

# FUND EVALUATION REPORT

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## San Jose Federated City Employees Retirement System

Quarterly Review  
March 31, 2011



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**Executive Summary**  
**As of March 31, 2011**

**Investor optimism persisted in the first quarter of 2011, as the global economy continued to improve.**

- In the U.S., real GDP growth for the first quarter was 1.8% annualized, down from the 3.1% growth rate in the fourth quarter of 2010.
- The Federal Reserve continued to maintain accommodative monetary policy in the U.S., while many policy makers outside the U.S. began tightening.
- During the quarter, the Fed purchased over \$300 billion in bonds as a part of its \$600 billion second round of quantitative easing scheduled to end in June.
- The U.S. unemployment rate declined by 0.6%, to a level of 8.8% in the first quarter. Although 444,000 jobs were added in the quarter, approximately 13.5 million people remain unemployed in the U.S.

**Stocks continued to advance globally, as strong corporate and economic data outweighed concerns over geopolitical uncertainty in the Middle East and the natural disasters in Japan.**

- For the second consecutive quarter, international equities trailed U.S. equities, due in part to inflationary concerns in Asia and continued sovereign debt concerns in the Eurozone. The domestic equity market, as proxied by the Russell 3000 index, returned 6.4%, while the developed international equity market, as proxied by the MSCI EAFE index, returned 3.4%.
- For the first time in over two years, emerging market equities (+2.0%) lagged developed international equities (+3.4%) for the quarter.
- Growth stocks continued to outpace value stocks domestically, with the exception of large cap.
- Large cap stocks trailed small cap stocks domestically, but led abroad.

**Within the fixed income market, spread sectors outpaced government bonds in the first quarter, as growth expectations persisted.**

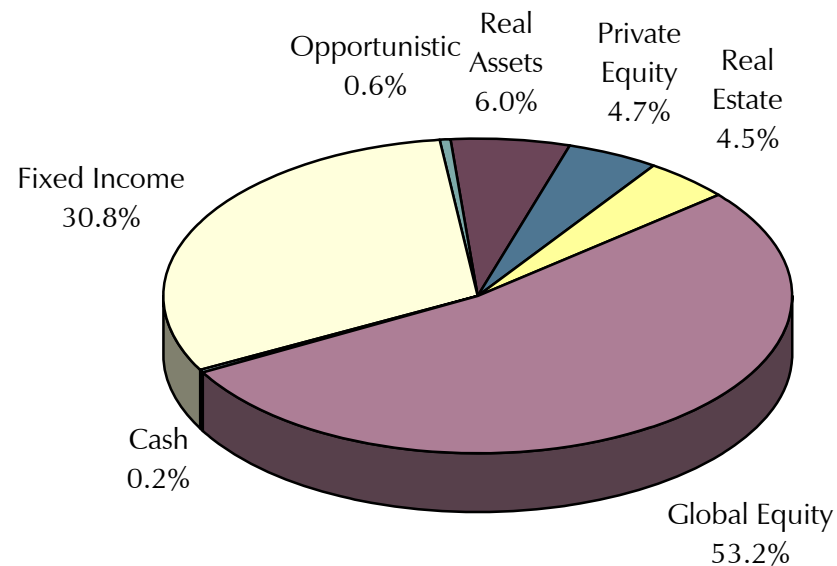
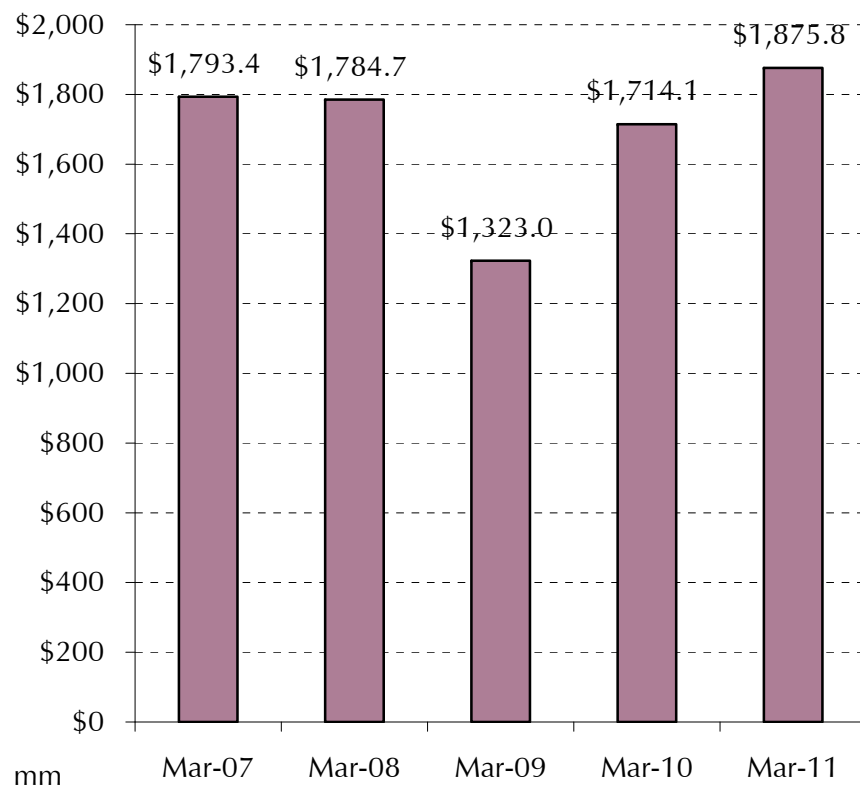
- High yield corporate debt was the strongest performing fixed income asset class, returning 3.9%.
- The Barclays Aggregate index posted a modest return (+0.4%) for the quarter, as Treasuries declined.

**The value of the San Jose Federated City Employees Retirement System assets was \$1.876 billion on March 31, 2011, up approximately \$32.3 million since the end of the previous quarter.**

- First quarter performance for the Retirement System was 3.5% net of fees, compared to 3.6% for the policy and dynamic benchmarks. The policy benchmark shows how a passive portfolio would perform if allocated according to the Plan's target allocations, and the dynamic benchmark shows how a passive portfolio would perform as the Plan is actually allocated.
- Housing assets reserved for future alternative investments in fixed income was detrimental on a relative basis during the first quarter, as risky assets outperformed.
- During the first quarter, the System funded or made initial capital calls to several new investments:
  - The System funded Artisan and Tradewinds (April 1) global equity portfolios.
  - Initial capital calls were made for the System's three investments in opportunistic direct lending managers: GSO, Medley, and White Oak.
  - Commodity managers First Quadrant and Credit Suisse were funded at the end of the first quarter.

- Eagle Small Cap Growth was the System's strongest absolute performer during the first quarter, returning 9.4% versus 9.2% for the Russell 2000 Growth benchmark. Strong stock selection in energy, health care, and technology helped performance in the quarter. Eagle's trailing one-year net-of-fee return of 36.0% was 500 basis points higher than that of the benchmark.
- With a return of 7.5% net of fees, the RS Investments Small Cap Value portfolio outperformed the Russell 2000 Value benchmark by 90 basis points during the first quarter. Overweight allocations to energy and technology, as well as strong stock selection, were the primary drivers of performance.
- Calamos Global Convertibles returned 3.6% during the first quarter, slightly outperforming the 3.5% return for the Merrill Lynch Global 300 Convertible Index. Calamos benefited from strong security selection in the consumer discretionary sector, as well as from an underweight position to Japan.
- MacKay Shields Active Core returned 2.9% during the first quarter, but underperformed both the Barclays High Yield Index and Barclays High Yield BB/B Index.

**Plan Summary**  
**As of March 31, 2011**





## San Jose Federated City Employees Retirement System

## Aggregate Assets Asset Summary as of 3/31/11

	Market Value 3/31/11 (\$ mm)	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 12/31/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,875.8</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,843.5</b>
Global Equity Assets	997.3	53	49	43-55	939.8
Fixed Income Assets <sup>1</sup>	577.8	31	20	15-25	640.3
Alternative Assets	296.7	16	31	26-36	236.6
Real Assets	112.6	6	10	0-15	76.6
Private Equity Assets	88.8	5	6	0-9	82.5
Real Estate Assets	84.3	4	5	0-8	77.4
Opportunistic Assets	11.0	< 1	5	0-8	0.0
Hedge Funds Assets	0.0	0	5	0-8	0.0
Cash	4.0	< 1	0	0-5	26.8

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 3/31/11

	Market Value 3/31/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 12/31/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,875.8</b>	<b>NA</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,843.5</b>
<b>Global Equity Assets</b>	<b>997.3</b>	<b>100</b>	<b>53</b>	<b>49</b>	<b>43-55</b>	<b>939.8</b>
Northern Trust MSCI ACWI Index <sup>1</sup>	279.5	28	15			266.9
MSCI EAFE Small Cap	99.7	10	5			96.7
Northern Trust MSCI Emerging Markets Index	97.1	10	5			95.2
MSCI All Country World Value	87.0	9	5			160.9
Northern Trust Russell 3000 Index	81.9	8	5			76.9
Artisan Global Value <sup>2</sup>	94.2	9	5			0.0
Eagle Small-Cap Growth	76.8	8	4			70.1
MSCI EAFE Growth	61.0	6	3			59.4
Calamos Global Convertibles	60.3	6	3			58.2
RS Investments Small Cap Value	59.8	6	3			55.5
<b>Fixed Income Assets<sup>3</sup></b>	<b>577.8</b>	<b>100</b>	<b>33</b>	<b>20</b>	<b>15-25</b>	<b>640.3</b>
Barclays U.S. TIPS	266.7	46	14			264.1
Barclays Intermediate Government Bond	202.7	35	11			263.7

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

<sup>2</sup> The 3/31/11 market value for Artisan Global Value includes a \$14 million contribution that settled on 4/1/11.

<sup>3</sup> Fixed Income Assets include funds reserved for future investments in alternative assets.



# San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 3/31/11

	Market Value 3/31/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 12/31/10 (\$ mm)
<b>Fixed Income Assets (continued)<sup>1</sup></b>						
Mackay Shields High Yield Active Core	48.8	8	3			53.7
Seix Credit Dislocation Strategy	38.9	7	2			38.1
Northern Trust Long Term Credit Bond Index	20.7	4	1			20.7
<b>Real Assets</b>	<b>112.6</b>	<b>100</b>	<b>6</b>	<b>10</b>	<b>0-15</b>	<b>76.6</b>
S&P Global Infrastructure	37.6	100	2			35.7
First Quadrant Risk Commodity	37.5	33	2			0.0
CS Compound Risk Parity Commodity Index	37.5	33	2			0.0
<b>Private Equity Assets</b>	<b>88.8</b>	<b>100</b>	<b>5</b>	<b>6</b>	<b>0-9</b>	<b>82.5</b>
Pathway Private Equity Fund VIII	29.6	33	2			28.5
Pantheon Global Secondary Fund III	29.4	33	2			27.7
Pantheon USA Fund VII	20.9	24	1			18.2
Partners Group Secondary 2008	7.2	8	< 1			6.2
Great Hill Equity Partners IV	1.6	2	< 1			1.9

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 3/31/11

	Market Value 3/31/11 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 12/31/10 (\$ mm)
<b>Real Estate Assets</b>	<b>84.3</b>	<b>100</b>	<b>4</b>	<b>5</b>	<b>0-8</b>	<b>77.4</b>
PRISA I	24.0	28	1			22.6
DRA Growth & Income Fund V	16.6	20	< 1			15.0
American Core Realty Fund, LLC	16.0	19	< 1			15.3
Milpitas Warehouse	8.6	10	< 1			8.7
DRA Growth & Income Fund VI	7.1	8	< 1			5.1
GEAM Value Add Realty Partners, L.P.	6.1	7	< 1			5.3
Fidelity Real Estate Growth Fund III, L.P.	6.0	7	< 1			5.4
<b>Opportunistic Assets</b>	<b>11.0</b>	<b>100</b>	<b>&lt; 1</b>	<b>5</b>	<b>0-8</b>	<b>0.0</b>
White Oak Direct Lending Account	6.2	57	< 1			0.0
GSO Direct Lending Account	2.5	22	< 1			0.0
Medley Opportunity Fund II	2.3	21	< 1			0.0



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 3/31/11

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>13.1</b>	<b>4.0</b>	<b>4.7</b>	<b>6.8</b>	<b>1/1/94</b>	<b>8.0</b>
<b>Net of Fees</b>	<b>3.5</b>	<b>12.9</b>	<b>3.8</b>	<b>4.4</b>	<b>6.5</b>		<b>7.8</b>
<i>CPI (inflation)</i>	2.0	2.7	1.5	2.3	2.4		2.5
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	3.6	15.0	4.5	5.2	6.3		7.9
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	3.6	13.8	NA	NA	NA		NA
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	3.6	11.2	NA	NA	NA		NA
<i>Pensions &gt; \$1 billion Universe (Median)</i>	4.0	13.9	3.5	4.5	6.1		NA
Global Equity	5.0	NA	NA	NA	NA	5/1/10	16.4
<i>MSCI ACWI IMI</i>	4.5	15.3	1.2	3.3	5.9		14.6
<i>MSCI ACWI</i>	4.4	14.1	0.3	2.9	5.0		13.9
<i>Global Equity Policy Benchmark<sup>5</sup></i>	4.5	NA	NA	NA	NA		15.1

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

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

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

<sup>4</sup> Custom benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 3/31/11

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Net of Fees (continued)</b>							
Fixed Income	1.3	6.0	6.6	6.9	6.5	1/1/94	6.4
<i>Barclays Universal</i>	0.7	5.7	5.7	6.1	5.8		6.3
<i>Fixed Income Policy Benchmark<sup>2</sup></i>	1.7	7.6	6.1	6.5	5.8		6.3
Real Assets	3.8	NA	NA	NA	NA	5/1/10	18.4
<i>S&amp;P Global Infrastructure Index</i>	5.1	12.6	NA	NA	NA		13.3
<i>Dow Jones - UBS Commodities</i>	4.4	28.3	-5.6	0.5	5.9		25.9
<i>Real Assets Policy Benchmark<sup>3</sup></i>	4.6	25.1	NA	NA	NA		23.4
Private Equity	5.7	13.0	-1.7	1.6	NA	1/1/06	1.1
<i>Venture Economics Private Equity Composite</i>	6.7	17.0	1.8	8.7	6.4		9.4
Real Estate <sup>4</sup>	5.7	12.9	-11.5	-0.9	7.1	1/1/94	8.2
<i>NCREIF Property (lagged)</i>	4.6	13.1	-4.2	3.5	7.4		8.7

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

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

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

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 3/31/11

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>13.1</b>	<b>4.0</b>	<b>4.7</b>	<b>6.8</b>	<b>1/1/94</b>	<b>8.0</b>
<b>Net of Fees</b>	<b>3.5</b>	<b>12.9</b>	<b>3.8</b>	<b>4.4</b>	<b>6.5</b>		<b>7.8</b>
<i>CPI (inflation)</i>	2.0	2.7	1.5	2.3	2.4		2.5
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	3.6	15.0	4.5	5.2	6.3		7.9
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	3.6	13.8	NA	NA	NA		NA
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	3.6	11.2	NA	NA	NA		NA
<i>Pensions &gt; \$1 billion Universe (Median)</i>	NA	NA	NA	NA	NA		NA
<b>Global Equity</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>16.4</b>
Northern Trust MSCI ACWI Index <sup>5</sup>	4.7	NA	NA	NA	NA	6/1/10	26.6
<i>MSCI ACWI</i>	4.4	14.1	0.3	2.9	5.0		25.8
MSCI EAFE Small Cap	3.3	NA	NA	NA	NA	6/1/10	32.0
Net of Fees	3.3	NA	NA	NA	NA		31.9
<i>MSCI EAFE Small Cap</i>	3.0	19.9	1.4	1.4	10.5		34.7
Northern Trust MSCI Emerging Markets Index	2.0	NA	NA	NA	NA	6/1/10	27.9
<i>MSCI Emerging Markets</i>	2.0	18.5	4.3	10.7	16.8		28.3

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

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

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

<sup>4</sup> Custom benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

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



	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>							
MSCI All Country World Value	5.5	NA	NA	NA	NA	6/1/10	25.1
Net of Fees	5.5	NA	NA	NA	NA		25.0
<i>MSCI ACWI Value</i>	5.5	12.6	-0.4	2.2	5.2		24.5
Northern Trust Russell 3000 Index	6.4	17.5	3.7	3.1	4.3	9/1/99	3.0
<i>Russell 3000</i>	6.4	17.4	3.4	2.9	4.1		2.8
Artisan Global Value	NA	NA	NA	NA	NA	3/1/11	0.1
Net of Fees	NA	NA	NA	NA	NA		NA
<i>MSCI ACWI</i>	4.4	14.1	0.3	2.9	5.0		-0.1
<i>Peer International Value</i>	4.3	12.7	-1.5	2.8	7.9		-1.9
<i>Peer Ranking (percentile)</i>	NA	NA	NA	NA	NA		9
Eagle Small-Cap Growth	9.6	36.8	14.7	9.5	11.4	6/1/98	7.7
Net of Fees	9.4	36.0	14.1	8.8	10.7		7.0
<i>Russell 2000 Growth</i>	9.2	31.0	10.2	4.3	6.4		4.2
<i>Peer Small Cap Growth</i>	9.7	30.5	10.4	5.1	8.3		8.5
<i>Peer Ranking (percentile)</i>	52	15	7	1	10		66

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



	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>							
MSCI EAFE Growth	2.7	NA	NA	NA	NA	6/1/10	27.2
Net of Fees	2.7	NA	NA	NA	NA		27.1
<i>MSCI EAFE Growth</i>	2.2	12.5	-2.5	2.1	4.8		28.5
Calamos Global Convertibles	3.7	12.6	NA	NA	NA	11/1/09	14.5
Net of Fees	3.6	12.0	NA	NA	NA		13.9
<i>Merrill Lynch Global 300 Convertible Index</i>	3.5	11.3	6.0	5.0	NA		14.9
RS Investments Small Cap Value	7.7	NA	NA	NA	NA	9/1/10	41.1
Net of Fees	7.5	NA	NA	NA	NA		40.4
<i>Russell 2000 Value</i>	6.6	20.6	6.8	2.2	9.0		36.2
<i>Peer Small Cap Value</i>	7.4	24.8	10.7	5.2	11.3		37.2
<i>Peer Ranking (percentile)</i>	37	NA	NA	NA	NA		32

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

# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 3/31/11

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Fixed Income</b>	<b>1.3</b>	<b>6.0</b>	<b>6.6</b>	<b>6.9</b>	<b>6.5</b>	<b>1/1/94</b>	<b>6.4</b>
Barclays U.S. TIPS	2.2	NA	NA	NA	NA	6/1/10	5.4
Net of Fees	2.2	NA	NA	NA	NA		5.3
<i>Barclays U.S. TIPS</i>	2.1	7.9	3.9	6.2	6.8		5.4
Barclays Intermediate Government Bond	0.0	NA	NA	NA	NA	6/1/10	2.1
Net of Fees	0.0	NA	NA	NA	NA		2.1
<i>Barclays IT Gov't</i>	0.0	3.8	3.5	5.5	4.8		1.9
MacKay Shields High Yield Active Core	3.0	12.8	NA	NA	NA	5/1/09	19.5
Net of Fees	2.9	12.3	NA	NA	NA		19.0
<i>Barclays High Yield</i>	3.9	14.3	12.9	9.1	8.6		27.5
<i>Barclays High Yield BB/B</i>	3.6	13.7	10.9	8.1	7.8		22.4
<i>Peer High Yield</i>	4.0	14.9	11.7	8.6	8.5		26.3
<i>Peer Ranking (percentile)</i>	96	89	NA	NA	NA		91
Seix Credit Dislocation Strategy	1.9	6.5	NA	NA	NA	5/1/09	10.2
Net of Fees	1.8	6.1	NA	NA	NA		9.9
<i>CSFB Leveraged Loan Index</i>	2.7	8.2	7.3	4.5	4.9		19.8
Northern Trust Long Term Credit Bond Index	0.3	NA	NA	NA	NA	5/1/10	5.9
<i>Barclays Long U.S. Credit</i>	0.6	9.2	8.5	6.7	7.2		5.8

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 3/31/11

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Real Assets</b>	<b>3.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>18.4</b>
S&P Global Infrastructure	5.1	NA	NA	NA	NA	5/1/10	12.8
<i>S&amp;P Global Infrastructure Index</i>	<i>5.1</i>	<i>12.6</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>		<i>13.3</i>
<b>Private Equity</b>	<b>5.7</b>	<b>13.0</b>	<b>-1.7</b>	<b>1.6</b>	<b>NA</b>	<b>1/1/06</b>	<b>1.1</b>
<i>Venture Economics Private Equity Composite</i>	<i>6.7</i>	<i>17.0</i>	<i>1.8</i>	<i>8.7</i>	<i>6.4</i>		<i>9.4</i>
<b>Real Estate<sup>2</sup></b>	<b>5.7</b>	<b>12.9</b>	<b>-11.5</b>	<b>-0.9</b>	<b>7.1</b>	<b>1/1/94</b>	<b>8.2</b>
PRISA I	6.7	18.4	-12.2	-1.5	NA	7/1/04	3.6
Net of Fees	6.4	17.1	-13.0	-2.4	NA		2.7
<i>NCREIF Property (lagged)</i>	<i>4.6</i>	<i>13.1</i>	<i>-4.2</i>	<i>3.5</i>	<i>7.4</i>		<i>7.1</i>
DRA Growth & Income Fund V <sup>3</sup>	3.6	5.9	-8.2	-0.3	NA	1/1/06	0.0
<i>NCREIF Property (lagged)</i>	<i>4.6</i>	<i>13.1</i>	<i>-4.2</i>	<i>3.5</i>	<i>7.4</i>		<i>4.4</i>
American Core Realty Fund, LLC	4.5	17.0	-8.7	NA	NA	1/1/07	-2.4
Net of Fees	4.2	15.8	-9.6	NA	NA		-3.3
<i>NCREIF Property</i>	<i>3.4</i>	<i>16.0</i>	<i>-3.6</i>	<i>3.5</i>	<i>7.5</i>		<i>1.2</i>

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

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

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



	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Real Estate<sup>2</sup> (continued)</b>							
Milpitas Warehouse	-1.2	-0.8	-8.7	3.3	3.4	10/1/94	9.0
Net of Fees	-1.2	-0.8	-8.8	2.9	2.8		8.3
<i>NCREIF Property (lagged)</i>	4.6	13.1	-4.2	3.5	7.4		9.0
DRA Growth & Income Fund VI <sup>3</sup>	1.5	11.1	-4.6	NA	NA	10/1/07	-1.9
<i>NCREIF Property (lagged)</i>	4.6	13.1	-4.2	3.5	7.4		-1.7
GEAM Value Add Realty Partners, L.P.	14.1	31.2	-30.6	NA	NA	1/1/07	-21.8
Net of Fees	13.4	27.5	-32.1	NA	NA		-24.3
<i>NCREIF Property (lagged)</i>	4.6	13.1	-4.2	3.5	7.4		1.5
Fidelity Real Estate Growth Fund III, L.P. <sup>3</sup>	2.2	36.9	-37.7	NA	NA	10/1/07	-38.0
<i>NCREIF Property (lagged)</i>	4.6	13.1	-4.2	3.5	7.4		-1.7

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

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

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

# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate</b>	<b>12.9</b>	<b>20.0</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.7</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	14.9	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Dynamic Benchmark<sup>2</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Pensions &gt; \$1 billion Universe (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
<b>Global Equity</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI IMI</i>	14.3	36.4	-42.3	11.2	20.9	11.5	16.4	35.5	-17.6	-15.6
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
<i>Global Equity Policy Benchmark<sup>4</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Fixed Income</b>	6.9	15.7	-1.3	6.7	5.8	0.8	6.3	9.0	10.5	6.5
<i>Barclays Universal</i>	7.2	8.6	2.4	6.5	5.0	2.7	5.0	5.8	9.8	8.1
<i>Fixed Income Policy Benchmark<sup>5</sup></i>	7.7	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4

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

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

<sup>3</sup> Custom benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>4</sup> The Global Equity Policy Benchmark consists of 33% MSCI ACWI, 18% MSCI ACWI Value, 10% MSCI Emerging Markets, 10% MSCI EAFE Small Cap, 6% MSCI EAFE Growth, 6% Russell 3000 Growth, 5% Russell 2000 Growth, 5% Russell 2000 Value, and 6% ML 300 Global Convertibles.

<sup>5</sup> The FI Policy Benchmark consists of 38% Barclays U.S. TIPS, 25% Barclays IT Gov't, 13% Barclays Credit, 13% Barclays High Yield, 13% CSFB Leveraged Loan Index. Prior to April 2010 is 100% Barclays Aggregate.



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

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

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

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Total Fund Aggregate</b>	<b>12.9</b>	<b>20.0</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>
<b>Net of Fees</b>	<b>12.7</b>	<b>19.7</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>
<i>CPI (inflation)</i>	1.5	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	14.9	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5
<i>San Jose FCERS Dynamic Benchmark<sup>2</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>San Jose FCERS Custom Benchmark<sup>3</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Pensions &gt; \$1 billion Universe (Median)</i>	12.5	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA
<b>Global Equity</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust MSCI ACWI Index <sup>4</sup>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
MSCI EAFE Small Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	22.0	46.8	-47.0	1.4	19.3	26.2	30.8	61.3	-7.8	-12.5
Northern Trust MSCI Emerging Markets Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	18.9	78.5	-53.3	39.4	32.2	34.0	25.6	55.8	-6.2	-2.6

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

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

<sup>3</sup> Custom benchmark consists of the individual benchmarks that comprise of the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>4</sup> Northern Trust MSCI ACWI includes exposure to the MSCI ACWI (ex. U.S.) and the Russell 3000 Index to simulate MSCI ACWI exposure.



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Global Equity (continued)</b>										
MSCI All Country World Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	10.2	31.7	-41.5	6.7	25.6	10.8	19.1	39.0	-19.3	-14.3
Northern Trust Russell 3000 Index	17.2	28.9	-37.3	5.3	15.8	6.2	12.0	31.2	-21.4	-11.3
<i>Russell 3000</i>	16.9	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5
Artisan Global Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	12.7	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2
Eagle Small-Cap Growth	34.4	40.3	-35.8	12.7	21.4	4.2	20.8	44.7	-22.5	14.5
Net of Fees	33.6	39.5	-36.1	12.0	20.7	3.6	20.0	43.8	-23.0	13.7
<i>Russell 2000 Growth</i>	29.1	34.5	-38.5	7.0	13.3	4.2	14.3	48.5	-30.3	-9.2
MSCI EAFE Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Growth</i>	12.2	29.4	-42.7	16.5	22.3	13.3	16.1	32.0	-16.0	-24.6
Calamos Global Convertibles	11.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	11.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Merrill Lynch Global 300 Convertible Index</i>	11.7	36.3	-29.3	6.5	12.8	6.0	NA	NA	NA	NA





# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Global Equity (continued)</b>										
RS Investments Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	24.5	20.6	-28.9	-9.8	23.5	4.7	22.2	46.0	-11.4	14.0
<b>Fixed Income</b>	<b>6.9</b>	<b>15.7</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>	<b>9.0</b>	<b>10.5</b>	<b>6.5</b>
Barclays U.S. TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS</i>	6.3	11.4	-2.4	11.6	0.4	2.8	8.5	8.4	16.6	8.2
Barclays Intermediate Government Bond	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays IT Gov't</i>	5.0	-0.3	10.4	8.5	3.8	1.7	2.3	2.3	9.6	8.4
Mackay Shields High Yield Active Core	13.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	13.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays High Yield</i>	15.1	58.2	-26.2	1.9	11.8	2.7	11.1	29.0	-1.4	5.3
<i>Barclays High Yield BB/B</i>	14.3	45.4	-22.5	2.5	10.7	3.2	10.0	23.3	-0.5	6.8
Seix Credit Dislocation Strategy	7.9	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	7.6	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>CSFB Leveraged Loan Index</i>	10.0	44.9	-28.8	1.9	7.2	5.7	5.6	11.0	1.1	2.6



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Fixed Income (continued)</b>										
Northern Trust Long Term Credit Bond Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Barclays Long U.S. Credit	10.7	16.8	-3.9	3.6	3.5	3.8	9.4	10.4	11.9	12.2
<b>Real Assets</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
S&P Global Infrastructure	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
S&P Global Infrastructure Index	5.8	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Private Equity</b>	<b>9.2</b>	<b>-14.1</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Venture Economics Private Equity Composite	15.4	-6.6	-7.2	27.4	19.3	29.7	16.0	8.9	-14.9	-26.5
<b>Real Estate<sup>1</sup></b>	<b>3.9</b>	<b>-32.4</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>	<b>10.3</b>	<b>28.7</b>	<b>10.7</b>	<b>7.5</b>
PRISA I	8.0	-42.2	3.7	19.7	18.7	19.7	NA	NA	NA	NA
Net of Fees	6.9	-42.7	3.0	18.8	17.8	18.7	NA	NA	NA	NA
NCREIF Property (lagged)	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
DRA Growth & Income Fund V <sup>2</sup>	-1.0	-24.3	2.8	18.7	5.3	NA	NA	NA	NA	NA
NCREIF Property (lagged)	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
American Core Realty Fund, LLC	11.2	-30.0	-5.3	17.3	NA	NA	NA	NA	NA	NA
Net of Fees	10.1	-30.7	-6.2	16.2	NA	NA	NA	NA	NA	NA
NCREIF Property	13.1	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3

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

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

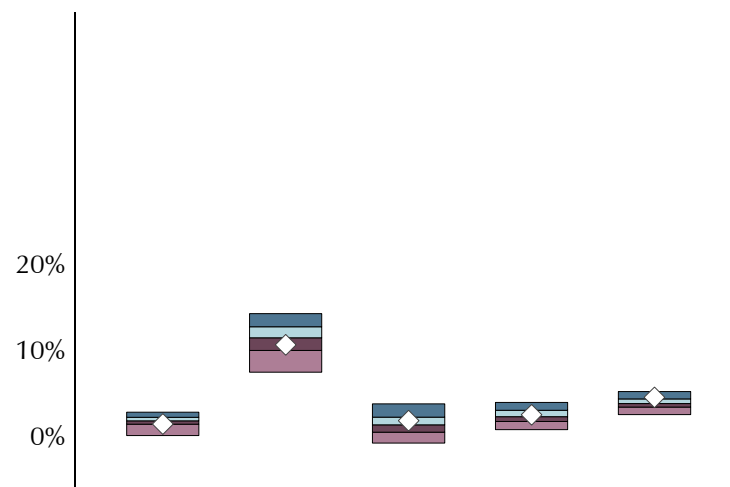
	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)
<b>Real Estate<sup>1</sup> (continued)</b>										
Milpitas Warehouse	1.5	-15.1	-10.0	32.4	18.5	-0.5	-6.4	8.4	11.2	6.3
Net of Fees	1.3	-15.3	2.1	45.8	7.9	-15.7	8.3	8.1	10.0	28.6
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
DRA Growth & Income Fund VI <sup>2</sup>	-0.1	-19.8	9.0	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
GEAM Value Add Realty Partners, L.P.	8.3	-65.7	-21.1	5.0	NA	NA	NA	NA	NA	NA
Net of Fees	5.0	-66.3	-22.2	-1.6	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1
Fidelity Real Estate Growth Fund III, L.P. <sup>2</sup>	38.4	-77.5	-32.6	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged)</i>	5.8	-22.1	5.3	17.3	17.6	19.2	12.4	7.8	5.7	10.1

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

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



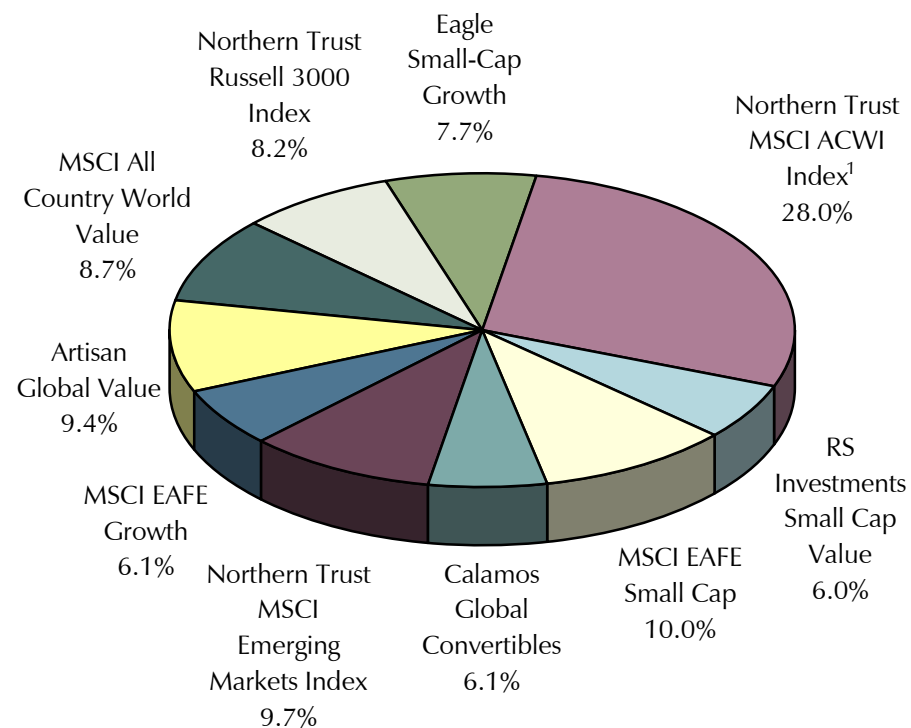
Total Fund Aggregate vs. Pensions > \$1 billion Universe



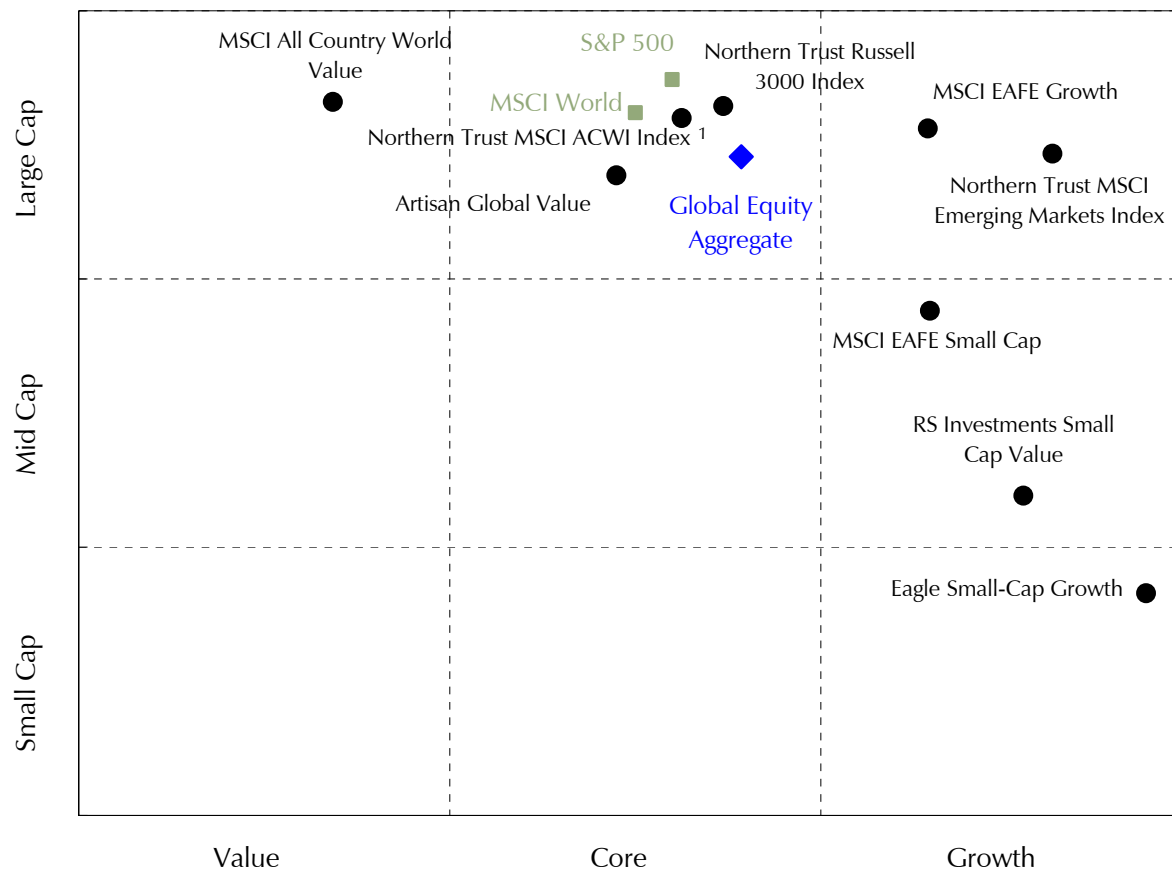
	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>13.1</b>	<b>4.0</b>	<b>4.7</b>	<b>6.8</b>
25th percentile	4.4	15.3	4.4	5.3	6.6
Median	4.0	13.9	3.5	4.5	6.1
75th Percentile	3.6	12.4	2.6	3.9	5.6

## Plan Detail

## Global Equity Assets As of March 31, 2011



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



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



	Aggregate Global Equity 3/31/11	MSCI ACWI IMI 3/31/11	Aggregate Global Equity 12/31/10
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	51.3	60.2	50.5
Median Market Cap. (US\$ million)	2.9	1.1	2.7
Large (% over US\$10 billion)	66	73	66
Medium (% US\$1.5 billion to US\$10 billion)	25	21	24
Small (% under US\$1.5 billion)	9	6	10
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	21	20	22
Price-Book Value Ratio	2.9	3.0	2.9
Dividend Yield (%)	2.0	2.2	2.0
Historical Earnings Growth Rate (%)	7	7	6
Projected Earnings Growth Rate (%)	14	13	15

Sector Allocation (%):	Aggregate Global Equity 3/31/11	MSCI ACWI IMI 3/31/11	Aggregate Global Equity 12/31/10
Information Technology	13	12	12
Consumer Discretionary	11	10	11
Industrials	12	12	13
Health Care	8	8	8
Financials	20	21	20
Materials	9	9	9
Utilities	3	4	4
Telecom	4	4	4
Consumer Staples	8	8	7
Energy	11	12	11

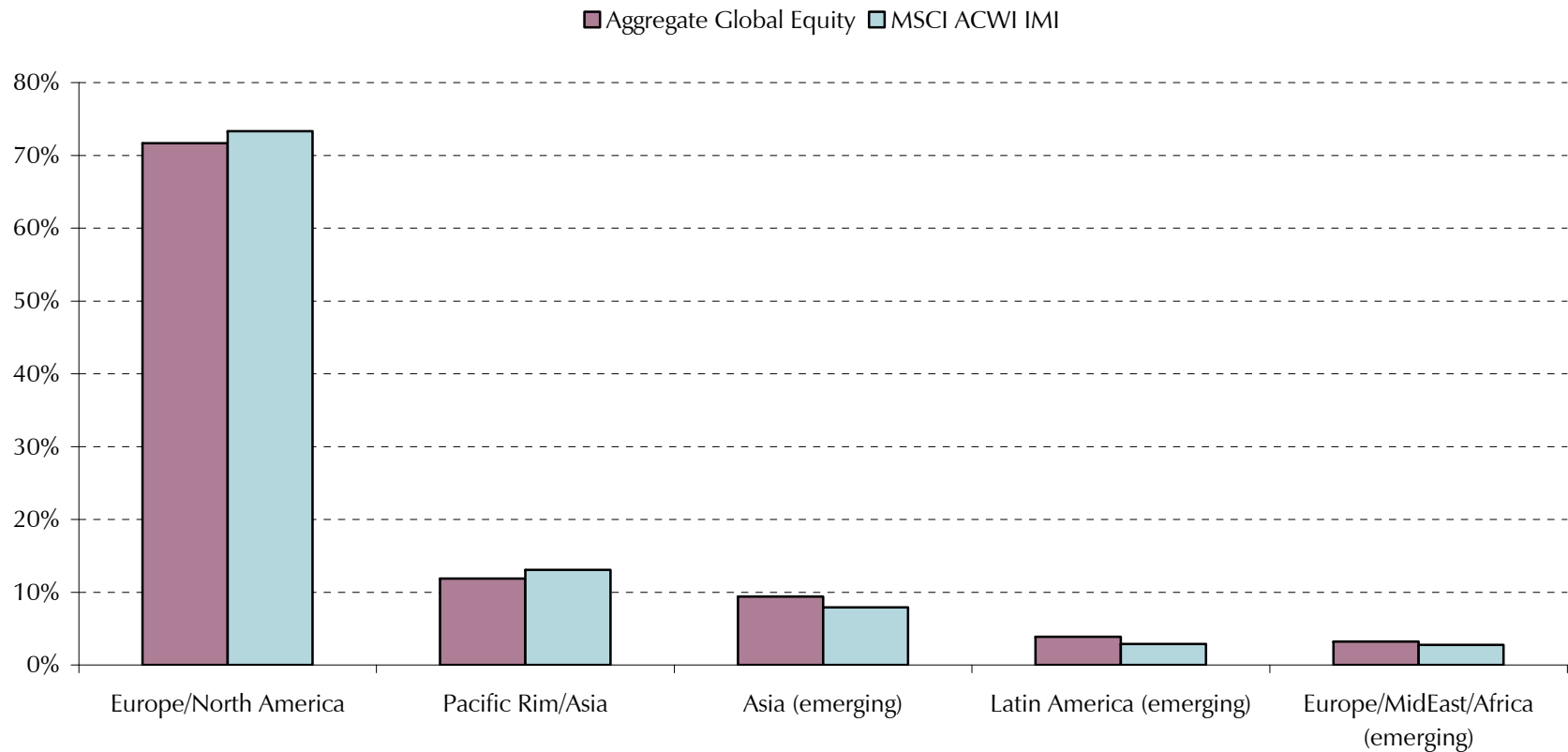
## San Jose Federated City Employees Retirement System

## Global Equity Assets Country & Region Breakdown as of 3/31/11

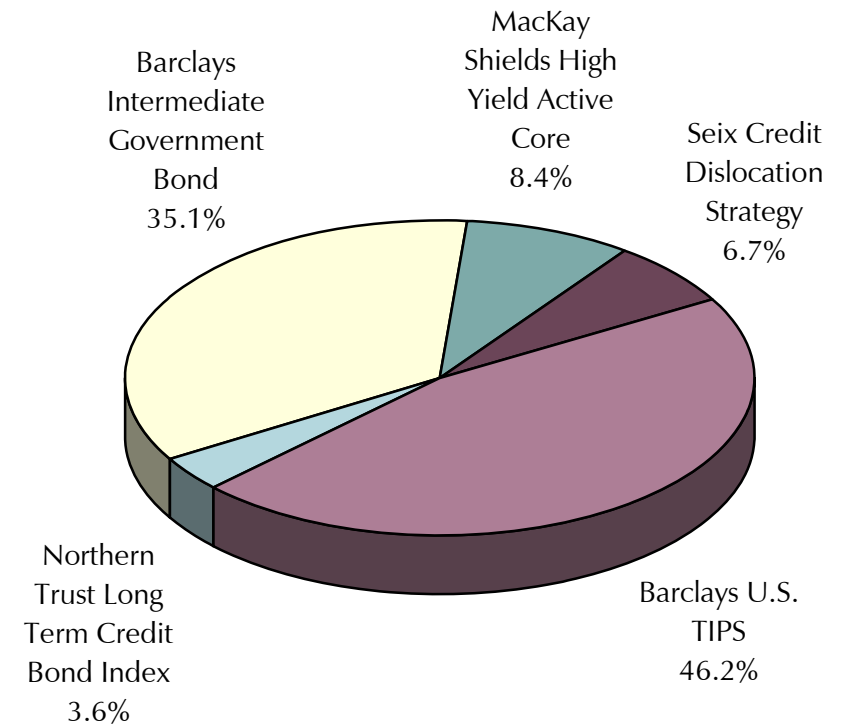
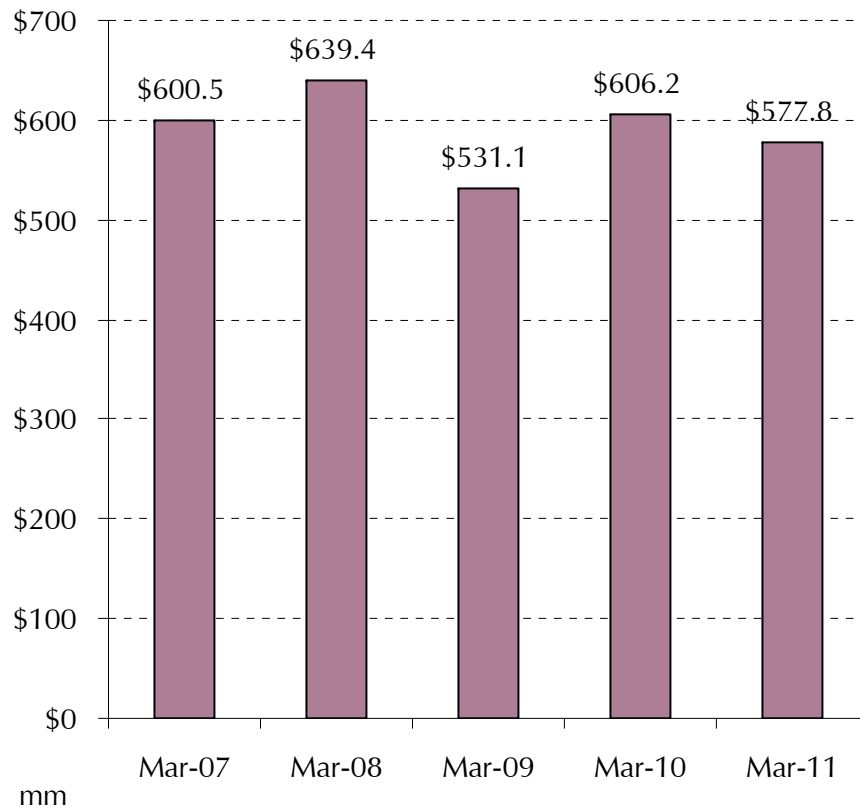
	Aggregate Global Equity 3/31/11 (%)	MSCI ACWI IMI 3/31/11 (%)
<b>Europe/North America</b>	<b>71.7</b>	<b>73.3</b>
United States	45.0	43.7
Switzerland	3.2	2.9
United Kingdom	8.0	8.0
Sweden	1.1	1.3
France	3.5	3.7
Germany	2.4	3.2
Canada	2.5	4.9
<b>Pacific Rim/Asia</b>	<b>11.9</b>	<b>13.1</b>
Japan	7.7	7.9
Australia	2.8	3.4

	Aggregate Global Equity 3/31/11 (%)	MSCI ACWI IMI 3/31/11 (%)
<b>Asia (emerging)</b>	<b>9.4</b>	<b>7.9</b>
China	2.9	2.3
South Korea	2.3	1.9
Taiwan	1.8	1.6
India	1.2	1.0
<b>Latin America (emerging)</b>	<b>3.9</b>	<b>2.9</b>
Brazil	2.6	2.0
<b>Europe/MidEast/Africa (emerging)</b>	<b>3.2</b>	<b>2.8</b>
Russia	1.2	0.9
South Africa	1.2	1.0
<b>Other</b>	<b>0.0</b>	<b>0.0</b>



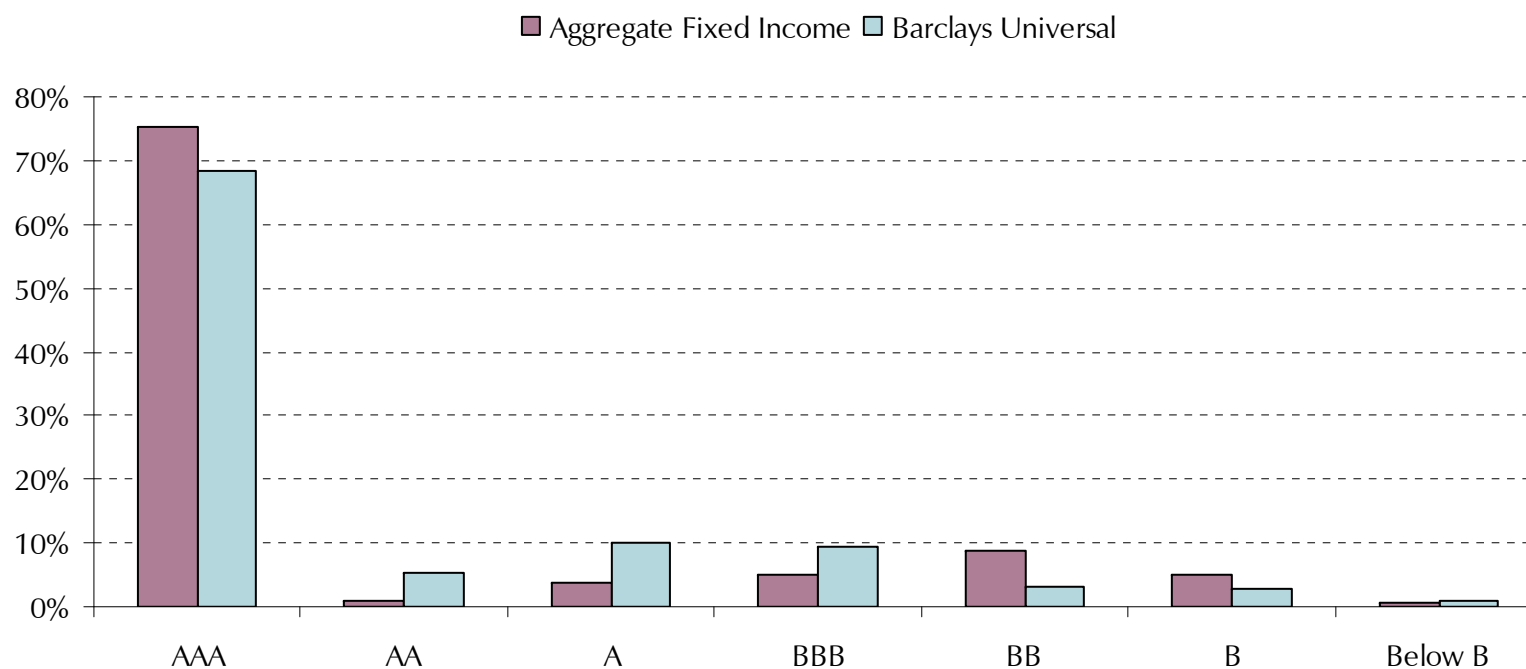


**Fixed Income Assets  
As of March 31, 2011**



Risk: (sixty months)	Aggregate Fixed Income 3/31/11	Barclays Universal 3/31/11
Annualized Return (%)	6.9	6.1
Standard Deviation (%)	4.9	4.0
Best Monthly Return (%)	4.8	3.8
Worst Monthly Return (%)	-3.8	-3.6
Beta	1.11	1.00
Correlation (R <sup>2</sup> ) to Index	0.90	1.00
Correlation to Total Fund Return	0.64	NA
Sharpe Measure (risk-adjusted return)	0.96	0.99
Information Ratio	0.37	NA

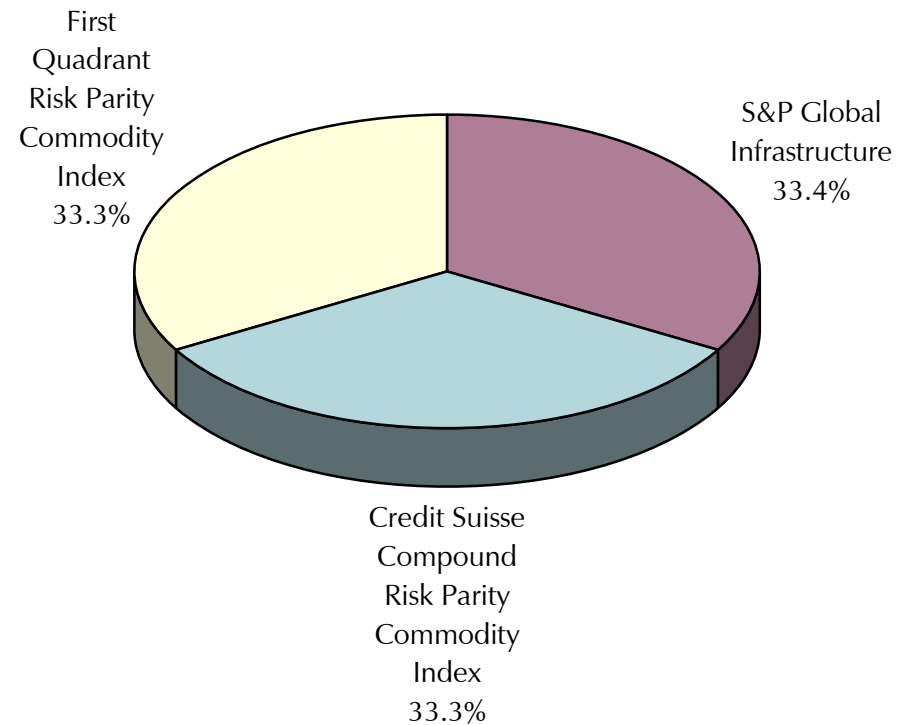
Duration & Yield:	Aggregate Fixed Income 3/31/11	Barclays Universal 3/31/11	Aggregate Fixed Income 12/31/10
Average Effective Duration (years)	3.7	5.1	3.9
Yield to Maturity (%)	2.3	3.4	2.7



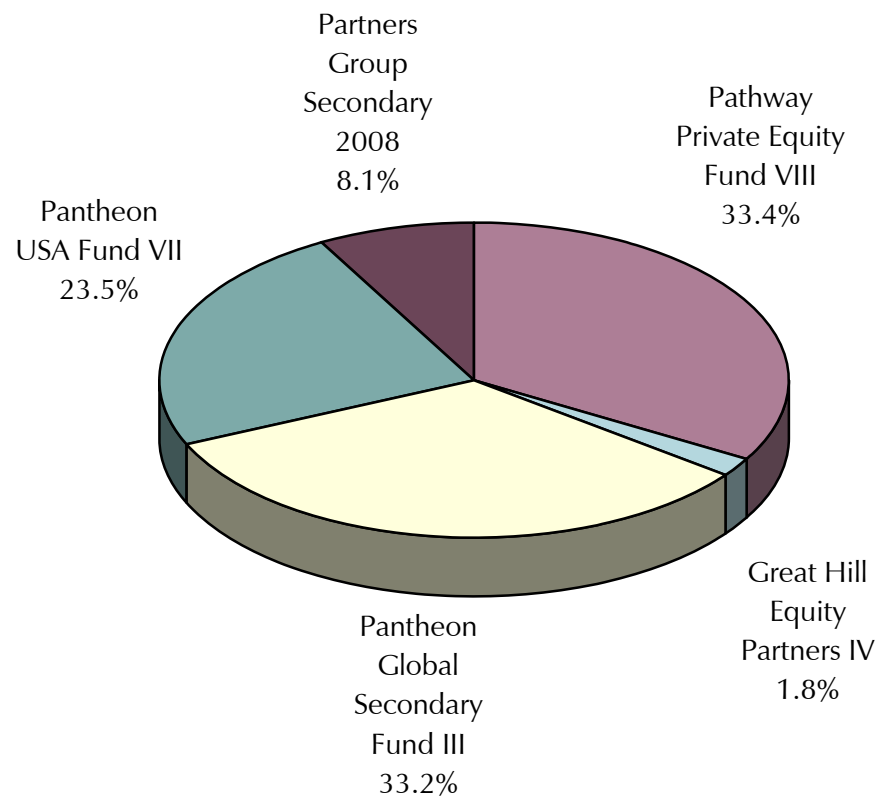
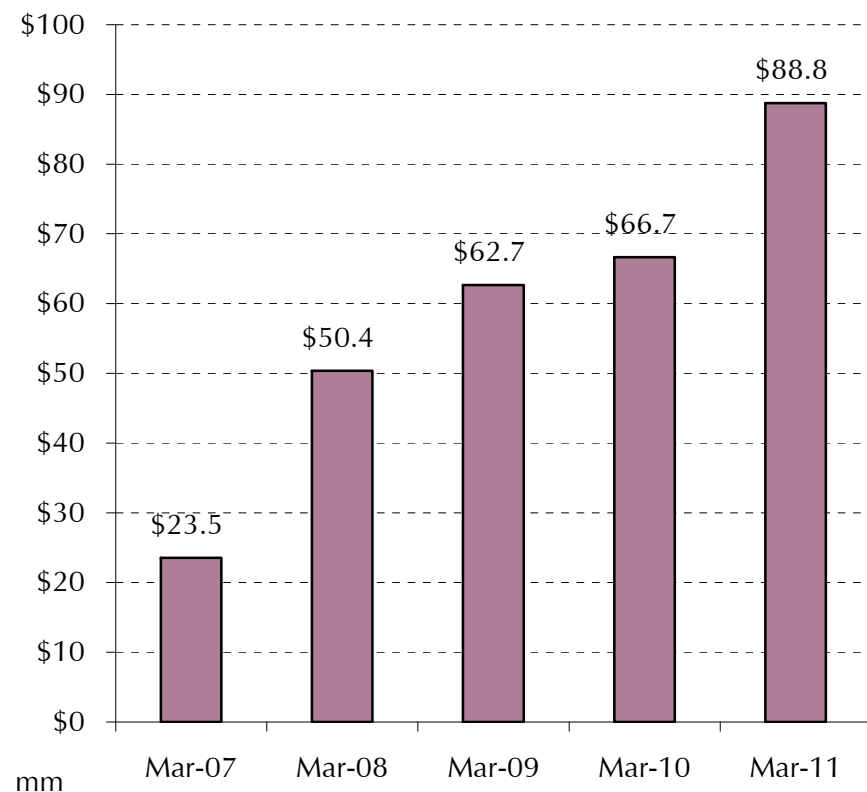


	Aggregate Fixed Income 3/31/11	Barclays Universal 3/31/11	Aggregate Fixed Income 12/31/10
<b>Market Allocation (%):</b>			
United States	95	86	99
Foreign (developed markets)	4	12	1
Foreign (emerging markets)	1	2	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	2	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	26	28	33
U.S. Treasury-TIPS	42	0	41
U.S. Agency	6	6	8
Mortgage Backed	0	29	0
Corporate	10	27	10
Bank Loans	4	0	6
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	7	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	0	0
Cash Equivalent	2	0	1
Other	9	0	0

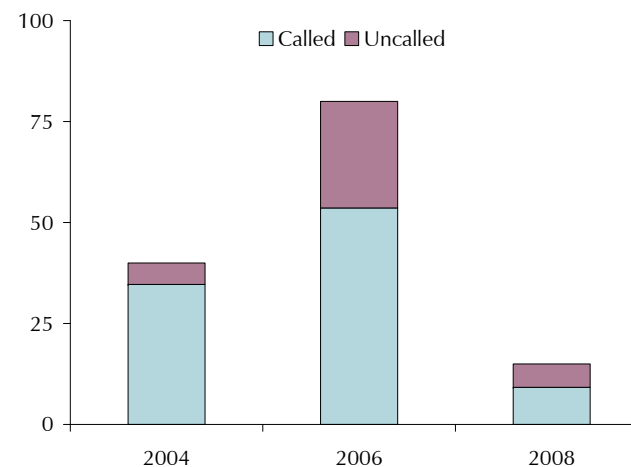
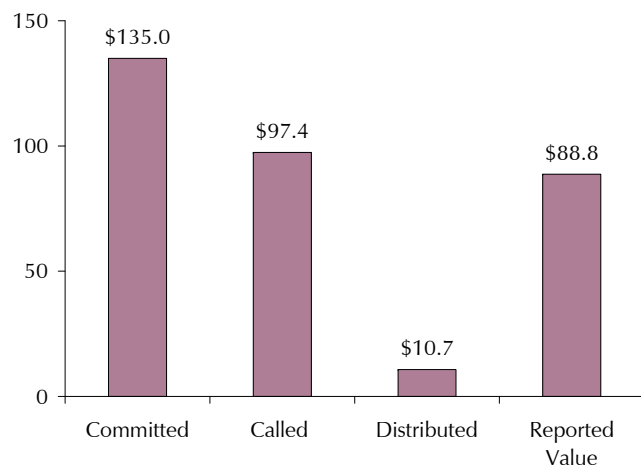
**Real Return Assets  
As of March 31, 2011**



## Private Equity Assets As of March 31, 2011



*Fair values for private markets assets are based on reported values of 12/31/10, adjusted for cash flows through 3/31/11.  
Unless otherwise denoted, all values have been converted into US dollars using 3/31/11 exchange rates.*



**Financial Summary:** (Reported value as of 12/31/2010, adjusted for cash flows through 3/31/2011)

## Program to Date

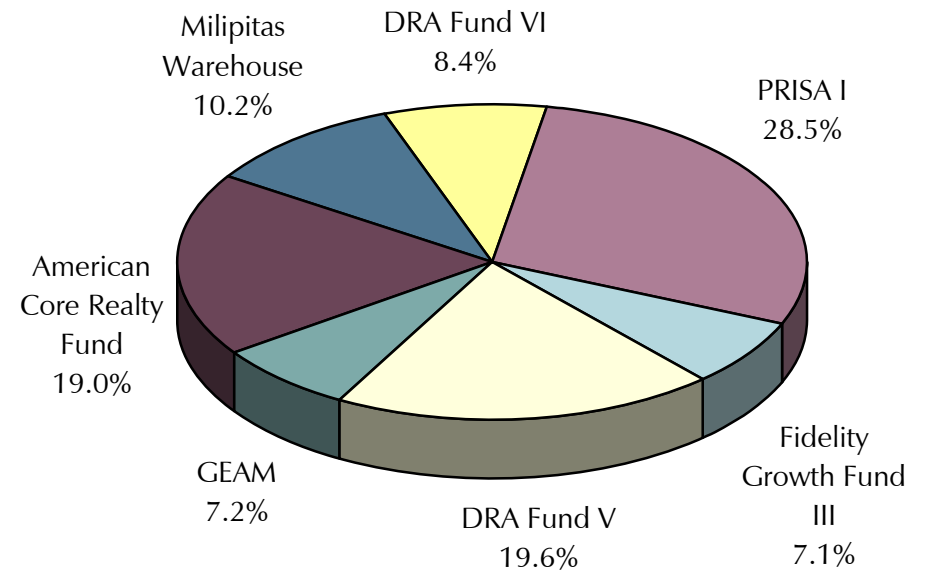
<b>Allocation Target:</b>	6%
<b>Number of Funds:</b>	5
<b>Commitments:</b>	\$135.0
<b>Capital Called:</b>	\$97.4
<b>Distributions:</b>	\$10.7
<b>Reported Value:</b>	\$88.8

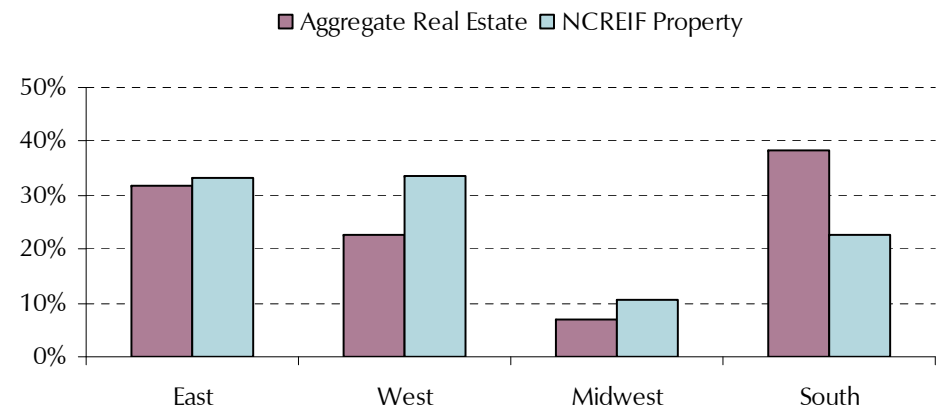
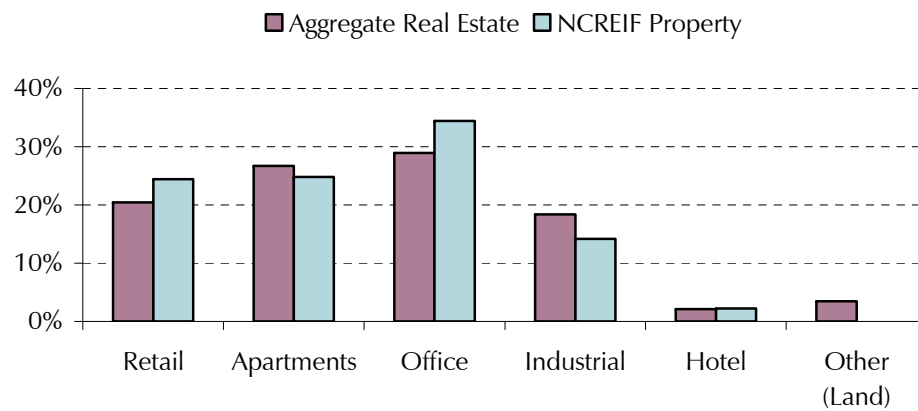
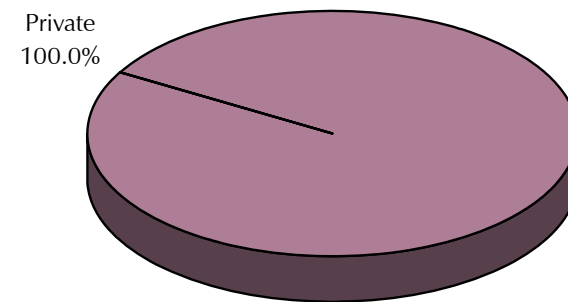
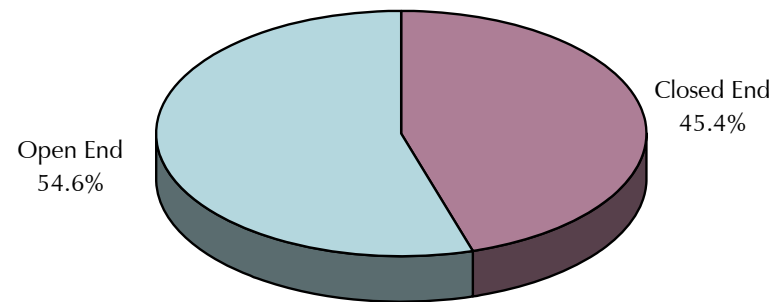
Partnership	Type	Focus	Vintage Year
Pathway Private Equity Fund VIII	Fund of Funds	Diversified Buyout	2004
Pantheon Global Secondary Fund III	Secondary Market	Diversified Buyout	2006
Pantheon USA Fund VII	Fund of Funds	Diversified Buyout	2006
Great Hill Equity Partners IV, LP	Buyout	Middle Market Buyout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

Partnership	Committed (\$ mm)	Called (\$ mm)	Distributed (\$ mm)	Fair Value (\$ mm)	% of Total
Great Hill Equity Partners IV, LP	5.0	2.0	0.3	1.6	2
Pathway Private Equity Fund VIII	40.0	34.7	5.8	29.6	33
Pantheon USA Fund VII	40.0	20.6	0.0	20.9	24
Pantheon Global Secondary Fund III	40.0	33.0	3.8	29.4	33
Partners Group Secondary 2008, L.P.	10.0	7.2	0.8	7.2	8



**Real Estate Assets  
As of March 31, 2011**

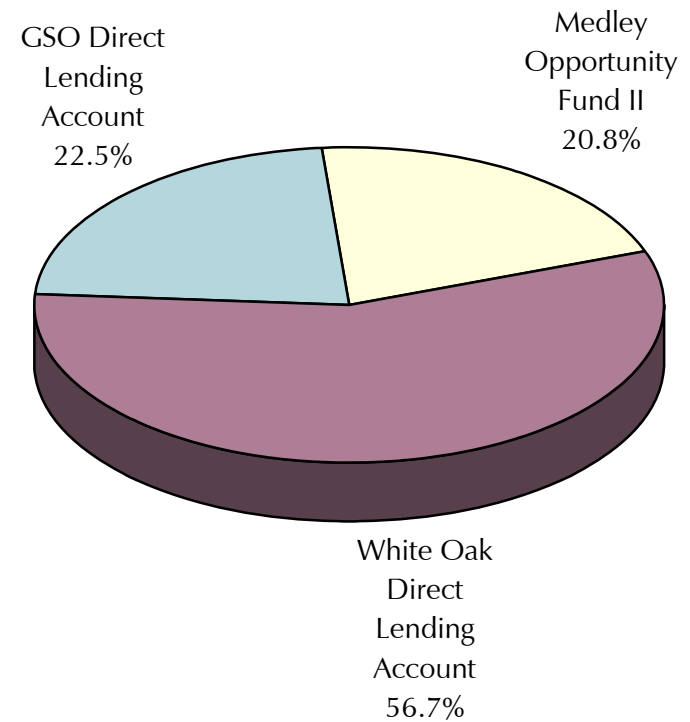




Portfolio Characteristics:	Aggregate Real Estate 3/31/11	NCREIF Property Index 3/31/11
Private Investments	100%	100%
Debt Investments	4%	NA
Open End Investments	55%	NA
# Portfolios	7	NA
# Properties	339	6,057
Leverage	44%	NA
Average Occupancy	78%	NA

	Market	Strategy	Reported Value 3/31/11 (\$ mm)	% of Asset Class
<b>Real Estate Assets</b>			<b>84.3</b>	<b>100</b>
PRISA I	Private	Diversified Core	24.0	28
DRA Growth & Income Fund V	Private	Value-Added	16.6	20
American Core Realty Fund, LLC	Private	Diversified Core	16.0	19
Milpitas Warehouse	Private	--	8.6	10
DRA Growth & Income Fund VI	Private	Value-Added	7.1	8
GEAM Value Add Realty Partners, L.P.	Private	Value-Added	6.1	7
Fidelity Real Estate Growth Fund III, L.P.	Private	Diversified Core	6.0	7

## Opportunistic Assets As of March 31, 2011



**Portfolio Reviews**  
**As of March 31, 2011**



## Global Equity Portfolios Reviews As of March 31, 2011

## San Jose Federated City Employees Retirement System

## Northern Trust Russell 3000 Index Portfolio Detail as of 3/31/11

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$81.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

Performance (%):	1Q11	1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>6.4</b>	<b>17.5</b>	<b>3.7</b>	<b>3.1</b>	<b>3.0</b>
Russell 3000	6.4	17.4	3.4	2.9	2.8

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>19.5%</b>	<b>1.00</b>	<b>0.05</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	19.4	1.00	0.04	NA	1.00

	3/31/11		12/31/10	
Capitalization Structure:	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	75.9	75.7	71.4	70.3
Median Market Cap. (US\$ billion)	1.3	1.1	1.2	1.0
Large (% over US\$10 billion)	74	73	72	72
Medium (% US\$1.5 billion to US\$10 billion)	22	22	22	22
Small (% under US\$1.5 billion)	5	5	5	6

Fundamental Structure:				
Price-Earnings Ratio	21	22	21	20
Price-Book Value Ratio	3.4	3.4	3.3	3.2
Dividend Yield (%)	1.7	1.7	1.8	1.7
Historical Earnings Growth Rate (%)	7	7	10	8
Projected Earnings Growth Rate (%)	11	11	11	11

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

Diversification:				
Number of Holdings	2,684	2,921	2,710	2,952
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	15	15	15	15

Largest Ten Holdings:		Industry
ExxonMobil	2.9	Energy
Apple	2.1	Technology Hardware
Chevron	1.4	Energy
General Electric	1.4	Capital Goods
IBM	1.4	Software & Services
Microsoft	1.3	Software & Services
JPMorgan	1.2	Diversified Financials
AT&T	1.2	Telecommunication Services
Procter & Gamble	1.2	Household/Personal Products
Pfizer	1.1	Pharmaceuticals & Biotech



## San Jose Federated City Employees Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$76.8 million  
**Portfolio Manager:** Bert L. Boksen, CFA  
**Location:** St. Petersburg, Florida  
**Inception Date:** 6/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	1Q11	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small-Cap Growth</b>	<b>9.6</b>	<b>36.8</b>	<b>14.7</b>	<b>9.5</b>	<b>7.7</b>
<b>Net of Fees</b>	<b>9.4</b>	<b>36.0</b>	<b>14.1</b>	<b>8.8</b>	<b>7.0</b>
Russell 2000 Growth	9.2	31.0	10.2	4.3	4.2
Peer Small Cap Growth	9.7	30.5	10.4	5.1	8.5
Peer Ranking (percentile)	52	15	7	1	66

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Eagle Small-Cap Growth</b>	<b>25.4%</b>	<b>0.95</b>	<b>0.29</b>	<b>0.95</b>	<b>0.97</b>
Russell 2000 Growth	24.9	1.00	0.09	NA	1.00

## Eagle Small-Cap Growth Portfolio Detail as of 3/31/11

	3/31/11 Eagle	Russell 2000 Growth	12/31/10 Eagle	Russell 2000 Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	1.8	1.6	1.7	1.4
Median Market Cap. (US\$ billion)	1.3	0.6	1.3	0.6
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	48	45	44	39
Small (% under US\$1.5 billion)	52	55	56	61

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	35	34	32	30
Price-Book Value Ratio	3.8	4.7	3.5	4.2
Dividend Yield (%)	0.2	0.5	0.2	0.5
Historical Earnings Growth Rate (%)	12	11	14	10
Projected Earnings Growth Rate (%)	13	18	14	17

<b>Sector Allocation (%):</b>				
Energy	10	6	8	5
Consumer Discretionary	17	16	18	17
Materials	6	5	5	5
Utilities	0	0	0	0
Industrials	17	17	17	17
Financials	5	5	5	5
Information Technology	28	28	27	27
Telecom	0	1	0	1
Health Care	17	19	17	19
Consumer Staples	1	3	1	3

<b>Diversification:</b>				
Number of Holdings	84	1,252	80	1,269
% in 5 largest holdings	14	3	13	3
% in 10 largest holdings	25	6	24	5

<b>Largest Ten Holdings:</b>		<b>Industry</b>
Lufkin Industries	4.1	Energy
Genesco	3.1	Retailing
Tibco Software	2.4	Software & Services
Informatica	2.4	Software & Services
Sirona Dental Systems	2.3	Health Equipment & Services
Coherent	2.2	Technology Hardware
Progress Software	2.1	Software & Services
Vitamin Shoppe	2.0	Retailing
Oyo Geospace	2.0	Energy
Robbins & Myers	2.0	Capital Goods



## San Jose Federated City Employees Retirement System

## RS Investments Small Cap Value Portfolio Detail as of 3/31/11

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$59.8 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 9/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	1Q11	Since 9/1/10
<b>RS Investments Small Cap Value</b>	<b>7.7</b>	<b>41.1</b>
<b>Net of Fees</b>	<b>7.5</b>	<b>40.4</b>
Russell 2000 Value	6.6	36.2
Peer Small Cap Value	7.4	37.2
Peer Ranking (percentile)	37	32

	3/31/11 RS SCV	Russell 2000 Value	12/31/10 RS SCV	Russell 2000 Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	3.7	1.2	3.4	1.1
Median Market Cap. (US\$ billion)	2.7	0.5	2.5	0.5
Large (% over US\$10 billion)	5	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	77	34	81	30
Small (% under US\$1.5 billion)	18	66	19	70

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	25	27	31	25
Price-Book Value Ratio	2.7	1.8	2.7	1.6
Dividend Yield (%)	0.5	1.8	0.4	1.8
Historical Earnings Growth Rate (%)	4	0	8	1
Projected Earnings Growth Rate (%)	20	10	15	11

<b>Sector Allocation (%):</b>				
Information Technology	24	10	22	9
Energy	13	8	11	8
Health Care	9	6	10	5
Materials	9	7	8	6
Consumer Discretionary	10	9	11	10
Utilities	6	6	3	6
Telecom	0	1	0	1
Consumer Staples	0	3	0	3
Financials	27	36	33	37
Industrials	2	15	0	15

<b>Diversification:</b>				
Number of Holdings	38	1,279	36	1,297
% in 5 largest holdings	23	2	25	2
% in 10 largest holdings	43	4	46	4

<b>Largest Ten Holdings:</b>		<b>Industry</b>
Denbury Resources	5.2	Energy
Concho Resources	4.6	Energy
New Gold	4.5	Materials
ACI Worldwide	4.5	Software & Services
Compass Minerals Intl	4.4	Materials
Atmel	4.3	Semiconductors
Gamestop	4.1	Retailing
Myriad Genetics	3.9	Pharmaceuticals & Biotech
First Horizon National	3.8	Banks
Associated Banc-Corp	3.7	Banks



## San Jose Federated City Employees Retirement System

**Mandate:** Global Equities

**Active/Passive:** Passive

**Market Value:** \$279.5 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

**Inception Date:** 6/1/2010

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

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

Performance (%):	1Q11	Since 6/1/10
Northern Trust MSCI ACWI Index <sup>1</sup>	4.7	26.6
MSCI ACWI	4.4	25.8

## Northern Trust MSCI ACWI Index<sup>1</sup> Portfolio Detail as of 3/31/11

	3/31/11		12/31/10	
Capitalization Structure:	NT MSCI ACWI	MSCI ACWI	NT MSCI ACWI	MSCI ACWI
Weighted Average Market Cap. (US\$ billion)	69.2	69.4	64.7	64.8
Median Market Cap. (US\$ billion)	7.7	7.6	7.3	7.2
Large (% over US\$9 billion)	84	84	83	83
Medium (% US\$1.5 billion to US\$9 billion)	16	16	17	17
Small (% under US\$1.5 billion)	0	0	0	0

Fundamental Structure:				
Price-Earnings Ratio	19	20	20	21
Price-Book Value Ratio	3.0	3.0	3.0	3.0
Dividend Yield (%)	2.3	2.3	2.3	2.2
Historical Earnings Growth Rate (%)	7	7	6	9
Projected Earnings Growth Rate (%)	13	13	13	13

Sector Allocation (%):				
Financials	21	21	21	21
Energy	13	12	11	11
Information Technology	12	12	12	12
Industrials	11	11	11	11
Consumer Discretionary	10	10	10	10
Materials	9	9	9	9
Consumer Staples	9	9	9	9
Health Care	8	8	8	8
Telecom	5	5	5	5
Utilities	4	4	4	4

Diversification:				
Number of Holdings	2,467	2,467	2,462	2,462
% in 5 largest holdings	5	5	5	5
% in 10 largest holdings	8	8	8	8

Region Allocation (%):				
Europe/North America	73	73	72	72
Pacific Rim/Asia	13	13	14	14
Asia (emerging)	8	8	8	8
Latin America (emerging)	3	3	3	3
Europe/MidEast/Africa (emerging)	3	3	3	3

Largest Five Holdings:		Industry
ExxonMobil	1.4	Energy
Apple	1.1	Technology Hardware
Chevron	0.7	Energy
General Electric	0.7	Capital Goods
IBM	0.7	Software & Services

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



# San Jose Federated City Employees Retirement System

## MSCI EAFE Small Cap Portfolio Detail as of 3/31/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$99.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

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

**Guidelines:**  
 NA

Performance (%):	1Q11	Since 6/1/10
MSCI EAFE Small Cap	3.3	32.0
Net of Fees	3.3	31.9
MSCI EAFE Small Cap	3.0	34.7

	3/31/11 MSCI EAFE Small Cap	MSCI EAFE Small Cap	12/31/10 MSCI EAFE Small Cap	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	15.6	1.8	15.0	1.7
Median Market Cap. (US\$ billion)	1.4	0.7	1.3	0.7
Large (% over US\$9 billion)	40	0	38	0
Medium (% US\$1.5 billion to US\$9 billion)	32	49	31	47
Small (% under US\$1.5 billion)	28	51	30	53

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	23	22	27	25
Price-Book Value Ratio	2.5	2.6	2.6	2.6
Dividend Yield (%)	2.2	2.5	2.0	9.7
Historical Earnings Growth Rate (%)	3	6	4	8
Projected Earnings Growth Rate (%)	19	17	21	21

<b>Sector Allocation (%):</b>				
Industrials	27	24	27	24
Consumer Discretionary	16	17	16	18
Financials	13	19	13	19
Materials	12	11	12	11
Information Technology	11	9	11	9
Consumer Staples	6	6	7	6
Health Care	5	5	5	5
Energy	5	6	5	6
Utilities	2	2	2	2
Telecom	2	1	2	1

<b>Diversification:</b>				
Number of Holdings	401	2,353	400	2,376
% in 5 largest holdings	5	2	5	2
% in 10 largest holdings	9	3	9	3

<b>Region Allocation (%):</b>				
Americas	2	0	2	0
Europe	59	59	58	58
Pacific Rim	37	40	39	41
Other	1	1	1	1

<b>Largest Five Holdings:</b>		<b>Industry</b>
Dassault Systemes	1.3	Software & Services
Adecco	1.2	Commercial & Professional Services
Shire	1.0	Pharmaceuticals & Biotech
WPP Plc	1.0	Media
Aixtron Se	0.9	Semiconductors



## San Jose Federated City Employees Retirement System

## Northern Trust MSCI Emerging Markets Index Portfolio Detail as of 3/31/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$97.1 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	1Q11	Since 6/1/10
<b>Northern Trust MSCI Emerging Markets Index</b>	<b>2.0</b>	<b>27.9</b>
MSCI Emerging Markets	2.0	28.3

	3/31/11		12/31/10	
	NT MSCI EM	MSCI Emerging Markets	NT MSCI EM	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	52.5	52.2	60.0	46.0
Median Market Cap. (US\$ billion)	5.6	5.6	5.4	5.6
Large (% over US\$9 billion)	72	72	71	71
Medium (% US\$1.5 billion to US\$9 billion)	27	27	28	28
Small (% under US\$1.5 billion)	1	1	1	1
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	21	21	19
Price-Book Value Ratio	3.2	3.3	3.3	3.1
Dividend Yield (%)	2.0	2.0	2.0	2.1
Historical Earnings Growth Rate (%)	17	17	17	16
Projected Earnings Growth Rate (%)	21	21	19	19
<b>Sector Allocation (%):</b>				
Financials	25	25	25	25
Energy	16	16	14	14
Materials	15	15	15	15
Information Technology	13	13	13	13
Telecom	7	7	7	7
Industrials	7	7	7	7
Consumer Discretionary	7	7	7	7
Consumer Staples	6	6	7	7
Utilities	3	3	3	3
Health Care	1	1	1	1
<b>Diversification:</b>				
Number of Holdings	855	810	848	801
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	16	16	15	16
<b>Region Allocation (%):</b>				
Asia	58	58	58	58
Latin America	23	23	24	23
Europe, Middle East and Africa	19	19	19	19
Canada	0	0	0	0
Other	0	0	0	0
<b>Largest Five Holdings:</b>				
		Industry		
Samsung	2.3	Semiconductors		
Petrol Brasileiros	1.8	Energy		
Gazprom	1.7	Energy		
Taiwan Semiconductor	1.5	Semiconductors		
Petrol Brasileiros	1.5	Energy		



# San Jose Federated City Employees Retirement System

# MSCI All Country World Value Portfolio Detail as of 3/31/11

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$87.0 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

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

**Guidelines:**  
NA

Performance (%):	1Q11	Since 6/1/10
MSCI All Country World Value	5.5	25.1
Net of Fees	5.5	25.0
MSCI ACWI Value	5.5	24.5

	3/31/11 MSCI ACWI Value	3/31/11 MSCI ACWI Value	12/31/10 MSCI ACWI Value	12/31/10 MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	78.3	78.3	75.2	70.7
Median Market Cap. (US\$ billion)	7.2	7.1	26.5	6.7
Large (% over US\$9 billion)	85	85	92	84
Medium (% US\$1.5 billion to US\$9 billion)	15	15	7	16
Small (% under US\$1.5 billion)	0	0	1	0
Price-Earnings Ratio	16	16	19	17
Price-Book Value Ratio	2.0	2.0	2.0	1.9
Dividend Yield (%)	3.0	2.9	2.8	3.0
Historical Earnings Growth Rate (%)	1	1	2	3
Projected Earnings Growth Rate (%)	9	9	12	10

<b>Sector Allocation (%):</b>				
Financials	31	31	28	31
Energy	17	17	15	16
Health Care	9	9	7	9
Industrials	8	8	15	8
Telecom	8	8	7	8
Consumer Discretionary	7	7	8	7
Utilities	6	6	6	7
Materials	6	6	5	6
Consumer Staples	5	5	6	5
Information Technology	5	5	3	5

<b>Diversification:</b>				
Number of Holdings	274 <sup>1</sup>	1,338	274	1,334
% in 5 largest holdings	8	8	9	8
% in 10 largest holdings	14	14	15	13

<b>Region Allocation (%):</b>				
Europe/North America	73	73	71	72
Pacific Rim/Asia	13	13	15	14
Asia (emerging)	8	8	8	8
Latin America (emerging)	3	3	3	3
Europe/MidEast/Africa (emerging)	3	3	3	3
Other	0	0	0	0

<b>Largest Five Holdings:</b>		<b>Industry</b>
ExxonMobil	2.9	Energy
Chevron	1.5	Energy
General Electric	1.4	Capital Goods
AT&T	1.2	Telecommunication Services
JPMorgan	1.2	Diversified Financials

<sup>1</sup> The number of holdings as of 3/31/11 was not representative of actual holdings due to quarter-end withdrawals from the portfolio.





# San Jose Federated City Employees Retirement System

## MSCI EAFE Growth Portfolio Detail as of 3/31/11

**Mandate:** Global Equities

**Active/Passive:** Passive

**Market Value:** \$61.0 million

**Portfolio Manager:** Russell Investments (Transition Manager)

**Location:** Tacoma, Washington

**Inception Date:** 6/1/2010

**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
Daily

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

**Guidelines:**  
NA

Performance (%):	1Q11	Since 6/1/10
MSCI EAFE Growth	2.7	27.2
Net of Fees	2.7	27.1
MSCI EAFE Growth	2.2	28.5

	3/31/11 MSCI EAFE Growth	3/31/11 MSCI EAFE Growth	12/31/10 MSCI EAFE Growth	12/31/10 MSCI EAFE Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	63.9	56.4	61.5	56.2
Median Market Cap. (US\$ billion)	15.5	7.9	14.5	7.7
Large (% over US\$9 billion)	85	82	85	82
Medium (% US\$1.5 billion to US\$9 billion)	14	18	14	18
Small (% under US\$1.5 billion)	1	0	1	0

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	22	21	25	26
Price-Book Value Ratio	3.0	3.3	3.1	3.4
Dividend Yield (%)	2.5	2.0	2.3	1.9
Historical Earnings Growth Rate (%)	3	7	5	6
Projected Earnings Growth Rate (%)	18	17	17	19

<b>Sector Allocation (%):</b>				
Consumer Staples	16	17	17	18
Materials	16	16	16	16
Financials	15	13	14	13
Industrials	15	19	15	18
Consumer Discretionary	11	13	11	13
Health Care	10	7	11	7
Information Technology	7	7	7	7
Energy	4	5	4	4
Telecom	3	2	3	1
Utilities	3	2	3	2

<b>Diversification:</b>				
Number of Holdings	273	576	272	577
% in 5 largest holdings	12	13	12	13
% in 10 largest holdings	19	20	19	20

<b>Region Allocation (%):</b>				
Americas	1	0	1	0
Europe	67	66	65	64
Pacific Rim	32	34	33	35
Other	0	1	0	1

<b>Largest Five Holdings:</b>		<b>Industry</b>
Nestle	3.8	Food Beverage & Tobacco
HSBC Holdings Plc	2.1	Banks
Roche	1.9	Pharmaceuticals & Biotech
BHP Billiton	1.9	Materials
Rio Tinto	1.8	Materials



## San Jose Federated City Employees Retirement System

**Mandate:** Fixed Income  
**Active/Passive:** Active  
**Market Value:** \$60.3 million  
**Portfolio Manager:** John P Calamos/ Nick P Calamos  
**Location:** Naperville, Illinois  
**Inception Date:** 11/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	1Q11	1 YR	Since 11/1/09
<b>Calamos Global Convertibles</b>	<b>3.7</b>	<b>12.6</b>	<b>14.5</b>
<b>Net of Fees</b>	<b>3.6</b>	<b>12.0</b>	<b>13.9</b>
Merrill Lynch Global 300 Convertible Index	3.5	11.3	14.9

## Calamos Global Convertibles Portfolio Detail as of 3/31/11

	3/31/11		12/31/10	
	Calamos	ML Global 300 Convertible	Calamos	ML Global 300 Convertible
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	2.7	2.5	2.6	2.5
Yield to Maturity (%)	0.3	1.8	0.4	2.0
<b>Quality Structure (%):</b>				
Average Quality	BBB	BB+	BBB	BB+
AAA (includes Treasuries and Agencies)	0	0	0	0
AA	5	5	5	5
A	28	17	29	17
BBB	31	28	33	28
BB	34	33	32	33
B	3	13	2	13
Below B	0	4	0	4
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	3	0	2	0
Other	97	100	98	100
<b>Market Allocation (%):</b>				
United States	63	49	58	49
Foreign (developed markets)	30	44	32	44
Foreign (emerging markets)	6	8	9	8
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	16	36	17	36



## San Jose Federated City Employees Retirement System

## Artisan Global Value Portfolio Detail as of 3/31/11

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$80.2 million

**Portfolio Manager:** David Samra  
Dan O'Keefe

**Location:** San Francisco, California

**Inception Date:** 3/1/2011

**Account Type:** Separately Managed

**Fee Schedule:**

0.80% on first \$50 mm; 0.60% on next \$50 mm; 0.50% thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

Artisan employs a bottom-up investment approach seeking to identify undervalued quality businesses that offer the potential for superior risk/reward outcomes. Artisan runs a somewhat concentrated portfolio of 40 to 60 stocks. They are benchmark-agnostic, and willing to have exposures that are materially different than the benchmark.

**Guidelines:**

Benchmark = MSCI ACWI; Max. % per country other than U.S. = 35%; Max. % per industry = 25%; Max. % in debt securities = 10%; Max % outside developed markets = 10% above benchmark weighting

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):	1Q11	Since 3/1/11
<b>Artisan Global Value</b>	<b>NA</b>	<b>0.1</b>
MSCI ACWI	4.4	-0.1
Peer International Value	4.3	-1.9
Peer Ranking (percentile)	NA	9

	3/31/11	
Capitalization Structure:	Artisan Global Value	MSCI ACWI
Weighted Average Market Cap. (US\$ billion)	44.4	69.4
Median Market Cap. (US\$ billion)	17.6	7.6
Large (% over US\$9 billion)	80	84
Medium (% US\$1.5 billion to US\$9 billion)	20	16
Small (% under US\$1.5 billion)	0	0
Fundamental Structure:		
Price-Earnings Ratio	16	20
Price-Book Value Ratio	2.9	3.0
Dividend Yield (%)	2.1	2.3
Historical Earnings Growth Rate (%)	12	7
Projected Earnings Growth Rate (%)	14	13
Sector Allocation (%):		
Information Technology	13	12
Consumer Discretionary	18	10
Financials	29	21
Consumer Staples	14	9
Industrials	13	11
Health Care	8	8
Utilities	0	4
Telecom	0	5
Energy	2	12
Materials	1	9
Diversification:		
Number of Holdings	41	2,467
% in 5 largest holdings	21	5
% in 10 largest holdings	39	8
Region Allocation (%):		
Americas	53	48
Europe	40	25
Pacific Rim	7	13
Other	0	14
Largest Five Holdings:	Industry	
MasterCard	5.0	Software & Services
Signet Jewelers	4.5	Retailing
Compass Group	4.0	Consumer Services
Arch Capital Group	4.0	Insurance
GPE Bruxelles Lam	3.9	Diversified Financials



## Fixed Income Portfolio Reviews As of March 31, 2011

# San Jose Federated City Employees Retirement System

## Barclays U.S. TIPS Portfolio Detail as of 3/31/11

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$266.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

**Guidelines:**  
 NA

Performance (%):	1Q11	Since 6/1/10
<b>Barclays U.S. TIPS</b>	<b>2.2</b>	<b>5.4</b>
<b>Net of Fees</b>	<b>2.2</b>	<b>5.3</b>
Barclays U.S. TIPS	2.1	5.4

	3/31/11		12/31/10	
Duration & Yield:	Barclays US TIPS	Barclays TIPS	Barclays US TIPS	Barclays TIPS
Average Effective Duration (years)	NA	NA	NA	NA
Yield to Maturity (%)	NA	NA	NA	NA
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	100	100	100	100
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

## Barclays Intermediate Government Bond Portfolio Detail as of 3/31/11

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$202.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
 0.05% on all assets  
**Liquidity Constraints:**  
 Daily  
**Strategy:**  
 The strategy seeks to replicate the performance of the Barclays Intermediate Government Bond Index.  
**Guidelines:**  
 NA

Performance (%):	1Q11	Since 6/1/10
<b>Barclays Intermediate Government Bond</b>	<b>0.0</b>	<b>2.1</b>
<b>Net of Fees</b>	<b>0.0</b>	<b>2.1</b>
Barclays IT Gov't	0.0	1.9

	3/31/11		12/31/10	
Duration & Yield:	Barclays Int Gov't Bond	Barclays IT Gov't	Barclays Int Gov't Bond	Barclays IT Gov't
Average Effective Duration (years)	3.7	3.7	3.7	3.7
Yield to Maturity (%)	1.7	1.7	1.5	1.5
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
Sector Allocation (%):				
U.S. Treasury-Nominal	81	81	81	81
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	19	19	19	19
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

## MacKay Shields High Yield Active Core Portfolio Detail as of 3/31/11

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$48.8 million  
**Portfolio Manager:** Dan Roberts, Ph.D.  
**Location:** New York, New York  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	1Q11	1 YR	Since 5/1/09
<b>MacKay Shields High Yield Active Core</b>	<b>3.0</b>	<b>12.8</b>	<b>19.5</b>
<b>Net of Fees</b>	<b>2.9</b>	<b>12.3</b>	<b>19.0</b>
Barclays High Yield	3.9	14.3	27.5
Barclays High Yield BB/B	3.6	13.7	22.4
Peer High Yield	4.0	14.9	26.3
Peer Ranking (percentile)	96	89	91

	3/31/11		12/31/10	
Duration & Yield:	MacKay High Yield	Barclays High Yield	MacKay High Yield	Barclays High Yield
Average Effective Duration (years)	3.1	4.3	3.2	4.3
Yield to Maturity (%)	5.3	7.0	6.1	7.5
Quality Structure (%):				
Average Quality	BB	B+	BB	B+
AAA (includes Treasuries and Agencies)	13	0	7	0
AA	0	0	0	0
A	0	0	0	0
BBB	5	0	6	0
BB	38	39	35	39
B	33	43	41	43
Below B	9	18	9	18
Non-Rated	1	0	2	0
Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	79	100	85	100
Bank Loans	3	0	2	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	5	0	4	0
Cash Equivalent	13	0	7	0
Other	0	0	1	0
Market Allocation (%):				
United States	95	87	96	87
Foreign (developed markets)	4	11	4	11
Foreign (emerging markets)	1	2	1	2
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$38.9 million  
**Portfolio Manager:** Michael McEachern, CFA  
**Location:** Upper Saddle River, New Jersey  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	1Q11	1 YR	Since 5/1/09
<b>Seix Credit Dislocation Strategy</b>	<b>1.9</b>	<b>6.5</b>	<b>10.2</b>
<b>Net of Fees</b>	<b>1.8</b>	<b>6.1</b>	<b>9.9</b>
CSFB Leveraged Loan Index	2.7	8.2	19.8

## Seix Credit Dislocation Strategy Portfolio Detail as of 3/31/11

	3/31/11		12/31/10	
<b>Duration &amp; Yield:</b>	Seix	CSFB Lev Loan	Seix	CSFB Lev Loan
Average Effective Duration (years)	1.6	0.3	1.7	0.3
Yield to Maturity (%)	3.3	4.3	4.1	4.4
<b>Quality Structure (%):</b>				
Average Quality	BB	B	BB-	B
AAA (includes Treasuries and Agencies)	13	0	3	0
AA	0	0	0	0
A	0	0	0	0
BBB	4	0	4	0
BB	45	35	46	35
B	38	46	47	46
Below B	0	6	0	6
Non-Rated	0	13	0	13
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	17	0	4	0
Bank Loans	70	100	93	100
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	13	0	3	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0





## San Jose Federated City Employees Retirement System

## Northern Trust Long Term Credit Bond Index Portfolio Detail as of 3/31/11

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

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

Performance (%):	1Q11	Since 5/1/10
<b>Northern Trust Long Term Credit Bond Index</b>	<b>0.3</b>	<b>5.9</b>
Barclays Long U.S. Credit	0.6	5.8

	3/31/11		12/31/10	
	NT Barclays LT Credit	Barclays Long U.S. Credit	NT Barclays LT Credit	Barclays Long U.S. Credit
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	12.3	12.3	12.2	12.2
Yield to Maturity (%)	5.9	5.9	5.8	5.8
<b>Quality Structure (%):</b>				
Average Quality	A	A	A	A
AAA (includes Treasuries and Agencies)	3	3	3	3
AA	17	17	17	17
A	39	39	40	39
BBB	41	41	40	41
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	1	1	1	1
Mortgage Backed	0	0	0	0
Corporate	79	79	79	79
Bank Loans	0	0	0	0
Local & Provincial Government	13	13	13	13
Sovereign & Supranational	7	7	7	7
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	78	78	78	78
Foreign (developed markets)	14	14	14	14
Foreign (emerging markets)	8	8	8	8
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## Real Assets Portfolio Reviews As of March 31, 2011

**Mandate:** Infrastructure

**Active/Passive:** Passive

**Market Value:** \$37.6 million

**Portfolio Manager:** Russell Investments (Transition Manager)

**Location:** Tacoma, Washington

**Inception Date:** 5/1/2010

**Account Type:** Separately Managed

**Fee Schedule:**

0.05% on first \$200 mm; 0.03% on next \$200 mm; 0.015% thereafter

**Liquidity Constraints:**

Monthly

**Strategy:**

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

Performance (%):	1Q11	Since 5/1/10
<b>S&amp;P Global Infrastructure</b>	<b>5.1</b>	<b>12.8</b>
S&P Global Infrastructure Index	5.1	13.3

**Mandate:** Commodity

**Active/Passive:** Active

**Market Value:** \$37.5 million

**Portfolio Manager:** Team

**Location:** Pasadena, California

**Inception Date:** 4/1/2011

**Account Type:** Separately Managed

**Fee Schedule:**

0.50% on first \$100 mm; 0.30% thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

First Quadrant believes that there are inherent flaws to commodity indices, and they seek to produce a strategy with better diversification that will provide investors with a higher correlation to inflation over the long run. First Quadrant utilizes futures and swaps, when applicable, to gain exposure to commodities. First Quadrant tends to utilize futures and prefers to hold no more than 10% of the open interest on the exchange. The firm uses five commodity complexes representing twenty specific commodities, while targeting a volatility of 12%. The strategy targets 20% risk to each of the commodity complexes. The complexes are energy, industrial metals, precious metals, agriculture and livestock. The firm employs a quantitative methodology and uses risk as the weighting for each commodity product, making adjustments to the allocations depending upon the perceived volatility environment (high risk, low risk, or moderate risk). The firm modifies the investment exposure based upon the predicted environment ranging from 88% (in a high volatility environment) to 146% (in a low volatility environment). First Quadrant has constructed quantitative models to identify five volatility environments. These models use available market information attempting to predict forward-looking assessments of volatility. Changes from one volatility environment to another tend to be limited to once per year, based on the firm's historical analysis. The portfolio is rebalanced when the allocation to a commodity deviates more than 10% from its target. Collateral for the portfolio is actively managed and invested in U.S. Treasuries and agency securities.

**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$37.5 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Separately Managed

**Fee Schedule:**  
 0.42% on first \$100 mm; 0.37% thereafter

**Liquidity Constraints:**  
 Daily

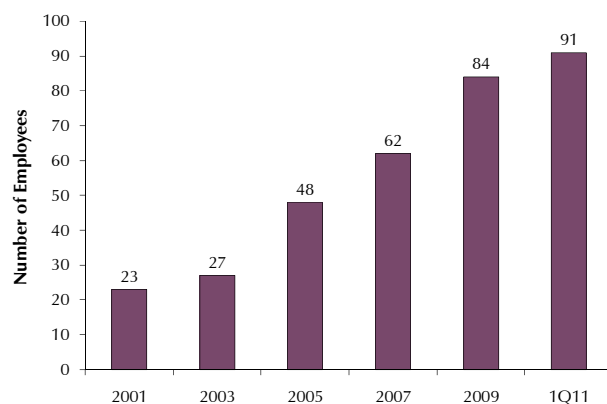
**Strategy:**

Credit Suisse Asset Management (CSAM) seeks to provide a commodity-based investment return with reduced risk, measured by standard deviation, versus traditional commodity indices. The team aims to capture the spot return of commodities while employing active management techniques to exploit commodity market inefficiencies. The commodities team at CSAM utilizes futures to replicate the risk-based index. The portfolio consists of five commodity complexes (energy, industrial metals, precious metals, agriculture, and livestock) and 24 commodities included in the S&P- Goldman Sachs Commodities Index. CSAM allocates 20% of capital to each of the commodity complexes. Within each commodity complex, the strategy equal weights the specific commodities. The portfolio is rebalanced on a monthly basis. Active strategies used by CSAM seek to exploit the time period (roll date) the fund purchases commodities, using a quantitative and qualitative assessment. Collateral for the fund is actively managed and invested in U.S. Treasuries and agency securities.

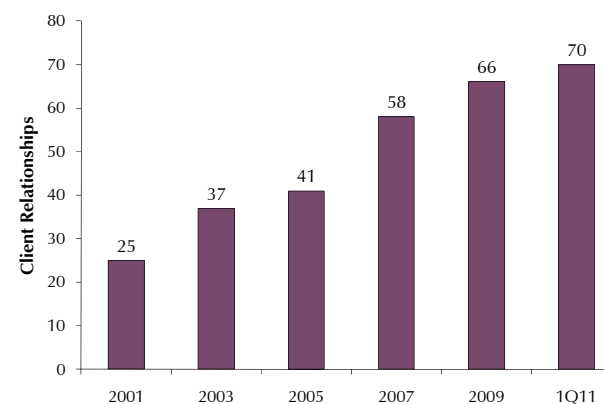
## **Meketa Investment Group Corporate Update**

- Staff of 91, including 54 investment professionals and 17 CFA charterholders
- 70 clients, with over 140 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston and San Diego
- Clients have aggregate assets of over \$270 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity      ▪ Infrastructure      ▪ Natural Resources
    - Real Estate        ▪ Hedge Funds      ▪ Commodities

## Employee Growth



## Client Growth



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



### Asset Classes Followed Intensively by Meketa Investment Group

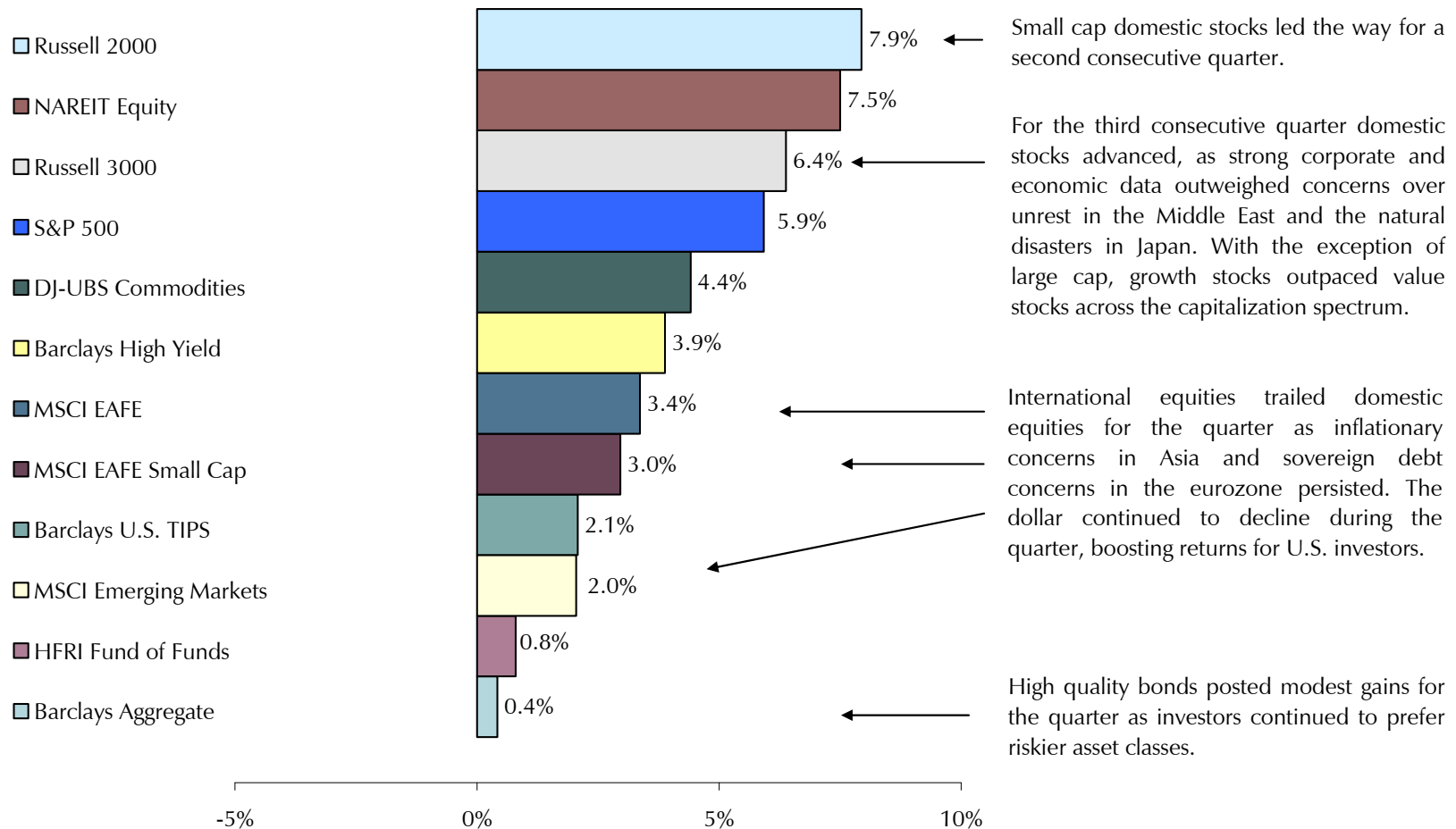
Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: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



## Appendices

## The World Markets First Quarter of 2011

The World Markets  
First Quarter of 2011

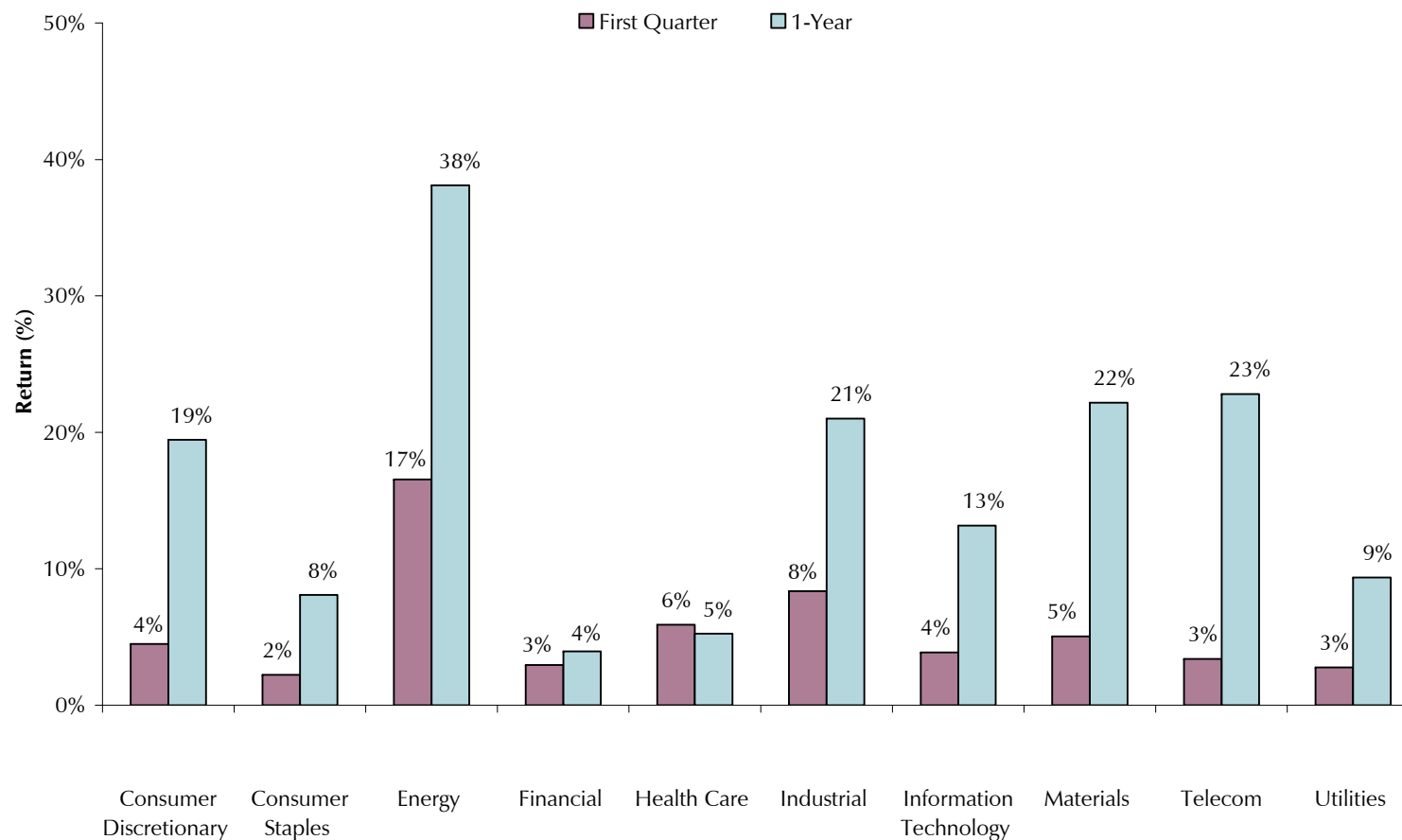


## Index Returns

	1Q11 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	6.4	17.4	3.4	2.9	4.1
Russell 1000 Growth	6.0	18.3	5.2	4.3	3.0
Russell 1000	6.2	16.7	3.0	2.9	3.8
Russell 1000 Value	6.5	15.2	0.6	1.4	4.5
Russell MidCap Growth	7.9	26.6	7.6	4.9	6.9
Russell MidCap	7.6	24.3	7.3	4.7	8.5
Russell MidCap Value	7.4	22.3	6.6	4.0	9.2
Russell 2000 Growth	9.2	31.0	10.2	4.3	6.4
Russell 2000	7.9	25.8	8.6	3.3	7.9
Russell 2000 Value	6.6	20.6	6.8	2.2	9.0
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	3.5	13.3	-0.8	3.6	7.4
MSCI EAFE	3.4	10.4	-3.0	1.3	5.4
MSCI EAFE Small Cap	3.0	19.9	1.4	1.4	10.5
MSCI Emerging Markets	2.0	18.5	4.3	10.7	16.8
<b>Fixed Income</b>					
Barclays Universal	0.7	5.7	5.7	6.1	5.8
Barclays Aggregate	0.4	5.1	5.3	6.0	5.6
Barclays U.S. TIPS	2.1	7.9	3.9	6.2	6.8
Barclays High Yield	3.9	14.3	12.9	9.1	8.6
JPMorgan GBI-EM Global Diversified	2.9	12.8	10.4	12.4	NA
<b>Other</b>					
NAREIT Equity	7.5	25.0	2.6	1.7	11.5
DJ-UBS Commodities	4.4	28.3	-5.6	0.5	5.9
HFRI Fund of Funds	0.8	5.1	-0.8	1.6	4.2

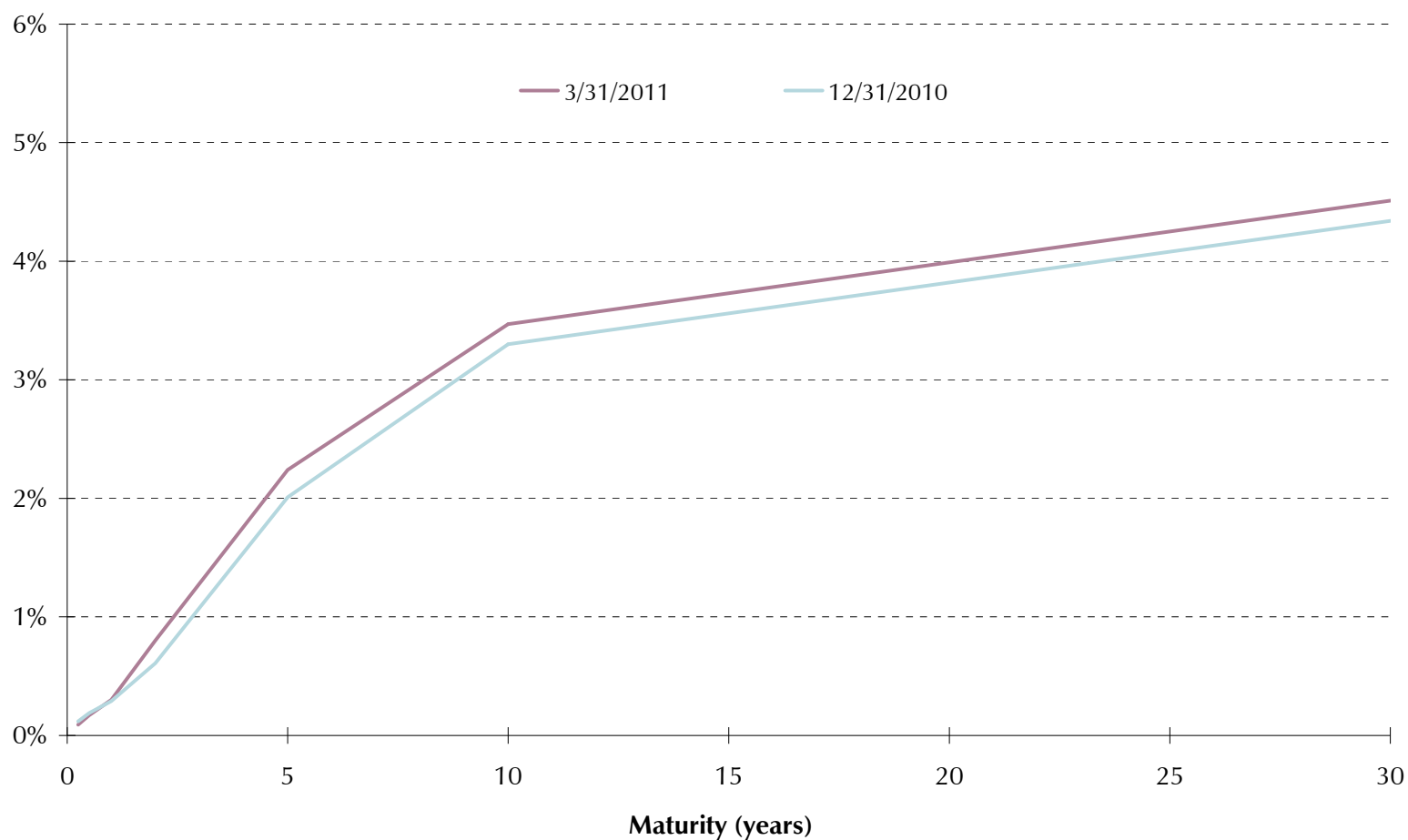
### S&P Sector Returns

For the third consecutive quarter, all sectors in the S&P 1500 posted positive returns. The energy sector led the way for the quarter and trailing one-year.



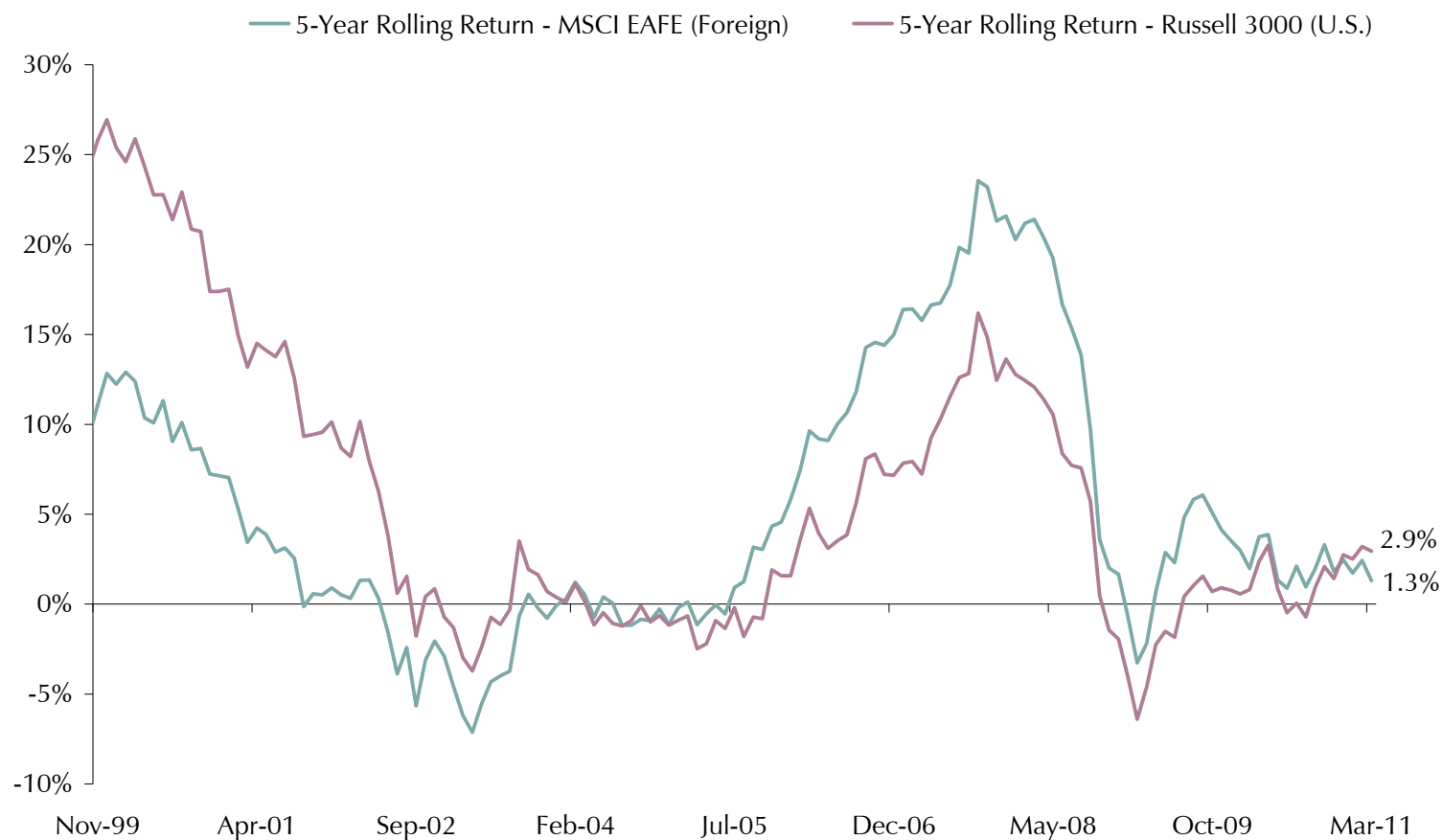
### Treasury Yields

Treasury yields continued to rise in the first quarter as growth expectations persisted. The yield on the ten-year Treasury finished the quarter at 3.5%, a level approximately 1% higher than the low reached in October 2010.



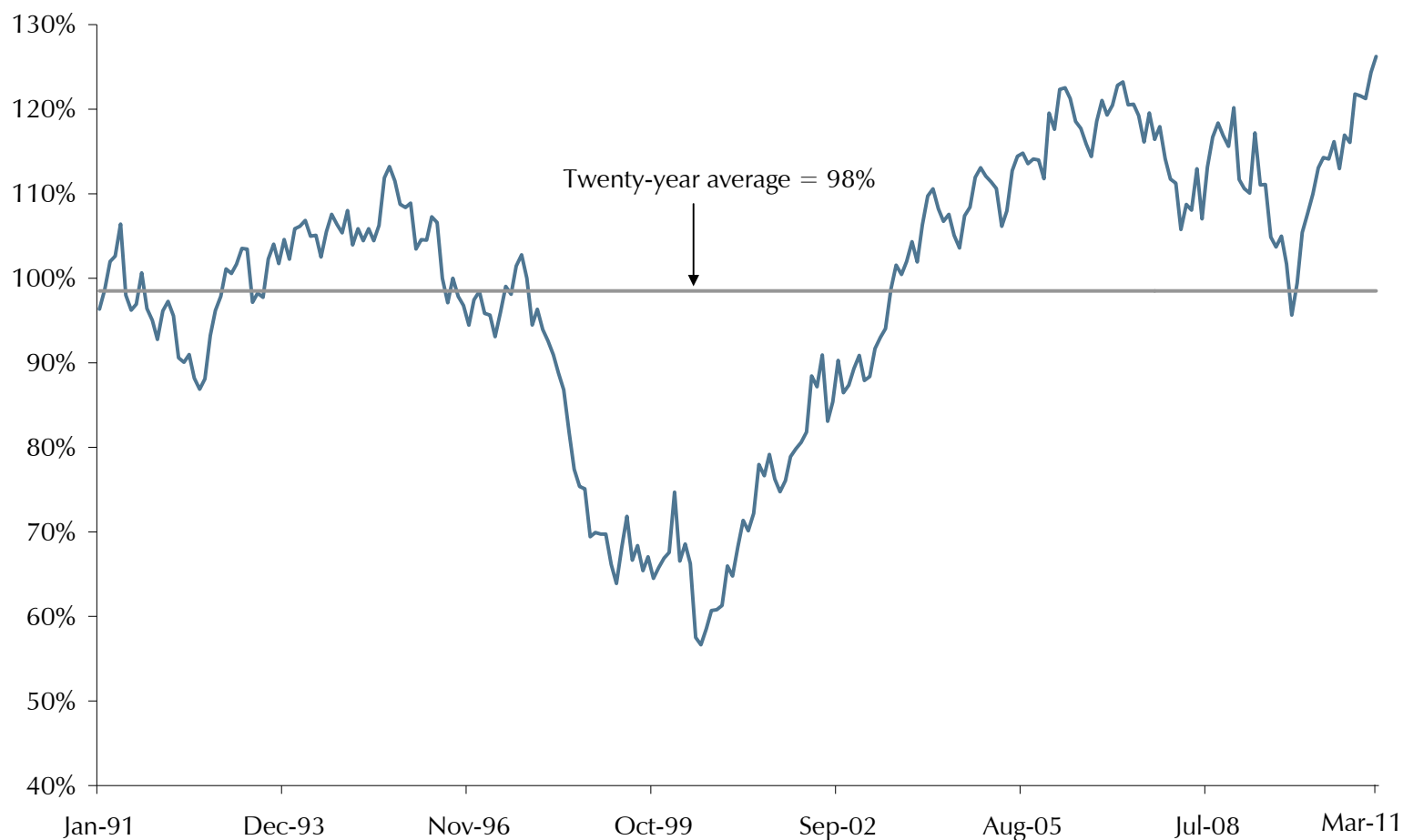
### Equity Markets

The broad domestic equity market outpaced the developed international equity market by 3.0% during the first quarter. The performance spread between domestic and international equities expanded to 1.6% for the five-year period ending March 31.



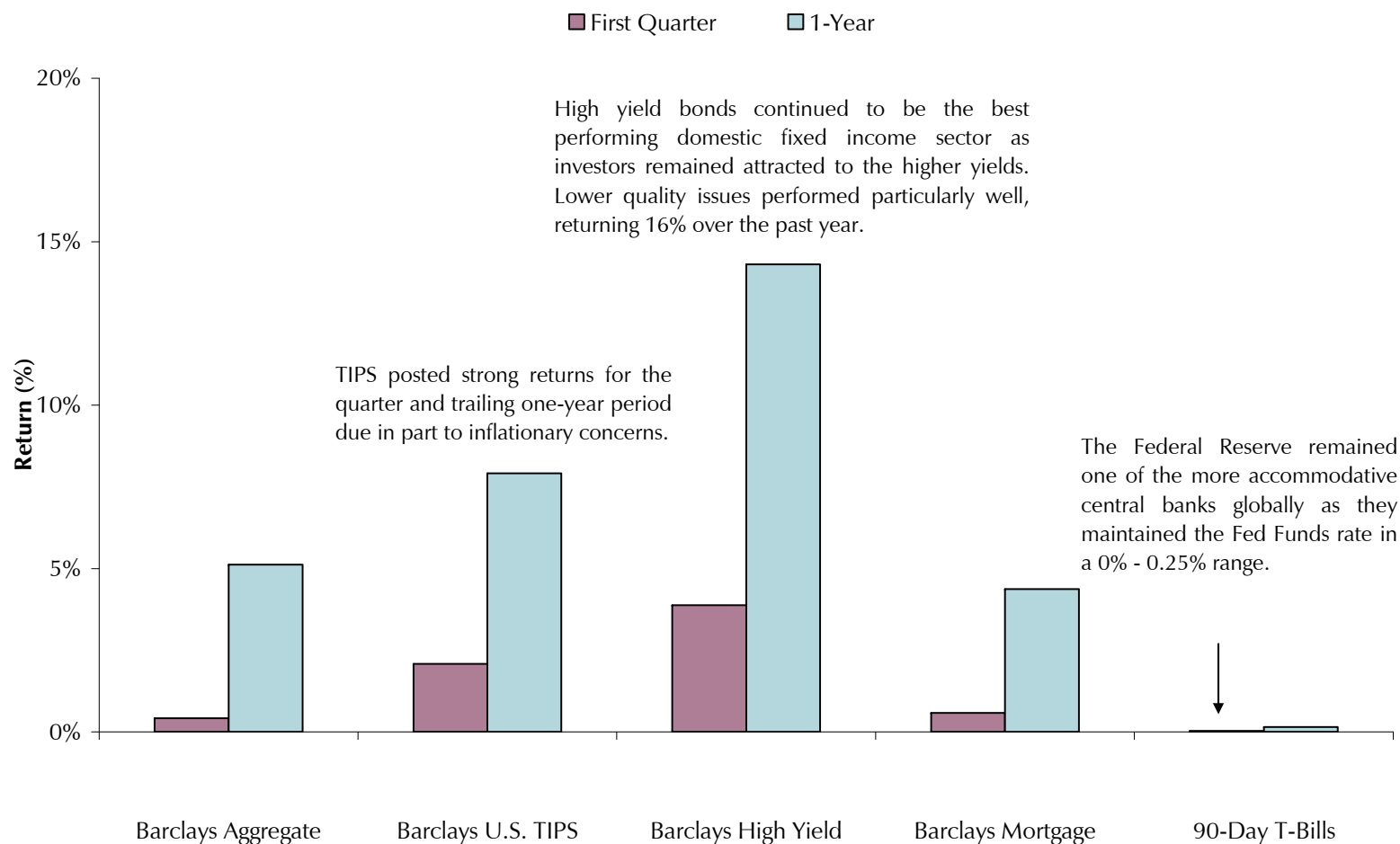
**Russell 2000 P/E (Small Cap) vs. Russell 1000 P/E (Large Cap)**

In the first quarter, the ratio of small cap (Russell 2000) P/Es to large cap (Russell 1000) P/Es continued to expand, reaching a level above the high of March 2007. Small cap stocks outpaced large cap stocks by 170 basis points for the quarter.



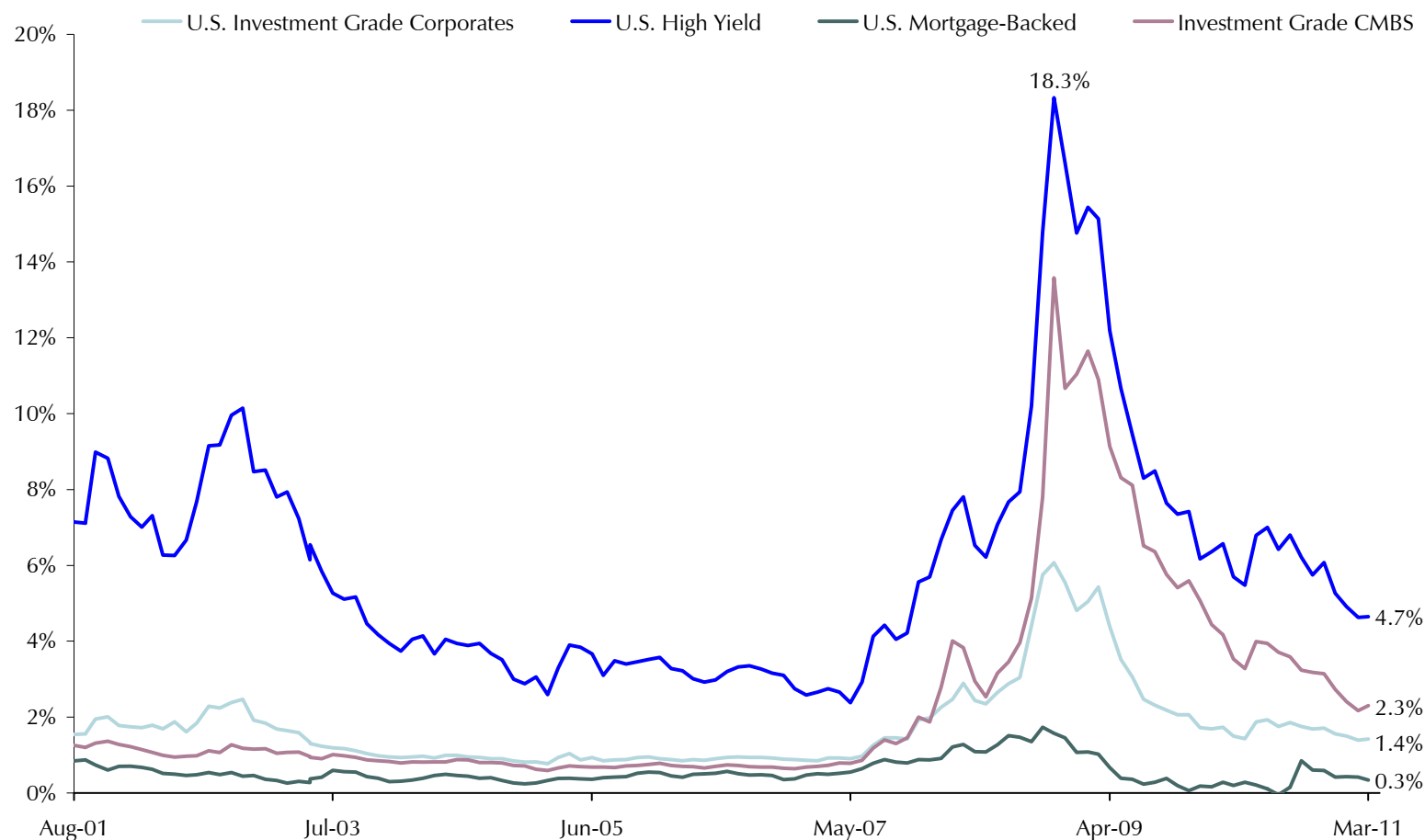


## U.S. Fixed Income Markets

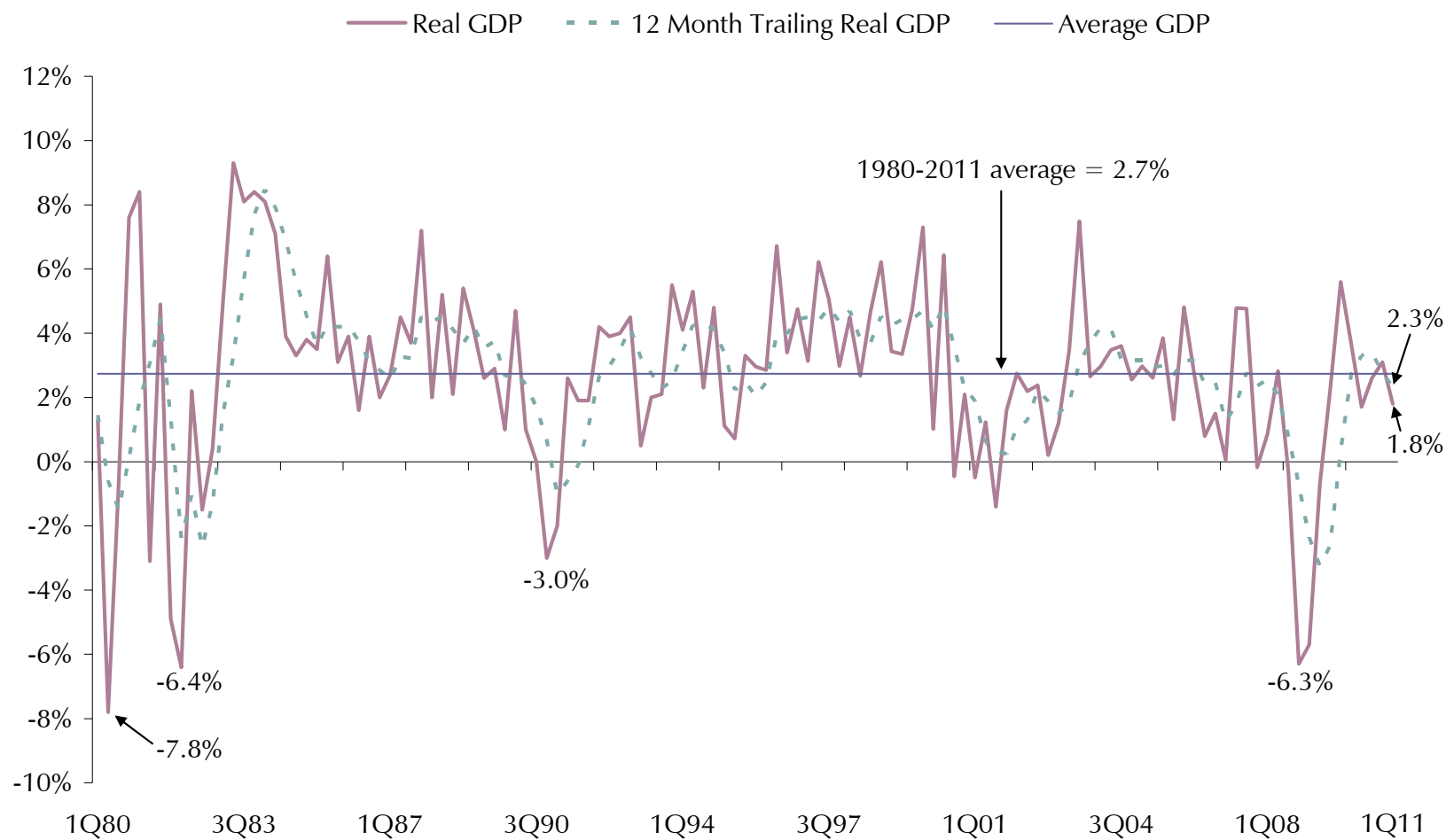


### Credit Spreads vs. U.S. Treasury Bonds

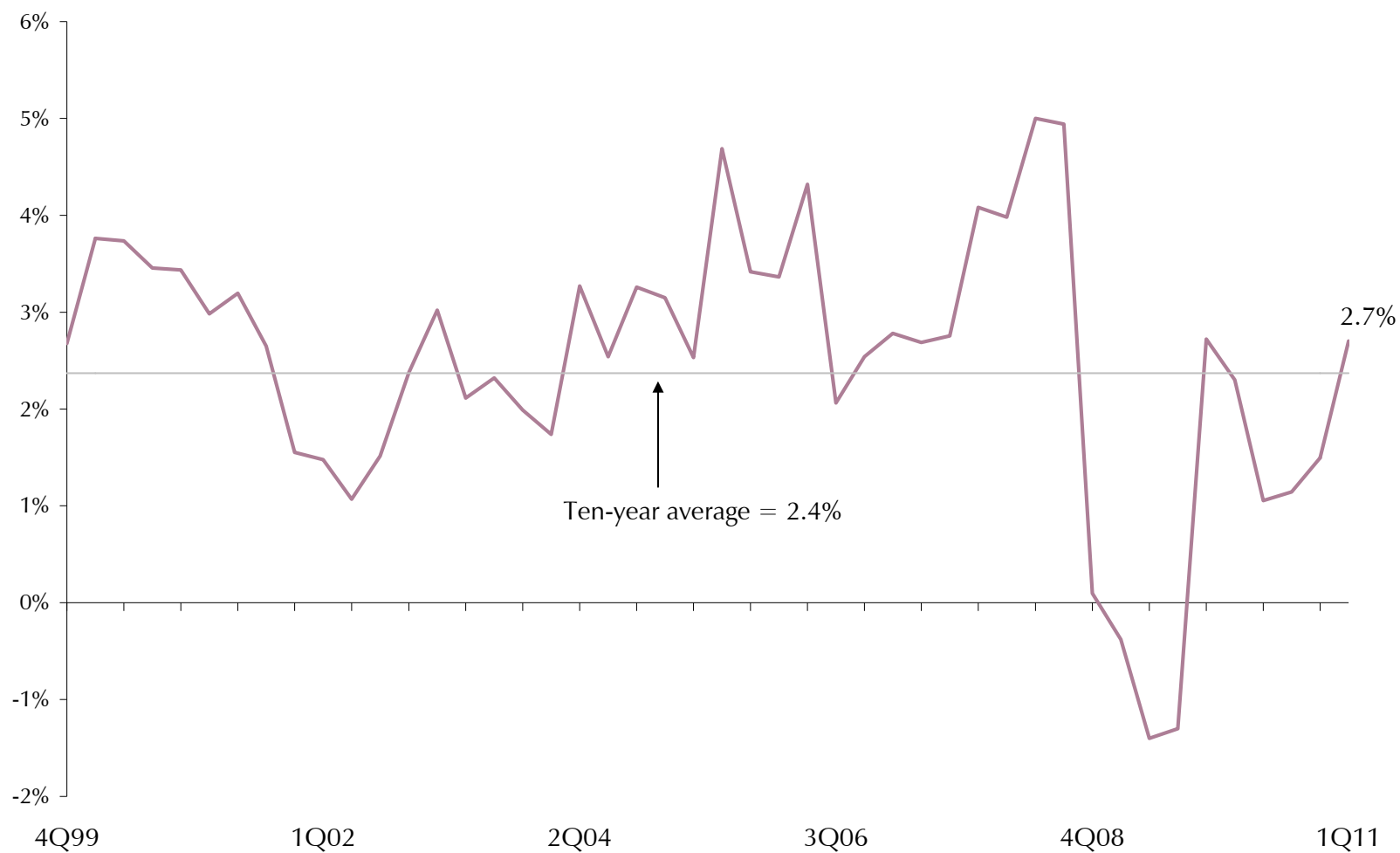
In the first quarter, credit spreads continued to compress across all sectors. High yield spreads finished the quarter at 4.7%, a level below their ten-year average (6.1%).



### Real Gross Domestic Product (GDP) Growth

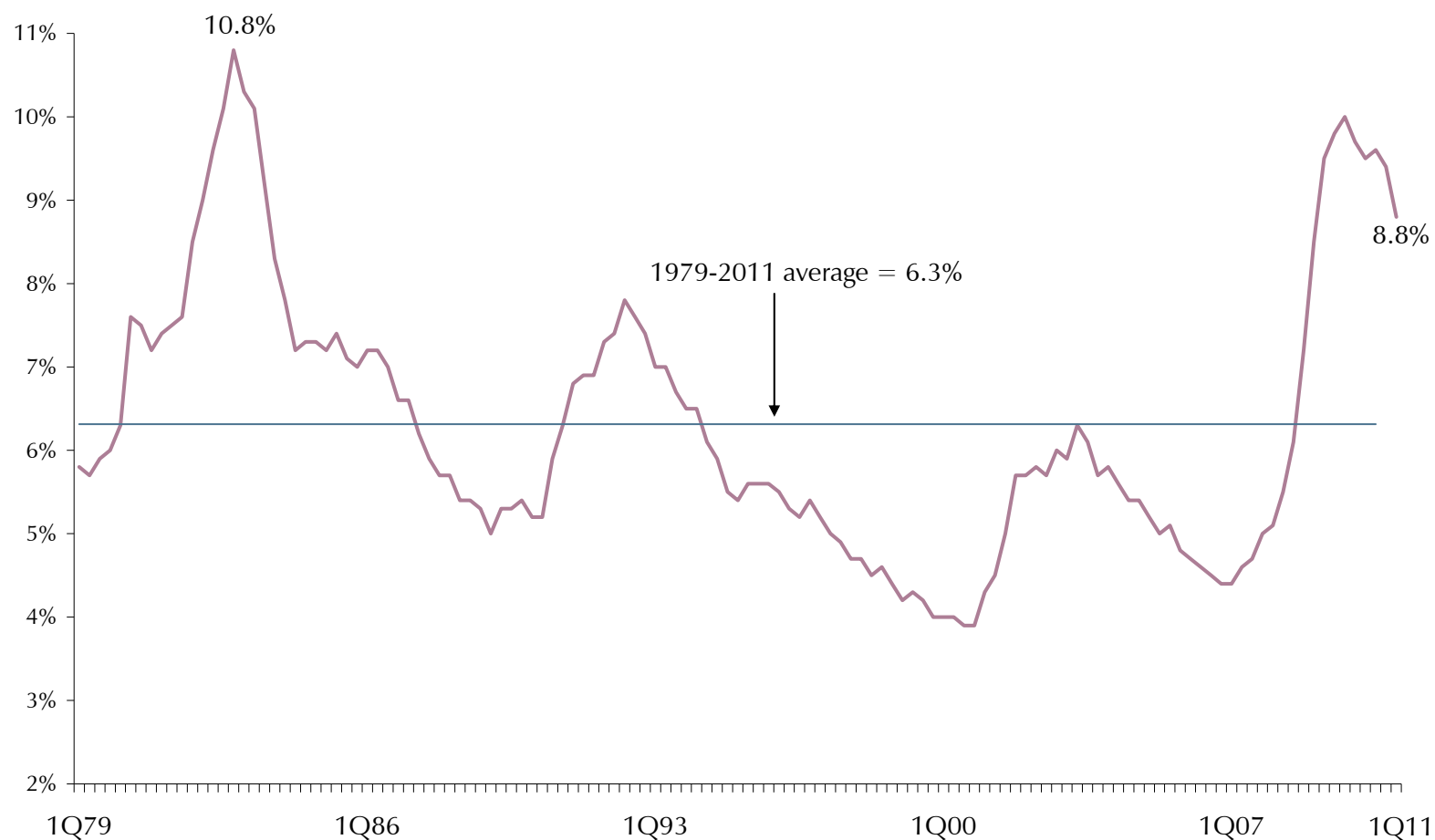


**U.S. Inflation (CPI)  
Trailing Twelve Months**



### U.S. Unemployment

Nonfarm payroll employment increased by 444,000 during the quarter and the unemployment rate declined 0.6%. Although the unemployment rate has declined by 1.2% since the end of 2009, it remains well above its long-term average.



## Glossary and Notes As of March 31, 2011

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

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

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

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

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

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

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

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

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit

above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

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

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

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

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

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

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

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

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



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

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

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