

# FUND EVALUATION REPORT

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## San Jose Federated City Employees Retirement System

Quarterly Review  
September 30, 2010



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**Executive Summary**  
**As of September 30, 2010**

**The global economy showed continued signs of stabilization in the third quarter. In the U.S., preliminary estimates of real GDP growth are between 2% and 3%.**

- In an effort to provide continued support to the economic recovery, the Fed has been openly considering another major round of quantitative easing. This move weakened the U.S. dollar by 10.3% versus the Euro, and 5.6% versus the Yen, over the quarter.
- The U.S. unemployment rate rose slightly during the quarter (to 9.6%). A reduction in Government employment (-416,000) offset an increase in private-sector jobs (+202,000).

**Stocks around the globe rebounded strongly in the third quarter after posting double-digit losses in the prior three-month period.**

- Emerging markets lead the way, returning 18.0% for the quarter. They outpaced developed international and domestic equity markets by 1.5% and 6.5%, respectively.
- After three consecutive quarters of lagging, international equities outpaced U.S. equities due in part to waning sovereign debt concerns in Europe. The international equity market, as proxied by the MSCI EAFE Index, returned 16.5%, while the domestic equity market, as proxied by the Russell 3000 Index, returned 11.5%.
- Domestic growth stocks outpaced value stocks across the capitalization spectrum.
- Small cap stocks outpaced large cap stocks abroad, while domestically they posted similar returns.

**In a reversal from the second quarter, spread sectors outpaced Government bonds during the third quarter.**

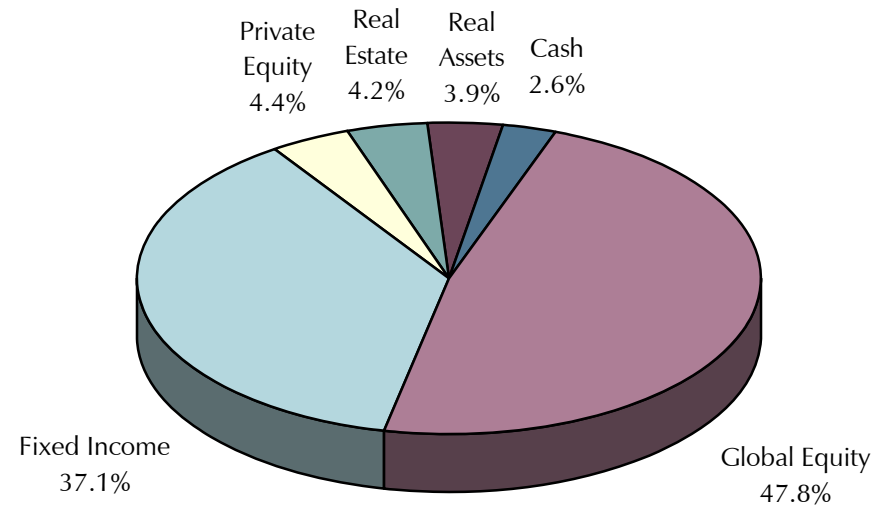
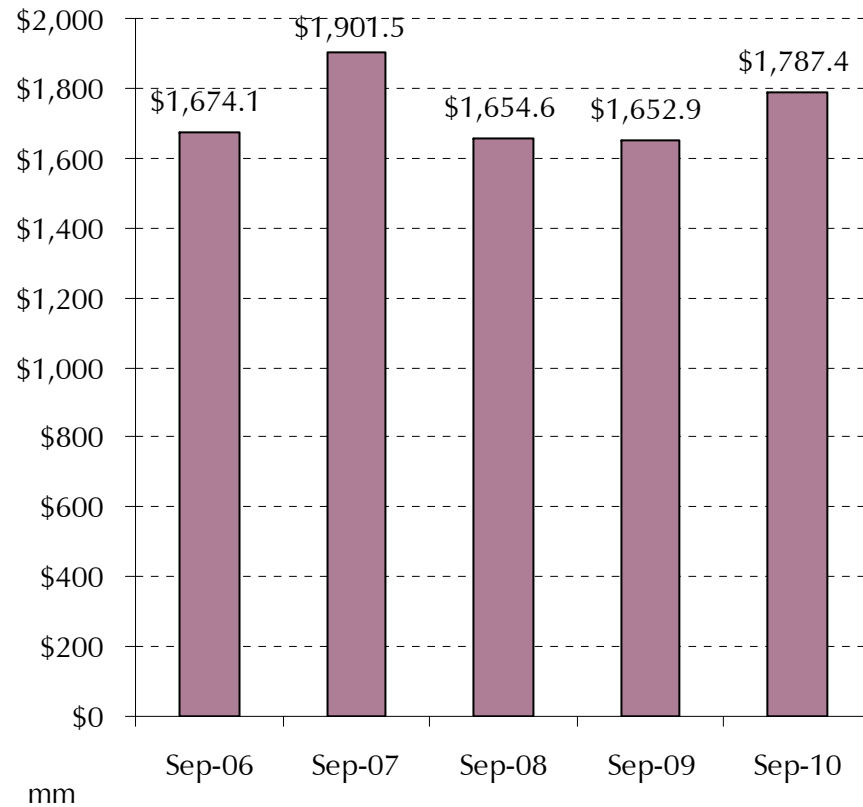
- Emerging market debt was the strongest performing fixed income asset class, returning 12.4%.
- High yield corporate bonds advanced 6.7% in aggregate, with higher quality issues leading the way.
- The Barclays Aggregate index and TIPS both advanced 2.5%.

**The value of the San Jose Federated City Employees Retirement System assets was \$1.787 billion on September 30, 2010, up \$167.3 million since the end of the second quarter.**

- During the first quarter, the Board of Trustees adopted a new asset allocation in response to the results of an asset-liability study, and in order to position the Plan to better weather future market downturns.
- The policy benchmark has been updated to reflect the new asset allocation beginning in April 2010. This report also includes a dynamic benchmark, which reflects the actual asset allocation of the Plan using asset class benchmarks, and re-weighted monthly. The policy benchmark shows how a passive portfolio would perform if allocated according to the Plan's target allocations, and the dynamic benchmark shows how a passive portfolio would perform as the Plan is actually allocated.
- While housing assets reserved for future alternatives investments in fixed income boosted the Retirement System's performance during the second quarter, it was detrimental on a relative basis during the third quarter, as risky assets tended to outperform. During the third quarter, the Retirement System returned 7.8% net of fees, underperforming the policy benchmark by 140 basis points, and underperforming the dynamic benchmark by 70 basis points. Another reason for relative underperformance during the third quarter was that the Russell Investments' optimized index accounts lagged their benchmarks for several asset classes.
- Longer-term performance has been strong on both an absolute and relative basis. The third quarter return brings the trailing one-year return to 11.3% net of fees, 150 basis points higher than the one-year return of the policy benchmark. Due to the early shipping date of this report, peer universe returns are not yet available, so we plan to report these results verbally at the November 8 Investment Committee meeting.
- During the third quarter, new small cap value manager RS Investments was hired. The Board has also approved the hiring of several new active managers, including global equity managers Artisan and Tradewinds, commodities managers First Quadrant and Credit Suisse, and opportunistic direct lending managers GSO, Medley, and White Oak.

- During the third quarter, Eagle Small Cap Growth returned 12.2% net of fees, compared to 12.8% for the Russell 2000 Growth benchmark. Despite relative underperformance compared to the benchmark, Eagle's return ranked above the 12.1% median return of the small cap growth manager universe. Healthcare stock holdings detracted from Eagle's relative returns during the third quarter.
- Quarterly performance for the Calamos Global Convertibles strategy was 7.6% net of fees, versus 7.2% for the Merrill Lynch Global 300 Convertible Index. Calamos expects growth in emerging markets to lead to growth in corporate, high-yield, and convertible debt markets, leading the firm to overweight convertible securities in the technology sector.

**Plan Summary**  
**As of September 30, 2010**





## San Jose Federated City Employees Retirement System

## Aggregate Assets Asset Summary as of 9/30/10

	Market Value 9/30/10 (\$ mm)	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,787.4</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,620.1</b>
Global Equity Assets	853.8	48	49	43-55	750.9
Fixed Income Assets <sup>1</sup>	663.0	37	20	15-25	646.1
Alternative Assets	223.4	13	31	26-36	209.7
Real Assets	69.8	4	10	0-15	66.7
Private Equity Assets	77.8	4	6	0-9	70.3
Real Estate Assets	75.8	4	5	0-8	72.7
Opportunistic Assets	0.0	0	5	0-8	0.0
Hedge Funds Assets	0.0	0	5	0-8	0.0
Cash	47.2	3	0	0-5	13.2

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/10

	Market Value 9/30/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/10 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,787.4</b>	<b>NA</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,620.1</b>
<b>Global Equity Assets</b>	<b>853.8</b>	<b>100</b>	<b>48</b>	<b>49</b>	<b>43-55</b>	<b>750.9</b>
Northern Trust MSCI All Country World Index <sup>1</sup>	244.6	29	14			213.8
MSCI All Country World Value	148.7	17	8			130.9
Northern Trust MSCI Emerging Markets Index-NL	88.7	10	5			75.3
MSCI EAFE Small Cap	86.8	10	5			74.7
Northern Trust Russell 3000 Index	68.9	8	4			103.9
Eagle Small-Cap Growth	59.5	7	3			52.9
Calamos Global Convertibles	55.3	6	3			51.3
MSCI EAFE Growth	54.6	6	3			47.0
RS Investments Small Cap Value	46.6	5	3			0.0

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/10

	Market Value 9/30/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/10 (\$ mm)
<b>Fixed Income Assets<sup>1</sup></b>	<b>663.0</b>	<b>100</b>	<b>37</b>	<b>20</b>	<b>15-25</b>	<b>646.1</b>
Barclays Intermediate Government Bond	272.6	41	15			267.1
Baclays U.S. TIPS	266.8	40	15			259.0
MacKay Shields High Yield Active Core	58.4	9	3			54.9
Seix Credit Dislocation Strategy	43.7	7	2			42.4
Northern Trust Long Term Credit Bond Index	21.4	3	1			20.2
<b>Real Assets</b>	<b>69.8</b>	<b>100</b>	<b>4</b>	<b>10</b>	<b>0-15</b>	<b>66.7</b>
Dow Jones-UBS Commodities Swap	35.5	51	2			32.5
S&P Global Infrastructure Swap	34.3	49	2			34.2
<b>Private Equity Assets</b>	<b>77.8</b>	<b>100</b>	<b>4</b>	<b>6</b>	<b>0-9</b>	<b>70.3</b>
Pathway Private Equity Fund VIII	29.1	37	2			26.5
Pantheon Global Secondary Fund II	26.3	34	1			25.0
Pantheon USA Fund VII	16.7	21	< 1			14.2
Partners Group Secondary 2008	4.3	6	< 1			3.7
Great Hill Equity Partners IV	1.4	2	< 1			1.0

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/10

	Market Value 9/30/10 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/10 (\$ mm)
<b>Real Estate Assets</b>	<b>75.8</b>	<b>100</b>	<b>4</b>	<b>5</b>	<b>0-8</b>	<b>72.7</b>
PRISA I	22.6	30	1			22.0
American Core Realty Fund, LLC	14.8	20	< 1			14.2
DRA Growth & Income Fund V	14.7	19	< 1			14.7
Milpitas Warehouse	8.7	11	< 1			8.7
DRA Growth & Income Fund VI	6.1	8	< 1			6.1
GEAM Value Add Realty Partners, L.P.	4.9	6	< 1			4.7
Fidelity Real Estate Growth Fund III, L.P.	3.9	5	< 1			2.3
<b>Cash</b>	<b>47.2</b>	<b>100</b>	<b>3</b>	<b>0</b>	<b>0-5</b>	<b>13.2</b>
Internal Cash Account	47.2	100	3			13.2



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 9/30/10

	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>7.9</b>	<b>7.8</b>	<b>11.7</b>	<b>-0.5</b>	<b>4.4</b>	<b>5.5</b>	<b>1/1/94</b>	<b>7.8</b>
<b>Net of Fees</b>	<b>7.8</b>	<b>7.6</b>	<b>11.3</b>	<b>-0.8</b>	<b>4.1</b>	<b>5.2</b>		<b>7.5</b>
<i>CPI (inflation)</i>	0.2	1.2	1.1	1.6	1.9	2.3		2.4
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	9.2	6.8	9.8	-0.7	4.2	4.4		7.5
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	8.5	NA	NA	NA	NA	NA		NA
Global Equity	13.8	NA	NA	NA	NA	NA	5/1/10	1.5
<i>MSCI ACWI</i>	14.3	3.6	8.4	-7.5	2.4	1.6		0.3
Fixed Income	3.0	7.9	9.6	8.0	6.9	7.1	1/1/94	6.6
<i>Barclays Universal</i>	2.9	8.3	8.9	7.3	6.3	6.6		6.5
Real Assets	13.6	NA	NA	NA	NA	NA	5/1/10	3.3
<i>S&amp;P Global Infrastructure Index</i>	15.9	0.7	6.9	NA	NA	NA		2.7
<i>Dow Jones - UBS Commodities Index</i>	11.6	0.8	9.9	-7.7	-4.5	4.0		4.2
Private Equity	3.0	5.5	7.1	-3.5	NA	NA	1/1/06	-0.5
<i>Venture Economics Private Equity Composite</i>	NA	9.2	21.5	1.3	9.9	4.3		8.0
Real Estate	1.7	5.5	1.8	-9.7	0.5	7.9	1/1/94	8.5
<i>NCREIF Property</i>	3.9	8.1	5.8	-4.6	3.7	7.2		8.7

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

<sup>2</sup> Policy Benchmark consists of 49% MSCI ACWI, 37% Barclays Universal, 10% DJ-UBS Commodity, 6% Venture Economics Private Equity, 5% NCREIF Property, 5% LIBOR +5%, and 5% HFRI Equity Hedge. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 9/30/10

	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>7.9</b>	<b>7.8</b>	<b>11.7</b>	<b>-0.5</b>	<b>4.4</b>	<b>5.5</b>	<b>1/1/94</b>	<b>7.8</b>
<b>Net of Fees</b>	<b>7.8</b>	<b>7.6</b>	<b>11.3</b>	<b>-0.8</b>	<b>4.1</b>	<b>5.2</b>		<b>7.5</b>
<i>CPI (inflation)</i>	0.2	1.2	1.1	1.6	1.9	2.3		2.4
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	9.2	6.8	9.8	-0.7	4.2	4.4		7.5
<i>San Jose FCERS Dynamic Benchmark<sup>3</sup></i>	8.5	NA	NA	NA	NA	NA		NA
<b>Global Equity</b>	<b>13.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>1.5</b>
Northern Trust MSCI All Country World Index <sup>4</sup>	14.4	NA	NA	NA	NA	NA	6/1/10	10.8
<i>MSCI ACWI</i>	14.3	3.6	8.4	-7.5	2.4	1.6		10.8
MSCI All Country World Value	13.2	NA	NA	NA	NA	NA	6/1/10	9.5
Net of Fees	13.2	NA	NA	NA	NA	NA		9.5
<i>MSCI ACWI Value</i>	13.3	2.3	5.3	-8.8	1.7	NA		9.6
Northern Trust MSCI Emerging Markets Index-NL	17.8	NA	NA	NA	NA	NA	6/1/10	16.9
<i>MSCI Emerging Markets</i>	18.0	10.8	20.2	-1.5	12.7	13.4		17.2
MSCI EAFE Small Cap	15.9	NA	NA	NA	NA	NA	6/1/10	14.6
Net of Fees	15.9	NA	NA	NA	NA	NA		14.5
<i>MSCI EAFE Small Cap</i>	17.5	9.2	8.0	-6.9	2.1	7.5		17.0

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

<sup>2</sup> Policy Benchmark consists of 49% MSCI ACWI, 37% Barclays Universal, 10% DJ-UBS Commodity, 6% Venture Economics Private Equity, 5% NCREIF Property, 5% LIBOR +5%, and 5% HFRI Equity Hedge. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

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

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 9/30/10

	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>								
Northern Trust Russell 3000 Index	11.6	5.0	11.6	-6.4	1.1	0.2	9/1/99	1.5
<i>Russell 3000</i>	11.5	4.8	11.0	-6.6	0.9	0.1		1.4
Eagle Small-Cap Growth	12.4	14.1	21.1	0.5	7.3	7.4	6/1/98	5.8
Net of Fees	12.2	13.6	20.4	-0.1	6.6	6.7		5.1
<i>Russell 2000 Growth</i>	12.8	10.2	14.8	-3.7	2.3	-0.1		2.4
<i>Peer Small Cap Growth</i>	12.1	9.8	15.5	-3.8	2.8	2.2		6.6
<i>Peer Ranking (percentile)</i>	44	16	10	7	2	12		66
Calamos Global Convertibles	7.8	6.1	NA	NA	NA	NA	11/1/09	11.1
Net of Fees	7.6	5.7	NA	NA	NA	NA		10.6
<i>Merrill Lynch Global 300 Convertible Index</i>	7.2	6.0	10.5	-0.2	4.7	NA		11.5
MSCI EAFE Growth	14.1	NA	NA	NA	NA	NA	6/1/10	13.9
Net of Fees	14.1	NA	NA	NA	NA	NA		13.9
<i>MSCI EAFE Growth</i>	16.6	4.1	8.4	-8.4	2.8	1.1		16.6

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 9/30/10

	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Global Equity (continued)</b>								
RS Investments Small Cap Value	NA	NA	NA	NA	NA	NA	9/1/10	9.9
Net of Fees	NA	NA	NA	NA	NA	NA		9.8
<i>Russell 2000 Value</i>	9.7	7.9	11.8	-5.0	0.7	7.7		10.7
<i>Peer Small Cap Value</i>	10.0	10.1	14.9	-2.0	3.4	9.7		10.9
<i>Peer Ranking (percentile)</i>	NA	NA	NA	NA	NA	NA		76
<b>Fixed Income</b>							<b>1/1/94</b>	<b>6.6</b>
Barclays Intermediate Government Bond	2.1	NA	NA	NA	NA	NA	6/1/10	3.4
Net of Fees	2.1	NA	NA	NA	NA	NA		3.4
<i>Barclays IT Gov't</i>	2.1	6.6	6.2	6.7	5.9	5.7		3.5
Barclays U.S. TIPS	2.8	NA	NA	NA	NA	NA	6/1/10	4.3
Net of Fees	2.8	NA	NA	NA	NA	NA		4.3
<i>Barclays U.S. TIPS</i>	2.5	7.0	8.9	6.9	5.5	7.5		3.9
Mackay Shields High Yield Active Core	6.3	10.6	17.1	NA	NA	NA	5/1/09	22.3
Net of Fees	6.2	10.2	16.7	NA	NA	NA		21.9
<i>Barclays High Yield</i>	6.7	11.5	18.4	8.7	8.4	8.0		32.2
<i>Barclays High Yield BB/B</i>	6.9	11.5	16.8	7.6	7.5	7.3		26.0
<i>Peer High Yield</i>	6.7	11.1	17.3	7.5	7.7	7.6		29.6
<i>Peer Ranking (percentile)</i>	70	71	54	NA	NA	NA		89

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





	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Fixed Income (continued)</b>								
Seix Credit Dislocation Strategy	3.2	5.1	7.1	NA	NA	NA	5/1/09	10.6
Net of Fees	3.1	4.9	6.8	NA	NA	NA		10.3
<i>CSFB Leveraged Loan Index</i>	3.1	6.5	10.3	3.1	4.0	4.5		22.5
Northern Trust Long Term Credit Bond Index-NL	6.2	NA	NA	NA	NA	NA	5/1/10	9.5
<i>Barclays Long U.S. Credit</i>	6.3	14.9	14.1	9.6	6.9	8.5		9.1
<b>Real Assets</b>	<b>13.6</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>3.3</b>
Dow Jones-UBS Commodities Swap	11.6	NA	NA	NA	NA	NA	5/1/10	4.2
<i>Dow Jones – UBS Commodities Index</i>	11.6	0.8	9.9	-7.7	-4.5	4.0		4.2
S&P Global Infrastructure Swap	15.7	NA	NA	NA	NA	NA	5/1/10	2.4
<i>S&amp;P Global Infrastructure Index</i>	15.9	0.7	6.9	NA	NA	NA		2.7
<b>Private Equity</b>	<b>3.0</b>	<b>5.5</b>	<b>7.1</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>	<b>1/1/06</b>	<b>-0.5</b>
<i>Venture Economics Private Equity Composite</i>	NA	9.2	21.5	1.3	9.9	4.3		8.0

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

# San Jose Federated City Employees Retirement System

## Aggregate Assets Performance as of 9/30/10

	3Q10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Real Estate</b>	<b>1.7</b>	<b>5.5</b>	<b>1.8</b>	<b>-9.7</b>	<b>0.5</b>	<b>7.9</b>	<b>1/1/94</b>	<b>8.5</b>
PRISA I	3.1	11.0	8.0	-13.5	-1.6	NA	7/1/04	2.1
Net of Fees	2.8	9.9	6.7	-13.1	-2.5	NA		1.2
<i>NCREIF Property</i>	3.9	8.1	5.8	-4.6	3.7	7.2		6.4
American Core Realty Fund, LLC	4.6	7.2	2.7	-9.9	NA	NA	1/1/07	-4.7
Net of Fees	4.3	6.5	1.7	-10.8	NA	NA		-5.6
<i>NCREIF Property</i>	3.9	8.1	5.8	-4.6	3.7	7.2		-0.7
MIG Realty- Milpitas Warehouse	NA	1.5	2.0	-8.0	4.5	6.1	12/1/94	9.5
Net of Fees	NA	1.3	1.8	-8.1	4.1	5.5		8.8
<i>NCREIF Property</i>	3.9	8.1	5.8	-4.6	3.7	7.2		9.0
CEAM Value Add Realty Partners, L.P.	NA	3.5	-3.5	-22.5	NA	NA	8/1/06	-15.1
<i>NCREIF Property</i>	3.9	8.1	5.8	-4.6	3.7	7.2		1.3

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



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Total Fund Aggregate</b>	<b>20.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>	<b>3.0</b>
<b>Net of Fees</b>	<b>20.0</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>	<b>2.7</b>
<i>CPI (inflation)</i>	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6	3.4
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5	0.9
<i>San Jose FCERS Dynamic Benchmark<sup>2</sup></i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Global Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2	-14.2
Fixed Income	15.8	-1.3	6.7	5.8	0.8	6.3	9.0	10.5	6.5	9.1
<i>Barclays Universal</i>	8.6	2.4	6.5	5.0	2.7	5.0	5.8	9.8	8.1	10.8
Real Assets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities Index</i>	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	25.9	-19.5	31.8
Private Equity	-13.4	-4.0	15.5	-3.5	NA	NA	NA	NA	NA	NA
<i>Venture Economics Private Equity Composite</i>	-7.7	-6.8	27.7	17.7	28.6	15.1	8.7	-14.7	-25.8	63.6
Real Estate	-29.4	-5.4	23.4	13.2	22.9	10.3	28.7	10.7	7.5	13.9
<i>NCREIF Property</i>	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3	12.2

<sup>1</sup> Policy Benchmark consists of 49% MSCI ACWI, 37% Barclays Universal, 10% DJ-UBS Commodity, 6% Venture Economics Private Equity, 5% NCREIF Property, 5% LIBOR +5%, and 5% HFRI Equity Hedge. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.

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



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Total Fund Aggregate</b>	<b>20.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>	<b>24.4</b>	<b>-3.9</b>	<b>-1.0</b>	<b>3.0</b>
<b>Net of Fees</b>	<b>20.0</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>	<b>24.0</b>	<b>-4.2</b>	<b>-1.3</b>	<b>2.7</b>
<i>CPI (inflation)</i>	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6	3.4
<i>San Jose FCERS Policy Benchmark<sup>1</sup></i>	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5	0.9
<i>Master Trust (Median)</i>	19.4	-24.2	7.9	NA	NA	NA	NA	NA	NA	NA
<b>Global Equity</b>										
Northern Trust MSCI All Country World Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI</i>	34.6	-42.2	11.7	21.0	10.8	15.2	34.0	-19.3	-16.2	-14.2
MSCI All Country World Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	31.7	-41.5	6.7	25.6	10.8	19.1	39.0	-19.3	-14.3	NA
Northern Trust MSCI Emerging Markets Index-NL	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	78.5	-53.3	39.4	32.2	34.0	25.6	55.8	-6.2	-2.6	-30.8
MSCI EAFE Small Cap	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	46.8	-47.0	1.4	19.3	26.2	30.8	61.3	-7.8	-12.5	-7.2
Northern Trust Russell 3000 Index	28.9	-37.3	5.3	15.8	6.2	12.0	31.2	-21.4	-11.3	-7.4
<i>Russell 3000</i>	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5	-7.5

<sup>1</sup> Policy Benchmark consists of 49% MSCI ACWI, 37% Barclays Universal, 10% DJ-UBS Commodity, 6% Venture Economics Private Equity, 5% NCREIF Property, 5% LIBOR +5%, and 5% HFRI Equity Hedge. Prior to April 2010, the policy index consisted of 34% Russell 1000/9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property.



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Global Equity (continued)</b>										
Eagle Small-Cap Growth	40.3	-35.8	12.7	21.4	4.2	20.8	44.7	-22.5	14.5	-9.4
Net of Fees	39.5	-36.1	12.0	20.7	3.6	20.0	43.8	-23.0	13.7	-9.9
<i>Russell 2000 Growth</i>	34.5	-38.5	7.0	13.3	4.2	14.3	48.5	-30.3	-9.2	-22.4
Calamos Global Convertibles	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Merrill Lynch Global 300 Convertible Index</i>	36.3	-29.3	6.5	12.8	6.0	NA	NA	NA	NA	NA
MSCI EAFE Growth	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Growth</i>	29.4	-42.7	16.5	22.3	13.3	16.1	32.0	-16.0	-24.6	-24.5
RS Investments Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	20.6	-28.9	-9.8	23.5	4.7	22.2	46.0	-11.4	14.0	22.8
<b>Fixed Income</b>	<b>15.8</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>	<b>9.0</b>	<b>10.5</b>	<b>6.5</b>	<b>9.1</b>
Barclays Intermediate Government Bond	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays IT Gov't</i>	-0.3	10.4	8.5	3.8	1.7	2.3	2.3	9.6	8.4	10.5
Barclays U.S. TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS</i>	11.4	-2.4	11.6	0.4	2.8	8.5	8.4	16.6	8.2	14.3



# San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Fixed Income (continued)</b>										
Mackay Shields High Yield Active Core	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays High Yield</i>	58.2	-26.2	1.9	11.8	2.7	11.1	29.0	-1.4	5.3	-5.9
<i>Barclays High Yield BB/B</i>	45.4	-22.5	2.5	10.7	3.2	10.0	23.3	-0.5	6.8	-4.3
Seix Credit Dislocation Strategy	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>CSFB Leveraged Loan Index</i>	44.9	-28.8	1.9	7.2	5.7	5.6	11.0	1.1	2.6	4.9
Northern Trust Long Term Credit Bond Index-NL	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Long U.S. Credit</i>	16.8	-3.9	3.6	3.5	3.8	9.4	10.4	11.9	12.2	9.2
<b>Real Assets</b>										
Dow Jones-UBS Commodities	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Dow Jones - UBS Commodities Index</i>	18.7	-36.6	11.1	-2.7	21.4	9.1	23.9	25.9	-19.5	31.8
S&P Global Infrastructure	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Infrastructure Index</i>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<b>Private Equity</b>	<b>-13.4</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Venture Economics Private Equity Composite</i>	-7.7	-6.8	27.7	17.7	28.6	15.1	8.7	-14.7	-25.8	63.6



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance

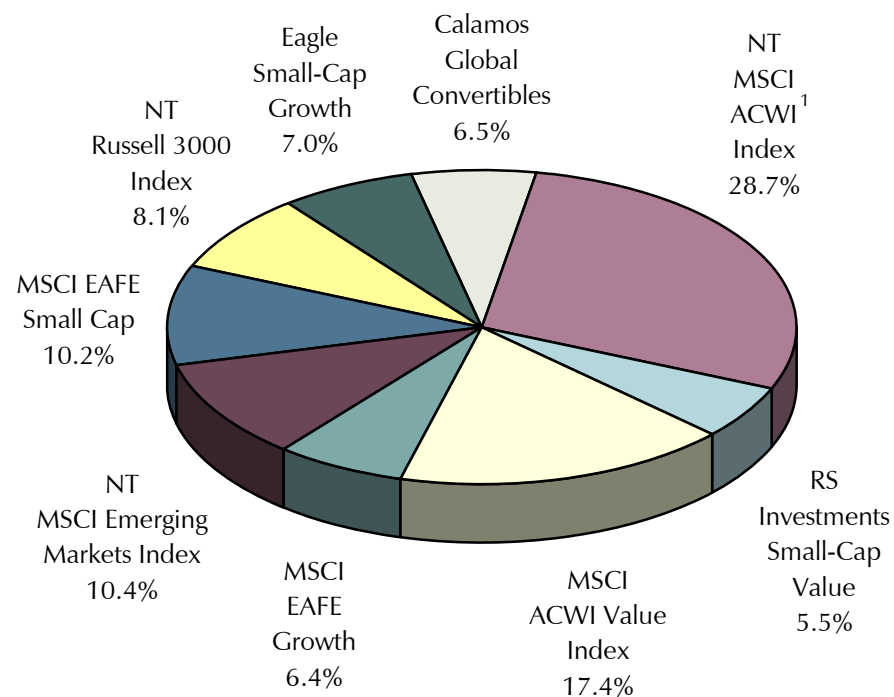
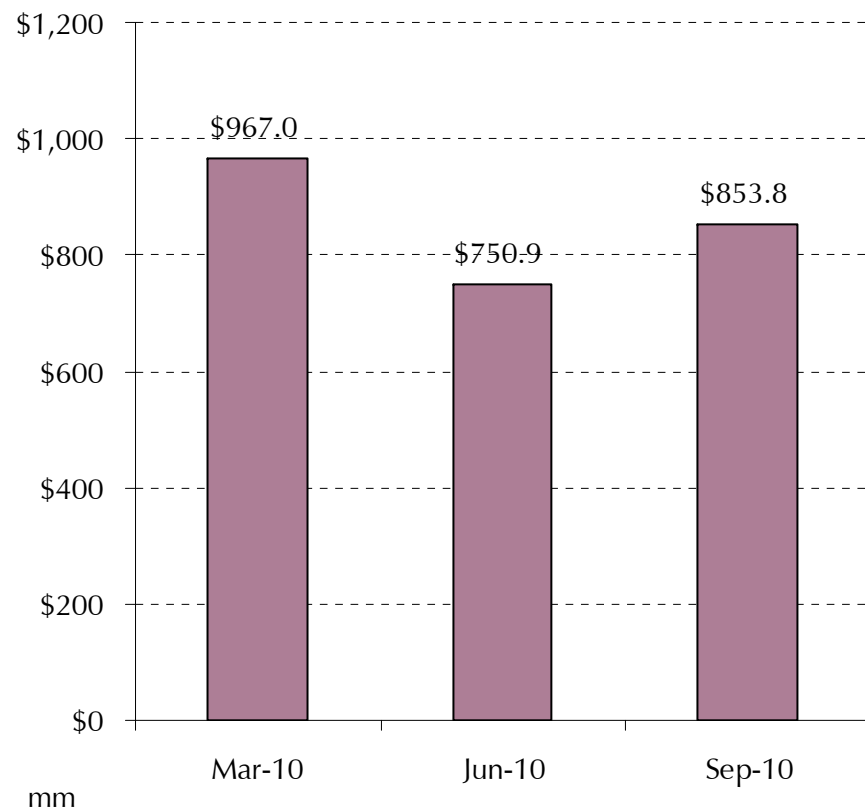
	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Real Estate</b>	<b>-29.4</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>	<b>10.3</b>	<b>28.7</b>	<b>10.7</b>	<b>7.5</b>	<b>13.9</b>
PRISA I	-34.2	-13.0	17.5	16.2	23.3	NA	NA	NA	NA	NA
Net of Fees	-34.7	-13.7	16.5	14.8	22.3	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3	12.2
American Core Realty Fund, LLC	-30.0	-5.3	17.2	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-30.7	-6.2	16.2	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3	12.2
Milpitas Warehouse	-15.1	-10.0	32.4	18.5	-0.5	-6.4	8.4	11.2	6.3	32.9
Net of Fees	-15.3	-10.2	31.7	17.7	-1.4	-7.1	7.5	10.1	5.5	32.0
<i>NCREIF Property</i>	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3	12.2
GEAM Value Add Realty Partners, L.P.	-42.7	-22.0	-5.7	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property</i>	-16.9	-6.5	15.8	16.6	20.1	14.5	9.0	6.7	7.3	12.2



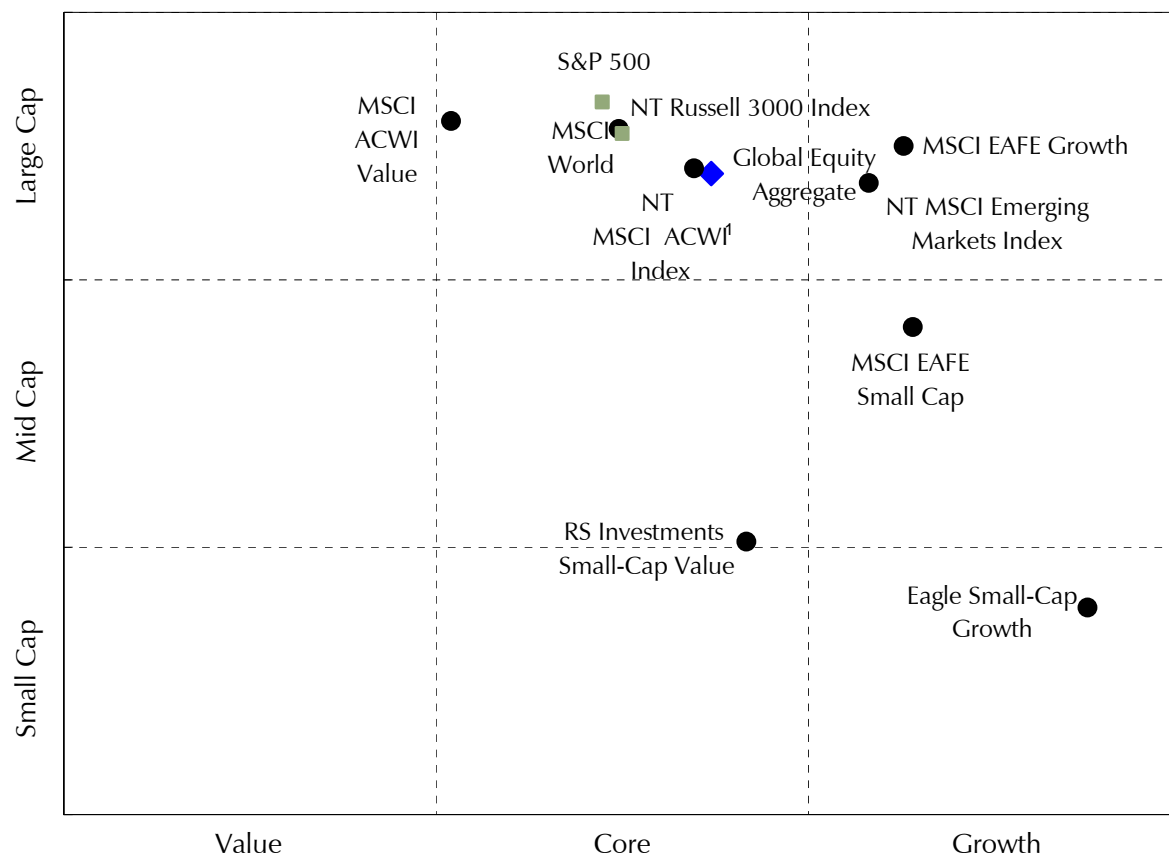
## Plan Detail



## Global Equity Assets As of September 30, 2010



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



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

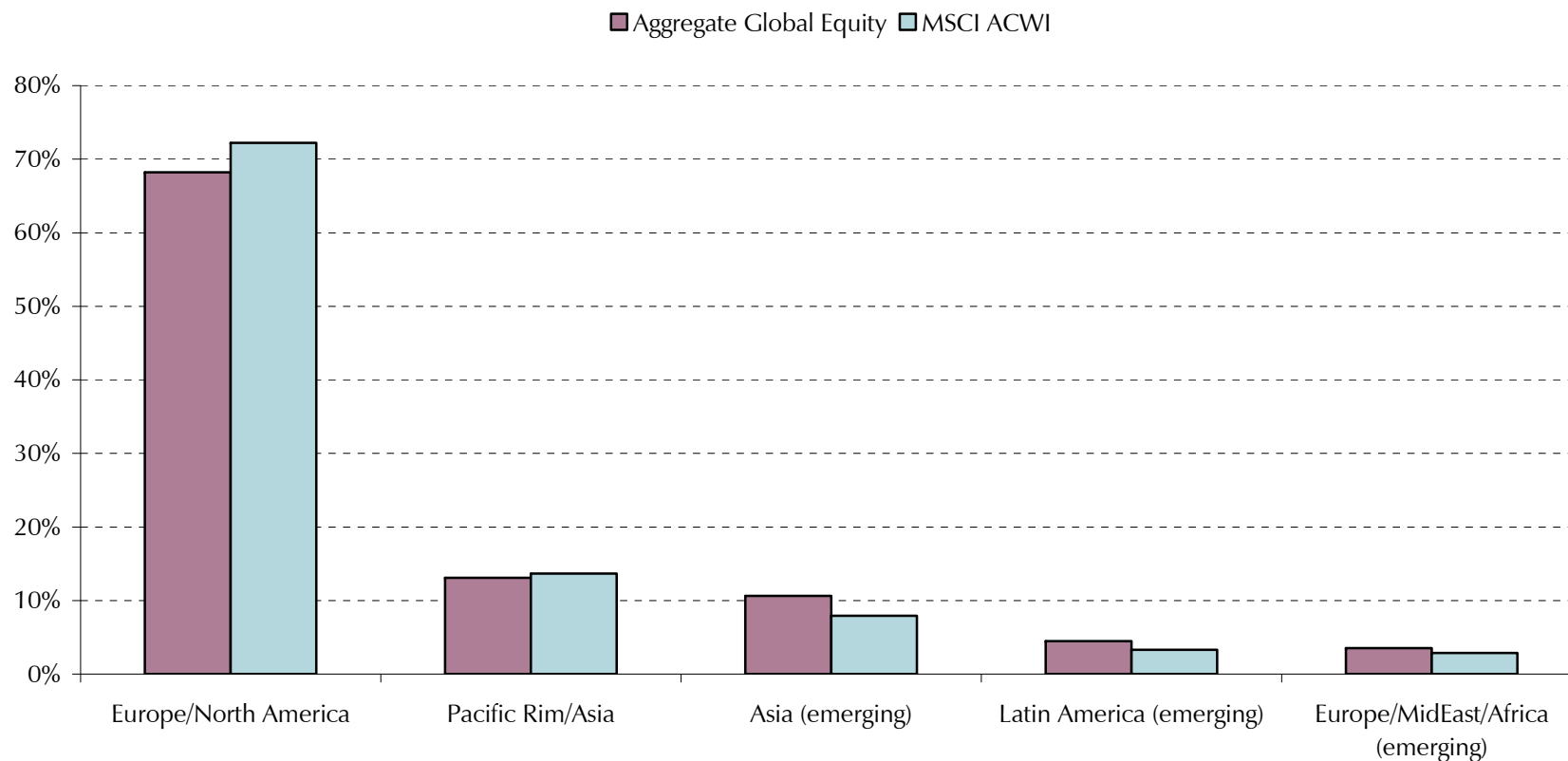
Industry Allocation (%):	Aggregate Global Equity 9/30/10	MSCI ACWI 9/30/10	Aggregate Global Equity 6/30/10
Industrials	13	11	13
Consumer Discretionary	11	10	11
Information Technology	12	12	12
Materials	9	9	8
Health Care	9	9	9
Utilities	4	4	4
Financials	21	21	20
Telecom	4	5	4
Energy	10	11	10
Consumer Staples	8	10	8

## San Jose Federated City Employees Retirement System

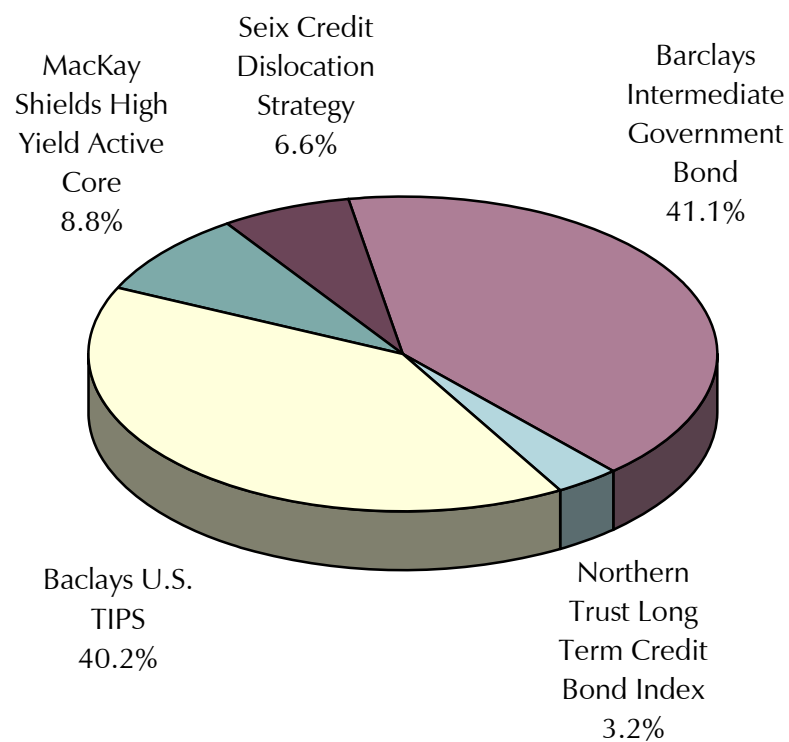
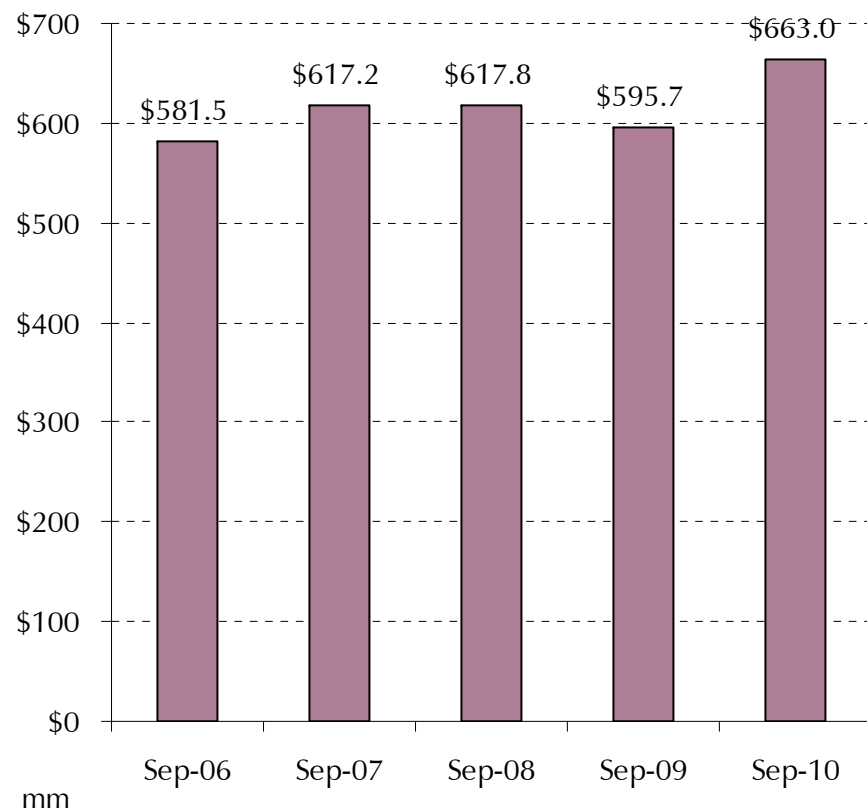
## Global Equity Assets Country & Region Breakdown as of 9/30/10

	Aggregate Global Equity 9/30/10 (%)	MSCI ACWI 9/30/10 (%)
<b>Europe/North America</b>	<b>68.2</b>	<b>72.2</b>
United States	42.5	41.8
Italy	1.2	1.1
Sweden	1.1	1.3
Switzerland	2.8	3.1
France	3.7	4.0
Germany	2.5	3.2
United Kingdom	7.7	8.6
Canada	1.9	4.4
<b>Pacific Rim/Asia</b>	<b>13.1</b>	<b>13.7</b>
Japan	8.4	8.5
Australia	3.1	3.4

	Aggregate Global Equity 9/30/10 (%)	MSCI ACWI 9/30/10 (%)
<b>Asia (emerging)</b>	<b>10.6</b>	<b>7.9</b>
China	3.3	2.5
South Korea	2.5	1.8
India	1.5	1.1
Taiwan	1.8	1.5
<b>Latin America (emerging)</b>	<b>4.5</b>	<b>3.3</b>
Brazil	3.1	2.3
<b>Europe/MidEast/Africa (emerging)</b>	<b>3.5</b>	<b>2.9</b>
South Africa	1.4	1.0
Russia	1.1	0.8
<b>Other</b>	<b>0.0</b>	<b>0.0</b>



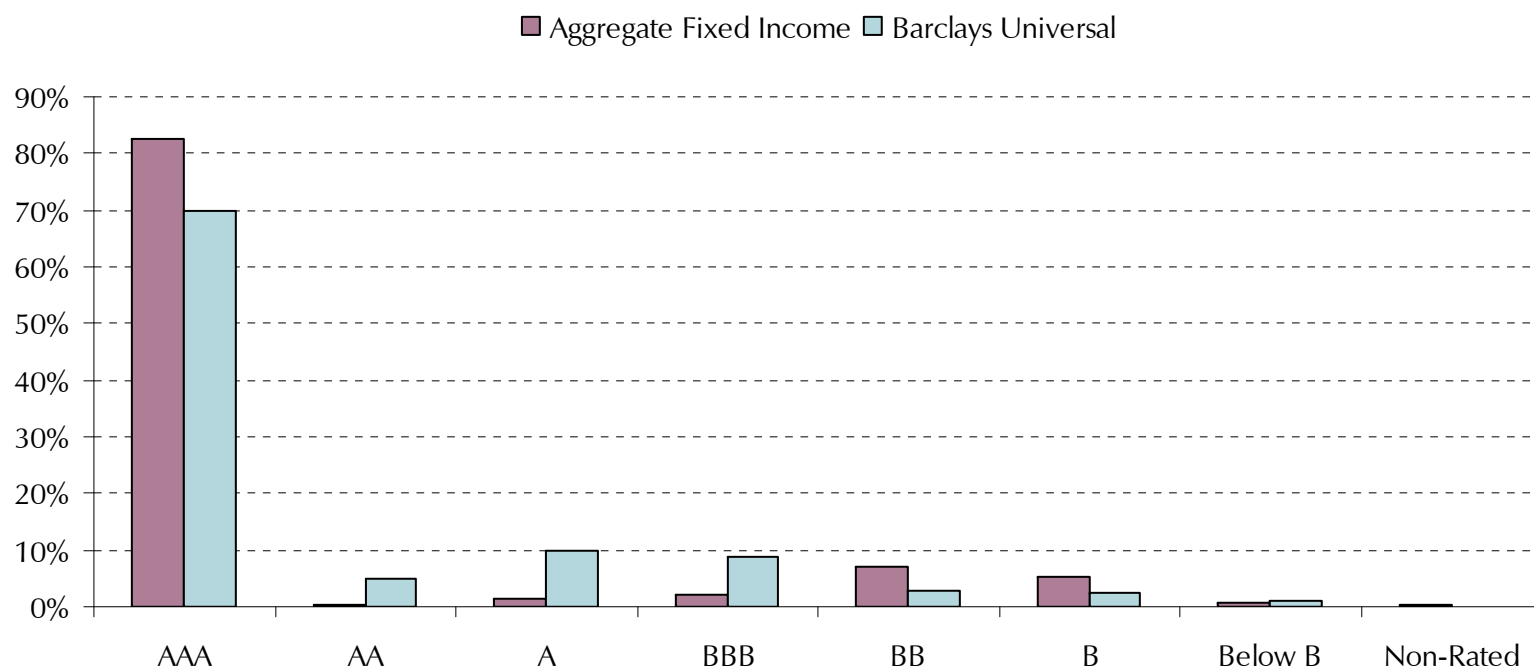
**Fixed Income Assets  
As of September 30, 2010**





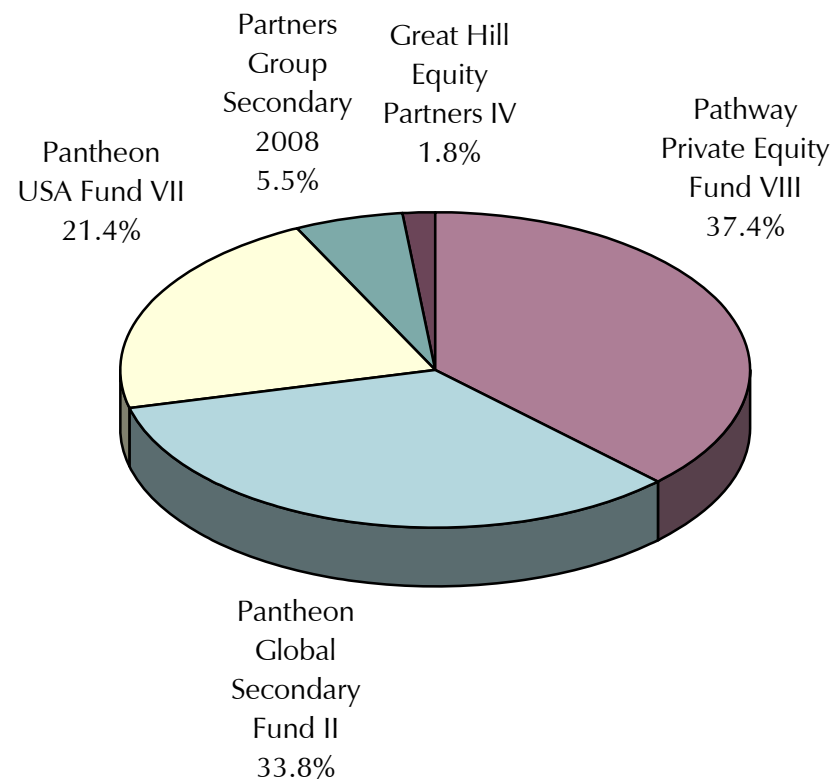
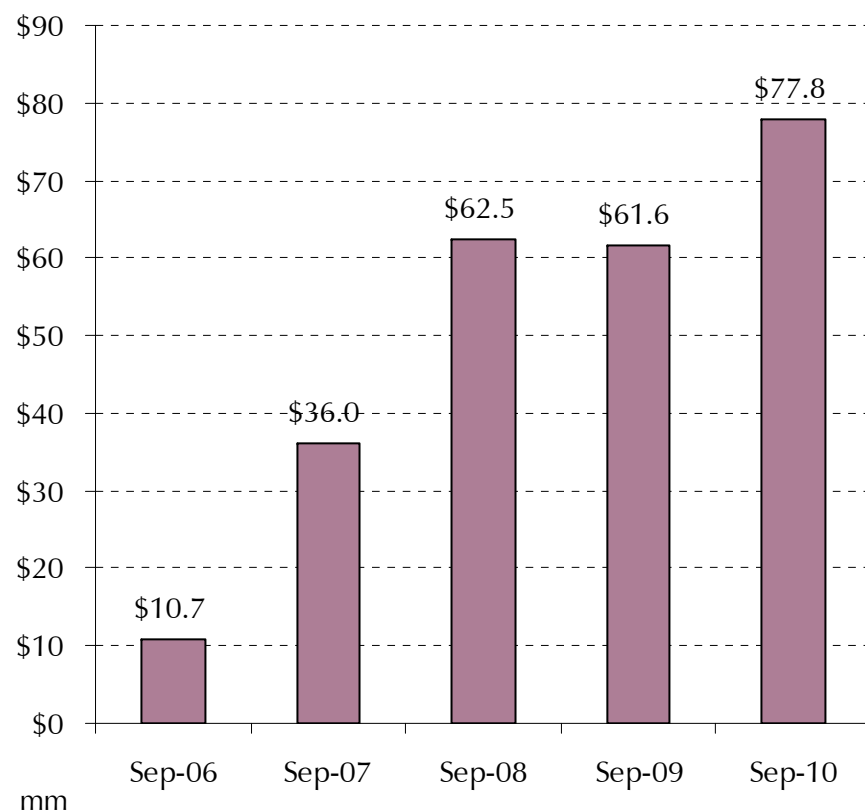
Risk: (sixty months)	Aggregate Fixed Income 9/30/10	Barclays Universal 9/30/10
Annualized Return (%)	6.9	6.3
Standard Deviation (%)	4.8	4.0
Best Monthly Return (%)	4.8	3.8
Worst Monthly Return (%)	-3.8	-3.6
Beta	1.09	1.00
Correlation (R <sup>2</sup> ) to Index	0.90	1.00
Correlation to Total Fund Return	0.66	NA
Sharpe Measure (risk-adjusted return)	0.91	0.93
Information Ratio	0.32	NA

Duration & Yield:	Aggregate Fixed Income 9/30/10	Barclays Universal 9/30/10	Aggregate Fixed Income 6/30/10
Average Effective Duration (years)	3.7	4.7	3.8
Yield to Maturity (%)	2.2	2.9	2.9

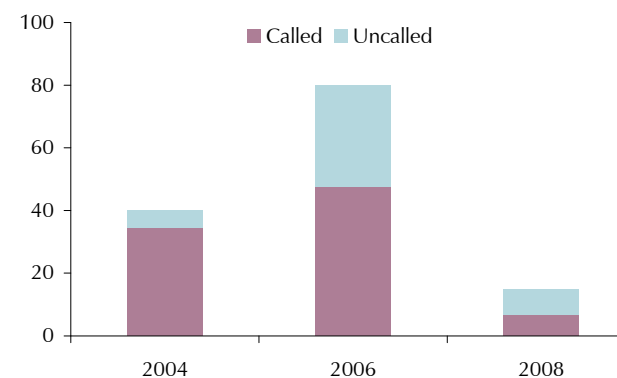
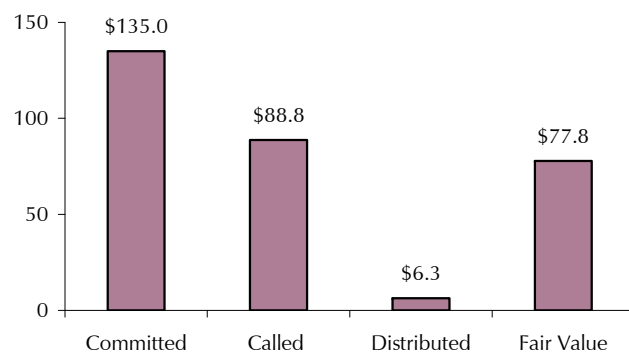


	Aggregate Fixed Income 9/30/10	Barclays Universal 9/30/10	Aggregate Fixed Income 6/30/10
<b>Market Allocation (%):</b>			
United States	99	87	99
Foreign (developed markets)	1	5	1
Foreign (emerging markets)	0	8	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	34	29	34
U.S. Treasury-TIPS	40	0	40
U.S. Agency	6	6	7
Mortgage Backed	0	28	0
Corporate	14	26	12
Bank Loans	5	0	5
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	6	0
Commercial Mortgage Backed	0	3	0
Asset Backed	0	0	0
Cash Equivalent	1	0	1
Other	0	0	0

**Private Equity Assets  
As of September 30, 2010**



*Fair values for private markets assets are based on reported values of 6/30/10, adjusted for cash flows through 9/30/10. Unless otherwise denoted, all values have been converted into US dollars using 9/30/10 exchange rates.*



**Financial Summary:** (Reported value as of 6/30/2010, adjusted for cash flows through 9/30/2010)

### Program to Date

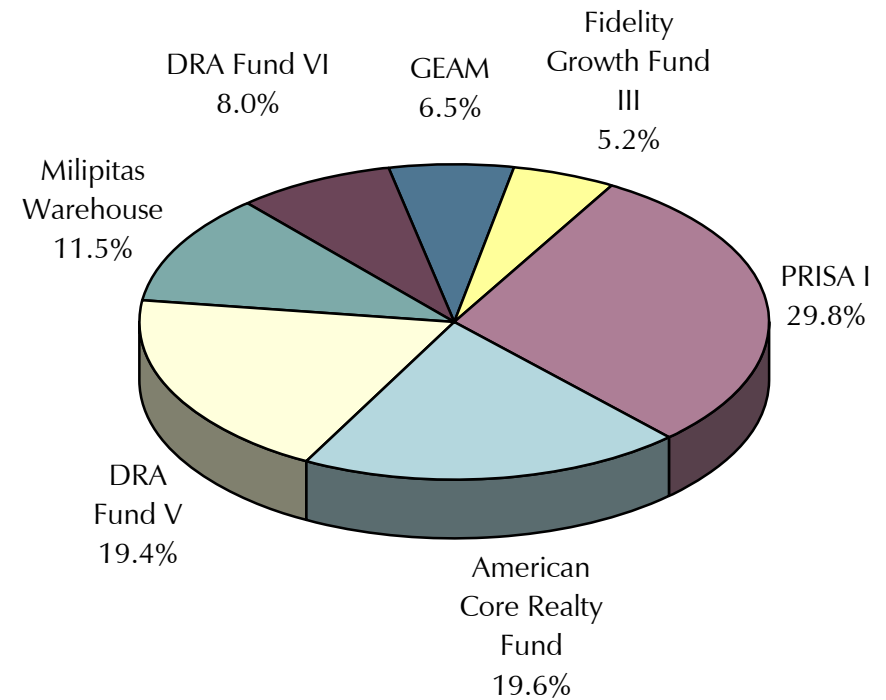
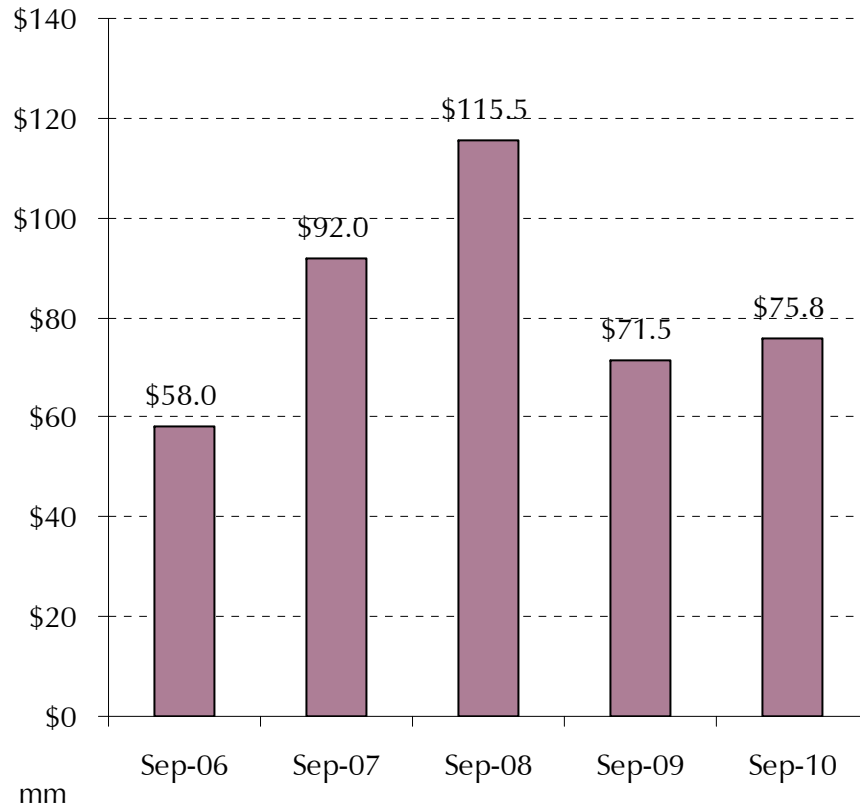
<b>Allocation Target:</b>	6%
<b>Number of Funds:</b>	5
<b>Commitments:</b>	\$135.0 mm
<b>Capital Called:</b>	\$88.8 mm
<b>Distributions:</b>	\$6.3 mm
<b>Reported Value:</b>	\$77.8 mm

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

Partnership	Committed (\$ mm)	Called (\$ mm)	Distributed (\$ mm)	Fair Value (\$ mm)	% of Total
Great Hill Equity Partners IV, LP	5.0	1.5	0.0	1.4	2
Pathway Private Equity Fund VIII	40.0	34.3	4.9	29.1	37
Pantheon USA Fund VII	40.0	17.4	0.4	16.7	21
Pantheon Global Secondary Fund III	40.0	30.2	0.4	26.3	34
Partners Group Secondary 2008, L.P.	10.0	5.4	0.6	4.3	6

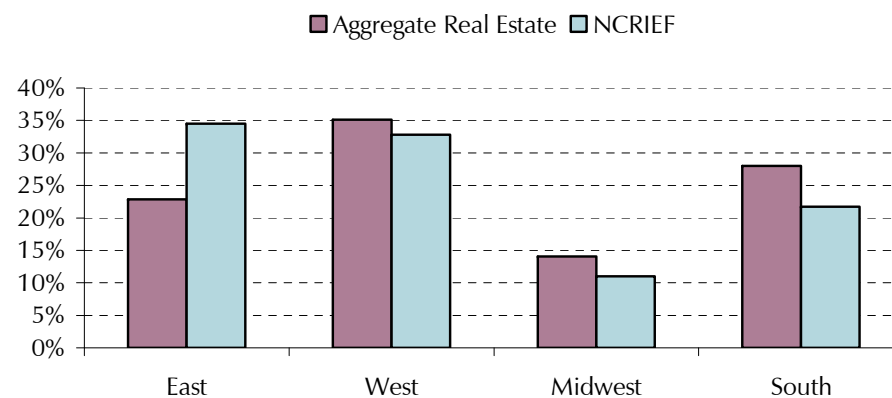
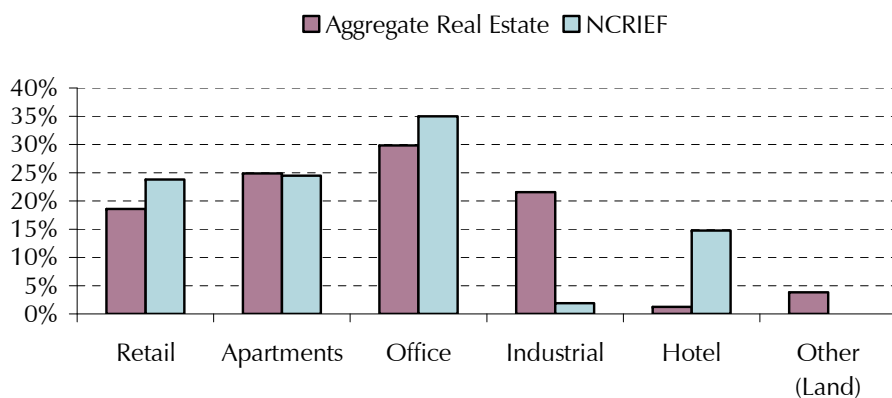
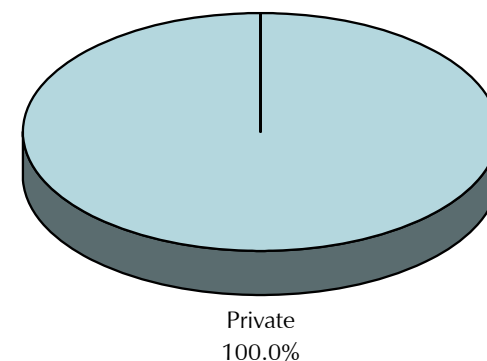
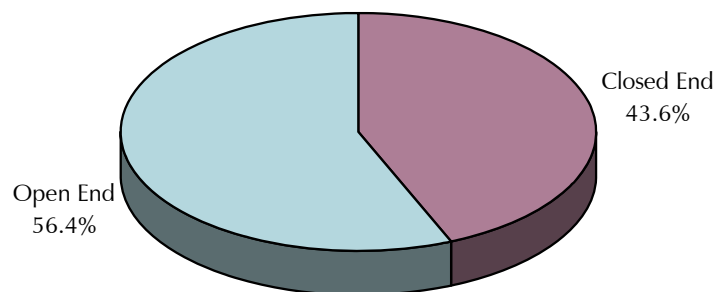


**Real Estate Assets  
As of September 30, 2010**



## San Jose Federated City Employees Retirement System

## Real Estate Assets Breakdown as of 6/30/10<sup>1</sup>



<sup>1</sup> Real Estate managers have reported market value and cash flow data, but have not yet reported portfolio characteristics as of 9/30/10.

Portfolio Characteristics:	Aggregate Real Estate 6/30/10	NCREIF Property Index 6/30/10
Private Investments	100%	100%
Debt Investments	3%	NA
Open End Investments	56%	NA
# Portfolios	7	NA
# Properties	352	6,066
Leverage	47%	NA
Average Occupancy	81%	NA

<sup>1</sup> Real Estate managers have reported market value and cash flow data, but have not yet reported portfolio characteristics as of 9/30/10.

	Market	Strategy	Reported Value 9/30/10 (\$ mm)	% of Asset Class
<b>Real Estate Assets</b>			<b>75.8</b>	<b>100</b>
PRISA I	Private	Diversified Core	22.6	30
American Core Realty Fund, LLC	Private	Diversified Core	14.8	20
DRA Growth & Income Fund V	Private	Value-Added	14.7	19
Milpitas Warehouse	Private	Core	8.7	11
DRA Growth & Income Fund VI	Private	Value-Added	6.1	8
GEAM Value Add Realty Partners, L.P.	Private	Value-Added	4.9	6
Fidelity Real Estate Growth Fund III, L.P.	Private	Diversified Core	3.9	5

**Portfolio Reviews**  
**As of September 30, 2010**

## Global Equity Portfolio Reviews As of September 30, 2010

## San Jose Federated City Employees Retirement System

## Northern Trust MSCI All Country World Index<sup>1</sup> Portfolio Detail as of 9/30/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$244.6 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	3Q10	YTD	Since 6/1/10
<b>Northern Trust MSCI All Country World Index</b>	<b>14.4</b>	<b>NA</b>	<b>10.8</b>
MSCI ACWI	14.3	3.6	10.8

	9/30/10		6/30/10	
Capitalization Structure:	NT MSCI ACWI	MSCI ACWI	NT MSCI ACWI	MSCI ACWI
Weighted Average Market Cap. (US\$ billion)	47.3	59.3	41.5	53.6
Median Market Cap. (US\$ billion)	6.0	6.9	5.2	5.9
Large (% over US\$9 billion)	78	81	75	79
Medium (% US\$1.5 billion to US\$9 billion)	21	18	25	21
Small (% under US\$1.5 billion)	0	0	1	0
Fundamental Structure:				
Price-Earnings Ratio	21	20	20	19
Price-Book Value Ratio	2.7	2.9	2.3	2.6
Dividend Yield (%)	2.6	2.3	3.1	2.7
Historical Earnings Growth Rate (%)	7	9	8	10
Projected Earnings Growth Rate (%)	15	13	15	13
Sector Allocation (%):				
Financials	26	21	25	21
Materials	12	9	12	8
Industrials	11	11	10	10
Energy	10	11	10	11
Consumer Staples	9	10	9	10
Consumer Discretionary	9	10	9	9
Information Technology	6	12	7	12
Health Care	6	9	6	9
Telecom	6	5	6	5
Utilities	4	4	5	4
Diversification:				
Number of Holdings	1,908	2,410	1,908	2,411
% in 5 largest holdings	5	4	5	5
% in 10 largest holdings	9	8	9	8
Region Allocation (%):				
Europe/North America	52	72	51	72
Pacific Rim/Asia	23	14	24	14
Asia (emerging)	14	8	14	8
Latin America (emerging)	6	3	5	3
Europe/MidEast/Africa (emerging)	5	3	5	3
Largest Five Holdings:		Industry		
Nestle	1.3	Food Beverage & Tobacco		
HSBC	1.2	Banks		
Vodafone	0.9	Telecommunication Services		
BHP Billiton	0.8	Materials		
Novartis	0.8	Pharmaceuticals & Biotech		

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





## San Jose Federated City Employees Retirement System

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$148.7 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

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

**Guidelines:**  
 NA

Performance (%):	3Q10	YTD	Since 6/1/10
MSCI All Country World Value	13.2	NA	9.5
Net of Fees	13.2	NA	9.5
MSCI ACWI Value	13.3	2.3	9.6

## MSCI All Country World Value Portfolio Detail as of 9/30/10

	9/30/10		6/30/10	
	Russell MSCI ACWI Value	MSCI ACWI Value	Russell MSCI ACWI Value	MSCI ACWI Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	68.3	62.7	61.6	57.7
Median Market Cap. (US\$ billion)	23.9	6.2	21.7	5.5
Large (% over US\$9 billion)	92	83	90	80
Medium (% US\$1.5 billion to US\$9 billion)	7	17	9	19
Small (% under US\$1.5 billion)	1	0	1	0
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	19	17	17	16
Price-Book Value Ratio	2.0	1.9	1.8	1.7
Dividend Yield (%)	3.0	3.1	3.4	3.5
Historical Earnings Growth Rate (%)	1	3	2	3
Projected Earnings Growth Rate (%)	13	11	13	11
<b>Sector Allocation (%):</b>				
Financials	28	32	29	32
Industrials	15	9	15	9
Energy	14	14	14	14
Consumer Discretionary	8	7	7	7
Health Care	7	8	8	8
Telecom	7	8	7	8
Utilities	7	7	7	7
Consumer Staples	6	6	6	6
Materials	5	5	5	5
Information Technology	3	4	3	4
<b>Diversification:</b>				
Number of Holdings	275	1,316	274	1,317
% in 5 largest holdings	9	7	9	7
% in 10 largest holdings	15	13	16	14
<b>Region Allocation (%):</b>				
Europe/North America	71	72	72	72
Pacific Rim/Asia	14	14	14	14
Asia (emerging)	8	8	8	8
Latin America (emerging)	3	3	3	3
Europe/MidEast/Africa (emerging)	3	3	3	3
Other	0	0	0	0
<b>Largest Five Holdings:</b>				
ExxonMobil	2.4	Energy		
General Electric	1.7	Capital Goods		
AT&T	1.6	Telecommunication Services		
HSBC	1.6	Banks		
JPMorgan	1.5	Diversified Financials		



## San Jose Federated City Employees Retirement System

## Northern Trust MSCI Emerging Markets Index-NL Portfolio Detail as of 9/30/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$88.7 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 6/1/2010  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

Performance (%):	3Q10	YTD	Since 6/1/10
Northern Trust MSCI Emerging Markets Index-NL	17.8	NA	16.9
MSCI Emerging Markets	18.0	10.8	17.2

	9/30/10	MSCI Emerging Markets	6/30/10	MSCI Emerging Markets
<b>Capitalization Structure:</b>	NT MSCI EM		NT MSCI EM	
Weighted Average Market Cap. (US\$ billion)	42.2	42.0	39.3	38.9
Median Market Cap. (US\$ billion)	5.4	5.5	4.5	4.5
Large (% over US\$9 billion)	69	69	66	66
Medium (% US\$1.5 billion to US\$9 billion)	30	29	32	32
Small (% under US\$1.5 billion)	1	1	2	2

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	20	18	18
Price-Book Value Ratio	3.3	3.3	2.8	2.8
Dividend Yield (%)	2.1	2.1	2.3	2.3
Historical Earnings Growth Rate (%)	17	17	18	18
Projected Earnings Growth Rate (%)	18	18	20	20

<b>Sector Allocation (%):</b>				
Financials	26	26	25	25
Materials	15	14	14	14
Energy	14	14	14	14
Information Technology	12	12	13	13
Telecom	8	8	8	8
Industrials	7	7	7	7
Consumer Staples	7	7	7	7
Consumer Discretionary	7	7	7	7
Utilities	4	4	4	4
Health Care	1	1	1	1

<b>Diversification:</b>				
Number of Holdings	794	754	795	754
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	15	16	15	16

<b>Region Allocation (%):</b>				
Asia	57	58	59	59
Latin America	24	24	23	23
Europe, Middle East and Africa	18	18	18	18
Canada	0	0	0	0
Other	0	0	0	0

<b>Largest Five Holdings:</b>		<b>Industry</b>
Samsung	2.1	Semiconductors
Petrol Brasileiros	1.8	Energy
China Mobile	1.7	Telecommunication Services
Itau Unibanco	1.5	Banks
Vale	1.5	Materials



## San Jose Federated City Employees Retirement System

## MSCI EAFE Small Cap Portfolio Detail as of 9/30/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$86.8 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

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

**Guidelines:**  
 NA

Performance (%):	3Q10	YTD	Since 6/1/10
MSCI EAFE Small Cap	15.9	NA	14.6
Net of Fees	15.9	NA	14.5
MSCI EAFE Small Cap	17.5	9.2	17.0

	9/30/10		6/30/10	
	Russell MSCI EAFE Small Cap	MSCI EAFE Small Cap	Russell MSCI EAFE Small Cap	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	13.8	1.9	11.5	1.3
Median Market Cap. (US\$ billion)	1.1	0.6	0.9	0.5
Large (% over US\$9 billion)	35	0	31	0
Medium (% US\$1.5 billion to US\$9 billion)	35	43	36	34
Small (% under US\$1.5 billion)	31	57	33	66
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	25	24	23	22
Price-Book Value Ratio	2.5	2.4	2.1	2.0
Dividend Yield (%)	2.1	10.8	2.5	2.7
Historical Earnings Growth Rate (%)	4	9	4	11
Projected Earnings Growth Rate (%)	20	17	21	21
<b>Sector Allocation (%):</b>				
Industrials	26	24	26	25
Consumer Discretionary	16	17	17	17
Financials	13	19	13	19
Materials	12	10	12	10
Information Technology	11	9	11	9
Consumer Staples	7	6	7	6
Health Care	5	6	5	6
Energy	5	5	4	5
Utilities	3	2	3	2
Telecom	2	1	2	1
<b>Diversification:</b>				
Number of Holdings	399	2,334	399	2,351
% in 5 largest holdings	5	2	5	1
% in 10 largest holdings	9	3	9	3
<b>Region Allocation (%):</b>				
Americas	2	0	2	0
Europe	58	58	57	56
Pacific Rim	38	41	39	43
Other	1	1	1	1
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Dassault Systemes	1.4	Software & Services		
Adecco	1.1	Commercial & Professional Services		
WPP Plc	1.0	Media		
Mediaset	0.9	Media		
Rolls Royce Group	0.9	Capital Goods		



# San Jose Federated City Employees Retirement System

# Northern Trust Russell 3000 Index Portfolio Detail as of 9/30/10

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$68.9 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

## Fee Schedule:

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

## Liquidity Constraints:

Daily

## Strategy:

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

Performance (%):	3Q10	YTD	1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>11.6</b>	<b>5.0</b>	<b>11.6</b>	<b>-6.4</b>	<b>1.1</b>	<b>1.5</b>
Russell 3000	11.5	4.8	11.0	-6.6	0.9	1.4

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>18.9%</b>	<b>1.00</b>	<b>Neg.</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	18.8	1.00	Neg.	NA	1.00

	9/30/10		6/30/10	
Capitalization Structure:	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	64.2	64.2	58.9	58.8
Median Market Cap. (US\$ billion)	1.0	0.9	0.9	0.7
Large (% over US\$10 billion)	70	70	68	69
Medium (% US\$1.5 billion to US\$10 billion)	24	23	25	24
Small (% under US\$1.5 billion)	6	6	7	7

## Fundamental Structure:

Price-Earnings Ratio	20	20	20	20
Price-Book Value Ratio	3.2	3.2	2.9	2.9
Dividend Yield (%)	1.8	1.8	2.0	2.0
Historical Earnings Growth Rate (%)	11	11	11	11
Projected Earnings Growth Rate (%)	12	12	12	12

## Sector Allocation (%):

Information Technology	18	19	18	18
Financials	16	16	17	17
Health Care	12	12	12	12
Industrials	12	12	11	11
Consumer Discretionary	11	11	11	11
Energy	10	10	10	10
Consumer Staples	10	10	10	10
Materials	4	4	4	4
Utilities	4	4	4	4
Telecom	3	3	3	3

## Diversification:

Number of Holdings	2,708	2,955	2,730	2,995
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	15	15	15	15

## Largest Ten Holdings:

		Industry
ExxonMobil	2.5	Energy
Apple	2.0	Technology Hardware
Microsoft	1.5	Software & Services
General Electric	1.4	Capital Goods
Procter & Gamble	1.3	Household/Personal Products
IBM	1.3	Software & Services
Johnson & Johnson	1.3	Pharmaceuticals & Biotech
AT&T	1.3	Telecommunication Services
Chevron	1.3	Energy
JPMorgan	1.2	Diversified Financials

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



## San Jose Federated City Employees Retirement System

## Eagle Small-Cap Growth Portfolio Detail as of 9/30/10

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$59.5 million  
**Portfolio Manager:** Bert L. Boksen, CFA  
**Location:** St. Petersburg, Florida  
**Inception Date:** 6/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q10	YTD	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small-Cap Growth</b>	<b>12.4</b>	<b>14.1</b>	<b>21.1</b>	<b>0.5</b>	<b>7.3</b>	<b>5.8</b>
<b>Net of Fees</b>	<b>12.2</b>	<b>13.6</b>	<b>20.4</b>	<b>-0.1</b>	<b>6.6</b>	<b>5.1</b>
Russell 2000 Growth	12.8	10.2	14.8	-3.7	2.3	2.4
Peer Small Cap Growth	12.1	9.8	15.5	-3.8	2.8	6.6
Peer Ranking (percentile)	44	16	10	7	2	66
Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index	
<b>Eagle Small-Cap Growth</b>	<b>25.3%</b>	<b>0.96</b>	<b>0.19</b>	<b>0.91</b>	<b>0.97</b>	
Russell 2000 Growth	24.6	1.00	Neg.	NA	1.00	

	9/30/10 Eagle	Russell 2000 Growth	6/30/10 Eagle	Russell 2000 Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	1.6	1.1	1.3	1.0
Median Market Cap. (US\$ billion)	1.2	0.5	1.0	0.4
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	42	28	38	20
Small (% under US\$1.5 billion)	58	72	62	80

### Fundamental Structure:

Price-Earnings Ratio	32	30	37	30
Price-Book Value Ratio	3.3	4.0	3.1	3.6
Dividend Yield (%)	0.3	0.5	0.4	0.6
Historical Earnings Growth Rate (%)	15	12	18	13
Projected Earnings Growth Rate (%)	17	23	19	23

### Sector Allocation (%):

Energy	6	4	7	4
Consumer Discretionary	19	18	18	18
Industrials	17	17	15	17
Health Care	20	20	23	21
Materials	5	5	4	4
Information Technology	28	28	26	26
Financials	5	5	6	5
Utilities	0	0	0	0
Telecom	0	1	0	1
Consumer Staples	1	3	1	3

### Diversification:

Number of Holdings	78	1,261	76	1,291
% in 5 largest holdings	14	3	15	2
% in 10 largest holdings	25	5	27	4

### Largest Ten Holdings:

		Industry
Rovi	3.4	Software & Services
Genesco	2.8	Retailing
Tibco Software	2.7	Software & Services
BJ's Restaurants	2.7	Consumer Services
Lufkin Industries	2.6	Energy
Informatica	2.4	Software & Services
Huntsman	2.2	Materials
Quality Systems	2.2	Health Equipment & Services
Vitamin Shoppe	2.0	Retailing
Allscripts Healthcare Soltns	2.0	Health Equipment & Services

<sup>1</sup> A negative Sharpe ratio indicates that the portfolio underperformed the risk-free rate during the sample period.



## San Jose Federated City Employees Retirement System

**Mandate:** Global Equities  
**Active/Passive:** Active  
**Market Value:** \$55.3 million  
**Portfolio Manager:** John P Calamos/ Nick P Calamos  
**Location:** Naperville, Illinois  
**Inception Date:** 11/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q10	YTD	Since 11/1/09
<b>Calamos Global Convertibles</b>	<b>7.8</b>	<b>6.1</b>	<b>11.1</b>
<b>Net of Fees</b>	<b>7.6</b>	<b>5.7</b>	<b>10.6</b>
Merrill Lynch Global 300 Convertible Index	7.2	6.0	11.5

## Calamos Global Convertibles Portfolio Detail as of 9/30/10

	9/30/10		6/30/10	
	Calamos	ML Global 300 Convertible	Calamos	ML Global 300 Convertible
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	3.2	2.8	3.4	3.0
Yield to Maturity (%)	0.8	0.3	3.9	4.0
<b>Quality Structure (%):</b>				
Average Quality	BBB-	BB+	BBB-	BB+
AAA (includes Treasuries and Agencies)	0	6	0	0
AA	4	19	2	5
A	26	28	23	18
BBB	27	32	29	26
BB	39	11	39	34
B	5	5	6	12
Below B	0	0	0	5
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	2	0	2	0
Other	98	100	98	100
<b>Market Allocation (%):</b>				
United States	57	48	36	33
Foreign (developed markets)	37	44	61	62
Foreign (emerging markets)	7	8	3	5
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	18	37	20	37



# San Jose Federated City Employees Retirement System

## MSCI EAFE Growth Portfolio Detail as of 9/30/10

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$54.6 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

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

**Liquidity Constraints:**  
 Daily

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

**Guidelines:**  
 NA

Performance (%):	3Q10	YTD	Since 6/1/10
MSCI EAFE Growth	14.1	NA	13.9
Net of Fees	14.1	NA	13.9
MSCI EAFE Growth	16.6	4.1	16.6

	9/30/10		6/30/10	
	Russell MSCI EAFE Growth	MSCI EAFE Growth	Russell MSCI EAFE Growth	MSCI EAFE Growth
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	56.2	49.0	47.6	42.1
Median Market Cap. (US\$ billion)	12.6	6.9	11.4	5.9
Large (% over US\$9 billion)	82	79	79	76
Medium (% US\$1.5 billion to US\$9 billion)	17	21	19	24
Small (% under US\$1.5 billion)	1	0	1	0
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	24	25	23	23
Price-Book Value Ratio	3.1	3.4	2.7	3.0
Dividend Yield (%)	2.4	2.1	2.7	2.4
Historical Earnings Growth Rate (%)	5	6	6	8
Projected Earnings Growth Rate (%)	18	18	18	16
<b>Sector Allocation (%):</b>				
Consumer Staples	18	18	18	18
Materials	15	15	14	15
Financials	15	13	14	12
Industrials	14	16	14	16
Health Care	11	11	12	11
Consumer Discretionary	11	13	11	13
Information Technology	7	6	7	7
Energy	4	4	4	4
Telecom	3	2	3	2
Utilities	3	2	3	2
<b>Diversification:</b>				
Number of Holdings	271	600	274	597
% in 5 largest holdings	12	12	12	12
% in 10 largest holdings	19	19	19	19
<b>Region Allocation (%):</b>				
Americas	1	0	1	0
Europe	66	66	65	65
Pacific Rim	32	33	33	34
Other	0	1	1	1
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Nestle	4.0	Food Beverage & Tobacco		
Novartis	2.1	Pharmaceuticals & Biotech		
Roche	2.0	Pharmaceuticals & Biotech		
British American Tobacco	1.8	Food Beverage & Tobacco		
BHP Billiton	1.7	Materials		



## San Jose Federated City Employees Retirement System

## RS Investments Small Cap Value Portfolio Detail as of 9/30/10

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$46.6 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 9/1/2010  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

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

### Liquidity Constraints:

Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q10	YTD	Since 9/1/10
<b>RS Investments Small Cap Value</b>	<b>NA</b>	<b>NA</b>	<b>9.9</b>
<b>Net of Fees</b>	<b>NA</b>	<b>NA</b>	<b>9.8</b>
Russell 2000 Value	9.7	7.9	10.7
Peer Small Cap Value	10.0	10.1	10.9
Peer Ranking (percentile)	NA	NA	76

	9/30/10 RS SCV	Russell 2000 Value	6/30/10 RS SCV	Russell 2000 Value
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.6	1.0	0.0	0.8
Median Market Cap. (US\$ billion)	2.1	0.4	0.0	0.4
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	75	22	0	0
Small (% under US\$1.5 billion)	25	78	0	0

### Fundamental Structure:

Price-Earnings Ratio	27	23	0	22
Price-Book Value Ratio	2.4	1.4	0.0	1.3
Dividend Yield (%)	0.5	1.9	0.0	2.1
Historical Earnings Growth Rate (%)	7	5	0	5
Projected Earnings Growth Rate (%)	14	10	0	34

### Sector Allocation (%):

Information Technology	21	10	0	9
Health Care	12	6	0	6
Energy	10	7	0	7
Materials	8	6	0	5
Consumer Discretionary	12	10	0	10
Telecom	0	1	0	1
Financials	35	38	0	39
Consumer Staples	0	3	0	3
Utilities	3	7	0	6
Industrials	0	14	0	14

### Diversification:

Number of Holdings	35	1,282	0	1,300
% in 5 largest holdings	22	2	0	2
% in 10 largest holdings	42	4	0	4

### Largest Ten Holdings:

		Industry
Atmel	5.4	Semiconductors
ACI Worldwide	4.4	Software & Services
New Gold	4.3	Materials
Myriad Genetics	4.1	Pharmaceuticals & Biotech
Compass Minerals Intl	4.1	Materials
Associated Banc-Corp	4.1	Banks
Denbury Resources	4.1	Energy
First Horizon National	4.0	Banks
MGIC Investment Corp/WI	3.6	Banks
Coinstar	3.6	Consumer Services





## Fixed Income Portfolio Reviews As of September 30, 2010

## San Jose Federated City Employees Retirement System

## Barclays Intermediate Government Bond Portfolio Detail as of 9/30/10

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$272.6 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 6/1/2010  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
 0.05% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The strategy seeks to replicate the performance of the Barclays Intermediate Government Bond Index.

**Guidelines:**  
 NA

Performance (%):	3Q10	YTD	Since 6/1/10
<b>Barclays Intermediate Government Bond</b>	<b>2.1</b>	<b>NA</b>	<b>3.4</b>
<b>Net of Fees</b>	<b>2.1</b>	<b>NA</b>	<b>3.4</b>
Barclays IT Gov't	2.1	6.6	3.5

	9/30/10		6/30/10	
	Russell Barclays Int Gov't Bond	Barclays IT Gov't	Russell Barclays Int Gov't Bond	Barclays IT Gov't
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	3.4	3.8	3.6	3.7
Yield to Maturity (%)	0.9	1.1	1.4	1.5
<b>Quality Structure (%):</b>				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	82	81	81	81
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	13	19	17	19
Mortgage Backed	0	0	0	0
Corporate	5	0	2	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	1	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

## Barclays U.S. TIPS Portfolio Detail as of 9/30/10

**Mandate:** Fixed Income

**Active/Passive:** Passive

**Market Value:** \$266.8 million

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

**Location:** Tacoma, Washington

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

**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**

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

**Liquidity Constraints:**

Daily

**Strategy:**

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

**Guidelines:**

NA

**Performance (%):**

	3Q10	YTD	Since 6/1/10
<b>Barclays U.S. TIPS</b>	<b>2.8</b>	<b>NA</b>	<b>4.3</b>
<b>Net of Fees</b>	<b>2.8</b>	<b>NA</b>	<b>4.3</b>
Barclays U.S. TIPS	2.5	7.0	3.9

	9/30/10		6/30/10	
	Russell Barclays US TIPS	Barclays TIPS	Russell Barclays US TIPS	Barclays TIPS
<b>Quality Structure (%):</b>				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0

**Sector Allocation (%):**

U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	100	100	100	100
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0

**Market Allocation (%):**

United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0

**Currency Allocation (%):**

Non-U.S. Dollar Exposure	0	0	0	0
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## San Jose Federated City Employees Retirement System

## MackKay Shields High Yield Active Core Portfolio Detail as of 9/30/10

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$58.4 million  
**Portfolio Manager:** Dan Roberts, Ph.D.  
**Location:** New York, New York  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q10	YTD	1 YR	Since 5/1/09
<b>MackKay Shields High Yield Active Core</b>	<b>6.3</b>	<b>10.6</b>	<b>17.1</b>	<b>22.3</b>
<b>Net of Fees</b>	<b>6.2</b>	<b>10.2</b>	<b>16.7</b>	<b>21.9</b>
Barclays High Yield	6.7	11.5	18.4	32.2
Barclays High Yield BB/B	6.9	11.5	16.8	26.0
Peer High Yield	6.7	11.1	17.3	29.6
Peer Ranking (percentile)	70	71	54	89

	9/30/10		6/30/10	
Duration & Yield:	Mackay High Yield	Barclays High Yield	Mackay High Yield	Barclays High Yield
Average Effective Duration (years)	3.3	4.2	3.5	4.4
Yield to Maturity (%)	6.4	7.8	7.9	9.2
Quality Structure (%):				
Average Quality	BB-	B+	B+	B+
AAA (includes Treasuries and Agencies)	6	0	1	0
AA	0	0	0	0
A	0	0	0	0
BBB	4	0	4	0
BB	34	40	37	40
B	45	41	44	41
Below B	9	19	11	19
Non-Rated	2	0	2	0
Sector Allocation (%):				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	87	100	92	100
Bank Loans	2	0	3	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	4	0	4	0
Cash Equivalent	6	0	1	0
Other	1	0	0	0
Market Allocation (%):				
United States	92	88	91	88
Foreign (developed markets)	8	10	8	10
Foreign (emerging markets)	0	2	1	2
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

## Seix Credit Dislocation Strategy Portfolio Detail as of 9/30/10

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$43.7 million  
**Portfolio Manager:** Michael McEachern, CFA  
**Location:** Upper Saddle River, New Jersey  
**Inception Date:** 5/1/2009  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

### Strategy:

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

### Guidelines:

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

Performance (%):	3Q10	YTD	1 YR	Since 5/1/09
<b>Seix Credit Dislocation Strategy</b>	<b>3.2</b>	<b>5.1</b>	<b>7.1</b>	<b>10.6</b>
<b>Net of Fees</b>	<b>3.1</b>	<b>4.9</b>	<b>6.8</b>	<b>10.3</b>
CSFB Leveraged Loan Index	3.1	6.5	10.3	22.5

	9/30/10		6/30/10	
Duration & Yield:	Seix	CSFB Lev Loan	Seix	CSFB Lev Loan
Average Effective Duration (years)	1.7	0.3	2.0	0.3
Yield to Maturity (%)	4.0	4.4	5.1	4.1
<b>Quality Structure (%):</b>				
Average Quality	BB	B	BB	B
AAA (includes Treasuries and Agencies)	10	0	2	0
AA	0	0	0	0
A	0	0	0	0
BBB	7	0	7	0
BB	61	45	69	40
B	21	40	23	42
Below B	0	3	0	4
Non-Rated	2	12	0	14
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	20	0	21	0
Bank Loans	71	100	77	100
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	10	0	2	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated City Employees Retirement System

## Northern Trust Long Term Credit Bond Index-NL Portfolio Detail as of 9/30/10

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$21.4 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 5/1/2010  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

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

**Liquidity Constraints:**  
 Daily

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

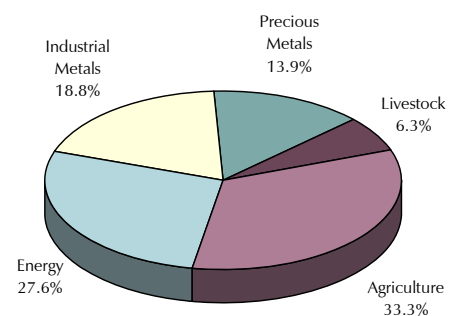
Performance (%):	3Q10	YTD	Since 5/1/10
Northern Trust Long Term Credit Bond Index-NL	6.2	NA	9.5
Barclays Long U.S. Credit	6.3	14.9	9.1

	9/30/10 NT Barclays LT Credit	Barclays Long U.S. Credit	6/30/10 NT Barclays LT Credit	Barclays Long U.S. Credit
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	12.7	12.6	12.3	12.3
Yield to Maturity (%)	5.2	5.4	5.5	5.8
<b>Quality Structure (%):</b>				
Average Quality	A	A	A	A
AAA (includes Treasuries and Agencies)	5	3	10	3
AA	16	16	15	16
A	41	40	39	40
BBB	38	41	36	41
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	6	0
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	0	1	0	1
Mortgage Backed	0	0	0	0
Corporate	79	80	77	80
Bank Loans	0	0	0	0
Local & Provincial Government	10	11	8	11
Sovereign & Supranational	8	8	8	8
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	3	0	2	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	92	76	93	76
Foreign (developed markets)	8	15	7	15
Foreign (emerging markets)	0	8	0	8
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## Real Assets Portfolio Reviews As of September 30, 2010

**Mandate:** Commodities  
**Active/Passive:** Passive  
**Market Value:** \$35.5 million  
**Portfolio Manager:** Russell Investments (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 5/1/2010  
**Account Type:** Separately Managed



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

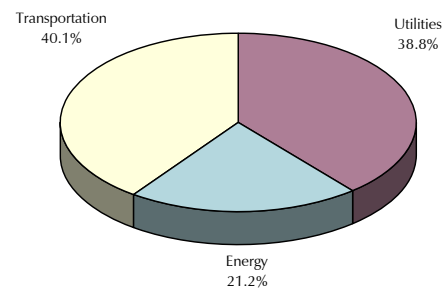
**Liquidity Constraints:**  
Monthly

**Strategy:**  
The DJ -UBS Commodities swap seeks to replicate the performance of the Dow Jones – UBS Commodities Index.

Performance (%):	3Q10	YTD	Since 5/1/10
<b>DJ – UBS Commodities Swap</b>	<b>11.6</b>	<b>NA</b>	<b>4.2</b>
Dow Jones - UBS Commodities Index	11.6	0.8	4.2



**Mandate:** Infrastructure  
**Active/Passive:** Passive  
**Market Value:** \$34.3 million  
**Portfolio Manager:** Russell Investments  
 (Transition Manager)  
**Location:** Tacoma, Washington  
**Inception Date:** 5/1/2010  
**Account Type:** Separately Managed



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

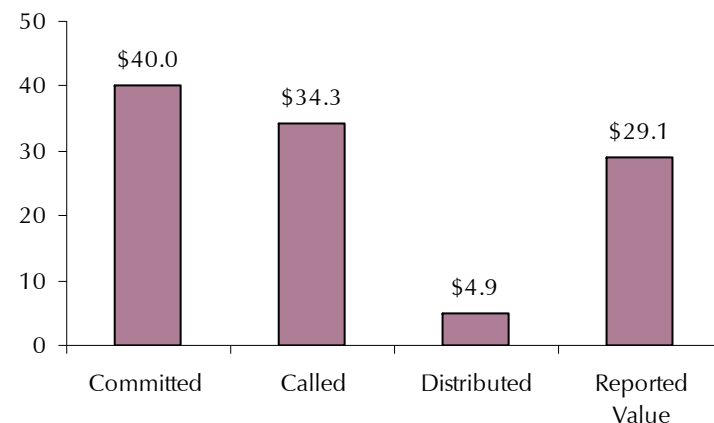
**Liquidity Constraints:**  
 Monthly

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

Performance (%):	3Q10	YTD	Since 5/1/10
<b>S&amp;P Global Infrastructure</b>	<b>15.7</b>	<b>NA</b>	<b>2.4</b>
S&P Global Infrastructure Index	15.9	0.7	2.7

## Private Equity Portfolio Reviews As of September 30, 2010

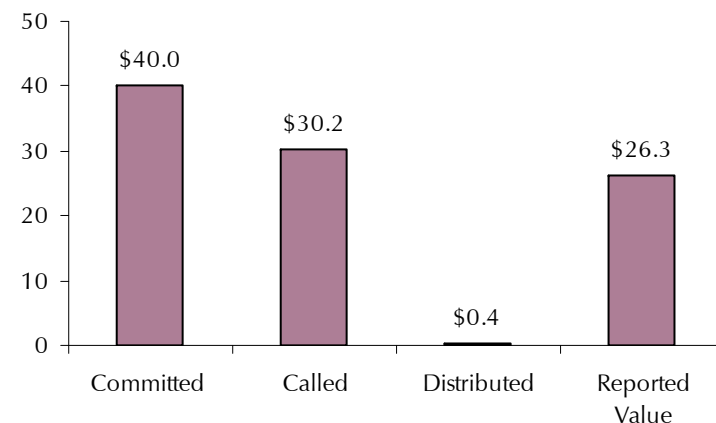
<b>Strategy:</b>	Private Equity Fund of Funds Diversified Buyout	<b>Commitment:</b>	\$40.0 million
<b>Senior Professionals:</b>	Jim Reinhardt; Terry Melican	<b>Capital Contributions:</b>	\$34.3 million
<b>Location:</b>	Irvine, California	<b>Outstanding Commitment:</b>	\$5.7 million
<b>Vintage Year:</b>	2004	<b>Realized Proceeds:</b>	\$4.9 million
<b>Fee Schedule:</b>	0.80% on all assets	<b>Total Value:</b>	\$29.1 million



### Investment Strategy:

As a Fund of Funds, Pathway's investment philosophy centers on manager selection, opportunistically taking advantage of market conditions, and portfolio diversification, both across industries and geographic regions. The investment team uses its extensive existing relationships, as well as substantial research and proactive development of new relationships, to source investment opportunities. The team then adheres to tested investment criteria in order to avoid excess risk.

<b>Strategy:</b>	Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b>	\$40.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$30.2 million
<b>Location:</b>	London, United Kingdom	<b>Outstanding Commitment:</b>	\$9.8 million
<b>Vintage Year:</b>	2006	<b>Realized Proceeds:</b>	\$0.4 million
<b>Fee Schedule:</b>	100 bp of commitments; 10% Preferred Return	<b>Total Value:</b>	\$26.3 million



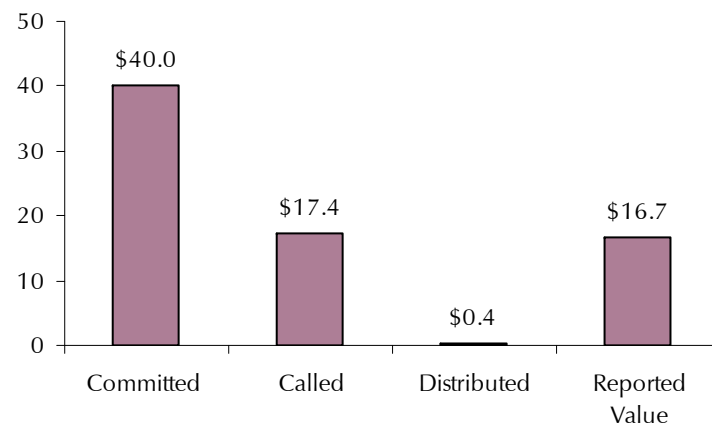
## Investment Strategy:

Pantheon is a global private equity primary and secondary fund-of-funds manager. Originally formed in 1982 as the private equity investment division of GT Management in London, Pantheon's management acquired the private equity division in 1988 through a management buyout. Pantheon has been part of Russell Investments since March 2004. Pantheon has 148 employees, including 65 investment professionals of which 20 are dedicated to secondaries. Pantheon targets a range of secondary transactions including single fund interests, large portfolios of fund interests and to a lesser extent, portfolios of direct company interests in addition to complex and structured global deals with hybrid portfolios (funds and directs). Pantheon has a stated focus on manager and asset quality and will not complete many synthetic transactions due to perceived risk associated with backing an unknown manager.

## San Jose Federated City Employees Retirement System

## Pantheon USA Fund VII Portfolio Detail as of 9/30/10

<b>Strategy:</b>	Private Equity Fund of Funds Diversified Buyout	<b>Commitment:</b>	\$40.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$17.4 million
<b>Location:</b>	London, United Kingdom	<b>Outstanding Commitment:</b>	\$22.6 million
<b>Vintage Year:</b>	2006	<b>Realized Proceeds:</b>	\$0.4 million
<b>Fee Schedule:</b>	75 bp of commitments; 10% Preferred Return; 5% carried interest	<b>Total Value:</b>	\$16.7 million

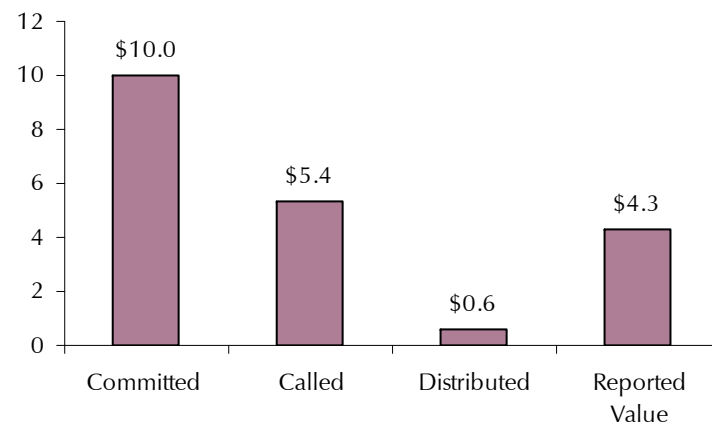


### Investment Strategy:

Pantheon is a global private equity primary and secondary fund-of-funds manager. Originally formed in 1982 as the private equity investment division of GT Management in London, Pantheon's management acquired the private equity division in 1988 through a management buyout. Pantheon has been part of Russell Investments since March 2004. Pantheon has 148 employees, including 65 investment professionals. Starting in 1993, Pantheon has built a regional primary investments program that invests in new private equity funds in the U.S., Europe and Asia. Three dedicated investment teams look to select managers and develop portfolios with exposure to what it believes to be the most attractive segments within each market.



<b>Strategy:</b>	Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b>	\$10.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$5.4 million
<b>Location:</b>	Baar-Zug, Switzerland	<b>Outstanding Commitment:</b>	\$4.6 million
<b>Vintage Year:</b>	2008	<b>Realized Proceeds:</b>	\$0.6 million
<b>Fee Schedule:</b>	1.25% of commitments; 8% preferred return; 15% carried interest	<b>Total Value:</b>	\$4.3 million



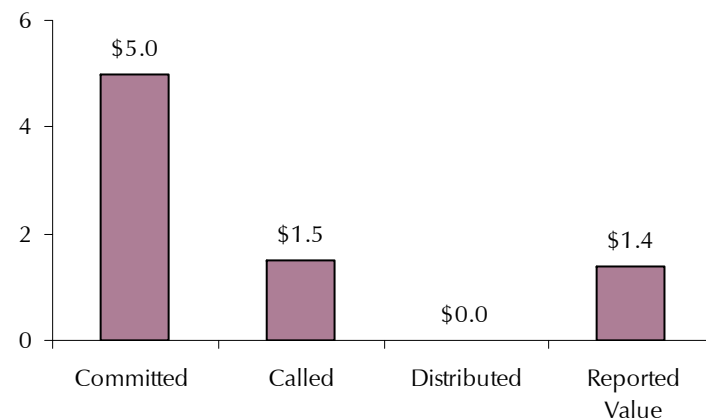
## Investment Strategy:

PG Secondary 2008 is a global opportunistic secondary fund that classifies secondaries as being either "manager" or "financial" depending on the maturity of the underlying portfolio investments of a given opportunity. Although the team has stated that it actively invests in both manager- and financial-driven secondaries, it specializes in manager secondaries, which are characterized by younger fund portfolios that are typically in the J-curve period of the fund's life cycle. This is different than many other large secondary players which tend to focus on almost-to-fully funded interests.

## San Jose Federated City Employees Retirement System

## Great Hill Equity Partners IV Portfolio Detail as of 9/30/10

<b>Strategy:</b>	Private Equity Buyout Middle Market Buyout	<b>Commitment:</b>	\$5.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$1.5 million
<b>Location:</b>	Boston, Massachusetts	<b>Outstanding Commitment:</b>	\$3.5 million
<b>Vintage Year:</b>	2008	<b>Realized Proceeds:</b>	\$0.0 million
<b>Fee Schedule:</b>	2.3% of commitments; 8.0% preferred return; 20% carried interest	<b>Total Value:</b>	\$1.4 million



### Investment Strategy:

Great Hill Equity Partners IV will make investments ranging in size from \$50 million - \$150 million, to finance the growth and acquisition of middle market companies in its targeted industry sectors. The Fund will be the fourth generation private equity fund managed by the Great Hill Partners team. The Fund will also represent a continuation of the strategic approach employed by the team in assembling the private equity portfolios of prior Great Hill funds. The Fund focuses on middle market growth companies operating in a variety of sectors within the Business Services and Consumer Services segments of the economy.

## Real Estate Portfolio Reviews As of September 30, 2010



# San Jose Federated City Employees Retirement System

## PRISA I Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Open End)  
Diversified Core

**Market Value:** \$22.6 million

**Senior Professionals:** Kevin R. Smith

**Location:** San Francisco, California

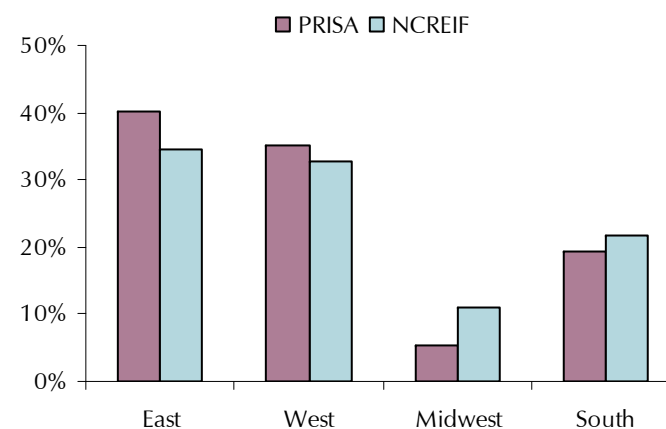
**Inception Date:** 7/1/04

**Account Type:** Separately Managed

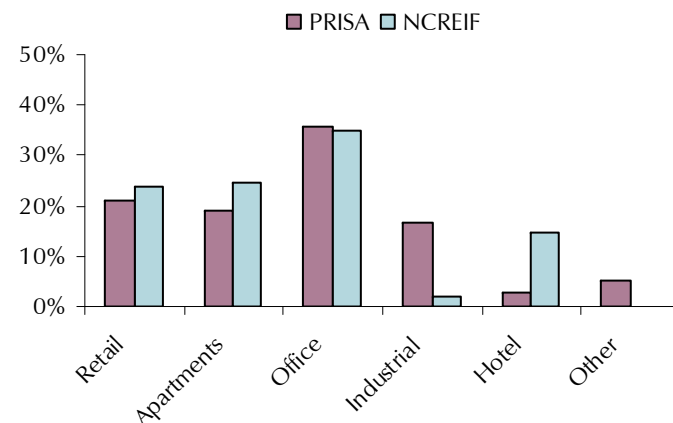
**Liquidity Constraints:** Quarterly (with 30 days advance notice)

**Fee Schedule:** 1.20% on first \$25 mm; 1.15% on next \$25 mm; 1.10% on next \$50 mm; 1.05% on next \$100 mm; 1.00% thereafter

**Geographic Region:**



**Property Type:**



Performance (%):	3Q10	YTD	1 YR	3 YR	5 YR	Since 7/1/04
<b>PRISA I</b>	<b>3.1</b>	<b>11.0</b>	<b>8.0</b>	<b>-13.5</b>	<b>-1.6</b>	<b>2.1</b>
<b>Net of Fees</b>	<b>2.8</b>	<b>9.9</b>	<b>6.7</b>	<b>-13.1</b>	<b>-2.5</b>	<b>1.2</b>
NCREIF Property	3.9	8.1	5.8	-4.6	3.7	6.4

**Investment Strategy:** PRISA invests primarily in existing, income-producing properties with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation. The Account makes investments primarily in office, retail, industrial, apartment, and hotel properties. Investments may be made through direct property ownership, or indirectly through such vehicles as joint ventures, general or limited partnerships, limited liability companies, mortgage loans and other loan types, including mezzanine debt, and debt secured by an interest in the borrowing entity or interests in companies or entities that directly or indirectly hold real estate or real estate interests.



## San Jose Federated City Employees Retirement System

## American Core Realty Fund, LLC Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Open End)  
Diversified Core

**Market Value:** \$14.8 million

**Senior Professionals:** Scott Darling

**Location:** Glendale, California

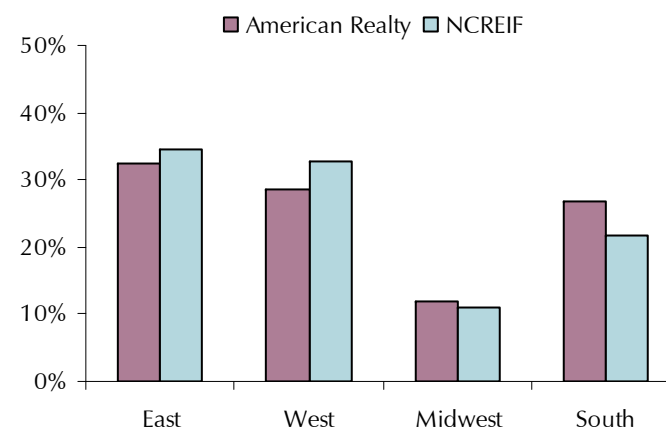
**Inception Date:** 1/1/2007

**Account Type:** Commingled Fund

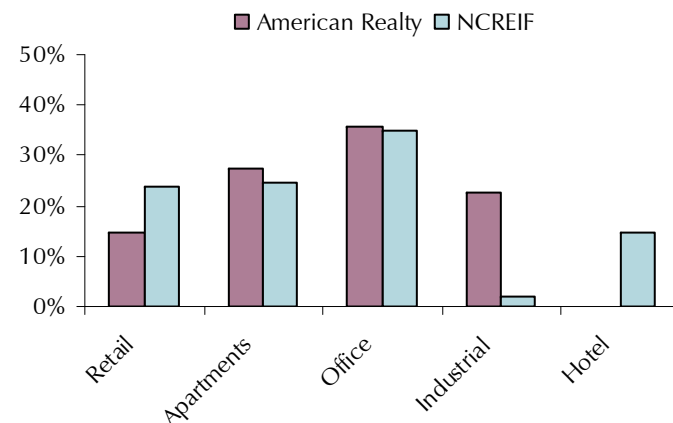
**Liquidity Constraints:** Quarterly (with 30 days advance notice)

**Fee Schedule:** 1.10% on first \$25 mm; 0.95% on next \$50 mm; 0.85% thereafter

### Geographic Region:



### Property Type:



Performance (%):	3Q10	YTD	1 YR	3 YR	Since 1/1/07
American Core Realty Fund, LLC	4.6	7.2	2.7	-9.9	-4.7
Net of Fees	4.3	6.5	1.7	-10.8	-5.6
NCREIF Property	3.9	8.1	5.8	-4.6	-0.7

**Investment Strategy:** American Realty targets core institutional-quality office, industrial, retail, and multifamily properties in the United States. In general, the strategy seeks properties in the \$5 to \$50 million range. Target properties will be 80% to 100% occupied, be less than ten years old and diversified by product type, geographic region and tenant base. The Fund will seek to provide returns with stable income and potential market appreciation.



## San Jose Federated City Employees Retirement System

## DRA Growth & Income Fund V Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Closed End)  
Value-Added

**Market Value:** \$14.7 million

**Senior Professionals:** Team

**Location:** New York, New York

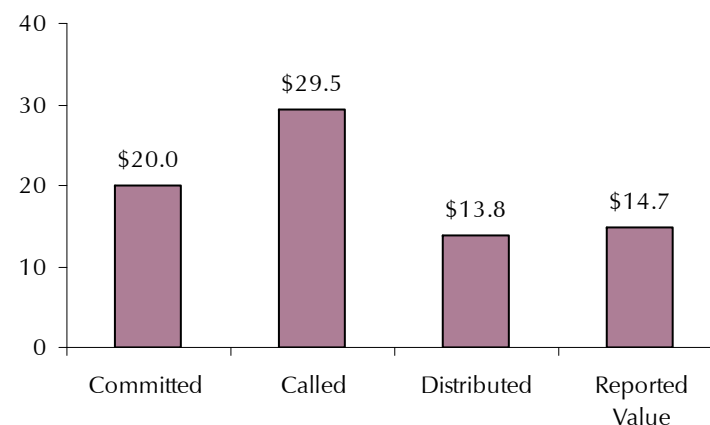
**Vintage Year:** 2005

**Account Type:** Commingled Fund

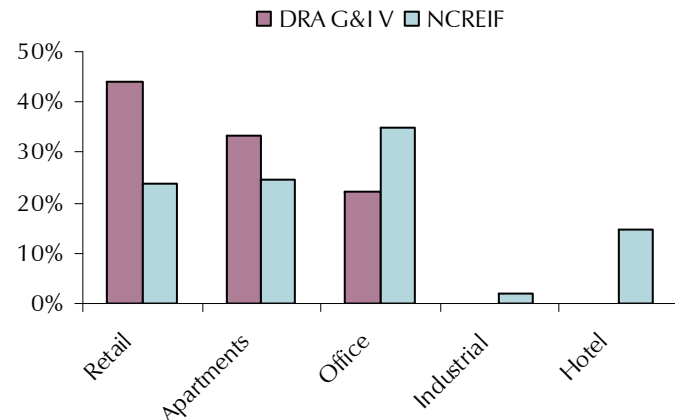
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 90 bps of Gross Asset Cost during the Acquisition Period, dropping to 60 bps of Gross Asset Cost after the Acquisition Period, with Gross Asset Cost reduced by leverage in excess of 65%

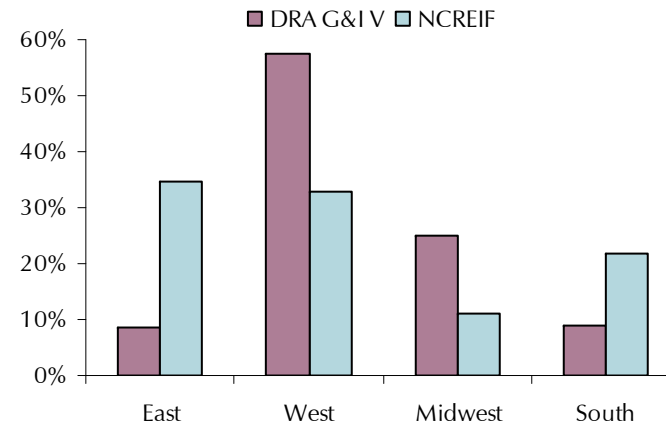
**Portfolio Size:**



**Property Type:**



**Geographic Region:**



**Investment Strategy:** The Fund continues the fund series' strategy of making value-added commercial real estate investments. DRA invests in diversified portfolios of office, retail, multi-family, industrial and other real-estate related properties and assets across the United States. DRA targets investments that offer competitive income returns and the potential for capital appreciation. Preservation of capital, downside protection and stability of cash flows underlie the firm's investment approach. DRA's value-added funds attempt to capitalize on inefficiencies in real estate markets to acquire high quality operating assets at discounts to replacement cost



## San Jose Federated City Employees Retirement System

## DRA Growth & Income Fund VI Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Closed End)  
Value-Added

**Market Value:** \$6.1 million

**Senior Professionals:** Team

**Location:** New York, New York

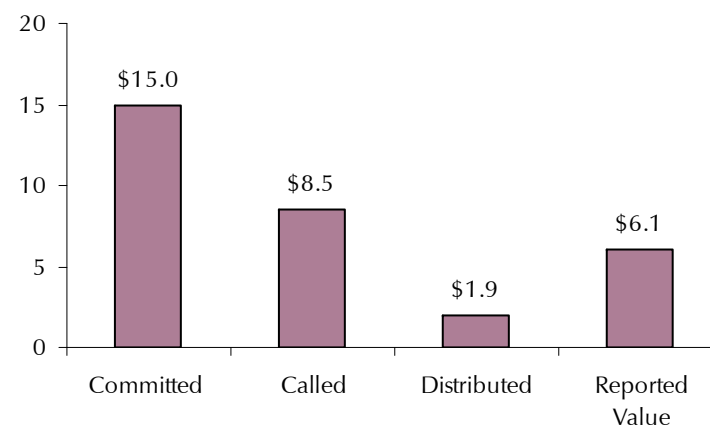
**Vintage Year:** 2007

**Account Type:** Ltd. Partnership

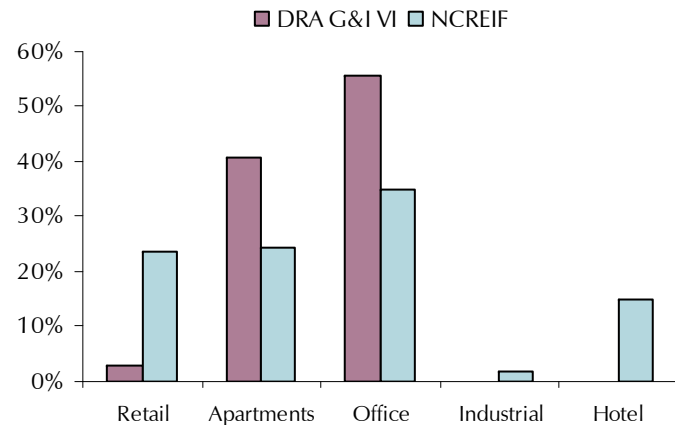
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 90 bps of Gross Asset Cost during the Acquisition Period, dropping to 60 bps of Gross Asset Cost after the Acquisition Period, with Gross Asset Cost reduced by leverage in excess of 65%

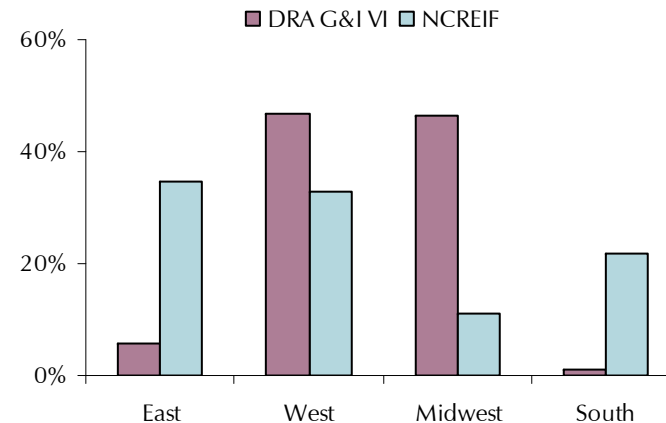
**Portfolio Size:**



**Property Type:**



**Geographic Region:**



**Investment Strategy:** The Fund continues the fund series' strategy of making value-added commercial real estate investments. DRA invests in diversified portfolios of office, retail, multi-family, industrial and other real-estate related properties and assets across the United States. DRA targets investments that offer competitive income returns and the potential for capital appreciation. Preservation of capital, downside protection and stability of cash flows underlie the firm's investment approach. DRA's value-added funds attempt to capitalize on inefficiencies in real estate markets to acquire high quality operating assets at discounts to replacement cost.

## San Jose Federated City Employees Retirement System

## GEAM Value Add Realty Partners, L.P. Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Closed End)  
Value-Added

**Market Value:** \$4.9 million

**Senior Professionals:** Philip Riordan | Susan Doyle

**Location:** Stamford, Connecticut

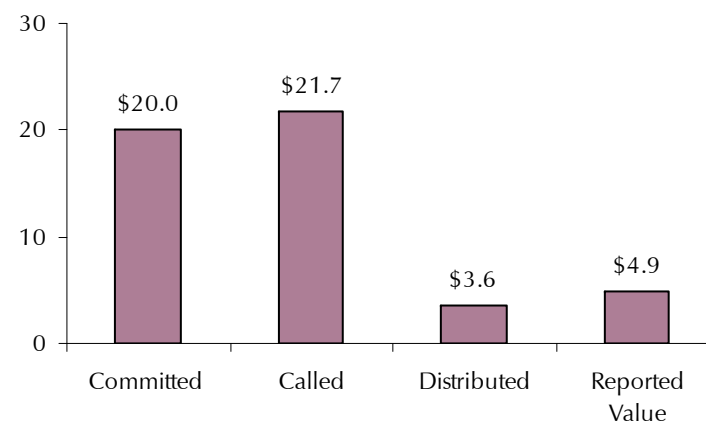
**Vintage Year:** 2006

**Account Type:** Ltd. Partnership

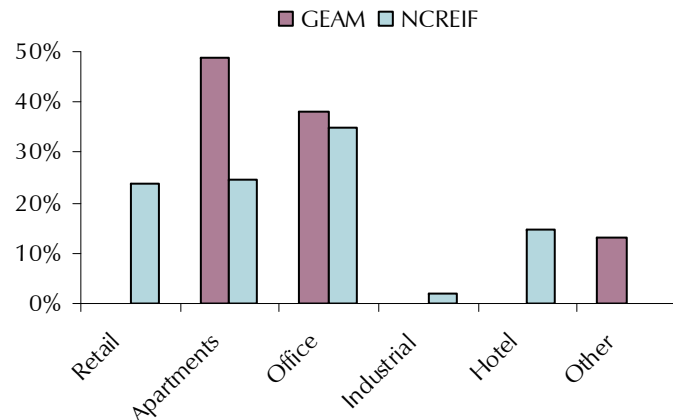
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** Fees for services equal to (a) during the Commitment Period, one percent (1%) per annum of the total aggregate Capital Commitments of all Limited Partners and (b) thereafter, one percent(1%) per annum of the Net Equity actually invested in all Real Estate Investments held by the Partnership, determined as of the last day of each calendar quarter.

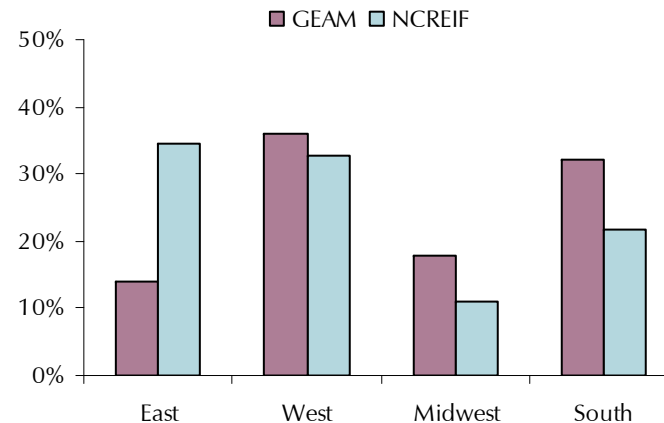
Portfolio Size:



Property Type:



Geographic Region:



**Investment Strategy:** The objective of the GEAM Value Add Realty Partners, L.P. is to invest in U.S. commercial and multi-family properties in which value can be created through redevelopment, renovation, repositioning, and/or releasing.

## San Jose Federated City Employees Retirement System

## Fidelity Real Estate Growth Fund III, L.P. Portfolio Detail as of 9/30/10

**Strategy:** Real Estate  
Private Market (Open End)  
Diversified Core

**Market Value:** \$3.9 million

**Senior Professionals:** Team

**Location:** Boston, Massachusetts

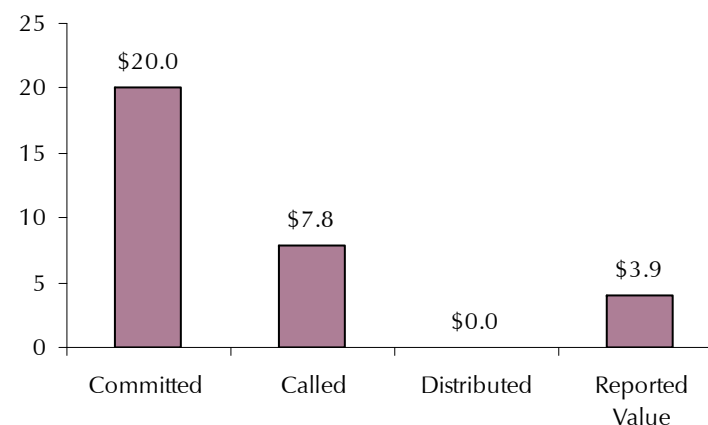
**Vintage Year:** 2006

**Account Type:** Ltd. Partnership

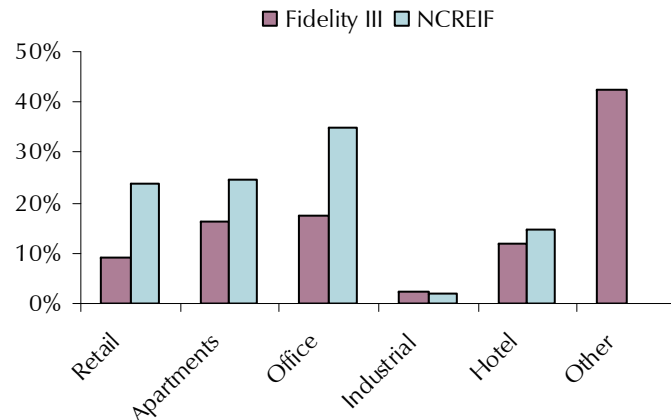
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** 1.0% of committed capital; 17.5% on performance

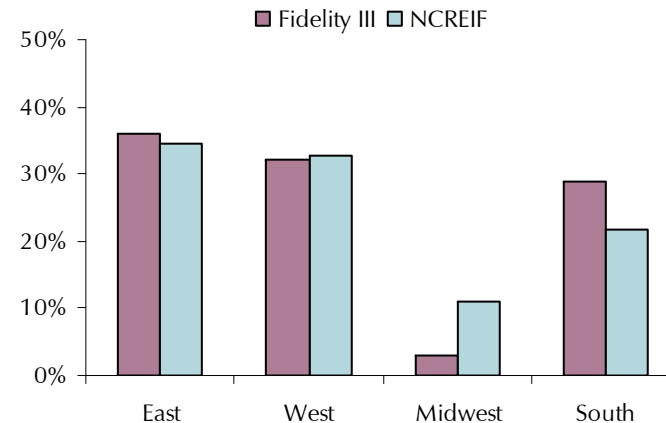
Portfolio Size:



Property Type:



Geographic Region:



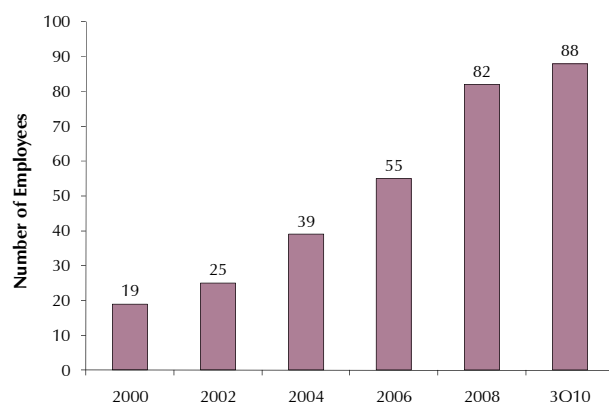
**Investment Strategy:** Fidelity Real Estate Growth Fund III will seek to generate gross annualized returns of at least 18% through investments in value-added private equity and equity-related real estate transactions. Fidelity principally targets transactions in markets with positive fundamentals that offer an opportunity to increase returns through the execution of a value-added strategy. Accordingly, such investments will benefit not only from improving market conditions but also from the excess return created by the successful completion of each value-enhancement plan.

# **Meketa Investment Group**

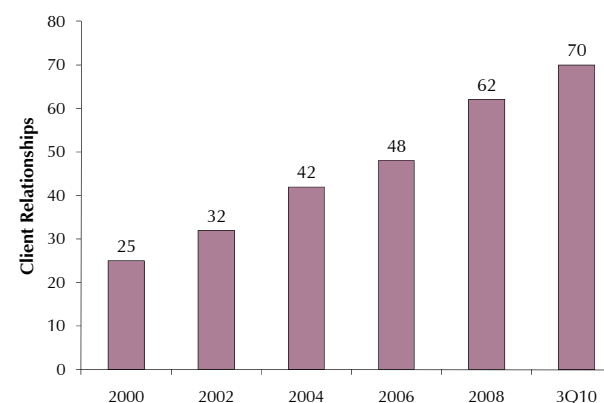
## **Corporate Update**

- Staff of 88, including 53 investment professionals and 17 CFA charterholders
- 70 clients, with over 140 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston and San Diego
- Clients have aggregate assets of over \$260 billion
  - Over \$18 billion in assets committed to alternative investments
    - Private Equity      ▪ Infrastructure      ▪ Natural Resources
    - Real Estate      ▪ Hedge Funds      ▪ Commodities

**Employee Growth**



**Client Growth**



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





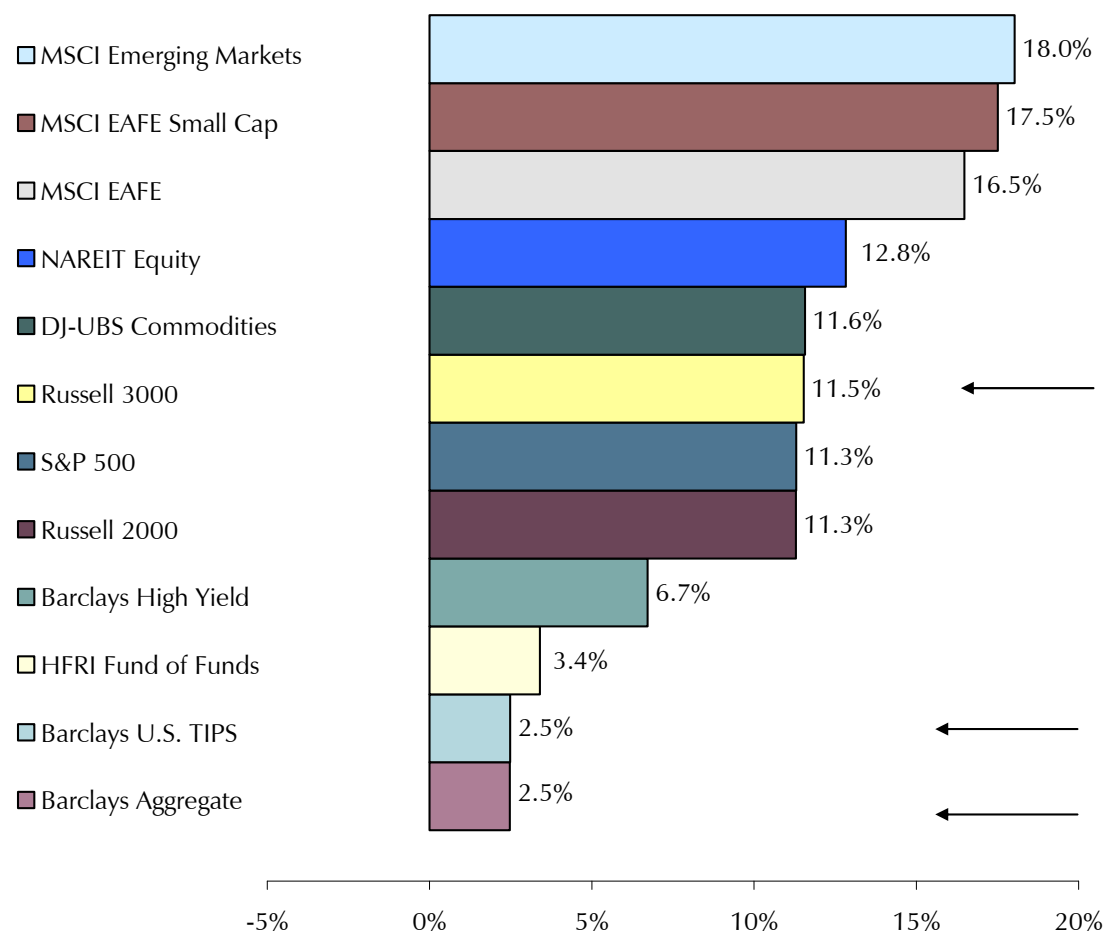
### Asset Classes Followed Intensively by Meketa Investment Group

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

## Appendices

## The World Markets Third Quarter of 2010

### The World Markets Third Quarter of 2010



International stocks were the top performing asset class in the third quarter, with emerging markets leading the way. The weakening of the dollar was a significant contributor to returns for U.S. investors, accounting for approximately 9.4% of MSCI EAFE returns and 5.2% of MSCI Emerging Markets returns.

Anticipation of further quantitative easing from the Federal Reserve and continued reports of strong corporate earnings were a tailwind for domestic equities. Growth stocks outpaced value stocks across the capitalization spectrum.

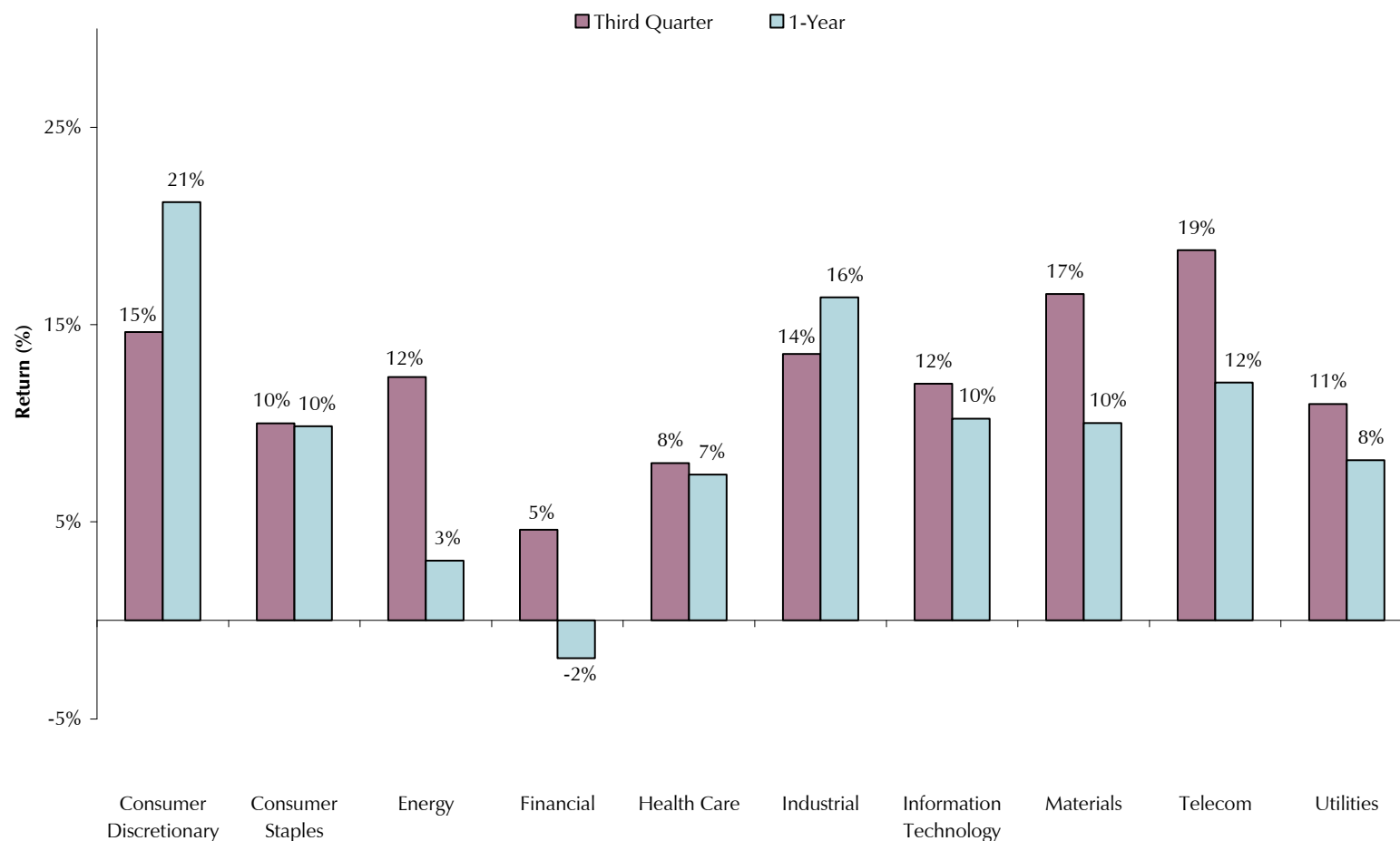
Although high quality bonds continued to post gains, investment grade bonds and TIPS lagged riskier asset classes in the third quarter.

### Index Returns

	3Q 10 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	11.5	4.8	11.0	-6.6	0.9	0.1
Russell 1000 Growth	13.0	4.4	12.7	-4.4	2.1	-3.4
Russell 1000	11.6	4.4	10.8	-6.8	0.9	-0.2
Russell 1000 Value	10.1	4.5	8.9	-9.4	-0.5	2.6
Russell MidCap Growth	14.6	10.9	18.3	-3.9	2.9	-0.9
Russell MidCap	13.3	11.0	17.5	-4.2	2.6	4.9
Russell MidCap Value	12.1	11.1	16.9	-4.8	2.0	7.8
Russell 2000 Growth	12.8	10.2	14.8	-3.7	2.3	-0.1
Russell 2000	11.3	9.1	13.3	-4.3	1.6	4.0
Russell 2000 Value	9.7	7.9	11.8	-5.0	0.7	7.7
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	16.6	3.7	7.6	-7.4	4.3	4.3
MSCI EAFE	16.5	1.1	3.3	-9.5	2.0	2.6
MSCI EAFE Small Cap	17.5	9.2	8.0	-6.9	2.1	7.5
MSCI Emerging Markets	18.0	10.8	20.2	-1.5	12.7	13.4
<b>Fixed Income</b>						
Barclays Universal	2.9	8.3	8.9	7.3	6.3	6.6
Barclays Aggregate	2.5	7.9	8.2	7.4	6.2	6.4
Barclays U.S. TIPS	2.5	7.0	8.9	6.9	5.5	7.5
Barclays High Yield	6.7	11.5	18.4	8.7	8.4	8.0
JPMorgan GBI-EM Global Diversified	12.4	16.1	19.4	11.5	13.1	NA
<b>Other</b>						
NAREIT Equity	12.8	19.1	30.3	-6.1	1.9	10.4
DJ-UBS Commodities	11.6	0.8	9.9	-7.7	-4.5	4.0
HFRI Fund of Funds	3.4	2.1	3.6	-3.0	2.2	3.7

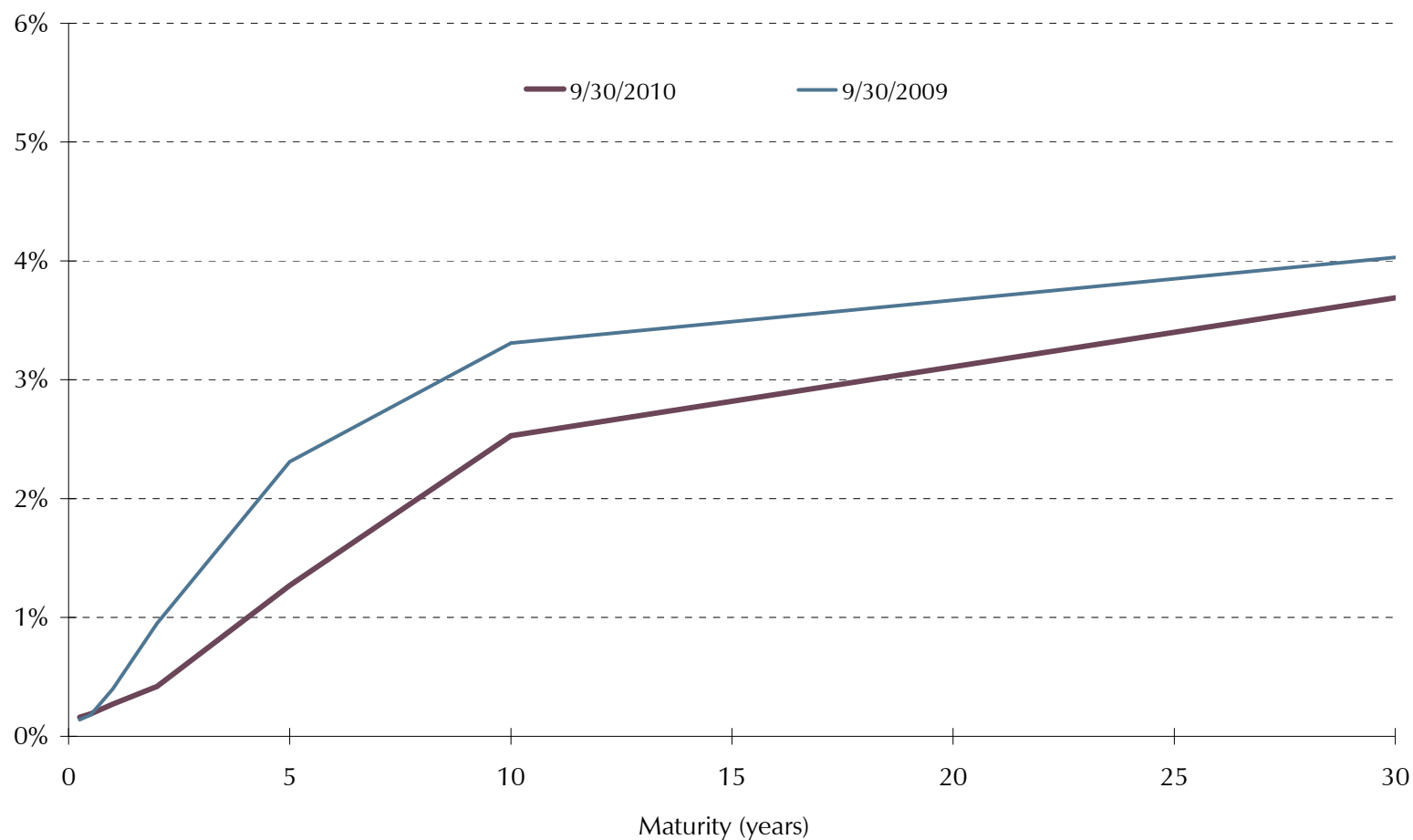
**S&P Sector Returns**

All sectors made a dramatic turnaround in the third quarter with eight of the ten sectors in the S&P 1500 posting double-digit returns. Telecom (+19%), materials (+17%), and consumer discretionary (+15%) were the strongest performing sectors during the quarter. For the trailing one-year period all sectors posted positive returns with the exception of financials.



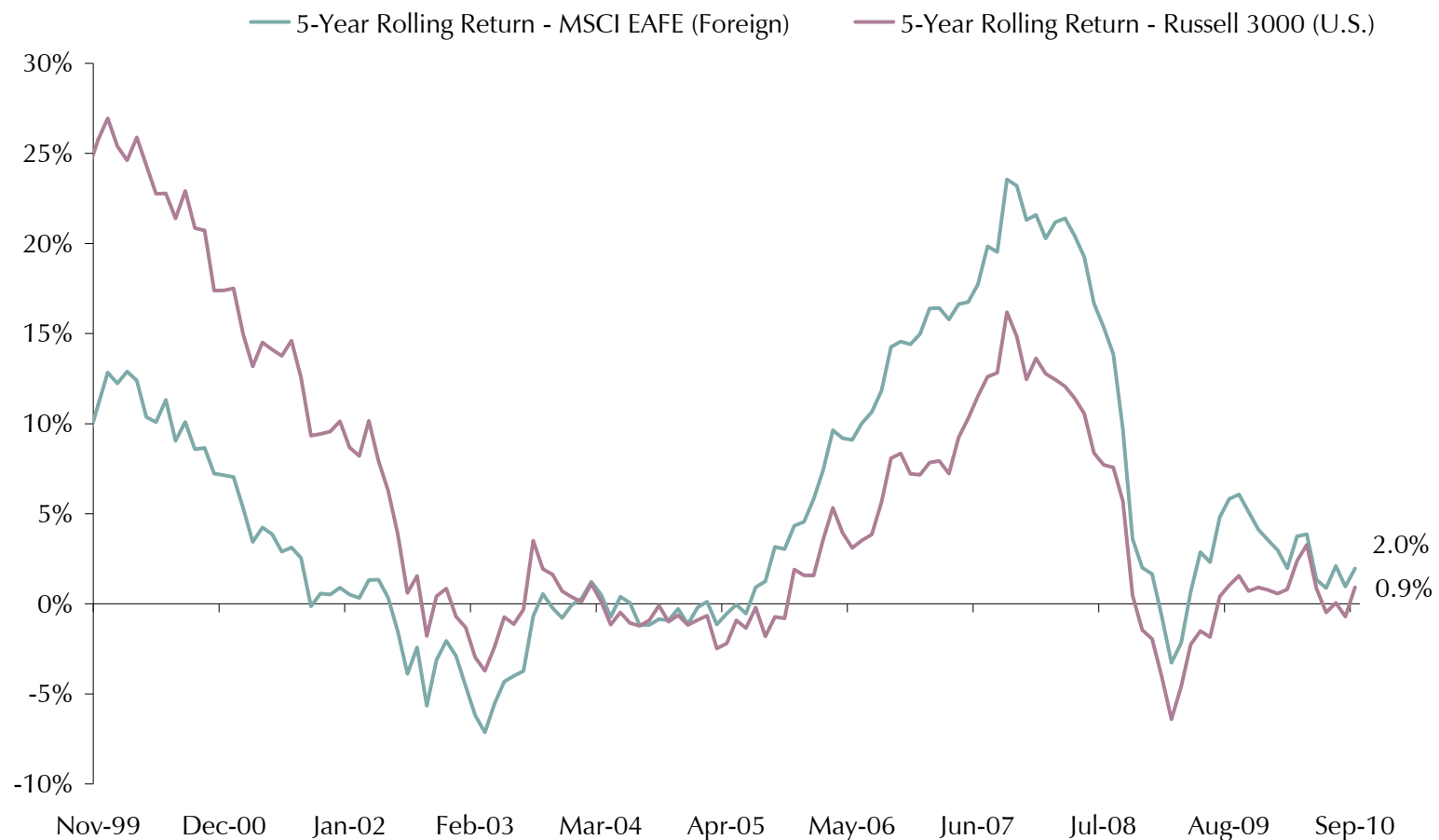
### Treasury Yields

Weak economic data and anticipation of further quantitative easing by the Federal Reserve created continued downward pressure on U.S. Treasury yields during the quarter. The yield on the ten-year Treasury finished the quarter at 2.5%, close to its historic low.



### Equity Markets

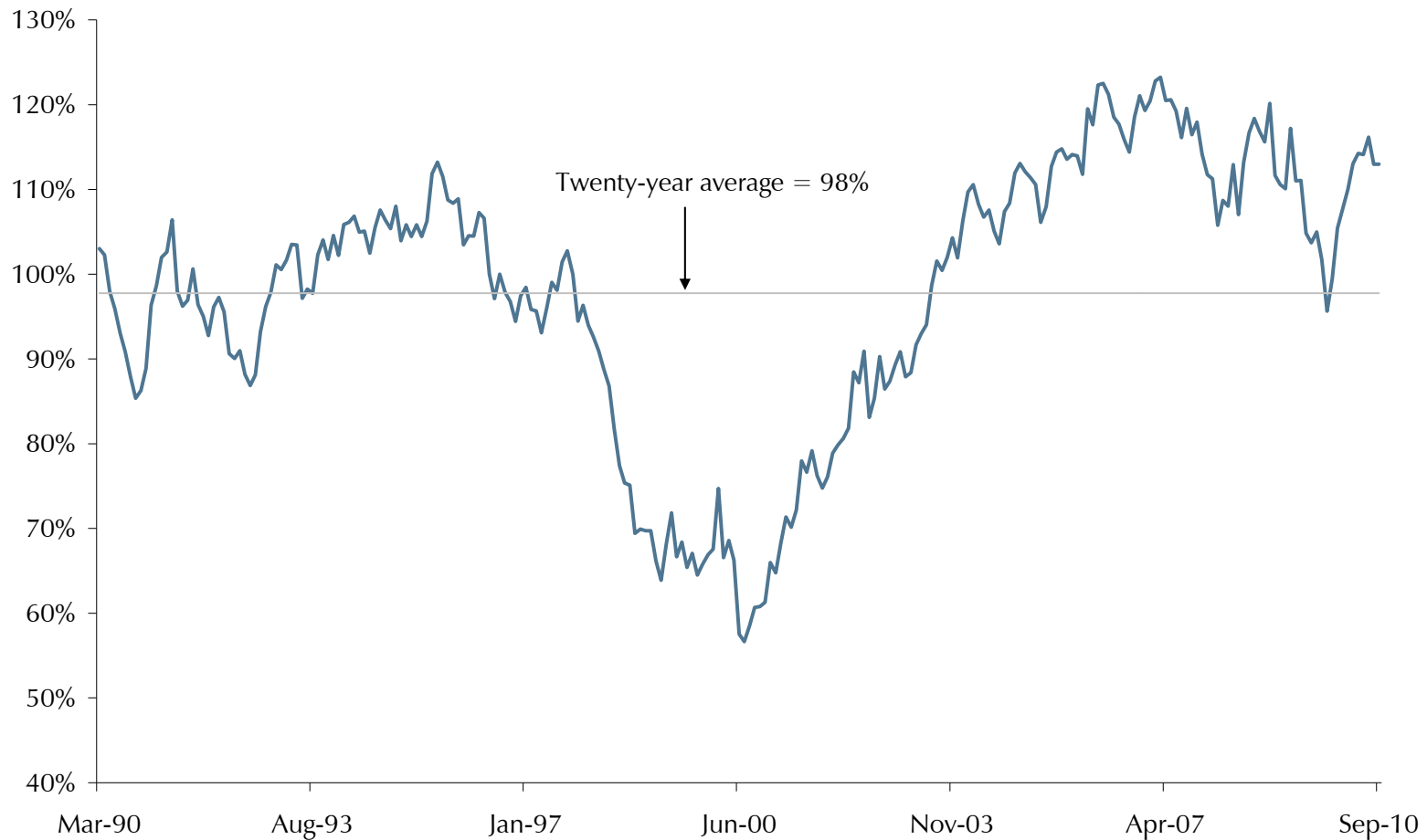
The developed international equity market staged a strong recovery in the third quarter, returning 16.5% and outpacing the broad domestic equity market by 5.0%. For the most recent five-year period, international equities outpaced domestic equities by 1.1%, despite underperforming over the past year due in part to a strengthening dollar and sovereign debt issues in the eurozone.



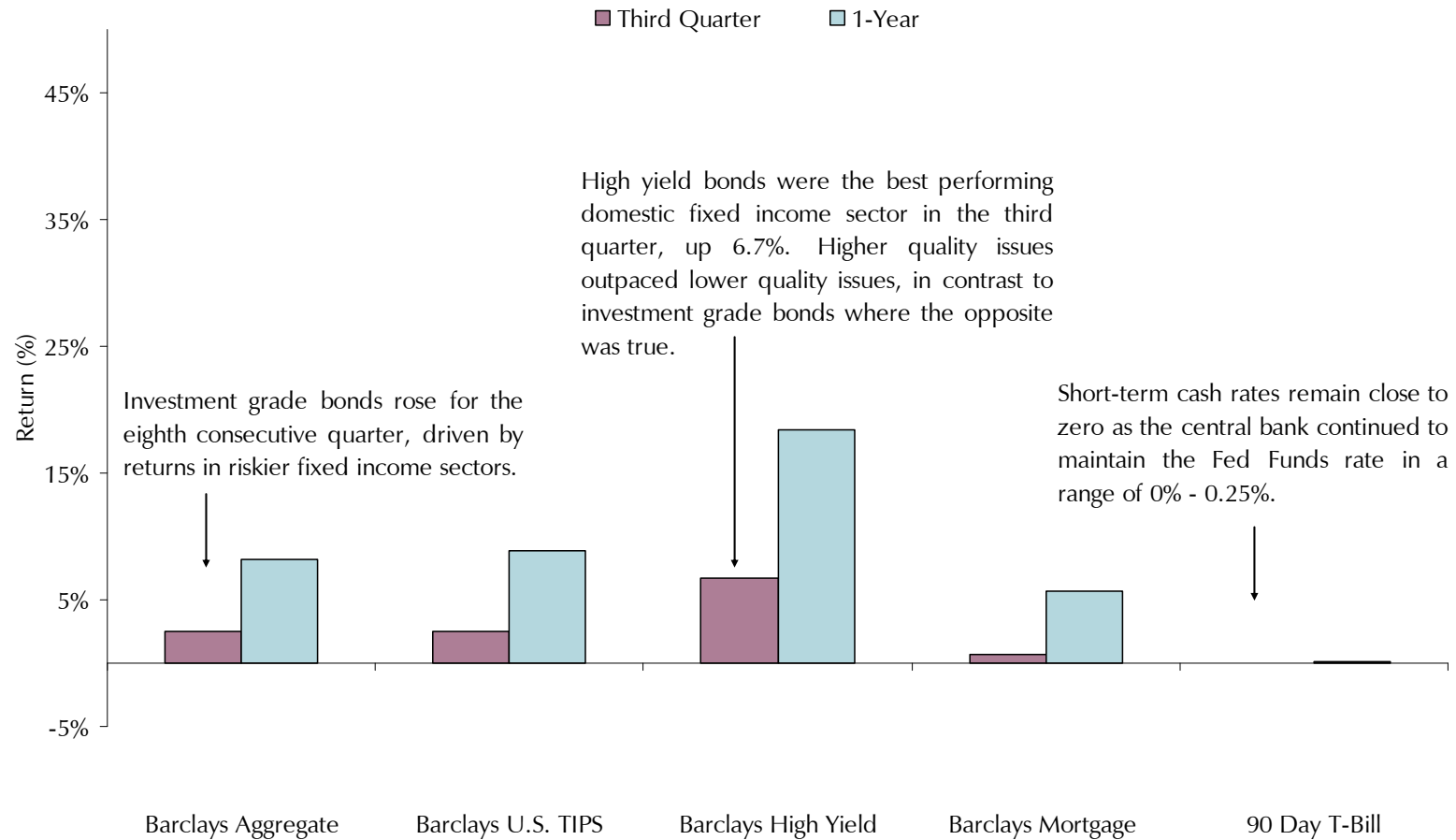


**Russell 2000 P/E (Small Cap) vs. Russell 1000 P/E (Large Cap)**

After rising to a level approximately 18% above its long-term average during the first half of 2010, the ratio of small cap (Russell 2000) P/Es to large cap (Russell 1000) P/Es declined slightly in the third quarter.

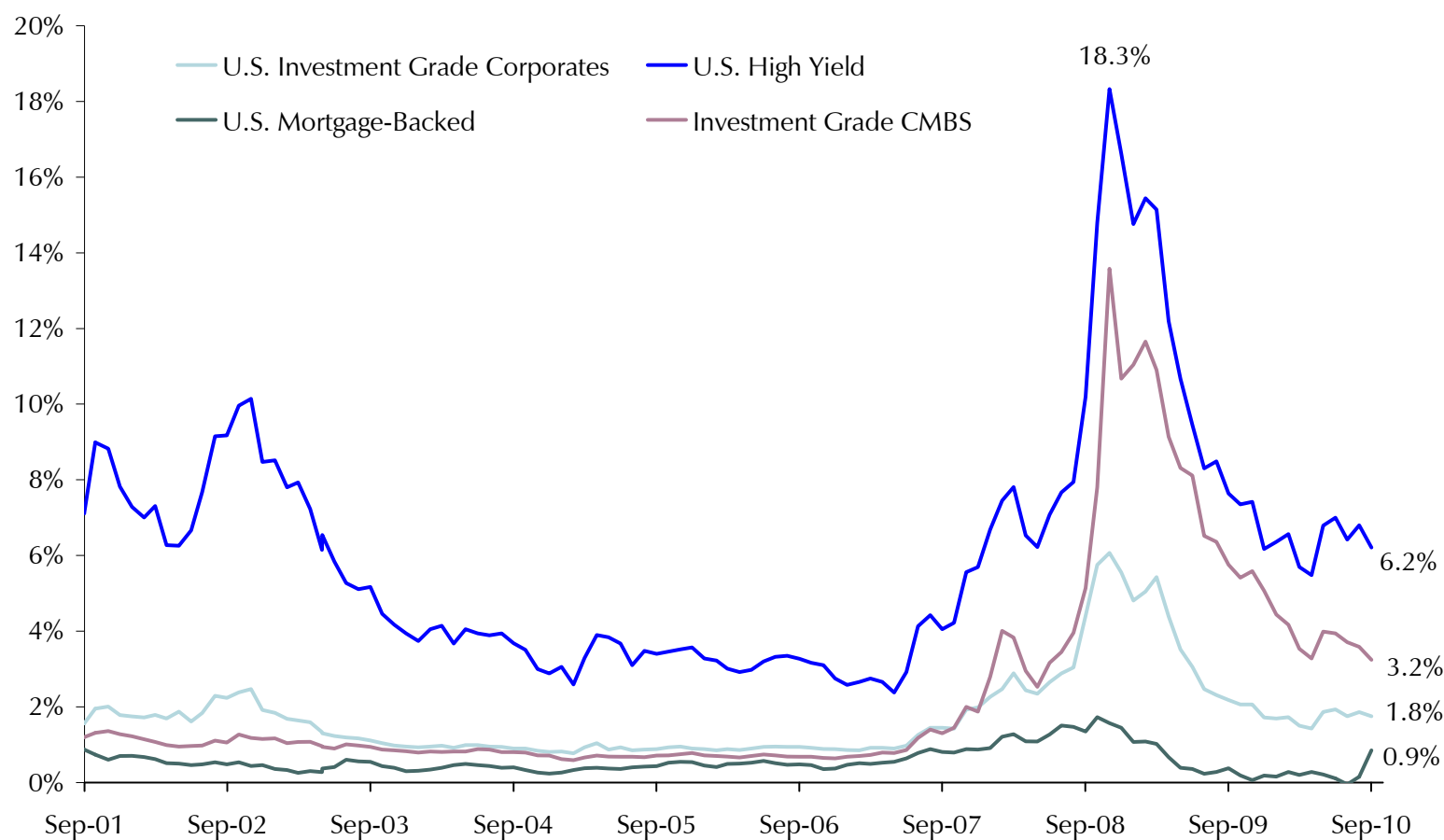


## U.S. Fixed Income Markets

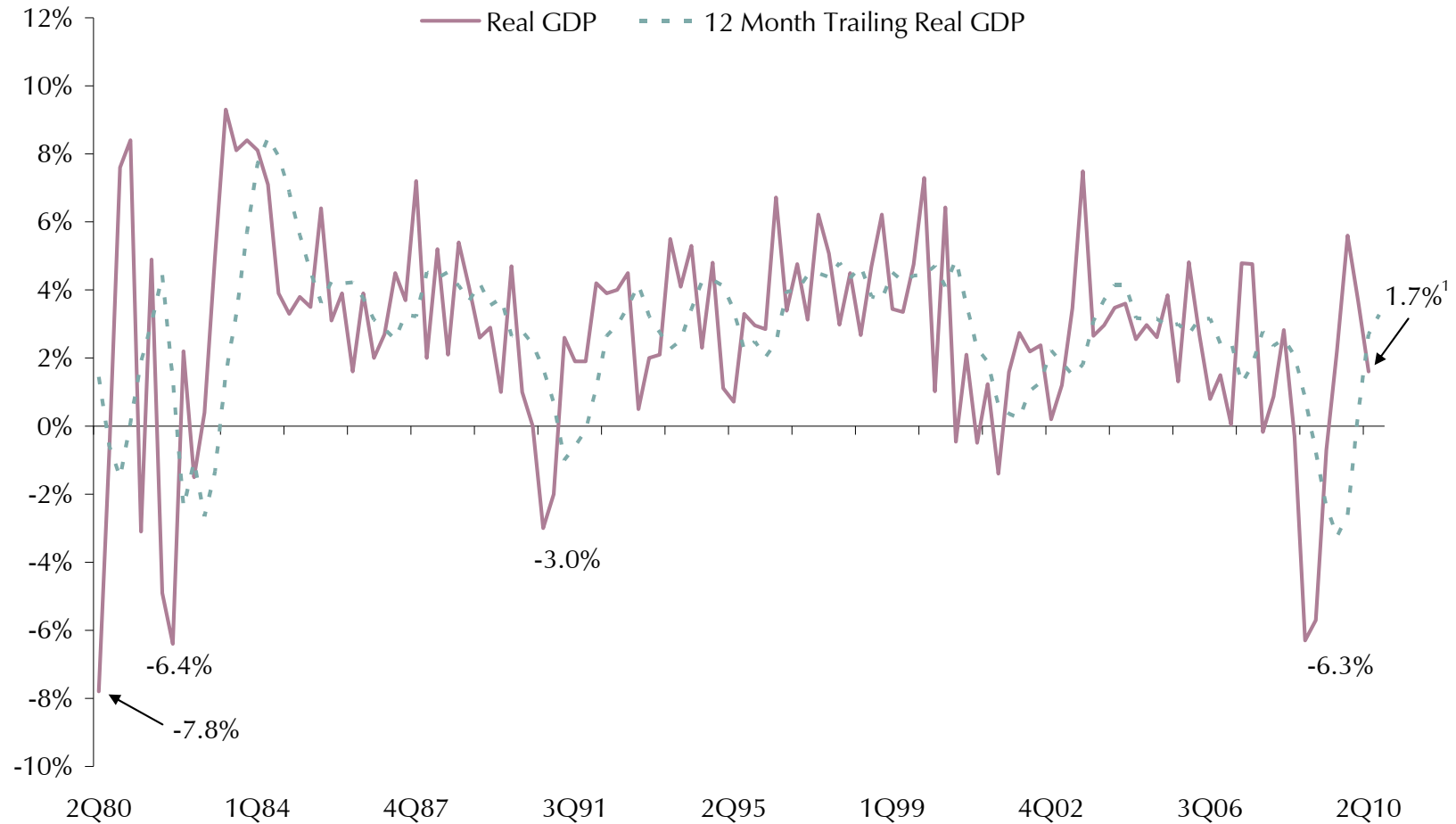


### Credit Spreads vs. U.S. Treasury Bonds

Credit spreads compressed in the third quarter in all sectors, with the exception of mortgage-backed securities (MBS), as demand for spread sectors returned. After turning slightly negative in July, spreads on MBS rose by 80 basis points as uncertainty related to the reinvestment of proceeds from the Federal Reserve's MBS holdings weighed on the sector.

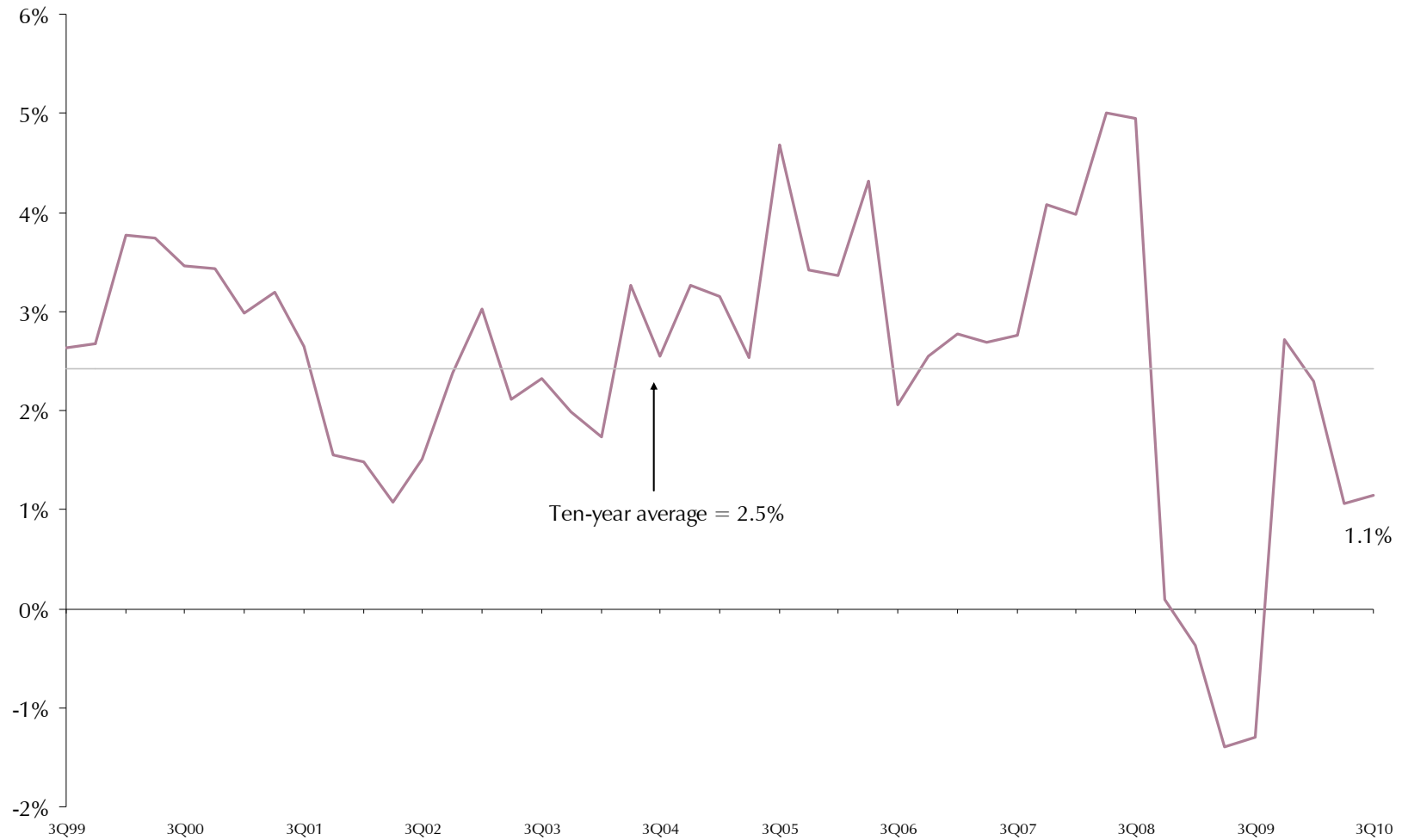


### Real Gross Domestic Product (GDP) Growth



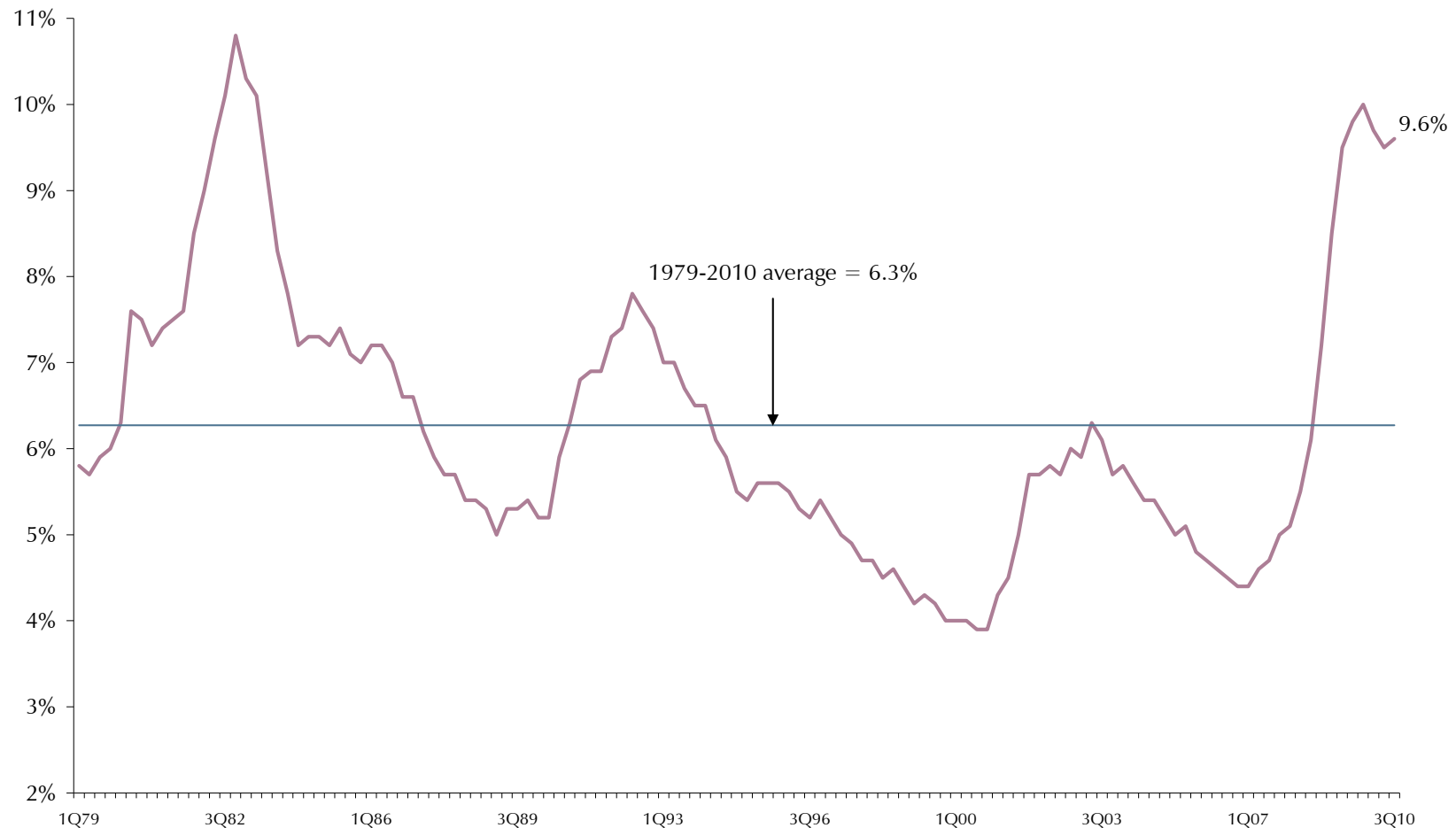
<sup>1</sup> Q2 reported data. Q3 data is not yet available.

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



## U.S. Unemployment

Unemployment increased slightly over the third quarter, finishing 3.3% above its 30-year historical average. An increase in private-sector employment was offset by a decline in government employment, partly reflecting a reduction in temporary 2010 census workers.



## **Glossary and Notes As of September 30, 2010**

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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