



NEPC, LLC

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**City of San Jose Police and Fire  
Department Retirement Plan**  
**Investment Performance Analysis**  
**For the period ending December 31, 2012**

February 2013

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# Market Environment



## Economic Environment

- **First estimate of fourth quarter 2012 GDP growth was -0.1%. Third quarter GDP growth was recently revised up to 3.1% after being originally revised to 2.7% from the original estimate of 2.0%.**
  - Retail sales rose to a 4.1% year-over-year growth rate in December 2012.
  - The inventory-to-sales ratio has remained mostly flat since early 2010, closing at 1.28 in November 2012. Demand must contribute to further growth.
  - Corporate profits as a percent of GDP remained near secular highs and increased to 12.4% at the end of Q3.
  - The trade deficit increased for the second straight month in November after holding mostly flat through Q3.
- **The unemployment rate stayed flat at 7.8% in December; U-6, a broader measure of unemployment, also remained flat at 14.4%.**
  - JP Morgan states that sustained GDP growth of 1.5% is needed for positive job creation, and closer to 3% growth is needed to decrease the unemployment rate.
- **Consumer confidence receded slightly from 2012 highs during the quarter; the Case-Schiller Home Price Index (as of 9/30) reached its highest market since 2010.**
- **Rolling 12-month CPI decreased to 1.7% at the end of December; Capacity Utilization increased slightly to 78.8% in the month.**
- **Fed Funds rate remains at 0.25% while the 10-year Treasury Yield finished December at 1.76%.**
- **Fed balance sheets increased slightly in December; European Central Bank balance sheets decreased moderately.**
- **Both U.S. equities and investment grade corporates appear cheap relative to long-term averages.**



# City of San Jose Police and Fire Department Retirement Plan

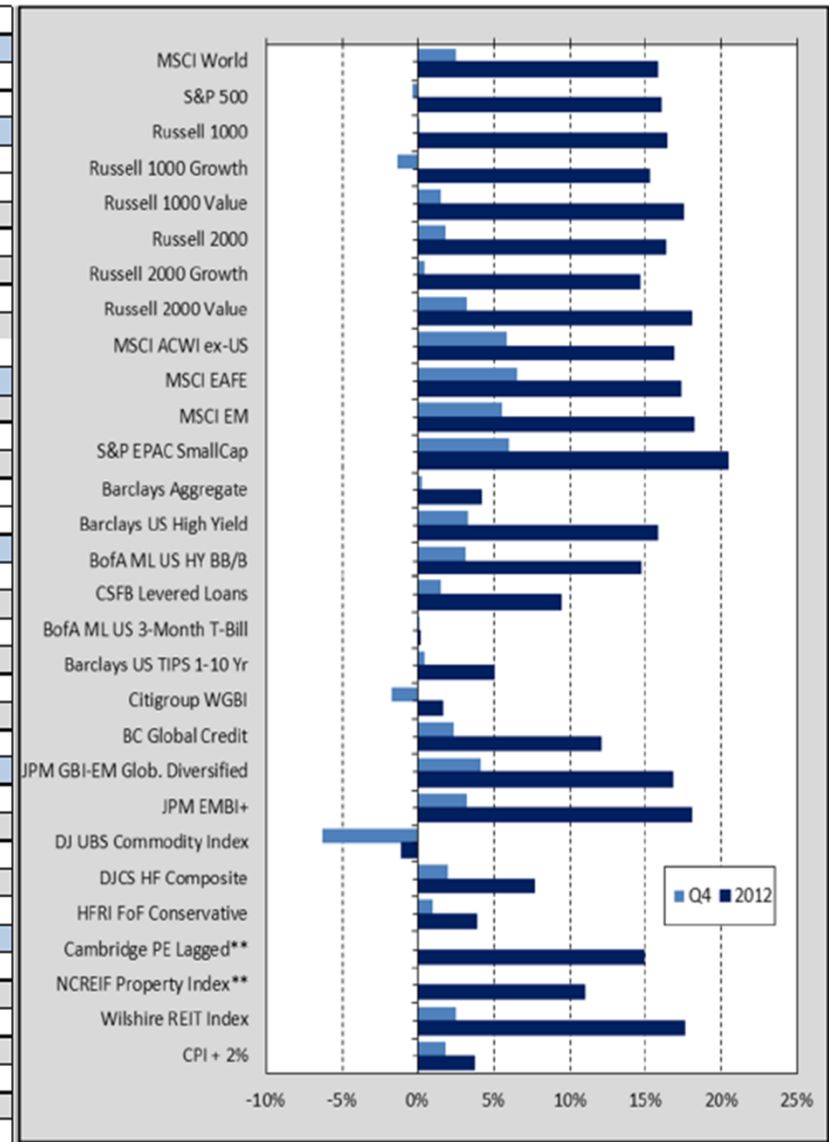
## Market Environment - Overview

		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>World Equity Benchmarks</b>						
MSCI World	World	2.5%	15.8%	6.9%	-1.2%	7.5%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Equity Benchmarks</b>						
S&P 500	Large Core	-0.4%	16.0%	10.9%	1.7%	7.1%
Russell 1000	Large Core	0.1%	16.4%	11.1%	1.9%	7.5%
Russell 1000 Growth	Large Growth	-1.3%	15.3%	11.4%	3.1%	7.5%
Russell 1000 Value	Large Value	1.5%	17.5%	10.9%	0.6%	7.4%
Russell 2000	Small Core	1.9%	16.3%	12.2%	3.6%	9.7%
Russell 2000 Growth	Small Growth	0.4%	14.6%	12.8%	3.5%	9.8%
Russell 2000 Value	Small Value	3.2%	18.1%	11.6%	3.5%	9.5%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>International Equity Benchmarks</b>						
MSCI ACWI ex-US	World ex-US	5.8%	16.8%	3.9%	-2.9%	9.7%
MSCI EAFE	International Developed	6.6%	17.3%	3.6%	-3.7%	8.2%
MSCI EM	Emerging Equity	5.6%	18.2%	4.7%	-0.9%	16.5%
S&P EPAC SmallCap	Small Cap Int'l	6.0%	20.4%	7.2%	-1.4%	11.9%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Domestic Fixed Income Benchmarks</b>						
Barclays Aggregate	Core Bonds	0.2%	4.2%	6.2%	5.9%	5.2%
Barclays US High Yield	High Yield	3.3%	15.8%	11.9%	10.3%	10.6%
BofA ML US HY BB/B	High Yield	3.1%	14.7%	11.5%	9.1%	9.4%
CSFB Levered Loans	Bank Loans	1.5%	9.4%	7.5%	5.3%	7.1%
BofA ML US 3-Month T-Bill	Cash	0.0%	0.1%	0.1%	0.5%	1.8%
Barclays US TIPS 1-10 Yr	Inflation	0.5%	5.0%	6.4%	5.6%	5.7%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Global Fixed Income Benchmarks</b>						
Citigroup WGBI	World Gov. Bonds	-1.7%	1.6%	4.4%	5.3%	6.0%
BC Global Credit	Global Bonds	2.3%	12.1%	7.7%	6.5%	7.1%
JPM GBI-EM Glob. Diversified	Em. Mkt. Bonds (Local)	4.1%	16.8%	9.9%	8.9%	N/A
JPM EMBI+	Em. Mkt. Bonds	3.2%	18.0%	13.0%	10.4%	N/A
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
<b>Alternative Benchmarks</b>						
DJ UBS Commodity Index	Commodity	-6.3%	-1.1%	-0.0%	-5.2%	4.0%
DJCS HF Composite	Hedge Fund	2.0%	7.7%	5.2%	2.3%	6.9%
HFRI FoF Conservative	Fund of Funds	1.0%	3.9%	1.7%	-1.5%	2.8%
Cambridge PE Lagged**	Private Equity	N/A	14.9%	15.5%	5.9%	14.7%
NCREIF Property Index**	Real Estate	N/A	11.0%	10.9%	2.3%	8.3%
Wilshire RET Index	RET	2.5%	17.6%	18.2%	5.3%	11.6%
CPI + 2%	Inflation/Real Assets	1.8%	3.7%	4.1%	3.8%	4.7%

\* 35% LC, 10% SC, 12% Intl, 3% Emerging, 25% FI, 5% HY, 5% Global FI, 5% REITS

\*\*As of 9/30/2012

Note: Alternative Benchmarks NCREIF Property Index and Cambridge Private Equity are lagged by one quarter. Performance shown as of September 30, 2012.



### Equities

- **Stocks shrugged off potential macroeconomic perils in 2012 to post strong returns across domestic and international markets.**
- **Domestic Equity (S&P 500) trailed International Equity (MSCI ACWI ex-U.S.) in the fourth quarter (-6.2%).**
  - U.S. equities posted mixed results for the fourth quarter amid uncertainties around the outcomes of the presidential election and the fiscal cliff. Macroeconomic concerns also took a bit out of returns. For the three months ended December 31, the S&P 500 Index recorded a loss of 0.4%. Small cap stocks, as measured by the Russell 2000 Index, gained 1.9%. For the full year, however, U.S. equity markets rose strongly with gains fueled by improving fundamentals in the financial services sector, a more robust housing market and lower unemployment. In terms of strategy, value trumped growth across all market capitalizations.
  - Developed non-U.S. markets posted returns of 6.6% during the quarter as measured by the MSCI EAFE Index, and were buoyed by positive news flow within the Eurozone, Japanese export-driven stocks and stronger economic data from China. Developed markets equities outperformed both domestic and emerging markets equities in the fourth quarter, and appear attractive from a valuation standpoint currently, though they will be vulnerable to headline risks fueled by the ongoing politically-fraught process of deleveraging.
  - Emerging markets trailed developed markets, but significantly outperformed U.S. markets during the quarter. Posting gains of 5.6% during the period, emerging countries initially started the quarter sideways and subsequently rallied after the U.S. elections, positive commentary out of Europe and the change in leadership in China coupled with encouraging economic data. Asian markets led the group, bolstered by solid performance in China. Latin America finished last, with Brazil posting the strongest performance of 3.5%.

### Fixed Income

- **Risky fixed income assets continued their relentless march in the fourth quarter. Emerging market debt and high yield bonds rose the most as yield hungry investors sought higher returns in the current low interest rate environment.**
- **Even as massive government stimulus poured into Treasuries, the yield curve shifted upwards in the quarter, retreating from all-time lows in the summer. Despite the recent increase, Treasury yields were suppressed in 2012, defying the consensus that they could only go up. At quarter-end, 10-year Treasuries were yielding 1.8%, compared to 1.7% in the third quarter and 1.9% a year earlier.**
- **The Barclays Capital Aggregate index returned 0.2% in the fourth quarter. Gains in credit and commercial mortgage-backed securities (CMBS) aided results, which were partially offset by the increase in rates. Banks and financials dominated investment grade credit, and agency MBS delivered positive returns over the year despite a negative fourth quarter.**
- **High Yield bonds returned 3.3% during the quarter and 15.8% in 2012. Assets continued to flow into the high yield sector even as yields eroded and spreads traded at historical averages.**
- **Emerging market debt outperformed most fixed income asset classes in 2012. USD-denominated issues were up 3.2% in the fourth quarter and 18.0% for the year, driven by the drop in U.S. rates and robust demand. Local currency issues earned 4.1% in the fourth quarter and 16.8% in 2012 as local interest rates declined and local currencies appreciated versus the dollar.**

### Private Equity

- **The private equity industry continued its recovery in 2012. New commitments were up 6% from 2011, at \$257 billion.**
  - U.S. and European fundraising gained modestly during the year, while investments in Asia dropped moderately as investors took stock of the region's near-term growth prospects.
  - Perhaps signaling a degree of investor confidence in the economic recovery, buyout and growth equity funds raised \$126 billion in 2012, comprising nearly half of all new commitments for the year.
- **Global private equity returned 2.1% in the third quarter (the most recent period for which data are available), according to the Burgiss Group. All regions were in the black for that quarter with Europe at the top. For the ten-year period ended September 30, 2012, global private equity earned 12.5%.**

### Real Estate

- **NEPC is neutral on the U.S. core real estate market, including Real Estate Investment Trusts (REITs).**
  - Recent quarterly total returns have been above historical averages but are trending downward toward more normalized returns.
  - Improving fundamentals in occupancy and rental rates, limited new construction and attractive relative spreads versus Treasuries are heartening signs for core real estate; however, lower absolute yields and significant capital inflows are driving up pricing for assets.
  - REITs are trading at historically high multiples of their funds from operations (FFO), driven, in part, by investors hunting for yield.
- **We continue to identify opportunities in value-add and opportunistic real estate strategies.**
  - In Europe, the weakened lending power of the region's banks presents an upper hand for investors seeking yield in non-core/secondary assets and capital structure distress.
  - Debt related investment opportunities, also in Europe, appear to offer an attractive risk-return profile for investors.

### Commodities

- **Commodities suffered a steady bruising in the fourth quarter, wiping out most increases for the year. During the quarter, commodities recorded losses of 6.3% according to the Dow Jones-UBS Commodities Index.**
  - Within agriculture, price volatility in soybeans spiked dramatically as availability concerns eased after Brazil reported record supplies and the USDA posted a higher than forecasted yield for soybeans in 2012.
  - Within the energy sector, natural gas retreated from its previous highs during the quarter. Gas storage levels remained robust, with increased production keeping pace with manageable demand, aided by a relatively warm winter and a seasonal rebound in nuclear energy production.

- **Research initiatives posted to <http://www.nepc.com/research/>**
  - White Papers
    - “More Questions Than Answers: NEPC’s 2013 Asset Allocation Letter” – January 2013
    - “2012 Corporate Pension Plan Trends Webinar” – December 2012
    - “Defined Contribution Plan Fees Hit a Record Low: NEPC Study” – December 2012
    - “NEPC Survey on Hedge Fund Operations” – November 2012
  - Fourth Quarter 2012 Market Thoughts
  
- **Industry recognition**
  - NEPC has three clients nominated for Plan of the Year for the 2013 Money Market Intelligence Public Fund Awards
    - Louisiana State Employees’ Retirement System – Mid-Sized Plan of the Year
    - New Mexico Educational Retirement Board – Mid-Sized Plan of the Year
    - San Antonio Fire & Police Pension Fund – Small Plan of the Year
  
- **Recent events**
  - NEPC converted to InvestorForce Universes from the ICC Universes for performance reporting
  - InvestorForce, NEPC’s performance reporting system provider, was acquired by MSCI Inc., a provider of market indices and risk management systems – January 23, 2013
  - 2013 Market Outlook Webinar – January 23, 2013
  
- **Professional staff updates**
  - NEPC recently elected two employees to the firm’s partnership
    - Brian Donoghue, who works on our defined contribution team
    - James Reichert, CFA, who works on our health care team

- **Save the date**
  - Tuesday May 14, 2013 & Wednesday May 15, 2013
- **Details**
  - Location: Boston Convention and Exhibition Center, 415 Summer Street, Boston, MA
  - Hotel: Renaissance Waterfront Hotel
  - Registration: Available on the NEPC website in early March
- **Headline speakers**
  - Cliff Asness, Ph.D., AQR Capital Management
  - Michael Hood, JP Morgan Asset Management



# Total Fund Performance



- **The asset allocation implementation transition was completed by Russell in November/December 2012.**
  - Russell is currently providing interim exposure to U.S. and non-U.S. equity, non-U.S. core fixed income, high yield fixed income, emerging markets debt, hedge funds, GAA, private equity and real estate mandates
- **Three of the Fund's hedge fund investments were funded during the fourth quarter with \$20 M each**
  - Arrowgrass, Brevan Howard and Pine River (1/2/2013)
- **TPG Opportunities Partners II was funded in October 2012**
  - Originally approved by the Board in August 2012 (\$15 M commitment to distressed private equity)
- **Marathon European Credit Opportunities was funded in October 2012**
  - Originally approved by the Board in September 2012 (\$25 M commitment to opportunistic European credit)
- **Crescent Fund VI was approved for investment in November 2012**
  - Fund VI was funded in January 2013 (\$20 M commitment to mezzanine private equity)
- **Three GAA strategies were approved for investment in November 2012**
  - GMO, PIMCO and Standard Life were funded in January 2013

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Summary

	Market Value	3 Mo Rank	Fiscal YTD Rank	1 Yr Rank	2 Yrs Rank	3 Yrs Rank	5 Yrs Rank	10 Yrs Rank	15 Yrs Rank	20 Yrs Rank	25 Yrs Rank	Return Since												
<b>Total Fund</b>	<b>\$2,895,729,588</b>	<b>2.1%</b>	<b>53</b>	<b>8.1%</b>	<b>3</b>	<b>13.1%</b>	<b>44</b>	<b>5.9%</b>	<b>96</b>	<b>8.3%</b>	<b>88</b>	<b>2.1%</b>	<b>76</b>	<b>7.9%</b>	<b>52</b>	<b>6.7%</b>	<b>13</b>	<b>8.1%</b>	<b>44</b>	<b>8.8%</b>	<b>42</b>	<b>8.9%</b>	<b>Mar-71</b>	
<i>Policy Benchmark</i>		1.8%	78	6.4%	86	10.7%	91	6.3%	81	8.6%	75	1.8%	83	7.5%	80	6.3%	44	--	--	--	--	--	--	Mar-71
<i>Allocation Index</i>		1.7%	84	6.5%	85	10.8%	91	5.2%	98	7.8%	95	2.1%	77	8.0%	39	--	--	--	--	--	--	--	--	Mar-71
<i>60% S&amp;P 500 / 40% BC Agg</i>		-0.1%	99	4.3%	99	11.3%	89	7.9%	3	9.3%	34	3.8%	11	6.6%	97	5.4%	95	7.8%	70	8.8%	39	--	--	Mar-71
<i>IF Public DB &gt; \$1B Gross Median</i>		2.1%		7.2%		13.0%		6.9%		9.0%		3.1%		7.9%		6.2%		8.0%		8.7%			--	Mar-71

Over the one-year period ending December 31, 2012, the Fund experienced a net investment gain of \$338.7 million, which includes a net investment gain of \$57.9 million during the fourth calendar quarter. Assets increased from \$2.6 billion twelve months ago to \$2.9 billion on December 31, 2012, with \$58.1 million in net distributions during the year.

Over the past five years, the Fund returned 2.1% per annum, outperforming the policy benchmark by 0.3% and ranking in the 76th percentile of the IF Public Funds > \$1 Billion universe. The Fund's volatility was 12.3%, which ranks in the 49th percentile of its peers over this period. The Fund's risk-adjusted performance, as measured by the Sharpe Ratio, ranks in the 73rd percentile of its peers.

Over the past three years, the Fund returned 8.3% per annum, trailing the policy benchmark by 0.3% and ranking in the 88th percentile of its peer group. Over the past three years, in what has been a highly volatile "risk on/risk off" market, the Fund has reduced its volatility on both an absolute and relative basis, resulting in a three-year Sharpe Ratio of 0.9, which ranks in the 60th percentile.

Over the past year, the Fund returned 13.1%, outperforming the policy benchmark by 2.4% and ranking in the 44th percentile of its peer group. The Fund's volatility over the last year was 7.4%, ranking in the 80th percentile of its peer group, resulting in a Sharpe Ratio of 1.8, which ranks in the 82nd percentile.

Please see appendix for additional performance disclosures.

### 5 Years Ending December 31, 2012

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	2.1%	76	12.3%	49	0.1	73	0.2	72
Policy Benchmark	1.8%	83	11.7%	30	0.1	83	0.2	78
IF Public DB > \$1B Gross Median	3.1%	--	12.4%	--	0.2	--	0.3	--

### 3 Years Ending December 31, 2012

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	8.3%	88	8.7%	42	0.9	60	1.5	43
Policy Benchmark	8.6%	75	8.6%	39	1.0	43	1.6	27
IF Public DB > \$1B Gross Median	9.0%	--	9.2%	--	1.0	--	1.4	--

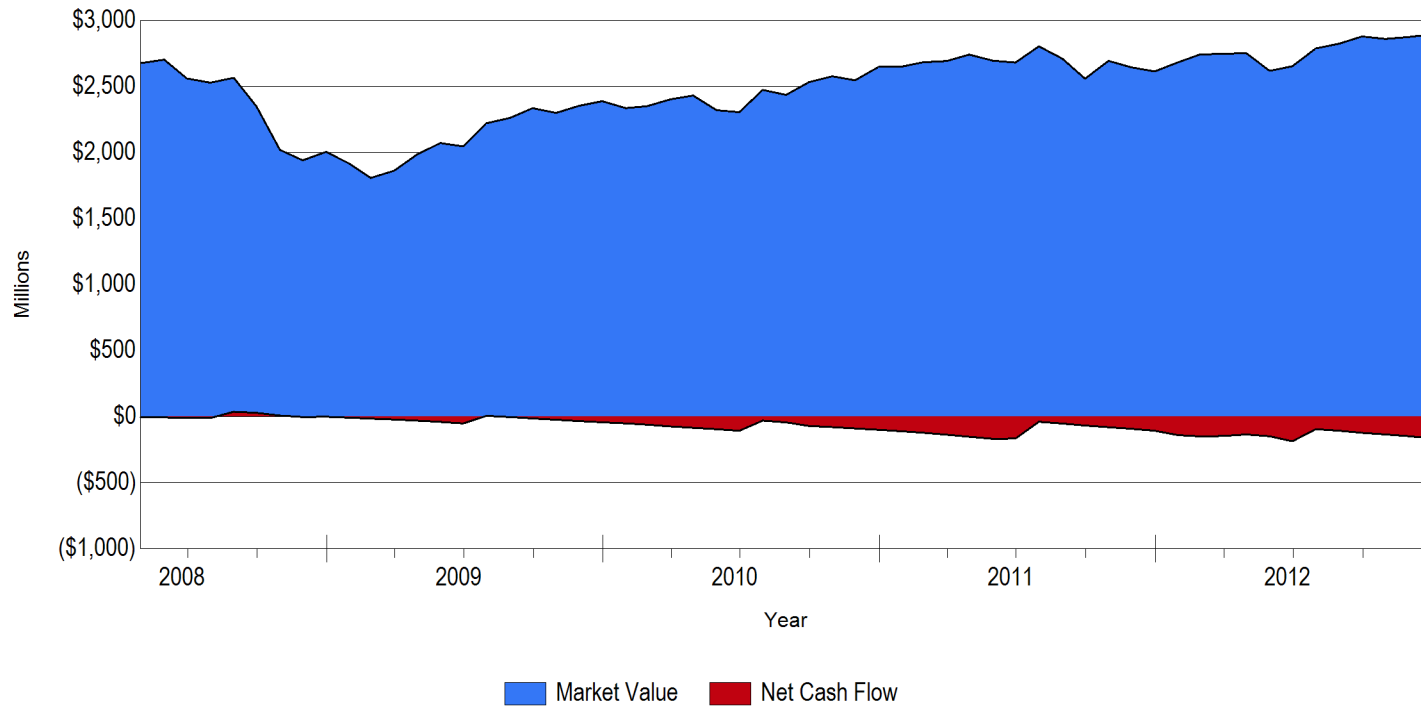
### 1 Year Ending December 31, 2012

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	13.1%	44	7.4%	80	1.8	82	1.6	32
Policy Benchmark	10.7%	91	6.9%	62	1.5	99	1.6	27
IF Public DB > \$1B Gross Median	13.0%	--	6.4%	--	2.0	--	1.5	--



**Total Fund Asset Growth Summary**

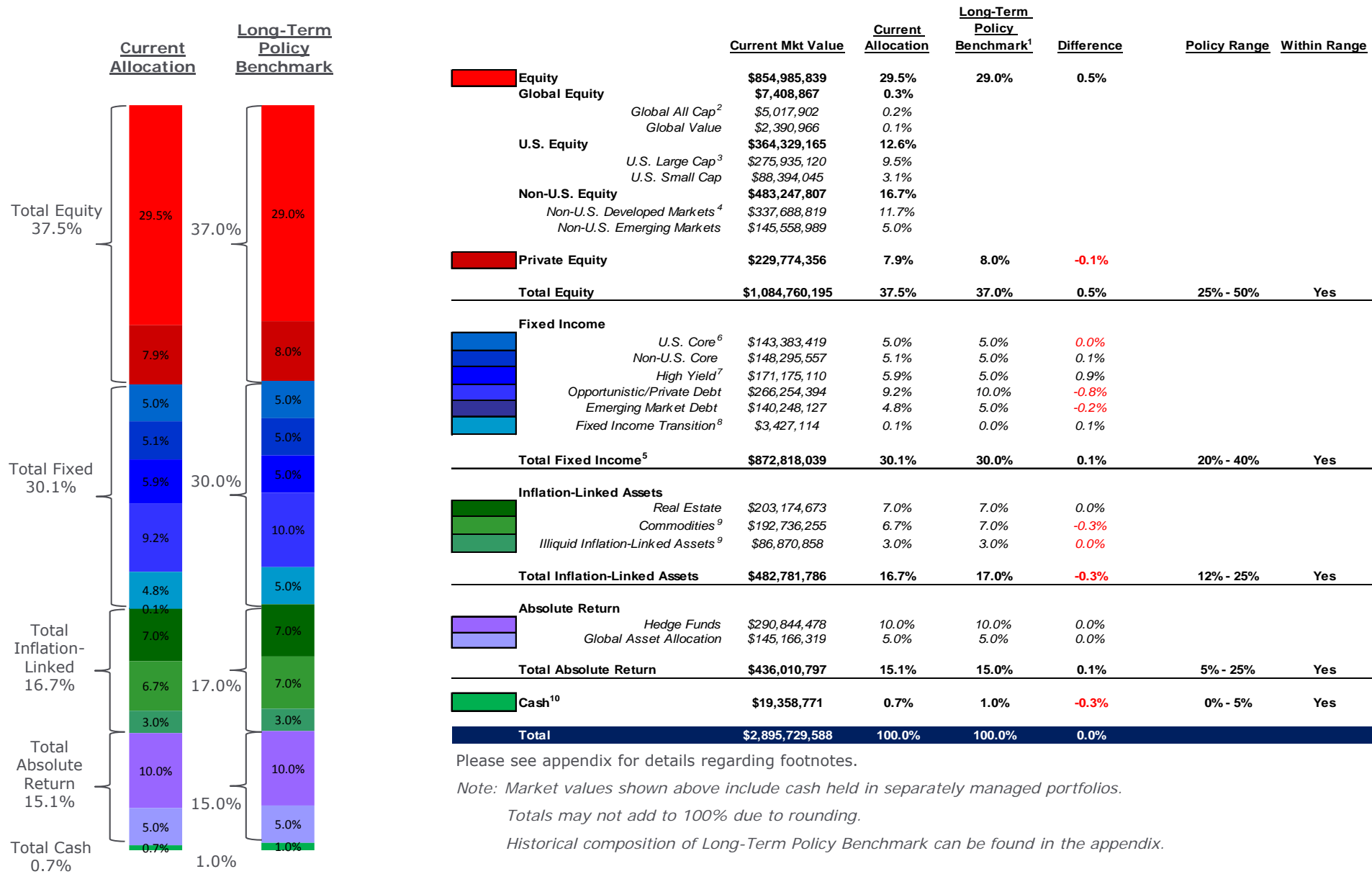
**Market Value History**  
 Since NEPC began tracking performance, April 1, 2008 thru December 31, 2012



Sources of Portfolio Growth	Last Three Months	Fiscal Year-To-Date	One Year	Three Years	Inpitted Date 4/1/08
Beginning Market Value	\$2,880,082,791	\$2,654,365,686	\$2,615,156,201	\$2,389,473,510	\$2,583,363,926
Net Additions/Withdrawals	-\$42,242,041	\$21,667,810	-\$58,138,942	-\$122,112,182	-\$166,149,077
Investment Earnings	\$57,888,838	\$219,696,092	\$338,712,328	\$628,368,260	\$478,514,739
<b>Ending Market Value</b>	<b>\$2,895,729,588</b>	<b>\$2,895,729,588</b>	<b>\$2,895,729,588</b>	<b>\$2,895,729,588</b>	<b>\$2,895,729,588</b>

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Asset Allocation vs. Policy Targets



Please see appendix for details regarding footnotes.

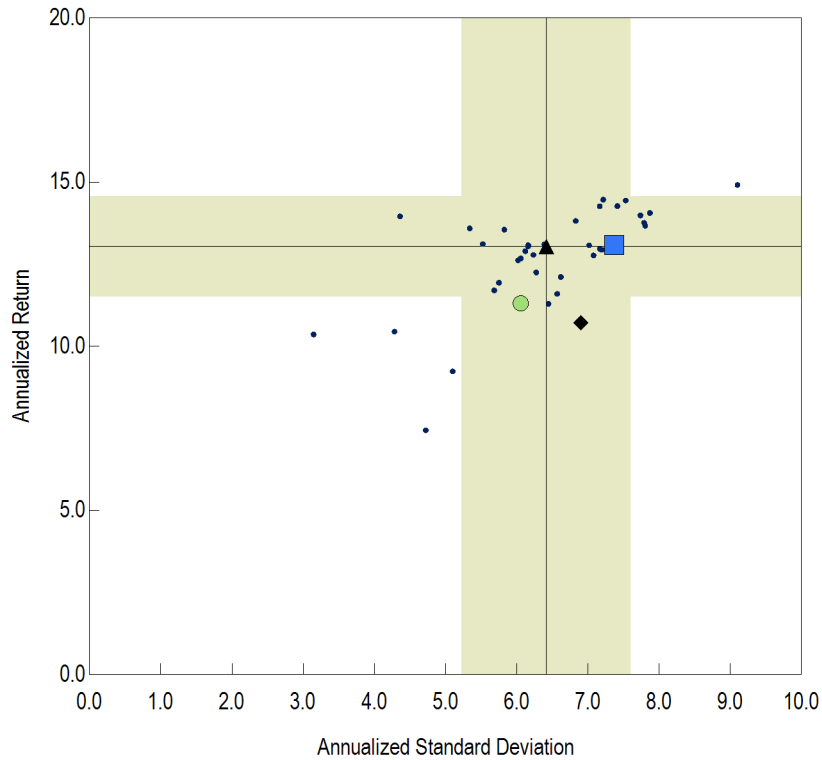
Note: Market values shown above include cash held in separately managed portfolios.

Totals may not add to 100% due to rounding.

Historical composition of Long-Term Policy Benchmark can be found in the appendix.

Total Fund Risk/Return

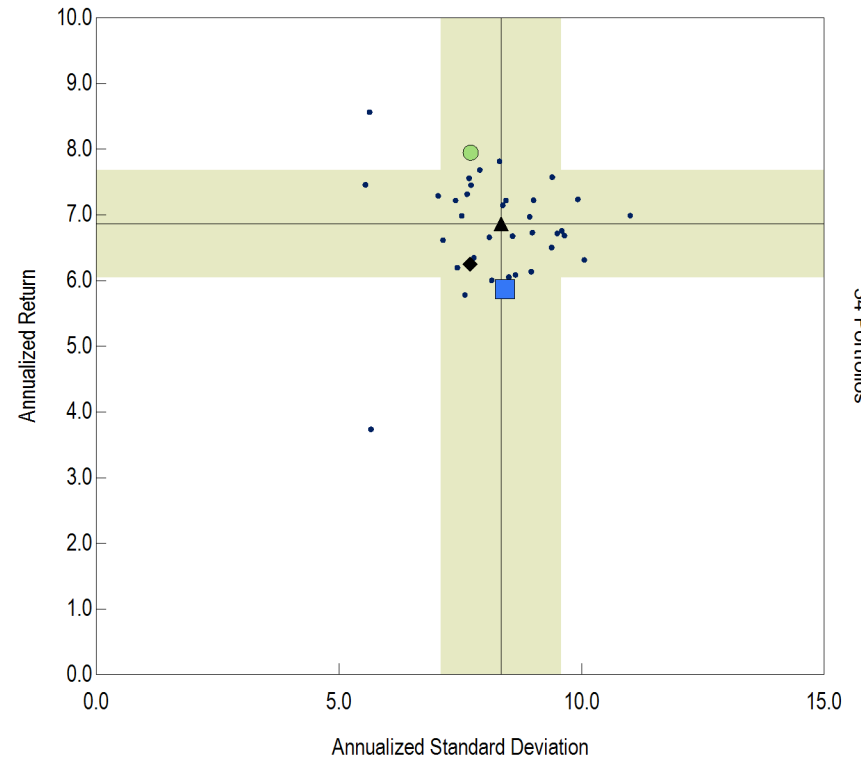
1 Year Ending December 31, 2012



36 Portfolios

- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- IF Public DB > \$1B Gross

2 Years Ending December 31, 2012

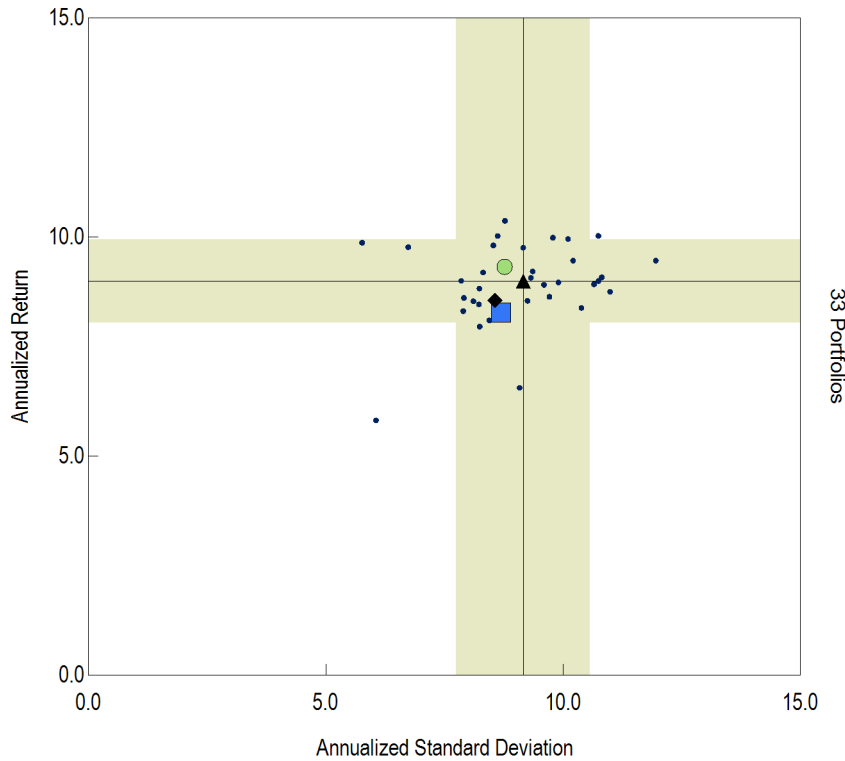


34 Portfolios

- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- IF Public DB > \$1B Gross

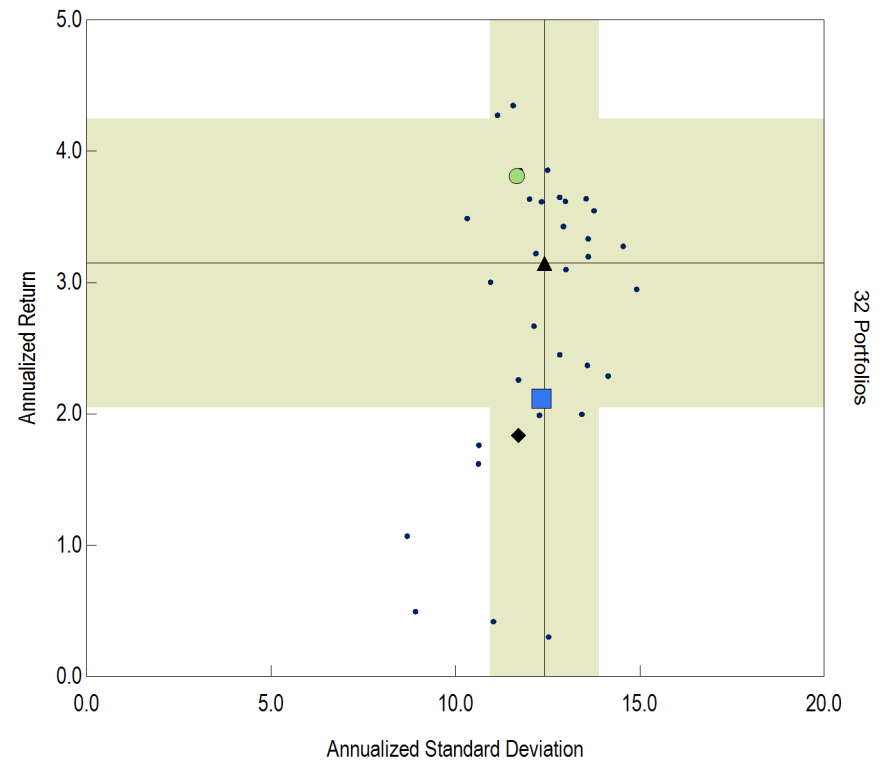
Total Fund Risk/Return

3 Years Ending December 31, 2012



- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- IF Public DB > \$1B Gross

5 Years Ending December 31, 2012

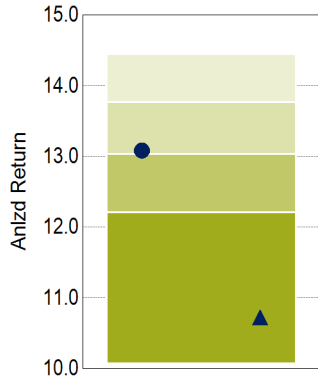


- Total Fund
- ◆ Policy Benchmark
- 60% S&P 500 / 40% BC Agg
- ▲ Universe Median
- 68% Confidence Interval
- IF Public DB > \$1B Gross

**Total Fund Risk Statistics vs. Peer Universe**

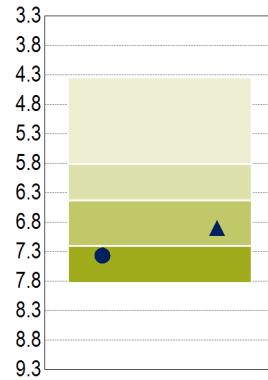
**Total Fund vs. IF Public DB > \$1B Gross (USD)  
1 Year**

**Anlzd Return**



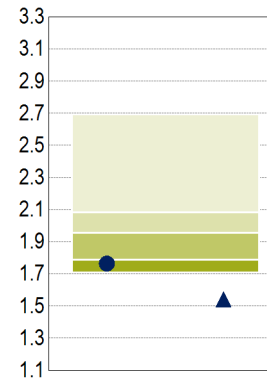
● Total Fund	
Value	13.1
%tile	44
▲ Policy Benchmark	
Value	10.7
%tile	91
Universe	
5th %tile	14.4
25th %tile	13.8
Median	13.0
75th %tile	12.2
95th %tile	10.1

**Anlzd Standard Deviation**



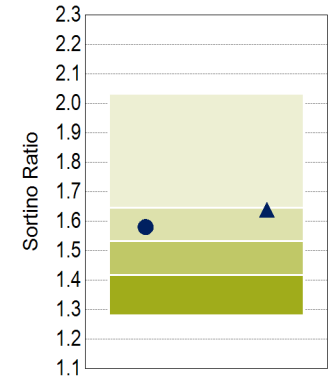
● Total Fund	
Value	7.4
%tile	80
▲ Policy Benchmark	
Value	6.9
%tile	62
Universe	
5th %tile	4.3
25th %tile	5.8
Median	6.4
75th %tile	7.2
95th %tile	7.8

**Sharpe Ratio**



● Total Fund	
Value	1.8
%tile	82
▲ Policy Benchmark	
Value	1.5
%tile	99
Universe	
5th %tile	2.7
25th %tile	2.1
Median	2.0
75th %tile	1.8
95th %tile	1.7

**Sortino Ratio**

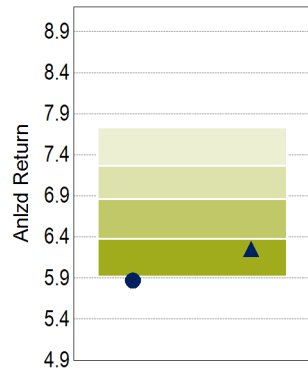


● Total Fund	
Value	1.6
%tile	32
▲ Policy Benchmark	
Value	1.6
%tile	27
Universe	
5th %tile	2.0
25th %tile	1.6
Median	1.5
75th %tile	1.4
95th %tile	1.3

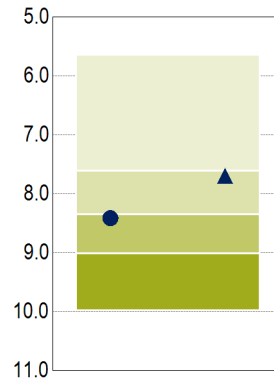
**Total Fund Risk Statistics vs. Peer Universe**

**Total Fund vs. IF Public DB > \$1B Gross (USD)  
2 Years**

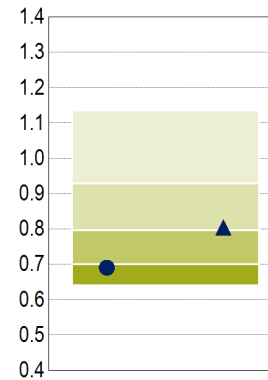
**Anlzd Return**



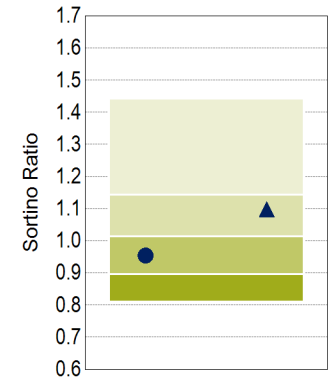
**Anlzd Standard Deviation**



**Sharpe Ratio**



**Sortino Ratio**



● Total Fund	
Value	5.9
%tile	96
▲ Policy Benchmark	
Value	6.3
%tile	81
Universe	
5th %tile	7.7
25th %tile	7.3
Median	6.9
75th %tile	6.4
95th %tile	5.9

● Total Fund	
Value	8.4
%tile	54
▲ Policy Benchmark	
Value	7.7
%tile	32
Universe	
5th %tile	5.6
25th %tile	7.6
Median	8.3
75th %tile	9.0
95th %tile	10.0

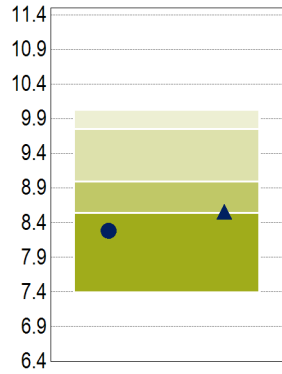
● Total Fund	
Value	0.7
%tile	85
▲ Policy Benchmark	
Value	0.8
%tile	47
Universe	
5th %tile	1.1
25th %tile	0.9
Median	0.8
75th %tile	0.7
95th %tile	0.6

● Total Fund	
Value	1.0
%tile	58
▲ Policy Benchmark	
Value	1.1
%tile	35
Universe	
5th %tile	1.4
25th %tile	1.1
Median	1.0
75th %tile	0.9
95th %tile	0.8

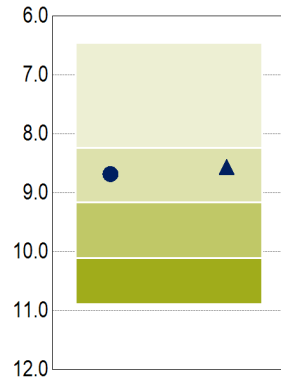
**Total Fund Risk Statistics vs. Peer Universe**

**Total Fund vs. IF Public DB > \$1B Gross (USD)  
3 Years**

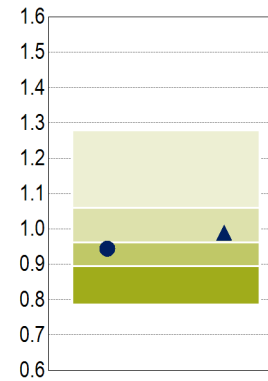
**Anlzd Return**



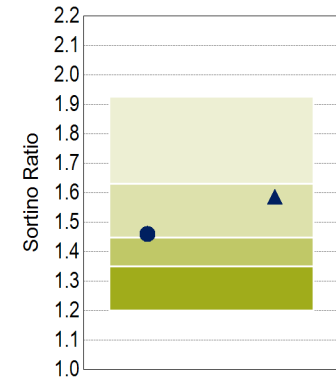
**Anlzd Standard Deviation**



**Sharpe Ratio**



**Sortino Ratio**



● Total Fund	
Value	8.3
%tile	88
▲ Policy Benchmark	
Value	8.6
%tile	75
Universe	
5th %tile	10.0
25th %tile	9.8
Median	9.0
75th %tile	8.5
95th %tile	7.4

● Total Fund	
Value	8.7
%tile	42
▲ Policy Benchmark	
Value	8.6
%tile	39
Universe	
5th %tile	6.5
25th %tile	8.2
Median	9.2
75th %tile	10.1
95th %tile	10.9

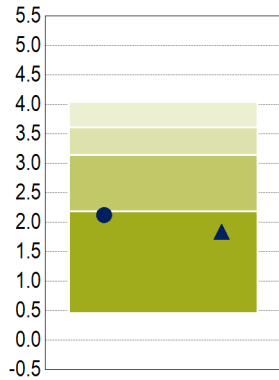
● Total Fund	
Value	0.9
%tile	60
▲ Policy Benchmark	
Value	1.0
%tile	43
Universe	
5th %tile	1.3
25th %tile	1.1
Median	1.0
75th %tile	0.9
95th %tile	0.8

● Total Fund	
Value	1.5
%tile	43
▲ Policy Benchmark	
Value	1.6
%tile	27
Universe	
5th %tile	1.9
25th %tile	1.6
Median	1.4
75th %tile	1.4
95th %tile	1.2

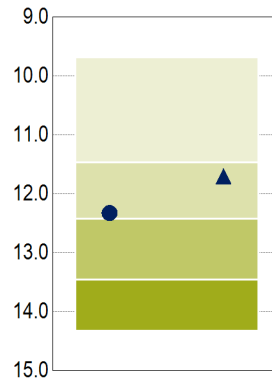
Total Fund Risk Statistics vs. Peer Universe

Total Fund vs. IF Public DB > \$1B Gross (USD)  
5 Years

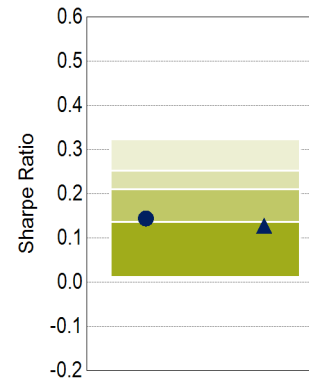
Anlzd Return



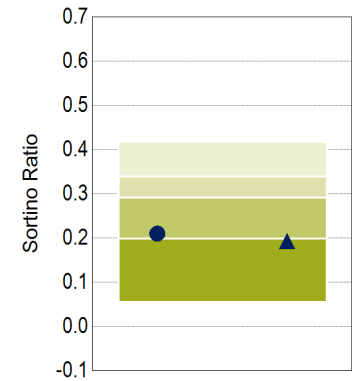
Anlzd Standard Deviation



Sharpe Ratio



Sortino Ratio



● Total Fund	
Value	2.1
%tile	76
▲ Policy Benchmark	
Value	1.8
%tile	83
Universe	
5th %tile	4.0
25th %tile	3.6
Median	3.1
75th %tile	2.2
95th %tile	0.5

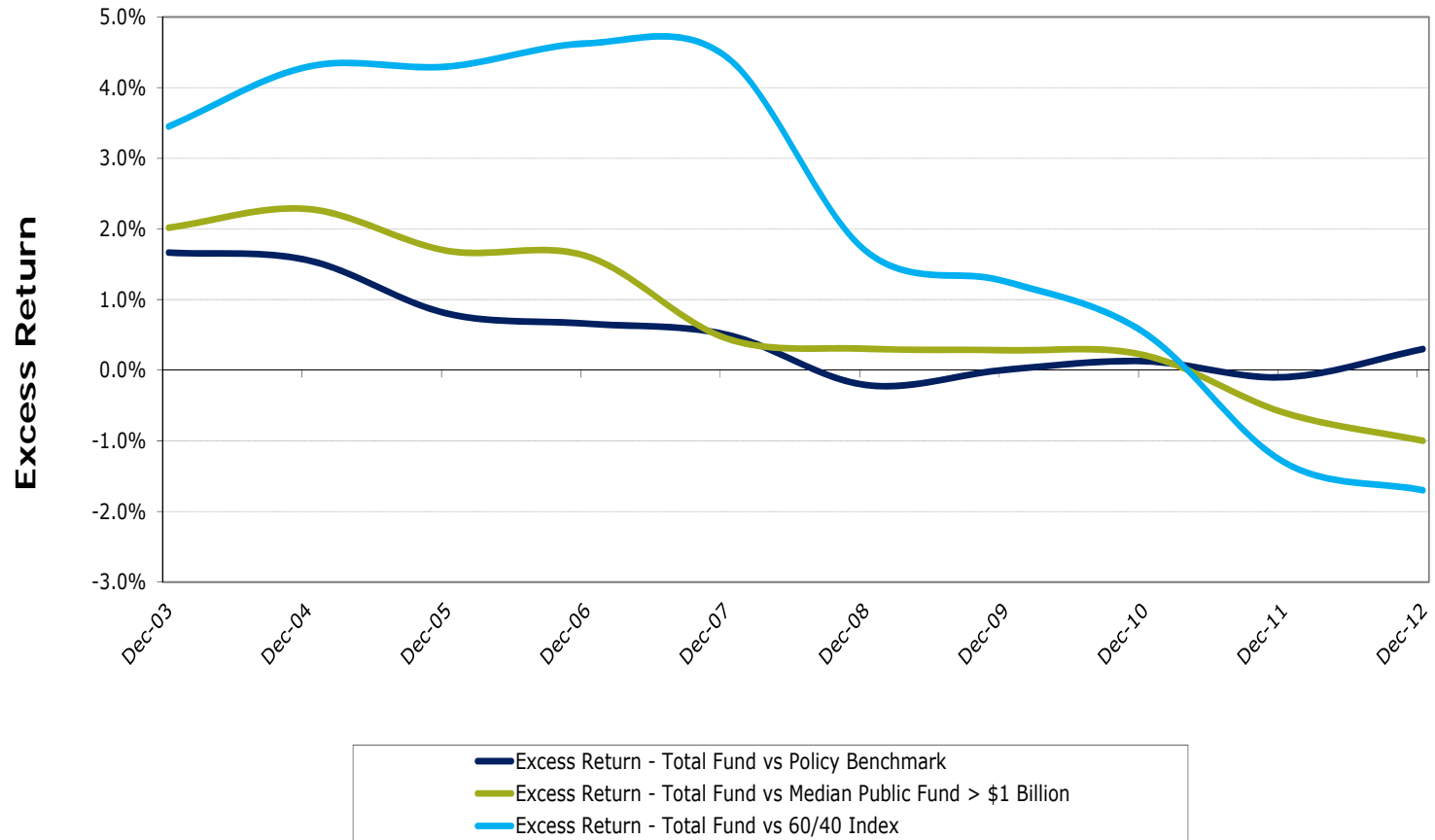
● Total Fund	
Value	12.3
%tile	49
▲ Policy Benchmark	
Value	11.7
%tile	30
Universe	
5th %tile	9.7
25th %tile	11.5
Median	12.4
75th %tile	13.5
95th %tile	14.3

● Total Fund	
Value	0.1
%tile	73
▲ Policy Benchmark	
Value	0.1
%tile	83
Universe	
5th %tile	0.3
25th %tile	0.3
Median	0.2
75th %tile	0.1
95th %tile	0.0

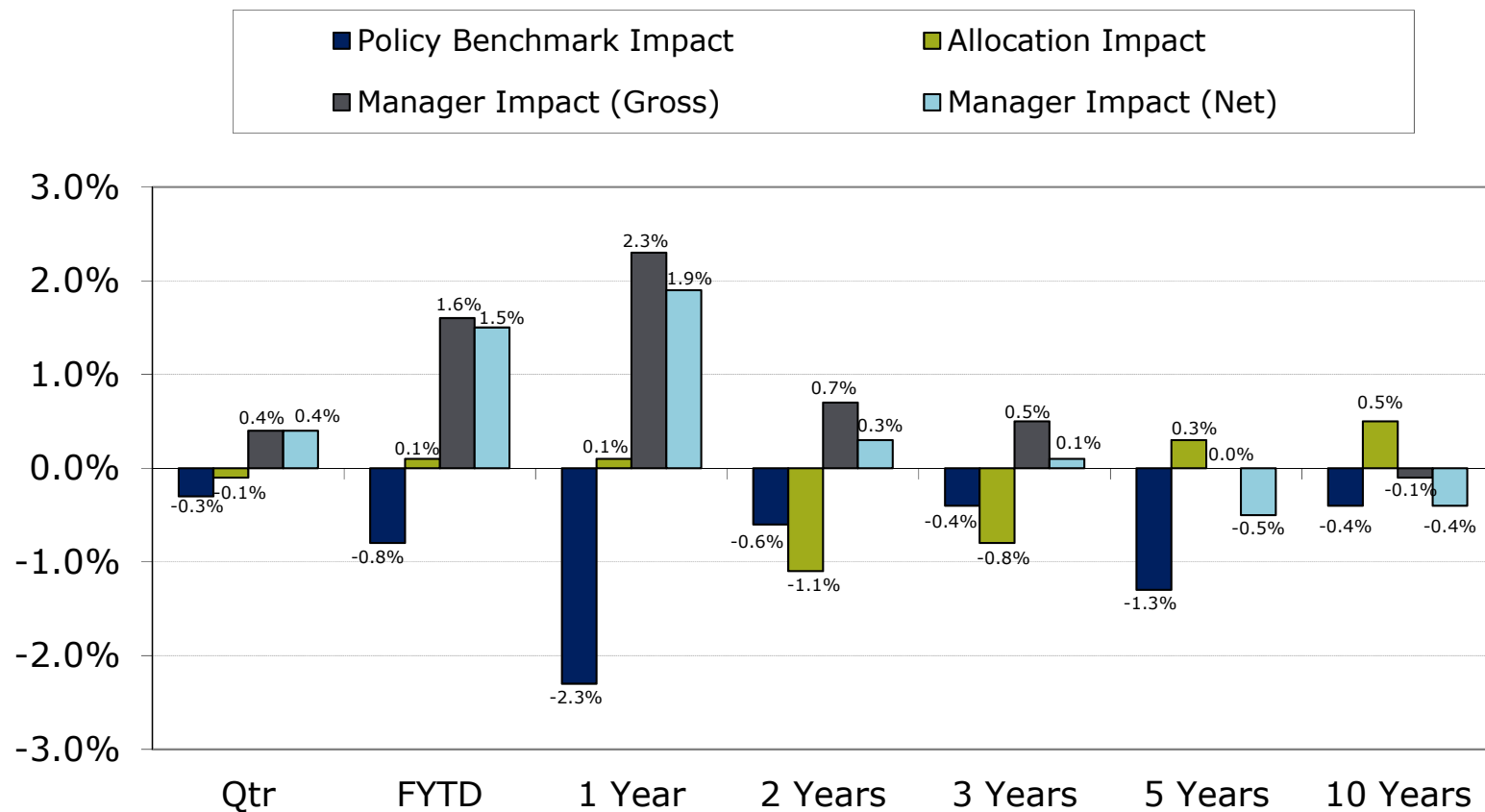
● Total Fund	
Value	0.2
%tile	72
▲ Policy Benchmark	
Value	0.2
%tile	78
Universe	
5th %tile	0.4
25th %tile	0.3
Median	0.3
75th %tile	0.2
95th %tile	0.1



**Total Fund Rolling 5-Year Excess Returns**



Total Fund Performance Attribution



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

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

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

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Fund</b>	<b>2,895,729,588</b>	<b>100.0</b>	<b>2.1</b>	<b>53</b>	<b>8.1</b>	<b>3</b>	<b>13.1</b>	<b>44</b>	<b>5.9</b>	<b>96</b>	<b>8.3</b>	<b>88</b>	<b>2.1</b>	<b>76</b>	<b>5.0</b>	<b>68</b>	<b>7.9</b>	<b>52</b>	<b>8.9</b>	<b>Mar-71</b>
Policy Benchmark			1.8	78	6.4	86	10.7	91	6.3	81	8.6	75	1.8	83	4.8	75	7.5	80	--	Mar-71
Over/Under			0.3		1.7		2.4		-0.4		-0.3		0.3		0.2		0.4			
Allocation Index			1.7	84	6.5	85	10.8	91	5.2	98	7.8	95	2.1	77	5.1	59	8.0	39	--	Mar-71
60% S&P 500 / 40% BC Agg			-0.1	99	4.3	99	11.3	89	7.9	3	9.3	34	3.8	11	5.2	58	6.6	97	--	Mar-71
IF Public DB > \$1B Gross Median			2.1		7.2		13.0		6.9		9.0		3.1		5.3		7.9		--	Mar-71
<b>Total Fund Ex Overlay</b>	<b>2,895,729,588</b>	<b>100.0</b>	<b>2.0</b>	<b>--</b>	<b>7.8</b>	<b>--</b>	<b>12.6</b>	<b>--</b>	<b>5.7</b>	<b>--</b>	<b>8.1</b>	<b>--</b>	<b>2.0</b>	<b>--</b>	<b>4.9</b>	<b>--</b>	<b>7.8</b>	<b>--</b>	<b>8.9</b>	<b>Mar-71</b>
<b>Total Equity Composite (1)</b>	<b>854,985,839</b>	<b>29.5</b>	<b>3.7</b>	<b>40</b>	<b>10.8</b>	<b>41</b>	<b>17.5</b>	<b>49</b>	<b>4.5</b>	<b>56</b>	<b>8.6</b>	<b>45</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.5</b>	<b>Apr-08</b>
MSCI ACWI (Net)			2.9	57	9.9	58	16.1	61	3.7	63	6.6	70	-1.2	72	3.5	79	8.1	85	0.8	Apr-08
Over/Under			0.8		0.9		1.4		0.8		2.0								1.7	
eA All Global Equity Gross Median			3.3		10.3		17.2		5.0		8.1		0.5		5.0		10.0		2.5	Apr-08
<b>Global Equity Composite (2)</b>	<b>7,408,867</b>	<b>0.3</b>	<b>2.9</b>	<b>56</b>	<b>10.4</b>	<b>50</b>	<b>18.0</b>	<b>45</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>18.0</b>	<b>Jan-12</b>
MSCI ACWI (Net)			2.9	57	9.9	58	16.1	61	3.7	63	6.6	70	-1.2	72	3.5	79	8.1	85	16.1	Jan-12
Over/Under			0.0		0.5		1.9												1.9	
eA All Global Equity Gross Median			3.3		10.3		17.2		5.0		8.1		0.5		5.0		10.0		17.2	Jan-12
<b>U.S. Equity Composite (3)</b>	<b>364,329,165</b>	<b>12.6</b>	<b>3.4</b>	<b>20</b>	<b>10.8</b>	<b>11</b>	<b>18.6</b>	<b>23</b>	<b>9.0</b>	<b>33</b>	<b>12.3</b>	<b>42</b>	<b>2.2</b>	<b>65</b>	<b>4.2</b>	<b>75</b>	<b>8.1</b>	<b>73</b>	<b>8.3</b>	<b>Jun-95</b>
Russell 3000			0.2	63	6.5	57	16.4	45	8.4	41	11.2	58	2.0	68	4.3	73	7.7	81	7.9	Jun-95
Over/Under			3.2		4.3		2.2		0.6		1.1		0.2		-0.1		0.4		0.4	
eA All US Equity Gross Median			1.1		7.0		16.0		7.7		11.7		3.2		5.4		9.6		9.7	Jun-95
Russell R1000 (4)	275,838,546	9.5	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.2	Dec-12
Russell 1000			0.1	51	6.4	51	16.4	40	8.7	39	11.1	37	1.9	56	4.3	64	7.5	69	1.0	Dec-12
Over/Under																			-0.8	
eA US Large Cap Equity Gross Median			0.1		6.5		15.6		8.1		10.4		2.2		4.8		8.1		0.9	Dec-12
RS Investments	88,394,045	3.1	6.0	12	14.0	9	21.8	17	6.3	61	--	--	--	--	--	--	--	--	14.6	Aug-10
Russell 2000 Value			3.2	67	9.1	55	18.0	43	5.6	68	11.6	72	3.5	86	4.1	89	9.5	89	12.1	Aug-10
Over/Under			2.8		4.9		3.8		0.7										2.5	
eA US Small Cap Value Equity Gross Median			4.0		9.6		16.9		6.7		13.1		5.6		6.4		11.5		13.7	Aug-10

Note: Performance shown is gross of fees. Composition of the Policy benchmark can be found in the Appendix. Please see Appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>International Equity Composite (1)</b>	<b>483,247,807</b>	<b>16.7</b>	<b>5.9</b>	<b>58</b>	<b>13.0</b>	<b>72</b>	<b>18.0</b>	<b>67</b>	<b>0.7</b>	<b>76</b>	<b>5.4</b>	<b>70</b>	<b>-2.1</b>	<b>75</b>	<b>4.4</b>	<b>62</b>	<b>11.2</b>	<b>53</b>	<b>9.8</b>	<b>Jun-95</b>
MSCI AC WORLD ex US (NET)			<u>5.8</u>	59	<u>13.7</u>	60	<u>16.8</u>	77	<u>0.4</u>	78	<u>3.9</u>	86	<u>-2.9</u>	80	<u>3.5</u>	78	<u>9.7</u>	85	--	Jun-95
Over/Under			0.1		-0.7		1.2		0.3		1.5		0.8		0.9		1.5			
eA ACWI ex-US All Cap Equity Gross Median			6.1		14.0		19.6		2.7		7.1		-1.0		4.6		11.3		8.8	Jun-95
<b>Developed International Equity Composite (1)</b>	<b>337,688,819</b>	<b>11.7</b>	<b>5.6</b>	<b>74</b>	<b>13.9</b>	<b>61</b>	<b>18.8</b>	<b>66</b>	<b>4.0</b>	<b>36</b>	<b>7.4</b>	<b>34</b>	<b>-1.8</b>	<b>51</b>	<b>4.0</b>	<b>47</b>	<b>10.1</b>	<b>48</b>	<b>8.5</b>	<b>Jun-95</b>
MSCI EAFE (Net)			<u>6.6</u>	45	<u>13.9</u>	59	<u>17.3</u>	77	<u>1.5</u>	76	<u>3.6</u>	87	<u>-3.7</u>	86	<u>2.2</u>	85	<u>8.2</u>	87	<u>4.5</u>	Jun-95
Over/Under			-1.0		0.0		1.5		2.5		3.8		1.9		1.8		1.9		4.0	
eA All EAFE Equity Gross Median			6.4		14.4		20.4		3.2		6.1		-1.8		3.8		10.0		7.4	Jun-95
Russell MSCI EAFE + CAD (2)	279,350,797	9.6	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2.5	Dec-12
MSCI EAFE + CAD			<u>5.5</u>	75	<u>12.4</u>	85	<u>12.8</u>	96	<u>-1.9</u>	95	<u>0.7</u>	97	<u>-6.2</u>	97	<u>-0.3</u>	99	<u>5.8</u>	99	<u>2.9</u>	Dec-12
Over/Under																			-0.4	
eA All EAFE Equity Gross Median			6.4		14.4		20.4		3.2		6.1		-1.8		3.8		10.0		3.3	Dec-12
Russell MSCI EAFE + CAD Small Cap	57,902,577	2.0	9.0	5	17.6	17	22.8	66	--	--	--	--	--	--	--	--	--	--	19.1	Dec-11
MSCI EAFE + CAD Small Cap			<u>4.8</u>	81	<u>13.8</u>	76	<u>17.5</u>	93	<u>-0.5</u>	89	<u>7.2</u>	82	<u>-0.7</u>	67	<u>2.5</u>	90	<u>12.0</u>	77	<u>13.9</u>	Dec-11
Over/Under			4.2		3.8		5.3												5.2	
eA EAFE Small Cap Equity Gross Median			6.0		16.0		23.6		3.3		9.9		-0.1		4.8		13.6		19.4	Dec-11
<b>Emerging Markets Equity Composite</b>	<b>145,558,989</b>	<b>5.0</b>	<b>7.4</b>	<b>26</b>	<b>13.7</b>	<b>66</b>	<b>18.8</b>	<b>67</b>	<b>-3.8</b>	<b>74</b>	<b>2.7</b>	<b>84</b>	<b>-0.8</b>	<b>62</b>	<b>7.6</b>	<b>83</b>	<b>16.0</b>	<b>86</b>	<b>14.9</b>	<b>Sep-01</b>
MSCI Emg Mkts Free (Net)			<u>5.6</u>	70	<u>13.8</u>	65	<u>18.2</u>	68	<u>-1.8</u>	62	<u>4.7</u>	62	<u>-0.9</u>	64	<u>8.4</u>	64	<u>16.5</u>	80	<u>14.5</u>	Sep-01
Over/Under			1.8		-0.1		0.6		-2.0		-2.0		0.1		-0.8		-0.5		0.4	
eA Emg Mkts Equity Gross Median			6.5		14.6		20.9		-0.5		6.3		-0.1		9.5		18.1		16.1	Sep-01
Russell Emerging Markets	145,558,989	5.0	7.4	26	13.7	66	18.8	67	--	--	--	--	--	--	--	--	--	--	7.4	Nov-11
MSCI Emg Mkts Free (Net)			<u>5.6</u>	70	<u>13.8</u>	65	<u>18.2</u>	68	<u>-1.8</u>	62	<u>4.7</u>	62	<u>-0.9</u>	64	<u>8.4</u>	64	<u>16.5</u>	80	<u>7.7</u>	Nov-11
Over/Under			1.8		-0.1		0.6												-0.3	
eA Emg Mkts Equity Gross Median			6.5		14.6		20.9		-0.5		6.3		-0.1		9.5		18.1		10.6	Nov-11

Note: Performance shown is gross of fees. Please see Appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Fixed Income Composite (1)</b>	<b>872,818,039</b>	<b>30.1</b>	<b>2.3</b>	<b>13</b>	<b>7.1</b>	<b>12</b>	<b>12.4</b>	<b>17</b>	<b>10.8</b>	<b>14</b>	<b>10.2</b>	<b>22</b>	--	--	--	--	--	--	<b>9.3</b>	<b>Apr-08</b>
<i>Barclays Aggregate</i>			<u>0.2</u>	76	<u>1.8</u>	72	<u>4.2</u>	70	<u>6.0</u>	60	<u>6.2</u>	62	<u>5.9</u>	63	<u>5.9</u>	62	<u>5.2</u>	63	<u>5.8</u>	<i>Apr-08</i>
<i>Over/Under</i>			2.1		5.3		8.2		4.8		4.0								3.5	
<i>eA All US Fixed Inc Gross Median</i>			0.6		2.7		6.1		6.7		7.0		6.5		6.2		5.6		6.5	<i>Apr-08</i>
<b>Domestic Core Fixed Income Composite (2)</b>	<b>143,383,419</b>	<b>5.0</b>	<b>0.2</b>	<b>81</b>	<b>2.1</b>	<b>75</b>	<b>5.2</b>	<b>70</b>	<b>7.2</b>	<b>34</b>	<b>7.2</b>	<b>46</b>	<b>6.2</b>	<b>77</b>	<b>5.9</b>	<b>81</b>	<b>5.8</b>	<b>44</b>	<b>6.3</b>	<b>Jun-95</b>
<i>Barclays Aggregate</i>			<u>0.2</u>	82	<u>1.8</u>	87	<u>4.2</u>	90	<u>6.0</u>	84	<u>6.2</u>	84	<u>5.9</u>	85	<u>5.9</u>	84	<u>5.2</u>	88	<u>6.2</u>	<i>Jun-95</i>
<i>Over/Under</i>			0.0		0.3		1.0		1.2		1.0		0.3		0.0		0.6		0.1	
<i>eA US Core Fixed Inc Gross Median</i>			0.5		2.7		5.9		6.9		7.1		6.8		6.4		5.7		6.6	<i>Jun-95</i>
<i>Seix Core Fixed Income</i>	143,309,625	4.9	0.2	81	2.1	77	5.2	71	7.2	34	7.4	33	7.5	20	6.9	21	6.3	12	6.8	<i>Oct-99</i>
<i>Barclays Aggregate</i>			<u>0.2</u>	82	<u>1.8</u>	87	<u>4.2</u>	90	<u>6.0</u>	84	<u>6.2</u>	84	<u>5.9</u>	85	<u>5.9</u>	84	<u>5.2</u>	88	<u>6.2</u>	<i>Oct-99</i>
<i>Over/Under</i>			0.0		0.3		1.0		1.2		1.2		1.6		1.0		1.1		0.6	
<i>eA US Core Fixed Inc Gross Median</i>			0.5		2.7		5.9		6.9		7.1		6.8		6.4		5.7		6.6	<i>Oct-99</i>
<b>Non-U.S. Core Fixed Income Composite</b>	<b>148,295,557</b>	<b>5.1</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	<b>0.0</b>	<b>Dec-12</b>
<i>Barclays Global Aggregate ex US Unhedged</i>			<u>-1.0</u>	89	<u>3.3</u>	79	<u>4.1</u>	89	<u>4.2</u>	89	<u>4.5</u>	95	<u>5.1</u>	85	<u>6.3</u>	80	<u>6.6</u>	80	<u>-0.5</u>	<i>Dec-12</i>
<i>Over/Under</i>																			0.5	
<i>eA Global Fixed Inc Unhedged Gross Median</i>			1.6		5.3		9.4		6.7		6.9		6.6		7.0		7.2		0.6	<i>Dec-12</i>
<i>Russell BC Global Agg ex-U.S. (3)</i>	148,295,557	5.1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.0	<i>Dec-12</i>
<i>Barclays Global Aggregate ex US Unhedged</i>			<u>-1.0</u>	89	<u>3.3</u>	79	<u>4.1</u>	89	<u>4.2</u>	89	<u>4.5</u>	95	<u>5.1</u>	85	<u>6.3</u>	80	<u>6.6</u>	80	<u>-0.5</u>	<i>Dec-12</i>
<i>Over/Under</i>																			0.5	
<i>eA Global Fixed Inc Unhedged Gross Median</i>			1.6		5.3		9.4		6.7		6.9		6.6		7.0		7.2		0.6	<i>Dec-12</i>

Note: Performance shown is gross of fees. Please see Appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Credit Composite (1,5)</b>	<b>437,429,503</b>	<b>15.1</b>	<b>5.2</b>	--	<b>19.5</b>	--	<b>34.3</b>	--	<b>13.9</b>	--	<b>13.8</b>	--	--	--	--	--	--	--	<b>12.1</b>	<b>Jul-08</b>
<i>50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index</i>			<u>2.3</u>	--	<u>6.2</u>	--	<u>12.0</u>	--	<u>7.7</u>	--	<u>9.2</u>	--	<u>7.0</u>	--	<u>6.5</u>	--	<u>7.4</u>	--	<u>8.1</u>	<i>Jul-08</i>
Over/Under			2.9		13.3		22.3		6.2		4.6								4.0	
<b>Domestic Credit Composite (1)</b>	<b>171,175,110</b>	<b>5.9</b>	<b>1.6</b>	--	<b>4.7</b>	--	<b>10.3</b>	--	<b>6.5</b>	--	<b>8.0</b>	--	--	--	--	--	--	--	<b>10.6</b>	<b>Apr-09</b>
<i>Blended Domestic Credit Index (2)</i>			<u>2.8</u>	--	<u>6.7</u>	--	<u>12.6</u>	--	<u>8.0</u>	--	<u>9.4</u>	--	<u>7.1</u>	--	<u>6.6</u>	--	<u>7.5</u>	--	<u>16.7</u>	<i>Apr-09</i>
Over/Under			-1.2		-2.0		-2.3		-1.5		-1.4								-6.1	
Russell BC High Yield (3)	169,320,652	5.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.8	Dec-12
<i>Barclays High Yield</i>			<u>3.3</u>	--	<u>8.0</u>	--	<u>15.8</u>	--	<u>10.3</u>	--	<u>11.9</u>	--	<u>10.3</u>	--	<u>9.3</u>	--	<u>10.6</u>	--	<u>1.6</u>	<i>Dec-12</i>
Over/Under																			-0.8	
<b>Opportunistic Credit Composite (5)</b>	<b>266,254,394</b>	<b>9.2</b>	<b>6.3</b>	--	<b>24.7</b>	--	<b>44.2</b>	--	<b>15.6</b>	--	<b>15.6</b>	--	--	--	--	--	--	--	<b>17.1</b>	<b>Jul-08</b>
<i>50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index</i>			<u>2.3</u>	--	<u>6.2</u>	--	<u>12.0</u>	--	<u>7.7</u>	--	<u>9.2</u>	--	<u>7.0</u>	--	<u>6.5</u>	--	<u>7.4</u>	--	<u>8.1</u>	<i>Jul-08</i>
Over/Under			4.0		18.5		32.2		7.9		6.4								9.0	
Pimco Disco II	144,345,654	5.0	7.7	--	26.4	--	46.1	--	--	--	--	--	--	--	--	--	--	--	39.5	Nov-11
<i>BofA Merrill Lynch US High Yield BB-B Rated Constrained Index</i>			<u>3.1</u>	--	<u>7.7</u>	--	<u>14.6</u>	--	<u>9.9</u>	--	<u>11.3</u>	--	<u>9.1</u>	--	<u>8.3</u>	--	<u>9.3</u>	--	<u>12.9</u>	<i>Nov-11</i>
Over/Under			4.6		18.7		31.5												26.6	
Marathon (4)	11,646,237	0.4	4.1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4.1	Oct-12
<i>BofA ML Euro HY Constrained</i>			<u>9.1</u>	--	<u>18.6</u>	--	<u>29.4</u>	--	<u>10.5</u>	--	<u>9.4</u>	--	<u>8.5</u>	--	<u>10.3</u>	--	<u>13.2</u>	--	<u>9.1</u>	<i>Oct-12</i>
Over/Under			-5.0																-5.0	

Note: Performance shown is gross of fees. Please see Appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Direct Lending Composite (1)</b>	<b>110,262,502</b>	<b>3.8</b>	<b>2.2</b>	--	<b>10.0</b>	--	<b>9.1</b>	--	<b>8.2</b>	--	--	--	--	--	--	--	--	--	<b>6.2</b>	<b>Nov-10</b>
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>2.7</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.0</u>	--	<u>7.3</u>	--	<u>7.3</u>	--	<u>5.4</u>	Nov-10
Over/Under			0.9		7.3		3.6		2.8										0.8	
White Oak	34,876,884	1.2	1.6	--	9.3	--	5.9	--	3.4	--	--	--	--	--	--	--	--	--	2.1	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>2.7</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.0</u>	--	<u>7.3</u>	--	<u>7.3</u>	--	<u>5.4</u>	Nov-10
Over/Under			0.3		6.6		0.4		-2.0										-3.3	
GSO	35,742,846	1.2	2.5	--	9.7	--	14.8	--	22.9	--	--	--	--	--	--	--	--	--	21.2	Dec-10
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>2.7</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.0</u>	--	<u>7.3</u>	--	<u>7.3</u>	--	<u>5.4</u>	Dec-10
Over/Under			1.2		7.0		9.3		17.5										15.8	
Medley Capital	39,642,773	1.4	2.4	--	11.7	--	9.2	--	--	--	--	--	--	--	--	--	--	--	5.2	Mar-11
3 Months LIBOR + 5%			<u>1.3</u>	--	<u>2.7</u>	--	<u>5.5</u>	--	<u>5.4</u>	--	<u>5.4</u>	--	<u>6.0</u>	--	<u>7.3</u>	--	<u>7.3</u>	--	<u>5.4</u>	Mar-11
Over/Under			1.1		9.0		3.7												-0.2	
<b>Emerging Market Debt Composite</b>	<b>140,248,127</b>	<b>4.8</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	<b>0.7</b>	<b>Dec-12</b>
JP Morgan EMBI+ TR			<u>3.2</u>	75	<u>10.4</u>	55	<u>18.0</u>	62	<u>13.5</u>	15	<u>13.0</u>	41	<u>10.4</u>	52	<u>9.8</u>	68	<u>12.0</u>	74	<u>0.9</u>	Dec-12
Over/Under																			-0.2	
eA All Emg Mkts Fixed Inc Gross Median			3.9		10.5		19.1		10.0		12.3		10.4		10.5		13.1		1.6	Dec-12
Russell JPM EMBI Plus (2)	140,248,127	4.8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.7	Dec-12
JP Morgan EMBI+ TR			<u>3.2</u>	75	<u>10.4</u>	55	<u>18.0</u>	62	<u>13.5</u>	15	<u>13.0</u>	41	<u>10.4</u>	52	<u>9.8</u>	68	<u>12.0</u>	74	<u>0.9</u>	Dec-12
Over/Under																			-0.2	
eA All Emg Mkts Fixed Inc Gross Median			3.9		10.5		19.1		10.0		12.3		10.4		10.5		13.1		1.6	Dec-12

Note: Performance shown is net of fees. Please see Appendix for details regarding the footnotes.

# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Total Hedge Fund Composite (1)</b>	<b>290,844,478</b>	<b>10.0</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	<b>0.4</b>	<b>Dec-12</b>
HFRI.FOF.Comp (1 Month Lag)			1.0	--	2.2	--	3.0	--	-0.1	--	1.3	--	-1.9	--	1.7	--	3.6	--	0.4	Dec-12
Over/Under																			0.0	
Russell Hedge Index (2)			0.4	--	1.9	--	3.1	--	1.5	--	2.0	--	1.2	--	2.8	--	3.4	--	0.3	Dec-12
<b>Total GAA Composite</b>	<b>145,166,319</b>	<b>5.0</b>	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	<b>1.2</b>	<b>Dec-12</b>
60% MSCI World (Net) / 40% CITI WGBI			0.8	--	6.1	--	10.2	--	4.6	--	6.2	--	1.9	--	4.7	--	7.3	--	0.8	Dec-12
Over/Under																			0.4	
Russell GAA (3)	145,166,319	5.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1.2	Dec-12
60% MSCI World (Net) / 40% CITI WGBI			0.8	--	6.1	--	10.2	--	4.6	--	6.2	--	1.9	--	4.7	--	7.3	--	0.8	Dec-12
Over/Under																			0.4	
<b>Total Private Equity Composite (4)</b>	<b>229,774,356</b>	<b>7.9</b>	2.7	--	3.2	--	9.0	--	11.3	--	10.3	--	5.8	--	7.9	--	--	--	<b>7.6</b>	<b>Oct-05</b>
Cambridge PE 1 Qtr Lag			3.6	--	3.5	--	14.9	--	14.2	--	15.5	--	5.9	--	11.5	--	14.7	--	12.2	Oct-05
Over/Under			-0.9		-0.3		-5.9		-2.9		-5.2		-0.1		-3.6				-4.6	
Venture Economics All Private Equity Lag			0.0	--	-0.1	--	9.6	--	10.8	--	12.4	--	4.3	--	9.2	--	11.6	--	9.8	Oct-05
Russell 3000			0.2	--	6.5	--	16.4	--	8.4	--	11.2	--	2.0	--	4.3	--	7.7	--	4.5	Oct-05
<b>Total Real Estate Composite (5)</b>	<b>203,174,673</b>	<b>7.0</b>	1.5	--	4.2	--	13.0	--	7.3	--	9.2	--	2.3	--	5.4	--	6.4	--	<b>7.8</b>	<b>Jun-95</b>
NCREIF Property Index			2.5	--	4.9	--	10.5	--	12.4	--	12.6	--	2.1	--	6.0	--	8.4	--	9.5	Jun-95
Over/Under			-1.0		-0.7		2.5		-5.1		-3.4		0.2		-0.6		-2.0		-1.7	
<b>American Realty/Kennedy Combined (6)</b>	<b>19,816,867</b>	<b>0.7</b>	0.0	--	4.1	--	16.2	--	7.8	--	9.2	--	4.6	--	7.7	--	--	--	<b>8.7</b>	<b>Oct-03</b>
NCREIF Property Index			2.5	--	4.9	--	10.5	--	12.4	--	12.6	--	2.1	--	6.0	--	8.4	--	8.5	Oct-03
Over/Under			-2.5		-0.8		5.7		-4.6		-3.4		2.5		1.7				0.2	
American Realty Core Realty Fund	108,118,106	3.7	2.3	--	4.7	--	11.2	--	--	--	--	--	--	--	--	--	--	--	10.4	Sep-11
NCREIF Property Index			2.5	--	4.9	--	10.5	--	12.4	--	12.6	--	2.1	--	6.0	--	8.4	--	12.9	Sep-11
Over/Under			-0.2		-0.2		0.7												-2.5	
Russell Real Estate	75,239,700	2.6	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	0.5	Dec-12
50% MSCI ACWI (Net) / 50% BC Global Aggregate			1.2	--	6.3	--	10.3	--	4.6	--	6.2	--	2.6	--	5.2	--	7.4	--	1.0	Dec-12
Over/Under																			-0.5	

Note: Performance shown is net of fees. Please see Appendix for details regarding the footnotes.



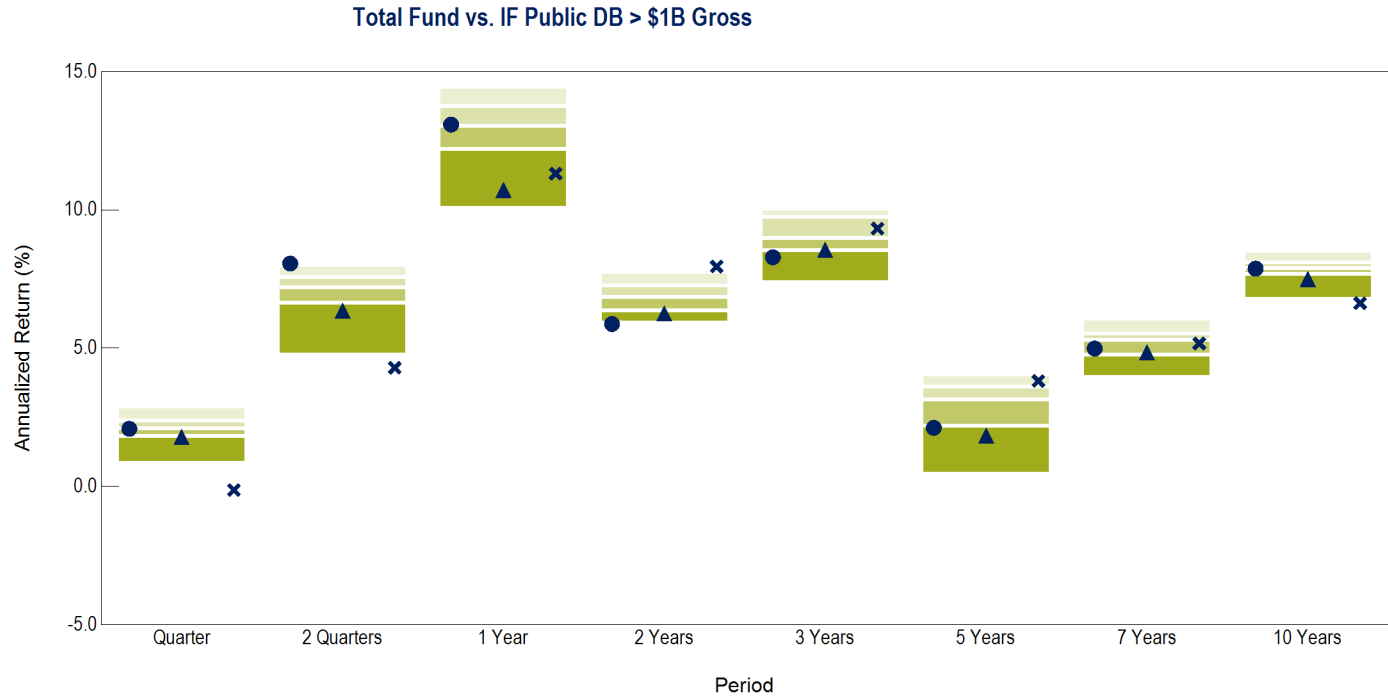
# City of San Jose Police and Fire Department Retirement Plan

## Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	2 Yrs (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	7 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
<b>Inflation-Linked Assets Composite</b>	<b>279,607,113</b>	<b>9.7</b>	<b>-3.8</b>	--	<b>3.3</b>	--	<b>-0.9</b>	--	<b>-5.3</b>	--	<b>1.7</b>	--	--	--	--	--	--	--	<b>1.7</b>	<b>Jan-10</b>
Custom Commodity Risk Parity Index			<u>-3.0</u>	--	<u>4.1</u>	--	<u>1.3</u>	--	--	--	--	--	--	--	--	--	--	--	--	Jan-10
Over/Under			-0.8		-0.8		-2.2													
Dow Jones-UBS Commodity Index TR			-6.3	--	2.7	--	-1.1	--	-7.4	--	0.1	--	-5.2	--	-1.3	--	4.1	--	0.1	Jan-10
Credit Suisse	157,111,135	5.4	-2.9	--	4.6	--	2.0	--	--	--	--	--	--	--	--	--	--	--	-5.8	Apr-11
Custom Commodity Risk Parity Index			<u>-3.0</u>	--	<u>4.1</u>	--	<u>1.3</u>	--	--	--	--	--	--	--	--	--	--	--	<u>-6.3</u>	Apr-11
Over/Under			0.1		0.5		0.7												0.5	
Dow Jones-UBS Commodity Index TR			-6.3	--	2.7	--	-1.1	--	-7.4	--	0.1	--	-5.2	--	-1.3	--	4.1	--	-10.7	Apr-11
First Quadrant	122,495,978	4.2	-4.9	--	1.7	--	-4.4	--	--	--	--	--	--	--	--	--	--	--	-9.1	Apr-11
Custom Commodity Risk Parity Index			<u>-3.0</u>	--	<u>4.1</u>	--	<u>1.3</u>	--	--	--	--	--	--	--	--	--	--	--	<u>-6.3</u>	Apr-11
Over/Under			-1.9		-2.4		-5.7												-2.8	
Dow Jones-UBS Commodity Index TR			-6.3	--	2.7	--	-1.1	--	-7.4	--	0.1	--	-5.2	--	-1.3	--	4.1	--	-10.7	Apr-11
<b>Cash (1)</b>																				
Cash	20,528,685	0.7	0.0	--	0.1	--	0.3	--	0.2	--	0.8	--	--	--	--	--	--	--	--	Apr-08
91 Day T-Bills			<u>0.0</u>	--	<u>0.0</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.1</u>	--	<u>0.3</u>	--	<u>1.6</u>	--	<u>1.7</u>	--	<u>1.6</u>	Apr-08
Over/Under			0.0		0.1		0.2		0.1		0.7									

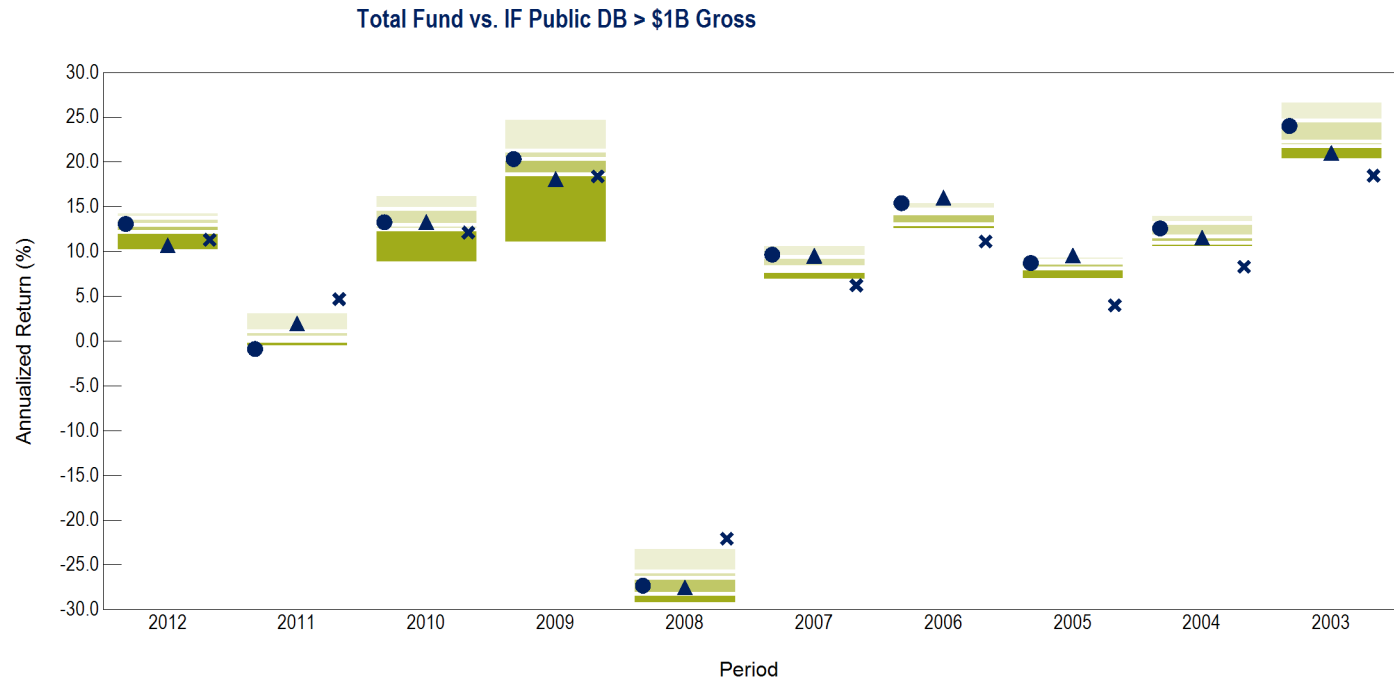
Note: Performance shown for all strategies, except for cash, is net of fees. Please see Appendix for details regarding the footnotes.

**Total Fund Return Summary vs. Peer Universe**



	Return (Rank)							
	Quarter	2 Quarters	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
5th Percentile	2.9	8.0	14.4	7.7	10.0	4.0	6.1	8.5
25th Percentile	2.4	7.6	13.8	7.3	9.8	3.6	5.6	8.1
Median	2.1	7.2	13.0	6.9	9.0	3.1	5.3	7.9
75th Percentile	1.8	6.7	12.2	6.4	8.5	2.2	4.8	7.7
95th Percentile	0.9	4.8	10.1	5.9	7.4	0.5	4.0	6.8
# of Portfolios	36	36	36	34	33	32	32	31
● Total Fund	2.1 (53)	8.1 (3)	13.1 (44)	5.9 (96)	8.3 (88)	2.1 (76)	5.0 (68)	7.9 (52)
▲ Policy Benchmark	1.8 (78)	6.4 (86)	10.7 (91)	6.3 (81)	8.6 (75)	1.8 (83)	4.8 (75)	7.5 (80)
× 60% S&P 500 / 40% BC Agg	-0.1 (99)	4.3 (99)	11.3 (89)	7.9 (3)	9.3 (34)	3.8 (11)	5.2 (58)	6.6 (97)

**Total Fund Return Summary vs. Peer Universe**



	Return (Rank)									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
5th Percentile	14.4	3.3	16.4	24.9	-23.0	10.8	15.6	9.5	14.1	26.8
25th Percentile	13.8	1.1	14.8	21.3	-25.7	9.4	14.7	9.0	13.2	24.7
Median	13.0	0.4	13.0	20.4	-26.4	8.3	14.3	8.8	11.7	22.3
75th Percentile	12.2	0.1	12.5	18.6	-28.2	7.8	13.1	8.2	11.0	21.8
95th Percentile	10.1	-0.7	8.7	10.9	-29.4	6.8	12.5	6.8	10.4	20.3
# of Portfolios	36	12	11	11	11	11	11	11	11	11
● Total Fund	13.1 (44)	-0.9 (99)	13.3 (48)	20.3 (51)	-27.3 (58)	9.7 (19)	15.4 (9)	8.7 (59)	12.6 (30)	24.0 (36)
▲ Policy Benchmark	10.7 (91)	2.0 (15)	13.3 (48)	18.1 (82)	-27.5 (60)	9.5 (20)	16.1 (1)	9.6 (1)	11.6 (55)	21.0 (87)
× 60% S&P 500 / 40% BC Agg	11.3 (89)	4.7 (1)	12.1 (89)	18.4 (81)	-22.1 (1)	6.2 (99)	11.1 (99)	4.0 (99)	8.3 (99)	18.5 (99)

**Manager Summary**

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

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

# City of San Jose Police and Fire Department Retirement Plan

## Manager Summary

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	NEPC DD Recommendation	Comments
Russell	Global Equities, Non-U.S. Core Fixed Income, High Yield Fixed Income, Emerging Markets Debt, Hedge Funds, GAA, Private Equity, and Real Estate	--	--	--	Russell in the Fund's overlay provider and is currently providing interim exposure to several asset classes while we continue to work with staff to complete searches.
Artisan Partners	Global Equities	Y	--	NO ACTION	Global Opps Strategy - NEPC FPL Strategy; Strategies have not yet been funded; No Action Recommended
RS Investments	U.S. Small Cap Equities	--	--	--	
TPG	Private Equity (Distressed)	--	--	--	NEPC FPL Strategy
Crescent Capital	Private Equity (Mezzanine)	Y	--	NO ACTION	NEPC FPL Strategy; No Action Recommended
Siguler Guff	Private Equity (Distressed)	--	--	--	NEPC FPL Strategy
Pantheon	Private Equity (Fund of Funds)	--	--	--	
Portfolio Advisors	Private Equity (Venture, Buyout, Special Situations)	--	--	--	
HarbourVest	Private Equity (Venture, Buyout)				
Seix	Core Plus Fixed Income	--	--	--	
PIMCO	Distressed Senior Credit II	--	--	--	
Marathon	Opportunistic Credit (European Distressed)	--	--	--	NEPC FPL Strategy
White Oak	Opportunistic Credit (Direct Lending)	--	--	--	
GSO	Opportunistic Credit (Direct Lending)	--	--	--	
Medley	Opportunistic Credit (Direct Lending)	--	--	--	
American Realty	Real Estate	--	--	--	
PIMCO	Global Asset Allocation	--	--	--	NEPC FPL Strategy; Allocation has not yet been funded
GMO	Global Asset Allocation	--	--	--	NEPC FPL Strategy; Allocation has not yet been funded
Standard Life	Global Asset Allocation	--	--	--	NEPC FPL Strategy; Allocation has not yet been funded
First Quadrant	Commodities	--	--	--	
Credit Suisse	Commodities	--	--	--	



## Manager Summary

### Changes/Announcements

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

#### **Artisan Partners**

- On November 1, 2012, Artisan announced that Artisan Partners Asset Management has filed a registration statement on Form S-1 with the SEC for a proposed initial public offering of Class A common stock. Artisan Partners LP will be the company's primary operating entity upon completion of the initial public offering.
- This is not all that surprising as Artisan originally filed for an initial public offering in 2011, but later withdrew it due to market conditions.
- San Jose P&F recently approved a \$50 M investment in two Artisan strategies - Global Value and Global Opportunities.
- ***NO ACTION is recommended.***

#### **Crescent Capital**

- In early October 2012, Crescent Capital notified NEPC that Patrick Turner, a Managing Director on the mezzanine team, has taken a leave of absence from the firm for personal reasons. The leave does not trigger key man provisions and should not be of significant concern to investors.
- Patrick is one of seven investment professionals named in the Fund VI key man provision, which is triggered if four of the seven named investment professionals depart. Similarly, the departure does not trigger a key man provision in Funds IV or V, which are outside of their investment period.
- Crescent is a very flat organization with a large team that includes more than twenty investment professionals. Coverage of key private equity sponsors are handled by multiple professionals. We believe this team approach provides the team the ability to easily cover for the departure of a single investment professional.
- San Jose P&F invested \$20 M in Crescent Capital Mezzanine Fund V and recently committed \$20 M to Fund VI.
- ***NO ACTION is recommended.***

## Appendix: Net of Fees Performance



City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Fund</b>	<b>2,895,729,588</b>	<b>100.0</b>	<b>2.1</b>	<b>8.0</b>	<b>12.7</b>	<b>5.5</b>	<b>7.9</b>	<b>1.6</b>	<b>4.5</b>	<b>7.6</b>	<b>8.8</b>	<b>Mar-71</b>
Policy Benchmark			<u>1.8</u>	<u>6.4</u>	<u>10.7</u>	<u>6.3</u>	<u>8.6</u>	<u>1.8</u>	<u>4.8</u>	<u>7.5</u>	--	Mar-71
Over/Under			0.3	1.6	2.0	-0.8	-0.7	-0.2	-0.3	0.1		
Allocation Index			1.7	6.5	10.8	5.2	7.8	2.1	5.1	8.0	--	Mar-71
60% S&P 500 / 40% BC Agg			-0.1	4.3	11.3	7.9	9.3	3.8	5.2	6.6	--	Mar-71
<b>Total Fund Ex Overlay</b>	<b>2,895,729,588</b>	<b>100.0</b>	<b>2.0</b>	<b>7.7</b>	<b>12.3</b>	<b>5.3</b>	<b>7.8</b>	<b>1.6</b>	<b>4.4</b>	<b>7.6</b>	<b>8.6</b>	<b>Mar-71</b>
<b>Total Equity Composite (1)</b>	<b>854,985,839</b>	<b>29.5</b>	<b>3.7</b>	<b>10.8</b>	<b>17.3</b>	<b>4.3</b>	<b>8.3</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2.1</b>	<b>Apr-08</b>
MSCI ACWI (Net)			<u>2.9</u>	<u>9.9</u>	<u>16.1</u>	<u>3.7</u>	<u>6.6</u>	<u>-1.2</u>	<u>3.5</u>	<u>8.1</u>	<u>0.8</u>	Apr-08
Over/Under			0.8	0.9	1.2	0.6	1.7				1.3	
<b>Global Equity Composite (2)</b>	<b>7,408,867</b>	<b>0.3</b>	<b>2.9</b>	<b>10.4</b>	<b>17.9</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>17.9</b>	<b>Jan-12</b>
MSCI ACWI (Net)			<u>2.9</u>	<u>9.9</u>	<u>16.1</u>	<u>3.7</u>	<u>6.6</u>	<u>-1.2</u>	<u>3.5</u>	<u>8.1</u>	<u>16.1</u>	Jan-12
Over/Under			0.0	0.5	1.8						1.8	
<b>U.S. Equity Composite (3)</b>	<b>364,329,165</b>	<b>12.6</b>	<b>3.4</b>	<b>10.7</b>	<b>18.2</b>	<b>8.7</b>	<b>12.0</b>	<b>2.0</b>	<b>4.0</b>	<b>7.8</b>	<b>8.1</b>	<b>Jun-95</b>
Russell 3000			<u>0.2</u>	<u>6.5</u>	<u>16.4</u>	<u>8.4</u>	<u>11.2</u>	<u>2.0</u>	<u>4.3</u>	<u>7.7</u>	<u>7.9</u>	Jun-95
Over/Under			3.2	4.2	1.8	0.3	0.8	0.0	-0.3	0.1	0.2	
Russell R1000 (4)	275,838,546	9.5	--	--	--	--	--	--	--	--	0.2	Dec-12
Russell 1000			<u>0.1</u>	<u>6.4</u>	<u>16.4</u>	<u>8.7</u>	<u>11.1</u>	<u>1.9</u>	<u>4.3</u>	<u>7.5</u>	<u>1.0</u>	Dec-12
Over/Under											-0.8	
RS Investments	88,394,045	3.1	6.0	13.8	21.2	5.5	--	--	--	--	13.9	Aug-10
Russell 2000 Value			<u>3.2</u>	<u>9.1</u>	<u>18.0</u>	<u>5.6</u>	<u>11.6</u>	<u>3.5</u>	<u>4.1</u>	<u>9.5</u>	<u>12.1</u>	Aug-10
Over/Under			2.8	4.7	3.2	-0.1					1.8	

Composition of the Policy benchmark can be found in the Appendix. Please see Appendix for details regarding the footnotes.



City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>International Equity Composite (1)</b>	<b>483,247,807</b>	<b>16.7</b>	<b>5.9</b>	<b>13.0</b>	<b>17.9</b>	<b>0.4</b>	<b>4.9</b>	<b>-2.6</b>	<b>3.8</b>	<b>10.5</b>	<b>9.4</b>	<b>Jun-95</b>
<i>MSCI AC WORLD ex US (NET)</i>			<u>5.8</u>	<u>13.7</u>	<u>16.8</u>	<u>0.4</u>	<u>3.9</u>	<u>-2.9</u>	<u>3.5</u>	<u>9.7</u>	--	<i>Jun-95</i>
Over/Under			0.1	-0.7	1.1	0.0	1.0	0.3	0.3	0.8		
<b>Developed International Equity Composite (1)</b>	<b>337,688,819</b>	<b>11.7</b>	<b>5.6</b>	<b>13.9</b>	<b>18.7</b>	<b>3.7</b>	<b>7.0</b>	<b>-2.3</b>	<b>3.5</b>	<b>9.5</b>	<b>8.2</b>	<b>Jun-95</b>
<i>MSCI EAFE (Net)</i>			<u>6.6</u>	<u>13.9</u>	<u>17.3</u>	<u>1.5</u>	<u>3.6</u>	<u>-3.7</u>	<u>2.2</u>	<u>8.2</u>	<u>4.5</u>	<i>Jun-95</i>
Over/Under			-1.0	0.0	1.4	2.2	3.4	1.4	1.3	1.3	3.7	
Russell MSCI EAFE + CAD (2)	279,350,797	9.6	--	--	--	--	--	--	--	--	2.5	Dec-12
<i>MSCI EAFE + CAD</i>			<u>5.5</u>	<u>12.4</u>	<u>12.8</u>	<u>-1.9</u>	<u>0.7</u>	<u>-6.2</u>	<u>-0.3</u>	<u>5.8</u>	<u>2.9</u>	<i>Dec-12</i>
Over/Under											-0.4	
Russell MSCI EAFE + CAD Small Cap	57,902,577	2.0	9.0	17.6	22.7	--	--	--	--	--	19.0	Dec-11
<i>MSCI EAFE + CAD Small Cap</i>			<u>4.8</u>	<u>13.8</u>	<u>17.5</u>	<u>-0.5</u>	<u>7.2</u>	<u>-0.7</u>	<u>2.5</u>	<u>12.0</u>	<u>13.9</u>	<i>Dec-11</i>
Over/Under			4.2	3.8	5.2						5.1	
<b>Emerging Markets Equity Composite</b>	<b>145,558,989</b>	<b>5.0</b>	<b>7.4</b>	<b>13.7</b>	<b>18.8</b>	<b>-4.2</b>	<b>2.1</b>	<b>-1.6</b>	<b>6.7</b>	<b>15.0</b>	<b>13.9</b>	<b>Sep-01</b>
<i>MSCI Emg Mkts Free (Net)</i>			<u>5.6</u>	<u>13.8</u>	<u>18.2</u>	<u>-1.8</u>	<u>4.7</u>	<u>-0.9</u>	<u>8.4</u>	<u>16.5</u>	<u>14.5</u>	<i>Sep-01</i>
Over/Under			1.8	-0.1	0.6	-2.4	-2.6	-0.7	-1.7	-1.5	-0.6	
Russell Emerging Markets	145,558,989	5.0	7.4	13.7	18.8	--	--	--	--	--	7.4	Nov-11
<i>MSCI Emg Mkts Free (Net)</i>			<u>5.6</u>	<u>13.8</u>	<u>18.2</u>	<u>-1.8</u>	<u>4.7</u>	<u>-0.9</u>	<u>8.4</u>	<u>16.5</u>	<u>7.7</u>	<i>Nov-11</i>
Over/Under			1.8	-0.1	0.6						-0.3	

Please see Appendix for details regarding the footnotes.

City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Fixed Income Composite (1)</b>	<b>872,818,039</b>	<b>30.1</b>	<b>2.2</b>	<b>7.0</b>	<b>12.2</b>	<b>10.6</b>	<b>10.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>9.0</b>	<b>Apr-08</b>
<i>Barclays Aggregate</i>			<u>0.2</u>	<u>1.8</u>	<u>4.2</u>	<u>6.0</u>	<u>6.2</u>	<u>5.9</u>	<u>5.9</u>	<u>5.2</u>	<u>5.8</u>	<i>Apr-08</i>
Over/Under			2.0	5.2	8.0	4.6	3.8				3.2	
<b>Domestic Core Fixed Income Composite (2)</b>	<b>143,383,419</b>	<b>5.0</b>	<b>0.2</b>	<b>2.1</b>	<b>5.1</b>	<b>7.1</b>	<b>7.1</b>	<b>6.1</b>	<b>5.8</b>	<b>5.6</b>	<b>6.2</b>	<b>Jun-95</b>
<i>Barclays Aggregate</i>			<u>0.2</u>	<u>1.8</u>	<u>4.2</u>	<u>6.0</u>	<u>6.2</u>	<u>5.9</u>	<u>5.9</u>	<u>5.2</u>	<u>6.2</u>	<i>Jun-95</i>
Over/Under			0.0	0.3	0.9	1.1	0.9	0.2	-0.1	0.4	0.0	
Seix Core Fixed Income	143,309,625	4.9	0.2	2.1	5.1	7.1	7.3	7.3	6.8	6.1	6.6	Oct-99
<i>Barclays Aggregate</i>			<u>0.2</u>	<u>1.8</u>	<u>4.2</u>	<u>6.0</u>	<u>6.2</u>	<u>5.9</u>	<u>5.9</u>	<u>5.2</u>	<u>6.2</u>	<i>Oct-99</i>
Over/Under			0.0	0.3	0.9	1.1	1.1	1.4	0.9	0.9	0.4	
<b>Non-U.S. Core Fixed Income Composite</b>	<b>148,295,557</b>	<b>5.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.0</b>	<b>Dec-12</b>
<i>Barclays Global Aggregate ex US Unhedged</i>			<u>-1.0</u>	<u>3.3</u>	<u>4.1</u>	<u>4.2</u>	<u>4.5</u>	<u>5.1</u>	<u>6.3</u>	<u>6.6</u>	<u>-0.5</u>	<i>Dec-12</i>
Over/Under											0.5	
Russell BC Global Agg ex-U.S.(3)	148,295,557	5.1	--	--	--	--	--	--	--	--	0.0	Dec-12
<i>Barclays Global Aggregate ex US Unhedged</i>			<u>-1.0</u>	<u>3.3</u>	<u>4.1</u>	<u>4.2</u>	<u>4.5</u>	<u>5.1</u>	<u>6.3</u>	<u>6.6</u>	<u>-0.5</u>	<i>Dec-12</i>
Over/Under											0.5	

Please see Appendix for details regarding the footnotes.

City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Credit Composite (1,5)</b>	<b>437,429,503</b>	<b>15.1</b>	<b>5.0</b>	<b>19.1</b>	<b>33.2</b>	<b>13.1</b>	<b>13.0</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>11.4</b>	<b>Jul-08</b>
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>2.3</u>	<u>6.2</u>	<u>12.0</u>	<u>7.7</u>	<u>9.2</u>	<u>7.0</u>	<u>6.5</u>	<u>7.4</u>	<u>8.1</u>	Jul-08
Over/Under			2.7	12.9	21.2	5.4	3.8				3.3	
<b>Domestic Credit Composite (1)</b>	<b>171,175,110</b>	<b>5.9</b>	<b>1.6</b>	<b>4.6</b>	<b>10.0</b>	<b>6.1</b>	<b>7.7</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>10.3</b>	<b>Apr-09</b>
Blended Domestic Credit Index (2)			<u>2.8</u>	<u>6.7</u>	<u>12.6</u>	<u>8.0</u>	<u>9.4</u>	<u>7.1</u>	<u>6.6</u>	<u>7.5</u>	<u>16.7</u>	Apr-09
Over/Under			-1.2	-2.1	-2.6	-1.9	-1.7				-6.4	
Russell BC High Yield (3)	169,320,652	5.8	--	--	--	--	--	--	--	--	0.8	Dec-12
Barclays High Yield			<u>3.3</u>	<u>8.0</u>	<u>15.8</u>	<u>10.3</u>	<u>11.9</u>	<u>10.3</u>	<u>9.3</u>	<u>10.6</u>	<u>1.6</u>	Dec-12
Over/Under											-0.8	
<b>Opportunistic Credit Composite (5)</b>	<b>266,254,394</b>	<b>9.2</b>	<b>6.1</b>	<b>24.2</b>	<b>42.7</b>	<b>14.5</b>	<b>14.5</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>16.1</b>	<b>Jul-08</b>
50% DLJ Leveraged Loan Index / 50% BofA ML US HY BB-B Rated Constrained Index			<u>2.3</u>	<u>6.2</u>	<u>12.0</u>	<u>7.7</u>	<u>9.2</u>	<u>7.0</u>	<u>6.5</u>	<u>7.4</u>	<u>8.1</u>	Jul-08
Over/Under			3.8	18.0	30.7	6.8	5.3				8.0	
Pimco Disco II	144,345,654	5.0	7.4	25.8	44.7	--	--	--	--	--	38.2	Nov-11
BofA Merrill Lynch US High Yield BB-B Rated Constrained Index			<u>3.1</u>	<u>7.7</u>	<u>14.6</u>	<u>9.9</u>	<u>11.3</u>	<u>9.1</u>	<u>8.3</u>	<u>9.3</u>	<u>12.9</u>	Nov-11
Over/Under			4.3	18.1	30.1						25.3	
Marathon (4)	11,646,237	0.4	4.1	--	--	--	--	--	--	--	4.1	Oct-12
BofA ML Euro HY Constrained			<u>9.1</u>	<u>18.6</u>	<u>29.4</u>	<u>10.5</u>	<u>9.4</u>	<u>8.5</u>	<u>10.3</u>	<u>13.2</u>	<u>9.1</u>	Oct-12
Over/Under			-5.0								-5.0	

Please see Appendix for details regarding the footnotes.

City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Direct Lending Composite <del>ft%</del></b>	<b>110,262,502</b>	<b>3.8</b>	<b>2.2</b>	<b>10.0</b>	<b>9.1</b>	<b>8.2</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>6.2</b>	<b>Nov-10</b>
3 Months LIBOR + 5%			<u>1.3</u>	<u>2.7</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.0</u>	<u>7.3</u>	<u>7.3</u>	<u>5.4</u>	Nov-10
Over/Under			0.9	7.3	3.6	2.8					0.8	
White Oak	34,876,884	1.2	1.6	9.3	5.9	3.4	--	--	--	--	2.1	Nov-10
3 Months LIBOR + 5%			<u>1.3</u>	<u>2.7</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.0</u>	<u>7.3</u>	<u>7.3</u>	<u>5.4</u>	Nov-10
Over/Under			0.3	6.6	0.4	-2.0					-3.3	
GSO	35,742,846	1.2	2.5	9.7	14.8	22.9	--	--	--	--	21.2	Dec-10
3 Months LIBOR + 5%			<u>1.3</u>	<u>2.7</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.0</u>	<u>7.3</u>	<u>7.3</u>	<u>5.4</u>	Dec-10
Over/Under			1.2	7.0	9.3	17.5					15.8	
Medley Capital	39,642,773	1.4	2.4	11.7	9.2	--	--	--	--	--	5.2	Mar-11
3 Months LIBOR + 5%			<u>1.3</u>	<u>2.7</u>	<u>5.5</u>	<u>5.4</u>	<u>5.4</u>	<u>6.0</u>	<u>7.3</u>	<u>7.3</u>	<u>5.4</u>	Mar-11
Over/Under			1.1	9.0	3.7						-0.2	
<b>Emerging Market Debt Composite</b>	<b>140,248,127</b>	<b>4.8</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>0.7</b>	<b>Dec-12</b>
JP Morgan EMBI+ TR			<u>3.2</u>	<u>10.4</u>	<u>18.0</u>	<u>13.5</u>	<u>13.0</u>	<u>10.4</u>	<u>9.8</u>	<u>12.0</u>	<u>0.9</u>	Dec-12
Over/Under											-0.2	
Russell JPM EMBI Plus (2)	140,248,127	4.8	--	--	--	--	--	--	--	--	0.7	Dec-12
JP Morgan EMBI+ TR			<u>3.2</u>	<u>10.4</u>	<u>18.0</u>	<u>13.5</u>	<u>13.0</u>	<u>10.4</u>	<u>9.8</u>	<u>12.0</u>	<u>0.9</u>	Dec-12
Over/Under											-0.2	

Please see Appendix for details regarding the footnotes.

City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Total Hedge Fund Composite</b>	<b>290,844,478</b>	<b>10.0</b>	--	--	--	--	--	--	--	--	<b>0.4</b>	<b>Dec-12</b>
HFRI.FOF.Comp (1 Month Lag)			1.0	2.2	2.9	-0.1	1.3	-1.9	1.7	3.6	0.4	Dec-12
Over/Under											0.0	
Russell Hedge Index (2)			0.4	1.9	3.1	1.5	2.0	1.2	2.8	3.4	0.3	Dec-12
<b>Total GAA Composite</b>	<b>145,166,319</b>	<b>5.0</b>	--	--	--	--	--	--	--	--	<b>1.2</b>	<b>Dec-12</b>
60% MSCI World (Net) / 40% CITI WGBI			0.8	6.1	10.2	4.6	6.2	1.9	4.7	7.3	0.8	Dec-12
Over/Under											0.4	
Russell GAA (3)	145,166,319	5.0	--	--	--	--	--	--	--	--	1.2	Dec-12
60% MSCI World (Net) / 40% CITI WGBI			0.8	6.1	10.2	4.6	6.2	1.9	4.7	7.3	0.8	Dec-12
Over/Under											0.4	
<b>Total Private Equity Composite</b>	<b>229,774,356</b>	<b>7.9</b>	<b>2.7</b>	<b>3.2</b>	<b>9.0</b>	<b>11.3</b>	<b>10.3</b>	<b>5.8</b>	<b>7.9</b>	--	<b>7.6</b>	<b>Oct-05</b>
Cambridge PE 1 Qtr Lag			3.6	3.5	14.9	14.2	15.5	5.9	11.5	14.7	12.2	Oct-05
Over/Under			-0.9	-0.3	-5.9	-2.9	-5.2	-0.1	-3.6		-4.6	
Venture Economics All Private Equity Lag			0.0	-0.1	9.6	10.8	12.4	4.3	9.2	11.6	9.8	Oct-05
Russell 3000			0.2	6.5	16.4	8.4	11.2	2.0	4.3	7.7	4.5	Oct-05
<b>Total Real Estate Composite</b>	<b>203,174,673</b>	<b>7.0</b>	<b>1.5</b>	<b>4.2</b>	<b>13.0</b>	<b>7.3</b>	<b>9.2</b>	<b>2.3</b>	<b>5.4</b>	<b>6.4</b>	<b>7.8</b>	<b>Jun-95</b>
NCREIF Property Index			2.5	4.9	10.5	12.4	12.6	2.1	6.0	8.4	9.5	Jun-95
Over/Under			-1.0	-0.7	2.5	-5.1	-3.4	0.2	-0.6	-2.0	-1.7	
<b>American Realty/Kennedy Combined</b>	<b>19,816,867</b>	<b>0.7</b>	<b>0.0</b>	<b>4.1</b>	<b>16.2</b>	<b>7.8</b>	<b>9.2</b>	<b>4.6</b>	<b>7.7</b>	--	<b>8.7</b>	<b>Oct-03</b>
NCREIF Property Index			2.5	4.9	10.5	12.4	12.6	2.1	6.0	8.4	8.5	Oct-03
Over/Under			-2.5	-0.8	5.7	-4.6	-3.4	2.5	1.7		0.2	
American Realty Core Realty Fund	108,118,106	3.7	2.3	4.7	11.2	--	--	--	--	--	10.4	Sep-11
NCREIF Property Index			2.5	4.9	10.5	12.4	12.6	2.1	6.0	8.4	12.9	Sep-11
Over/Under			-0.2	-0.2	0.7						-2.5	
Russell Real Estate	75,239,700	2.6	--	--	--	--	--	--	--	--	0.5	Dec-12
50% MSCI ACWI (Net) / 50% BC Global Aggregate			1.2	6.3	10.3	4.6	6.2	2.6	5.2	7.4	1.0	Dec-12
Over/Under											-0.5	

Please see Appendix for details regarding the footnotes.

City of San Jose Police and Fire Department Retirement Plan

**Total Fund Performance Detail (Net of Fee)**

	Market Value (\$)	% of Portfolio	3 Mo (%)	Fiscal YTD (%)	1 Yr (%)	2 Yrs (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Return (%)	Since
<b>Inflation-Linked Assets Composite</b>	<b>279,607,113</b>	<b>9.7</b>	<b>-3.8</b>	<b>3.3</b>	<b>-1.3</b>	<b>-5.6</b>	<b>1.5</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1.5</b>	<b>Jan-10</b>
<i>Custom Commodity Risk Parity Index</i>			<u>-3.0</u>	<u>4.1</u>	<u>1.3</u>	--	--	--	--	--	--	Jan-10
Over/Under			-0.8	-0.8	-2.6							
<i>Dow Jones-UBS Commodity Index TR</i>			-6.3	2.7	-1.1	-7.4	0.1	-5.2	-1.3	4.1	0.1	Jan-10
Credit Suisse	157,111,135	5.4	-2.9	4.6	1.6	--	--	--	--	--	-6.2	Apr-11
<i>Custom Commodity Risk Parity Index</i>			<u>-3.0</u>	<u>4.1</u>	<u>1.3</u>	--	--	--	--	--	<u>-6.3</u>	Apr-11
Over/Under			0.1	0.5	0.3						0.1	
<i>Dow Jones-UBS Commodity Index TR</i>			-6.3	2.7	-1.1	-7.4	0.1	-5.2	-1.3	4.1	-10.7	Apr-11
First Quadrant	122,495,978	4.2	-4.9	1.7	-4.6	--	--	--	--	--	-9.3	Apr-11
<i>Custom Commodity Risk Parity Index</i>			<u>-3.0</u>	<u>4.1</u>	<u>1.3</u>	--	--	--	--	--	<u>-6.3</u>	Apr-11
Over/Under			-1.9	-2.4	-5.9						-3.0	
<i>Dow Jones-UBS Commodity Index TR</i>			-6.3	2.7	-1.1	-7.4	0.1	-5.2	-1.3	4.1	-10.7	Apr-11
<b>Cash (1)</b>												
Cash	20,528,685	0.7	0.0	0.1	0.3	0.2	0.8	--	--	--	--	Jul-02
<i>91 Day T-Bills</i>			<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.3</u>	<u>1.6</u>	<u>1.7</u>	<u>1.6</u>	Jul-02
Over/Under			0.0	0.1	0.2	0.1	0.7					

Note: Performance shown for all strategies, except for cash, is net of fees. Please see Appendix for details regarding the footnotes.

# Appendix: Policy Benchmark History; Performance Disclosures



## Policy Benchmark History

- **6/1/95 – 9/30/01** – 35% S&P 500/10% MSCI EAFE/35% BC Aggregate/10% Citigroup WGBI/10% NCREIF Property
- **10/1/01 – 12/31/04** – 35% S&P 500/15% MSCI EAFE/5% MSCI Emg Mkts/28% BC Aggregate/5% Citigroup WGBI/12% NCREIF Property
- **1/1/05 – 3/31/08** – 34% S&P 500/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Russell 2000
- **4/1/08 – 6/30/08** – 29% S&P 500/5% Russell 2000/20% MSCI EAFE/5% MSCI Emg Mkts/20% BC Aggregate/4% BC Long Gov't/Credit/12% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)
- **7/1/08 – 12/31/09** – 22% S&P 500/5% Russell 2000/17% MSCI EAFE/5% MSCI Emg Mkts/18% BC Aggregate/5% ML US HY BB-B Constrained/10% NCREIF Property/8% Cambridge Private Equity (lagged 1 quarter)/5% DJ/UBS Commodities Index/5% HFRI FoF: Conservative
- **1/1/10 – 3/31/11** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% DJ/UBS Commodities Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **4/1/11 – 12/31/2011** – 18% Russell 1000/5% Russell 2000/12% MSCI EAFE/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%
- **1/1/12 – 12/31/2012** – 12% MSCI All Country World Index/15% MSCI All Country World Index Value/2% Russell 3000/3% Russell 2000/3% MSCI EAFE + CAD Small Cap/5% MSCI Emg Mkts/5% BC Aggregate/10% TIPS/5% BC Long Gov't/Credit/5% ML US HY BB-B Constrained/10% NCREIF Property/5% Cambridge Private Equity (lagged 1 quarter)/10% San Jose P&F Custom Commodity Risk Parity Index/5% HFRI FoF: Conservative/5% 3-Month LIBOR +5%



Note: All performance, ranks, asset allocation and asset growth detailed throughout this report is gross of fees and is as of December 31, 2012, unless otherwise noted. Total Fund performance calculations take into account an unrealized loss of \$1,173,159 in the Fund's securities lending cash collateral reinvestment pool. The unrealized loss was accounted for in June 2009 performance calculations, which negatively impacted performance by 51 basis points at the Total Fund level for the month. This impact will be negated over time as market conditions improve and pricing of fixed income assets becomes more normalized, assuming there are no impairments or defaults in the pool. To date, State Street (who manages the Fund's securities lending program), has not experienced any impairments or defaults in the Fund's securities lending cash collateral reinvestment pool. Performance results are reported gross of fees.

#### Page 13

- 1 – Long-Term Policy Benchmark adopted by the Board of Administration at the August 2, 2012 meeting.
- 2 – Global All Cap market value includes \$3,302,013 of residual assets remaining in the equity transition account.
- 3 – U.S. Large Cap market value includes \$96,574 of residual assets remaining in terminated manager accounts.
- 4 – Non-U.S. Developed Markets market value includes \$435,445 of residual assets remaining in terminated manager accounts.
- 5 – Total Fixed Income market value includes \$34,318 of residual assets remaining in terminated manager accounts.
- 6 – U.S. Core market value includes \$73,794 of residual assets remaining in terminated manager accounts.
- 7 – High Yield market value includes \$1,854,458 of residual assets remaining in terminated manager accounts.
- 8 – Fixed Income Transition includes residual assets remaining from the portfolio transition that occurred in November and December 2012.
- 9 – Commodities market value has been split to account for interim exposure to illiquid inflation-linked assets for asset allocation purposes.
- 10 – Cash market value includes unrealized loss in the Fund's securities lending cash collateral reinvestment pool, transition account and Russell Overlay.

#### Page 22; Page 35

- 1 – Total Equity Composite market value includes \$3,834,032 of residual assets remaining in the equity transition account and terminated manager accounts.
- 2 – Global Equity Composite market value includes \$3,302,013 of residual assets remaining in the equity transition account.
- 3 – U.S. Equity Composite market value includes \$96,574 of residual assets remaining in terminated manager accounts.
- 4 – Russell 1000 Index portfolio was funded 12/12/2012 with assets from the equity transition account. Inception date for performance reporting purposes is January 1, 2013.

#### Page 23; Page 36

- 1 – International Equity and Developed International Equity Composite market value includes \$435,445 of residual assets remaining in terminated manager accounts.
- 2 – MSCI EAFE + CAD portfolio was funded 12/12/2012 with assets from the equity transition account. Inception date for performance reporting purposes is January 1, 2013.

#### Page 24, Page 37

- 1 – Total Fixed Income Composite market value includes \$5,389,684 of residual assets remaining in the fixed income transition account and terminated manager accounts.
- 2 – Domestic Core Fixed Income Composite market value includes \$73,794 of residual assets remaining in terminated manager accounts.
- 3 – BC Global Agg ex-U.S. exposure is captured within the overlay account. Inception date for performance reporting purposes is January 1, 2013.

#### Page 25, Page 38

- 1 – Total Credit and Domestic Credit Composite market value includes \$1,854,458 of residual assets remaining in terminated manager accounts.
- 2 – Blended Domestic Credit Index comprised of 50% DLJ Leveraged Loan Index/50% BofA ML U.S. HY BB-B through 11/30/2012; Barclays Capital High Yield Index thereafter.
- 3 – Barclays Capital High Yield portfolio was funded 12/12/2012 with assets from the fixed income transition account. Inception date for performance reporting purposes is January 1, 2013.
- 4 – Marathon performance is reported net of fees.
- 5 – Effective 12/1/2012, the Fund's allocation to direct lending strategies will be included in the Total Credit and Opportunistic Credit Composites.

**Page 26, Page 39**

- 1 – Effective 12/1/2012, the Fund’s allocation to direct lending strategies will be included in the Total Credit and Opportunistic Credit Composites.
- 2 – JP Morgan EMBI + portfolio was funded 12/12/2012 with assets from the fixed income transition account. Inception date for performance reporting purposes is January 1, 2013.

**Page 27, Page 40**

- 1 – Total Hedge Fund Composite includes investments that have been funded through 12/31/2012 as well as interim exposure managed by Russell.
- 2 – Russell Hedge Index comprised of 15% MSCI ACWI, 15% Barclays Capital Global Aggregate (Unhedged), 70% 90 day T-bills. The Russell Hedge Index is being used as a proxy for the Fund’s allocation to hedge funds while searches are completed to fill the 10% target allocation.
- 3 – GAA portfolio was funded 12/12/2012 with assets from the equity transition account. Inception date for performance reporting purposes is January 1, 2013.
- 4 – Total Private Equity Composite includes investments that have been funded through 12/31/2012 as well as interim exposure managed by Russell.
- 5 – Total Real Estate Composite includes investments that have been funded through 12/31/2012 as well as interim exposure managed by Russell.
- 6 – Performance of the American Realty separately managed account was not available at the time this report was produced.

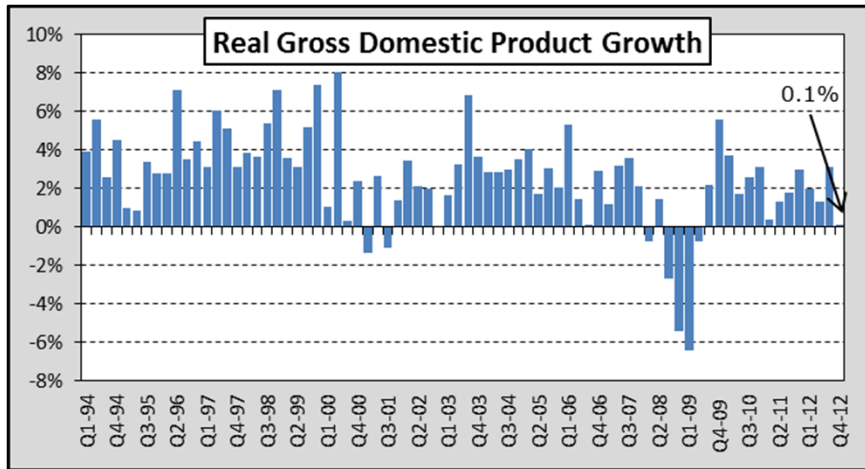
**Page 28, Page 41**

- 1 – NEPC began calculated cash returns as of April 1, 2008 due to inconsistent historical data received from the Fund’s prior investment consultant.

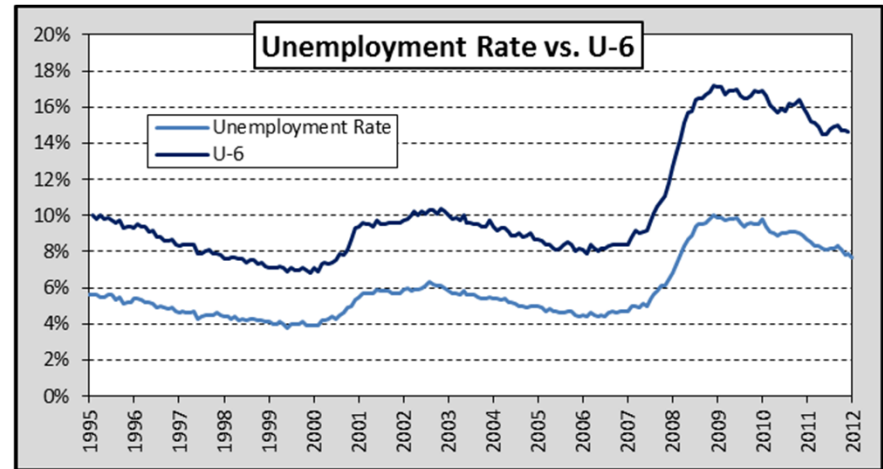
# Appendix: Market Environment



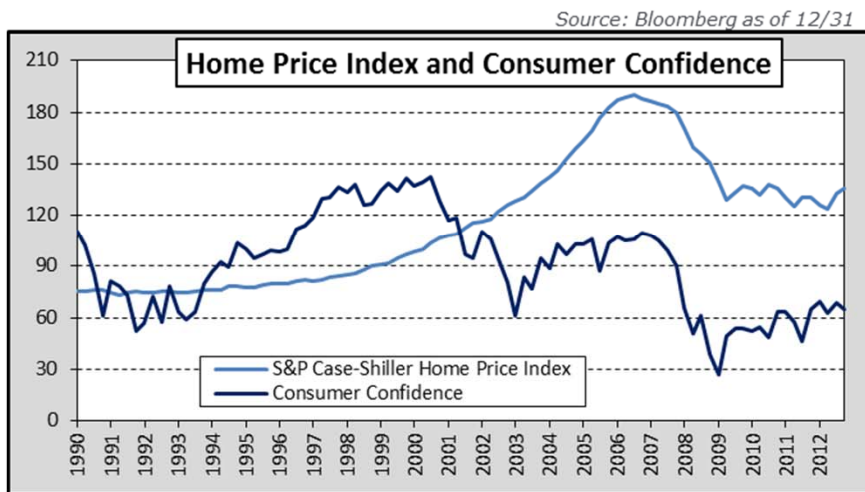
US Economic Environment



Fourth quarter GDP growth was estimated at 0.1%; a significant drop from 3.1% in Q3



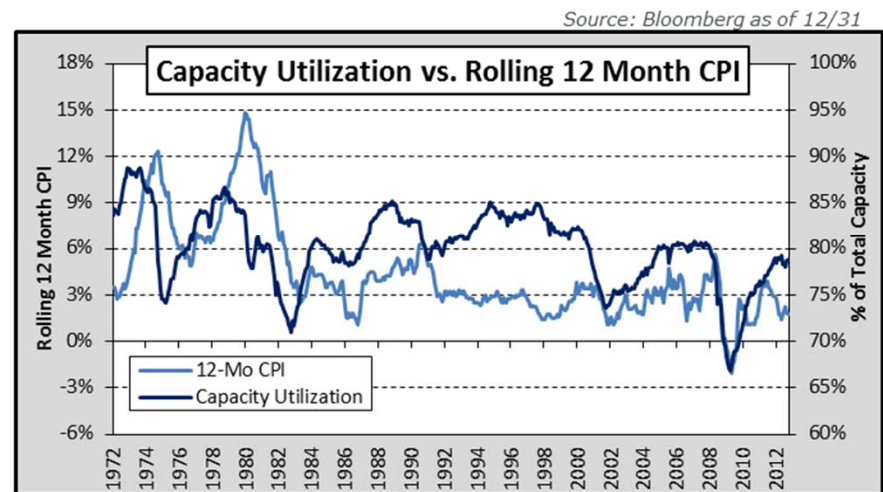
Unemployment stayed flat at 7.8% in December; while U-6 also remained at 14.4%



Source: Bloomberg as of 12/31

In the fourth quarter consumer confidence receded slightly from 2012 highs; the Case-Shiller home price index (as of 9/30) reached its highest mark since 2010

Source: Bloomberg as of 12/31

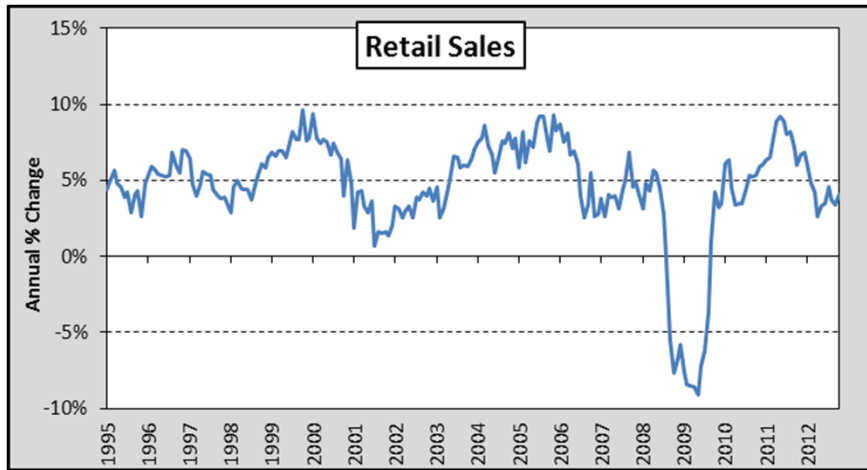


Source: Bloomberg as of 12/31

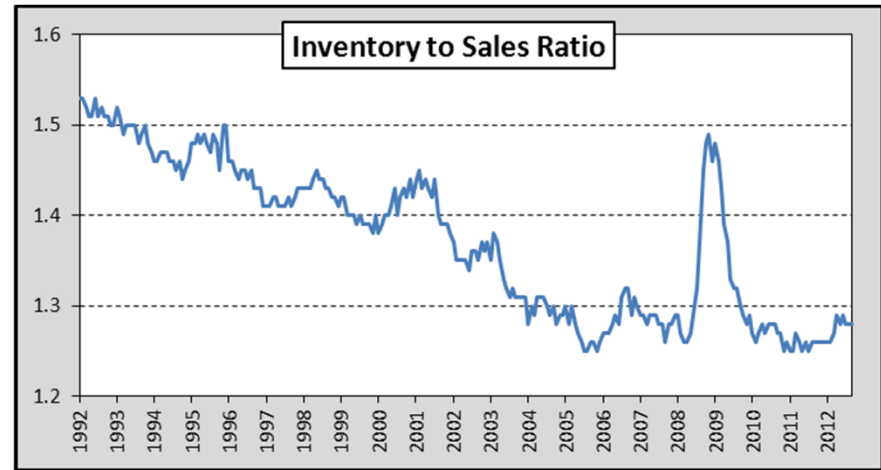
Rolling 12 month CPI decreased to 1.7% at December end; capacity utilization increased to 78.8% in the month

Source: Bloomberg as of 12/31

Components of GDP

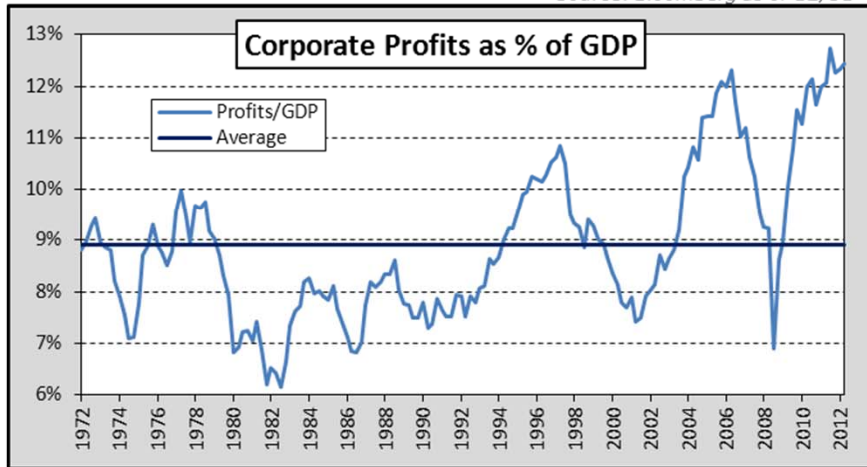


Retail sales rose to a 4.1% year-over-year growth rate in December



The inventory-to-sales ratio has remained mostly flat since early 2010 - closing at 1.28 in November

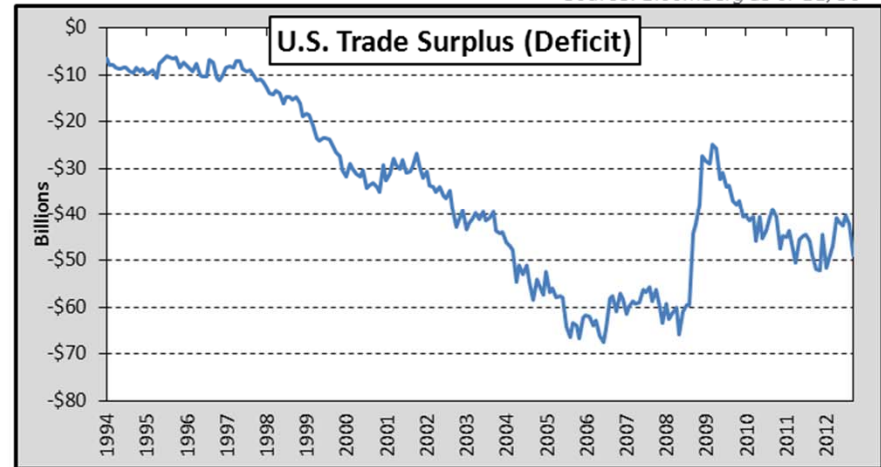
Source: Bloomberg as of 12/31



Corporate Profits as a percent of GDP remained near secular highs and increased to 12.4% at Q3 end

Source: Bloomberg as of 9/30

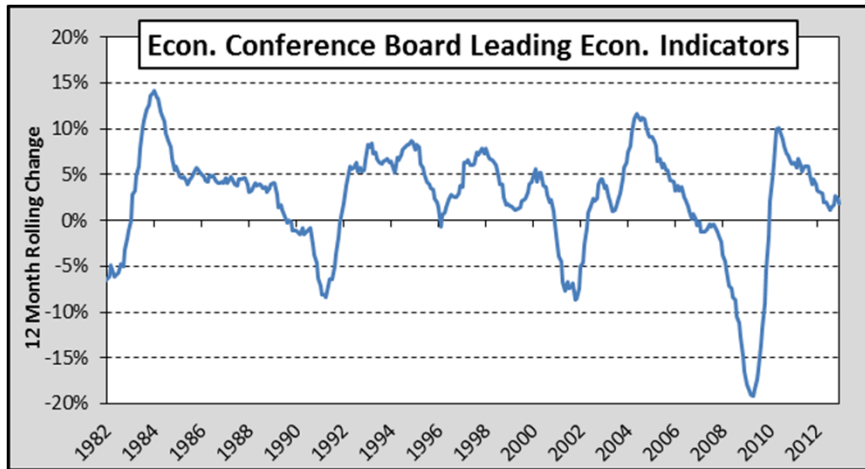
Source: Bloomberg as of 11/30



The trade deficit increased for the second straight month in November after holding mostly flat through in the third quarter

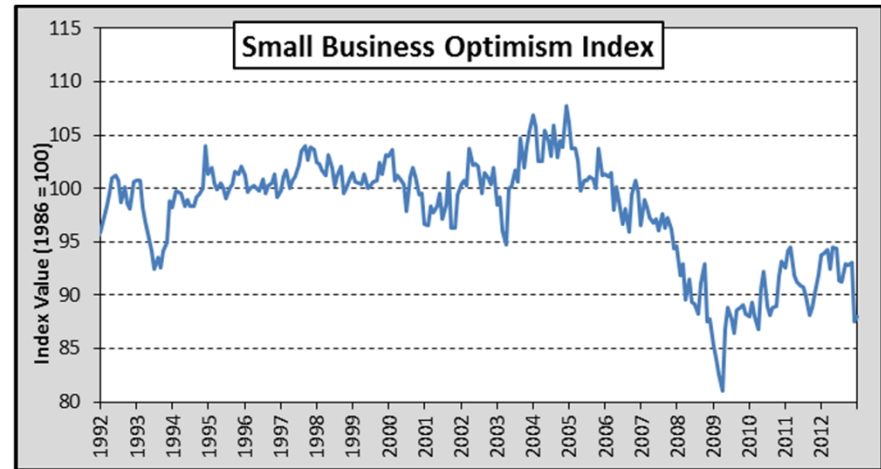
Source: Bloomberg as of 11/30

Key Economic Indicators



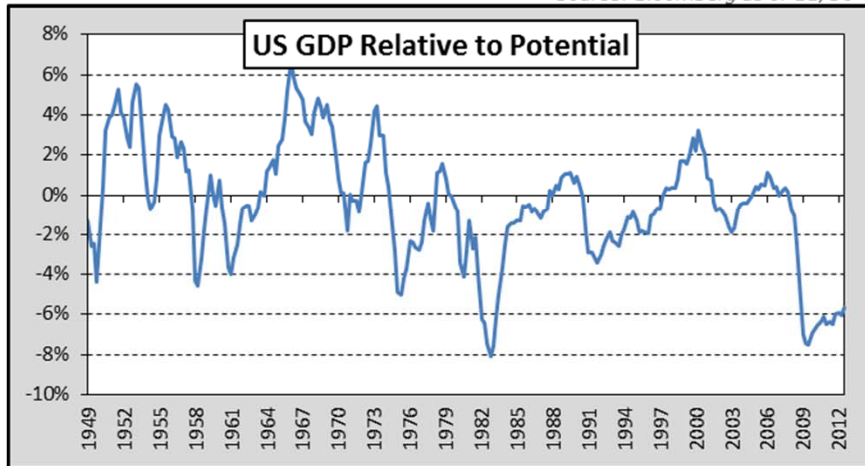
The rolling percentage change in the Leading Economic Indicators index fell to 1.8% in November

Source: Bloomberg as of 11/30



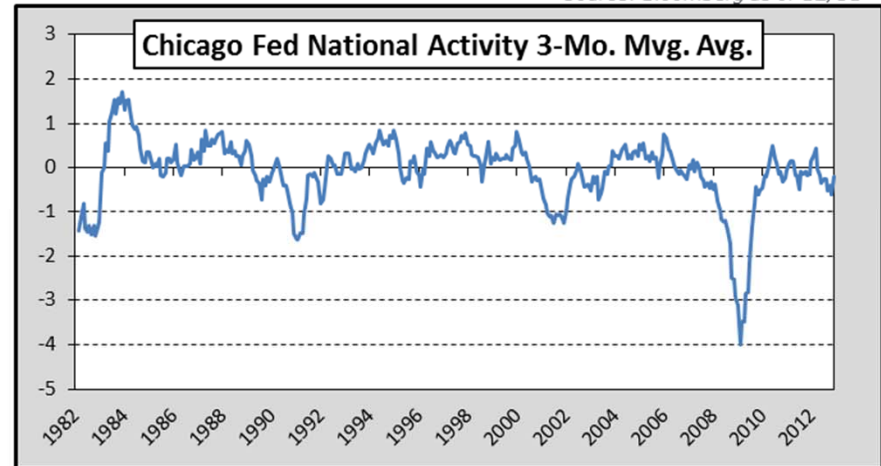
The small business optimism index increased slightly in December after tumbling to its lowest level of 2012 a month earlier

Source: Bloomberg as of 12/31



US GDP relative to potential GDP increased in second quarter of 2012 but remained below the historical average

Source: Bureau of Economic Analysis, Congressional Budget Office as of 7/1



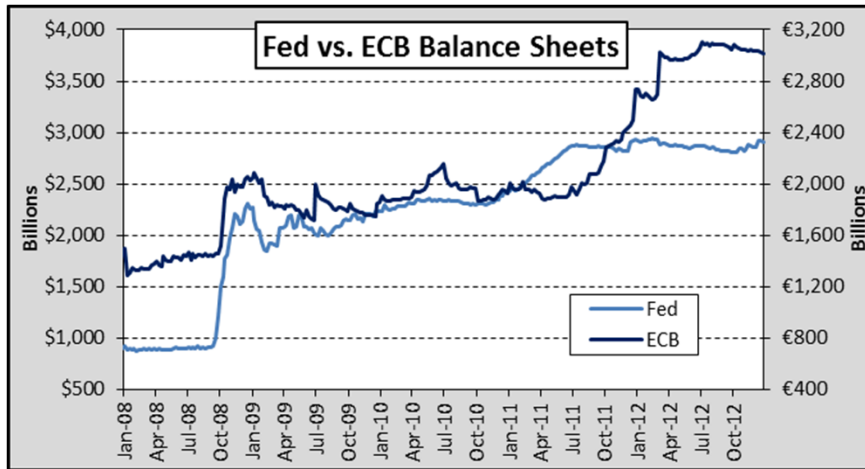
Chicago Fed National Activity 3 Month moving average increased through November

Source: Bloomberg as of 11/30



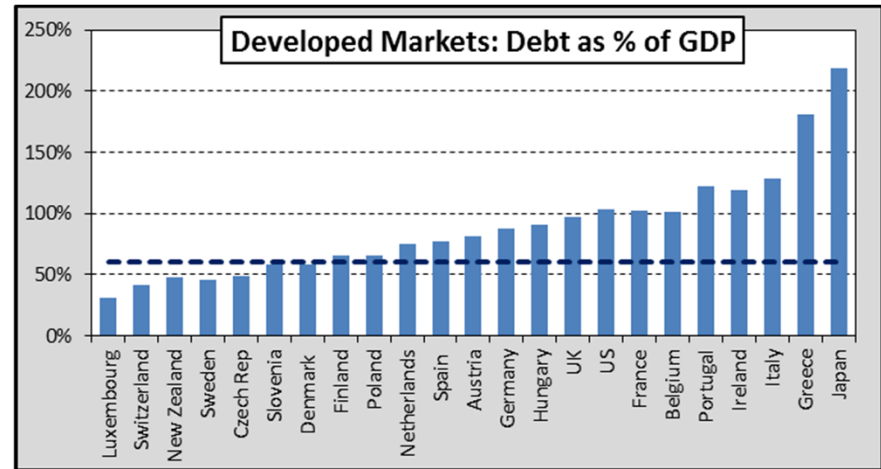
# City of San Jose Police and Fire Department Retirement Plan

## Economic Environment – Banks, Debt, and Valuations



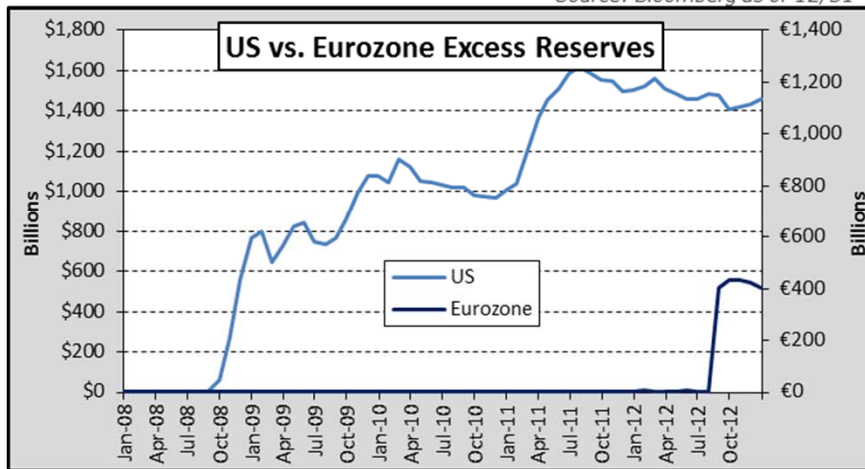
Federal Reserve Bank balance sheets increased slightly in December while European Central Bank balance sheets decreased moderately

Source: Bloomberg as of 12/31



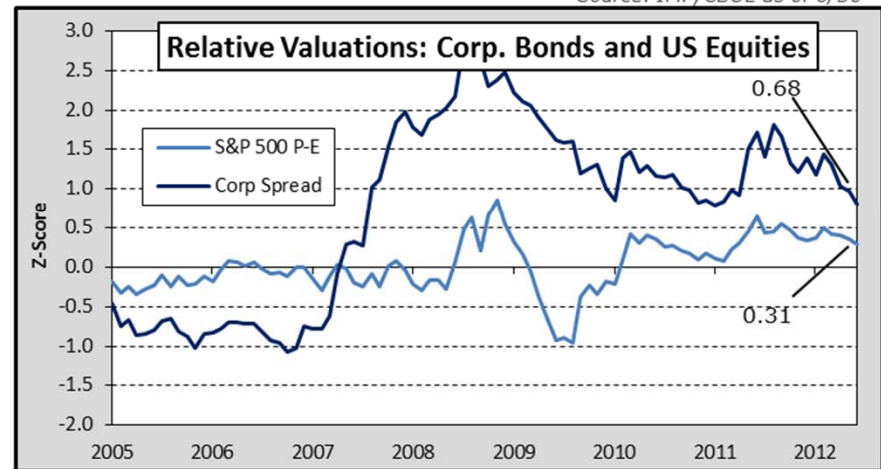
Many developed nations are at or approaching unsustainable debt levels

Source: IMF, CBOE as of 6/30



After more dramatic movements in 2012 Eurozone excess reserves decreased to August levels while US excess reserves experienced an increase through December

Source: Bloomberg as of 12/31

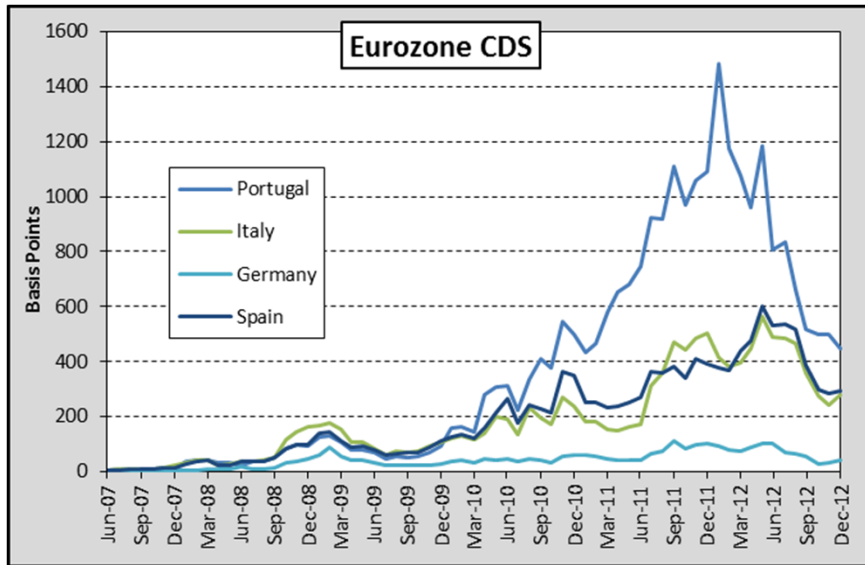


Both US stocks and investment grade corporates appear cheap relative to long-term averages

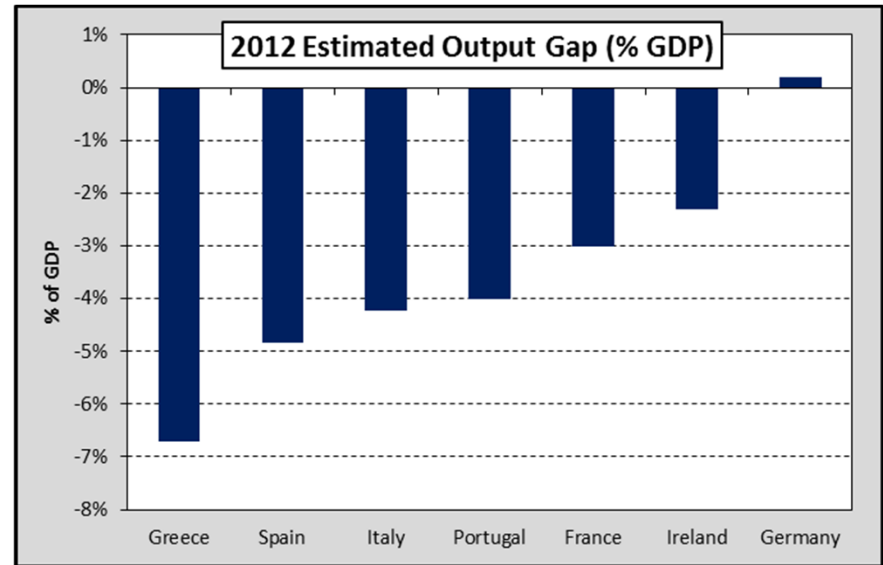
Source: Bloomberg as of 12/31



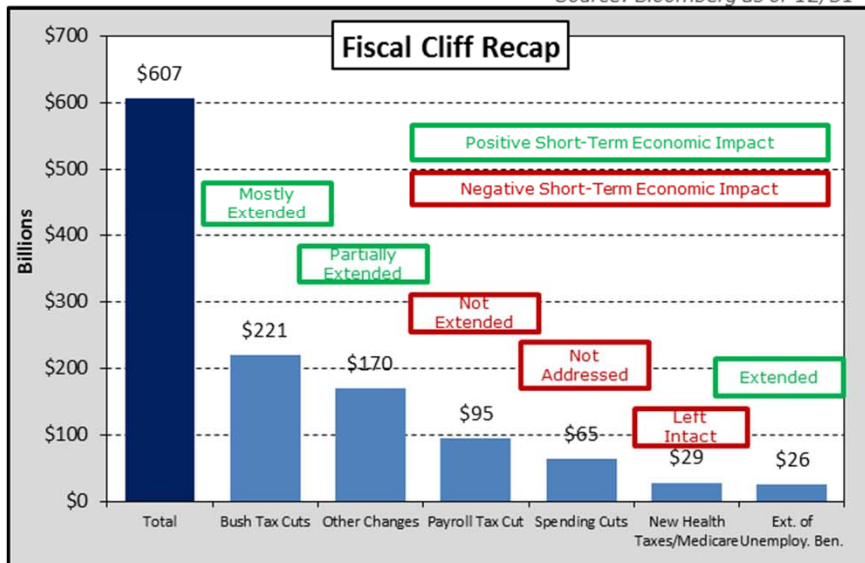
Looming Macro Uncertainties



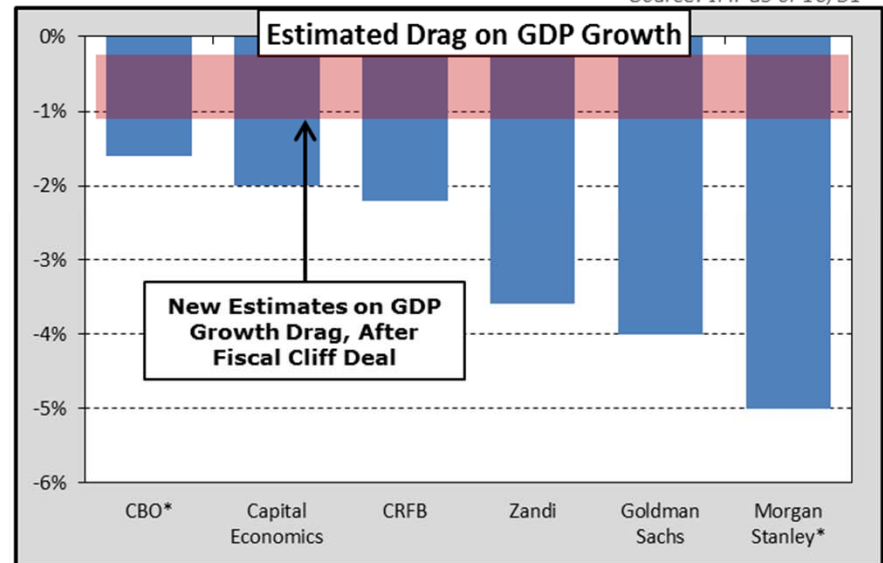
Source: Bloomberg as of 12/31



Source: IMF as of 10/31



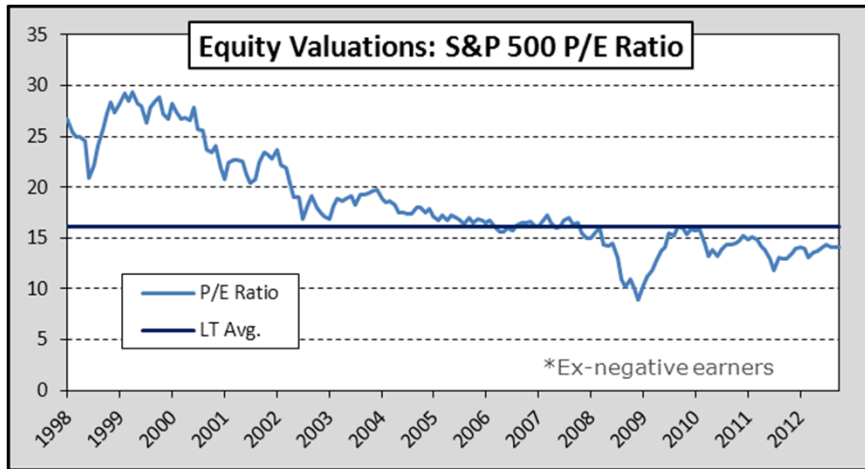
Source: CBO, Capital Economics



\*Shown as the midpoint of a range; Source: CRFB, Capital Economics



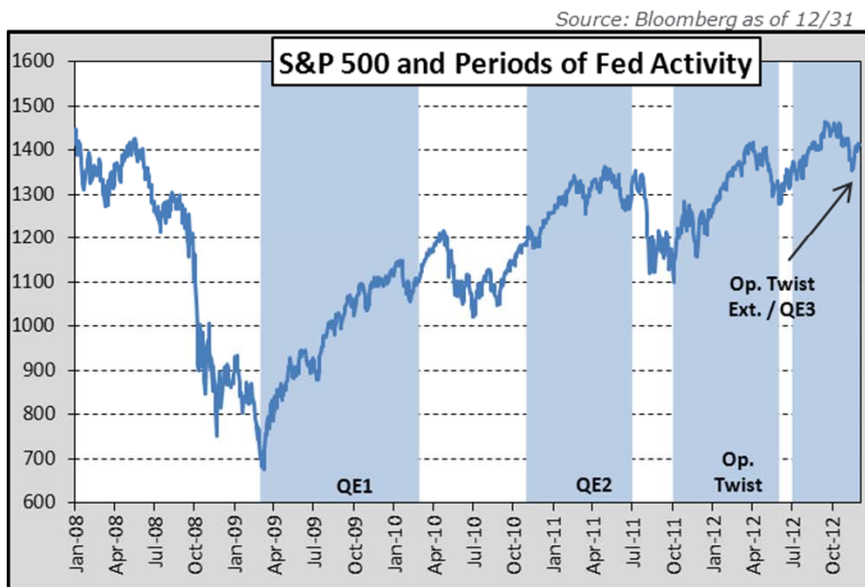
Market Environment – US Equity



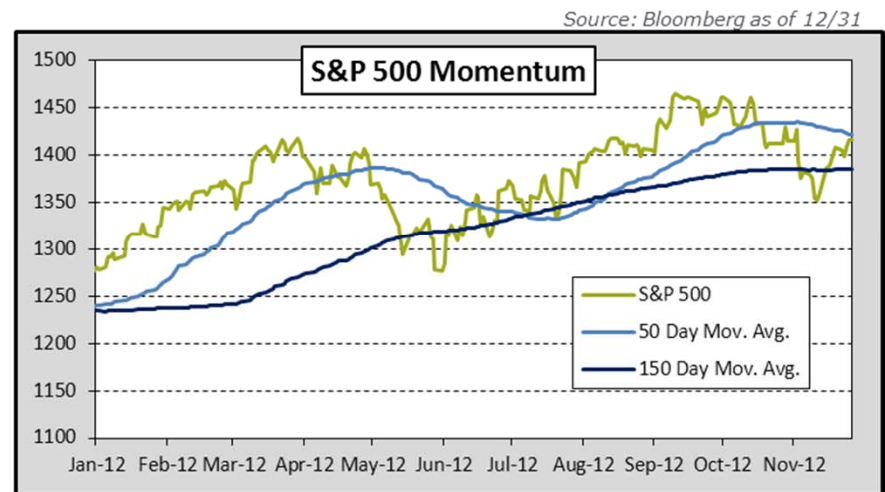
S&P valuations remain below the long-term average



The VIX rose 13.5% in the month of December, while the S&P 500 rose marginally



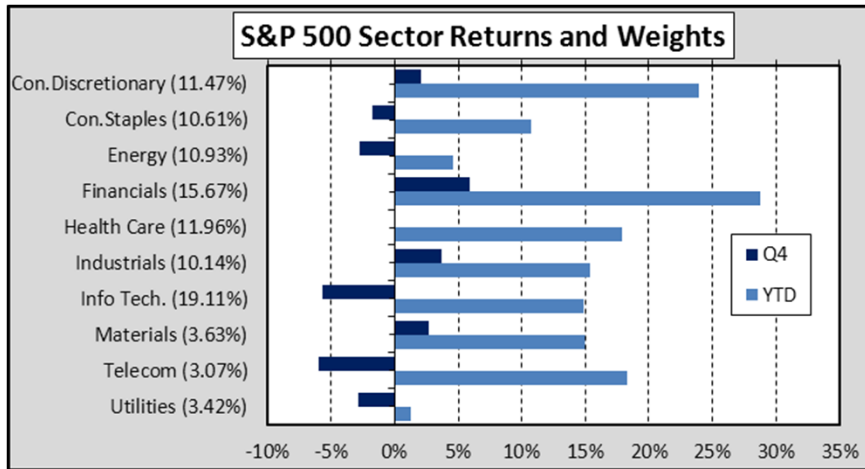
Source: Bloomberg as of 12/31



The S&P 500's 50-day moving average remained above its 150-day moving average in December

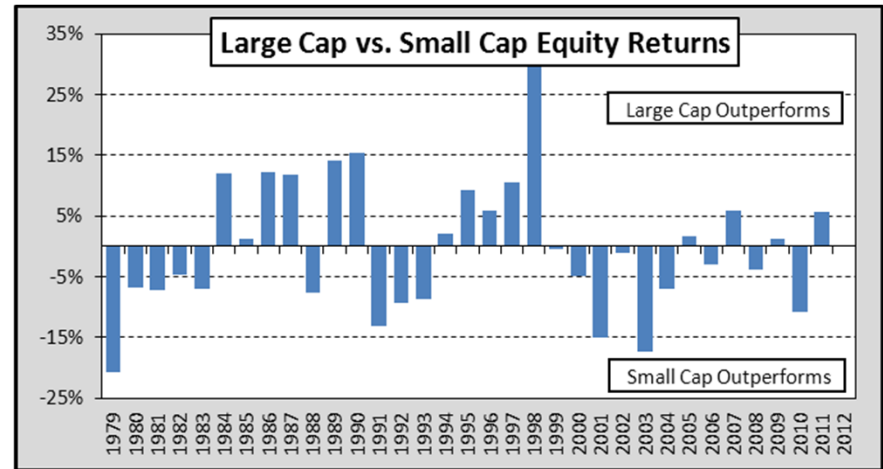
Source: Bloomberg as of 12/31

US Stock Market Performance



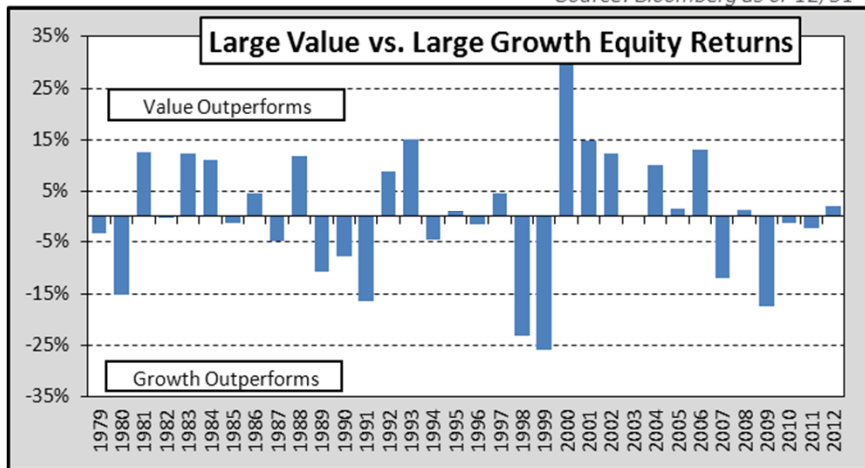
Financials lead all sectors in 2012 after posting solid positive fourth quarter returns; utilities and energy continued to lag in December

Source: Bloomberg as of 12/31



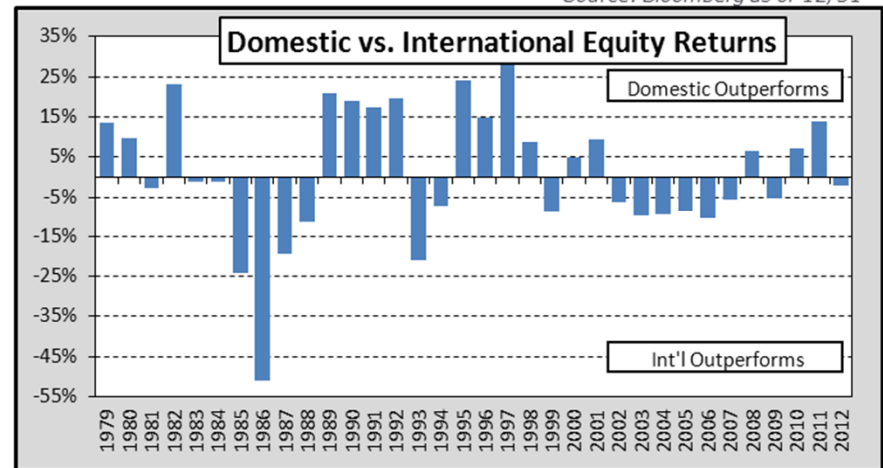
Large cap marginally outperformed small cap in 2012

Source: Bloomberg as of 12/31



Value stocks outperformed growth in 2012

Source: Bloomberg as of 12/31



International equity outperformed domestic in 2012

Source: Bloomberg as of 12/31

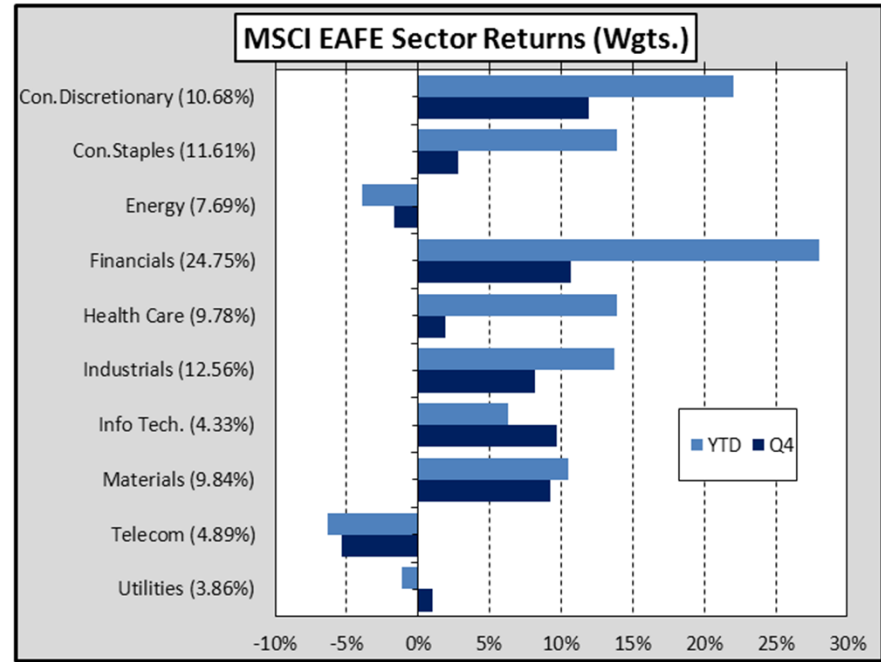
Non-US Stock Performance

Developed Market Equity Returns (U.S. Dollars)				
	YTD	Q4	1 Yr.	3 Yr. Ann.
Europe ex UK	17.6%	8.4%	17.6%	-1.3%
United Kingdom	10.8%	3.4%	10.8%	3.1%
Japan	5.8%	5.7%	5.8%	0.1%
Pacific Ex Japan	19.4%	5.3%	19.4%	4.2%
Canada	6.7%	0.1%	6.7%	2.7%
USA	13.5%	-0.9%	13.5%	9.4%

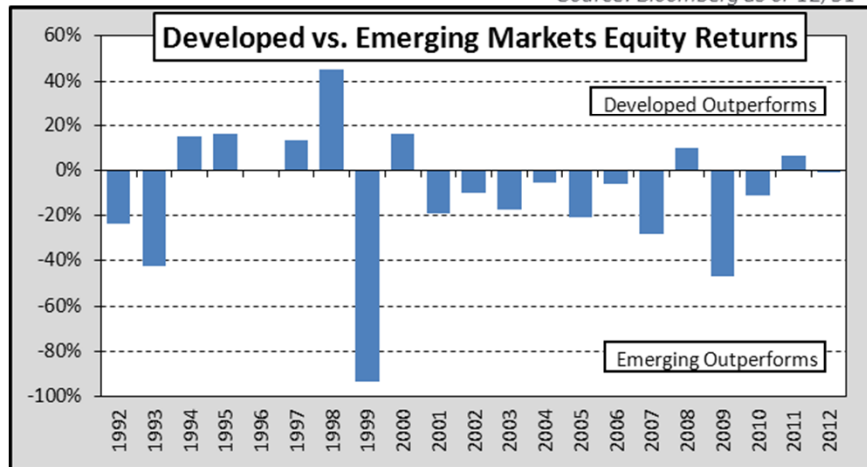
US Dollar Return vs. Major Foreign Currencies				
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)				
	YTD	Q4	1 Yr.	3 Yr. Ann.
Euro	-1.8%	-2.6%	-1.8%	2.6%
Japanese Yen	11.3%	10.1%	11.3%	-2.4%
British Pound	-4.5%	-0.5%	-4.5%	-0.2%
Canada	-3.0%	0.9%	-3.0%	-2.0%
Australia	-1.9%	-0.1%	-1.9%	-5.3%

Currency Impact on Developed Mkt. Returns				
(Negative = Currency Hurt, Positive = Currency Helped)				
	YTD	Q4	1 Yr.	3 Yr. Ann.
MSCI EAFE (Local)	17.3%	7.5%	17.3%	2.7%
MSCI EAFE (USD)	17.3%	6.6%	17.3%	3.7%
Currency Impact	0.0%	-1.0%	0.0%	1.0%

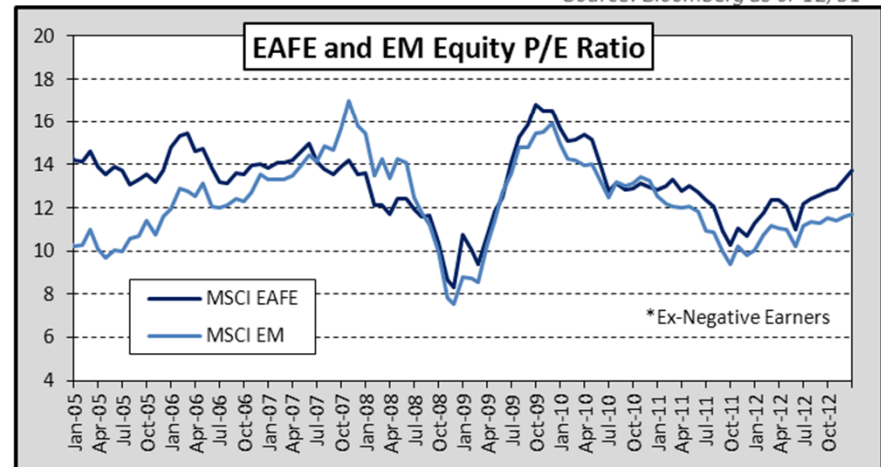
Source: Bloomberg as of 12/31



Source: Bloomberg as of 12/31

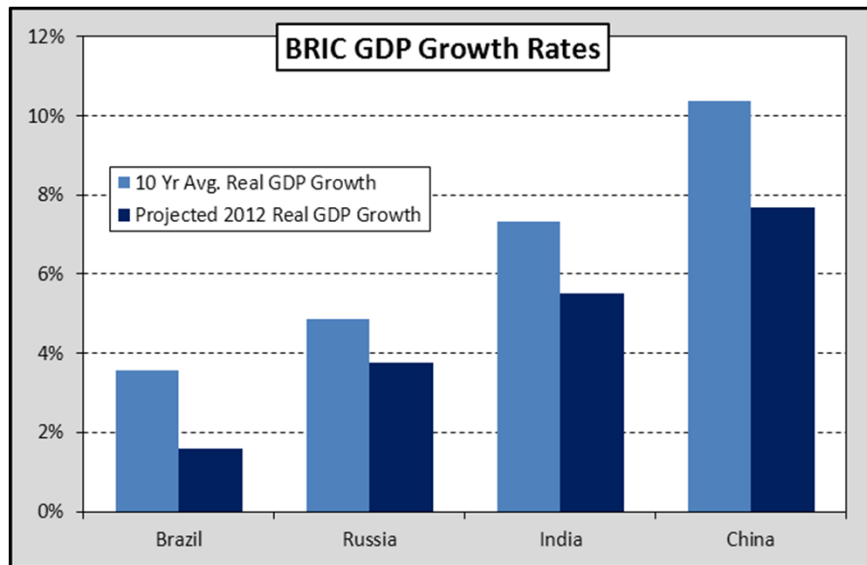


Source: Bloomberg as of 12/31

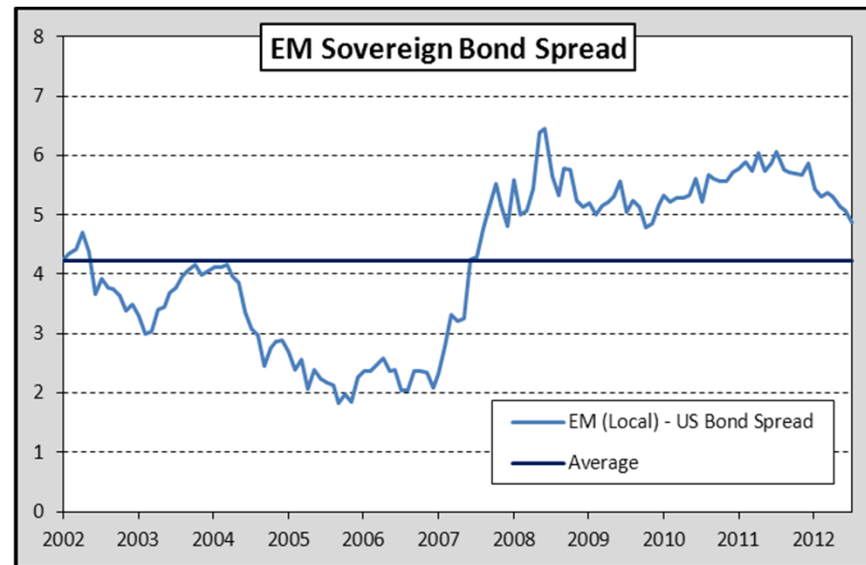


Source: Bloomberg as of 12/31

# Emerging Markets



Source: Bloomberg as of 9/30



Source: Bloomberg as of 12/31

	MSCI EM	MSCI EM Small Cap
<b>PE Ratio</b>	12.39	24.96
<b>PE Historical Avg</b>	15.85	21.78
<b>PB Ratio</b>	1.64	1.27
<b>Historical Avg</b>	1.56	1.16
<b>PS Ratio</b>	1.07	0.69
<b>Historical Avg</b>	1.05	1.19

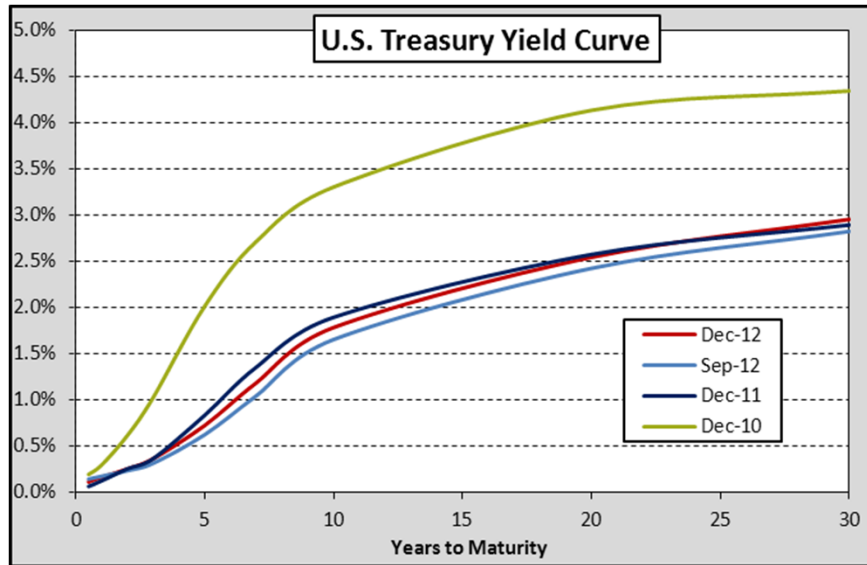
- MSCI EM P/E Ratio is below the historical average while the MSCI EM Small Cap P/E Ratio remains above its historical average
- P/B Ratios are above their historical averages
- MSCI EM Small Cap P/S ratio remains below its historical average

Source: Bloomberg as of 12/31

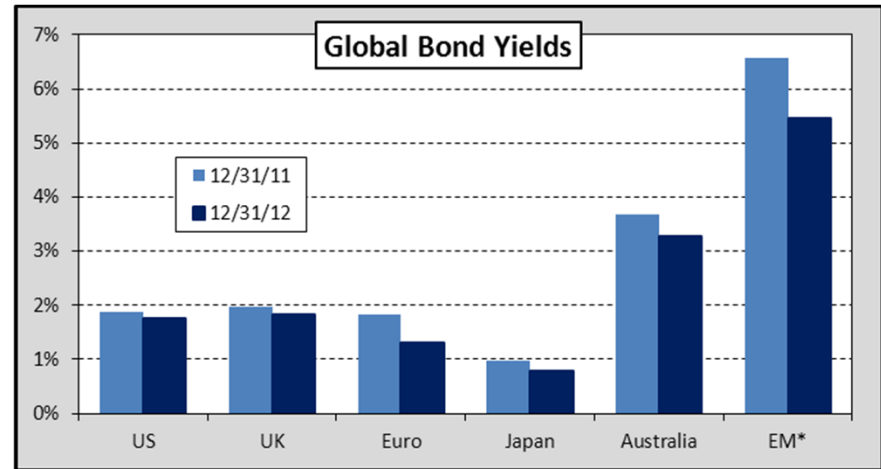
	YTD	Q4	1 Yr.	3 Yr. Ann.
<b>Brazilian Real</b>	9.1%	1.1%	9.1%	5.0%
<b>Russian Ruble</b>	-5.3%	-2.1%	-5.3%	0.6%
<b>Indian Rupee</b>	3.1%	3.6%	3.1%	5.1%
<b>Chinese Renminbi</b>	-1.1%	-0.9%	-1.1%	-3.2%
<b>Singapore Dollar</b>	-0.9%	-0.2%	-0.9%	-0.9%
<b>Hungarian Forint</b>	-10.2%	-0.4%	-10.2%	4.8%
<b>Turkish Lira</b>	-6.0%	-0.8%	-6.0%	5.2%
<b>Mexican Peso</b>	-8.6%	-0.0%	-8.6%	-0.6%
<b>So. African Rand</b>	4.6%	1.8%	4.6%	4.2%
<b>So. Korean Won</b>	-9.1%	-4.6%	-9.1%	-3.2%

Source: Bloomberg as of 12/31

Market Environment – Interest Rates

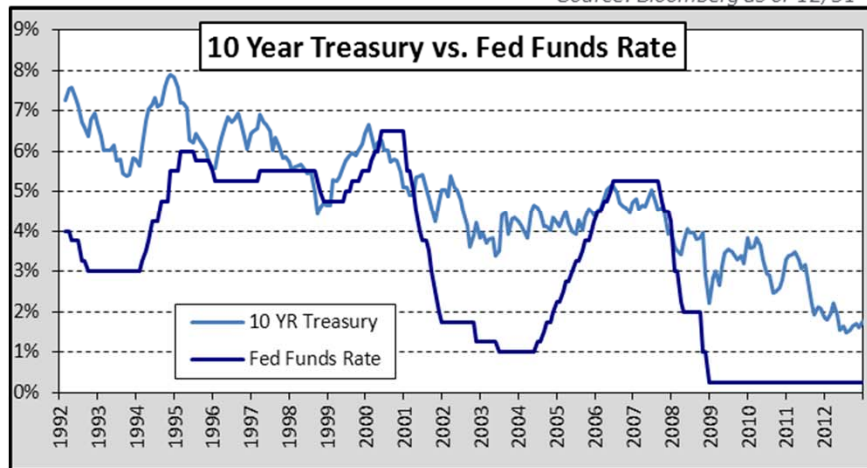


Source: Bloomberg as of 12/31



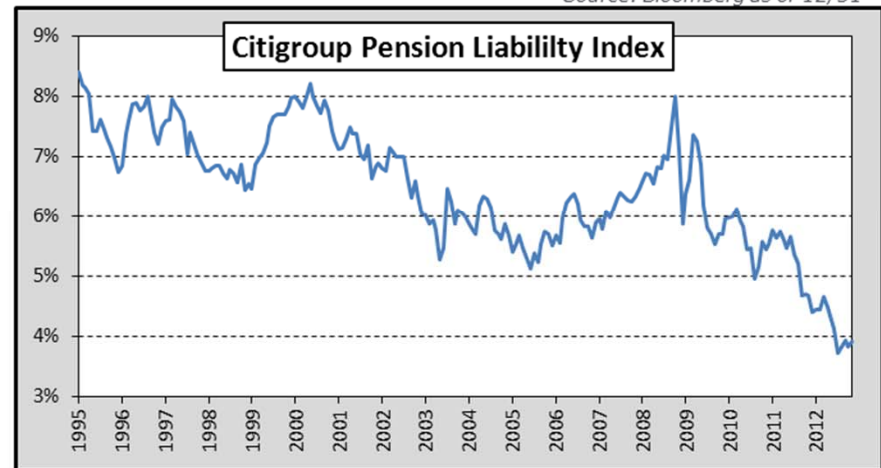
Bond yields across the globe mostly fell in 2012

Source: Bloomberg as of 12/31



Fed Funds rate remained at 0.25% while the 10 Yr. Treasury Yield finished December at 1.76%

Source: Bloomberg as of 12/31

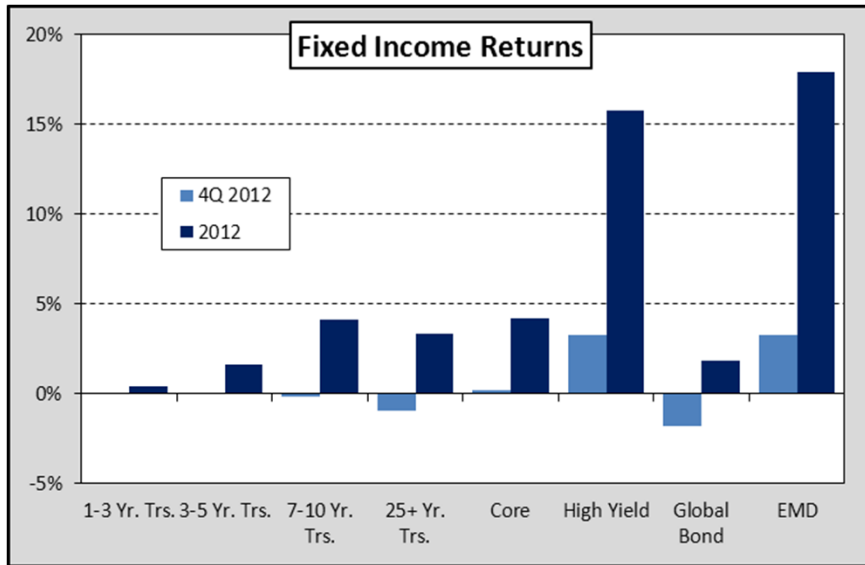


Citi Pension discount rate rose to 3.91% in November but remained near all-time lows

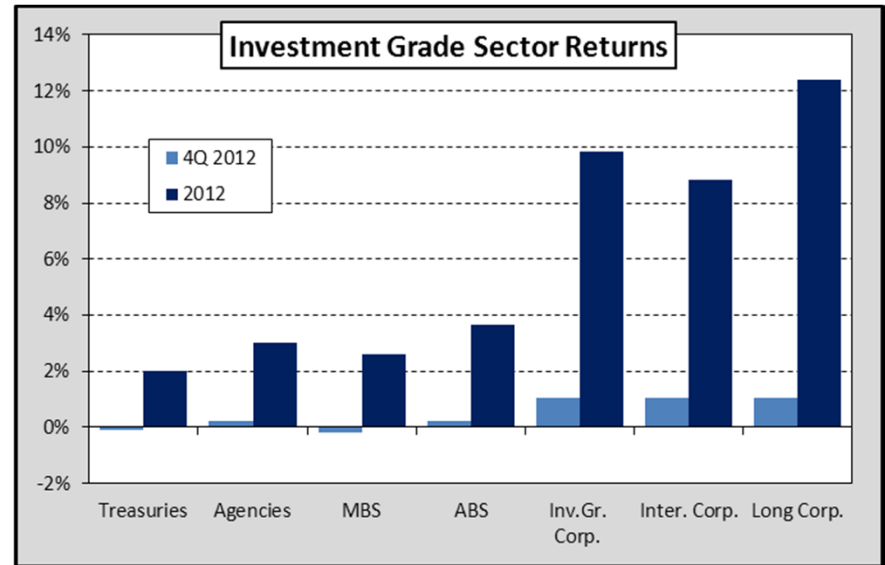
Source: Citigroup as of 12/31



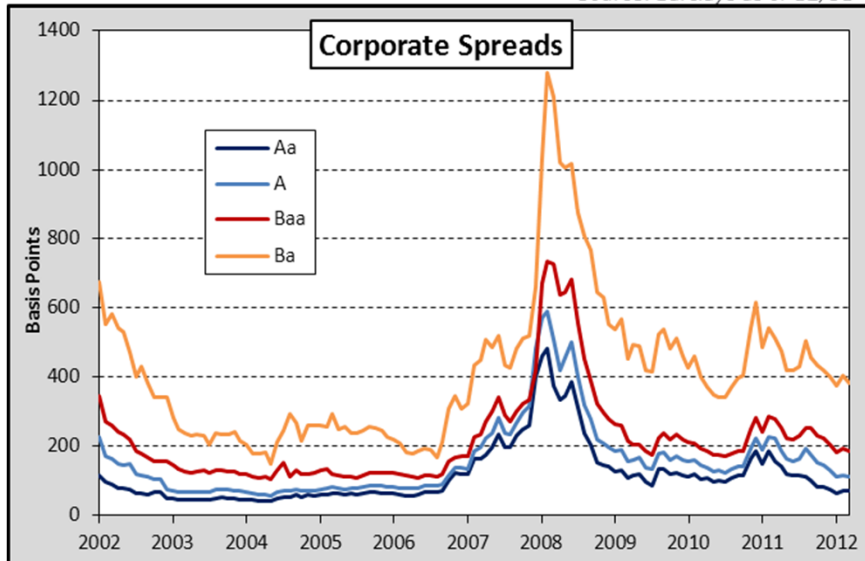
Fixed Income Performance



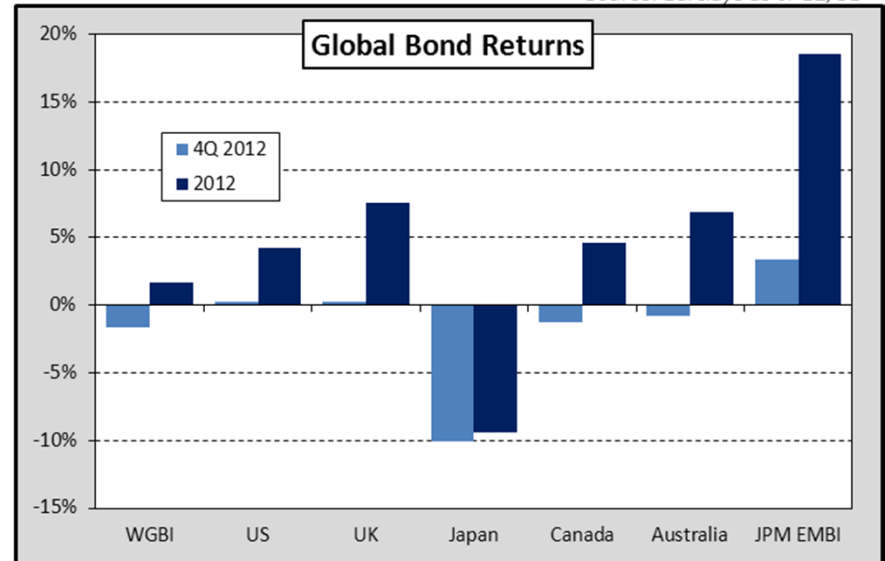
Source: Barclays as of 12/31



Source: Barclays as of 12/31

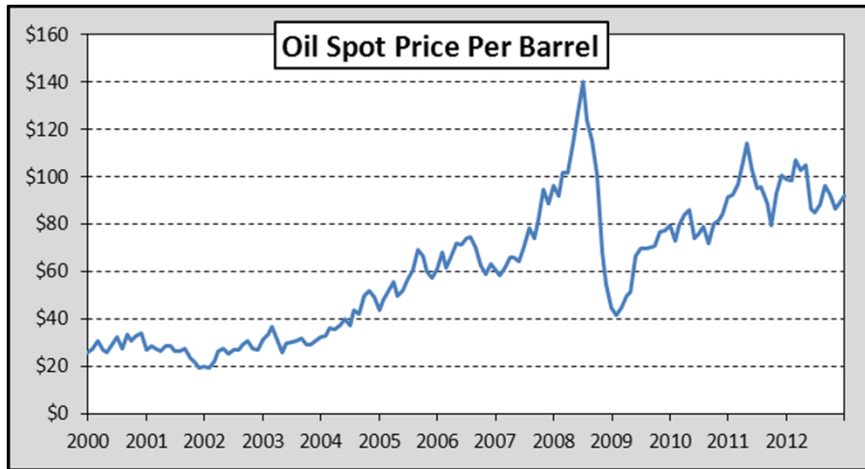


Source: Barclays as of 12/31

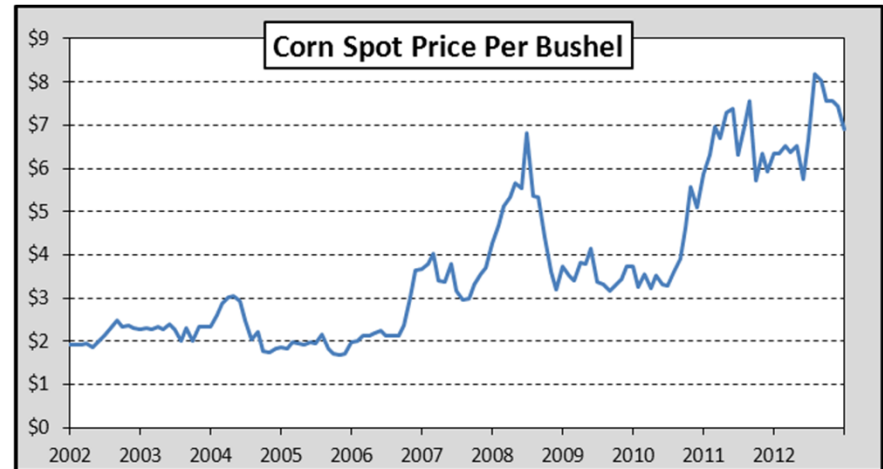


Source: Barclays, Bloomberg as of 12/31

Market Environment - Commodities

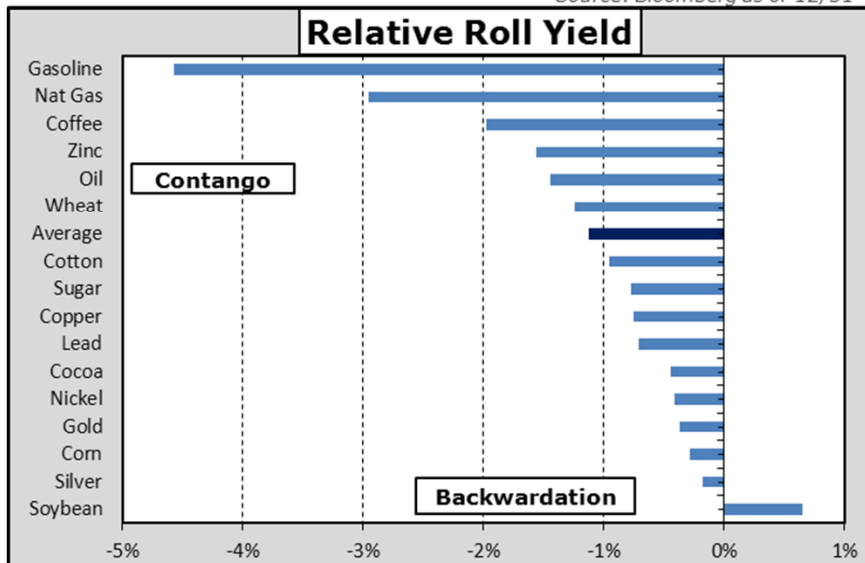


Oil prices finished December up at \$91.82 per barrel



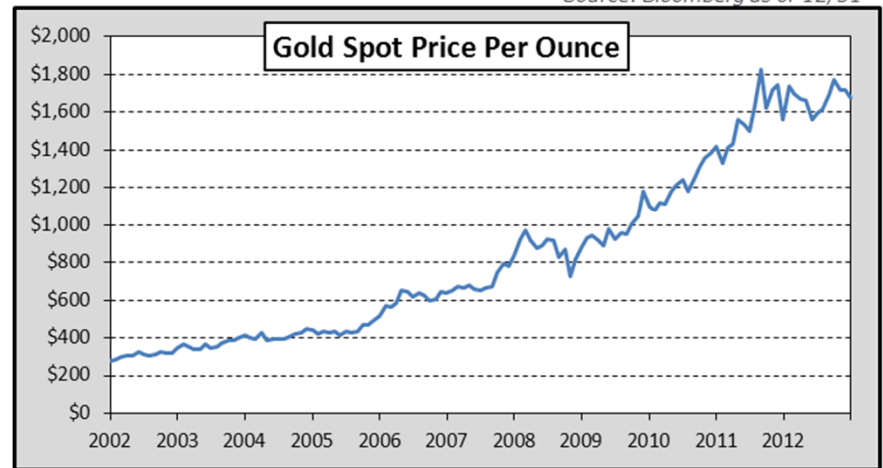
Corn prices finished December down at \$6.91 per bushel

Source: Bloomberg as of 12/31



Source: Bloomberg as of 12/31

Source: Bloomberg as of 12/31



Gold prices finished December down at \$1,675.35 per ounce

Source: Bloomberg as of 12/31

## Information Disclosure

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