		
		90 day t-bills		0.0%	0.0%	0.1%	0.1%	0.1%	1.5%	2.2%	n/a		

<sup>1</sup>Performance shown is a blend of the performance of the Fund's separately managed real estate portfolio under the advisement of Kennedy Associates prior to September 2010, and American Realty Advisors from September 2010 forward.

<sup>2</sup>On September 30, 2010, the Fund successfully contributed the holding entities: SJ Deerwood, LLC, SJ Ossage Parkway, LLC and SJ 1000 Spring Road, LLC to the American Core Realty Fund, LLC, which is also managed by American Realty Advisors, in exchange for equivalent units. The transfer amount, before final prorations was \$59,030,000.

<sup>3</sup>Inflation-Linked Assets Composite consisted of passive exposure to the Dow Jones UBS Commodity Index through three swap agreements from December 2009 - March 2010. Russell Implementation Services provided oversight of the assets during this period. On March 31, 2011, the Fund liquidated its passive exposure and funded the current commodity managers.

<sup>4</sup>Opportunistic composite contains White Oak (Fund 11201), Blackstone GSO (Fund 2101), and Medley Capital (Fund 3201).

<sup>5</sup>NEPC began calculating cash returns as of April 1st, 2008 due to inconsistent historical data received from prior consultant.



# Manager Summary

NEPC Due Diligence Committee Recommendation Key	
No Action	Informational items have surfaced; no action is recommended.
Watch	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
Hold	Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
Client Review	Very serious issues have surfaced with an Investment Manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.
Terminate	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.

**NEPC Focused Placement List (FPL) Strategies** are those strategies that have been vetted by the respective research analyst/consultant and NEPC’s Due Diligence Committee, and subsequently approved for broad application across NEPC’s client base. FPL strategies represent the highest conviction managers with whom we have thoroughly reviewed and believe have investment theses that present a competitive advantage in their respective areas of opportunity. Note that NEPC does not receive any compensation from investment managers as a result of their inclusion on our FPL, nor does inclusion on the FPL guarantee that the investment manager will ultimately be awarded a mandate with an NEPC client. FPLs are continuously monitored throughout the year, and officially updated once per year.



# Manager Summary

Investment Manager	Asset Class	Changes/Announcements	Performance Concerns	NEPC DD Recommendation	Comments
RS Investments	U.S. Small Cap Value	Y	--	No Action	
Calamos	Convertible Bonds	Y	--	No Action	
Seix	Core Plus Fixed Income; Bank Debt/High Yield	--	--	--	
IR&M	Long Duration Fixed Income	--	--	--	
Mackay Shields	High Yield/Bank Debt	Y	--	No Action	NEPC FPL Strategy
PIMCO	Distressed Senior Credit	--	--	--	
First Quadrant	Commodities	--	--	--	
Credit Suisse	Commodities	--	--	--	
White Oak	Opportunistic Credit (Direct Lending)	--	--	--	
GSO	Opportunistic Credit (Direct Lending)	--	--	--	
Medley	Opportunistic Credit (Direct Lending)	Y	--	No Action	



*Note: Rhumblin and Russell have been excluded from the list above as they currently manage passive and optimized mandates for the Fund..*

# Manager Summary

## Changes/Announcements

*Below is a summary of manager changes and announcements that have occurred over recent months.*

### Calamos Advisors

- In early November 2011, Calamos announced two changes to the firm's management . James J. Boyne, who previously served as President of Distribution and Operations was named Chief Operating Officer. Also, Nimish Bhatt, previously serving as interim Chief Financial Officer since May 2011, was given the position officially.
- ***No Action is Recommended.***

### Mackay Shields

- In mid-December 2011, Jeffrey Phlegar joined Mackay Shields as Chairman and Chief Executive Officer. Prior to joining the firm, Mr. Phlegar was President of AllianceBernstein's Specialized Fixed Income Services Group, which is responsible for overseeing the firm's Public-Private Investment Program and any other projects with the government. In addition, Mr. Phlegar acted as Chairman of the Advisor Team for the PPIP fund that was established by AllianceBernstein.
- Mr. Phlegar replaces Lucille Protas, who was the acting CEO previously. Ms. Protas will assume the role of President and Chief Operating Officer going forward, both of which are newly created positions within the firm.
- ***No Action is Recommended.***

### RS Investments

- On January 4, 2012, RS announced the hiring of Matthew Scanlan as the firm's new Chief Executive Officer. Mr. Scanlan previously served as President and CEO of Renaissance Institutional Management, and he served as head of Barclays Global Investors' institutional business prior to his role at Renaissance. Mr. Scanlan replaces outgoing CEO Terry Otton, who announced his intentions to retire late in 2010. Mr. Otton will work with Mr. Scanlan to transition his responsibilities and in an advisory capacity for the next several months. The CEO does not have any investment responsibilities, so we do not anticipate this change will impact the investment philosophy or process employed by the team.
- RS has been looking for a replacement for Mr. Otton for some time, and we feel this announcement is a positive for RS.
- ***No Action is Recommended.***

# Manager Summary

## Changes/Announcements

*Below is a summary of manager changes and announcements that have occurred over recent months.*

### Medley Capital

- On February 2, 2012, an official complaint was filed in the Supreme Court of the State of NY against Medley Capital, LLC. The plaintiff was Fintan Partners, LLC and the complaint was with regard to Fintan's investment in the Medley Opportunities Fund ("MOF"). Fintan Partners, LLC manages the Fintan Master Fund, Ltd, which invests in MOF.
- The complaint alleged that Medley breached its contractual and fiduciary duties when establishing a new entity – Medley Capital Corporation (NYSE ticker: MCC). Medley Capital Corporation is a Business Development Company ("BDC"), which is a fund structure established to allow individual investors and hedge funds (non-LP investors) the ability to invest in a separately managed portfolio of similar assets. MCC went public in January 2011 (Goldman took them public), and Fintan claimed that their investment in MOF had been diluted by the transfer of 6 significant, income-producing positions (~10% of the value of MOF) from MOF to MCC during its creation, which in turn benefitted the Medley Capital Principals at the expense of MOF LPs. On February 10, 2012, a stipulation of discontinuance was filed, notifying Medley that the lawsuit had been discontinued without prejudice and without costs, disbursements or attorney's fees to any party.
- While the news of a pending lawsuit is never good, Medley was confident throughout our discussions that the lawsuit was libel less and they would be vindicated. The relatively short time frame within which a decision was reached helps to confirm those thoughts to some extent. We do not recommend any action as a result of these proceedings, and we will continue to monitor the situation at Medley and provide updates with regard to the formation of a BDC for MOF II as they develop. Should a BDC be established for MOF II, it will need a well thought out allocation policy and clearer language with respect to potential dilution and other issues that may impact LPs.
- Note that the Fund is currently invested in MOF II, which is the follow up strategy to MOF, and a much more attractive strategy considering the timing (MOF was a 2007 vintage year fund). As a result, there are no concerns of dilution with respect to the P&F investment with Medley. As of now, there is no BDC established for MOF II as Medley needs exemptive relief in order to be a co-investor in the fund, and this is still pending at the SEC.
- ***No Action is Recommended.***



# Appendix

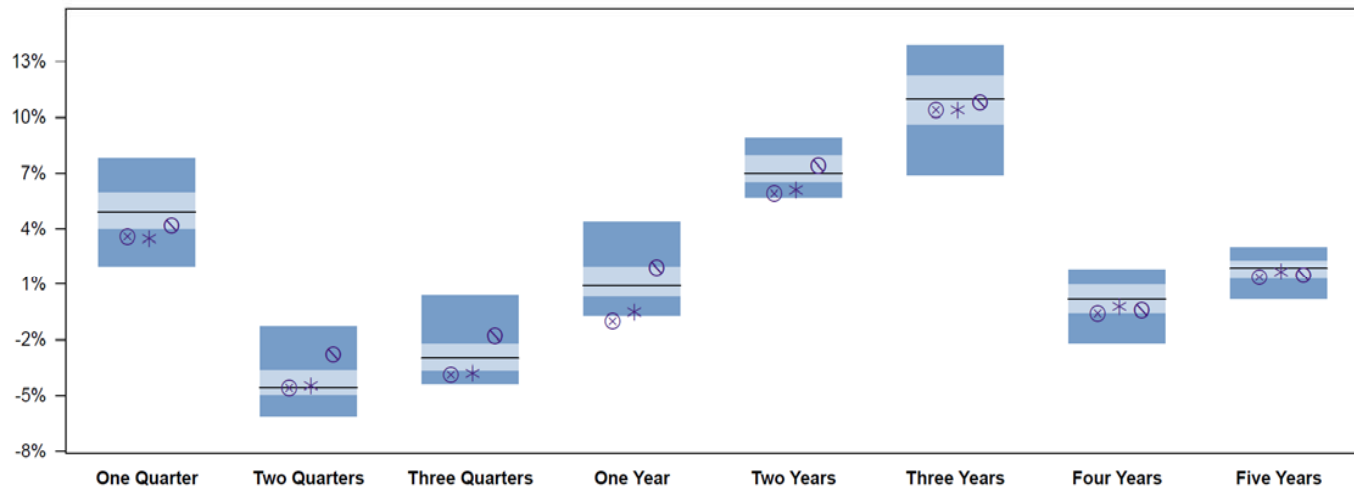
# Total Fund vs. Public Funds > \$1 Billion

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Periods Ending December 31, 2011

### Total Fund Performance - Trailing Periods



	One Quarter		Two Quarters		Three Quarters		One Year		Two Years		Three Years		Four Years		Five Years	
⊙ TOTAL FUND	3.7	84	-4.5	47	-3.8	79	-0.9	99	6.0	94	10.5	64	-0.5	70	1.5	71
* Allocation Index	3.6	84	-4.4	44	-3.7	74	-0.4	92	6.2	83	10.5	64	-0.1	61	1.8	51
⊠ Policy Benchmark	4.3	68	-2.7	8	-1.7	16	2.0	25	7.5	37	10.9	54	-0.3	64	1.6	64
5th Percentile	7.8		-1.3		0.4		4.4		8.9		13.9		1.8		3.0	
25th Percentile	6.0		-3.6		-2.2		2.0		8.0		12.3		1.0		2.3	
50th Percentile	4.9		-4.6		-3.0		0.9		7.0		11.0		0.2		1.9	
75th Percentile	4.0		-5.0		-3.7		0.3		6.5		9.6		-0.6		1.3	
95th Percentile	2.0		-6.1		-4.4		-0.7		5.7		6.9		-2.2		0.2	



Note: Returns are gross of fees.



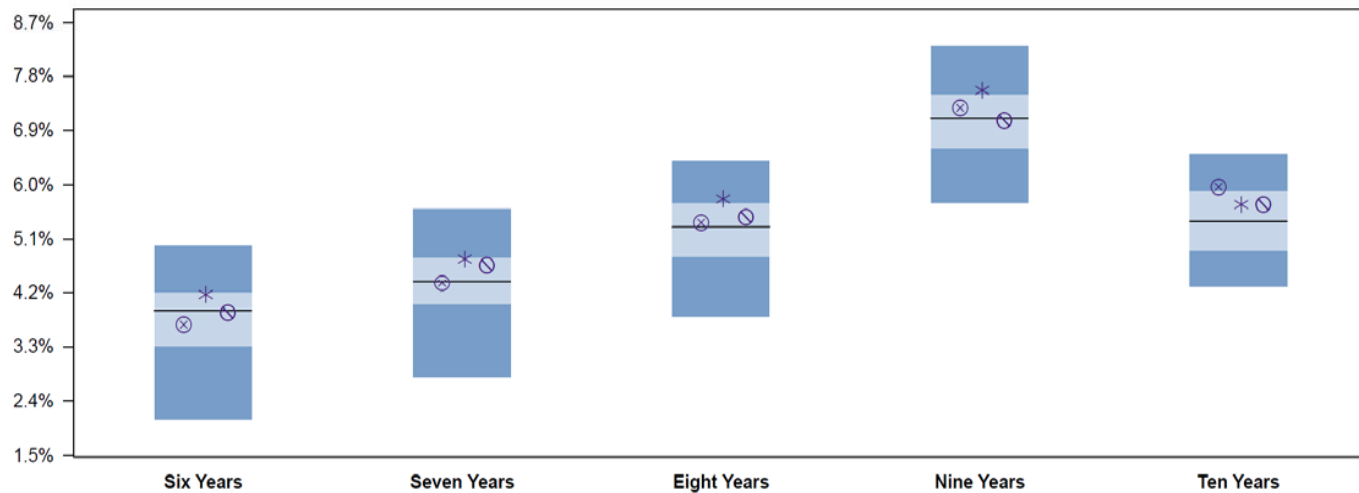
# Total Fund vs. Public Funds > \$1 Billion

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Periods Ending December 31, 2011

### Total Fund Performance - Trailing Periods



	Six Years	Seven Years	Eight Years	Nine Years	Ten Years
⊗ <b>TOTAL FUND</b>	<b>3.7 63</b>	<b>4.4 55</b>	<b>5.4 47</b>	<b>7.3 39</b>	<b>6.0 24</b>
* Allocation Index	4.2 28	4.8 27	5.8 22	7.6 19	5.7 33
⊙ Policy Benchmark	3.9 48	4.7 34	5.5 36	7.1 49	5.7 34
5th Percentile	5.0	5.6	6.4	8.3	6.5
25th Percentile	4.2	4.8	5.7	7.5	5.9
50th Percentile	3.9	4.4	5.3	7.1	5.4
75th Percentile	3.3	4.0	4.8	6.6	4.9
95th Percentile	2.1	2.8	3.8	5.7	4.3

Note: Returns are gross of fees.



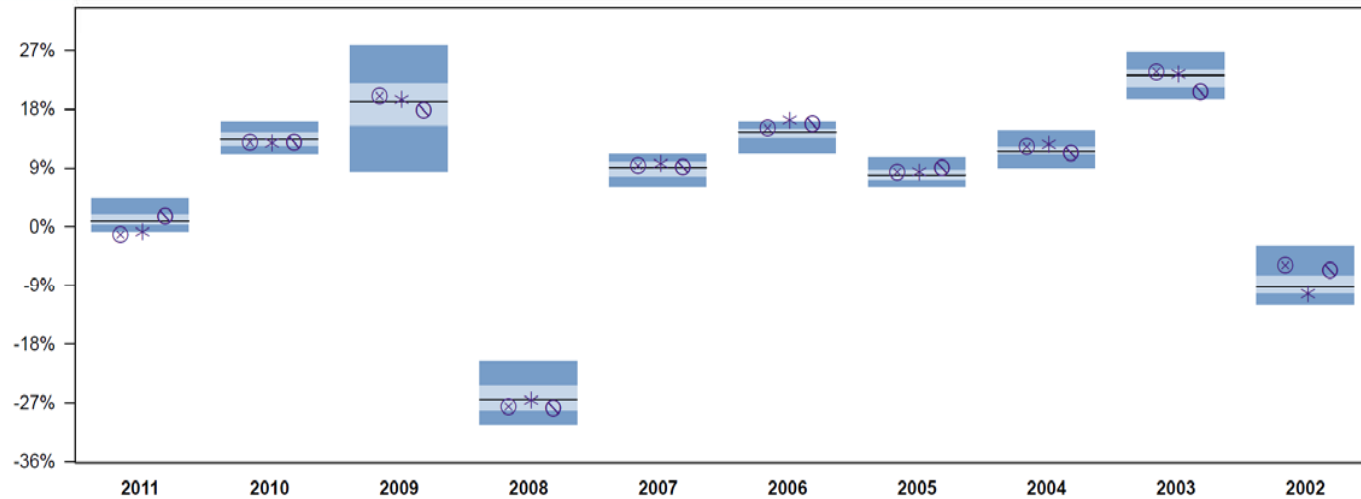
# Total Fund vs. Public Funds > \$1 Billion (One Year)

## San Jose Police & Fire

Total Fund - Universe: Public Funds (DB) > \$1 Billion

Period Ending December 31, 2011

### Total Fund Performance - One Year Time Periods



	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
⊗ <b>TOTAL FUND</b>	-0.9	13.3	20.3	-27.3	9.7	15.4	8.7	12.6	24.0	-5.5
* Allocation Index	-0.4	13.2	19.8	-26.3	10.0	16.6	8.7	12.9	23.7	-10.0
⊙ Policy Benchmark	2.0	13.3	18.1	-27.5	9.5	16.1	9.4	11.6	21.0	-6.3
5th Percentile	4.4	16.1	27.8	-20.7	11.2	16.1	10.6	14.7	26.7	-2.8
25th Percentile	2.0	14.5	22.0	-24.3	10.1	15.1	8.8	12.4	24.1	-7.4
50th Percentile	0.9	13.4	19.2	-26.5	9.1	14.5	7.9	11.6	23.2	-9.2
75th Percentile	0.3	12.4	15.4	-28.3	7.6	13.6	7.2	11.1	21.3	-10.3
95th Percentile	-0.7	11.2	8.4	-30.3	6.2	11.3	6.2	9.0	19.6	-12.0

Note: Returns are gross of fees.



# Policy Benchmark History

- **6/1/95 – 9/30/01** – 35% S&P 500/10% MSCI EAFE/35% BC Aggregate/10% Citigroup WGBI/10% NCREIF Property
- **10/1/01 – 12/31/04** – 35% S&P 500/15% MSCI EAFE/5% MSCI Emg Mkts/28% BC Aggregate/5% Citigroup WGBI/12% NCREIF Property
- **1/1/05 – 3/31/08** – 34% S&P 500/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Russell 2000
- **4/1/08 – 6/30/08** – 29% S&P 500/5% Russell 2000/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)
- **7/1/08 – 12/31/09** – 22% S&P 500/5% Russell 2000/17% MSCI EAFE/5% MSCI Emg Mkts/18% BC Aggregate/5% ML US HY BB-B Constrained/10% NCREIF Property/8% Cambridge Private Equity (lagged 1 quarter)/5% DJ/UBS Commodities Index/5% HFRI FoF: Conservative
- **1/1/10 – 3/31/11** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained 2%/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **4/1/11 – Present** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained 2%/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%

## Information Disclosure

- NEPC uses, as its data source, the plan's custodian bank or fund service company, and NEPC relies on those sources for security pricing, calculation of accruals, and all transactions, including income payments, splits, and distributions. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- The Investment Performance Analysis (IPA) is provided as a management aid for the client's internal use only. Portfolio performance reported in the IPA does not constitute a recommendation by NEPC.
- Information in this report on market indices and security characteristics is received from sources external to NEPC. While efforts are made to ensure that this external data is accurate, NEPC cannot accept responsibility for errors that may occur.
- S&P Index data is provided courtesy of Standard & Poor's Financial Services LLC.



## **Appendix: Manager Analysis**

# RS Small Cap Value

## RS Small Cap Value

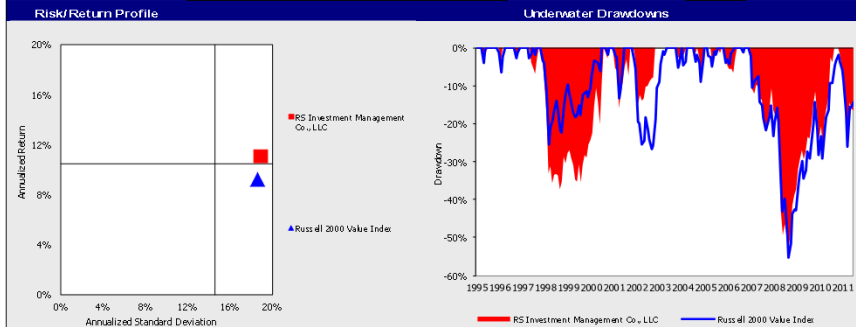
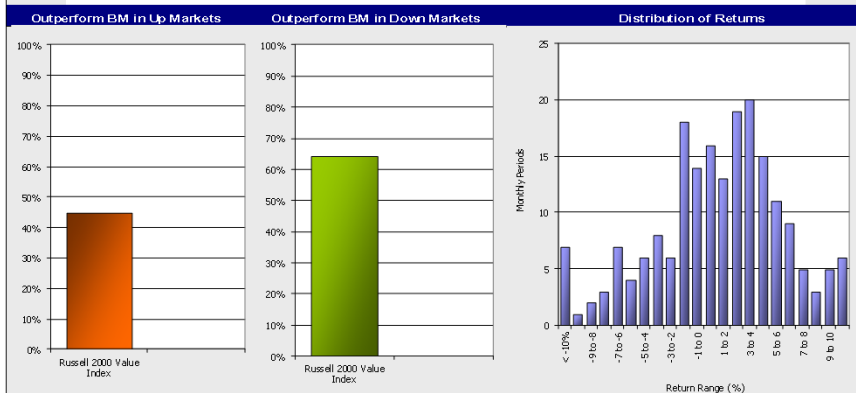
RS Investment Management Co., LLC

Benchmark 1 (BML): Russell 2000 Value Index

Benchmark 2 (BMD): N/A



Monthly Performance (% Net of Fees)													Statistical Analysis		Fund	BML
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Returns		
2011	-1.3%	6.0%	2.9%	2.5%	-2.0%	-3.5%	-3.9%	-8.6%	-11.2%	15.9%	-1.8%	-0.9%	-8.1%	Annualized Compound RCR	11.0%	9.2%
2010	-0.7%	4.9%	6.9%	3.9%	-7.1%	-7.5%	4.3%	-6.2%	9.8%	3.1%	3.9%	11.4%	27.3%	3 Yr Return	18.7%	12.4%
2009	-6.4%	-5.8%	7.6%	15.1%	4.6%	2.6%	8.5%	3.9%	3.2%	-3.3%	3.0%	5.3%	43.0%	5 Yr Return	0.1%	-1.9%
2008	-6.7%	-0.7%	-1.2%	6.5%	6.3%	-6.4%	-1.6%	2.7%	-11.0%	-24.5%	-10.8%	5.8%	-37.9%	Best Month	15.9%	15.9%
2007	1.9%	0.9%	1.5%	3.5%	4.1%	-1.7%	-9.5%	-1.3%	2.6%	-0.2%	-3.7%	-0.5%	-3.0%	Worst Month	-24.5%	-20.0%
2006	6.7%	-1.4%	3.2%	1.8%	-2.5%	-2.4%	-0.9%	0.2%	-1.1%	4.2%	3.3%	0.2%	11.4%	%Positive Months	61.6%	63.1%
2005	-1.8%	2.8%	-2.1%	-5.4%	4.9%	6.1%	5.0%	1.6%	1.9%	-4.4%	2.6%	1.0%	12.0%	<b>Risk</b>		
2004	1.2%	5.6%	2.0%	-2.4%	-0.4%	2.6%	-1.7%	1.7%	7.1%	0.1%	9.7%	3.2%	31.8%	Standard Deviation	18.9%	18.6%
2003	1.3%	0.8%	0.4%	8.5%	9.2%	5.4%	5.0%	5.0%	0.2%	5.9%	3.3%	6.9%	65.6%	3 Yr Standard Deviation	22.5%	26.4%
2002	2.0%	-4.3%	11.1%	3.9%	-0.8%	-4.2%	-10.6%	3.0%	-1.8%	0.7%	3.6%	0.2%	1.2%	5 Yr Standard Deviation	23.7%	24.9%
2001	9.7%	-1.1%	-1.6%	8.1%	6.5%	-1.3%	-4.2%	-0.6%	-10.7%	5.0%	3.1%	4.4%	16.7%	Sharpe Ratio (2.5%)	0.52	0.44
														Sortino Ratio (0.0%)	0.83	0.69
														Downside Deviation (0.0%)	12.7%	12.9%
														Max Drawdown	-52.8%	-55.5%
														Months In Maximum Drawdown	21	21
														Months To Recover	24	--
														<b>Comparison To Benchmark(s)</b>		
														Monthly Alpha		0.3%
														Annualized Alpha		3.1%
														Tracking Error		9.8%
														Information Ratio		0.19
														Beta		0.88
														Correlation		0.86
														R-Squared		74.5%
														<b>Annual Returns</b>		
														2011-(YTD)	-8.1%	-5.5%
														2010	27.3%	24.5%
														2009	43.0%	20.6%
														2008	-37.9%	-28.9%
														2007	-3.0%	-9.8%
														2006	11.4%	23.5%
														<b>Latest Returns</b>		
														Last Month	-0.9%	1.6%
														Last 3 Months	12.8%	16.0%
														Last Year	-8.1%	-5.5%
														2-Year	8.2%	8.5%
														3-Year	18.7%	12.4%
														4-Year	1.0%	0.2%
														5-Year	0.1%	-1.9%
														<b>Drawdown Analysis</b>		
														1	-52.8%	-55.5%
														2	-37.3%	-26.7%
														3	-26.2%	-25.4%
														4	-16.0%	-13.3%
														5	-14.9%	-8.9%



Note: Net of fee performance of the RS Small Cap Value Composite is linked with SJP&F portfolio performance. Inception date of the RS Small Cap Value Composite is July 1995. Inception date of the SJP&F portfolio is August 2010. Composite data provided by eVestment Alliance. Based on monthly, net of fee performance data, since inception.



# Seix Core Plus Bond Management

## Seix Core Plus Bond Management

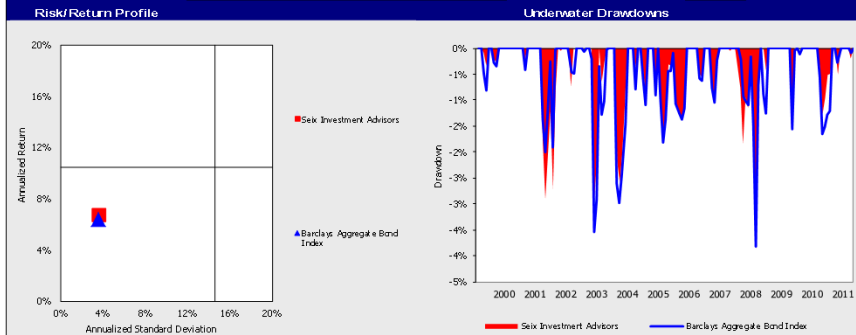
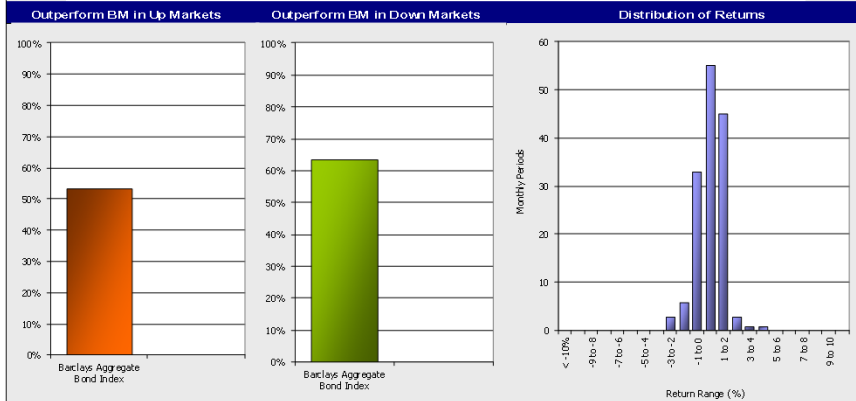
Seix Investment Advisors



Benchmark 1 (BM1): Barclays Aggregate Bond Index

Benchmark 2 (BM2): N/A

Monthly Performance (%) Net of Fees														Statistical Analysis		Fund	BM1
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Returns			
2011	0.3%	0.5%	0.0%	1.5%	1.2%	-0.5%	1.7%	1.8%	0.9%	0.5%	-0.2%	1.2%	9.1%	Annualized Compound ROR	6.8%	6.3%	
2010	1.6%	0.3%	0.1%	1.4%	0.5%	1.6%	1.2%	1.5%	0.3%	0.4%	-0.4%	-0.9%	7.7%	3 Yr Return	8.8%	6.8%	
2009	0.6%	-0.4%	1.4%	1.1%	1.1%	1.0%	2.3%	1.1%	0.9%	0.5%	1.3%	-1.6%	9.7%	5 Yr Return	7.7%	6.9%	
2008	1.8%	0.0%	-0.4%	-0.4%	-1.1%	0.9%	-0.2%	1.1%	-0.9%	-2.9%	3.3%	4.1%	5.2%	Best Month	4.1%	3.7%	
2007	-0.1%	1.5%	0.1%	0.6%	-0.8%	-0.3%	0.9%	1.3%	0.8%	0.9%	1.8%	-0.1%	6.8%	Worst Month	-3.0%	-3.4%	
2006	0.0%	0.2%	-0.9%	-0.2%	-0.1%	0.3%	1.3%	1.4%	0.9%	0.7%	1.2%	-0.5%	4.1%	% Positive Months	71.4%	70.1%	
2005	0.5%	-0.4%	-0.4%	1.2%	0.8%	0.6%	-0.8%	1.2%	-1.0%	-0.7%	0.5%	0.9%	2.3%	<b>Risk</b>			
2004	1.0%	1.0%	0.7%	-2.2%	-0.4%	0.6%	1.0%	1.8%	0.4%	0.8%	-0.5%	1.0%	5.2%	Standard Deviation	3.6%	3.6%	
2003	0.6%	1.3%	0.1%	1.6%	1.6%	0.0%	-3.0%	0.7%	2.5%	-0.7%	0.4%	1.1%	6.4%	3 Yr Standard Deviation	2.9%	2.8%	
2002	0.9%	0.9%	-1.5%	2.0%	0.8%	-0.1%	0.1%	1.5%	0.9%	-0.7%	1.4%	1.8%	8.2%	5 Yr Standard Deviation	3.8%	3.6%	
2001	1.5%	0.8%	0.6%	-0.2%	0.8%	0.3%	2.3%	1.2%	0.7%	1.7%	-1.8%	-1.1%	6.8%	Sharpe Ratio (2.5%)	1.15	1.03	
														Sortino Ratio (0.0%)	3.59	3.26	
														Downside Deviation (0.0%)	1.8%	1.9%	
														Max Drawdown	-3.9%	-3.8%	
														Months In Maximum Drawdown	9	7	
														Months To Recover	2	2	
														<b>Comparison To Benchmark(s)</b>			
														Monthly Alpha		0.1%	
														Annualized Alpha		0.7%	
														Tracking Error		1.1%	
														Information Ratio		0.38	
														Beta		0.94	
														Correlation		0.95	
														R-Squared		90.9%	
														<b>Annual Returns</b>			
														2011-(YTD)	9.1%	7.8%	
														2010	7.7%	6.6%	
														2009	9.7%	5.9%	
														2008	5.2%	5.2%	
														2007	6.8%	7.0%	
														2006	4.1%	4.3%	
														<b>Latest Returns</b>			
														Last Month	1.2%	1.1%	
														Last 3 Months	1.4%	1.1%	
														Last Year	9.1%	7.8%	
														2-Year	8.4%	7.2%	
														3-Year	8.8%	6.8%	
														4-Year	7.9%	6.4%	
														5-Year	7.7%	6.9%	
														<b>Drawdown Analysis</b>			
														1	-3.9%	-3.8%	
														2	-3.0%	-3.6%	
														3	-2.9%	-3.0%	
														4	-2.6%	-2.0%	
														5	-1.7%	-1.8%	



Note: Based on monthly, net of fee performance data, since inception.



# IR&M Long Government/Credit

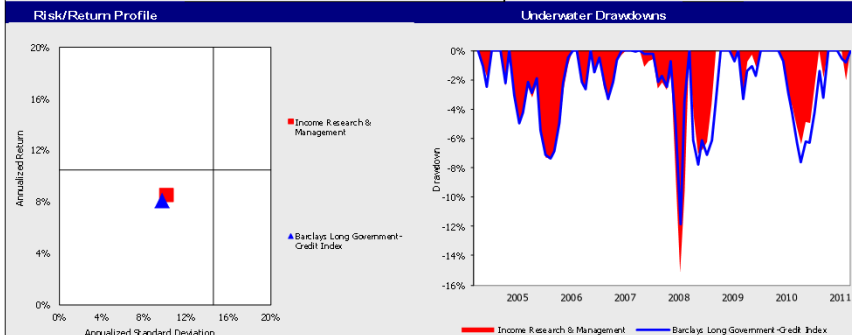
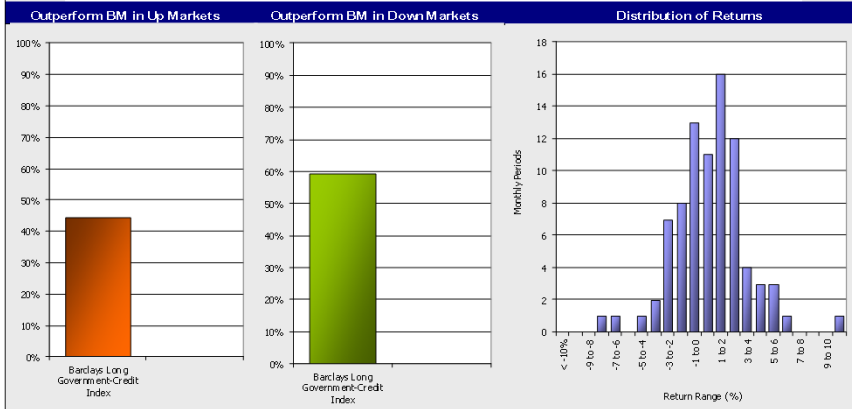
## IR&M Long G/C

Income Research & Management



Benchmark 1 (BM1): Barclays Long Government-Credit Index  
 Benchmark 2 (BM2): N/A

Monthly Performance (%) Net of Fees													Statistical Analysis		Fund	BM1
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Returns		
2011	-1.3%	1.6%	-0.1%	2.6%	2.8%	-1.9%	4.1%	3.1%	5.3%	1.0%	-2.0%	3.9%	20.5%	Annualized Compound ROR	8.5%	8.1%
2010	2.4%	0.5%	-0.9%	3.3%	1.5%	4.1%	1.0%	5.1%	-0.8%	-2.3%	-0.8%	-1.4%	12.1%	3 Yr Return	14.2%	11.2%
2009	-4.4%	-2.8%	0.3%	0.9%	2.7%	5.7%	5.0%	3.0%	2.7%	-0.6%	1.3%	-3.1%	10.3%	5 Yr Return	10.7%	9.7%
2008	1.9%	-1.1%	0.4%	0.1%	-2.0%	0.4%	-0.5%	1.0%	-6.9%	-7.4%	6.5%	13.6%	4.7%	Best Month	13.6%	11.2%
2007	-0.5%	3.3%	-1.6%	0.9%	-1.9%	-0.9%	1.3%	1.5%	0.4%	1.4%	2.9%	-0.2%	6.7%	Worst Month	-7.4%	-7.2%
2006	-0.8%	0.9%	-3.4%	-1.8%	-0.1%	0.6%	1.7%	2.7%	1.6%	1.2%	2.2%	-2.1%	2.8%	% Positive Months	60.7%	56.0%
2005	2.0%	-1.0%	-0.9%	2.6%	2.1%	1.5%	-2.4%	2.6%	-3.0%	-1.9%	0.6%	1.8%	3.9%	<b>Risk</b>		
														Standard Deviation	10.1%	9.8%
														3 Yr Standard Deviation	9.1%	9.1%
														5 Yr Standard Deviation	11.2%	10.6%
														Sharpe Ratio (2.9%)	0.62	0.59
														Sortino Ratio (0.0%)	1.50	1.47
														Downside Deviation (0.0%)	5.5%	5.3%
														Max Drawdown	-15.2%	-11.9%
														Months In Maximum Drawdown	9	9
														Months To Recover	2	2
														<b>Comparison To Benchmark(s)</b>		
														Monthly Alpha		0.0%
														Annualized Alpha		0.6%
														Tracking Error		2.9%
														Information Ratio		0.17
														Beta		0.99
														Correlation		0.96
														R-Squared		91.8%
														<b>Annual Returns</b>		
														2011-(YTD)	20.5%	22.5%
														2010	12.1%	10.2%
														2009	10.3%	1.9%
														2008	4.7%	8.4%
														2007	6.7%	6.6%
														2006	2.8%	2.7%
														<b>Latest Returns</b>		
														Last Month	3.9%	3.4%
														Last 3 Months	2.9%	2.6%
														Last Year	20.5%	22.5%
														2-Year	16.2%	16.2%
														3-Year	14.2%	11.2%
														4-Year	11.7%	10.9%
														5-Year	10.7%	9.7%
														<b>Drawdown Analysis</b>		
														1	-15.2%	-11.9%
														2	-7.4%	-7.8%
														3	-7.1%	-7.6%
														4	-6.4%	-7.4%
														5	-3.4%	-3.3%



Note: Based on monthly, net of fee performance data, since inception.





# Calamos Global Convertible Strategy

## Calamos Global Convertible Strategy

Calamos Advisors LLC



Benchmark 1 (BM1): ML Global 300 Convertible Index

Benchmark 2 (BM2): N/A

Monthly Performance (%) Net of Fees														Statistical Analysis		Fund	BM1
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Returns			
2011	0.5%	2.6%	0.2%	1.4%	-1.4%	-1.5%	-1.0%	-1.1%	-3.3%	4.3%	-0.1%	-1.4%	-1.0%	Annualized Compound ROR	7.7%	4.3%	
2010	-2.3%	2.2%	3.0%	0.4%	-3.8%	-1.1%	3.1%	-0.1%	4.8%	2.2%	-0.5%	3.5%	11.6%	3 Yr Return	13.1%	12.8%	
2009	-0.8%	-1.6%	5.2%	6.0%	4.3%	-0.5%	6.7%	1.6%	2.8%	-0.4%	2.4%	2.1%	30.9%	5 Yr Return	4.4%	1.6%	
2008	-5.3%	1.0%	-1.5%	2.5%	1.7%	-4.4%	-1.5%	-0.3%	-11.7%	-15.1%	-0.2%	7.5%	-25.9%	Best Month	7.5%	7.5%	
2007	1.0%	-0.1%	1.0%	3.5%	1.6%	0.5%	-0.3%	1.1%	5.2%	3.3%	-0.6%	-1.3%	15.7%	Worst Month	-15.1%	-13.7%	
2006	5.5%	-1.1%	1.4%	3.2%	-2.9%	-0.7%	0.2%	1.8%	0.6%	1.9%	1.6%	2.2%	14.2%	% Positive Months	64.2%	63.4%	
2005	-2.4%	0.5%	-2.0%	-2.4%	2.1%	1.2%	3.0%	1.2%	3.1%	-1.7%	3.7%	2.3%	8.6%	<b>Risk</b>			
2004	2.5%	0.5%	0.4%	-3.0%	0.2%	1.2%	-3.0%	0.4%	1.3%	1.1%	4.7%	2.3%	8.6%	Standard Deviation	10.5%	9.8%	
2003	1.3%	-1.1%	0.1%	5.0%	5.6%	0.1%	0.4%	1.7%	1.9%	2.8%	2.0%	3.1%	25.1%	3 Yr Standard Deviation	9.1%	10.2%	
2002	-1.2%	-1.1%	3.1%	2.7%	1.5%	-2.5%	-4.1%	0.7%	-3.2%	0.8%	3.5%	0.4%	0.2%	5 Yr Standard Deviation	12.9%	13.0%	
2001										1.8%	2.6%	-1.8%	2.5%	Sharpe Ratio (2.5%)	0.53	0.23	
														Sortino Ratio (0.0%)	1.02	0.58	
														Downside Deviation (0.0%)	7.3%	7.3%	
														Max Drawdown	-32.4%	-35.8%	
														Months In Maximum Drawdown	13	13	
														Months To Recover	22	25	
														<b>Comparison To Benchmark(s)</b>			
														Monthly Alpha		0.3%	
														Annualized Alpha		3.4%	
														Tracking Error		4.0%	
														Information Ratio		0.85	
														Beta		1.00	
														Correlation		0.93	
														R-Squared		86.1%	
														<b>Annual Returns</b>			
														2011-(YTD)	-1.0%	-5.7%	
														2010	11.6%	11.7%	
														2009	30.9%	36.3%	
														2008	-25.9%	-29.3%	
														2007	15.7%	6.5%	
														2006	14.2%	12.8%	
														<b>Latest Returns</b>			
														Last Month	-1.4%	0.1%	
														Last 3 Months	2.8%	2.5%	
														Last Year	-1.0%	-5.7%	
														2-Year	5.1%	2.7%	
														3-Year	13.1%	12.8%	
														4-Year	1.8%	0.4%	
														5-Year	4.4%	1.6%	
														<b>Drawdown Analysis</b>			
														1	-32.4%	-35.8%	
														2	-8.9%	-12.4%	
														3	-8.1%	-8.9%	
														4	-6.1%	-4.3%	
														5	-4.6%	-2.7%	

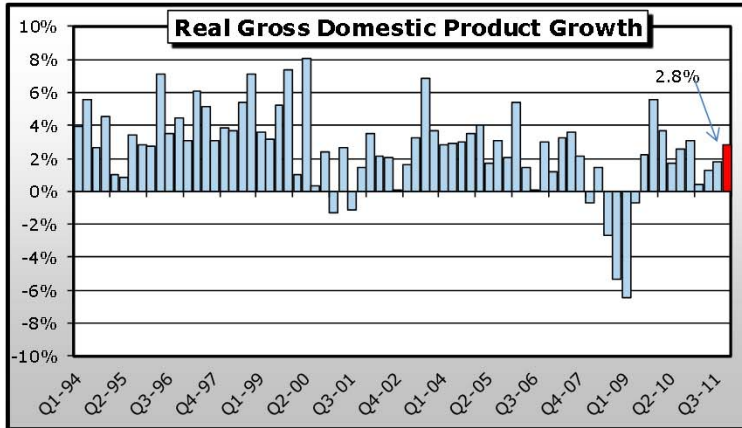
Note: Net of fee performance of the Calamos Global Convertible Composite is linked with SJP&F portfolio performance. Inception date of the Calamos Global Convertible Composite is October 2001. Inception date of the SJP&F portfolio is September 2009. Composite data provided by eVestment Alliance. Based on monthly, net of fee performance data, since inception.





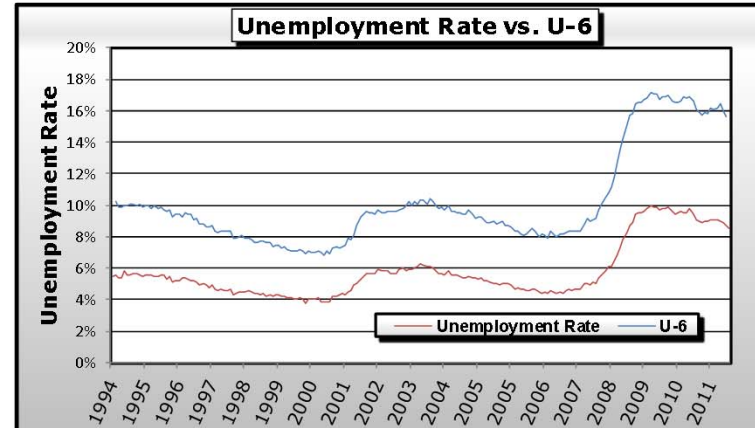
## **Appendix: Market Environment**

# Economic Environment



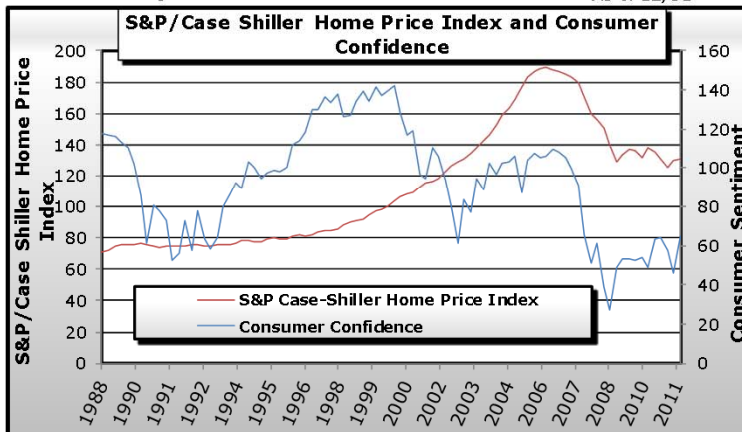
**GDP growth increased to 2.8% in the fourth quarter, up from 1.8% in the third quarter.**

Source: Bloomberg As of 12/31



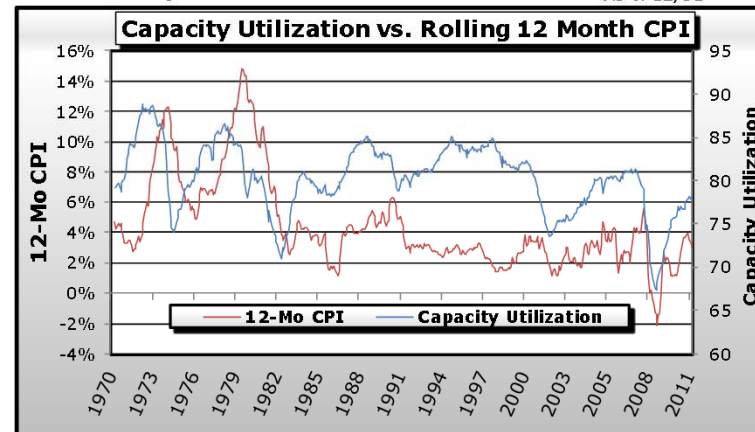
**Unemployment decreased to its lowest level since early 2009; The U-6, a measure of broader unemployment, posted similar results.**

Source: Bloomberg As of 12/31



**Consumer confidence dropped in Q3; the Case-Shiller Home price index remains more than two times off its high levels.**

Source: Bloomberg As of 9/30

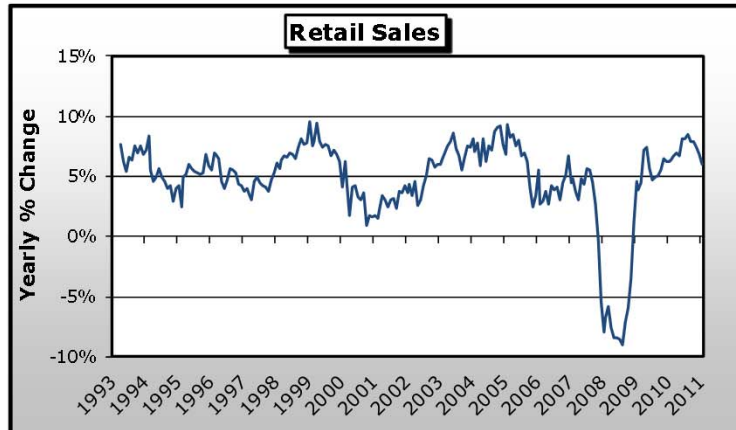


**Capacity utilization stayed flat in December at relatively low levels, while CPI fell to 3.0%.**

Source: Bloomberg As of 12/31



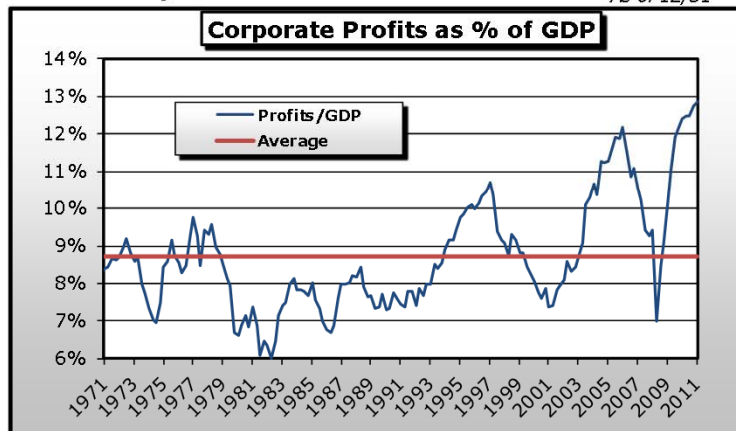
# Components of U.S. GDP



**Retail sales fell in December to a 6% year-over-year growth rate.**

Source: Bloomberg

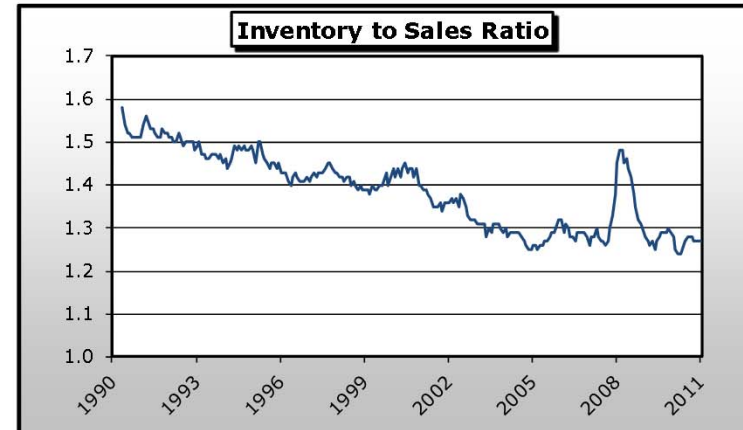
As of 12/31



**Corporate Profits as a % of GDP increased to 13% in Q4, a new secular high.**

Source: Bloomberg

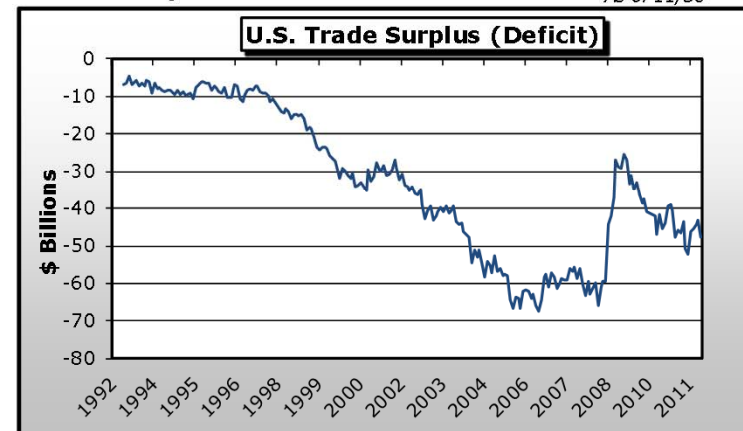
As of 12/31



**The inventory liquidation process that was a boost to 2009 growth results has worn off, meaning demand must contribute to further growth.**

Source: Bloomberg

As of 11/30



**After five months of positive momentum, the U.S. Trade Deficit increased in November.**

Source: Bloomberg

As of 11/30



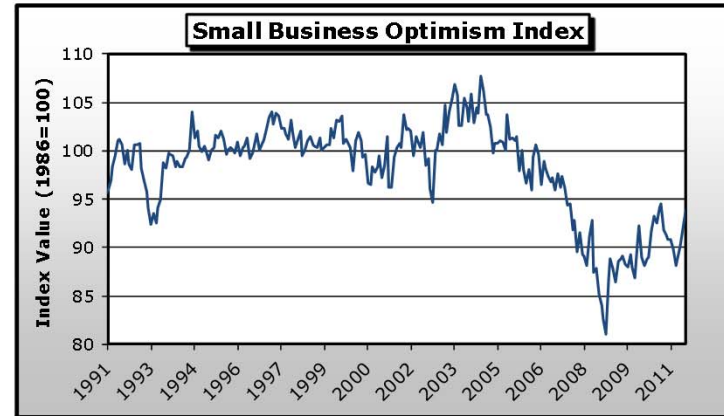
# Key Economic Indicators



**Rolling percentage change in the Leading Economic Indicators index decreased in December.**

Source: Bloomberg

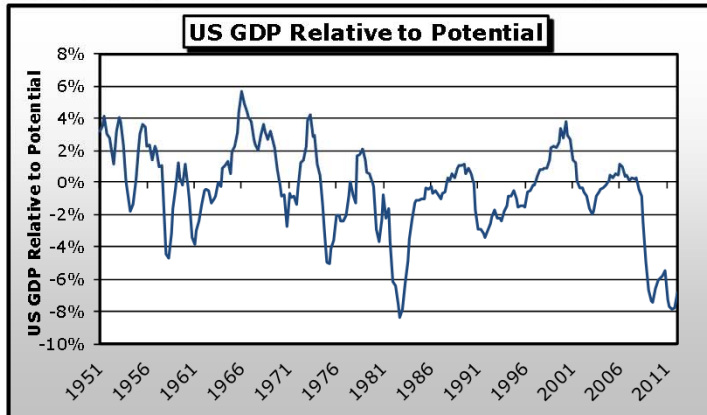
As of 12/31



**In December, the small business optimism index rose to its highest level since February.**

Source: Bloomberg

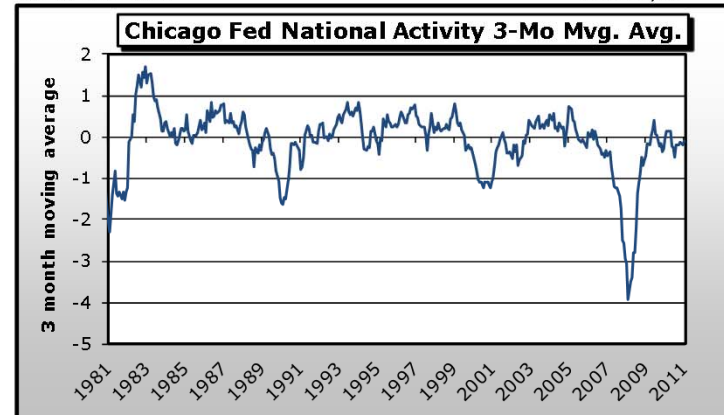
As of 12/31



**US GDP relative to Potential GDP decreased in the fourth quarter.**

Source: St. Louis Fed

As of 12/31



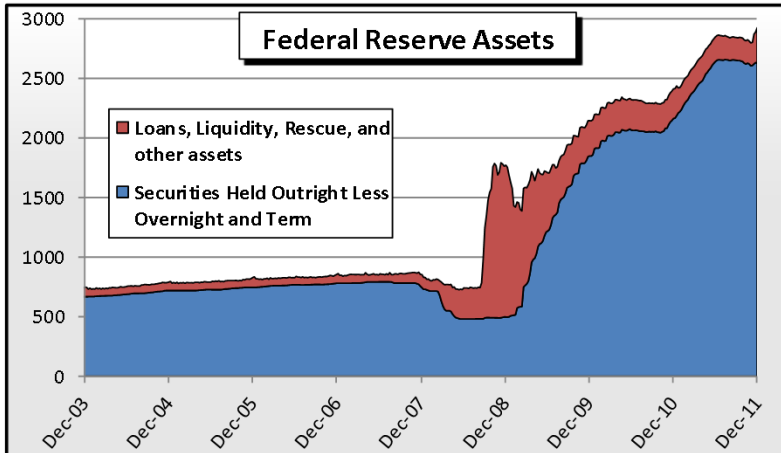
**Chicago Fed National Activity 3 Month moving average increased slightly through December.**

Source: Bloomberg

As of 12/31



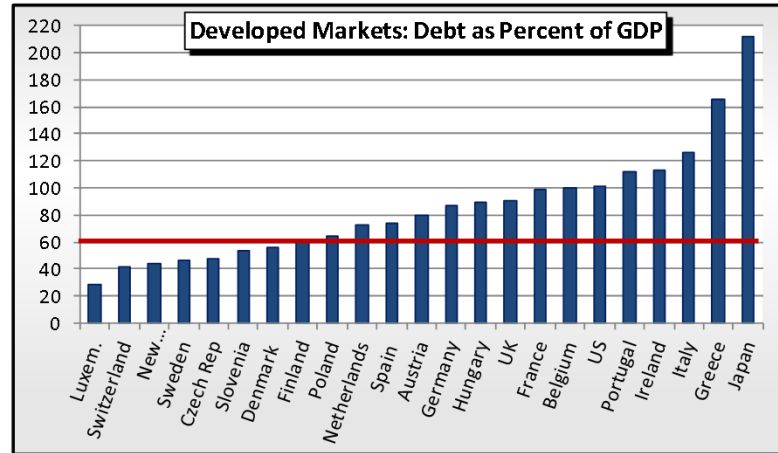
# Economic Environment



**Assets increased for the Federal Reserve in December as it provided liquidity to central banks.**

Source: United States Federal Reserve

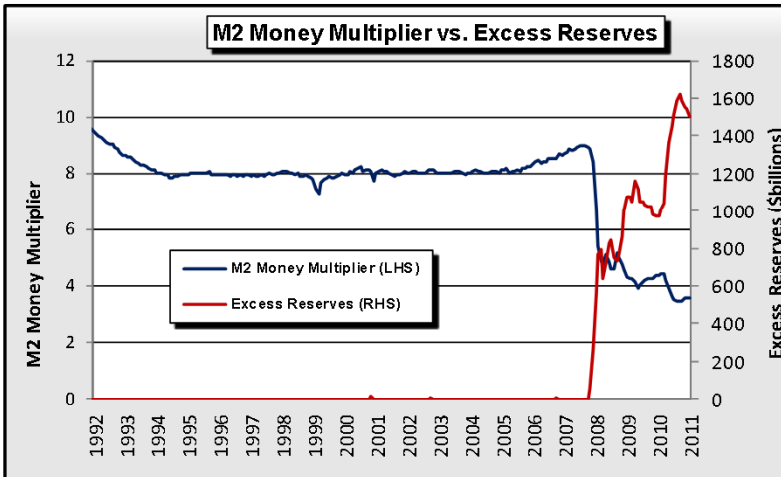
As of 12/31



**Many developed nations are at or approaching unsustainable debt levels.**

Source: IMF, CBOE

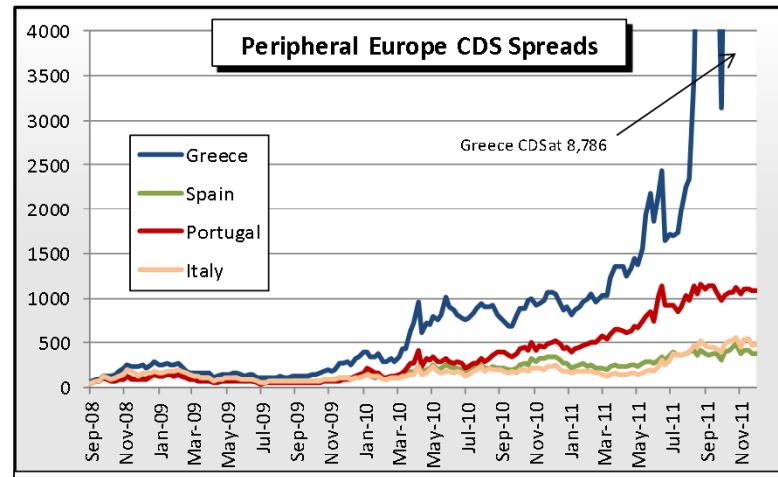
As of 9/30



**The Money Multiplier remains low as a result of QE2; Banks decreased reserves in October.**

Source: St. Louis Fed

As of 11/1



**Peripheral Europe Credit Default Swap spreads have widened dramatically over the last 18 months, indicating increased investor concern about default possibility.**

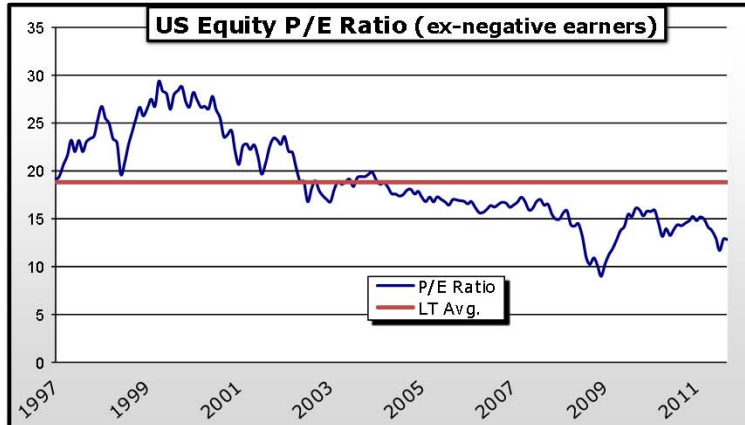
Source: Bloomberg

As of 12/31

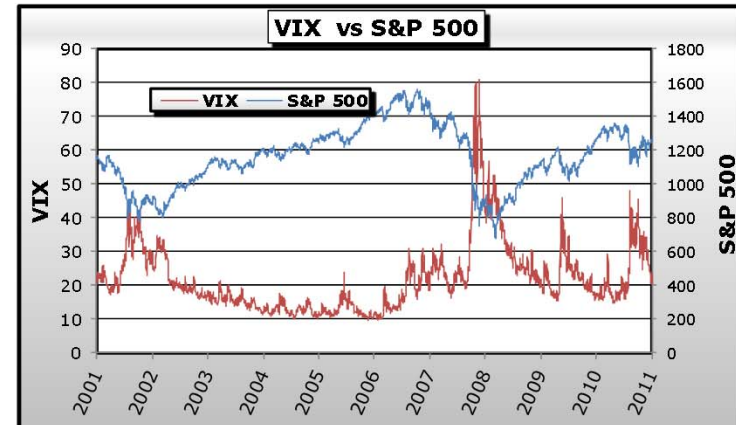




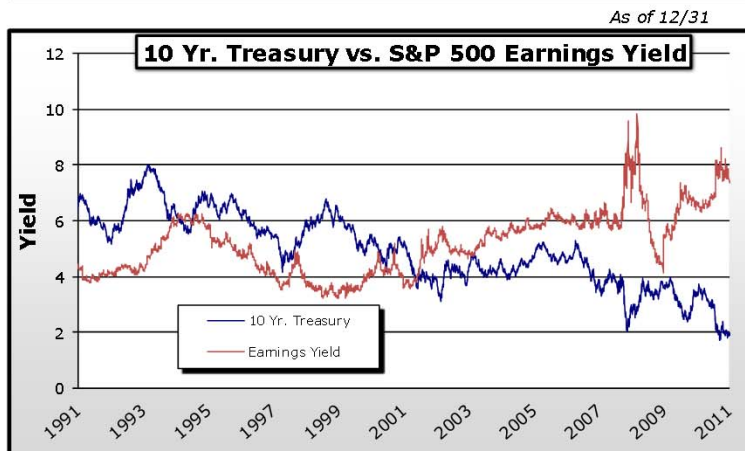
# Market Environment – U.S. Equity



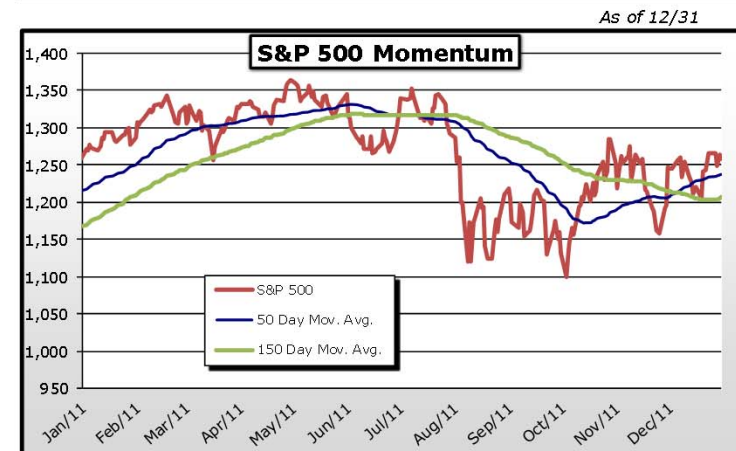
**S&P valuations remain below the long-term average**



**The VIX retreated from its 2011 high, while the S&P closed the year slightly above where it began.**



**Yield on the 10-year Treasury remains near record lows. Earnings yield on the S&P 500 flattened in November and December, but remains elevated.**



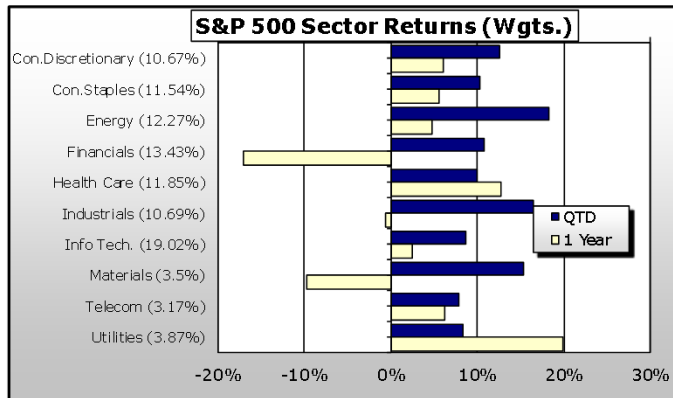
**The S&P 500 climbed above both its 50 and 150 day moving averages at the end of December, providing a bullish technical signal.**



*As of 12/31*

*As of 12/31*

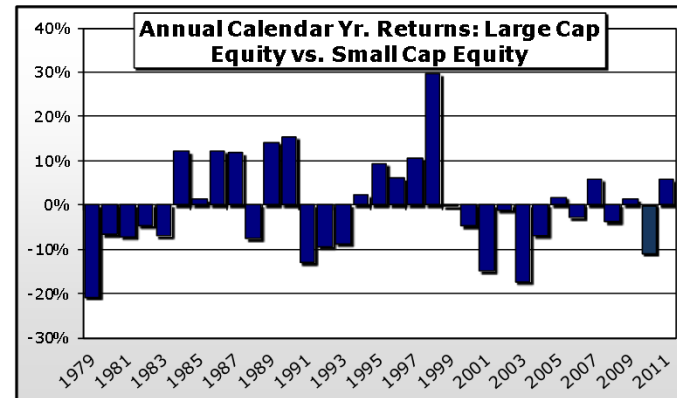
# U.S. Stock Market Performance



**Utilities led all sectors YTD with a 19.9% return, while Financials performed poorly finishing the year 17.1% in the negative.**

Source: Standard & Poors, Bloomberg

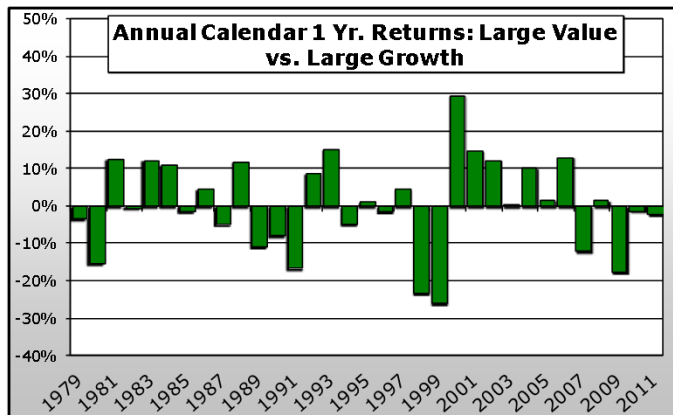
As of 12/31



**Large Cap outperformed Small Cap by 5.7% in 2011.**

Source: Bloomberg

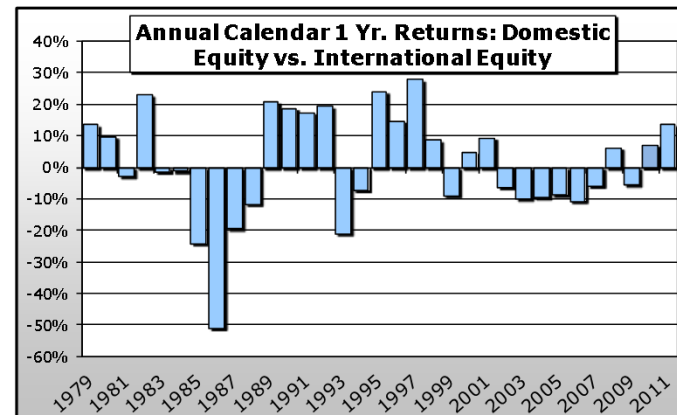
As of 12/31



**Growth outperformed value stocks by 2.2% in 2011.**

Source: Bloomberg

As of 12/31



**Domestic equity outperformed International equity by 13.8% in 2011.**

Source: Bloomberg

As of 12/31





# Non – U.S. Stock Market Performance

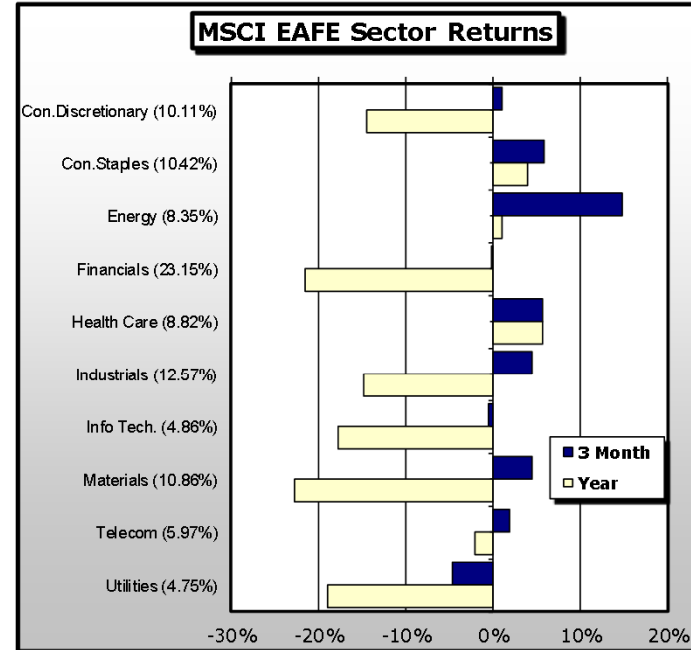
Developed Market Equity Returns (U.S. Dollars)			
Source: MSCI Inc.	3 Month (%)	1 Yr. (%)	3 Yr. (%)
Europe ex UK	3.1%	-17.6%	1.6%
United Kingdom	-3.4%	-6.1%	9.3%
Japan	-3.8%	-16.2%	-0.2%
Pacific Ex Japan	-8.6%	-16.3%	15.5%
Canada	-5.3%	-14.4%	14.0%
USA	0.2%	-0.1%	10.8%

US Dollar Return vs. Major Foreign Currencies		
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)		
	Qtr.	1 Yr.
Euro	2.8%	1.2%
Japanese Yen	-0.2%	-6.2%
British Pound	0.0%	-1.6%
Canada	-3.2%	0.1%
Australia	-6.9%	-5.4%

Currency Impact on Developed Mkt. Returns			
(Negative = Currency Hurt, Positive = Currency Helped)			
	Qtr.	1 Yr.	5 Yr.
MSCI EAFE (Local)	4.1%	-12.2%	-6.6%
MSCI EAFE (USD)	3.3%	-12.1%	-4.7%
Currency Impact	-0.7%	0.0%	1.9%

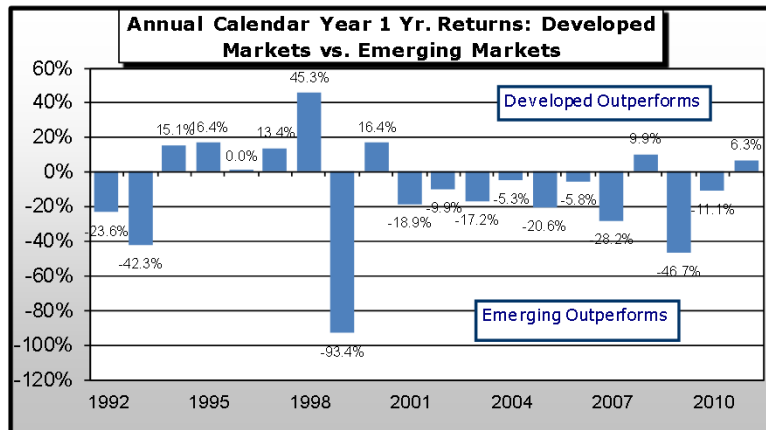
Source: Bloomberg, MSCI Inc.

As of 12/31/11



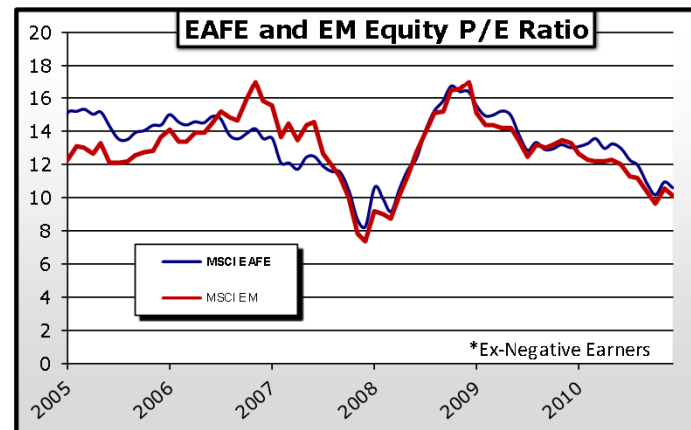
Source: Bloomberg, MSCI Inc.

As of 12/31/11



Source: MSCI Inc.

As of 12/31/11

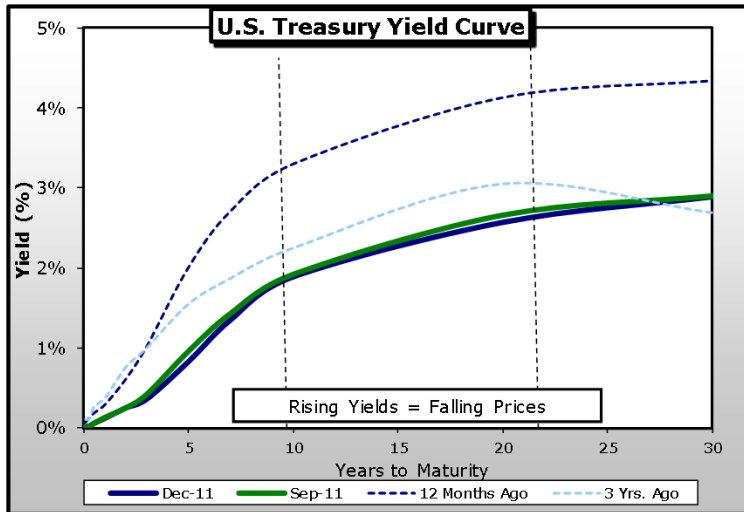


Source: Bloomberg, NEPC

As of 12/31/11

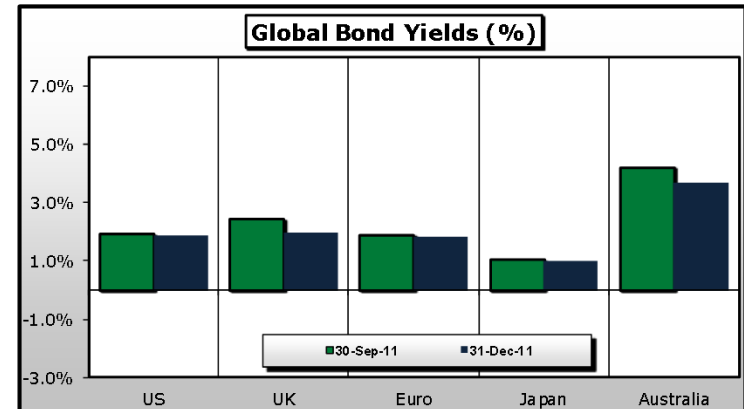


# Market Environment – Interest Rates



Source: U.S. Treasury

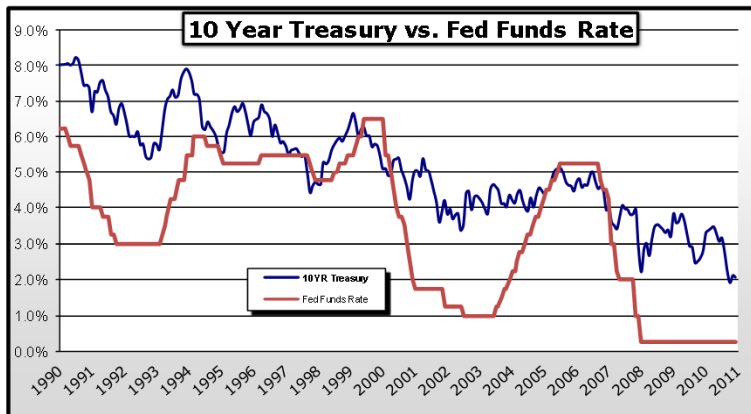
As of 12/31



Global bond yields dropped in the fourth quarter.

Source: Bloomberg

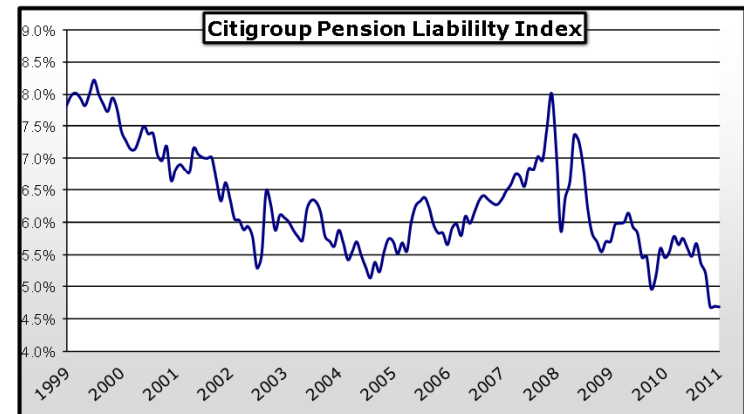
As of 12/31



Fed Funds rate remains at 0.25% while 10 Yr. Treasury Yield finished December at 1.9%.

Source: Bloomberg

As of 12/31



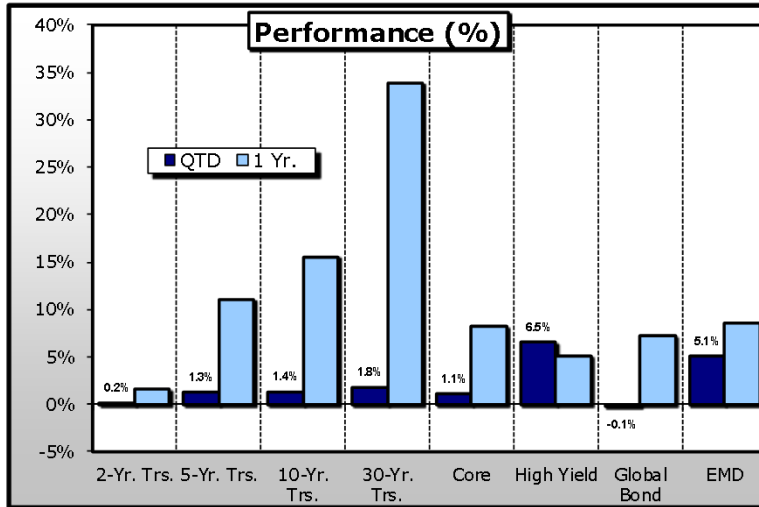
Citi Pension remained flat at 4.7% for the month of November.

Source: Citigroup

As of 11/30

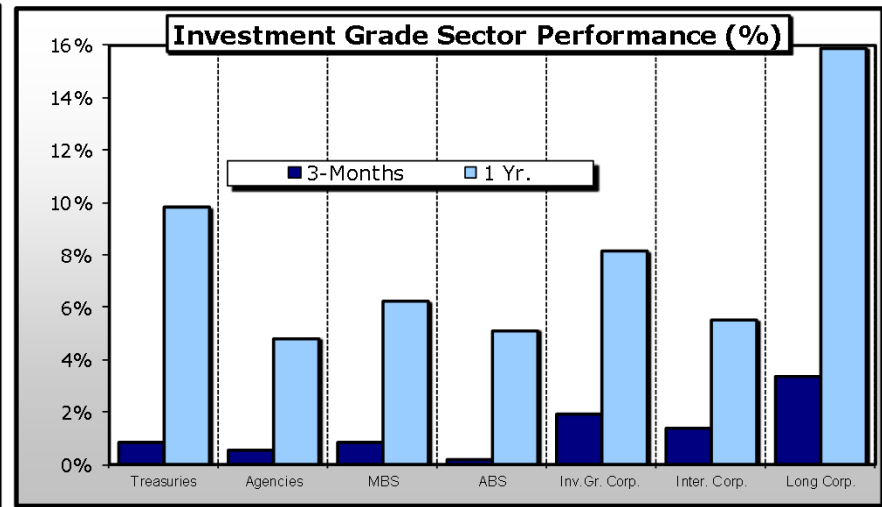


# Fixed Income Performance



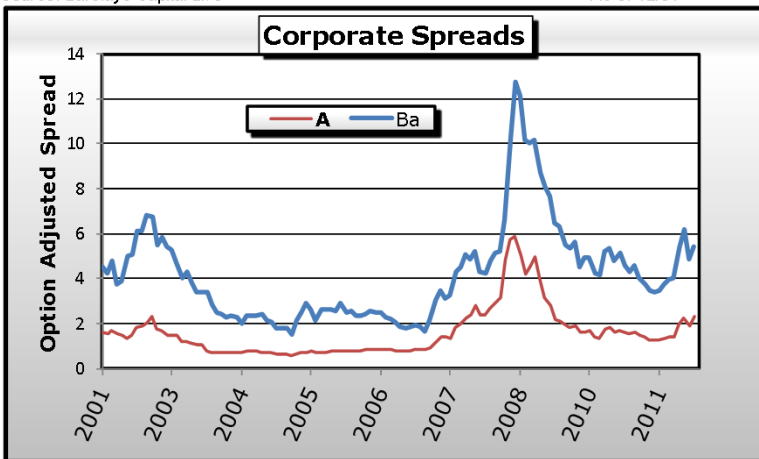
Source: Barclays Capital Live

As of 12/31



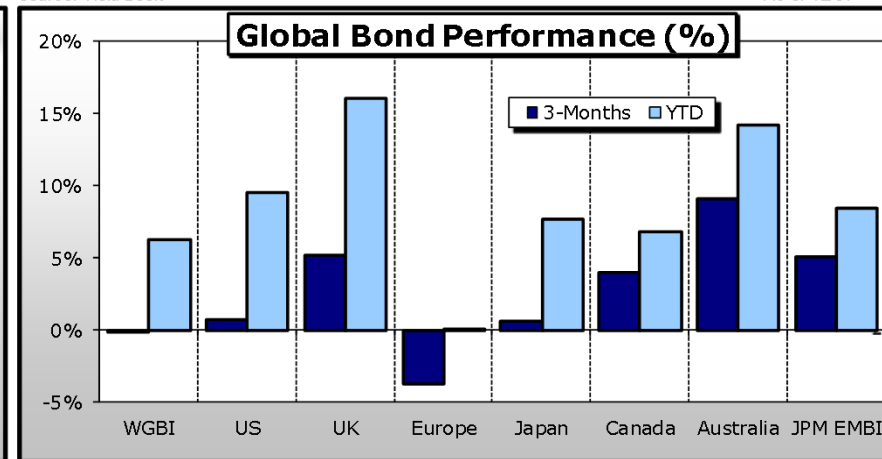
Source: Yield Book

As of 12/31



Source: Barclays Capital Live

As of 12/31

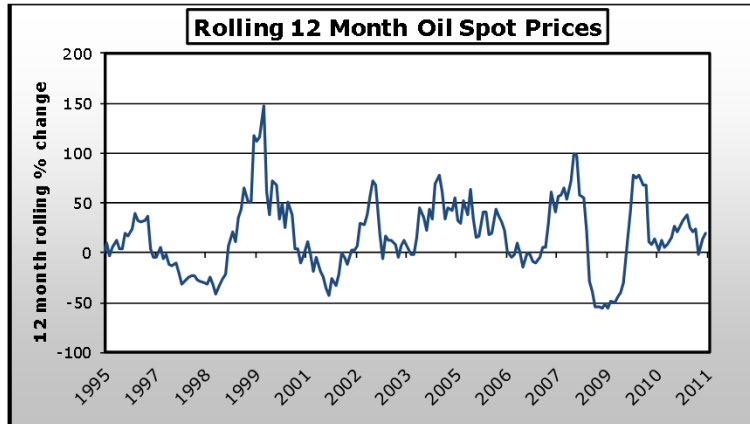


Source: Yield Book

As of 12/31



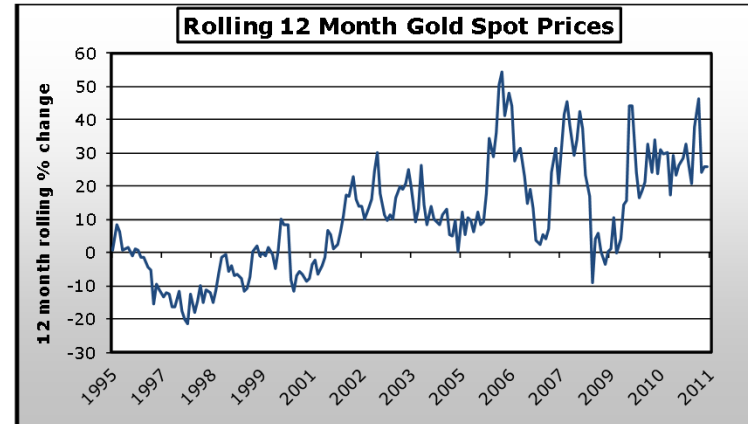
# Market Environment – Commodities



Oil fell modestly to \$98.83 per barrel during the month of December.

Source: Bloomberg

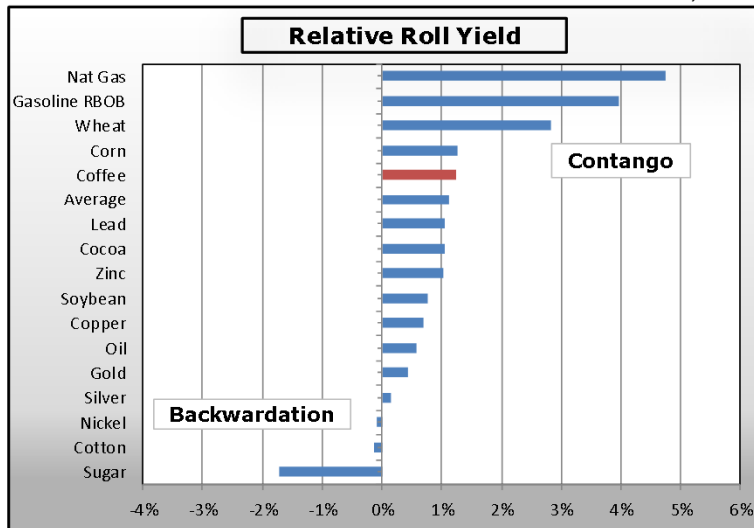
As of 12/31



Gold prices finished at \$1,563 per ounce at the end of December.

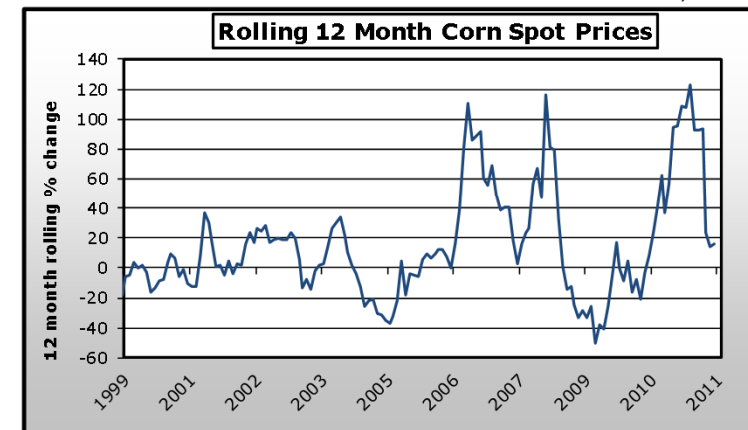
Source: Bloomberg

As of 12/31



Source: Bloomberg

As of 12/31



Corn prices finished at \$6.33/bushel at the end of December.

Source: Bloomberg

As of 12/31

