FundStrategy

3rd Quarter 2007

The Northern Trust Company

Economic Summary

The U.S. is at a crossroad, experiencing an extended housing market crisis. The Fed has come to the rescue of financial markets by lowering the discount rate 50 basis points on August 17 to 5.75% and cutting both the discount and federal funds rates 50 basis points each on September 18, bringing them down to 5.25% and 4.75% respectively. Incoming economic data show troubling signs of softness and it is not entirely clear how much the housing market and sub-prime mortgage issues have shaken the underlying economic fundamentals. The Fed is expected to lower the federal funds rate in the months ahead to prevent a severe economic downturn. We expect the economy to stage a mild recovery in economic growth at the end of 2008, assuming the Fed eases monetary policy further in the months ahead.

Real gross domestic product of the U.S. economy grew at an annual rate of 3.8% in the second quarter following a 0.6% increase in the first quarter. The economy is predicted to post growth of only 1-3/4% in the second half of 2007, followed by a 2.0% gain in 2008. Consumer spending, which has been the major engine of economic growth, continued to show strength in the third quarter but going forward a noticeable loss of momentum is most likely. Home equity withdrawals totaled nearly $480 billion in 2006 matching the 2005 reading and provided a lift to consumer spending. In 2007, home equity withdrawals are down significantly to a sum of nearly $180 billion in the first two quarters of the year. Recent home sales data show sharp declines in home prices. This decline in home prices reduces the amount of equity available to financially strapped households to help finance their spending and in turn should become visible as a cause for a drop in consumer spending in the near term.

Business capital spending appears to also have taken the back seat after growing at a meager 2.5% pace in the first-half of 2007, following a 4.9% drop in the fourth quarter of 2006. Profits of the non-financial sector have turned negative for three straight quarters on a year-to-year basis. The financial sector has taken a big hit in the third quarter following the financial market crisis, which suggests weak growth going forward given the unsettled nature of financial markets. The Conference Board's CEO Confidence Index for the third quarter has dropped to a cycle low. Consumer spending is expected to shift to a lower gear. These factors imply that the fundamentals for profit growth remain unfavorable and therefore the probability of business capital making a solid contribution to GDP in the near term is on the low side

The housing market problem appears to be worsening rather than improving. Existing home sales are down 30.0% from their peak in September 2005. In September 2007, the median price of an existing single-family home was down 4.9% from a year ago, the largest drop on record and it is taking 10.5 months to sell an existing home. The news is gloomy in the market for new homes. New home sales in August were down nearly 43.0% from the peak in July 2005. The median price of a new single-family home dropped 7.5% from a year ago to $225,700. This is largest decline recorded since December 1970. The inventory of unsold new single-family homes climbed to an 8.2-month mark in August 2007 from a 6.8-month mark in August 2006 and a 4.5-month mark in August 2005. Residential investment expenditures have dropped for six straight quarters, five of which showed large double-digit declines. The housing market remains front and center of macroeconomic policy discussions.

The news on the on the inflation front is mixed. The overall Consumer Price Index rose 2.8% on a year-to-year basis in September, reflecting rising energy prices. The year-to-year change in the core Consumer Price Index, which excludes food and energy, held steady at 2.1% in September. The core personal consumption expenditure price index, excluding food and energy (The Federal Reserve's preferred measure of inflation) moved up 1.7% from a year ago in August, representing a deceleration in core consumer prices which appears to have peaked at a 2.5% year-to-year increase in February 2007. Despite this favorable trend in core inflation, the Fed is uncomfortable about inflation because of rising energy prices and a weak dollar.

On the international side, the dollar continues to lose ground. As of this writing, the dollar was trading at $1.42 per euro, an all-time high, and the trade weighted dollar at 73.49 is a record low reading. The weakness of the currency has translated into a significant growth of exports of the U.S. economy. Inflation adjusted exports of goods and services grew 7.1% on a year-to-year basis in the second quarter, while imports of goods and services advanced only at a 2.0% pace. As a result of the strong growth of exports, the current account deficit of the U.S. economy stands at 5.5% of GDP in the second quarter, down from a record high of 6.8% of GDP in the fourth quarter of 2005. Additional weakness of the dollar is most likely given the status of the current account deficit. Going forward, the Fed is in a tough spot because considerations of weak growth call for easy monetary policy while considerations of inflation and a weak dollar call for tight monetary policy.

Employment gains show significant signs of slowing in recent months. The unemployment rate, a lagging economic indicator, has risen to 4.7% in September from a low of 4.4% in March 2007 Payroll employment has slowed to an average of only 97,000 jobs created in the third quarter compared with an average gain of 126,000 jobs in the second quarter and an average increase of 189,000 in all of 2006. The latest initial jobless claims data show a sharp increase in initial jobless claims. The main message from the labor market is that firms are reluctant to expand payrolls

Combined Sales of New and Existing Single-Family Homes

(thous)

Source: Haver Analytics

U.S. Equity Summary

U.S. equity markets reflected the overall market volatility during the third quarter of 2007. Record highs were reached during July due to continued positive earnings reports and m&a activity. Credit issues which began last quarter in the sub-prime market sparked a stock sell-off in August. The Fed took action during the quarter by cutting the discount rate, and followed that by reducing the federal funds target rate in September. Fed action encouraged a rally in US Equities and by September 30th stocks were near July highs and the Dow and S&P were moving towards new records.

The US stock market rose during the third quarter despite the volatility that took place. The S&P 500 gained 2% for the quarter, much of which can be attributed to the weakness of the dollar. After the Fed's rate cut, the value of the dollar represented a record low versus the Euro. One theme carrying over from the second quarter concerns fuel cost. Although oil prices rose during the quarter, energy companies as a whole performed well.

For the quarter, growth stocks continued to outperform their value counterparts as the Russell 1000 Growth was up 4.2% versus a negative 0.2% for the Russell 1000 Value. Within the small cap space, the difference was even greater as the Russell 2000 Growth was even versus negative 6.3% for the Russell 2000 Value

Large company stocks had larger gains than small caps for the second straight quarter. This is due to investors believing that large caps will be able to handle an environment of slower growth in the economy. Also, market volatility has driven investors away from riskier small caps to safer investment styles.

The largest rally since November of 2005 was posted by the Russell 1000 Index, driven by energy and materials. Financials and consumer discretionary were the negative performers for the quarter. Sectors that have done well this year have been energy, materials, industrials, and information technology

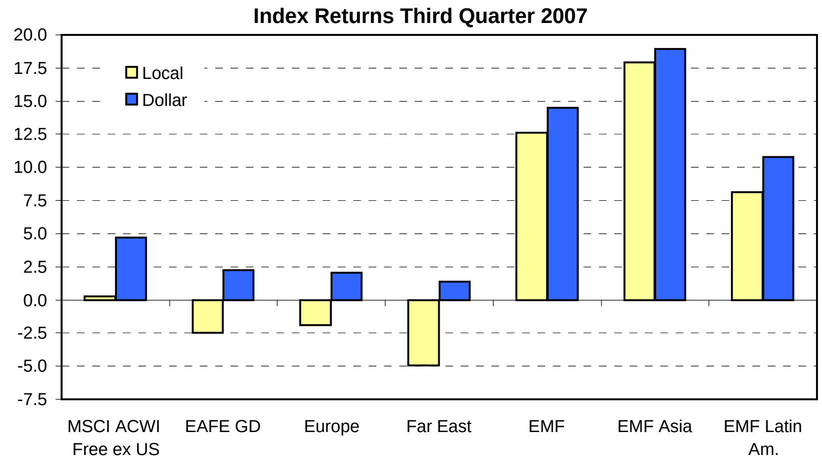
Within the Northern Trust Equity Style Medians, Large Growth posted the highest quarterly return of 6.1%. (Small Value was the lowest with -6.9%) Mi Cap Growth is the top performing style over the one year period with a return of 23.1%. (Small Cap Value has the lowest with 11.0%)

Periods Ending September 30, 2007	**Quarter**	**YTD**	**1 Year**	**2 Years**	**3 Years**	**5 Years**
S&P 500	2.0%	9.1%	16.4%	13.6%	13.1%	15.5%
Russell 3000	1.5%	8.8%	16.5%	13.3%	13.7%	16.2%
Russell 1000	2.0%	9.3%	16.9%	13.5%	13.8%	16.0%
Russell 1000 Growth	4.2%	12.7%	19.4%	12.5%	12.2%	13.8%
Russell 1000 Value	-0.2%	6.0%	14.4%	14.5%	15.2%	18.1%
Russell 2000	-3.1%	3.2%	12.3%	11.1%	13.4%	18.8%
Russell 2000 Growth	0.0%	9.3%	18.9%	12.2%	14.1%	18.7%
Russell 2000 Value	-6.3%	-2.7%	6.1%	10.0%	12.5%	18.7%
NT Equity Style Medians						
Large Cap Core	2.0%	9.9%	16.8%	13.6%	14.0%	15.9%
Large Growth	6.1%	14.7%	21.2%	12.7%	13.6%	13.8%
Large Value	-1.1%	6.4%	14.6%	13.9%	15.4%	18.7%
Mid Growth	1.0%	14.0%	23.1%	15.5%	18.6%	21.3%
Mid Value	-4.1%	6.6%	14.4%	11.7%	15.7%	20.7%
Small Growth	-0.6%	9.5%	18.3%	13.5%	15.7%	19.7%
Small Value	-6.9%	1.8%	11.0%	10.8%	14.7%	20.3%

International Overview

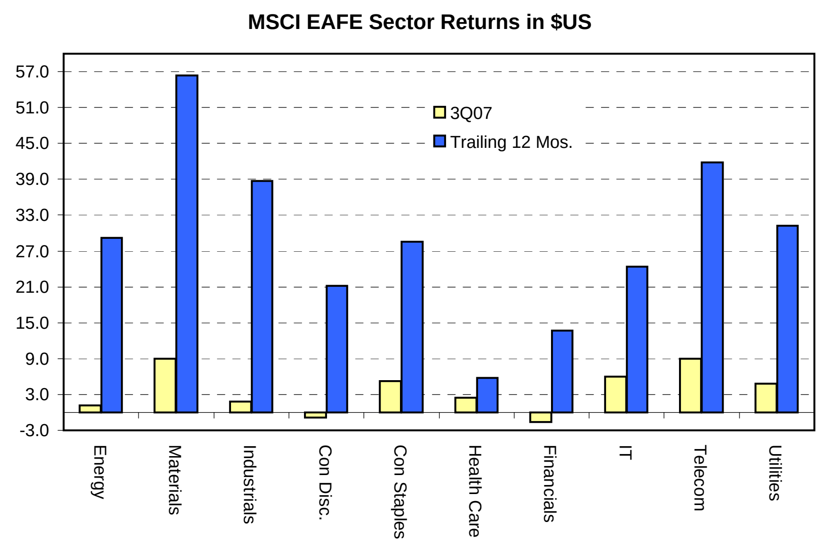
Overview

The illusion that the global equity markets were immunized from the U.S. subprime market ills was dispelled during the third quarter of 2007. Issues originating from the subprime mortgage market caused widespread disruption in the world's credit markets. Central banks across the world injected liquidity into the markets with somewhat positive results, in an effort to reassure investors. The materials and telecommunications sectors were the best performers for the quarter returning roughly 9% each. The information technologies and consumer staples sectors also provided a lift to the markets by producing returns of 6% and 5.2%, respectively, for the quarter. The financials sector was the primary drag on performance for the quarter returning -1.6% which reflected the concerns over the subprime problems and its far reaching negative impact on the credit markets.



International Currency Markets

During the third quarter, the dollar continued to depreciate against all the major currencies (AUD, CAD, EUR, GBP, & JPY). Similar to the overall market this year, there was a great deal of volatility in the currency markets. The U.S. Fed's larger than expected 50bps. interest rate cut pushed the USD to hit a series of new lows against the euro and further weaken the USD against the other major currencies during the quarter. The emerging market currencies also benefited from the weak USD.



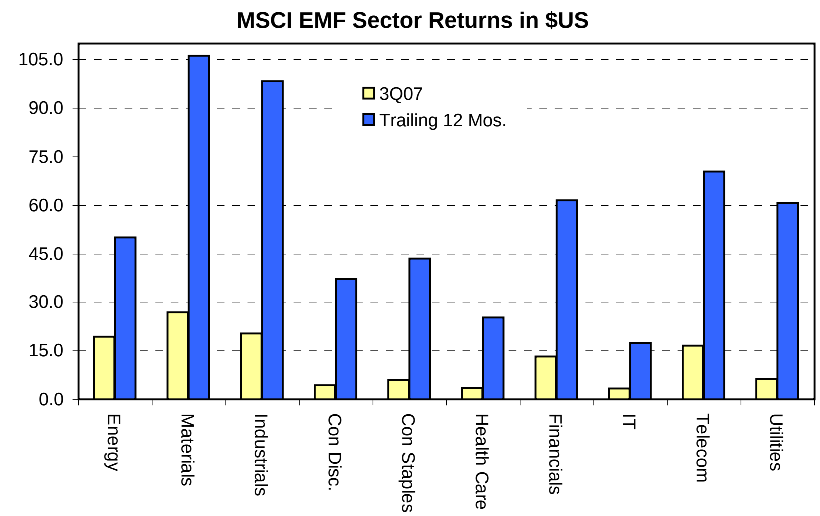
International Equity Markets

The International Equity Markets struggled during the volatile third quarter of 2007. The MSCI ACWI Index was able to produce a positive 0.3% return for the quarter which resulted in a positive 20.2% return for the one-year period (in local terms). The major developed market returns weighted heavily on the index. Germany, France, U.K. and Japan all produced negative returns for the quarter. Australia and Canada were the only major developed markets in the index which produced positive returns for the quarter. Australia was the strongest of the major developed markets delivering a positive 6.9% return for the quarter and Canada continued its upward climb with a positive 2.4% return for the quarter.

International Overview (Continued)

International Equity Markets (continued)

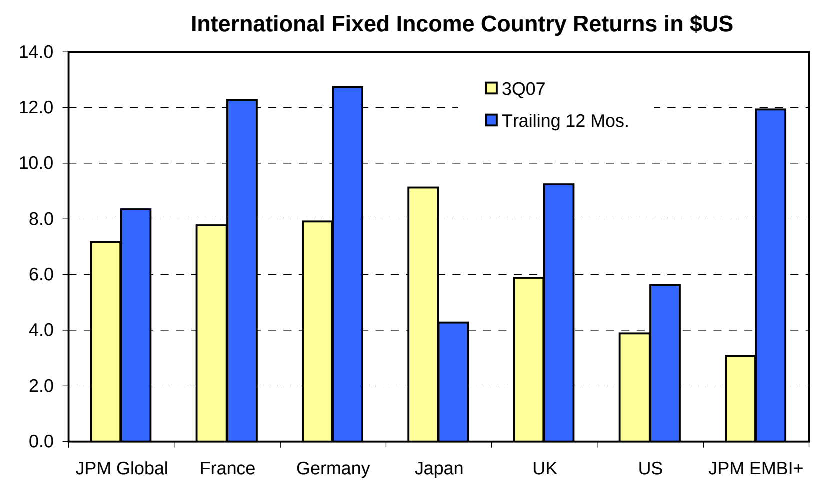
The bright spot for the quarter was Emerging Markets which ended the quarter with a return of 12.6% (in local terms) after tumbling over 17% throughout the same period. China continued to be the high flyer in the emerging universe in spite of ongoing concerns over excessive valuations and government interference. The Chinese markets returned 41.0% for the quarter, lifting the one year return to 133.7%. India and South Korea were also strong Asian performers in the third quarter returning 17.6% and 12.9%, respectively. Brazil's improved inflation data and strong demand for the country's commodities continued to aid the equity marke which gained 15.4% for the quarter. That activity bolstered the Latin America return to a positive 8.2% for the quarter and 55.7% for the one-year (in local terms)



International Fixed Income Markets

The J.P. Morgan Global Bond Index increased by 7.2% in the third quarter. The US subprime credit concerns drove the US Fed to cut interest rates by an unexpected 50 bps. during the quarter, pushing yields downward and treasury prices up. Despite the credit market crisis fears, many of the world's central banks are still concerned with the growth of excessive liquidity and its effects on the world economies. The Bank of Japan seems to be backing away from its plan of raising rates, given the revisions in capital expenditures and disappointing data releases on economic growth.

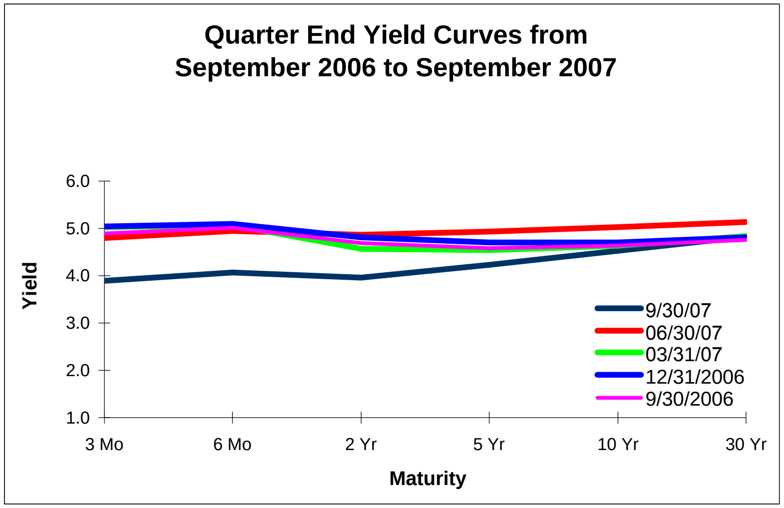
The J.P. Morgan Emerging Market Bond Plus Index also increased, returning 3.1% for the quarter and 11.9% for the trailing 12 months. All the countries in the index posted positive returns for the quarter except for Argentina which returned -2.6% for the quarter. Brazil, which is the largest contributor to the index at >20%, returned 4.06% in dollar terms.



U.S. Fixed Income Overview

The subprime mortgage crises gained momentum during the third quarter following the collapse of several well known hedge funds in June and July. While the effect of the subprime sector started to impact a relatively small portion of the mortgage market, it soon grew into a much larger event that restricted the availability of credit more broadly. This could clearly be seen in the jumbo mortgage market, where interest rates soared, and in the commercial paper market where the valuations of asset backed securities that contained subprime mortgage collateral fell sharply and affected the money market funds that held this paper as well as the banks that guaranteed this debt. As global markets began to feel the pinch of declining liquidity, the Federal Reserve and other central banks were forced to change interest rate policies and increase liquidity. The Fed initially lowered only the discount rate on August 17th. As the slumping housing market looked to have an ever increasing effect on the broader economy, the Fed cut the funds rate and the discount rate by a larger than expected 50 basis points in September. This rate decrease allowed the credit market to further stabilize and alleviate the liquidity crunch that threatened the market earlier in the quarter.

As yields moved lower, the overall US credit market experienced positive returns during the quarter. The yield curve steepened significantly during the quarter as yields dropped by a larger amount at the short and intermediate end of the curve. Treasuries outperformed all spread sectors by a significant amount as the demand for higher quality credit caused spreads to widen. Asset Backed bonds were the poorest performing sector of the Lehman Aggregate as these bonds were impacted by subprime woes and the resulting credit restriction. The Lehman US Credit index also posted disappointing results versus Treasuries, giving up 216 basis points in excess returns during the quarter. Spreads widened in this sector to their highest level in more than four years in August as the threat of a recession made investors more cautious. The LB US Mortgaged Backed Index outperformed all other spread sectors during the quarter, other than agencies, yet still trailed Treasuries by more than 90 basis points.



The Lehman High Yield Corporate index managed to turn in a positive return of 33 basis points for the quarter, even as this index gave up more than 360 basis points in duration adjusted excess return versus Treasuries. Spreads widened significantly for high yield securities starting in July as the threat of a slowdown quickly changed investors assessment of risk. Several large LBO financing deals were unable to be completed causing underwriters to hold these large loan exposures on their balance sheets. Spreads eased somewhat in September once the Fed moved to cut rates but overall remain much wider than they did back in May.

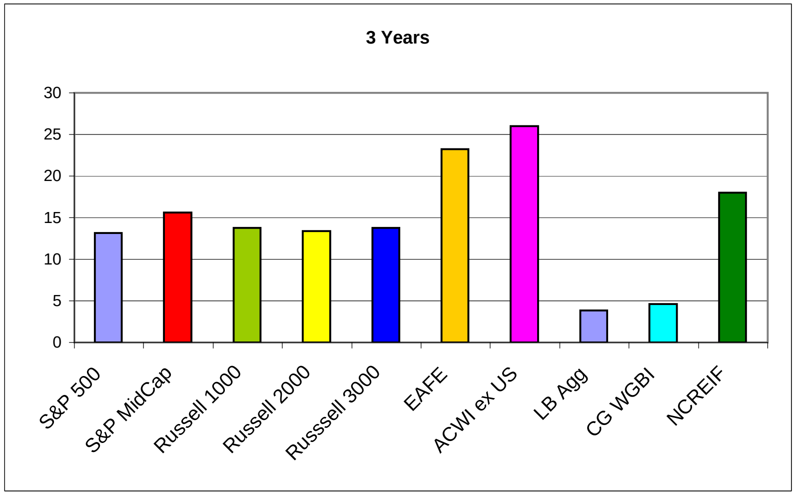
Period Ending September 30, 2007	QTR	1 YR	2 YR	3 YR	5 YR
Northern Trust U.S. Fixed Income Manager (Median)	**2.4**	**5.25**	**4.63**	**4.2**	**4.47**
Lehman US Universal Index	2.61	5.30	4.69	4.25	4.85
Lehman US Aggregate Index	2.84	5.14	4.40	3.86	4.13
Lehman Government/Credit	3.01	5.08	4.20	3.66	4.16
Lehman Government Bond Index	3.61	5.63	4.46	3.79	3.49
Lehman Government Intermediate Index	3.36	5.88	4.70	3.56	3.21
Lehman Treasury 20+ Years	5.39	3.95	2.89	4.95	4.63
Lehman US TIPS Index	4.54	4.97	3.40	4.03	5.36
Lehman Mortgaged Backed Bond Index	2.64	5.39	4.79	4.28	4.14
Lehman Asset Backed Index	1.41	4.12	4.14	3.38	3.49
Lehman Credit Bond Index	2.08	4.23	3.81	3.45	5.02
Lehman High Yield Corporate Index	0.33	7.54	7.81	7.44	12.65
90 Day T-Bill	1.17	5.05	4.86	4.16	2.94

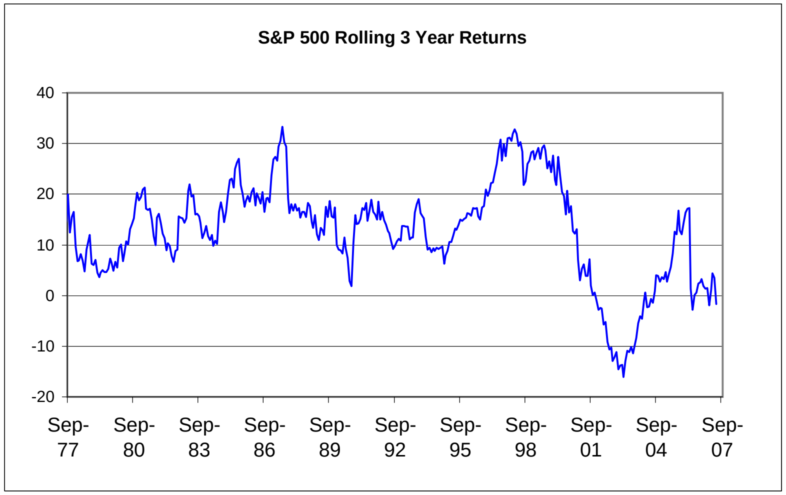
Statistical Source: Lehman Brothers Global Family of Indices September 30, 2007.

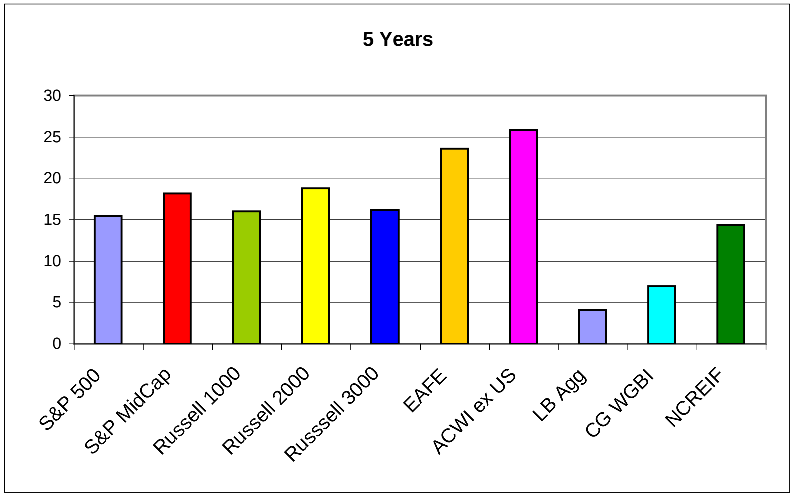
San Jose Federated City Employees Retirement System

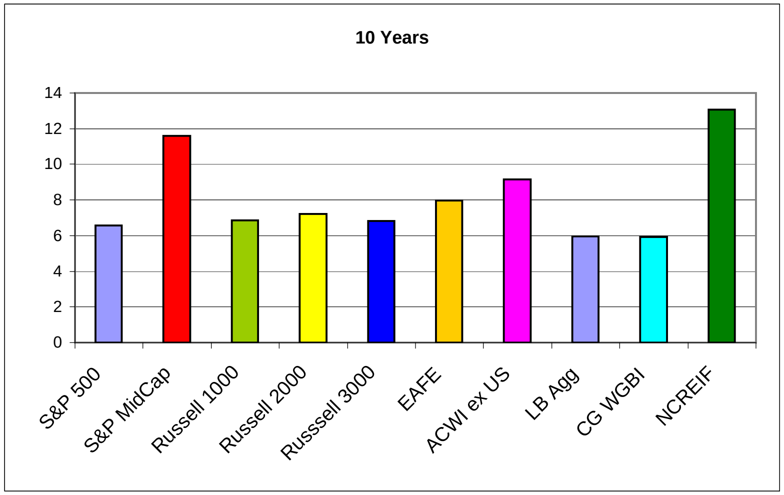
Major Benchmark Returns

Period Ending September 30, 2007





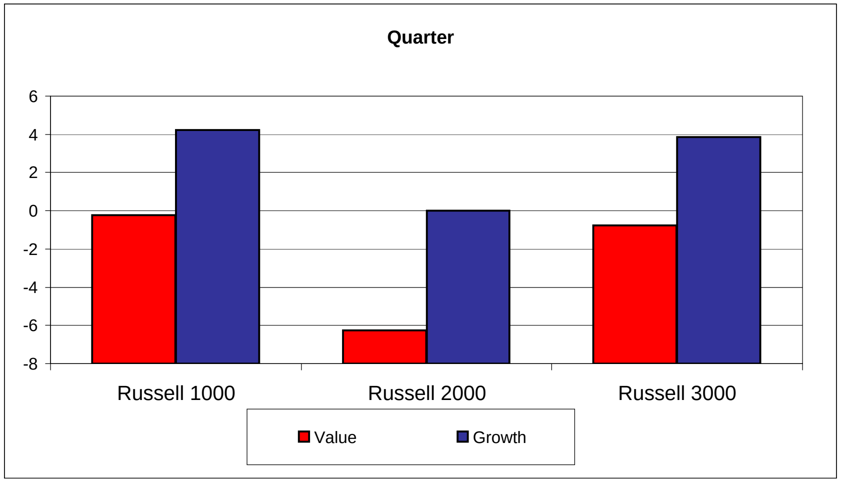


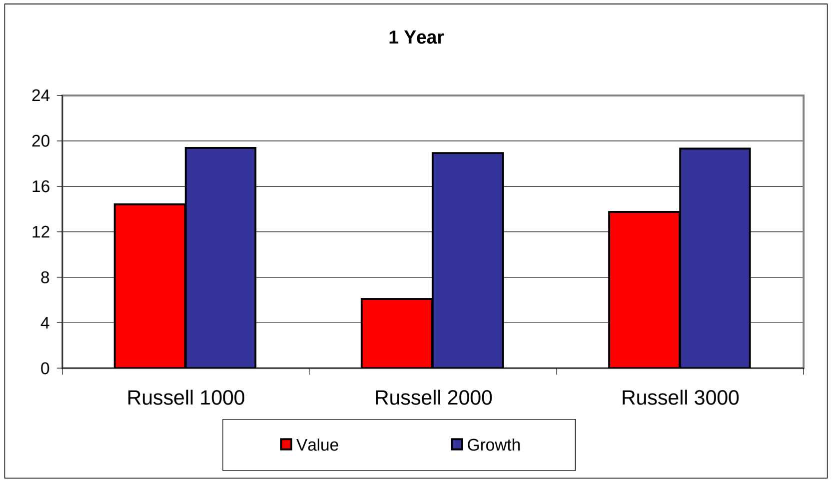


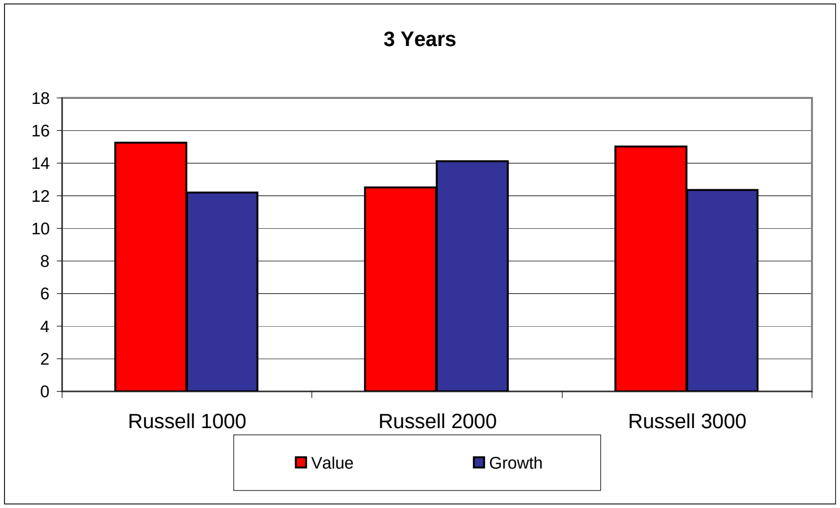
San Jose Federated City Employees Retirement System

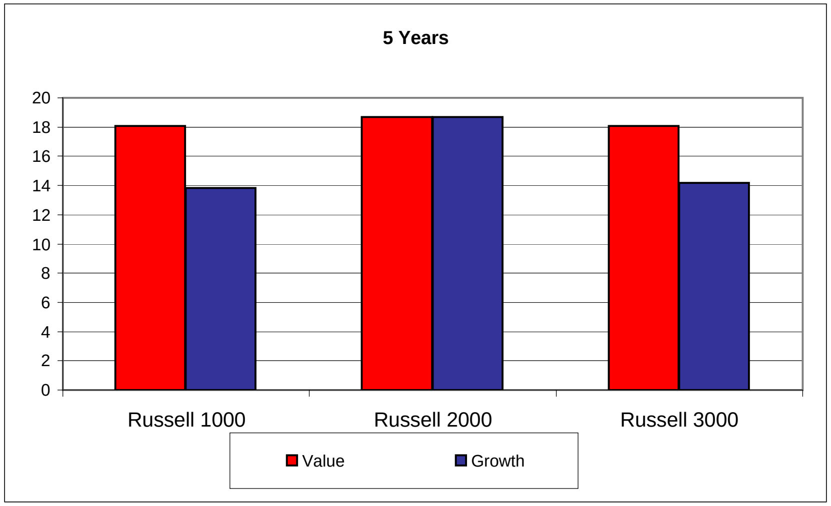
Equity Styles

Period Ending September 30, 2007

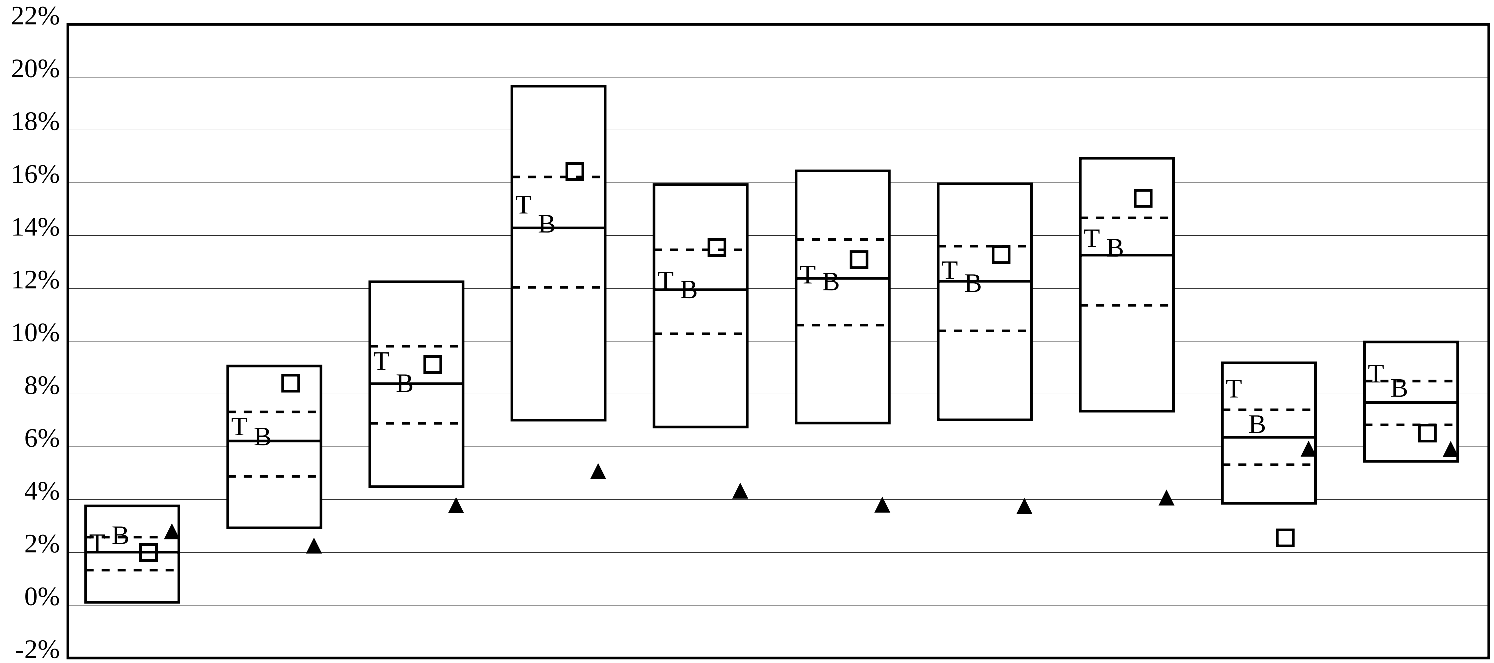








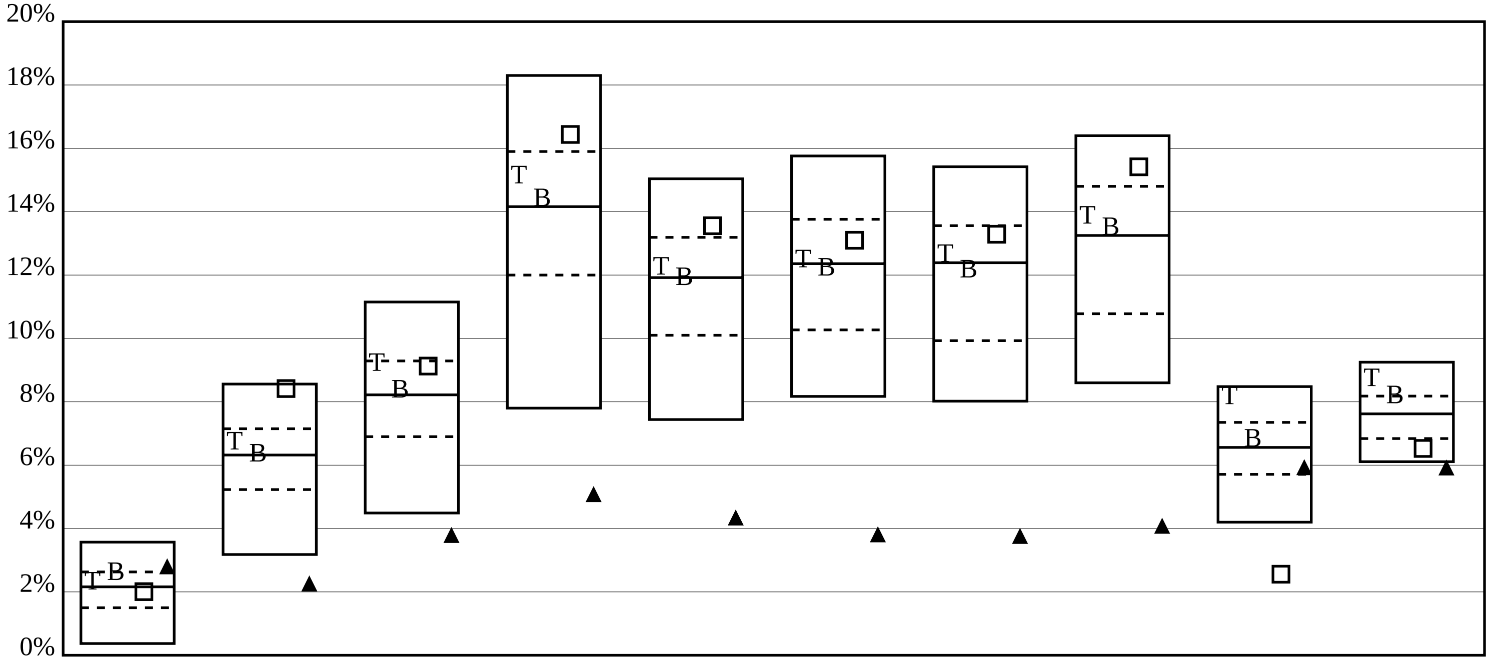
San Jose Fed. City Employees Ret. Syst.
Total Returns of All Master Trusts
Rates of Return for Periods Ending September 30, 2007



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	3.76	9.06	12.25	19.66	15.93	16.45	15.96	16.93	9.18	9.97
25th Percentile	2.58	7.32	9.81	16.22	13.46	13.85	13.60	14.67	7.40	8.49
Median	2.01	6.22	8.39	14.29	11.95	12.38	12.27	13.26	6.36	7.68
75th Percentile	1.33	4.88	6.89	12.04	10.28	10.61	10.39	11.36	5.32	6.83
95th Percentile	0.11	2.93	4.49	7.01	6.75	6.90	7.02	7.35	3.86	5.45
T Total Fund	2.37 (33)	6.79 (35)	9.27 (34)	15.19 (38)	12.31 (43)	12.54 (46)	12.71 (41)	13.92 (39)	8.22 (12)	8.79 (17)
B Custom Blended Benchmark	2.67 (21)	6.41 (44)	8.43 (49)	14.47 (48)	11.98 (49)	12.28 (52)	12.22 (50)	13.56 (45)	6.88 (37)	8.25 (30)
□ S&P 500	2.05 (47)	8.46 (9)	9.17 (36)	16.48 (22)	13.60 (22)	13.14 (35)	13.33 (29)	15.46 (14)	2.60 (98)	6.57 (80)
▲ Lehman Aggregate	2.85 (15)	2.31 (98)	3.84 (97)	5.13 (98)	4.39 (99)	3.86 (99)	3.81 (99)	4.13 (98)	5.98 (59)	5.97 (90)

Returns for periods greater than one year are annualized.

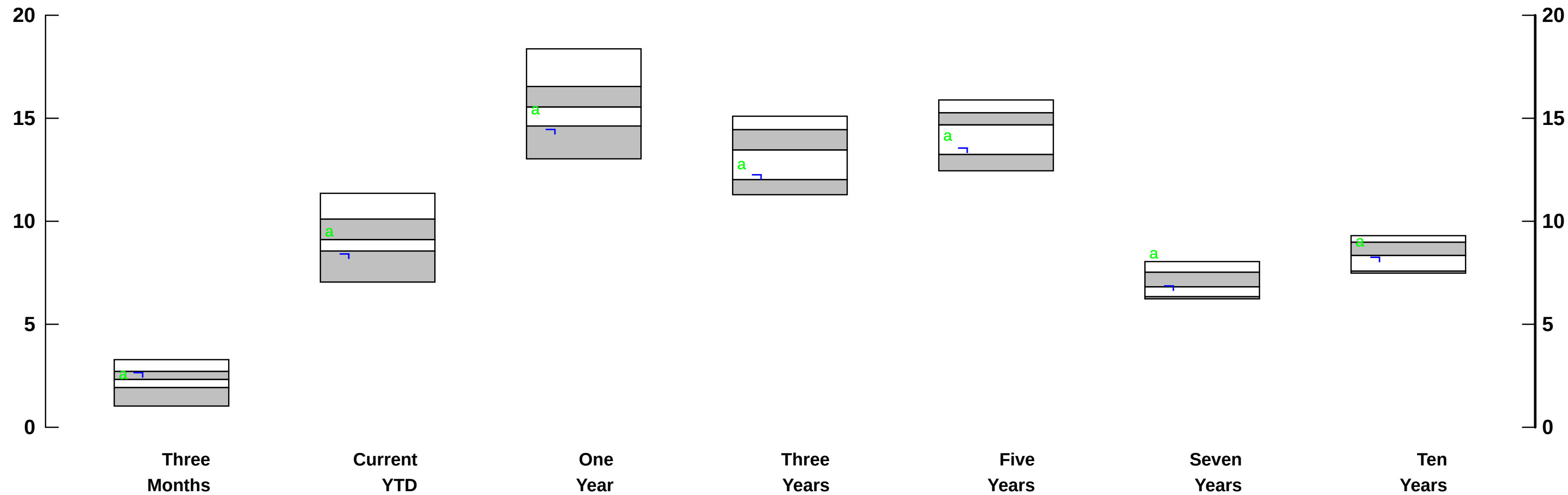
San Jose Fed. City Employees Ret. Syst.
Total Returns of Public Funds
Rates of Return for Periods Ending September 30, 2007



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	3.57	8.56	11.15	18.30	15.04	15.76	15.42	16.40	8.48	9.25
25th Percentile	2.63	7.15	9.29	15.90	13.19	13.76	13.56	14.80	7.35	8.18
Median	2.16	6.32	8.22	14.16	11.92	12.36	12.39	13.25	6.56	7.62
75th Percentile	1.50	5.23	6.90	12.00	10.10	10.27	9.93	10.78	5.71	6.84
95th Percentile	0.37	3.18	4.49	7.80	7.44	8.17	8.02	8.60	4.20	6.11
T Total Fund	2.37 (35)	6.79 (34)	9.27 (26)	15.19 (35)	12.31 (43)	12.54 (46)	12.71 (42)	13.92 (38)	8.22 (9)	8.79 (9)
B Custom Blended Benchmark	2.67 (21)	6.41 (46)	8.43 (45)	14.47 (48)	11.98 (48)	12.28 (54)	12.22 (54)	13.56 (44)	6.88 (42)	8.25 (21)
□ S&P 500	2.05 (53)	8.46 (6)	9.17 (29)	16.48 (14)	13.60 (20)	13.14 (36)	13.33 (30)	15.46 (13)	2.60 (100)	6.57 (87)
▲ Lehman Aggregate	2.85 (14)	2.31 (99)	3.84 (96)	5.13 (99)	4.39 (100)	3.86 (100)	3.81 (100)	4.13 (99)	5.98 (64)	5.97 (95)

Returns for periods greater than one year are annualized.

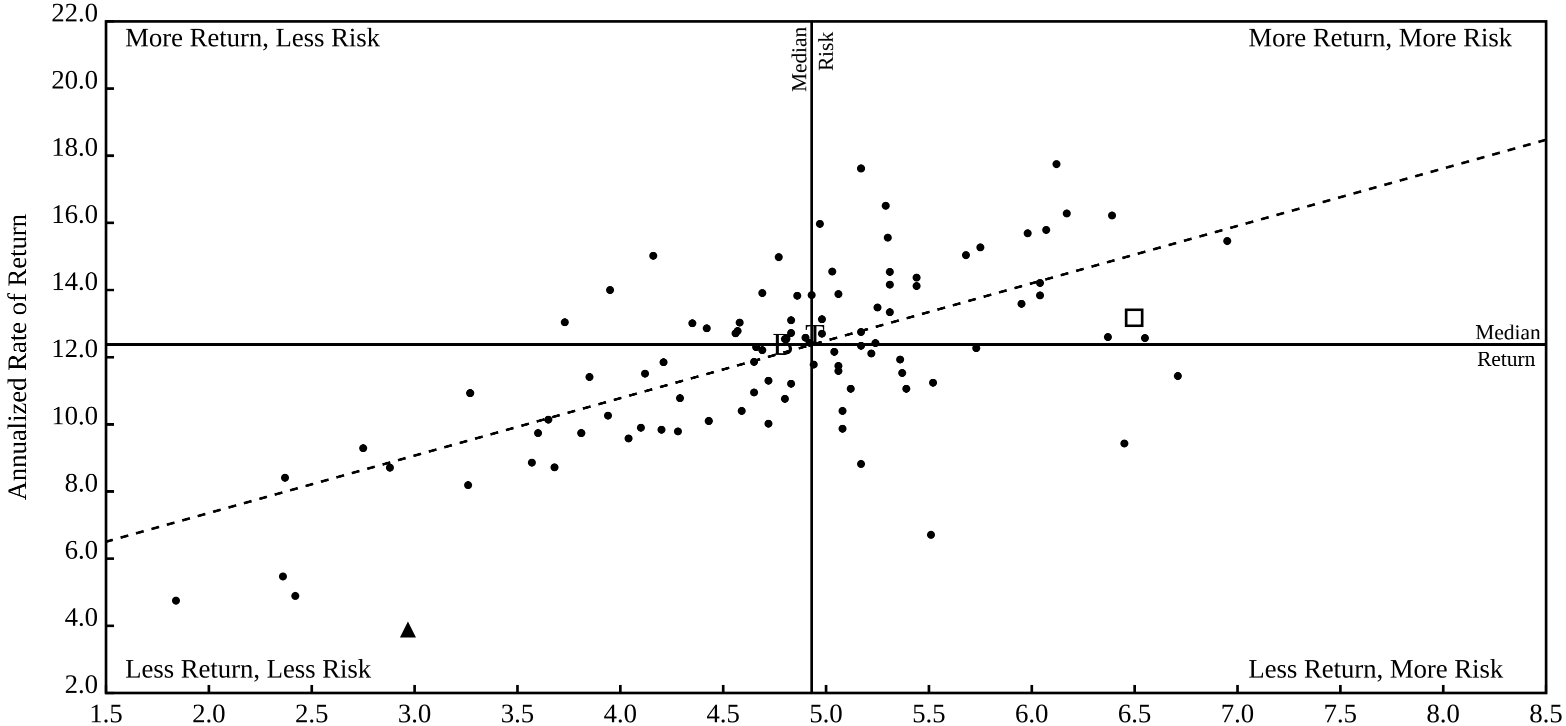
Populations Ranking - Public Funds Universe



	Three Months	Current YTD	One Year	Three Years	Five Years	Seven Years	Ten Years
10th Percentile	3.28	11.36	18.37	15.10	15.89	8.04	9.30
1st Quartile	2.71	10.10	16.54	14.45	15.27	7.52	8.98
Median	2.32	9.11	15.55	13.46	14.68	6.82	8.34
3rd Quartile	1.93	8.56	14.62	12.02	13.24	6.34	7.58
90th Percentile	1.03	7.05	13.03	11.29	12.45	6.23	7.48
a FCERS San Jose	2.37	9.27	15.19	12.54	13.92	8.22	8.79
Percentile Rank	**48th**	**48th**	**65th**	**67th**	**63rd**	**4th**	**35th**
¬ FCERS Custom Blended	2.67	8.43	14.47	12.27	13.56	6.87	8.25

This report is produced Gross of Fees

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

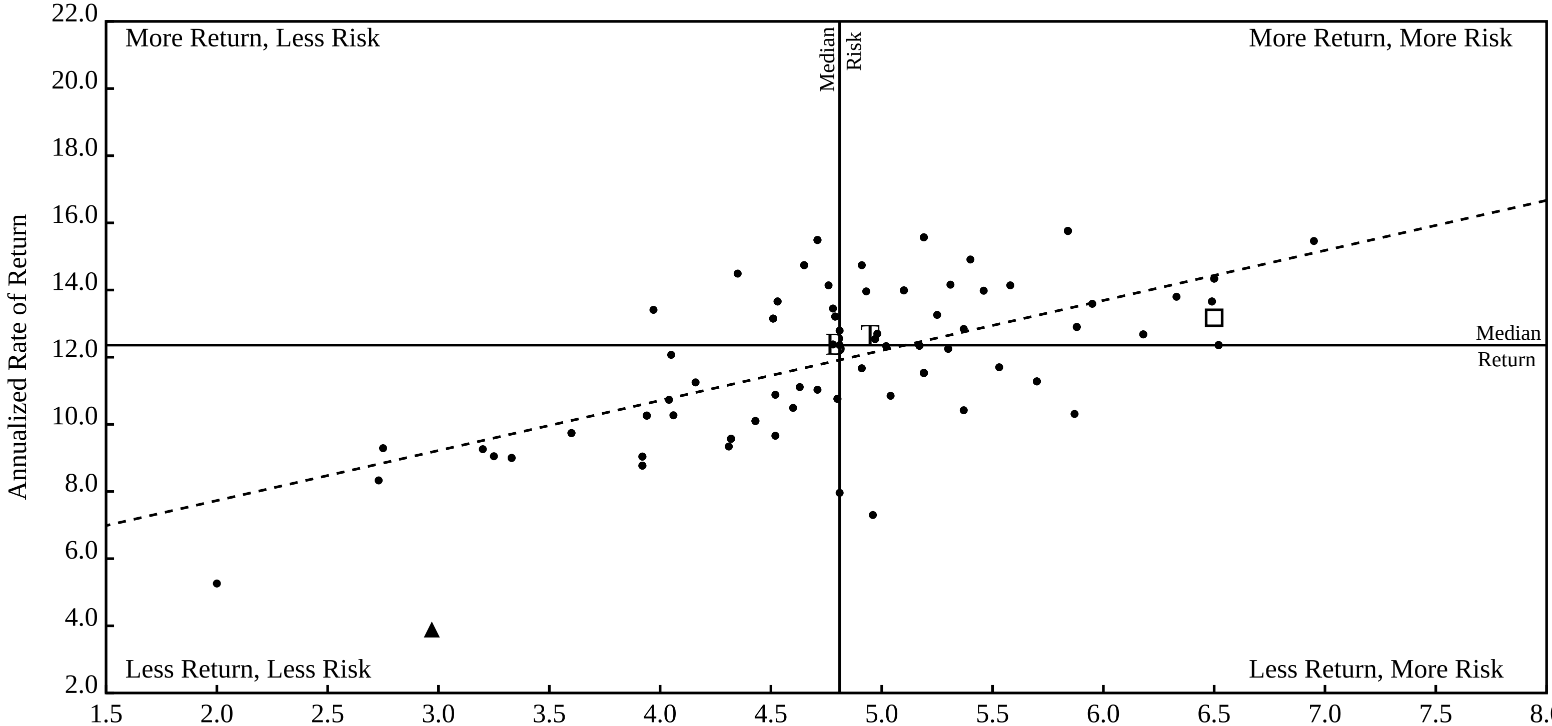


Risk (Historical Standard Deviation of Return)

Alpha	3.94
Beta	1.71
R-Squared	0.42

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	4.97	48	12.54	46
B	Custom Blended Benchmark	4.81	55	12.28	52
□	S&P 500	6.53	5	13.14	35
▲	Lehman Aggregate	3.00	93	3.86	99
	Median	4.93		12.38	

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

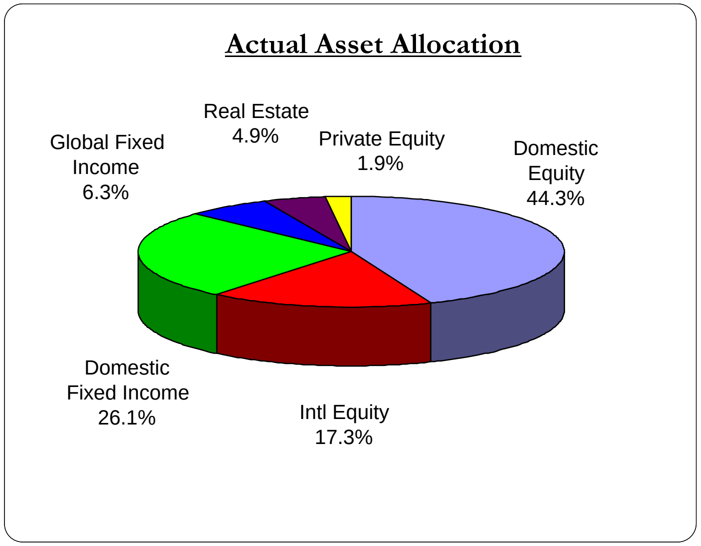


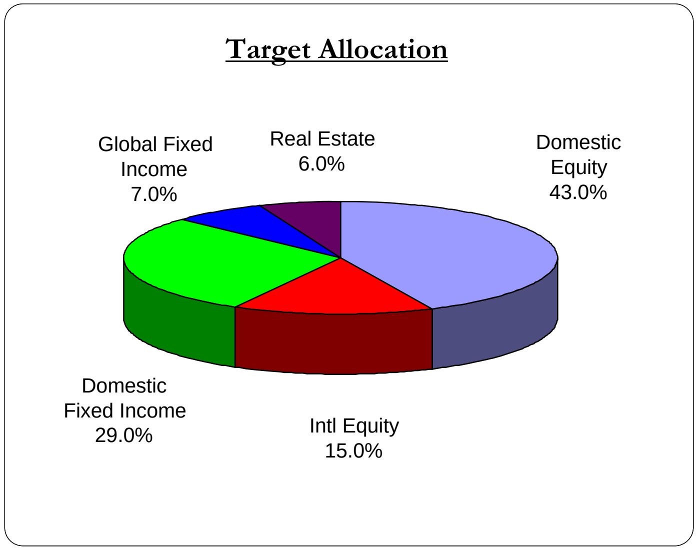
Alpha	4.75
Beta	1.49
R-Squared	0.39

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	4.97	41	12.54	46
B	Custom Blended Benchmark	4.81	50	12.28	54
□	S&P 500	6.53	4	13.14	36
▲	Lehman Aggregate	3.00	97	3.86	100
	Median	4.81		12.36	

San Jose Federated City Employees Retirement System

Allocation by Asset Category

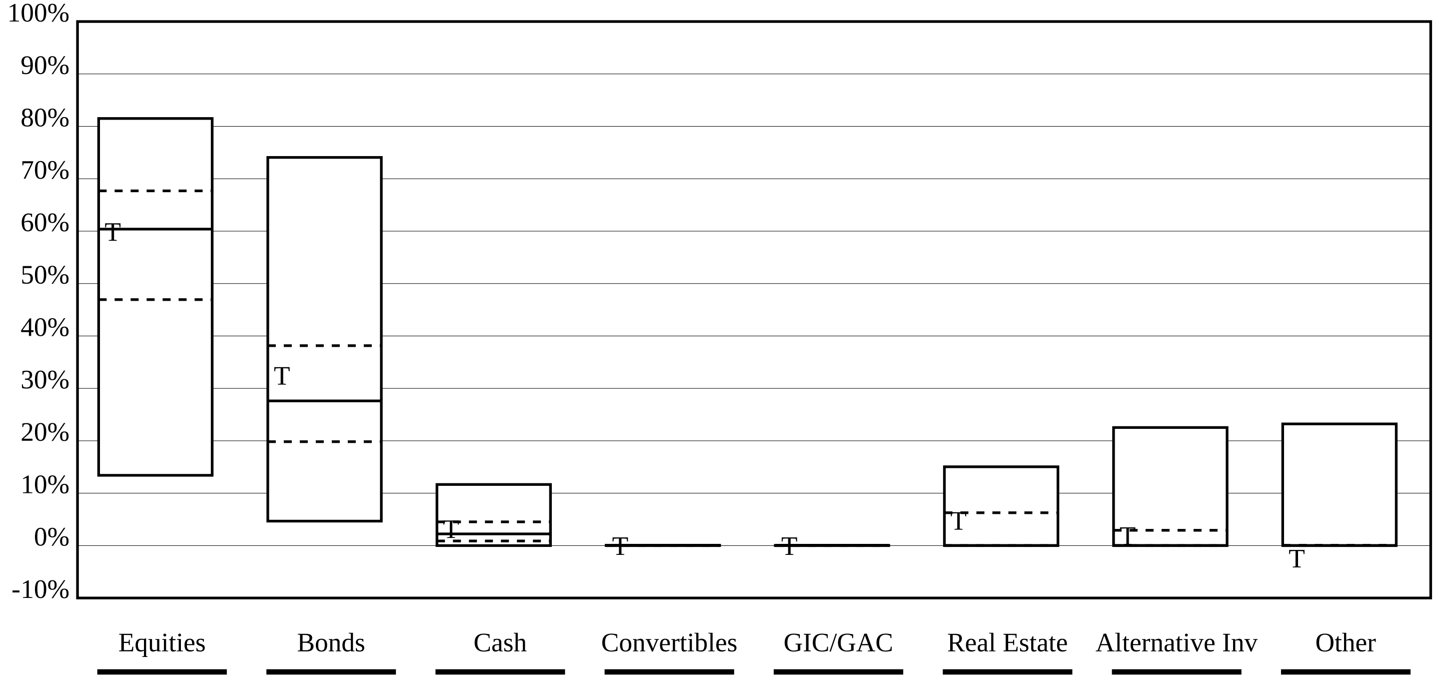




Asset Class	Actual ($000)	% Actual	% Target	% Difference	Difference ($000)
Domestic Equity	$832,817	43.80%	43.00%	0.80%	$15,192
Intl Equity	$318,096	16.73%	15.00%	1.73%	$32,878
Domestic Fixed Income	$497,744	26.18%	29.00%	-2.82%	($53,677)
Global Fixed Income	$119,433	6.28%	7.00%	-0.72%	($13,669)
Real Estate	$92,036	4.84%	6.00%	-1.16%	($22,051)
Private Equity*	$35,980	1.89%	0.00%	1.89%	$35,980

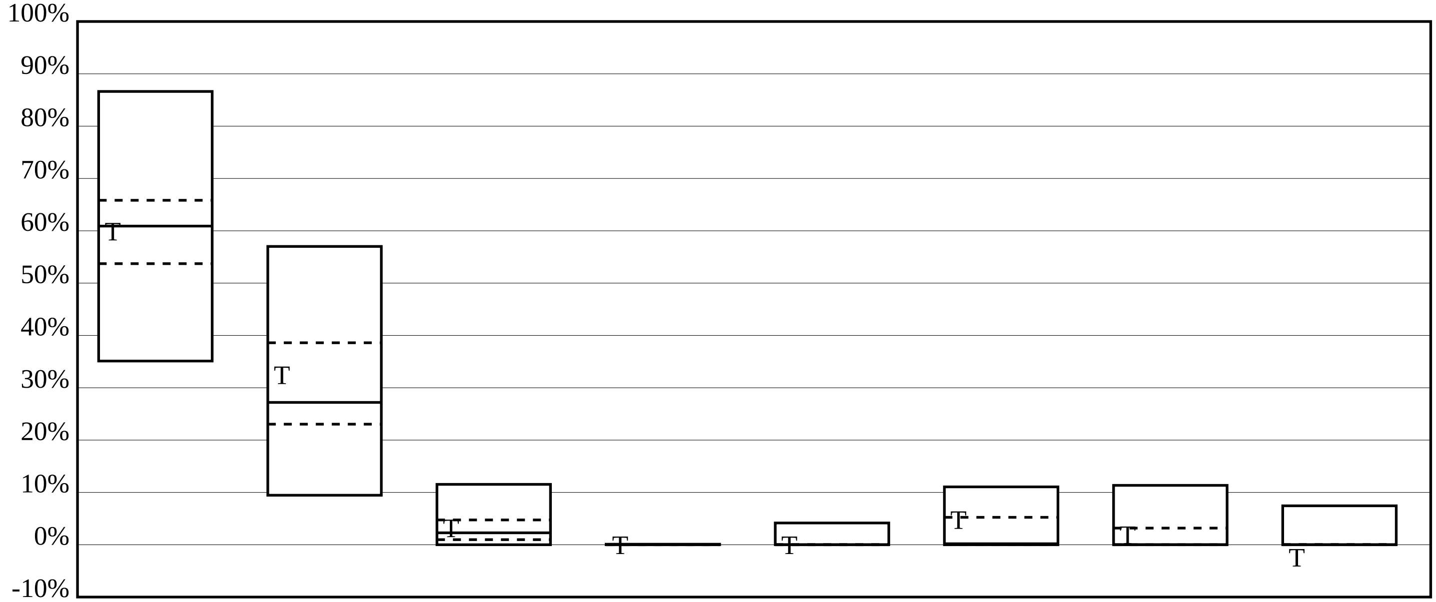
* Board has approved using the "Without Private Markets" asset allocation approach until the completion and approval of the current Asset Liability Modeling ("ALM") study.
- Cash represents 0.28% of the total fund as of 09/30/07.

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



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	81.50	74.07	11.66	0.07	0.04	15.04	22.53	23.22
25th Percentile	67.69	38.15	4.53	0.00	0.00	6.27	2.92	0.03
Median	60.39	27.61	2.23	0.00	0.00	0.00	0.00	0.00
75th Percentile	46.94	19.83	0.88	0.00	0.00	0.00	0.00	0.00
95th Percentile	13.41	4.67	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	59.94 (52)	32.49 (37)	3.23 (34)	0.00 (100)	0.00 (100)	4.81 (29)	1.92 (28)	-2.39 (100)

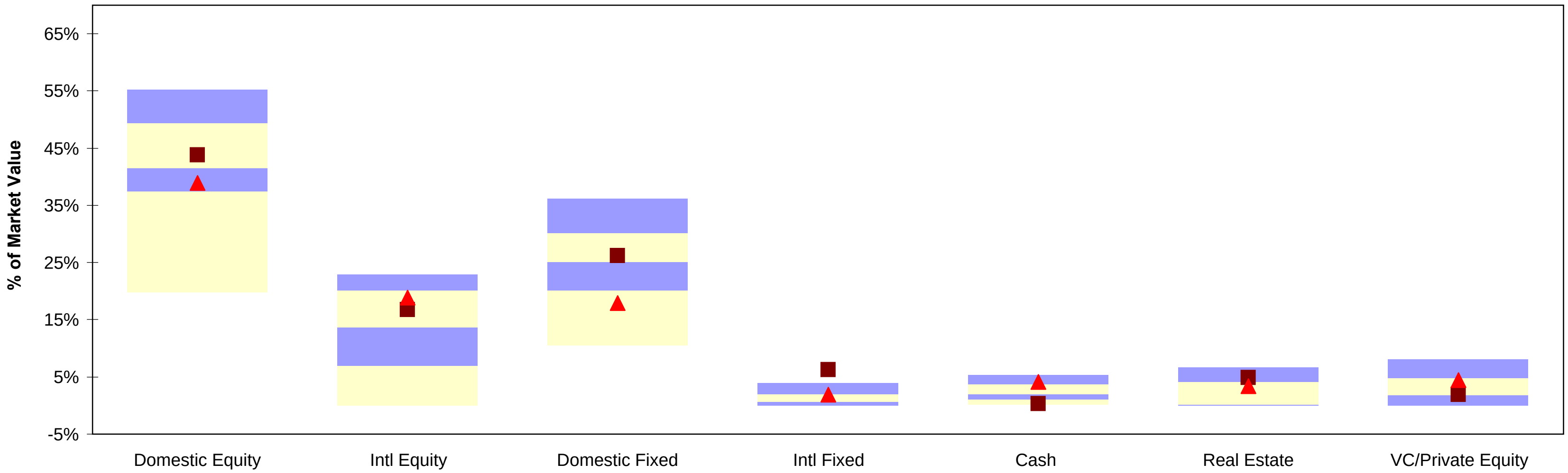
San Jose Fed. City Employees Ret. Syst.
Asset Allocation of Public Funds
Quarter Ending September 30, 2007



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	86.63	57.01	11.54	0.10	4.16	11.06	11.35	7.44
25th Percentile	65.83	38.60	4.74	0.00	0.00	5.24	3.18	0.01
Median	60.90	27.20	2.28	0.00	0.00	0.19	0.00	0.00
75th Percentile	53.72	23.04	0.97	0.00	0.00	0.00	0.00	0.00
95th Percentile	35.11	9.46	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	59.94 (59)	32.49 (41)	3.23 (35)	0.00 (100)	0.00 (100)	4.81 (28)	1.92 (29)	-2.39 (100)

Asset Allocation Distribution - TNT Public Funds Universe

As of Septmeber 30, 2007, the System had below median allocations to cash, while maintaining higher than median allocation to domestic and international equity and fixed income, and real estate. The Northern Trust Public Funds Universe was comprised of 41 plans with a total market value of $341 billion, which includes San Jose FCERS. The plans ranged in size from $22.5 million to $42.3 billion, with a median market value of $4.2 billion and an average market value of $8.3 billion. FCERS ranked at the 65th percentile, or 27th among Public Funds in size.

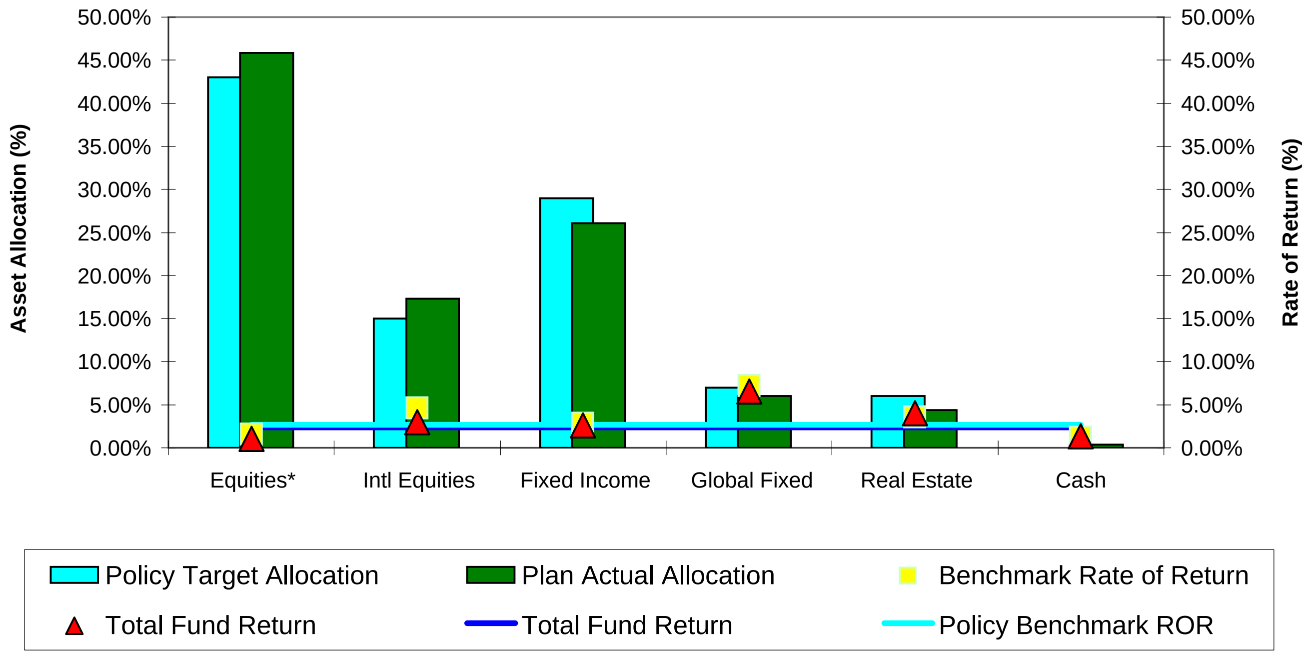


	Domestic Equity	Intl Equity	Domestic Fixed	Intl Fixed	Cash	Real Estate	VC/Private Equity
■ **FCERS**	43.8%	16.7%	26.2%	6.3%	0.3%	4.8%	1.9%
▲ **Ave of Top 10 Public Funds**	38.9%	18.9%	17.9%	1.9%	4.2%	3.4%	4.4%
10th	55.3%	22.9%	36.2%	3.9%	5.3%	6.7%	8.0%
1st	49.5%	20.1%	30.1%	2.0%	3.7%	4.2%	4.8%
Median	41.5%	13.7%	25.1%	0.6%	2.0%	0.2%	1.8%
3rd	37.4%	7.0%	20.1%	0.0%	1.0%	0.0%	0.0%
90th	19.8%	0.0%	10.5%	0.0%	0.2%	0.0%	0.0%

San Jose Federated City Employees Retirement System

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

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



Attribution Analysis

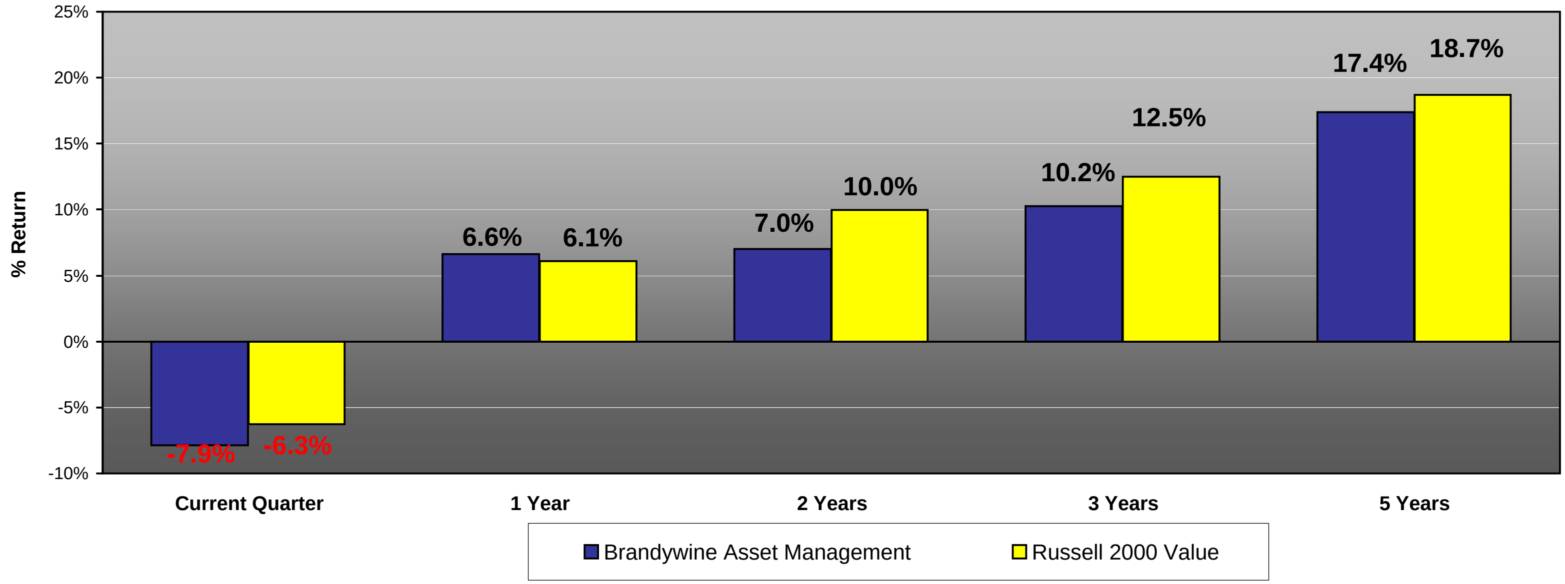
	Equities*	Intl Equities	Fixed Income	Global Fixed	Real Estate	Cash	Total Plan
Benchmark Returns	1.55%	4.62%	2.84%	7.20%	3.56%	1.17%	**2.67%**
Asset Allocation	0.04%	0.11%	-0.08%	-0.07%	-0.06%	0.00%	-0.06%
Active Decisions	-0.23%	-0.28%	-0.07%	-0.04%	0.02%	0.00%	-0.60%
Residual							0.36%
Actual Fund Return							**2.37%**

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

San Jose Federated City Employees Retirement System

Brandywine Asset Management

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Years	3 Years	5 Years
Brandywine Asset Management	72	77	78	76	60
Russell 2000 Value	50	80	46	56	47

Individual Account Attribution

Brandywine Asset Mgt vs Russell 2000 Value

Sector	Portfolio Weight	Benchmark Weight	Portfolio Return	Benchmark Return	Sector Selection	Security Selection
Consumer Discretionary	18.38	12.59	(15.52)	(18.01)	(0.69)	0.57
Consumer Staples	2.02	3.61	(14.95)	(6.69)	0.01	(0.19)
Energy	4.34	5.55	(10.81)	(2.94)	(0.02)	(0.36)
Financials	35.38	33.15	(8.47)	(5.89)	0.06	(0.97)
Health Care	1.85	4.97	(2.84)	1.05	(0.25)	(0.04)
Industrials	16.98	13.30	(7.17)	(5.54)	0.05	(0.30)
Information Technology	5.41	13.07	(5.31)	(5.21)	(0.08)	0.00
Materials	6.40	6.74	1.34	1.56	0.00	(0.01)
Telecommunication Services	0.17	1.52	(6.53)	(3.14)	(0.04)	(0.01)
Utilities	9.07	5.26	1.36	(0.99)	0.16	0.19
Total	**100.00**	**100.00**	**(8.13)**	**(6.26)**	**(0.81)**	**(1.11)**

Equity Portfolio Characteristics

Brandywine Asset Mgt vs Russell 2000 Value

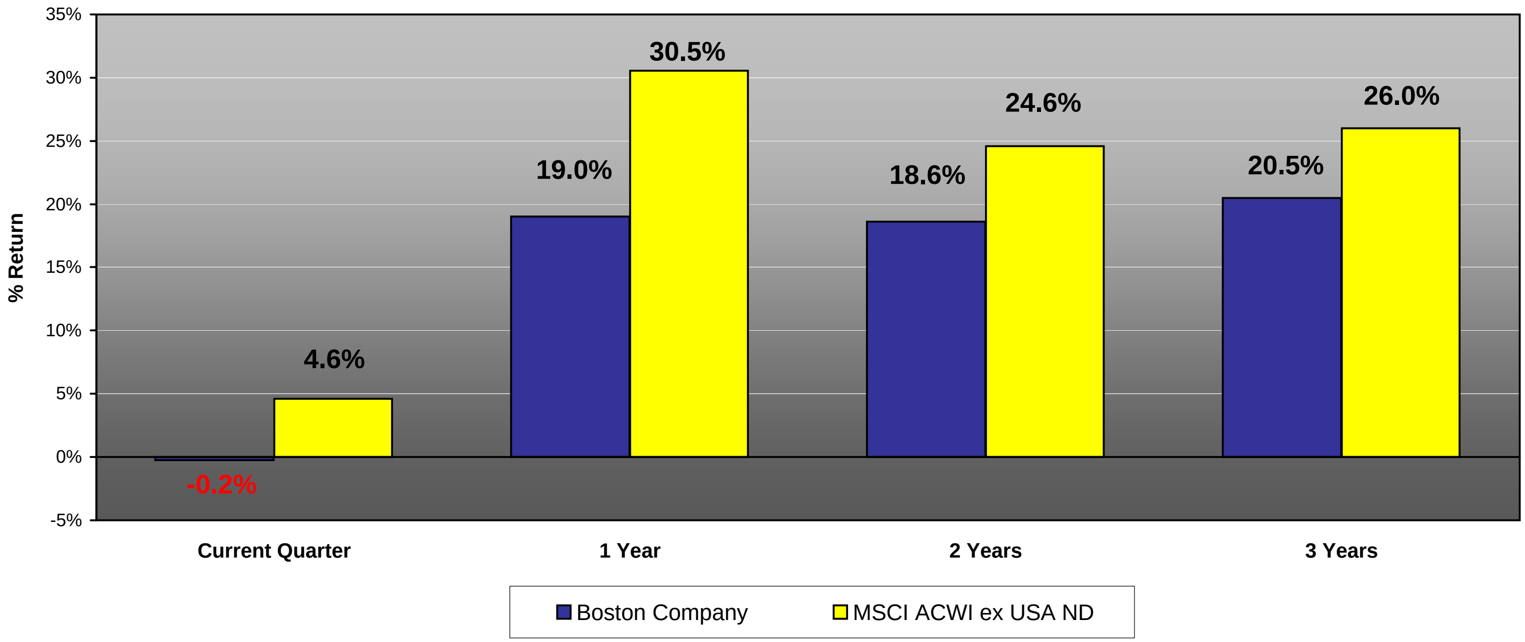
Characteristic	Manager	Russell 2000 Value
Market Cap (BIL)	1.45	1.19
P/E	12.42	15.65
Dividend Yield	2.01	1.87
Price/Book	1.49	1.58
Historic Beta	0.98	1.01
Return on Equity	14.56	8.81
5 Yr EPS Growth Rate	18.60	12.73
Percent Cash	3.40	- -

Top 5 Holdings	% of Portfolio
ODYSSEY RE HLDGS CORP COM	1.33
WORTHINGTON INDS INC COM	1.21
TUPPERWARE BRANDS CORPORATION	1.09
COMMERCE GROUP INC MASS COM	1.03
INTEGRYS ENERGY GROUP INC COM STK	1.01

San Jose Federated City Employees Retirement System

Boston Company

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Years	3 Years
Boston Company	81	82	80	81
MSCI ACWI ex USA ND	29	32	38	38

San Jose Federated City Employees Retirement System

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

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
FCERS TOTAL FUND	2.37	33	9.27	34	15.19	38	12.54	46	13.92	39	9.69
CUSTOM BLENDED BENCHMARK	2.67	21	8.43	49	14.47	48	12.27	52	13.56	45	9.45
Domestic Equity	**1.05**	**45**	**9.16**	**45**	**16.65**	**46**	**13.93**	**56**	**16.51**	**63**	**12.07**
Atlanta Capital Management	5.25	42	12.88	46	18.97	48	12.43	61	13.66	70	6.63
Russell 1000 Growth	4.21	56	12.68	48	19.36	44	12.20	63	13.84	68	4.12
Brandywine Asset Management	-7.87	72	-2.08	80	6.61	77	10.24	76	17.41	60	12.43
Russell 2000 Value	-6.26	50	-2.70	80	6.08	80	12.51	56	18.70	47	12.67
Dodge and Cox Equity	-1.82	78	5.18	75	12.03	83	15.50	43	--	--	14.07
Russell 1000 Value	-0.24	45	5.97	66	14.45	64	15.25	49	--	--	14.54
Eagle Asset Management	-2.20	83	14.26	34	24.29	29	18.46	25	22.76	15	7.53
Russell 2000 Growth	0.02	58	9.35	69	18.94	59	14.10	78	18.70	63	4.39
NTGI Russell 3000	1.58	47	8.88	53	16.64	42	13.84	48	16.24	44	4.52
Russell 3000	1.55	48	8.77	56	16.52	44	13.74	53	16.18	46	4.49
Wellington Management Company	4.60	36	14.41	37	20.67	44	--	--	--	--	12.92
Russell 3000 Growth	3.85	41	12.39	52	19.31	51	--	--	--	--	12.22
International Equity	**2.99**	**41**	**16.71**	**34**	**27.99**	**40**	**24.35**	**45**	**23.49**	**60**	**8.45**
Boston Company	-0.25	81	9.39	79	19.04	82	20.51	81	--	--	26.05
MSCI ACWI ex U.S.	4.62	29	17.43	31	30.54	32	26.01	38	--	--	28.22
Fisher Investments	4.76	28	19.47	24	32.44	27	--	--	--	--	26.43
MSCI ACWI ex U.S.	4.62	29	17.43	31	30.54	32	--	--	--	--	27.73
McKinley Capital	4.42	31	21.41	21	32.84	26	--	--	--	--	31.61
MSCI ACWI ex U.S.	4.62	29	17.43	31	30.54	32	--	--	--	--	27.73

San Jose Federated City Employees Retirement System

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

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
Total Fixed Income	**3.32**	**17**	**4.29**	**33**	**6.16**	**22**	**4.67**	**26**	**5.79**	**20**	**6.27**
Global Fixed Income	**6.53**	**25**	**6.93**	**27**	**9.91**	**26**	**6.07**	**34**	**8.97**	**30**	**6.10**
Loomis Sayles	6.53	25	6.93	27	9.91	27	--	--	--	--	4.01
CG WGBI	7.20	18	6.77	29	8.69	42	--	--	--	--	2.57
Domestic Fixed Income	**2.57**	**47**	**3.67**	**63**	**5.31**	**51**	**4.30**	**43**	**4.95**	**38**	**6.24**
Dodge and Cox Fixed Income	2.02	68	3.62	66	5.60	36	4.40	37	5.11	33	6.78
LB U.S. Aggregate	2.84	34	3.85	57	5.14	61	3.86	74	4.13	74	6.11
Blackrock	3.17	20	3.73	61	5.00	67	4.09	55	4.74	42	4.74
LB U.S. Aggregate	2.84	34	3.85	57	5.14	61	3.86	74	4.13	74	4.13
Real Estate	**4.00**	**38**	**18.10**	**12**	**22.26**	**12**	**18.65**	**51**	**19.09**	**33**	**12.95**
American Realty	4.68	26	--	--	--	--	--	--	--	--	--
NCREIF Property Index	3.56	40	--	--	--	--	--	--	--	--	--
DRA Growth & Income II*	0.40	85	4.00	59	76.70	1	47.40	2	30.80	4	23.20
NCREIF Property Index*	4.59	27	13.26	25	17.24	33	17.98	53	14.39	63	12.44
DRA Growth & Income V*	5.40	18	7.50	40	15.30	47	--	--	--	--	11.20
NCREIF Property Index*	4.59	27	13.26	59	17.24	33	--	--	--	--	20.14
Fidelity LP	-0.69	92	-2.56	86	57.72	3	42.23	6	32.58	5	27.76
NCREIF Property Index	3.56	40	12.23	37	17.30	33	18.03	53	14.79	63	13.07
Fidelity Growth Fund III	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
GEAM ASSET LP*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
PRISA	4.42	31	15.28	17	19.68	19	19.39	46	--	--	18.95
NCREIF Property Index	3.56	40	12.23	37	17.30	33	18.03	53	--	--	17.75
MIG Realty Advisors	2.36	62	6.13	62	8.01	72	9.28	85	9.43	86	8.89
NCREIF Property Index	3.56	40	12.23	37	17.30	33	18.03	53	14.79	63	12.42

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

San Jose Federated City Employees Retirement System

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

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
FCERS TOTAL FUND	2.30	9.03	14.86	12.21	13.58	9.44
CUSTOM BLENDED BENCHMARK	2.67	8.43	14.47	12.27	13.56	9.45
Domestic Equity	**0.99**	**8.96**	**16.37**	**13.68**	**16.25**	**11.90**
Atlanta Capital Management	5.13	12.52	18.46	11.94	13.17	6.18
Russell 1000 Growth	4.21	12.68	19.36	12.20	13.84	4.12
Brandywine Asset Management	-8.00	-2.48	6.03	9.64	16.77	11.83
Russell 2000 Value	-6.26	-2.70	6.08	12.51	18.70	12.67
Dodge and Cox Equity	-1.90	4.92	11.67	15.12	--	13.69
Russell 1000 Value	-0.24	5.97	14.45	15.25	--	14.54
Eagle Asset Management	-2.36	13.72	23.51	17.73	22.00	6.86
Russell 2000 Growth	0.02	9.35	18.94	14.10	18.70	4.39
NTGI Russell 3000	1.58	8.87	16.63	13.82	16.21	4.50
Russell 3000	1.55	8.77	16.52	13.74	16.18	4.49
Wellington Management Company	4.46	13.93	20.00	--	--	12.38
Russell 3000 Growth	3.85	12.39	19.31	--	--	12.22
International Equity	**2.85**	**16.23**	**27.28**	**23.65**	**22.80**	**7.99**
Boston Company	-0.37	9.01	18.49	19.87	--	25.33
MSCI ACWI ex U.S.	4.62	17.43	30.54	26.01	--	28.22
Fisher Investments	4.59	18.90	31.60	--	--	25.61
MSCI ACWI ex U.S.	4.62	17.43	30.54	--	--	27.73
McKinley Capital	4.27	20.91	32.10	--	--	30.88
MSCI ACWI ex U.S.	4.62	17.43	30.54	--	--	27.73

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending September 30, 2007

Total Returns Net of Fees

	QUARTER		YTD		1 YR		3 YRS		5 YRS		ITD
Total Fixed Income	**3.26**		**4.12**		**5.93**		**4.44**		**5.57**		**6.11**
Global Fixed Income	**6.44**		**6.66**		**9.54**		**5.71**		**8.61**		**5.80**
Loomis Sayles	6.44		6.66		9.54		--		--		3.65
CG WGBI	7.20		6.77		8.69		--		--		2.57
Domestic Fixed Income	**2.53**		**3.53**		**5.11**		**4.10**		**4.75**		**6.11**
Dodge and Cox Fixed Income	1.98		3.49		5.43		4.22		4.93		6.58
LB U.S. Aggregate	2.84		3.85		5.14		3.86		4.13		6.11
Blackrock	3.11		3.56		4.77		3.87		4.53		4.53
LB U.S. Aggregate	2.84		3.85		5.14		3.86		4.13		4.13
Real Estate	**4.00**		**17.87**		**21.87**		**17.97**		**18.06**		**11.95**
American Realty	4.41		--		--		--		--		--
NCREIF Property Index	3.56		--		--		--		--		--
DRA Growth & Income II*	0.00		3.20		67.00		38.10		25.10		19.20
NCREIF Property Index*	4.59		13.26		17.24		17.98		14.39		12.44
DRA Growth & Income V*	4.60		6.00		12.10		--	--	--	--	8.00
NCREIF Property Index*	4.59		13.26		17.24		--	--	--	--	20.14
Fidelity LP	-0.68		-2.55		57.75		44.03		31.29		26.19
NCREIF Property Index	3.56		12.23		17.30		18.03		14.79		13.07
Fidelity Growth Fund III	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
GEAM Asset LP*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
PRISA	4.23		14.64		18.79		18.43	--	--	--	17.99
NCREIF Property Index	3.56		12.23		17.30		18.03	--	--	--	17.75
MIG Realty Advisors	2.17		5.62		7.32		8.46		8.58		7.98
NCREIF Property Index	3.56		12.23		17.30		18.03		14.79		12.42

* Reported on a one quarter lag.

Real Estate Returns provided to Northern Trust by the Investment Managers. Real Estate Composite Calculated by NT.

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