FundStrategy

2nd Quarter 2007

The Northern Trust Company

Economic Summary

The U.S. economy nearly stalled in the first quarter, marking the fourth consecutive quarter when growth has been below the potential pace of the U.S. economy. The federal funds rate at 5.25% is unchanged since June 2006. At the semi-annual testimony on July 18, Chairman Bernanke repeated the Fed's view that the upside risk of inflation is the predominant policy concern and he also presented the FOMC's economic projections. The Fed's predictions show the economy growing at a moderate pace in the rest of 2007 and in 2008, with a deceleration in core inflation and a slightly higher unemployment rate in 2008 compared with 2007. Our forecast is different from the FOMC's projections because we expect the current pattern of soft economic growth to prevail in 2007. A revival in business activity is likely in 2008, assuming the Fed lowers the federal funds rate as early as October 2007.

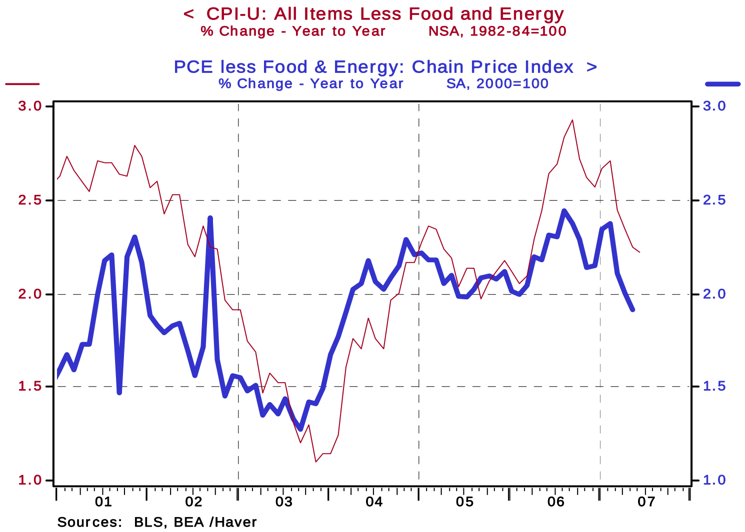
Real gross domestic production advanced at an annual rate of 0.7% in the first quarter of 2007 after a 2.5% increase in the fourth quarter. Although a pickup in business activity to around a 2.7% pace is likely in the second quarter, economic growth of only 1.7% is predicted for the second-half of the 2007. Consumer spending is the chief culprit behind the deceleration in economic growth. After a 4.2% annualized rate of increase in the first quarter, consumer spending is projected to slow significantly in the next three quarters of 2007. Auto sales have now dropped for six straight months and incoming data for July point to an additional decline in July. Going forward, the decline in mortgage equity withdrawal, which financed the robust trend of consumer spending in much of 2005 and 2006, is one of reasons for weakness in consumer spending in addition to the tepid growth in employment.

Residential investment expenditures have dropped for six straight quarters. A further reduction in outlays in the construction of new homes is expected in 2007. In addition to the turmoil in the subprime mortgage market, rising mortgage rates and new guidelines for mortgage lending have held back the demand for homes. Sales of new homes were down 16.7% from a year ago in May, while sales of existing homes fell 10.1% in the same period. Inventories of unsold homes remain at elevated levels and prices of homes have declined from their year ago levels. The housing market is most likely to make a negative contribution to real GDP growth for a few more quarters. The housing sector represents the most significant downside risk to the economic outlook of 2007.

Business capital spending increased at an annual rate of 1.7% in first quarter of 2007, following a 4.8% drop in the fourth quarter. Shipments of non-defense capital goods in the April-May period point to a small improvement in capital spending in the second quarter and there is an optimistic consensus about sustained future growth in capital spending. However, projections of weak growth in consumer spending and the decelerating trend of corporate profits cast a shadow on

The Fed continues to present a tough stand on inflation, despite a moderation in core inflation. The Consumer Prince Index is up 2.7% from a year ago, with rising prices for food and energy accounting for a nearly 65% of the increase in consumer prices in the first six months of the year. The core Consumer Price Index excluding food and energy increased 2.2% from a year ago vs. a 2.6% gain in 2006. A moderation in housing costs has helped to trim the upward trend of core inflation. The core personal consumption expenditure price index excluding food and energy, the Fed's preferred measure of inflation, moved up 1.9% from a year ago in May, with the peak at 2.4% in September 2006. The FOMC needs to see additional deceleration of core inflation to change its current view on the upside risks of inflation.

The global economy continues to show strong growth, with The European Central Bank, The Bank of England, Bank of Canada, and the People's Bank of China on a path of tightening monetary policy compared with the Federal Reserve on hold. U.S. exports have risen in three out of the past five months and they should expand further in the months ahead. But, the current account deficit at 5.7% of nominal gross domestic product in the first quarter is likely to remain high. The dollar has taken a significant hit in recent weeks, with the trade weighted dollar trading around 6.6% below its year ago level and the level itself, at a little over 77.0, is a record low mark. Additional depreciation of the greenback should not be surprising. This leaves the Fed in a tight spot because it has to consider risks of soft economic growth, a weak dollar, and inflation at the same time.



U.S. Equity Summary

U.S. equity markets rose sharply during the second quarter of 2007. Amid continuing concern over housing and inflation, domestic stock market returns suggest investors aren't overly worried. Earnings growth expectations have been reduced, allowing for many companies to report higher than expected earnings. During the first quarter, rising interest rates caused over-leveraged borrowers with adjustable rate mortgages to default on their loans, affecting home builders and the real estate market as a whole. The result of these defaults were the June collapse of large hedge funds that had significant sub-prime exposure.

The core CPI, excluding food and energy, increased 0.2% in April and June, with a 0.1% increase in May. From the year earlier period, the core CPI had a 2.2% gain, representing the smallest gain in a year. This demonstrates that fuel costs aren't filtering through the economy. US equity markets spiked upwards with the Russell 3000 up 5.8% for the quarter and the S&P 500 gaining 6.3%.

For the quarter, growth stocks were ahead of their value counterparts as the Russell 1000 Growth was up 6.9% versus 4.9% for the Russell 1000 Value. Within the small cap space, the difference was even greater as the Russell 2000 Growth returned 6.7% versus 2.3% for the Russell 2000 Value. Looking at sector performance, all Russell 3000 sectors except for Utilities posted positive returns for the quarter.Energy was up 13.6%, Industrials 10.0%, and Information Technology 10.0%. Utilities declined 0.4%, partly due the sector's sensitivity to interest rates with the June mid month spike in ten year Treasuries.

Another quarter with the potential for a rate cut passed as the Fed left rates steady at 5.25%. Going forward, the Fed will continue to have to balance easing inflation concerns while trying to consider the housing market, coupled with the perception that they will be lowering the federal funds rate. Although the domestic equity market was strong during the second quarter, investors are still somewhat weary and will be watching the Fed closely to see what is done with rates. One encouraging sign is that through July 20th the S&P 500 is up 2.1% for the month.

Periods Ending June 30, 2007	**Quarter**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
S&P 500	6.3%	7.0%	20.6%	14.5%	11.7%	10.7%
Russell 3000	5.8%	7.1%	20.1%	14.7%	12.4%	11.5%
Russell 1000	5.9%	7.2%	20.4%	14.6%	12.3%	11.3%
Russell 1000 Growth	6.9%	8.1%	19.0%	12.4%	8.7%	9.3%
Russell 1000 Value	4.9%	6.2%	21.9%	16.9%	15.9%	13.3%
Russell 2000	4.4%	6.4%	16.4%	15.5%	13.4%	13.9%
Russell 2000 Growth	6.7%	9.3%	16.8%	15.7%	11.8%	13.1%
Russell 2000 Value	2.3%	3.8%	16.1%	15.3%	15.0%	14.6%
NT Equity Style Medians						
Large Cap Core	6.4%	7.5%	19.9%	14.7%	12.7%	11.3%
Large Growth	6.3%	7.9%	16.2%	12.1%	9.8%	9.2%
Large Value	6.3%	7.6%	21.9%	17.1%	15.8%	14.5%
Mid Growth	7.8%	13.0%	19.7%	18.0%	14.9%	16.1%
Mid Value	6.1%	11.4%	19.8%	17.2%	17.3%	16.7%
Small Growth	7.3%	10.2%	18.2%	17.5%	14.2%	14.6%
Small Value	4.2%	8.9%	20.0%	16.8%	16.5%	16.5%

International Overview

Overview

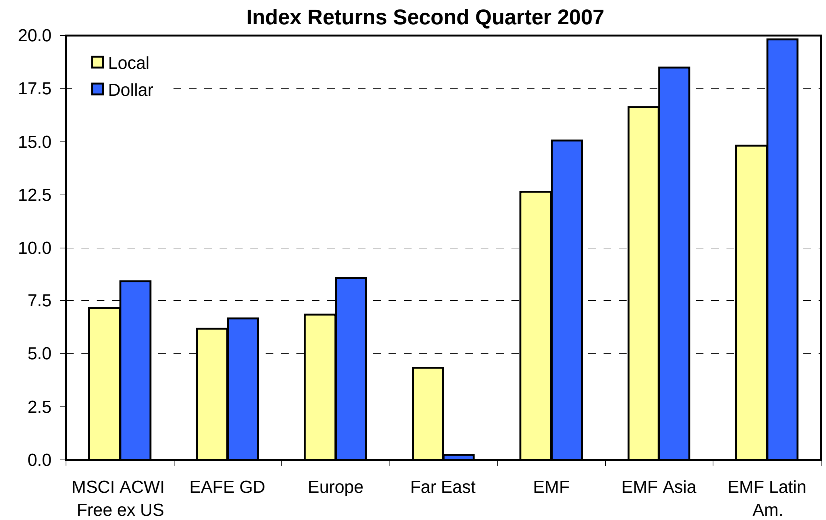
The global equity markets finally found traction during the second quarter of 2007 after struggling in the first quarter. The energy sector was the best performer returning over 16% for the quarter. The materials and industrials sectors were also double digit performers for the quarter. The only sector which was unable to produce positive returns was the health care sector. In Europe, economic momentum, corporate restructuring gains, record levels of M&A activity and currency gains all pushed the region's performance to 8.7%. Japan continued to struggle during the second quarter. The widening gap between Japan's low interest rates and rising interest rates globally,along with the carry trades pushed the JPY to a four-year low against the USD. This reduced their local currency return of 3.9% to -0.6% against the USD. Economic concerns and the lack of reform initiatives added to Japan's falling out of favor.

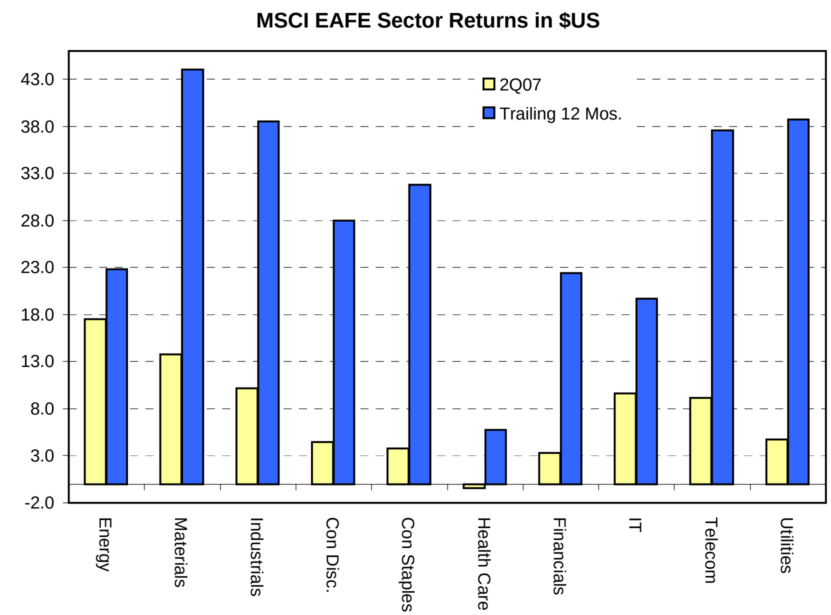
International Currency Markets

During the second quarter, the dollar continued to depreciate against all the major currencies (AUD, CAD, EUR, GBP) except the JPY. Similar to the overall market and first quarter, there was a great deal of volatility in the currency markets. The USD hit a 15-year low against the GBP and flirted with all-time lows against the euro. The yen was the only major currency not to enjoy appreciation against the dollar losing 4.59% of its value in the quarter. The emerging market currencies also benefited from the weak USD.

International Equity Markets

The International Equity Markets returned strong results during the second quarter in spite of the rising global bond yields. The MSCI ACWI Index produced a positive return of 7.2% for the quarter and 25.8% for the one- year as the energy sector which provided a 16% return, helped to boost earning expectations. The Materials and Industrials sectors were also double digit performers with 13.8% and 10.2% returns respectively for the quarter, pushed forward by M&A activity. Europe, which returned 8.6% in USD terms, benefited from continued economic momentum, record levels of M&A activity, corporate cost cutting and foreign exchange rates. The Canadian equity markets continued their course and supplied a return of 15.1% for the quarter and 28.9% for the year. The one developed country which struggled during the second quarter was Japan. In spite of relatively strong economic growth, the yen lost ground against the U.S. Dollar, reducing its local gain of 3.92% to -0.64%.

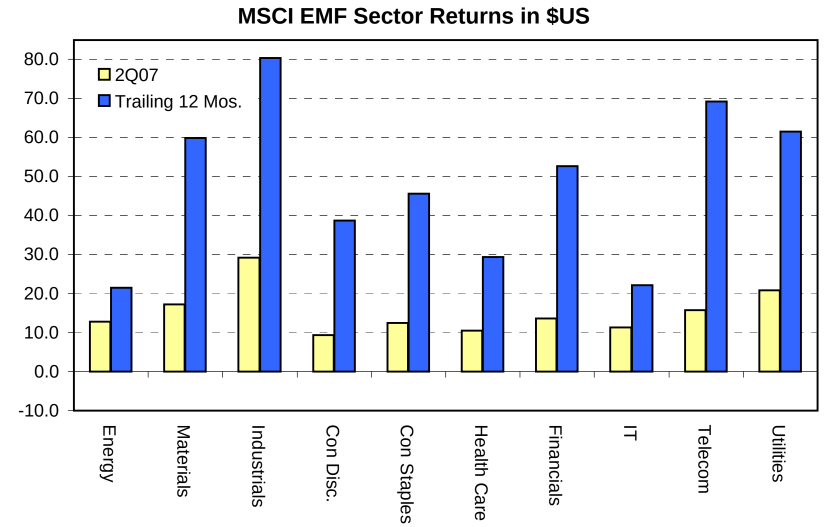




International Overview (Continued)

International Equity Markets (continued)

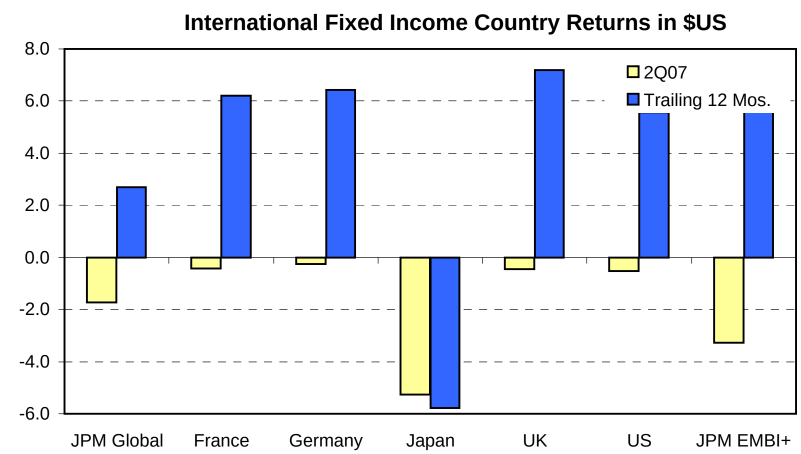
Emerging Markets returned 12.6% (local ccy) in the second quarter, outperforming the developed markets, including U.S. markets. The emerging markets continued to exhibit an abundance of volatility. Despite continued concerns over excessive valuations and government measures to stabilize their markets, China was able to provide a positive return of 24.5% for the quarter and 79.8% for the one year, making it Asia's best performer for the quarter. India and Korea were also strong Asian performers in the second quarter returning 20.8% and 18.3% respectively. Brazil gained closed to 24% based on improved inflation data, a credit upgrade, currency rates and strong demand for its commodities. That bolstered Latin America to return a positive 19.8% for the quarter and 62.6% for the one year.



International Fixed Income Markets

The JPM Global Bond index declined 1.7% in the second quarter. The US Treasury yields rose gradually throughout the quarter and gained acceleration in June pushing them above the 5%. This was partially driven by the sub-prime market fears following the near collapse of two Bear Stearns hedge funds invested heavily in those markets. Given The European Union's strong growth and lower unemployment, the EU increased its policy rate to 4%. The Bank of England voted to leave their rates unchanged.

The JPM Emerging Market Bond Index also decreased, returning -3.3% for the quarter. All countries in the index posted negative returns for the quarter except for Columbia which returned 0.3%. Brazil, which is the largest contributor to the index, representing over a 20% index weight, returned -2.3% in dollar terms.

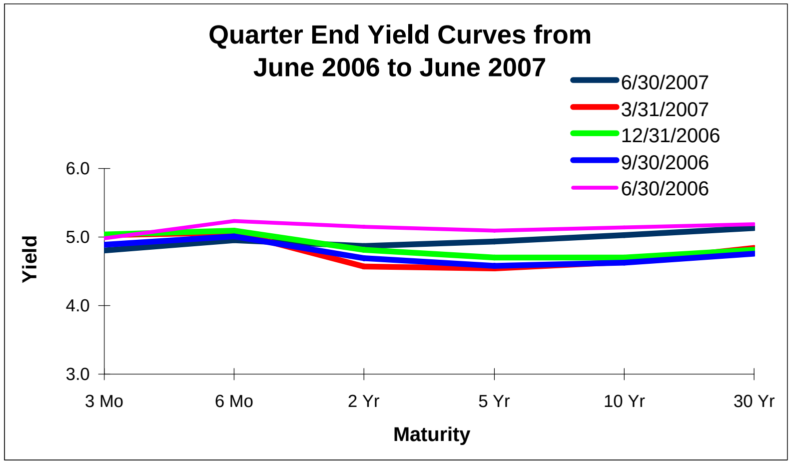


U.S. Fixed Income Overview

The second quarter of 2007 was marked by increased volatility as weakness in the subprime mortgage market exacerbated fears of a continued decline in the housing market. The increased volatility resulted in higher rates across the yield curve. Two, five, ten and thirty year Treasury yields increased by 29 bps, 39 bps, 38 bps, and 29 bps respectively. Mortgages were the worst performing sector of the Lehman Aggregate Index for the quarter and underperformed Treasuries by 56 basis points.

Within the investment grade arena, corporates posted the strongest performance and provided 4 basis points of excess return versus duration matched Treasuries. Within the corporate subsector, utilities provided the strongest performance while financial institutions provided the poorest performance due to weakness in subprime mortgages.

The high yield market enjoyed continued tightening of spreads and provided 50 bps of excess return over the past three months. Volume in this sector is very strong as a total of $118 billion has been issued year to date. Increased LBO and M&A activity have contributed to the strong demand for high yield product. The trend of lower quality outperforming continued during the quarter with CCC outperforming BB by 1.15% Year to date, Ca-D rated issues have performed sharply, providing an absolute return of 16.6%.



At quarter end, the U.S. Aggregate Index consisted of 23.0% U.S. Treasuries, 10.8% government related debt, 22.1% corporates, 37.8% MBS (34.0% Fixed and 3.8% Hybrid ARMS) and 6.3% ABS/CMBS. Hybrid ARMS joined the U.S. MBS Index on April 1st, and outperformed the fixed rate component on both a nominal and excess return basis for the current quarter.

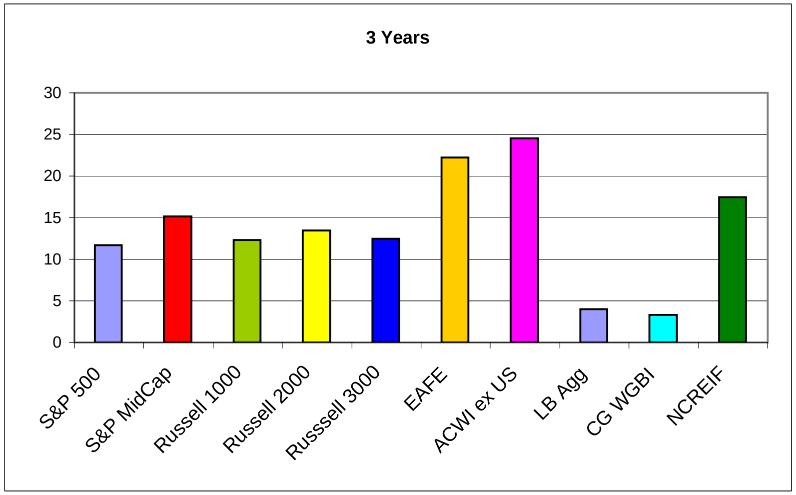
Period Ending June 30, 2007	**QTR**	**1 YR**	**2 YR**	**3 YR**	**5 YR**
Northern Trust U.S. Fixed Income Manager (Median)	**-0.26**	**6.02**	**3.04**	**4.28**	**4.84**
Lehman US Universal Index	-0.49	6.62	3.12	4.54	5.17
Lehman US Aggregate Index	-0.52	6.12	2.60	3.98	4.48
Lehman Government/Credit	-0.49	6.00	2.17	3.84	4.70
Lehman Government Bond Index	-0.33	5.56	2.14	3.62	4.09
Lehman Government Intermediate Index	0.00	5.43	2.72	3.19	3.50
Lehman Treasury 20+ Years	-2.38	5.93	-1.46	5.55	6.17
Lehman US TIPS Index	-0.76	3.99	1.14	3.80	6.03
Lehman MBS Fixed Rate Index	-0.50	6.39	3.35	4.27	4.15
Lehman Asset Backed Index	0.14	5.60	3.37	3.63	3.86
Lehman Credit Bond Index	-0.73	6.71	2.23	4.17	5.51
Lehman High Yield Corporate Index	0.22	11.55	8.12	9.03	11.91
90 Day T-Bill	1.23	5.15	4.69	3.89	2.79

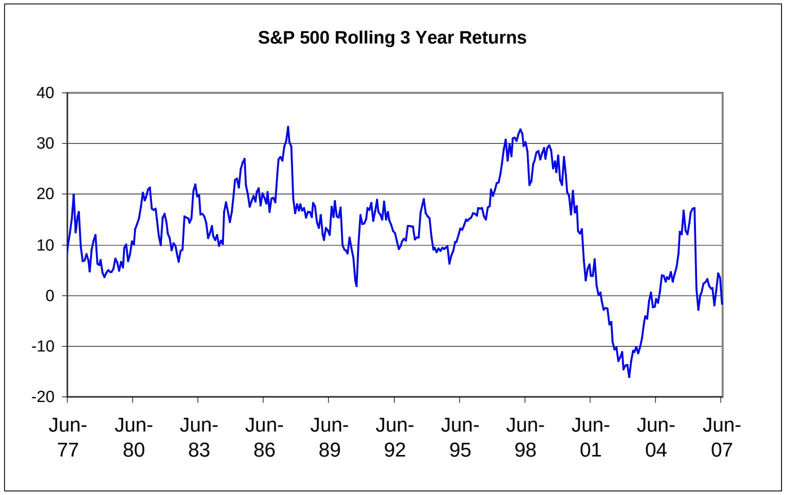
Statistical Source: Lehman Brothers Global Family of Indices June 30, 2007.

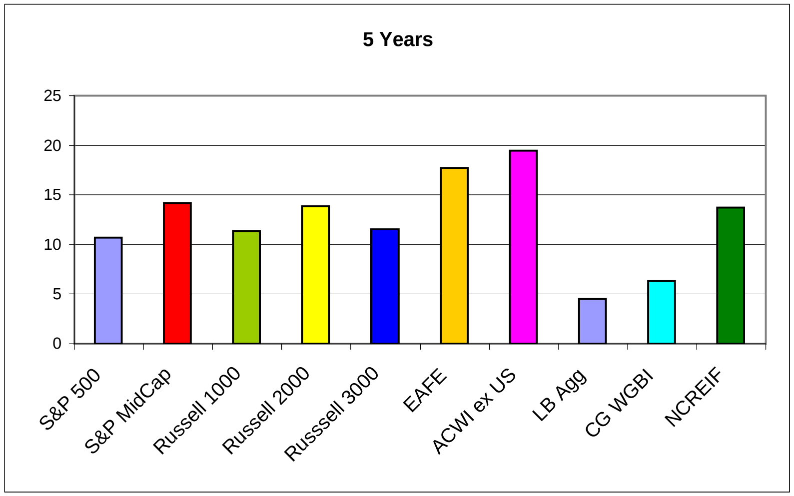
San Jose Federated City Employees Retirement System

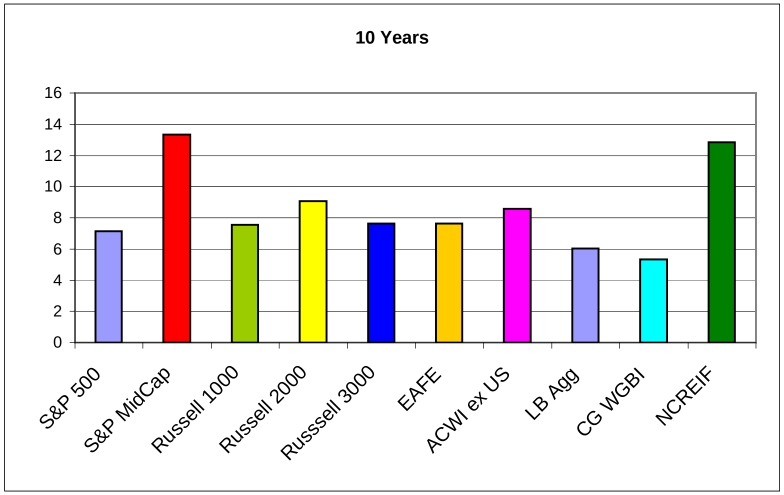
Major Benchmark Returns

Period Ending June 30, 2007





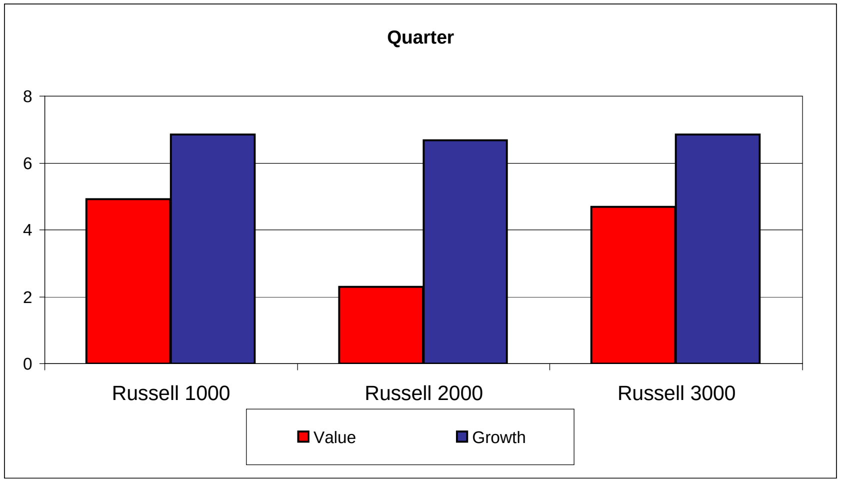


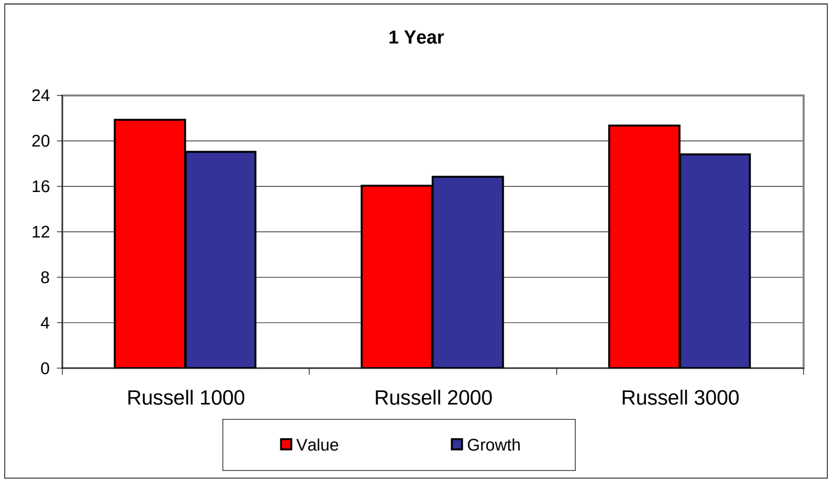


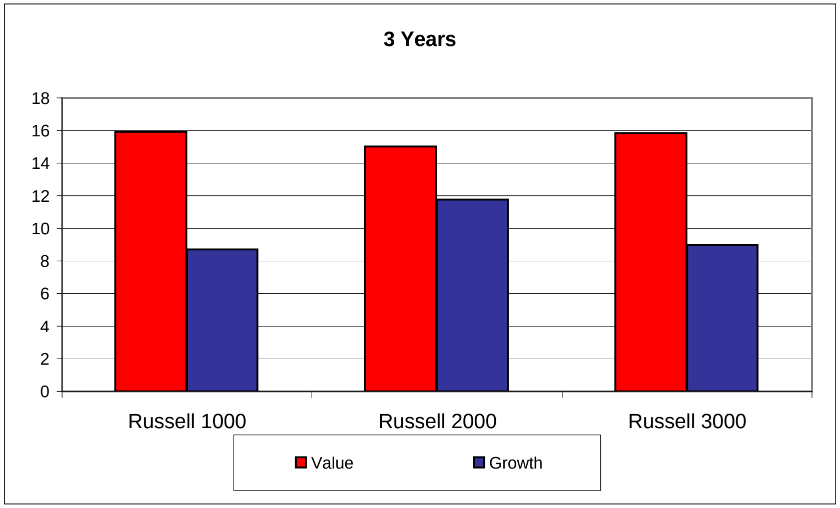
San Jose Federated City Employees Retirement System

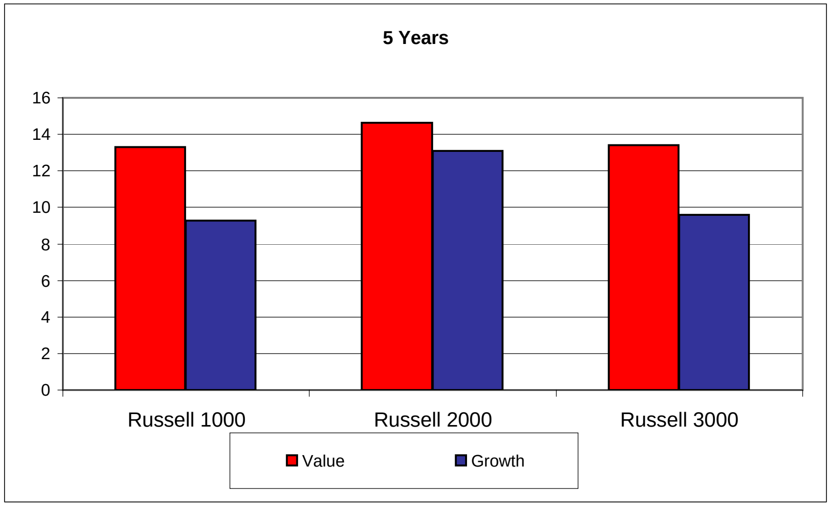
Equity Styles

Period Ending June 30, 2007



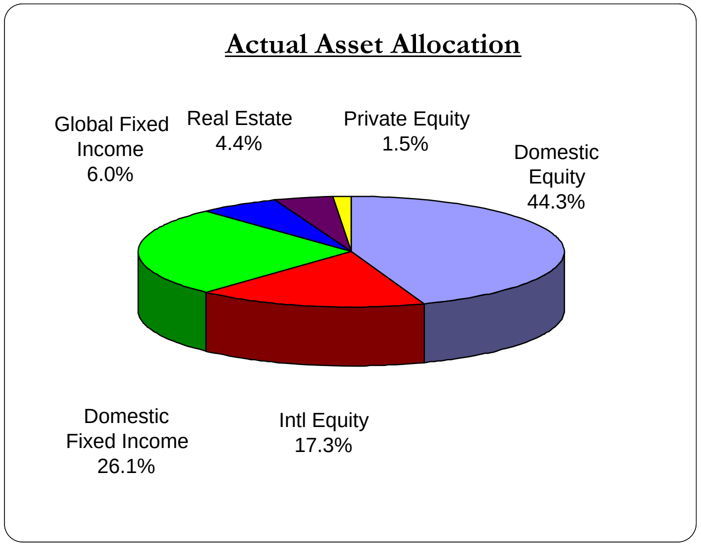


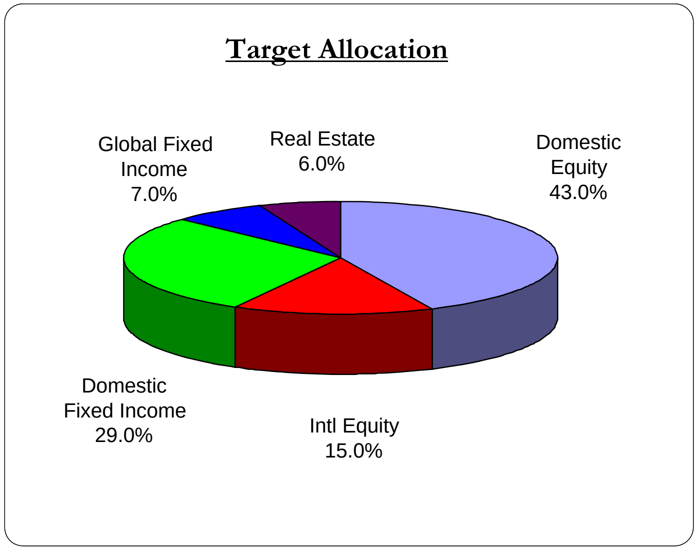




San Jose Federated City Employees Retirement System

Allocation by Asset Category

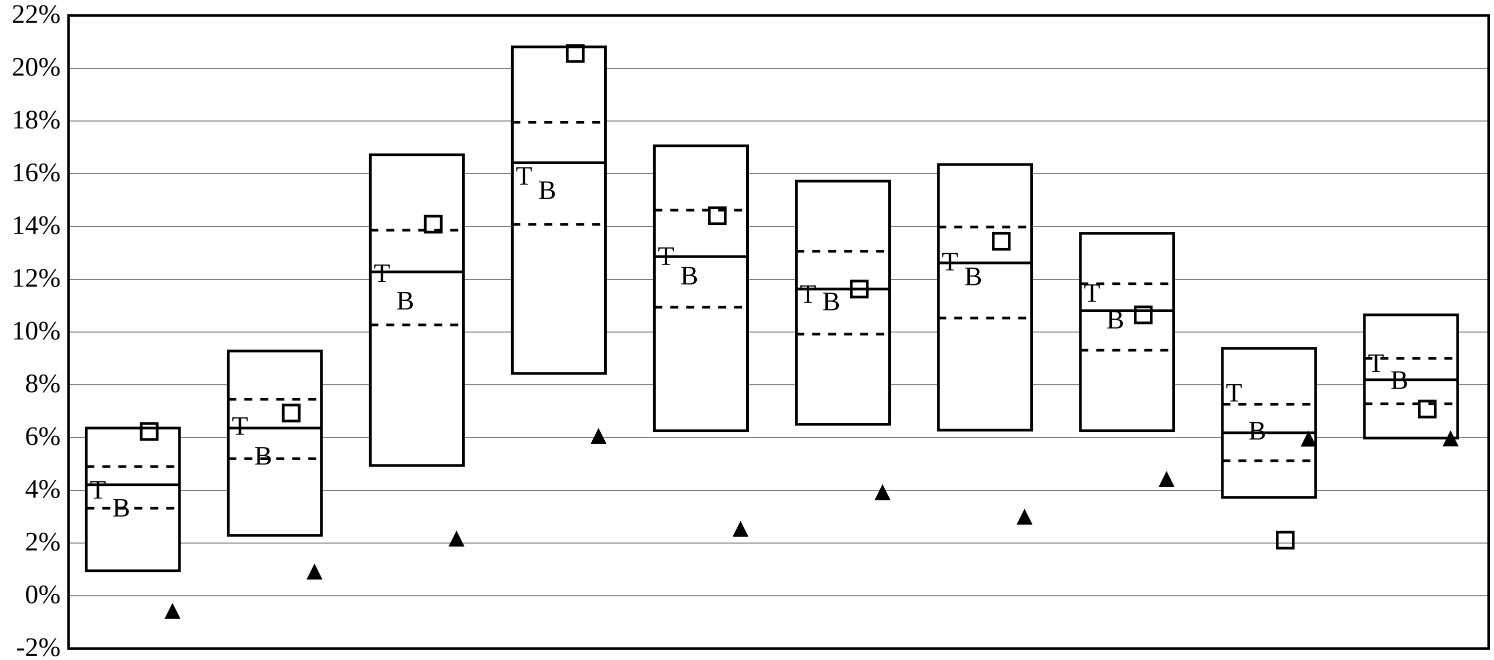




Asset Class	Actual ($000)	% Actual	% Target	% Difference	Difference ($000)
Domestic Equity	$824,698	44.32%	43.00%	1.32%	$24,621
Intl Equity	$322,548	17.34%	15.00%	2.34%	$43,451
Domestic Fixed Income	$485,353	26.09%	29.00%	-2.91%	($54,234)
Global Fixed Income	$112,101	6.02%	7.00%	-0.98%	($18,144)
Real Estate	$81,366	4.37%	6.00%	-1.63%	($30,273)
Private Equity*	$28,151	1.51%	0.00%	1.51%	$28,151

* Board has approved using the "Without Private Markets" asset allocation approach until the completion and approval of the current Asset Liability Modeling ("ALM") study.
- Cash represents 0.35% of the total fund as of 06/30/07.

San Jose Fed. City Employees Ret. Syst.
Total Returns of All Master Trusts
Rates of Return for Periods Ending June 30, 2007

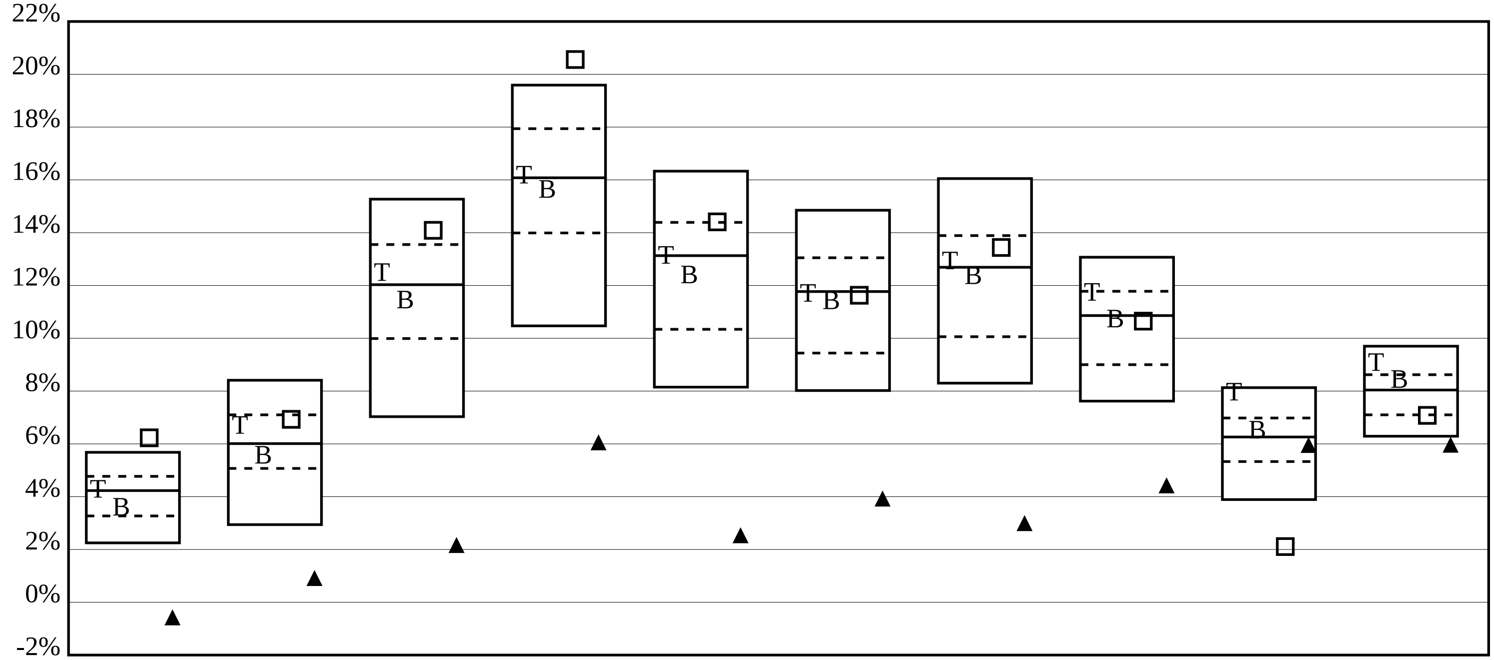


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	6.36	9.28	16.72	20.81	17.06	15.72	16.35	13.74	9.38	10.65
25th Percentile	4.90	7.45	13.86	17.95	14.62	13.06	13.98	11.83	7.26	9.00
Median	4.21	6.36	12.28	16.42	12.86	11.63	12.62	10.81	6.18	8.19
75th Percentile	3.32	5.20	10.27	14.08	10.94	9.92	10.53	9.31	5.12	7.28
95th Percentile	0.95	2.29	4.94	8.43	6.26	6.50	6.28	6.26	3.73	5.98

		1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
T	Total Fund	4.32 (45)	6.74 (42)	12.53 (46)	16.22 (53)	13.18 (46)	11.74 (48)	12.97 (43)	11.78 (27)	8.00 (12)	9.12 (22)
B	Custom Blended Benchmark	3.64 (69)	5.61 (66)	11.49 (62)	15.68 (59)	12.44 (57)	11.46 (53)	12.41 (52)	10.77 (50)	6.56 (41)	8.48 (37)
□	S&P 500	6.28 (5)	6.98 (36)	14.14 (21)	20.61 (5)	14.46 (27)	11.68 (48)	13.49 (33)	10.70 (52)	2.16 (99)	7.13 (76)
▲	Lehman Aggregate	-0.52 (99)	0.97 (98)	2.22 (99)	6.11 (97)	2.59 (99)	3.98 (98)	3.05 (99)	4.48 (98)	6.01 (51)	6.02 (94)

Returns for periods greater than one year are annualized.

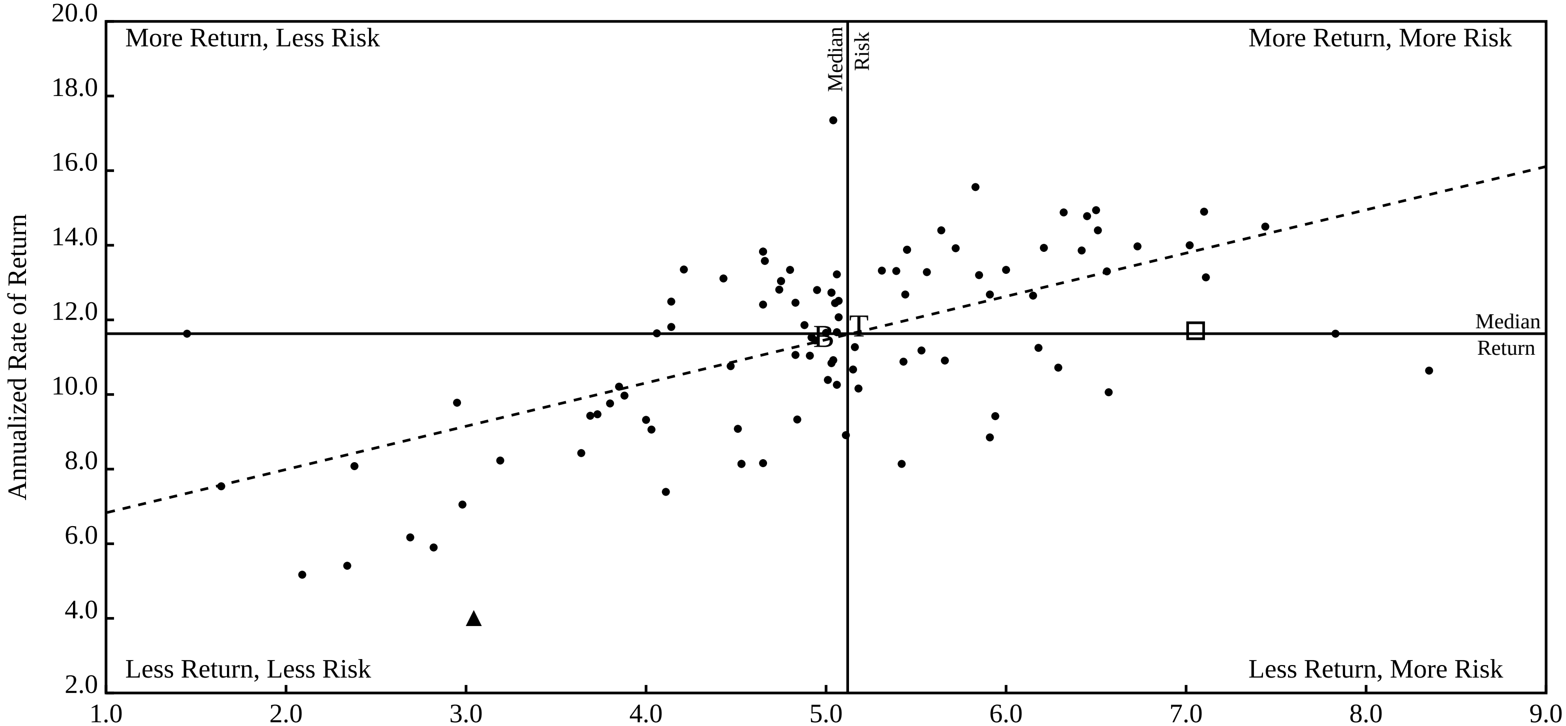
San Jose Fed. City Employees Ret. Syst.
Total Returns of Public Funds
Rates of Return for Periods Ending June 30, 2007



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	5.68	8.41	15.27	19.59	16.33	14.85	16.05	13.07	8.13	9.70
25th Percentile	4.77	7.10	13.55	17.94	14.39	13.05	13.89	11.78	6.98	8.62
Median	4.23	6.01	12.03	16.08	13.13	11.77	12.69	10.86	6.26	8.04
75th Percentile	3.27	5.07	9.99	13.99	10.34	9.44	10.06	9.00	5.33	7.10
95th Percentile	2.25	2.94	7.03	10.47	8.15	8.02	8.30	7.62	3.89	6.29
T Total Fund	4.32 (45)	6.74 (34)	12.53 (40)	16.22 (48)	13.18 (47)	11.74 (51)	12.97 (43)	11.78 (26)	8.00 (6)	9.12 (13)
B Custom Blended Benchmark	3.64 (69)	5.61 (62)	11.49 (60)	15.68 (57)	12.44 (59)	11.46 (54)	12.41 (54)	10.77 (52)	6.56 (42)	8.48 (30)
□ S&P 500	6.28 (2)	6.98 (29)	14.14 (13)	20.61 (2)	14.46 (23)	11.68 (51)	13.49 (33)	10.70 (53)	2.16 (100)	7.13 (73)
▲ Lehman Aggregate	-0.52 (100)	0.97 (98)	2.22 (100)	6.11 (98)	2.59 (99)	3.98 (99)	3.05 (100)	4.48 (99)	6.01 (53)	6.02 (99)

Returns for periods greater than one year are annualized.

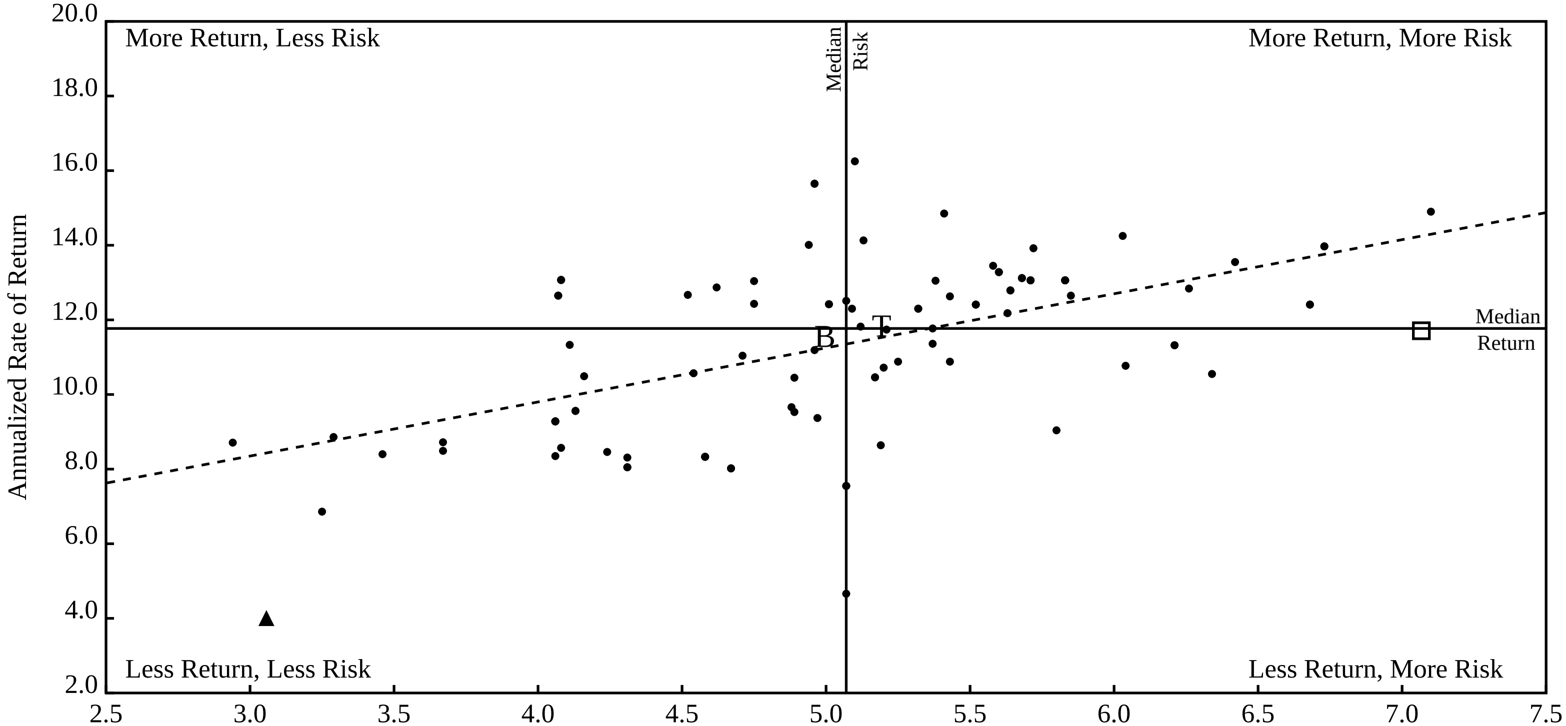
San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of All Master Trusts
3 Years Ending June 30, 2007



Alpha 5.67
Beta 1.16
R-Squared 0.37

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	5.21	44	11.74	48
B	Custom Blended Benchmark	5.01	55	11.46	53
□	S&P 500	7.09	4	11.68	48
▲	Lehman Aggregate	3.08	93	3.98	98
	Median	5.12		11.63	

San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of Public Funds
3 Years Ending June 30, 2007

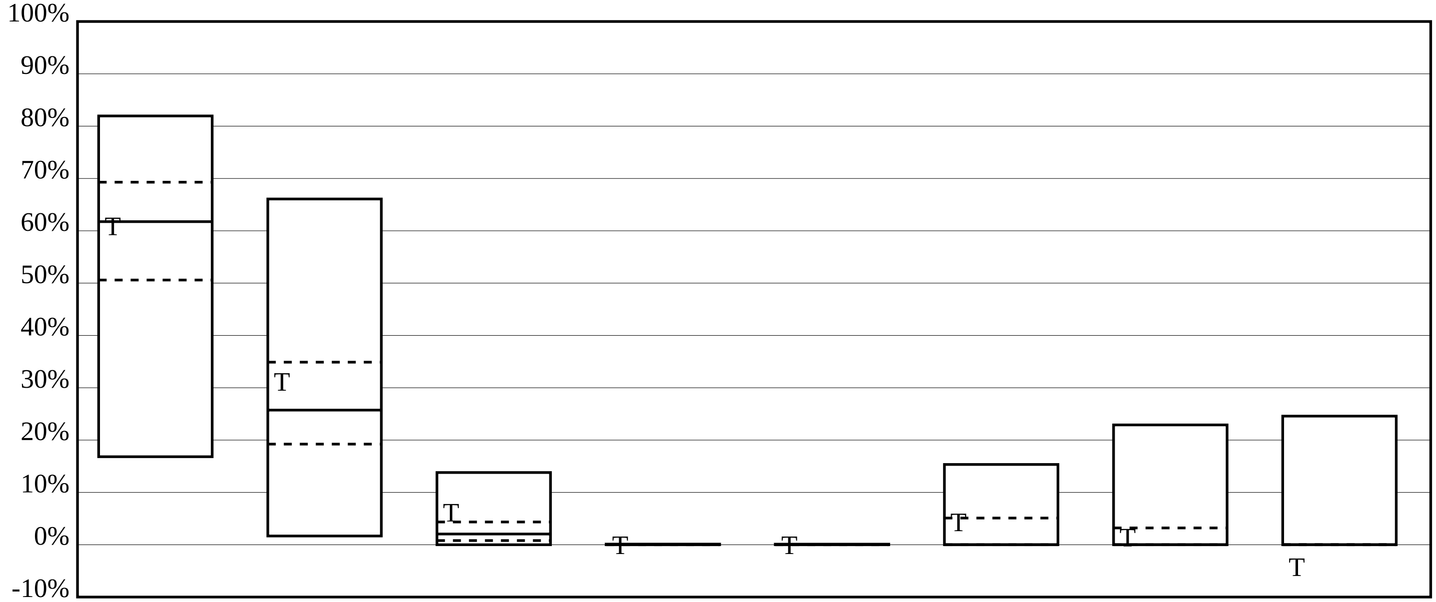


Risk (Historical Standard Deviation of Return)

Alpha	4.00
Beta	1.45
R-Squared	0.29

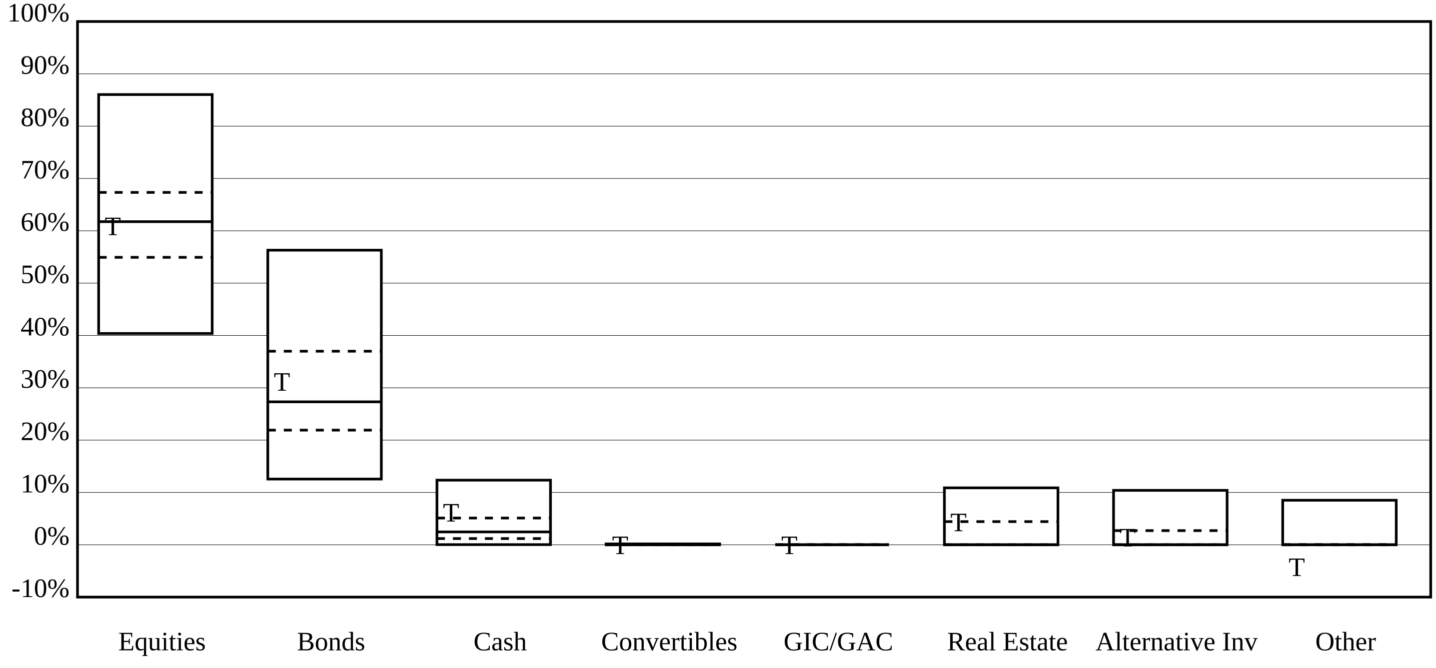
		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	5.21	39	11.74	51
B	Custom Blended Benchmark	5.01	53	11.46	54
□	S&P 500	7.09	2	11.68	51
▲	Lehman Aggregate	3.08	98	3.98	99
	Median	5.07		11.77	

San Jose Fed. City Employees Ret. Syst.
Asset Allocation of All Master Trusts
Quarter Ending June 30, 2007



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	81.95	66.08	13.80	0.12	0.11	15.34	22.90	24.58
25th Percentile	69.29	34.89	4.35	0.00	0.00	5.10	3.21	0.00
Median	61.75	25.73	2.05	0.00	0.00	0.00	0.00	0.00
75th Percentile	50.59	19.23	0.80	0.00	0.00	0.00	0.00	0.00
95th Percentile	16.82	1.67	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	60.95 (54)	31.22 (33)	6.22 (14)	0.00 (100)	0.00 (100)	4.37 (27)	1.45 (31)	-4.20 (100)

San Jose Fed. City Employees Ret. Syst.
Asset Allocation of Public Funds
Quarter Ending June 30, 2007

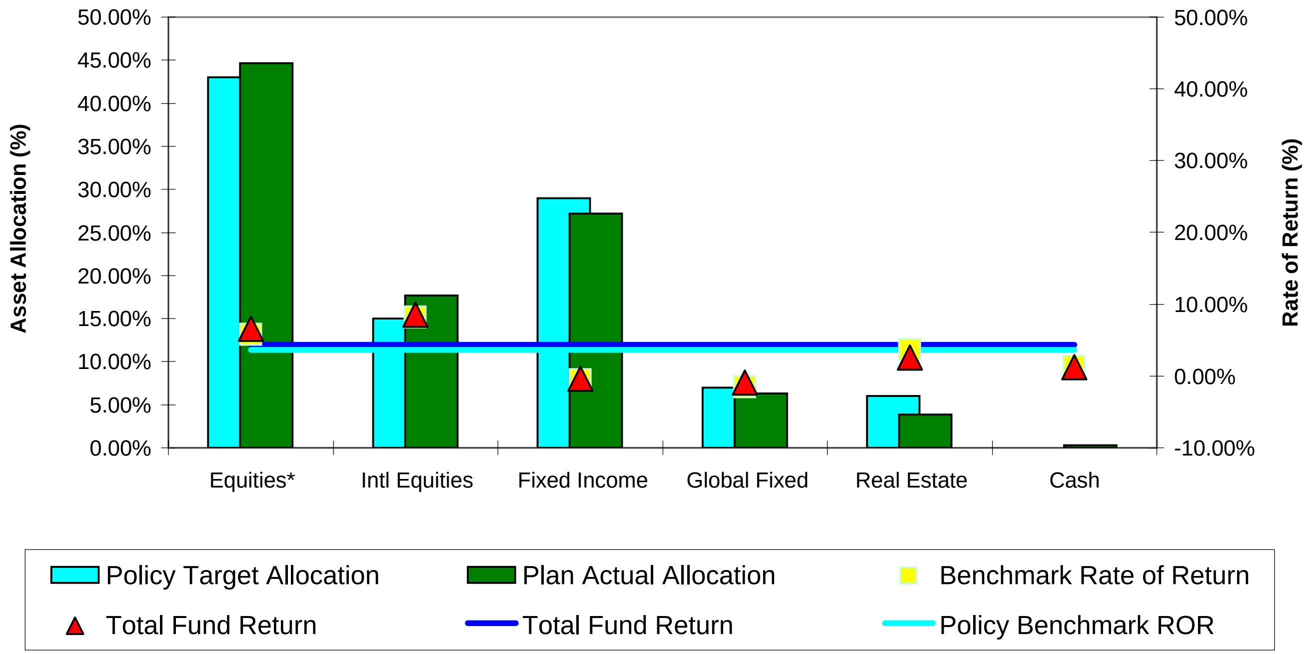


	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	86.04	56.30	12.35	0.17	0.00	10.88	10.40	8.51
25th Percentile	67.34	36.99	5.11	0.00	0.00	4.43	2.71	0.00
Median	61.75	27.32	2.46	0.00	0.00	0.00	0.00	0.00
75th Percentile	54.93	21.91	1.19	0.00	0.00	0.00	0.00	0.00
95th Percentile	40.38	12.56	0.03	0.00	0.00	0.00	0.00	0.00
T Total Fund	60.95 (54)	31.22 (40)	6.22 (16)	0.00 (100)	0.00 (100)	4.37 (27)	1.45 (31)	-4.20 (100)

San Jose Federated City Employees Retirement System

Analysis of Plan Decisions - Total Plan Attribution (One Quarter)

The chart below is designed to graphically depict the impact of FCERS' actual asset class allocation versus FCERS' target allocation as well as the impact of manager performance by asset class. The dark green bars indicate the plan's actual allocation to an asset class while the light green bars indicate the target allocation percentage weights. The red triangles represent the asset class returns generated by the plan. The yellow boxes indicate the asset class returns of the corresponding benchmarks assigned to each asset class. The dark blue line represents the total fund return while the light blue line represents the policy benchmark rate of return.



Attribution Analysis

	Equities*	Intl Equities	Fixed Income	Global Fixed	Real Estate	Cash	Total Plan
Benchmark Returns	5.77%	8.19%	-0.52%	-1.54%	3.62%	1.29%	**3.64%**
Asset Allocation	0.10%	0.22%	0.01%	0.01%	-0.08%	0.00%	0.26%
Active Decisions	0.37%	0.07%	0.03%	0.04%	-0.04%	0.00%	0.47%
Residual							-0.04%
Actual Fund Return							**4.32%**

* Equities column includes public as well as private equity exposure.

Performance Summary With Benchmarks - Periods Ending June 30, 2007
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
FCERS TOTAL FUND	4.32	45	6.74	42	16.22	53	11.74	48	11.78	27	9.69
CUSTOM BLENDED BENCHMARK	3.64	69	5.61	66	15.69	59	11.46	53	10.77	50	9.42
Domestic Equity	**6.59**	**40**	**8.02**	**49**	**19.96**	**48**	**12.71**	**58**	**11.60**	**63**	**12.23**
Atlanta Capital Management	7.94	24	7.25	52	17.56	39	9.33	60	7.85	82	6.21
Russell 1000 Growth	6.86	38	8.13	36	19.05	25	8.70	71	9.28	56	3.76
Brandywine Asset Management	4.76	63	6.29	79	17.99	54	13.82	69	14.36	71	13.99
Russell 2000 Value	2.30	92	3.80	88	16.05	71	15.01	55	14.62	64	13.99
Dodge and Cox Equity	5.62	80	7.13	63	19.56	87	16.03	40	--	--	16.03
Russell 1000 Value	4.93	91	6.23	81	21.86	59	15.93	43	--	--	15.93
Eagle Asset Management	10.64	8	16.83	8	30.33	1	18.11	14	16.85	22	8.01
Russell 2000 Growth	6.69	65	9.33	69	16.83	58	11.76	76	13.08	68	4.51
NTGI Russell 3000	5.80	70	7.18	41	20.21	54	12.53	45	11.57	45	4.46
Russell 3000	5.77	72	7.11	48	20.07	57	12.44	49	11.53	46	4.44
Wellington Management Company	8.42	26	9.38	47	17.56	50	--	--	--	--	12.02
Russell 3000 Growth	6.84	50	8.22	58	18.84	38	--	--	--	--	11.67
International Equity	**8.56**	**33**	**13.33**	**30**	**27.23**	**52**	**22.83**	**50**	**17.24**	**65**	**8.37**
Boston Company	7.53	47	9.66	73	23.58	79	20.42	75	--	--	27.82
MSCI ACWI ex U.S.	8.19	38	12.25	40	29.62	41	24.52	40	--	--	28.73
Fisher Investments	9.78	22	14.04	24	26.36	63	--	--	--	--	27.20
MSCI ACWI ex U.S.	8.19	38	12.25	40	29.62	41	--	--	--	--	28.76
McKinley Capital	8.48	34	16.27	16	31.62	31	--	--	--	--	33.30
MSCI ACWI ex U.S.	8.19	38	12.25	40	29.62	41	--	--	--	--	28.76

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending June 30, 2007
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
Total Fixed Income	**-0.50**	**63**	**0.94**	**70**	**5.85**	**62**	**4.61**	**33**	**5.84**	**22**	**6.14**
Global Fixed Income	**-0.93**	**57**	**0.37**	**56**	**4.57**	**58**	**5.04**	**49**	**8.05**	**35**	**5.70**
Loomis Sayles	-0.93	57	0.37	57	4.57	58	--	--	--	--	1.74
CG WGBI	-1.54	75	-0.41	73	2.86	75	--	--	--	--	-0.07
Domestic Fixed Income	**-0.40**	**56**	**1.07**	**61**	**6.14**	**49**	**4.46**	**41**	**5.20**	**37**	**6.16**
Dodge and Cox Fixed Income	-0.01	31	1.57	36	7.04	22	4.66	31	5.43	31	6.73
LB U.S. Aggregate	-0.52	65	0.98	68	6.12	50	3.98	68	4.48	68	5.93
Blackrock	-0.82	79	0.55	82	5.18	81	4.13	60	--	--	4.31
LB U.S. Aggregate	-0.52	65	0.98	68	6.12	50	3.98	68	--	--	3.74
Real Estate	**2.60**	**53**	**13.55**	**12**	**21.64**	**18**	**18.41**	**55**	**18.91**	**29**	**12.87**
American Realty*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
DRA Growth & Income II*	3.50	43	3.50	43	130.40	1	48.60	4	31.60	4	24.10
NCREIF Property Index*	3.62	40	3.62	40	16.59	38	17.42	59	13.73	62	12.23
DRA Growth & Income V*	2.15	56	2.15	56	12.33	61	--	--	--	--	9.73
NCREIF Property Index*	3.62	40	3.62	40	16.59	38	--	--	--	--	20.21
Fidelity LP	-2.13	73	-1.88	78	72.31	2	45.97	4	33.61	3	29.16
NCREIF Property Index	4.59	34	8.38	32	17.24	32	17.98	57	14.39	60	12.99
GEAM ASSET LP*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
PRISA	6.11	15	10.39	18	18.65	28	--	--	--	--	19.83
NCREIF Property Index	4.59	34	8.38	32	17.24	32	--	--	--	--	17.98
MIG Realty Advisors	1.65	58	3.82	58	7.96	81	9.30	86	9.51	83	8.88
NCREIF Property Index	4.59	34	8.38	32	17.24	32	17.98	57	14.39	60	12.36

* Reported on a one quarter lag.
Real Estate Returns provided to Northern Trust by the Investment Managers. Real Estate Composite Calculated by NT.
Please see disclaimer in the back of the book.

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending June 30, 2007
Total Returns Net of Fees

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
FCERS TOTAL FUND	4.25	6.58	15.87	11.41	11.44	9.44
CUSTOM BLENDED BENCHMARK	3.64	5.61	15.69	11.46	10.77	9.42
Domestic Equity	**6.53**	**7.89**	**19.66**	**12.47**	**11.35**	**12.06**
Atlanta Capital Management	7.82	7.02	17.05	8.85	7.39	5.75
Russell 1000 Growth	6.86	8.13	19.05	8.70	9.28	3.76
Brandywine Asset Management	4.62	6.00	17.36	13.19	13.74	13.38
Russell 2000 Value	2.30	3.80	16.05	15.01	14.62	13.99
Dodge and Cox Equity	5.53	6.95	19.18	15.65	--	15.65
Russell 1000 Value	4.93	6.23	21.86	15.93	--	15.93
Eagle Asset Management	10.47	16.46	29.53	17.38	16.12	7.33
Russell 2000 Growth	6.69	9.33	16.83	11.76	13.08	4.51
NTGI Russell 3000	5.80	7.18	20.18	12.51	11.54	4.43
Russell 3000	5.77	7.11	20.07	12.44	11.53	4.44
Wellington Management Company	8.25	9.05	16.88	--	--	11.49
Russell 3000 Growth	6.84	8.22	18.84	--	--	11.67
International Equity	**8.42**	**13.02**	**26.51**	**22.14**	**16.58**	**7.92**
Boston Company	7.40	9.41	22.97	19.78	--	27.08
MSCI ACWI ex U.S.	8.19	12.25	29.62	24.52	--	28.73
Fisher Investments	9.61	13.68	25.55	--	--	26.37
MSCI ACWI ex U.S.	8.19	12.25	29.62	--	--	28.76
McKinley Capital	8.33	15.95	30.88	--	--	32.55
MSCI ACWI ex U.S.	8.19	12.25	29.62	--	--	28.76

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending June 30, 2007
Total Returns Net of Fees

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
Total Fixed Income	**-0.55**	**0.83**	**5.62**	**4.37**	**5.61**	**5.97**
Global Fixed Income	**-1.02**	**0.21**	**4.21**	**4.68**	**7.69**	**5.41**
Loomis Sayles	-1.02	0.21	4.21	--	--	1.38
CG WGBI	-1.54	-0.41	2.86	--	--	-0.07
Domestic Fixed Income	**-0.45**	**0.98**	**5.94**	**4.25**	**5.01**	**6.03**
Dodge and Cox Fixed Income	-0.05	1.48	6.87	4.49	5.25	6.53
LB U.S. Aggregate	-0.52	0.98	6.12	3.98	4.48	5.93
Blackrock	-0.87	0.44	4.96	3.90	--	4.10
LB U.S. Aggregate	-0.52	0.98	6.12	3.98	--	3.74
Real Estate	**2.50**	**13.34**	**20.95**	**17.57**	**17.82**	**11.86**
American Realty*	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
DRA Growth & Income II*	3.20	3.20	105.30	39.30	25.90	20.10
NCREIF Property Index*	3.62	3.62	16.59	17.42	13.73	12.23
DRA Growth & Income V*	1.42	1.42	9.02	--	--	6.50
NCREIF Property Index*	3.62	3.62	16.59	--	--	20.21
Fidelity LP	-2.13	-1.88	75.56	46.79	32.18	29.51
NCREIF Property Index	4.59	8.38	17.24	17.98	14.39	12.99
GEAM Asset LP*	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
PRISA	5.87	9.91	17.54	--	--	18.72
NCREIF Property Index	4.59	8.38	17.24	--	--	17.98
MIG Realty Advisors	1.51	3.49	7.27	8.49	8.65	7.97
NCREIF Property Index	4.59	8.38	17.24	17.98	14.39	12.36

* Reported on a one quarter lag.
Real Estate Returns provided to Northern Trust by the Investment Managers. Real Estate Composite Calculated by NT.
Please see disclaimer in the back of the book.