

# FUND EVALUATION REPORT

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## San Jose Federated City Employees Retirement System

Quarterly Review  
December 31, 2009



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**Executive Summary  
As of December 31, 2009**

**Stocks extended their rally in the fourth quarter, although at a far less spectacular rate than in the second and third quarters.**

- Emerging markets, benefiting from continued growth optimism, led the way with an 8.5% advance.
- U.S. stocks outperformed their developed markets' counterparts across the capitalization spectrum in the fourth quarter. This outperformance was partly related to the broad strengthening of the dollar during the quarter.
- Domestically, growth outperformed value during the quarter and the calendar year.

**Spread sector fixed income securities outpaced their higher quality government counterparts, as optimistic growth expectations combined with concerns over the end of quantitative easing.**

- High yield corporate bonds returned 6.2% for the quarter as yield spreads continued to narrow. At quarter-end, spreads were roughly equal to their historical average.
- Investment grade bonds, as proxied by the Barclays Aggregate Index, returned 0.2% for the quarter.

**Global economic data remained mixed.**

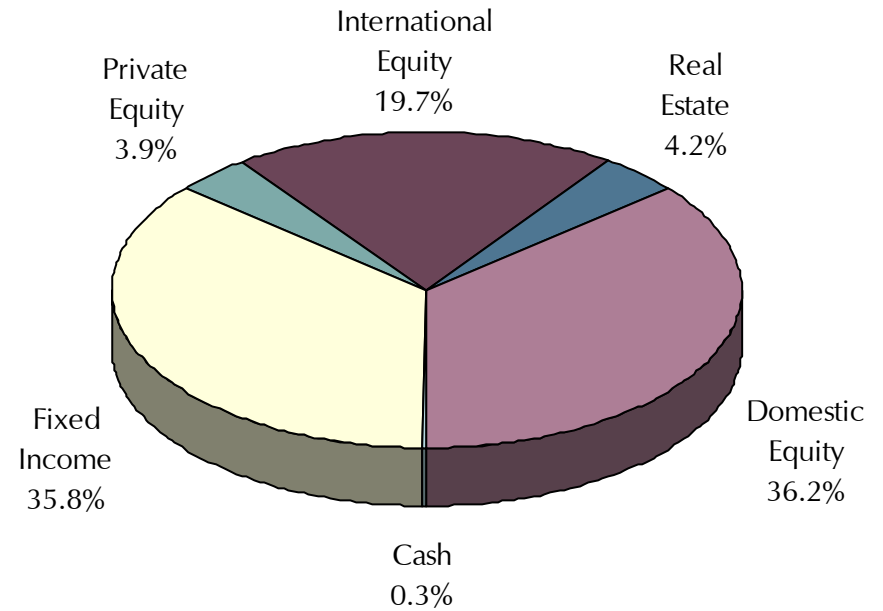
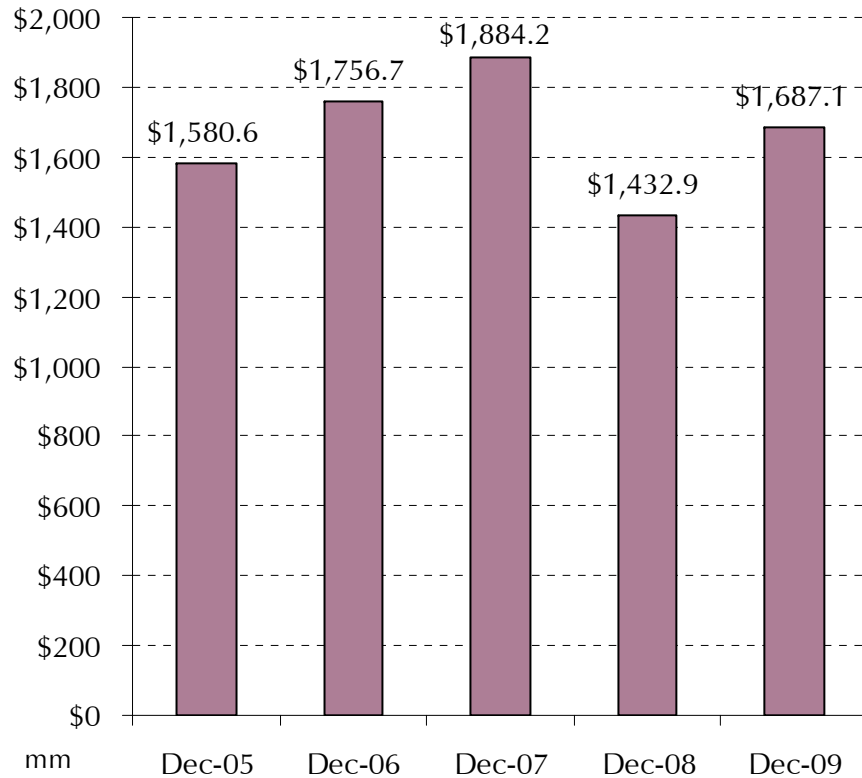
- The developing world appeared to be growing robustly. China, in particular, saw trade volumes and business investment increase significantly. There was, however, concern over future bubbles and inflation.
- On the other hand, the developed world continued to struggle. Domestically, while industrial production and other similar indicators of growth appeared to be recovering modestly, incomes and employment were still in recessionary territory. Internationally, the Eurozone and Japan also struggled with relatively stagnant economies and employment situations.

**The value of the San Jose Federated City Employees Retirement System assets was \$1.687 billion on December 31, 2009.**

- All of the Retirement System's asset class allocations remain within their target ranges at the end of the year.
- During the fourth quarter, the Retirement System returned 3.6%, outperforming the custom policy benchmark by 80 basis points (bps). The fourth quarter return brings the trailing one-year return to 20.5%, which is 150 bps higher than the custom policy benchmark. Within the State Street Bank Master Trust Universe of over 800 Funds, the Retirement System fell in the 44<sup>th</sup> percentile for the trailing one-year period. The Retirement System's returns rank above the median return for all trailing time periods.
- The domestic equity and fixed income asset classes, in which the majority of Retirement System assets are invested, have outpaced their asset class benchmarks for 2009. The international equity, real estate, and private equity asset classes have lagged their respective benchmarks during 2009, though international equity outperformed during the fourth quarter.

- Dodge & Cox Core Fixed Income posted performance of 1.8%, compared to 0.2% for the Barclays Aggregate Index. Dodge & Cox's performance falls in the second percentile of the peer Core Fixed Income universe. The strategy's overweight position to the corporate sector, as well as high yield exposure, contributed positively to return.
- Eagle Small Cap Growth returned 6.2%, compared to 4.1% for the Russell 2000 Growth benchmark. The portfolio's performance resulted from positions in energy, information technology, and materials.
- Atlanta Capital High Quality Growth Plus posted performance of 4.8%, trailing the Russell 1000 Growth Index by 310 bps. Atlanta believes their returns have been hurt by the recent "low quality rally," where the riskiest stocks have earned the highest returns.
- After lagging for some time, McKinley International Growth outperformed its benchmark during the fourth quarter. Portfolio performance was 7.1%, compared to 3.7% for the MSCI ACWI ex U.S. Index. However, McKinley continues to trail the benchmark significantly since inception, as McKinley's momentum style has not been rewarded in recent market environments. McKinley is the subject of a replacement search, although McKinley has been included as a candidate in the search.

**Plan Summary**  
**As of December 31, 2009**





	Market Value 12/31/09 (\$ mm)	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/09 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,687.1</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,652.9</b>
Fixed Income Assets	603.3	36	36	31-41	595.7
Domestic Equity Assets	610.9	36	33	28-38	544.1
International Equity Assets	331.9	20	20	15-25	326.4
Real Estate Assets	71.1	4	6	3-9	71.5
Private Equity Assets	65.3	4	5	0-10	61.6
Cash	4.7	<1	0	0-5	53.7 <sup>1</sup>

<sup>1</sup> Cash balance includes \$50 million used to fund Calamos Global Convertibles on October 1.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/09

	Market Value 12/31/09 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/09 (\$ mm)
<b>Total Fund Aggregate</b>	<b>1,687.1</b>	<b>NA</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>1,652.9</b>
<b>Fixed Income Assets</b>	<b>603.3</b>	<b>100</b>	<b>36</b>	<b>36</b>	<b>31-41</b>	<b>595.7</b>
<b>Investment Grade Bond Assets</b>	<b>365.1</b>	<b>61</b>	<b>22</b>			<b>359.7</b>
Dodge & Cox Core Fixed Income	258.4	43	15			253.8
BlackRock Core Plus	106.8	18	6			105.9
<b>International Fixed Income Assets</b>	<b>126.0</b>	<b>21</b>	<b>7</b>			<b>126.6</b>
Loomis Global Bond	126.0	21	7			126.6
<b>High Yield Assets</b>	<b>112.1</b>	<b>19</b>	<b>7</b>			<b>109.4</b>
MacKay Shields High Yield Active Core	59.0	10	3			57.3
Seix Credit Dislocation Strategy	53.1	9	3			52.1
<b>Domestic Equity Assets</b>	<b>610.9</b>	<b>100</b>	<b>36</b>	<b>33</b>	<b>28-38</b>	<b>544.1</b>
Northern Trust Russell 3000 Index	333.4	55	20			313.9
Wellington Opportunistic Growth	54.2	9	3			58.6
Calamos Global Convertibles	52.1	9	3			0.0
Eagle Small-Cap Growth	52.1	9	3			49.1
Brandywine Diversified Small Cap Value	40.0	7	2			38.6
Atlanta Capital High Quality Growth Plus	39.7	7	2			37.9
Dodge & Cox Large Cap Value	39.3	6	2			45.9



## San Jose Federated City Employees Retirement System

## Aggregate Assets Portfolio Roster as of 12/31/09

	Market Value 12/31/09 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/09 (\$ mm)
<b>International Equity Assets</b>	<b>331.9</b>	<b>100</b>	<b>20</b>	<b>20</b>	<b>15-25</b>	<b>326.4</b>
Boston Company Int'l ACWI ex-US Value Fund	146.8	44	9			152.1
McKinley International Growth	124.8	38	7			116.5
Fisher Institutional Foreign Equity	60.3	18	4			57.7
<b>Real Estate Assets</b>	<b>71.1</b>	<b>100</b>	<b>4</b>	<b>6</b>	<b>3-9</b>	<b>71.5</b>
PRISA I	20.5	29	1			21.1
DRA Growth & Income Fund V	15.2	21	<1			15.2
American Core Realty Fund, LLC	13.9	20	<1			14.6
MIG Realty- Milpitas Warehouse	8.7	12	<1			8.7
DRA Growth & Income Fund VI	6.5	9	<1			5.7
GEAM Value Add Realty Partners, L.P.	4.9	7	<1			4.9
Fidelity Real Estate Growth Fund III, L.P.	1.2	2	<1			1.1
Fidelity LP	0.2	<1	<1			0.2



	Market Value 12/31/09 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/09 (\$ mm)
<b>Private Equity Assets</b>	<b>65.3</b>	<b>100</b>	<b>4</b>	<b>5</b>	<b>0-10</b>	<b>61.6</b>
Pathway Private Equity Fund VIII	25.8	40	2			24.6
Pantheon Global Secondary Fund III	25.0	38	1			24.3
Pantheon USA Fund VII	11.6	18	<1			10.2
Partners Group Secondary 2008	2.5	4	<1			2.0
Great Hill Equity Partners IV	0.4	<1	<1			0.4
<b>Cash</b>	<b>4.7</b>	<b>100</b>	<b>&lt;1</b>	<b>0</b>	<b>0-5</b>	<b>53.7</b>
Internal Cash Account	4.7	100	<1			53.7

	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>20.5</b>	<b>0.0</b>	<b>3.8</b>	<b>5.1</b>	<b>1/1/94</b>	<b>7.7</b>
<b>Net of Fees</b>	<b>3.5</b>	<b>20.1</b>	<b>-0.3</b>	<b>3.5</b>	<b>4.7</b>		<b>7.4</b>
<i>CPI (inflation)</i>	0.0	2.7	2.3	2.6	2.5		2.5
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	2.8	19.0	-0.2	3.8	4.1		7.4
<i>State Street Master Trust Median</i>	3.1	19.4	-0.5	3.6	3.9		NA
<i>State Street Master Trust Percentile Ranking</i>	28	44	41	41	18		NA
Fixed Income	1.5	15.8	6.8	5.4	6.8	1/1/94	6.4
<i>Barclays Universal</i>	0.6	8.6	5.8	5.0	6.4		6.3
Domestic Equity	5.7	30.7	-4.5	1.3	1.6	7/1/94	8.6
<i>Russell 3000</i>	5.9	28.3	-5.4	0.8	-0.2		8.2
International Equity	4.8	37.6	-4.6	4.5	2.2	8/1/94	5.1
<i>MSCI ACWI (ex. U.S.)</i>	3.7	41.4	-3.5	5.8	2.7		5.6
Real Estate	-1.7	-28.1	-5.6	3.2	8.4	1/1/94	8.7
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		8.6
Private Equity	1.5	-13.5	-1.4	NA	NA	1/1/06	-1.9
<i>S&amp;P 500 + 3%</i>	6.8	29.5	-2.6	3.4	1.0		2.3

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

<sup>2</sup> The policy index consists of 34% Russell 1000/ 9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property. Because the NCREIF Property 4Q09 return was not available in time for this report, a 0% 4Q09 return was assumed for that component of the Policy Benchmark.



	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>20.5</b>	<b>0.0</b>	<b>3.8</b>	<b>5.1</b>	<b>1/1/94</b>	<b>7.7</b>	
<b>Net of Fees</b>	<b>3.5</b>	<b>20.1</b>	<b>-0.3</b>	<b>3.5</b>	<b>4.7</b>		<b>7.4</b>	
<i>CPI (inflation)</i>	0.0	2.7	2.3	2.6	2.5		2.5	
<i>San Jose FCERS Policy Benchmark<sup>2</sup></i>	2.8	19.0	-0.2	3.8	4.1		7.4	
<i>State Street Master Trust Median</i>	3.1	19.4	-0.5	3.6	3.9		NA	
<i>State Street Master Trust Percentile Ranking</i>	28	44	41	41	18		NA	
<b>Fixed Income</b>	<b>1.5</b>	<b>15.8</b>	<b>6.8</b>	<b>5.4</b>	<b>6.8</b>	<b>1/1/94</b>	<b>6.4</b>	
<b>Investment Grade Bonds</b>	<b>1.5</b>	<b>14.4</b>	<b>6.1</b>	<b>5.3</b>	<b>6.5</b>	<b>1/1/94</b>	<b>6.3</b>	
Dodge & Cox Core Fixed Income	1.8	15.6	6.3	5.5	7.0	10/1/99	6.8	2Q09
Net of Fees	1.7	15.4	6.2	5.3	6.8		6.6	
<i>Barclays Aggregate</i>	0.2	5.9	6.0	5.0	6.3		6.2	
<i>Peer Core Fixed Income</i>	0.6	8.5	6.2	5.2	6.4		6.2	
<i>Peer Ranking (percentile)</i>	2	6	44	31	9		9	
BlackRock Core Plus	0.9	12.6	5.7	4.9	NA	10/1/02	5.1	2Q09
Net of Fees	0.8	12.3	5.5	4.6	NA		4.9	
<i>Barclays Aggregate</i>	0.2	5.9	6.0	5.0	6.3		4.8	
<i>Peer Core Plus</i>	1.8	16.8	6.2	5.3	6.8		5.7	
<i>Peer Ranking (percentile)</i>	95	80	63	72	NA		68	

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<sup>2</sup> The policy index consists of 34% Russell 1000/ 9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property. Because the NCREIF Property 4Q09 return was not available in time for this report, a 0% 4Q09 return was assumed for that component of the Policy Benchmark.



	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Fixed Income (continued)</b>								
<b>International Fixed Income</b>	<b>-0.5</b>	<b>17.6</b>	<b>8.5</b>	<b>NA</b>	<b>NA</b>	<b>2/1/05</b>	<b>5.9</b>	
Loomis Global Bond	-0.5	17.6	8.5	NA	NA	2/1/05	5.9	
Net of Fees	-0.6	17.2	8.1	NA	NA		5.5	
<i>S&amp;P Citigroup World Gov't Bond Index</i>	-1.9	2.6	8.1	4.5	6.6		4.9	
<b>High Yield Bonds</b>	<b>4.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>5/1/09</b>	<b>15.1</b>	
Mackay Shields High Yield Active Core	6.0	NA	NA	NA	NA	5/1/09	20.3	
Net of Fees	5.8	NA	NA	NA	NA		20.1	
<i>Barclays High Yield</i>	6.2	58.2	6.0	6.5	6.7		33.2	
<i>Barclays High Yield BB/B</i>	4.8	45.4	4.9	5.7	6.2		24.5	
<i>Peer High Yield</i>	5.5	48.5	5.1	5.9	6.3		29.5	
<i>Peer Ranking (percentile)</i>	38	NA	NA	NA	NA		87	
Seix Credit Dislocation Strategy	1.9	NA	NA	NA	NA	5/1/09	9.8	
Net of Fees	1.9	NA	NA	NA	NA		9.8	
<i>CSFB Leveraged Loan Index</i>	3.6	44.9	1.7	3.6	4.3		25.2	

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	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Domestic Equity</b>	<b>5.7</b>	<b>30.7</b>	<b>-4.5</b>	<b>1.3</b>	<b>1.6</b>	<b>7/1/94</b>	<b>8.6</b>	
Northern Trust Russell 3000 Index	6.2	28.9	-5.3	0.9	-0.1	9/1/99	1.1	
<i>Russell 3000</i>	5.9	28.3	-5.4	0.8	-0.2		1.0	
Wellington Opportunistic Growth	6.9	36.8	-1.2	NA	NA	10/1/05	1.8	
Net of Fees	6.8	36.0	-1.8	NA	NA		1.2	
<i>Russell 3000 Growth</i>	7.6	37.0	-2.1	1.6	-3.8		1.3	
<i>Peer Large Cap Growth</i>	7.6	35.5	-1.7	2.1	-0.8		1.6	
<i>Peer Ranking (percentile)</i>	64	39	42	NA	NA		44	
Calamos Global Convertibles	NA	NA	NA	NA	NA	11/1/09	4.7	
Net of Fees	NA	NA	NA	NA	NA		4.6	
<i>Merrill Lynch Global 300 Convertible Index</i>	4.2	36.3	0.9	NA	NA		5.2	
Eagle Small-Cap Growth	6.2	40.3	0.5	5.2	6.1	6/1/98	5.0	
Net of Fees	6.0	39.5	-0.1	4.5	5.4		4.3	
<i>Russell 2000 Growth</i>	4.1	34.5	-4.0	0.9	-1.4		1.6	
<i>Peer Small Cap Growth</i>	5.2	36.0	-3.5	1.6	2.7		5.7	
<i>Peer Ranking (percentile)</i>	24	29	16	10	25		72	

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





	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Domestic Equity (continued)</b>								
Brandywine Diversified Small Cap Value	3.5	16.3	-10.2	-2.5	8.1	6/1/99	6.6	1Q08
Net of Fees	3.4	15.7	-10.7	-3.0	7.5		6.0	
<i>Russell 2000 Value</i>	3.6	20.6	-8.2	0.0	8.3		7.5	
<i>Peer Small Cap Value</i>	4.8	30.2	-4.3	2.6	10.0		9.6	
<i>Peer Ranking (percentile)</i>	75	97	97	99	87		98	
Atlanta Capital High Quality Growth Plus	4.8	33.8	-1.0	2.5	-0.1	9/1/98	3.9	
Net of Fees	4.6	33.2	-1.4	2.0	-0.5		3.4	
<i>Russell 1000 Growth</i>	7.9	37.2	-1.9	1.6	-4.0		1.7	
<i>Peer Large Cap Blend</i>	6.0	26.5	-5.0	0.9	0.1		4.0	
<i>Peer Ranking (percentile)</i>	87	13	4	17	57		55	
Dodge & Cox Large Cap Value	4.6	27.2	-9.5	-0.8	NA	7/1/04	1.4	2Q09
Net of Fees	4.5	26.7	-9.8	-1.1	NA		1.1	
<i>Russell 1000 Value</i>	4.2	19.7	-9.0	-0.3	2.5		1.9	
<i>Peer Large Cap Value</i>	4.8	21.9	-7.0	0.8	3.4		2.5	
<i>Peer Ranking (percentile)</i>	58	28	91	88	NA		79	

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	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>International Equity</b>	<b>4.8</b>	<b>37.6</b>	<b>-4.6</b>	<b>4.5</b>	<b>2.2</b>	<b>8/1/94</b>	<b>5.1</b>	
Boston Company International ACWI ex-US Value Fund	3.0	39.7	-2.5	5.3	NA	3/1/03	14.0	2Q07
Net of Fees	2.9	38.9	-3.0	4.8	NA		13.4	
<i>MSCI ACWI (ex. U.S.)</i>	3.7	41.4	-3.5	5.8	2.7		13.6	
<i>Peer International Value</i>	1.6	32.9	-5.2	4.6	5.3		13.2	
<i>Peer Ranking (percentile)</i>	17	28	16	38	NA		36	
McKinley International Growth	7.1	24.6	-8.9	NA	NA	8/1/05	2.4	2Q09
Net of Fees	7.0	23.9	-9.4	NA	NA		1.8	
<i>MSCI ACWI (ex. U.S.)</i>	3.7	41.4	-3.5	5.8	2.7		5.8	
<i>Peer International Growth</i>	5.3	40.0	-2.7	6.4	1.4		6.2	
<i>Peer Ranking (percentile)</i>	3	95	96	NA	NA		94	
Fisher Institutional Foreign Equity	4.4	49.9	-2.4	NA	NA	7/1/05	6.3	1Q09
Net of Fees	4.3	48.9	-3.0	NA	NA		5.7	
<i>MSCI ACWI (ex. U.S.)</i>	3.7	41.4	-3.5	5.8	2.7		6.5	
<i>Peer International Blend</i>	3.1	31.8	-4.5	4.8	2.0		5.5	
<i>Peer Ranking (percentile)</i>	18	3	18	NA	NA		38	

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



	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Real Estate</b>	<b>-1.7</b>	<b>-28.1</b>	<b>-5.6</b>	<b>3.2</b>	<b>8.4</b>	<b>1/1/94</b>	<b>8.7</b>	
PRISA I	-2.7	-34.2	-12.4	-0.8	NA	7/1/04	0.5	
Net of Fees	-3.0	-34.8	-13.1	-1.6	NA		-0.4	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		5.8	
DRA Growth & Income Fund V	NA	-15.1	-1.6	NA	NA	9/1/05	2.2	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		3.4	
American Core Realty Fund, LLC	-4.2	-30.0	-8.1	NA	NA	1/1/07	-8.1	
Net of Fees	-4.5	-30.7	-8.9	NA	NA		-8.9	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		-3.4	
MIG Realty- Milpitas Warehouse	0.5	-15.1	0.4	3.6	6.6	12/1/94	9.9	
Net of Fees	0.5	-15.3	0.0	3.0	5.9		9.1	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		8.9	
DRA Growth & Income Fund VI	NA	-3.0	NA	NA	NA	11/1/07	-2.6	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		-9.6	
GEAM Value Add Realty Partners, L.P.	NA	-38.5	-23.2	NA	NA	8/1/06	-17.2	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		-0.8	

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



	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date <sup>1</sup>	Since Inception (%)	Watchlist Probation
<b>Real Estate (continued)</b>								
Fidelity Real Estate Growth Fund III, L.P.	3.2	-73.9	NA	NA	NA	9/1/07	-50.2	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		-7.6	
Fidelity LP	-0.4	24.8	-6.0	18.7	NA	4/1/01	17.8	
<i>NCREIF Property</i>	-2.1	-16.9	-3.4	4.7	7.3		6.7	
<b>Private Equity</b>	<b>1.5</b>	<b>-13.5</b>	<b>-1.4</b>	<b>NA</b>	<b>NA</b>	<b>1/1/06</b>	<b>-1.9</b>	
S&P 500 +3%	6.8	29.5	-2.6	3.4	2.0		2.3	

<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 as of 12/31/09

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Total Fund Aggregate</b>	<b>20.5</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>20.1</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
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
Domestic Equity	30.7	-37.3	6.2	14.9	6.5	12.7	32.0	-19.6	-6.6	-1.9
<i>Russell 3000</i>	28.3	-37.3	5.1	15.7	6.1	11.9	31.1	-21.5	-11.5	-7.5
International Equity	37.6	-45.0	14.8	22.6	17.0	19.9	34.6	-17.9	-19.0	-7.0
<i>MSCI ACWI (ex. U.S.)</i>	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-14.9	-19.7	-15.1
Real Estate	-28.1	-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
Private Equity	-13.5	-4.0	15.5	-3.5	NA	NA	NA	NA	NA	NA
<i>S&amp;P 500 +3%</i>	29.5	-34.0	8.5	18.8	7.9	13.9	31.7	-19.1	-8.9	-6.1

<sup>1</sup> The policy index consists of 34% Russell 1000/ 9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property. Because the NCREIF Property 4Q09 return was not available in time for this report, a 0% 4Q09 return was assumed for that component of the Policy Benchmark.



## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/09

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Total Fund Aggregate</b>	<b>20.5</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>20.1</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>
CPI (inflation)	2.7	0.1	4.1	2.5	3.4	3.3	1.9	2.4	1.6	3.4
San Jose FCERS Policy Benchmark <sup>1</sup>	19.0	-22.8	8.2	13.5	6.7	10.8	20.6	-5.9	-2.5	0.9
<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>
<b>Investment Grade Bonds</b>	<b>14.4</b>	<b>-1.3</b>	<b>5.9</b>	<b>5.2</b>	<b>2.8</b>	<b>4.7</b>	<b>6.2</b>	<b>8.8</b>	<b>8.4</b>	<b>11.0</b>
Dodge & Cox Core Fixed Income	15.6	-0.9	5.0	5.9	2.4	4.2	7.5	9.8	11.2	10.0
Net of Fees	15.4	-1.1	4.9	5.7	2.3	4.0	7.3	9.6	10.9	9.7
Barclays Aggregate	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4	11.6
BlackRock Core Plus	12.6	-1.8	6.7	4.5	2.8	5.3	5.1	NA	NA	NA
Net of Fees	12.3	-1.9	6.5	4.2	2.6	5.0	4.9	NA	NA	NA
Barclays Aggregate	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3	8.4	11.6
<b>International Fixed Income</b>	<b>17.6</b>	<b>-1.4</b>	<b>10.0</b>	<b>8.7</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Loomis Global Bond	17.6	-1.4	10.0	8.7	NA	NA	NA	NA	NA	NA
Net of Fees	17.2	-1.7	9.7	8.4	NA	NA	NA	NA	NA	NA
S&P Citigroup World Gov't Bond Index	2.6	10.9	10.9	6.1	-6.9	10.3	14.9	19.5	-1.0	1.6

<sup>1</sup> The policy index consists of 34% Russell 1000/ 9% Russell 2000/ 29% Barclays Aggregate/ 7% S&P Citigroup WGBI/ 15% MSCI ACWI-ex US/ 6% NCREIF Property. Because the NCREIF Property 4Q09 return was not available in time for this report, a 0% 4Q09 return was assumed for that component of the Policy Benchmark.



	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Fixed Income (continued)</b>										
<b>High Yield Bonds</b>	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
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
<b>Domestic Equity</b>	<b>30.7</b>	<b>-37.3</b>	<b>6.2</b>	<b>14.9</b>	<b>6.5</b>	<b>12.7</b>	<b>32.0</b>	<b>-19.6</b>	<b>-6.6</b>	<b>-1.9</b>
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
Wellington Opportunistic Growth	36.8	-38.8	15.2	6.9	NA	NA	NA	NA	NA	NA
Net of Fees	36.0	-39.2	14.6	6.2	NA	NA	NA	NA	NA	NA
<i>Russell 3000 Growth</i>	37.0	-38.4	11.4	9.5	5.2	6.9	31.0	-28.0	-19.6	-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	NA	NA	NA	NA	NA	NA	NA

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Domestic 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
Brandywine Diversified Small Cap Value	16.3	-29.8	-11.3	17.2	3.6	23.9	42.9	-2.0	25.7	13.9
Net of Fees	15.7	-30.2	-11.8	16.6	3.1	23.2	42.1	-2.6	25.0	13.3
<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
Atlanta Capital High Quality Growth Plus	33.8	-36.1	13.4	10.3	5.6	5.4	25.7	-24.6	-14.8	3.2
Net of Fees	33.2	-36.4	13.0	9.9	5.2	5.0	25.2	-24.9	-15.1	2.8
<i>Russell 1000 Growth</i>	37.2	-38.4	11.8	9.1	5.3	6.3	29.7	-27.9	-20.4	-22.4
Dodge & Cox Large Cap Value	27.2	-42.0	0.4	18.6	9.7	NA	NA	NA	NA	NA
Net of Fees	26.7	-42.2	0.0	18.2	9.3	NA	NA	NA	NA	NA
<i>Russell 1000 Value</i>	19.7	-36.8	-0.2	22.2	7.1	16.5	30.0	-15.5	-5.6	7.0





## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/09

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>International Equity</b>	<b>37.6</b>	<b>-45.0</b>	<b>14.8</b>	<b>22.6</b>	<b>17.0</b>	<b>19.9</b>	<b>34.6</b>	<b>-17.9</b>	<b>-19.0</b>	<b>-7.0</b>
Boston Company International ACWI ex-US Value Fund	39.7	-38.3	7.6	23.5	13.3	22.7	NA	NA	NA	NA
Net of Fees	38.9	-38.6	7.1	22.8	12.7	22.0	NA	NA	NA	NA
<i>MSCI ACWI (ex. U.S.)</i>	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-14.9	-19.7	-15.1
McKinley International Growth	24.6	-49.7	20.5	27.7	NA	NA	NA	NA	NA	NA
Net of Fees	23.9	-50.0	19.8	27.0	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI (ex. U.S.)</i>	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-14.9	-19.7	-15.1
Fisher Institutional Foreign Equity	49.9	-46.7	16.2	17.4	NA	NA	NA	NA	NA	NA
Net of Fees	48.9	-47.0	15.4	16.6	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI (ex. U.S.)</i>	41.4	-45.5	16.7	26.7	16.6	20.9	40.8	-14.9	-19.7	-15.1
<b>Real Estate</b>	<b>-28.1</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	-34.4	-13.0	17.5	16.2	23.3	NA	NA	NA	NA	NA
Net of Fees	-34.8	-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
DRA Growth & Income Fund V	-15.1	-7.4	21.2	12.6	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
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



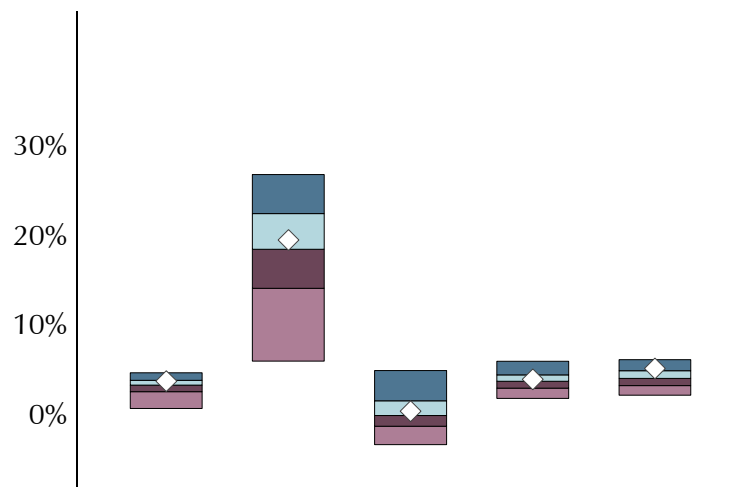
## San Jose Federated City Employees Retirement System

## Aggregate Assets Calendar Year Performance as of 12/31/09

	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)	2003 (%)	2002 (%)	2001 (%)	2000 (%)
<b>Real Estate (continued)</b>										
MIG Realty- 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
DRA Growth & Income Fund VI	-3.0	-4.1	NA	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
GEAM Value Add Realty Partners, L.P.	-38.5	-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
Fidelity Real Estate Growth Fund III, L.P.	-73.9	-13.9	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	0.0	-24.1	NA	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
Fidelity LP	24.8	-35.1	2.4	72.7	64.3	28.2	9.7	14.5	NA	NA
Net of Fees	0.0	-34.8	65.1	10.0	68.1	19.3	9.5	11.8	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
<b>Private Equity</b>	<b>-13.5</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>
S&P 500 +3%	29.5	-34.0	8.5	18.8	7.9	13.9	31.7	-19.1	-8.9	-6.1



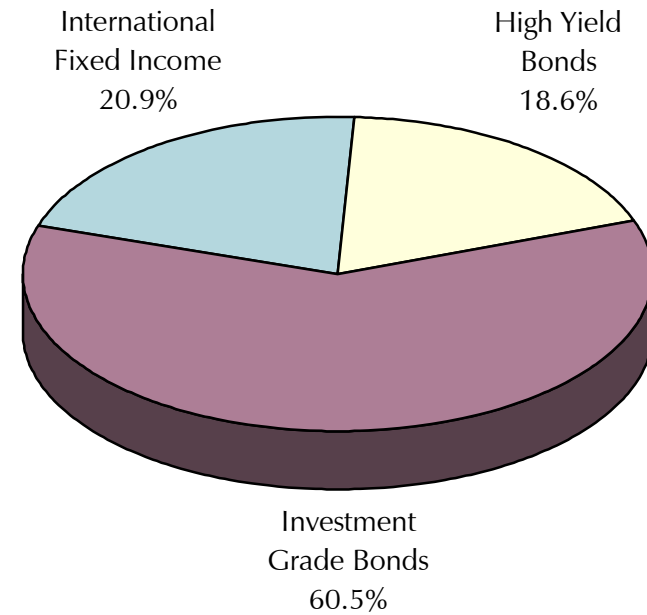
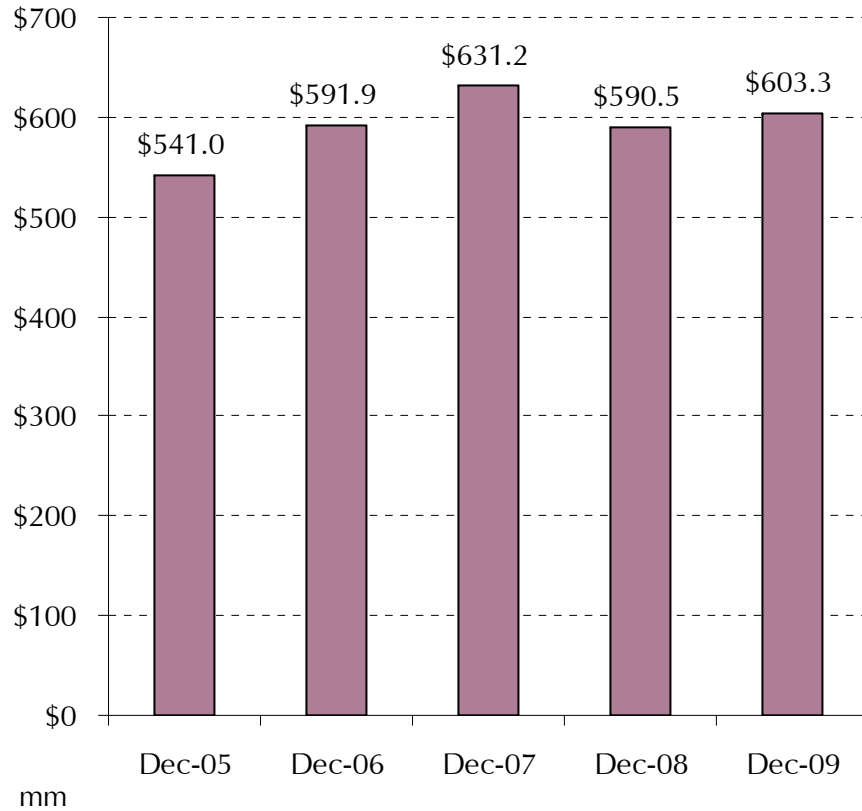
Total Fund Aggregate vs. State Street Master Trust Universe



	4Q09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate</b>	<b>3.6</b>	<b>20.5</b>	<b>0.0</b>	<b>3.8</b>	<b>5.1</b>
25th percentile	3.7	23.7	1.2	4.3	4.8
Median	3.1	19.4	-0.5	3.6	3.9
75 Percentile	2.3	14.7	-1.8	2.8	3.1
<b>Retirement System Percentile Rank</b>	<b>28</b>	<b>44</b>	<b>41</b>	<b>41</b>	<b>18</b>

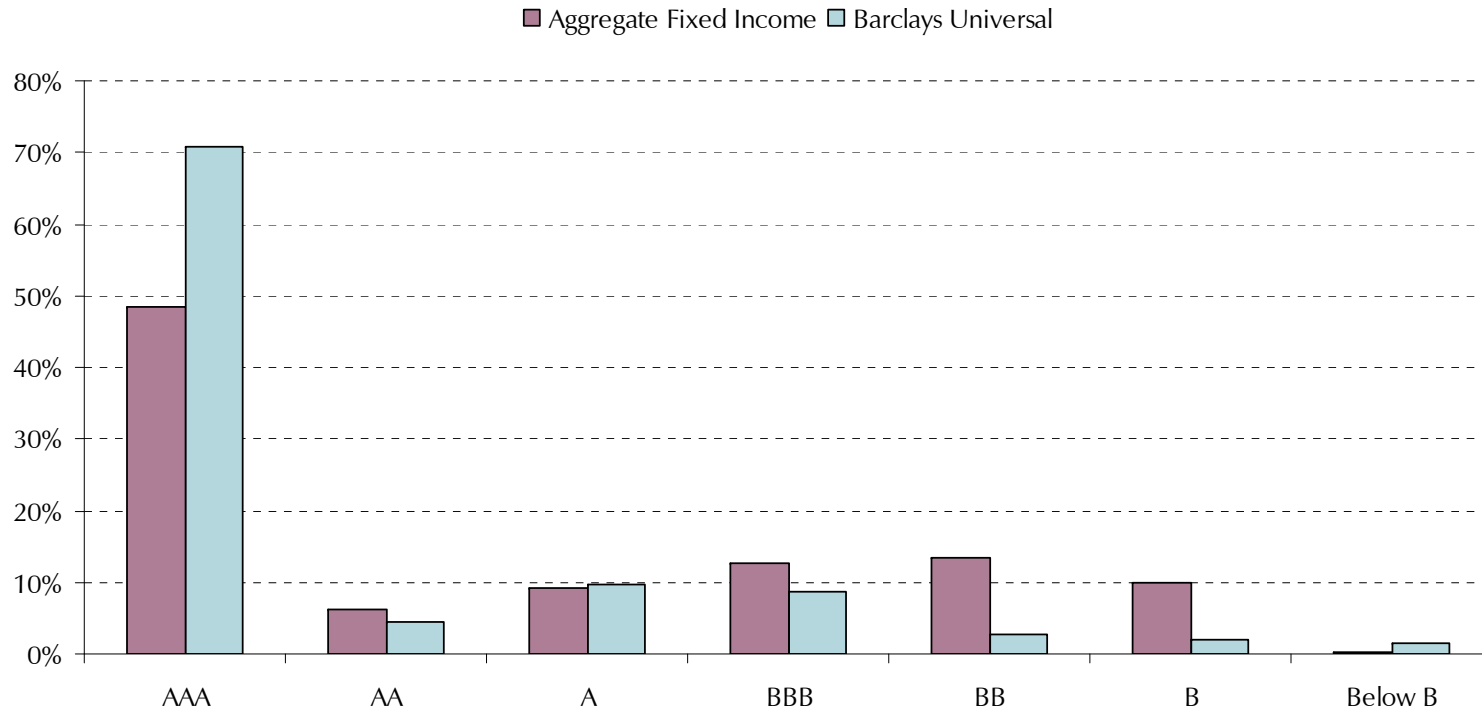
## Plan Detail

**Fixed Income Assets  
As of December 31, 2009**



Risk: (sixty months)	Aggregate Fixed Income 12/31/09	Barclays Universal 12/31/09
Annualized Return (%)	5.4	5.0
Standard Deviation (%)	4.8	4.0
Best Monthly Return (%)	4.8	3.8
Worst Monthly Return (%)	-3.8	-3.6
Beta	1.08	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)	0.51	0.52
Information Ratio	0.18	NA

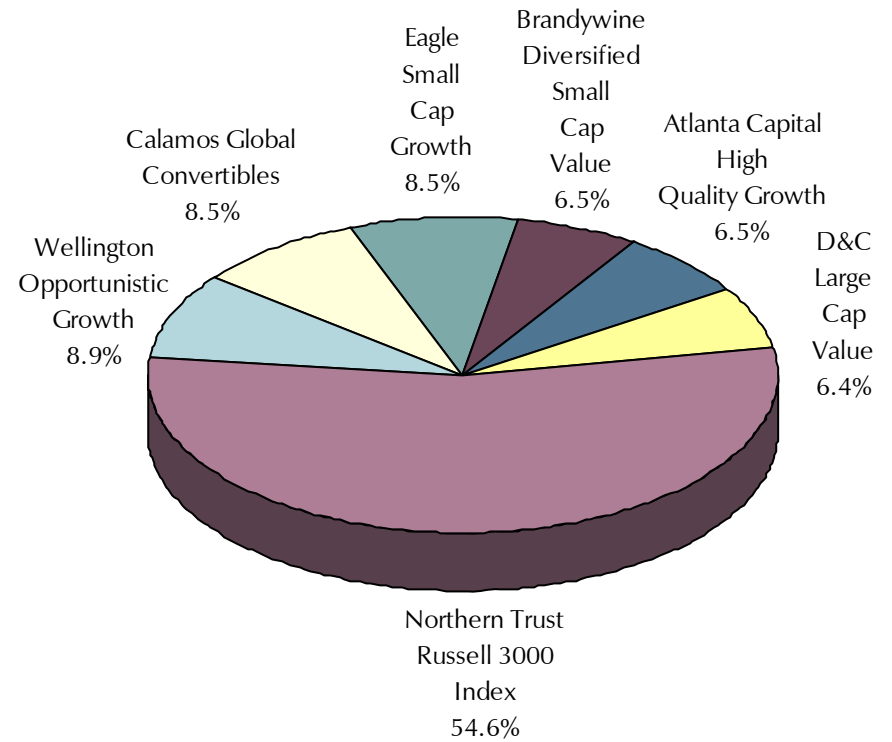
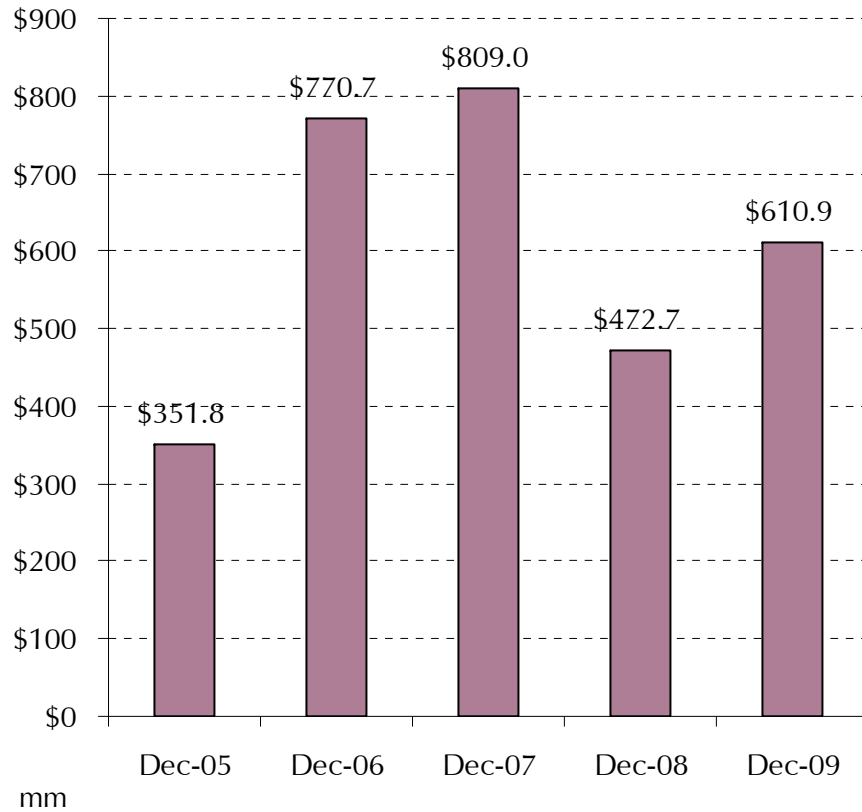
Duration & Yield:	Aggregate Fixed Income 12/31/09	Barclays Universal 12/31/09	Aggregate Fixed Income 9/30/09
Average Effective Duration (years)	4.1	4.6	4.2
Yield to Maturity (%)	4.4	4.0	4.6





	Aggregate Fixed Income 12/31/09	Barclays Universal 12/31/09	Aggregate Fixed Income 9/30/09
<b>Market Allocation (%):</b>			
United States	79	87	79
Foreign (developed markets)	20	11	19
Foreign (emerging markets)	1	1	2
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	17	3	17
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	5	25	5
U.S. Treasury-TIPS	0	0	0
U.S. Agency	7	8	7
Mortgage Backed	23	32	23
Corporate	40	27	41
Bank Loans	7	0	7
Local & Provincial Government	0	1	1
Sovereign & Supranational	14	0	12
Commercial Mortgage Backed	1	7	1
Asset Backed	1	0	1
Cash Equivalent	2	0	2
Other	1	0	0

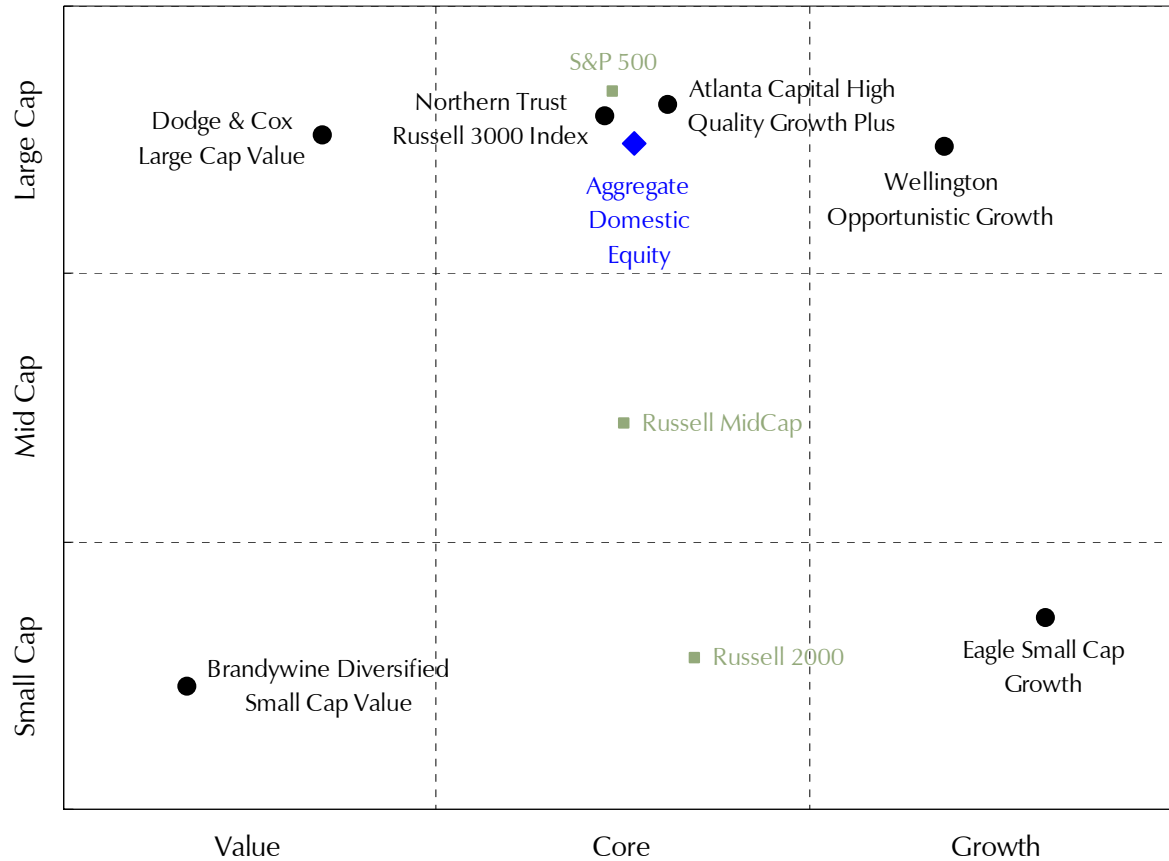
**Domestic Equity Assets  
As of December 31, 2009**



Risk: (sixty months)	Aggregate Domestic Equity 12/31/09	Russell 3000 12/31/09
Annualized Return (%)	1.3	0.8
Standard Deviation (%)	17.8	17.1
Best Monthly Return (%)	11.5	10.5
Worst Monthly Return (%)	-18.1	-17.7
Beta	1.03	1.00
Correlation (R <sup>2</sup> ) to Index	1.00	1.00
Correlation to Total Fund Return	0.97	NA
Sharpe Measure (risk-adjusted return) <sup>1</sup>	Negative	Negative
Information Ratio	0.35	NA

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





	Aggregate Domestic Equity 12/31/09	Russell 3000 12/31/09	Aggregate Domestic Equity 9/30/09
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	55.0	67.2	51.1
Median Market Cap. (US\$ million)	846	748	808
Large (% over US\$10 billion)	61	70	61
Medium (% US\$1.5 billion to US\$10 billion)	23	23	23
Small (% under US\$1.5 billion)	16	7	17
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	24	24	23
Price-Book Value Ratio	3.1	3.3	3.1
Dividend Yield (%)	1.6	2.0	1.9
Historical Earnings Growth Rate (%)	18	17	17
Projected Earnings Growth Rate (%)	12	11	11

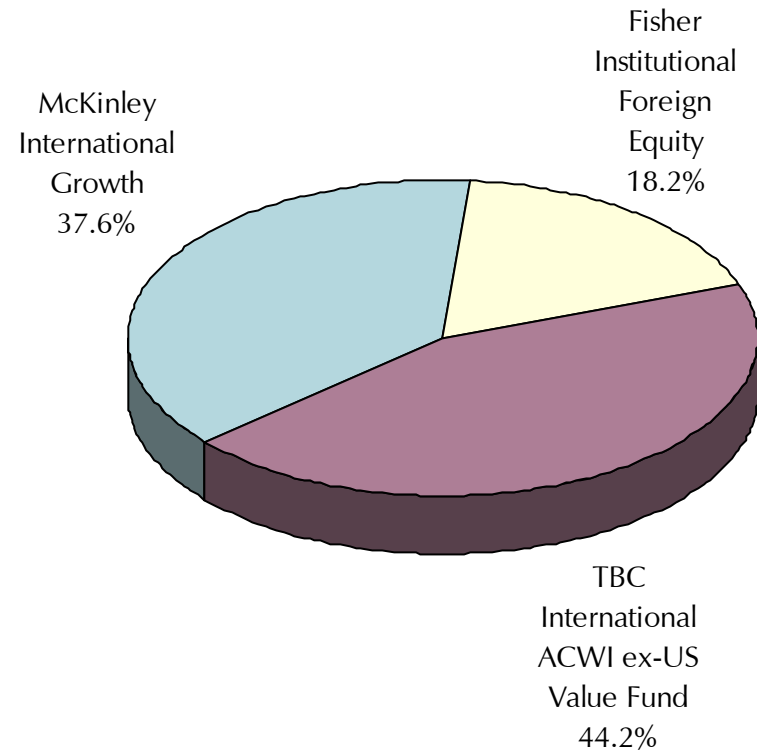
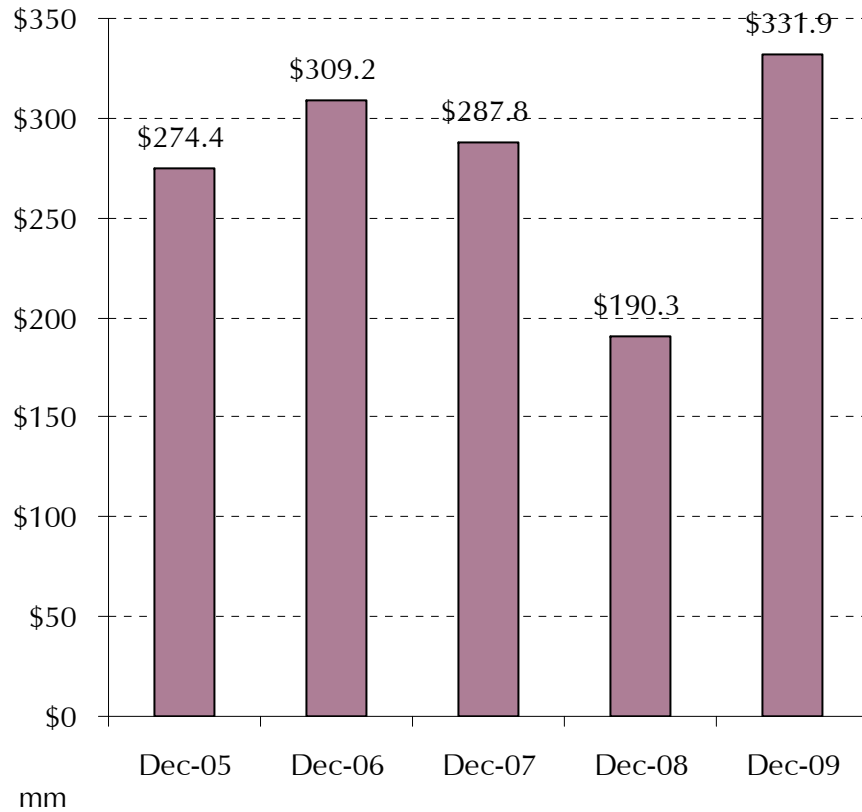
Diversification:	Aggregate Domestic Equity 12/31/09	Russell 3000 12/31/09	Aggregate Domestic Equity 9/30/09
Number of Holdings	2,880	2,972	2,877
% in 5 largest holdings	7	9	7
% in 10 largest holdings	13	16	13

Largest Five Holdings:	% of Portfolio	Economic Sector
Microsoft	1.7	Software & Services
ExxonMobil	1.7	Energy
Apple	1.5	Technology Hardware
Google	1.2	Software & Services
Hewlett-Packard	1.2	Technology Hardware

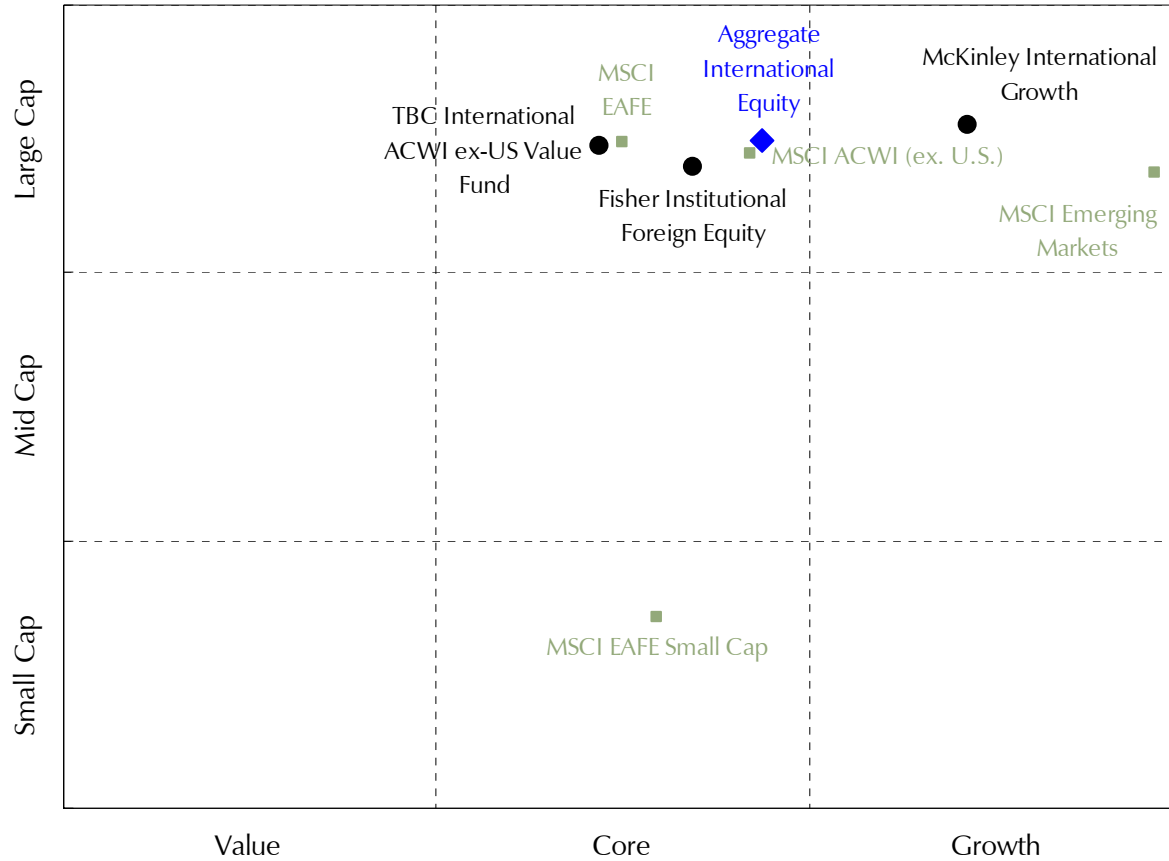
Industry Allocation (%):	Aggregate Domestic Equity 12/31/09	Russell 3000 12/31/09	Aggregate Domestic Equity 9/30/09
Information Technology	22	19	21
Consumer Discretionary	13	10	13
Industrials	12	11	12
Health Care	13	13	14
Materials	4	4	4
Energy	10	11	10
Telecom	2	3	2
Utilities	3	4	3
Financials	14	15	14
Consumer Staples	8	10	7



**International Equity Assets  
As of December 31, 2009**



Risk: (sixty months)	Aggregate International Equity 12/31/09	MSCI ACWI (ex. U.S.) 12/31/09
Annualized Return (%)	4.5	5.8
Standard Deviation (%)	22.4	22.9
Best Monthly Return (%)	13.2	13.6
Worst Monthly Return (%)	-22.4	-22.0
Beta	0.99	1.00
Correlation (R <sup>2</sup> ) to Index	0.99	1.00
Correlation to Total Fund Return	0.96	NA
Sharpe Measure (risk-adjusted return)	0.07	0.13
Information Ratio	Negative	NA



	Aggregate International Equity 12/31/09	MSCI ACWI (ex. U.S.) 12/31/09	Aggregate International Equity 9/30/09
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	55.5	50.1	51.9
Median Market Cap. (US\$ billion)	15.8	5.5	17.2
Large (% over US\$9 billion)	82	77	80
Medium (% US\$1.5 billion to US\$9 billion)	17	22	19
Small (% under US\$1.5 billion)	1	1	1
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	22	24	21
Price-Book Value Ratio	2.5	2.6	2.5
Dividend Yield (%)	2.6	2.8	2.8
Historical Earnings Growth Rate (%)	17	18	16
Projected Earnings Growth Rate (%)	12	11	11

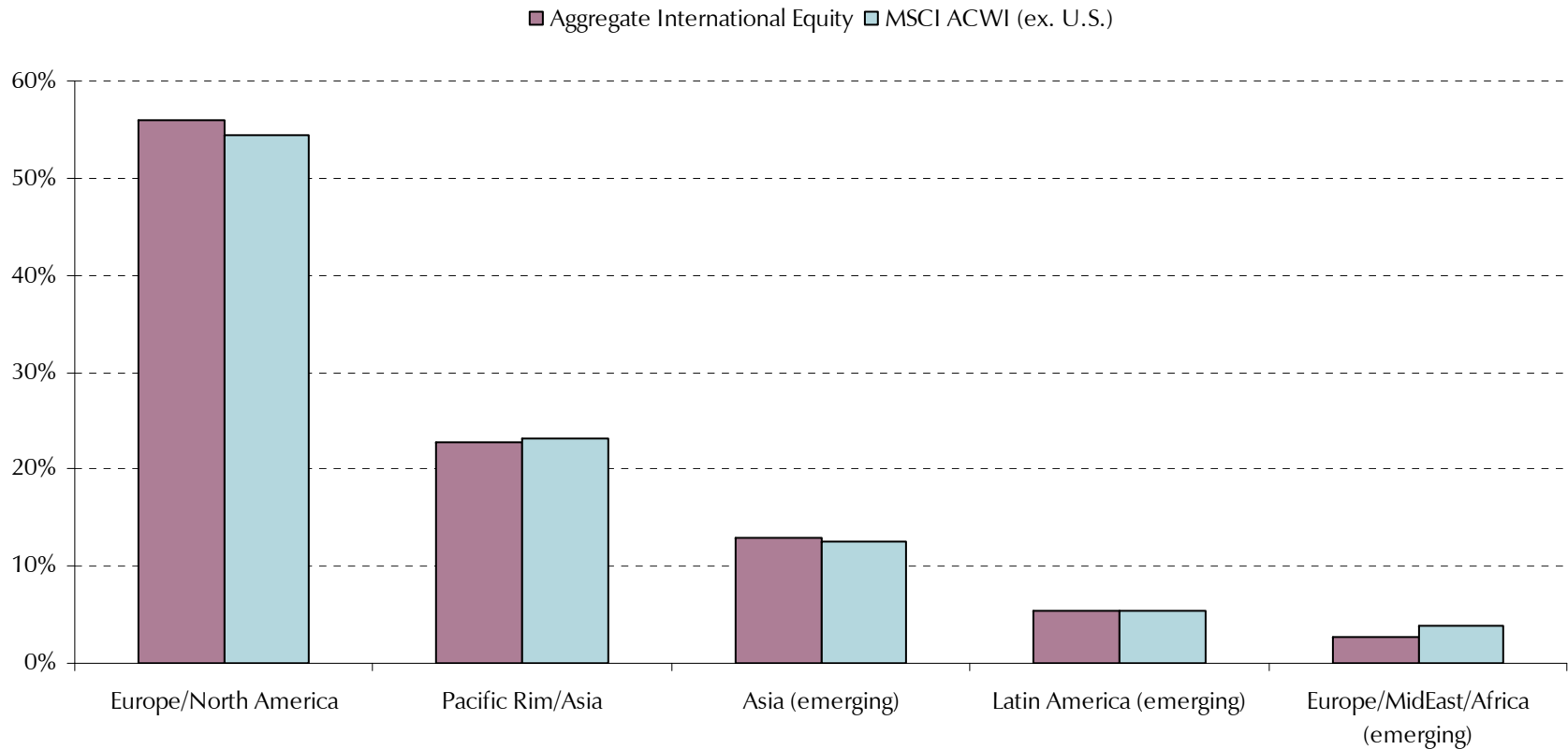
<b>Diversification:</b>	<b>Aggregate International Equity 12/31/09</b>	<b>MSCI ACWI (ex. U.S.) 12/31/09</b>	<b>Aggregate International Equity 9/30/09</b>
Number of Holdings	305	1,823	294
% in 5 largest holdings	8	6	8
% in 10 largest holdings	14	10	14

<b>Largest Five Holdings:</b>	<b>% of Portfolio</b>	<b>Economic Sector</b>
Novartis	2.1	Pharmaceuticals & Biotech
Nestle	1.9	Food Beverage & Tobacco
BHP Billiton	1.5	Materials
BP	1.4	Energy
Rio Tinto	1.3	Materials

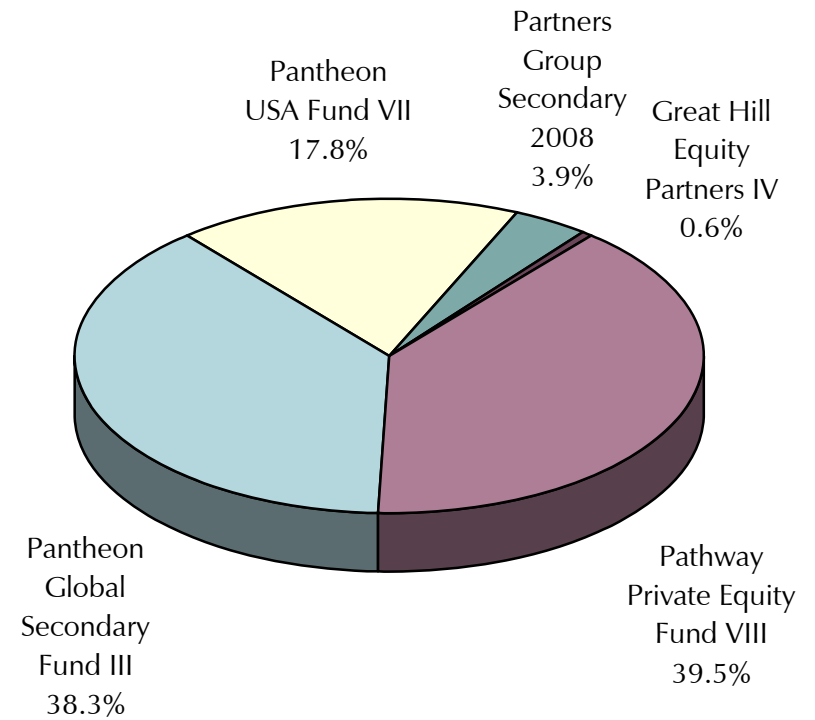
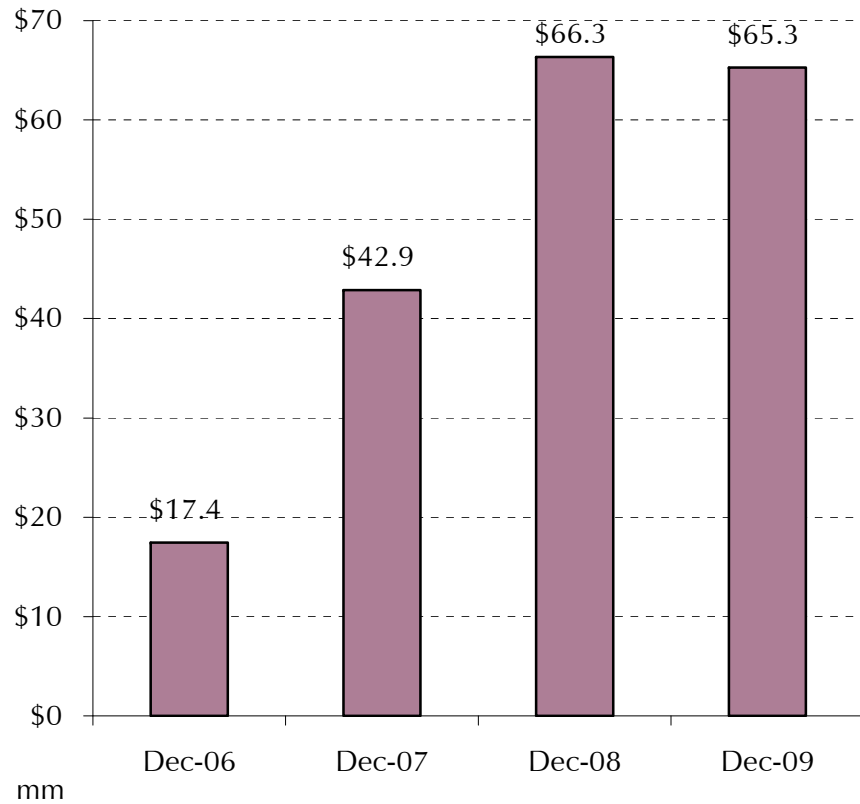
Industry Allocation (%):	Aggregate International Equity 12/31/09	MSCI ACWI (ex. U.S.) 12/31/09	Aggregate International Equity 9/30/09
Information Technology	9	7	10
Consumer Discretionary	10	8	9
Health Care	8	6	7
Industrials	11	10	10
Consumer Staples	9	9	10
Materials	12	12	12
Telecom	6	6	6
Energy	11	11	12
Utilities	3	5	4
Financials	21	26	20

	Aggregate International Equity 12/31/09 (%)	MSCI ACWI (ex. U.S.) 12/31/09 (%)		Aggregate International Equity 12/31/09 (%)	MSCI ACWI (ex. U.S.) 12/31/09 (%)
<b>Europe/North America</b>	<b>55.9</b>	<b>54.4</b>	<b>Asia (emerging)</b>	<b>13.0</b>	<b>12.5</b>
Switzerland	8.3	5.4	South Korea	3.4	2.8
Netherlands	3.1	1.9	Taiwan	2.6	2.5
United Kingdom	16.2	15.2	India	1.3	1.7
Norway	1.5	0.6	China	3.4	4.0
Finland	1.3	0.8	<b>Latin America (emerging)</b>	<b>5.4</b>	<b>5.3</b>
Germany	6.1	5.7	Brazil	4.5	3.8
Sweden	1.8	1.8	<b>Europe/MidEast/Africa (emerging)</b>	<b>2.8</b>	<b>3.9</b>
Italy	2.0	2.4	South Africa	1.0	1.5
Spain	2.2	3.2			
France	6.7	7.8			
Canada	5.5	7.3			
<b>Pacific Rim/Asia</b>	<b>22.7</b>	<b>23.2</b>			
Singapore	2.3	1.0			
Japan	15.5	14.5			
Hong Kong	2.4	1.6			
Australia	2.5	5.9			



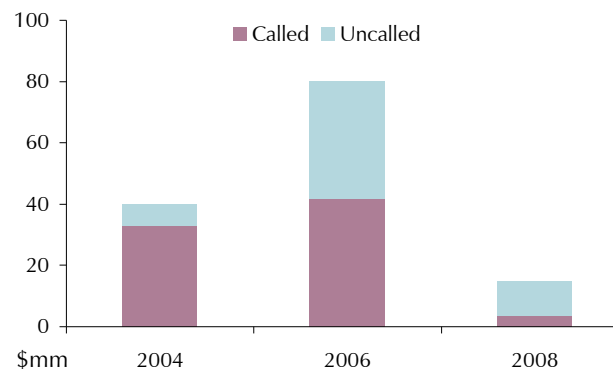
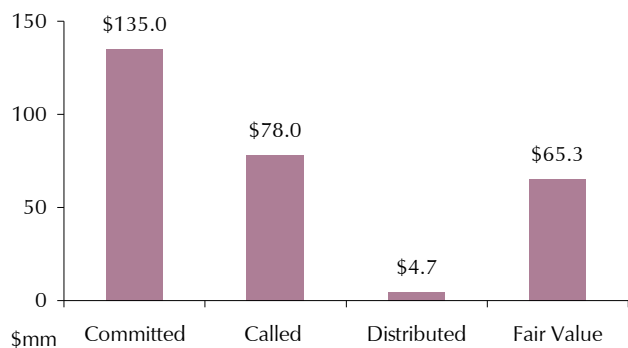


**Private Equity Assets  
As of December 31, 2009**



*Fair values for private markets assets are based on reported values of 9/30/09, adjusted for cash flows through 12/31/09. Unless otherwise denoted, all values have been converted into US dollars using 12/31/09 exchange rates.*

	Market Value 12/31/09 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 9/30/09 (\$ mm)
<b>Private Equity Assets</b>	<b>65.3</b>	<b>100</b>	<b>4</b>	<b>5</b>	<b>0-10</b>	<b>61.6</b>
Pathway Private Equity Fund VIII	25.8	40	2			24.6
Pantheon Global Secondary Fund III	25.0	38	1			24.3
Pantheon USA Fund VII	11.6	18	<1			10.2
Partners Group Secondary 2008	2.5	4	<1			2.0
Great Hill Equity Partners IV	0.4	<1	<1			0.4



**Financial Summary:** (Reported value as of 9/30/2009, adjusted for cash flows through 12/31/2009)

	<b>Program to Date</b>
<b>Allocation Target:</b>	5%
<b>Number of Funds:</b>	5
<b>Commitments:</b>	\$135.0
<b>Capital Called:</b>	\$78.0
<b>Distributions:</b>	\$4.7
<b>Reported Value:</b>	\$65.3



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	0.5	0.0	0.4	<1
Pathway Private Equity Fund VIII	40.0	32.8	3.9	25.8	40
Pantheon USA Fund VII	40.0	13.0	0.4	11.6	18
Pantheon Global Secondary Fund III	40.0	28.6	0.4	25.0	38
Partners Group Secondary 2008, L.P.	10.0	3.2	0.0	2.5	4

**Portfolio Reviews**  
**As of December 31, 2009**



**Investment Grade Bond Portfolio Reviews  
As of December 31, 2009**

# San Jose Federated City Employees Retirement System

# Dodge & Cox Core Fixed Income Portfolio Detail as of 12/31/09

**Mandate:** Investment Grade Bonds  
**Active/Passive:** Active  
**Market Value:** \$258.4 million  
**Portfolio Manager:** Robert B. Thompson, CFA  
**Location:** San Francisco, California  
**Inception Date:** 10/1/1999  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**

40 bp on first \$10 mm; 30 bp on next \$25 mm; 20 bp on next \$25 mm; 15 bp on next \$65 mm; 12 bp on next \$575 mm; 10 bp thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

Dodge & Cox believes the best way to outperform the broad bond market over the long term is to emphasize the yield component of fixed income securities. Dodge & Cox builds a higher yielding portfolio than the market index by overweighting corporates and mortgages and underweighting government securities. The portfolio may invest in below investment grade bonds depending on current guidelines.

**Guidelines:**

Maximum of 15% below BBB. Securities rated below B limited to 2% of portfolio

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 10/1/99
<b>Dodge &amp; Cox Core Fixed Income</b>	<b>1.8</b>	<b>15.6</b>	<b>6.3</b>	<b>5.5</b>	<b>6.8</b>
<b>Net of Fees</b>	<b>1.7</b>	<b>15.4</b>	<b>6.2</b>	<b>5.3</b>	<b>6.6</b>
Barclays Aggregate	0.2	5.9	6.0	5.0	6.2
Peer Core Fixed Income	0.6	8.5	6.2	5.2	6.2
Peer Ranking (percentile)	2	6	44	31	9

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Dodge &amp; Cox Core Fixed Income</b>	<b>4.2%</b>	<b>0.83</b>	<b>0.61</b>	<b>0.17</b>	<b>0.74</b>
Barclays Aggregate	3.9	1.00	0.53	NA	1.00

Duration & Yield:	12/31/09		9/30/09	
	D&C Core FI	Barclays Aggregate	D&C Core FI	Barclays Aggregate
Average Effective Duration (years)	3.9	4.6	3.9	4.4
Yield to Maturity (%)	4.2	3.7	4.3	3.6

**Quality Structure (%):**

	AA-	AAA	AA-	AAA
Average Quality	AA-	AAA	AA-	AAA
AAA (includes Treasuries and Agencies)	53	79	52	79
AA	3	4	3	4
A	13	9	16	9
BBB	21	8	21	8
BB	6	0	5	0
B	4	0	1	0
Below B	1	0	2	0
Non-Rated	0	0	0	0

**Sector Allocation (%):**

	12/31/09	9/30/09	12/31/09	9/30/09
U.S. Treasury-Nominal	4	28	4	28
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	4	9	5	9
Mortgage Backed	43	37	41	37
Corporate	45	19	46	19
Bank Loans	0	0	0	0
Local & Provincial Government	0	2	0	2
Sovereign & Supranational	0	2	0	2
Commercial Mortgage Backed	0	3	0	3
Asset Backed	2	0	2	0
Cash Equivalent	2	0	2	0
Other	0	0	0	0

**Market Allocation (%):**

	12/31/09	9/30/09	12/31/09	9/30/09
United States	100	93	100	93
Foreign (developed markets)	0	7	0	7
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

# BlackRock Core Plus Portfolio Detail as of 12/31/09

**Mandate:** Investment Grade Bonds

**Active/Passive:** Active

**Market Value:** \$106.8 million

**Portfolio Manager:** Team

**Location:** New York, New York

**Inception Date:** 10/1/2002

**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**

25 bp on first \$100 mm; 20 bp on next \$100 mm; 17.5 bp on next \$100 mm; 15 bp thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

The BlackRock Core Plus strategy seeks to invest primarily in investment grade fixed income securities while allowing for the flexibility to opportunistically invest in below investment grade securities, non-dollar (hedged) and dollar-denominated emerging market debt, per client guidelines. BlackRock investment research efforts are focused on the research and analysis of sectors and securities, not interest rate speculation.

**Guidelines:**

Maximum of 15% below BBB, and maximum of 20% non-U.S. securities. Securities rated below B limited to 2% of portfolio.

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 10/1/02
<b>BlackRock Core Plus</b>	<b>0.9</b>	<b>12.6</b>	<b>5.7</b>	<b>4.9</b>	<b>5.1</b>
<b>Net of Fees</b>	<b>0.8</b>	<b>12.3</b>	<b>5.5</b>	<b>4.6</b>	<b>4.9</b>
Barclays Aggregate	0.2	5.9	6.0	5.0	4.8
Peer Core Plus	1.8	16.8	6.2	5.3	5.7
Peer Ranking (percentile)	95	80	63	72	68

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>BlackRock Core Plus</b>	<b>4.2%</b>	<b>0.95</b>	<b>0.47</b>	<b>Neg.</b>	<b>0.86</b>
Barclays Aggregate	3.9	1.00	0.53	NA	1.00

Duration & Yield:	12/31/09		9/30/09	
	BlackRock Core Plus	Barclays Aggregate	BlackRock Core Plus	Barclays Aggregate
Average Effective Duration (years)	4.1	4.6	3.9	4.4
Yield to Maturity (%)	4.1	3.7	4.3	3.6

Quality Structure (%):				
Average Quality	AA+	AAA	AA+	AAA
AAA (includes Treasuries and Agencies)	74	79	75	79
AA	10	4	9	4
A	8	9	9	9
BBB	6	8	5	8
BB	1	0	1	0
B	1	0	1	0
Below B	1	0	1	0
Non-Rated	0	0	0	0

Sector Allocation (%):				
U.S. Treasury-Nominal	19	28	17	28
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	17	9	17	9
Mortgage Backed	24	37	27	37
Corporate	30	19	26	19
Bank Loans	0	0	0	0
Local & Provincial Government	0	2	0	2
Sovereign & Supranational	0	2	0	2
Commercial Mortgage Backed	5	3	7	3
Asset Backed	3	0	3	0
Cash Equivalent	1	0	3	0
Other	1	0	0	0

Market Allocation (%):				
United States	85	93	88	93
Foreign (developed markets)	15	7	12	7
Foreign (emerging markets)	0	0	0	0

Currency Allocation (%):				
Non-U.S. Dollar Exposure	1	0	0	0



**High Yield Bond Portfolio Reviews  
As of December 31, 2009**

# San Jose Federated City Employees Retirement System

# MacKay Shields High Yield Active Core Portfolio Detail as of 12/31/09

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$59.0 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:**  
 42.5 bp 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.

Performance (%):	4Q09	YTD	Since 5/1/09
<b>MacKay Shields High Yield Active Core</b>	<b>6.0</b>	<b>NA</b>	<b>20.3</b>
<b>Net of Fees</b>	<b>5.8</b>	<b>NA</b>	<b>20.1</b>
Barclays High Yield	6.2	58.2	33.2
Barclays High Yield BB/B	4.8	45.4	24.5
Peer High Yield	5.5	48.5	29.5
Peer Ranking (percentile)	38	NA	87

Duration & Yield:	12/31/09		9/30/09	
	Mackay High Yield	Barclays High Yield	Mackay High Yield	Barclays High Yield
Average Effective Duration (years)	4.0	4.3	4.2	4.3
Yield to Maturity (%)	8.0	9.1	9.1	10.3
Quality Structure (%):				
Average Quality	BB-	B+	BB-	B+
AAA (includes Treasuries and Agencies)	0	0	1	0
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	6	0
BB	55	37	47	37
B	45	35	36	35
Below B	0	25	9	25
Non-Rated	0	3	0	3
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	95	100	99	100
Bank Loans	3	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	1	0
Other	0	0	0	0
Market Allocation (%):				
United States	90	89	90	89
Foreign (developed markets)	9	11	9	11
Foreign (emerging markets)	0	0	0	0
Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



# San Jose Federated City Employees Retirement System

# Seix Credit Dislocation Strategy Portfolio Detail as of 12/31/09

**Mandate:** High Yield  
**Active/Passive:** Active  
**Market Value:** \$53.1 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:**  
30 bp 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 (%):	4Q09	YTD	Since 5/1/09
<b>Seix Credit Dislocation Strategy</b>	<b>1.9</b>	<b>NA</b>	<b>9.8</b>
<b>Net of Fees</b>	<b>1.9</b>	<b>NA</b>	<b>9.8</b>
CSFB Leveraged Loan Index	3.6	44.9	25.2

	12/31/09		9/30/09	
<b>Duration &amp; Yield:</b>	Seix	CSFB Lev Loan	Seix	CSFB Lev Loan
Average Effective Duration (years)	1.9	0.2	2.1	0.3
Yield to Maturity (%)	4.3	4.0	4.7	4.3
<b>Quality Structure (%):</b>				
Average Quality	BB	B	BB-	B
AAA (includes Treasuries and Agencies)	8	0	3	0
AA	0	0	0	0
A	0	0	0	0
BBB	4	0	4	0
BB	48	28	51	23
B	40	41	41	40
Below B	0	14	2	19
Non-Rated	0	17	0	18
<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	8	0	3	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



**International Fixed Income Portfolio Review  
As of December 31, 2009**



# San Jose Federated City Employees Retirement System

# Loomis Global Bond Portfolio Detail as of 12/31/09

**Mandate:** International Fixed Income

**Active/Passive:** Active

**Market Value:** \$126.0 million

**Portfolio Manager:** Ken Buntrock  
David Rolley  
Lynda Schweizer

**Location:** Boston, Massachusetts

**Inception Date:** 2/1/2005

**Account Type:** Separately Managed

**Fee Schedule:**

40 bp on first \$50 mm; 30 bp on next \$50 mm; 20 bp on next \$400 mm; 15 bp thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

The Looms Global Bond investment strategy emphasizes bottom-up credit research-based issue selection to maximize fixed income returns. Portfolios are team managed and investment decisions are research-based. For Global Fixed Income portfolios they seek to construct highly diversified portfolios that will include a broad menu of undervalued, preferably discount fixed income securities around the world. The team follows a broad global universe of securities including Government and Quasi-Government and Agency securities, Corporate credits, and Asset-Backed securities including mortgages. Where guidelines and mandates permit, we make extensive use of Emerging Market, High Yield and convertible ideas.

**Guidelines:**

Benchmark = S&P/ CitigroupWorld Gov't Bond Index; All securities must be investment grade at time of purchase; No more than 5% of single non-government issue; currency hedging up to 50% market value

Performance (%):	4Q09	1 YR	3 YR	Since 2/1/05
<b>Loomis Global Bond</b>	<b>-0.5</b>	<b>17.6</b>	<b>8.5</b>	<b>5.9</b>
<b>Net of Fees</b>	<b>-0.6</b>	<b>17.2</b>	<b>8.1</b>	<b>5.5</b>
S&P Citigroup World Gov't Bond Index	-1.9	2.6	8.1	4.9

Risk: (fifty-nine months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Loomis Global Bond</b>	<b>9.2%</b>	<b>0.98</b>	<b>0.32</b>	<b>0.23</b>	<b>0.87</b>
S&P Citigroup World Gov't Bond Index	8.1	1.00	0.24	NA	1.00

	Short	Int.	Long
High			
Medium			
Low			

Duration & Yield:	12/31/09		9/30/09	
	Loomis GB	S&P CG WGBI	Loomis GB	S&P CG WGBI
Average Effective Duration (years)	5.6	6.2	6.0	6.3
Yield to Maturity (%)	3.4	2.2	3.6	2.1

Quality Structure (%):				
Average Quality	AA	AA+	AA	AA+
AAA (includes Treasuries and Agencies)	57	52	52	52
AA	16	36	14	36
A	10	12	14	12
BBB	10	0	15	0
BB	6	0	4	0
B	1	0	1	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	0	0	0	0
U.S. Agency	9	0	9	0
Mortgage Backed	0	0	3	0
Corporate	20	0	26	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	3	0
Sovereign & Supranational	67	100	57	100
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	2	0	1	0
Other	3	0	0	0

Market Allocation (%):				
United States	15	23	15	23
Foreign (developed markets)	78	77	73	77
Foreign (emerging markets)	6	0	11	0

Currency Allocation (%):				
Non-U.S. Dollar Exposure	79	77	79	77





**Domestic Equity Portfolio Reviews  
As of December 31, 2009**

# San Jose Federated City Employees Retirement System

# Northern Trust Russell 3000 Index Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$333.4 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**

50 bp on first \$0.5 mm; 20 bp on next \$4.5 mm; 10 bp on next \$20 mm; 6.7 bp on next \$25 mm; 5 bp on next \$25 mm; 2 bp 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 (%):	4Q09	1 YR	3 YR	5 YR	Since 9/1/99
<b>Northern Trust Russell 3000 Index</b>	<b>6.2</b>	<b>28.9</b>	<b>-5.3</b>	<b>0.9</b>	<b>1.1</b>
Russell 3000	5.9	28.3	-5.4	0.8	1.0

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Northern Trust Russell 3000 Index</b>	<b>17.2%</b>	<b>1.00</b>	<b>Neg.</b>	<b>NA</b>	<b>1.00</b>
Russell 3000	17.1	1.00	Neg.	NA	1.00

Capitalization Structure:	12/31/09		9/30/09	
	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	67.5	67.2	63.6	63.5
Median Market Cap. (US\$ million)	871.6	748.1	825.1	721.5
Large (% over US\$10 billion)	71	70	70	70
Medium (% US\$1.5 billion to US\$10 billion)	23	23	23	23
Small (% under US\$1.5 billion)	7	7	7	7

Fundamental Structure:	NT	Russell 3000	NT	Russell 3000
Price-Earnings Ratio	24	24	22	22
Price-Book Value Ratio	3.2	3.3	3.2	3.2
Dividend Yield (%)	1.9	2.0	2.3	2.3
Historical Earnings Growth Rate (%)	17	17	16	18
Projected Earnings Growth Rate (%)	11	11	11	11

Sector Allocation (%):	NT	Russell 3000	NT	Russell 3000
Information Technology	19	19	18	18
Financials	15	15	16	16
Health Care	13	13	13	13
Industrials	11	11	11	11
Energy	11	11	11	11
Consumer Discretionary	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:	NT	Russell 3000	NT	Russell 3000
Number of Holdings	2,758	2,972	2,776	2,968
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	16	16	16	16

Largest Ten Holdings:	Weight	Industry
ExxonMobil	2.8	Energy
Microsoft	2.0	Software & Services
Apple	1.6	Technology Hardware
Johnson & Johnson	1.5	Pharmaceuticals & Biotech
Procter & Gamble	1.5	Household/Personal Products
IBM	1.4	Technology Hardware
AT&T	1.4	Telecommunication Services
General Electric	1.3	Capital Goods
JPMorgan Chase	1.3	Diversified Financials
Chevron	1.3	Energy

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



# San Jose Federated City Employees Retirement System

# Wellington Opportunistic Growth Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$54.2 million  
**Portfolio Manager:** Team  
**Location:** San Francisco, California  
**Inception Date:** 10/1/2005  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

70 bp on first \$25 mm; 60 bp on next \$25 mm; 50 bp thereafter

### Liquidity Constraints:

Daily

### Strategy:

The Wellington Opportunistic Growth's objective is to provide long-term total returns above the Russell 1000 Growth Index by investing in the stocks of successful, growing companies across the US market capitalization spectrum.

### Guidelines:

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

Performance (%):	4Q09	1 YR	3 YR	Since 10/1/05
<b>Wellington Opportunistic Growth</b>	<b>6.9</b>	<b>36.8</b>	<b>-1.2</b>	<b>1.8</b>
<b>Net of Fees</b>	<b>6.8</b>	<b>36.0</b>	<b>-1.8</b>	<b>1.2</b>
Russell 3000 Growth	7.6	37.0	-2.1	1.3
Peer Large Cap Growth	7.6	35.5	-1.7	1.6
Peer Ranking (percentile)	64	39	42	44

Risk: (fifty-one months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Wellington Opportunistic Growth</b>	<b>19.3%</b>	<b>1.03</b>	<b>Neg.</b>	<b>0.11</b>	<b>0.97</b>
Russell 3000 Growth	18.1	1.00	Neg.	NA	1.00

Capitalization Structure:	12/31/09		9/30/09	
	Wellington	Russell 3000 Growth	Wellington	Russell 3000 Growth
Weighted Average Market Cap. (US\$ billion)	53.3	72.0	45.8	64.8
Median Market Cap. (US\$ billion)	5.0	0.8	4.9	0.8
Large (% over US\$10 billion)	66	72	67	71
Medium (% US\$1.5 billion to US\$10 billion)	32	22	31	23
Small (% under US\$1.5 billion)	2	6	2	7

### Fundamental Structure:

Price-Earnings Ratio	31	25	27	23
Price-Book Value Ratio	4.0	4.6	4.0	4.5
Dividend Yield (%)	0.8	1.4	1.1	1.5
Historical Earnings Growth Rate (%)	24	20	21	22
Projected Earnings Growth Rate (%)	13	13	13	13

### Sector Allocation (%):

Consumer Discretionary	19	11	21	11
Financials	11	5	12	5
Information Technology	38	33	36	31
Energy	9	4	9	4
Industrials	14	11	15	11
Telecom	1	1	0	1
Materials	3	4	2	4
Utilities	0	1	0	1
Health Care	4	16	5	17
Consumer Staples	0	15	0	15

### Diversification:

Number of Holdings	128	1,898	132	1,885
% in 5 largest holdings	15	15	15	14
% in 10 largest holdings	27	24	25	23

### Largest Ten Holdings:

		Industry
Microsoft	3.6	Software & Services
Apple	3.1	Technology Hardware
Cisco Systems	3.1	Technology Hardware
Hartford Financial Services	2.7	Insurance
Google	2.7	Software & Services
Oracle	2.6	Software & Services
Netapp	2.5	Technology Hardware
Ford Motor	2.4	Automobiles & Components
Alliance Data Systems	2.1	Software & Services
Qualcomm	2.0	Technology Hardware

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



**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$52.1 million  
**Portfolio Manager:** John P Calamos / Nick P Calamos  
**Location:** Naperville, Illinois  
**Inception Date:** 11/1/2009  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
50 bps 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 (%):	4Q09	YTD	Since 11/1/09
<b>Calamos Global Convertibles</b>	NA	NA	4.7
<b>Net of Fees</b>	NA	NA	4.6
Merrill Lynch Global 300 Convertible Index	4.2	36.3	5.2



# San Jose Federated City Employees Retirement System

## Eagle Small-Cap Growth Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$52.1 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:

75 bp on first \$3 mm; 70 bp on next \$10 mm; 60 bp on next \$50 mm; 50 bp 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 (%):	4Q09	1 YR	3 YR	5 YR	Since 6/1/98
<b>Eagle Small-Cap Growth</b>	<b>6.2</b>	<b>40.3</b>	<b>0.5</b>	<b>5.2</b>	<b>5.0</b>
<b>Net of Fees</b>	<b>6.0</b>	<b>39.5</b>	<b>-0.1</b>	<b>4.5</b>	<b>4.3</b>
Russell 2000 Growth	4.1	34.5	-4.0	0.9	1.6
Peer Small Cap Growth	5.2	36.0	-3.5	1.6	5.7
Peer Ranking (percentile)	24	29	16	10	72

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Eagle Small-Cap Growth</b>	<b>23.5%</b>	<b>0.97</b>	<b>0.10</b>	<b>0.76</b>	<b>0.97</b>
Russell 2000 Growth	22.7	1.00	Neg.	NA	1.00

	12/31/09		9/30/09	
Capitalization Structure:	Eagle	Russell 2000 Growth	Eagle	Russell 2000 Growth
Weighted Average Market Cap. (US\$ billion)	1.4	1.1	1.3	1.0
Median Market Cap. (US\$ billion)	1.0	0.4	1.0	0.4
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	39	24	38	19
Small (% under US\$1.5 billion)	61	76	62	81

Fundamental Structure:				
Price-Earnings Ratio	32	30	30	28
Price-Book Value Ratio	3.1	3.8	3.1	3.8
Dividend Yield (%)	0.4	0.6	0.5	0.6
Historical Earnings Growth Rate (%)	22	21	21	21
Projected Earnings Growth Rate (%)	18	17	18	17

Sector Allocation (%):				
Materials	5	2	5	2
Energy	7	4	4	4
Health Care	25	24	26	24
Financials	6	6	6	6
Utilities	0	0	0	0
Information Technology	26	27	28	28
Industrials	14	15	14	15
Telecom	0	2	0	2
Consumer Discretionary	14	16	15	16
Consumer Staples	2	4	1	4

Diversification:				
Number of Holdings	73	1,275	69	1,261
% in 5 largest holdings	15	3	14	3
% in 10 largest holdings	27	6	27	5

Largest Ten Holdings:		
		Industry
Huntsman	3.2	Materials
Genesco	2.9	Retailing
Cash America Intl	2.9	Diversified Financials
Lufkin Industries	2.9	Energy
Thoratec	2.8	Health Equipment & Services
ROVI	2.7	Software & Services
Varian Semiconductor Equipment	2.6	Semiconductors
American Medical Systems Hlds	2.6	Health Equipment & Services
Bally Technologies	2.2	Consumer Services
Eclipsys	2.1	Health Equipment & Services

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



# San Jose Federated City Employees Retirement System

## Brandywine Diversified Small Cap Value Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$40.0 million  
**Portfolio Manager:** Team  
**Location:** Philadelphia, Pennsylvania  
**Inception Date:** 6/1/1999  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 55 bp on first \$50 mm; 50 bp thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The Brandywine Diversified Small Cap Value Equity product seeks to outpace the long-term total returns of the Russell 2000 Value Index by investing in small- and micro-cap stocks with low P/E or P/B ratios. The portfolio construction process combines the use of quantitative measures with thorough fundamental analysis. The Portfolio Management Team believes this process allows to them to efficiently analyze and hold a large number of small- and micro-cap companies with desirable characteristics. Typical portfolios hold approximately 375-550 stocks in order to limit risk through diversification.

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

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 6/1/99
<b>Brandywine Diversified Small Cap Value</b>	<b>3.5</b>	<b>16.3</b>	<b>-10.2</b>	<b>-2.5</b>	<b>6.6</b>
<b>Net of Fees</b>	<b>3.4</b>	<b>15.7</b>	<b>-10.7</b>	<b>-3.0</b>	<b>6.0</b>
Russell 2000 Value	3.6	20.6	-8.2	0.0	7.5
Peer Small Cap Value	4.8	30.2	-4.3	2.6	9.6
Peer Ranking (percentile)	75	97	97	99	98

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Brandywine Diversified Small Cap Value</b>	<b>20.8%</b>	<b>0.95</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.99</b>
Russell 2000 Value	22.3	1.00	Neg.	NA	1.00

	12/31/09		9/30/09	
Capitalization Structure:	Brandywine SCV	Russell 2000 Value	Brandywine SCV	Russell 2000 Value
Weighted Average Market Cap. (US\$ million)	810.4	934.3	748.6	859.8
Median Market Cap. (US\$ million)	362.0	353.6	364.4	351.1
Large (% over US\$10 billion)	0	0	0	0
Medium (% US\$1.5 billion to US\$10 billion)	8	15	2	13
Small (% under US\$1.5 billion)	92	85	98	87

Fundamental Structure:				
Price-Earnings Ratio	16	26	18	24
Price-Book Value Ratio	1.5	1.5	1.5	1.5
Dividend Yield (%)	1.1	2.2	1.3	2.6
Historical Earnings Growth Rate (%)	17	10	18	11
Projected Earnings Growth Rate (%)	10	9	10	9

Sector Allocation (%):				
Consumer Discretionary	17	12	16	12
Industrials	20	17	21	17
Information Technology	12	10	13	11
Consumer Staples	5	3	4	3
Energy	8	6	6	6
Health Care	6	5	5	5
Telecom	1	0	1	1
Utilities	5	6	5	6
Materials	5	7	5	6
Financials	21	34	24	33

Diversification:				
Number of Holdings	448	1,393	414	1,385
% in 5 largest holdings	5	2	6	2
% in 10 largest holdings	10	4	10	4

Largest Ten Holdings:		Industry
United Stationers	1.2	Commercial & Professional Services
Benchmark Electronics	1.2	Technology Hardware
Pnm Resources	1.1	Utilities
Lifepoint Hospitals	1.0	Health Equipment & Services
Synnex	0.9	Technology Hardware
Avista	0.9	Utilities
Skywest	0.9	Transportation
Piper Jaffray Cos	0.9	Diversified Financials
Idacorp	0.9	Utilities
Universal American	0.9	Health Equipment & Services

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



# San Jose Federated City Employees Retirement System

# Atlanta Capital High Quality Growth Plus Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$39.7 million  
**Portfolio Manager:** Team  
**Location:** Atlanta, Georgia  
**Inception Date:** 9/1/1998  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

70 bp on first \$10 mm; 50 bp on next \$20 mm; 35 bp on next \$70 mm; 30 bp on next \$100 mm

### Liquidity Constraints:

Daily

### Strategy:

Atlanta Capital Management believes in the principal that financially sound companies with a demonstrated history of consistent earnings growth provide superior risk-adjusted returns over a complete market cycle. The portfolio is constructed utilizing a disciplined focus on high quality companies, along with robust fundamental research.

### Guidelines:

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

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 9/1/98
<b>Atlanta Capital High Quality Growth Plus</b>	<b>4.8</b>	<b>33.8</b>	<b>-1.0</b>	<b>2.5</b>	<b>3.9</b>
<b>Net of Fees</b>	<b>4.6</b>	<b>33.2</b>	<b>-1.4</b>	<b>2.0</b>	<b>3.4</b>
Russell 1000 Growth	7.9	37.2	-1.9	1.6	1.7
Peer Large Cap Blend	6.0	26.5	-5.0	0.9	4.0
Peer Ranking (percentile)	87	13	4	17	55

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Atlanta Capital High Quality Growth Plus</b>	<b>17.1%</b>	<b>0.99</b>	<b>Neg.</b>	<b>0.31</b>	<b>0.99</b>
Russell 1000 Growth	16.9	1.00	Neg.	NA	1.00

Capitalization Structure:	12/31/09		9/30/09	
	Atlanta Capital	Russell 1000 Growth	Atlanta Capital	Russell 1000 Growth
Weighted Average Market Cap. (US\$ billion)	73.7	77.8	64.8	70.1
Median Market Cap. (US\$ billion)	32.2	4.4	30.1	4.2
Large (% over US\$10 billion)	86	78	86	77
Medium (% US\$1.5 billion to US\$10 billion)	14	22	14	23
Small (% under US\$1.5 billion)	0	0	0	0

### Fundamental Structure:

Price-Earnings Ratio	23	24	23	23
Price-Book Value Ratio	3.4	4.7	3.3	4.6
Dividend Yield (%)	1.3	1.5	1.5	1.6
Historical Earnings Growth Rate (%)	21	20	21	22
Projected Earnings Growth Rate (%)	12	13	12	13

### Sector Allocation (%):

Energy	11	4	10	4
Financials	9	5	10	5
Consumer Discretionary	13	11	13	10
Materials	4	4	5	4
Health Care	16	16	15	17
Telecom	0	1	0	1
Utilities	0	1	0	1
Industrials	9	10	9	10
Consumer Staples	11	16	12	16
Information Technology	27	33	26	32

### Diversification:

Number of Holdings	53	623	53	624
% in 5 largest holdings	18	16	18	15
% in 10 largest holdings	34	26	31	25

### Largest Ten Holdings:

		Industry
Apple	4.3	Technology Hardware
Hewlett-Packard	3.7	Technology Hardware
Qualcomm	3.6	Technology Hardware
Abbott Laboratories	3.4	Pharmaceuticals & Biotech
Cisco Systems	3.2	Technology Hardware
Procter & Gamble	3.2	Household/Personal Products
Google	3.1	Software & Services
CVS Caremark	3.1	Food & Staples Retailing
Apache	3.0	Energy
Microsoft	3.0	Software & Services

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



# San Jose Federated City Employees Retirement System

# Dodge & Cox Large Cap Value Portfolio Detail as of 12/31/09

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$39.3 million  
**Portfolio Manager:** Kevin D. Johnson, CFA  
**Location:** San Francisco, California  
**Inception Date:** 7/1/2004  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

#### Fee Schedule:

60 bp on first \$10 mm; 40 bp on next \$15 mm; 30 bp on next \$25 mm; 25 bp on next \$50 mm; 20 bp thereafter

#### Liquidity Constraints:

Daily

#### Strategy:

The Dodge & Cox Large Cap Value strategy seeks long-term growth of principal and income, while a secondary objective is to achieve current income. The team invests primarily in a broadly diversified portfolio of common stocks that appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth. Evaluation criteria include future earnings, cash flow, and dividends, as well as financial strength, economic condition, competitive advantage, and quality of the business franchise. The strategy's objective is to outperform the S&P 500 Index.

#### Guidelines:

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

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 7/1/04
<b>Dodge &amp; Cox Large Cap Value</b>	<b>4.6</b>	<b>27.2</b>	<b>-9.5</b>	<b>-0.8</b>	<b>1.4</b>
<b>Net of Fees</b>	<b>4.5</b>	<b>26.7</b>	<b>-9.8</b>	<b>-1.1</b>	<b>1.1</b>
Russell 1000 Value	4.2	19.7	-9.0	-0.3	1.9
Peer Large Cap Value	4.8	21.9	-7.0	0.8	2.5
Peer Ranking (percentile)	58	28	91	88	79

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>Dodge &amp; Cox Large Cap Value</b>	<b>18.8%</b>	<b>1.04</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.97</b>
Russell 1000 Value	17.6	1.00	Neg.	NA	1.00

Capitalization Structure:	12/31/09		9/30/09	
	D&C LCV	Russell 1000 Value	D&C LCV	Russell 1000 Value
Weighted Average Market Cap. (US\$ billion)	57.7	67.8	54.5	67.6
Median Market Cap. (US\$ billion)	21.5	3.9	18.8	3.7
Large (% over US\$10 billion)	85	75	84	74
Medium (% US\$1.5 billion to US\$10 billion)	15	25	16	25
Small (% under US\$1.5 billion)	0	1	0	1

#### Fundamental Structure:

Price-Earnings Ratio	18	23	20	22
Price-Book Value Ratio	2.2	2.0	2.1	1.9
Dividend Yield (%)	1.9	2.6	2.2	3.1
Historical Earnings Growth Rate (%)	13	13	12	14
Projected Earnings Growth Rate (%)	10	9	9	9

#### Sector Allocation (%):

Information Technology	22	5	21	5
Health Care	23	9	23	9
Consumer Discretionary	17	10	17	9
Materials	3	4	3	4
Industrials	9	11	9	11
Consumer Staples	2	6	2	5
Telecom	2	6	2	6
Utilities	0	7	0	7
Energy	10	19	10	18
Financials	13	24	12	25

#### Diversification:

Number of Holdings	83	679	80	675
% in 5 largest holdings	18	16	18	17
% in 10 largest holdings	32	26	33	27

#### Largest Ten Holdings:

		Industry
Hewlett-Packard	5.0	Technology Hardware
Comcast	3.3	Media
Merck	3.3	Pharmaceuticals & Biotech
Wells Fargo	3.2	Banks
Schlumberger	3.1	Energy
Capital One Financial	3.1	Diversified Financials
Novartis	3.0	Pharmaceuticals & Biotech
General Electric	2.9	Capital Goods
News	2.8	Media
Amgen	2.6	Pharmaceuticals & Biotech

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





**International Equity Portfolio Reviews  
As of December 31, 2009**

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$146.8 million

**Portfolio Manager:** Team

**Location:** Boston, Massachusetts

**Inception Date:** 3/1/2003

**Account Type:** Commingled Fund

**Fee Schedule:**

60 bp on first \$100 mm; 45 bp thereafter

**Liquidity Constraints:**

Monthly

**Strategy:**

The Boston Company International ACWI ex-US Equity Fund seeks to exceed the return of the Morgan Stanley All Country World Index (ex U.S.) over a market cycle. The assets are invested primarily in common stocks and other equity securities of issuers organized or conducting business in countries other than the United States. The Boston Company seeks to combine traditional measures of value with business momentum in a research-driven, risk-aware, investment strategy.

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 3/1/03
<b>Boston Company International ACWI ex-US Value Fund</b>	<b>3.0</b>	<b>39.7</b>	<b>-2.5</b>	<b>5.3</b>	<b>14.0</b>
<b>Net of Fees</b>	<b>2.9</b>	<b>38.9</b>	<b>-3.0</b>	<b>4.8</b>	<b>13.4</b>
MSCI ACWI (ex. U.S.)	3.7	41.4	-3.5	5.8	13.6
Peer International Value	1.6	32.9	-5.2	4.6	13.2
Peer Ranking (percentile)	17	28	16	38	36

Risk: (sixty months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Boston Co. Int'l ACWI ex-US Value Fund</b>	<b>20.2%</b>	<b>0.88</b>	<b>0.12</b>	<b>Neg.</b>	<b>0.99</b>
MSCI ACWI (ex. U.S.)	22.9	1.00	0.13	NA	1.00

	12/31/09		9/30/09	
Capitalization Structure:	TBC	MSCI ACWI (ex. U.S.)	TBC	MSCI ACWI (ex. U.S.)
Weighted Average Market Cap. (US\$ billion)	53.4	50.1	50.8	47.0
Median Market Cap. (US\$ billion)	13.7	5.5	14.0	5.3
Large (% over US\$9 billion)	75	77	74	77
Medium (% US\$1.5 billion to US\$9 billion)	22	22	25	23
Small (% under US\$1.5 billion)	2	1	1	1

Fundamental Structure:				
Price-Earnings Ratio	22	24	21	22
Price-Book Value Ratio	2.0	2.6	1.9	2.6
Dividend Yield (%)	3.2	2.8	3.3	2.9
Historical Earnings Growth Rate (%)	10	18	9	18
Projected Earnings Growth Rate (%)	11	11	11	10

Sector Allocation (%):				
Utilities	7	5	7	5
Telecom	8	6	8	6
Health Care	8	6	9	6
Information Technology	8	7	6	7
Energy	12	11	11	11
Consumer Discretionary	8	8	8	8
Consumer Staples	8	9	9	8
Financials	25	26	23	27
Industrials	8	10	8	10
Materials	8	12	9	11

Diversification:				
Number of Holdings	174	1,823	166	1,808
% in 5 largest holdings	11	6	11	6
% in 10 largest holdings	20	10	19	10

Region Allocation (%):				
Europe/North America	54	54	55	55
Pacific Rim/Asia	27	23	25	24
Asia (emerging)	13	12	14	12
Latin America (emerging)	2	5	2	5
Europe/MidEast/Africa (emerging)	4	4	4	4

Largest Five Holdings:		Industry
Vodafone	2.4	Telecommunication Services
BP	2.2	Energy
Novartis	2.1	Pharmaceuticals & Biotech
Total Energy Services	2.1	Energy
HSBC	2.1	Banks



# San Jose Federated City Employees Retirement System

# McKinley International Growth Portfolio Detail as of 12/31/09

**Mandate:** International Equities, Developed Markets

**Active/Passive:** Active

**Market Value:** \$124.8 million

**Portfolio Manager:** Team

**Location:** Anchorage, Alaska

**Inception Date:** 8/1/2005

**Account Type:** Separately Managed

**Fee Schedule:**

75 bp on first \$10 mm; 65 bp on next \$15 mm; 60 bp on next \$25 mm; 50 bp thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

The McKinley International Non-U.S. Growth portfolio strives to achieve "excess market returns" over a full market cycle of three-to-five years, relative to the portfolio's primary performance benchmark, the MSCI All Country World ex U.S. Growth Index. McKinley is a bottom-up manager using both a systematic screening process and qualitative overview to construct and manage investment portfolios. Investment decisions are based on the philosophy that excess market returns can be achieved through the construction and active management of a diversified, fundamentally sound portfolio of inefficiently priced common stocks whose earnings growth rates are accelerating above market expectations.

**Guidelines:**

Emerging Markets Exposure < 25%

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):	4Q09	1 YR	3 YR	Since 8/1/05
<b>McKinley International Growth</b>	<b>7.1</b>	<b>24.6</b>	<b>-8.9</b>	<b>2.4</b>
<b>Net of Fees</b>	<b>7.0</b>	<b>23.9</b>	<b>-9.4</b>	<b>1.8</b>
MSCI ACWI (ex. U.S.)	3.7	41.4	-3.5	5.8
Peer International Growth	5.3	40.0	-2.7	6.2
Peer Ranking (percentile)	3	95	96	94

Risk: (fifty-three months)	Standard Deviation	Beta	Sharpe Measure <sup>1</sup>	Info. Ratio	Correlation to Index
<b>McKinley International Growth</b>	<b>23.5%</b>	<b>0.95</b>	<b>Neg.</b>	<b>Neg.</b>	<b>0.95</b>
MSCI ACWI (ex. U.S.)	24.1	1.00	0.12	NA	1.00

	12/31/09		9/30/09	
<b>Capitalization Structure:</b>	McKinley	MSCI ACWI (ex. U.S.)	McKinley	MSCI ACWI (ex. U.S.)
Weighted Average Market Cap. (US\$ billion)	62.8	50.1	58.0	47.0
Median Market Cap. (US\$ billion)	24.9	5.5	22.7	5.3
Large (% over US\$9 billion)	90	77	89	77
Medium (% US\$1.5 billion to US\$9 billion)	10	22	11	23
Small (% under US\$1.5 billion)	0	1	0	1

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	22	24	21	22
Price-Book Value Ratio	3.0	2.6	3.1	2.6
Dividend Yield (%)	2.1	2.8	2.3	2.9
Historical Earnings Growth Rate (%)	22	18	20	18
Projected Earnings Growth Rate (%)	15	11	11	10

<b>Sector Allocation (%):</b>				
Consumer Staples	13	9	13	8
Materials	16	12	16	11
Health Care	10	6	8	6
Consumer Discretionary	10	8	7	8
Information Technology	8	7	13	7
Industrials	11	10	11	10
Telecom	6	6	6	6
Energy	7	11	10	11
Utilities	0	5	0	5
Financials	18	26	16	27

<b>Diversification:</b>				
Number of Holdings	74	1,823	69	1,808
% in 5 largest holdings	15	6	16	6
% in 10 largest holdings	27	10	28	10

<b>Region Allocation (%):</b>				
Europe/North America	60	54	55	55
Pacific Rim/Asia	19	23	21	24
Asia (emerging)	13	12	15	12
Latin America (emerging)	5	5	5	5
Europe/MidEast/Africa (emerging)	2	4	3	4

<b>Largest Five Holdings:</b>		<b>Industry</b>
BHP Billiton	3.9	Materials
Nestle	3.2	Food Beverage & Tobacco
Novartis	3.0	Pharmaceuticals & Biotech
Unilever	2.8	Food Beverage & Tobacco
Rio Tinto	2.5	Materials

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



# San Jose Federated City Employees Retirement System

# Fisher Institutional Foreign Equity Portfolio Detail as of 12/31/09

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$60.3 million

**Portfolio Manager:** Team

**Location:** Woodside, California

**Inception Date:** 7/1/2005

**Account Type:** Separately Managed

**Fee Schedule:**

75 bp on first \$25 mm; 65 bp on next \$25 mm; 60 bp on next \$50 mm; 50 bp on next \$50 mm; 45 bp thereafter

**Liquidity Constraints:**

Daily

**Strategy:**

The Fisher All Foreign Equity strategy utilizes a top-down investment process focusing on what they believe to be the most important determinants of portfolio return. The Team utilizes a combination of quantitative and fundamental research to formulate economic forecasts, political forecasts, and determine sentiment drivers. Based upon their forecasting, the Team will develop portfolio themes to drive security selection.

**Guidelines:**

144A securities <10%

	Value	Core	Growth
Large			
Medium			
Small			

Performance (%):	4Q09	1 YR	3 YR	Since 7/1/05
<b>Fisher Institutional Foreign Equity</b>	<b>4.4</b>	<b>49.9</b>	<b>-2.4</b>	<b>6.3</b>
<b>Net of Fees</b>	<b>4.3</b>	<b>48.9</b>	<b>-3.0</b>	<b>5.7</b>
MSCI ACWI (ex. U.S.)	3.7	41.4	-3.5	6.5
Peer International Blend	3.1	31.8	-4.5	5.5
Peer Ranking (percentile)	18	3	18	38

Risk: (fifty-four months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Fisher Institutional Foreign Equity</b>	<b>28.2%</b>	<b>1.15</b>	<b>0.12</b>	<b>Neg.</b>	<b>0.99</b>
MSCI ACWI (ex. U.S.)	24.0	1.00	0.15	NA	1.00

	12/31/09		9/30/09	
<b>Capitalization Structure:</b>	Fisher	MSCI ACWI (ex. U.S.)	Fisher	MSCI ACWI (ex. U.S.)
Weighted Average Market Cap. (US\$ billion)	45.0	50.1	42.6	47.0
Median Market Cap. (US\$ billion)	26.5	5.5	29.8	5.3
Large (% over US\$9 billion)	79	77	80	77
Medium (% US\$1.5 billion to US\$9 billion)	20	22	20	23
Small (% under US\$1.5 billion)	0	1	0	1

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	24	24	23	22
Price-Book Value Ratio	2.7	2.6	2.7	2.6
Dividend Yield (%)	2.0	2.8	2.2	2.9
Historical Earnings Growth Rate (%)	23	18	22	18
Projected Earnings Growth Rate (%)	10	11	11	10

<b>Sector Allocation (%):</b>				
Industrials	16	10	16	10
Information Technology	12	7	12	7
Consumer Discretionary	13	8	13	8
Energy	15	11	15	11
Materials	16	12	15	11
Utilities	2	5	2	5
Telecom	3	6	3	6
Consumer Staples	4	9	5	8
Health Care	2	6	2	6
Financials	18	26	19	27

<b>Diversification:</b>				
Number of Holdings	109	1,823	106	1,808
% in 5 largest holdings	9	6	9	6
% in 10 largest holdings	17	10	16	10

<b>Region Allocation (%):</b>				
Europe/North America	51	54	51	55
Pacific Rim/Asia	19	23	21	24
Asia (emerging)	15	12	15	12
Latin America (emerging)	12	5	12	5
Europe/MidEast/Africa (emerging)	2	4	2	4

<b>Largest Five Holdings:</b>			<b>Industry</b>	
Rio Tinto	2.3		Materials	
Komatsu	1.8		Capital Goods	
Petrol Brasileiros	1.8		Energy	
Nissan Motor	1.8		Automobiles & Components	
CSN-CIA Siderurgica Nacional	1.7		Materials	



**Real Estate Portfolio Reviews  
As of December 31, 2009**

**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$6.5 million

**Senior Professionals:** Team

**Location:** New York, New York

**Vintage Year:** 2007

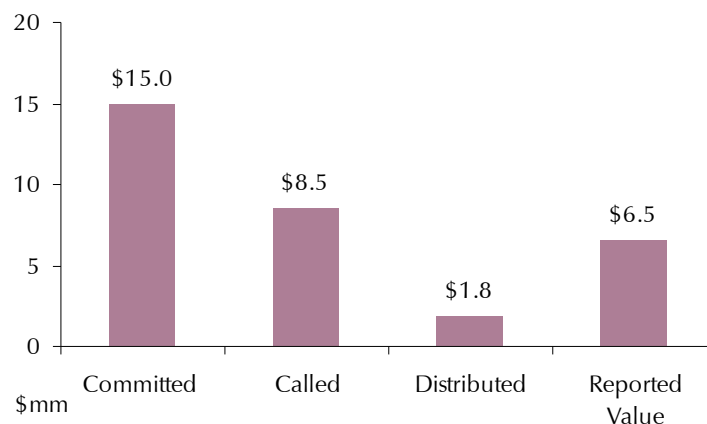
**Account Type:** Ltd. Partnership

**# of Investments:** 132

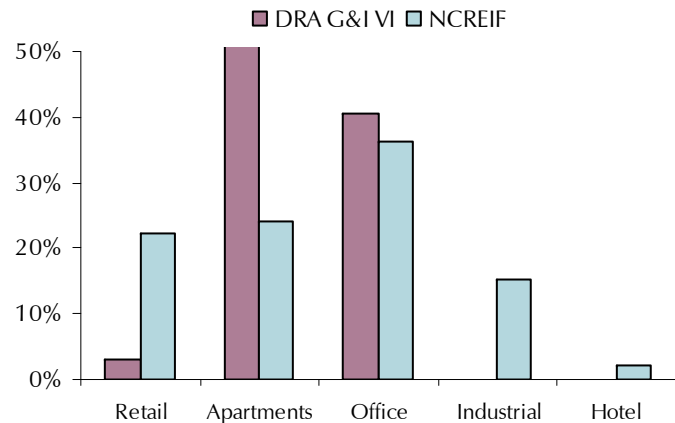
**Liquidity Constraints:** No interim liquidity

**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%

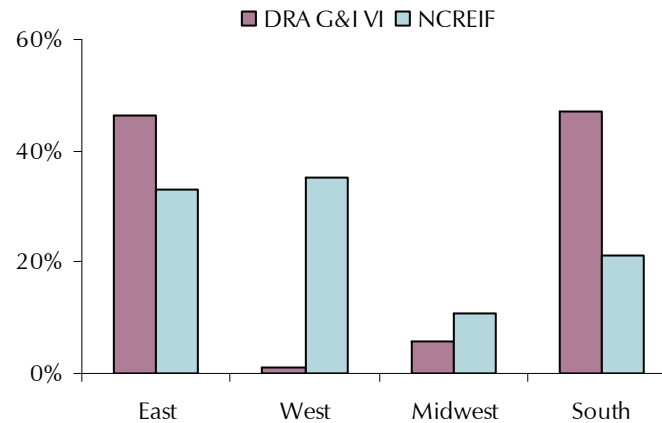
**Portfolio Size:**



**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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.



**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$1.2 million

**Senior Professionals:** Team

**Location:** Boston, Massachusetts

**Vintage Year:** 2006

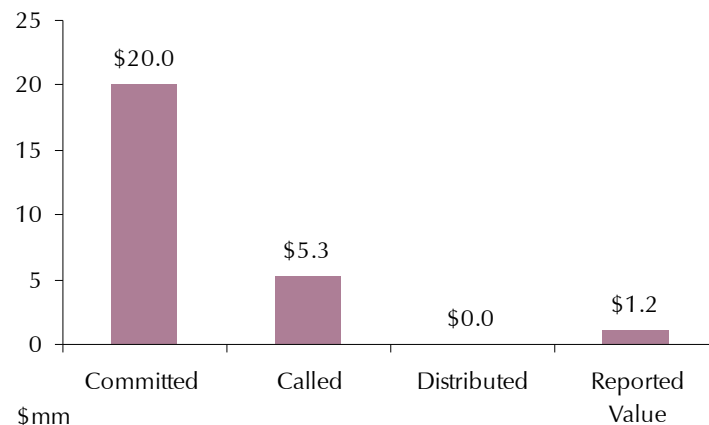
**Account Type:** Ltd. Partnership

**# of Investments:** 12

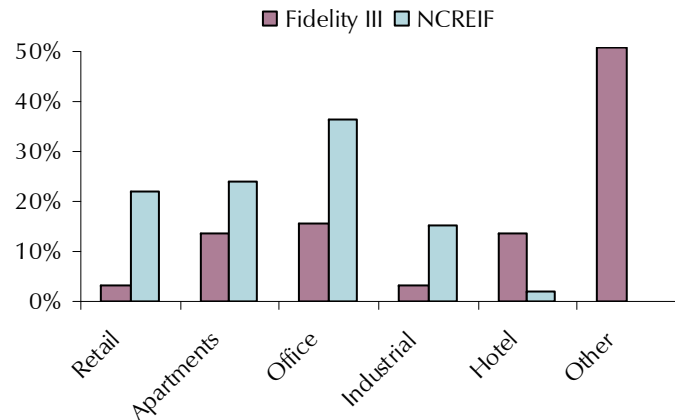
**Liquidity Constraints:** No interim liquidity

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

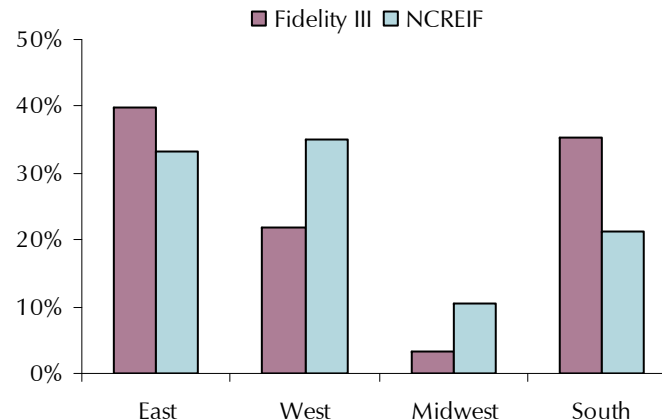
Portfolio Size:



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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.



**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$20.5 million

**Senior Professionals:** Kevin R. Smith

**Location:** San Francisco, California

**Inception Date:** 6/30/2004

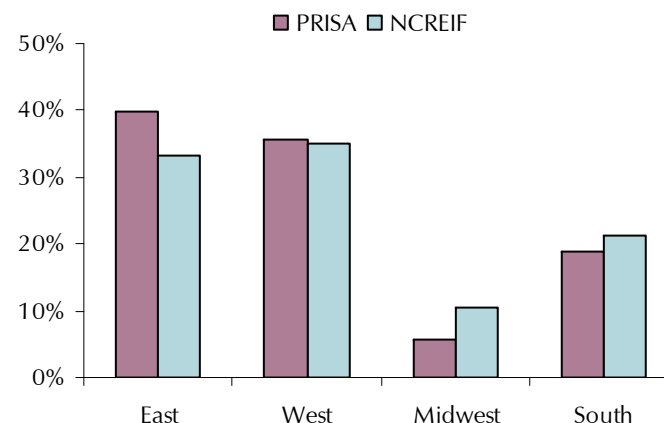
**Account Type:** Separately Managed

**# of Investments:** 240

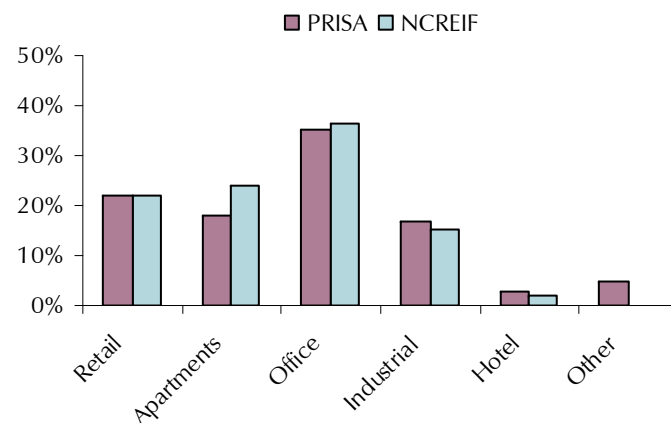
**Liquidity Constraints:** Quarterly (with 30 days advance notice)

**Fee Schedule:** 120 bp on first \$25 mm; 115 bp on next \$25 mm; 110 bp on next \$50 mm; 105 bp on next \$100 mm; 100 bp thereafter

### Geographic Region:



### Property Type:



Performance (%):	4Q09	1 YR	3 YR	5 YR	Since 7/1/04
<b>PRISA I</b>	-2.9	-34.4	-12.5	-0.8	0.4
<b>Net of Fees</b>	-3.0	-34.8	-13.1	-1.6	-0.4
NCREIF Property	-2.1	-16.9	-3.4	4.7	5.8

**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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.





**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$15.2 million

**Senior Professionals:** Team

**Location:** New York, New York

**Vintage Year:** 2005

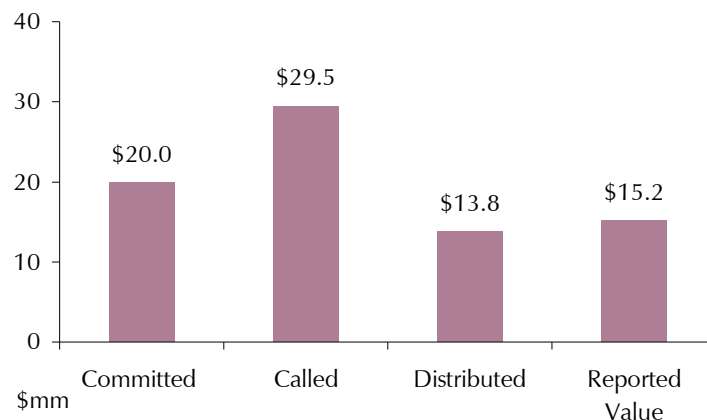
**Account Type:** Ltd Partnership

**# of Investments:** 432

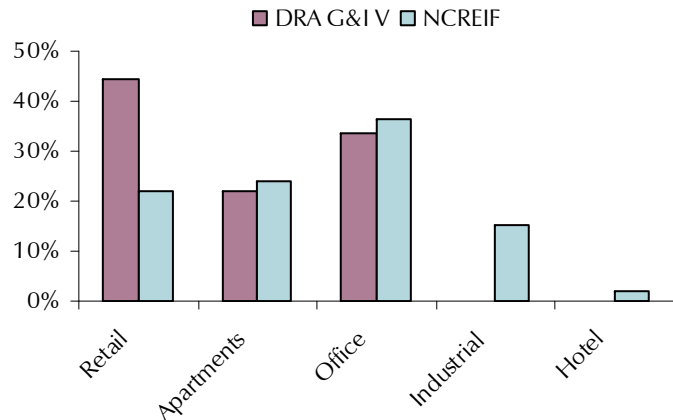
**Liquidity Constraints:** No interim liquidity

**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%

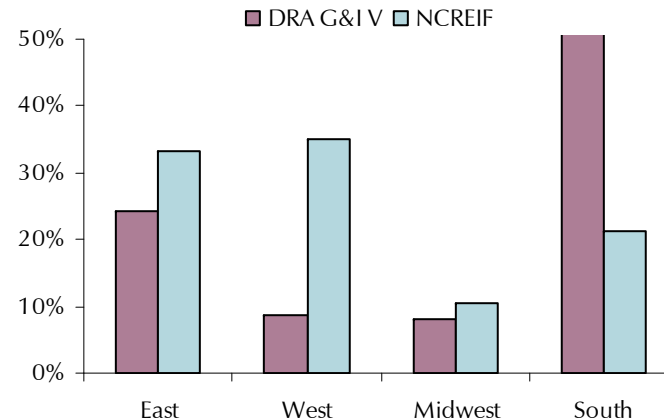
**Portfolio Size:**



**Property Type:**



**Geographic Region:**



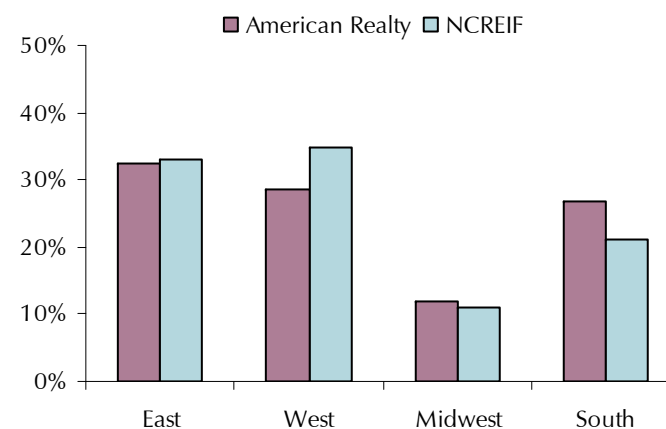
**Investment Strategy:** The Fund continues the fund series' strategy of making value-added commercial real estate investments. DRA invests in diversified portfolios of office, retail, multi-family, industrial and other real-estate related properties and assets across the United States. DRA targets investments 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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.

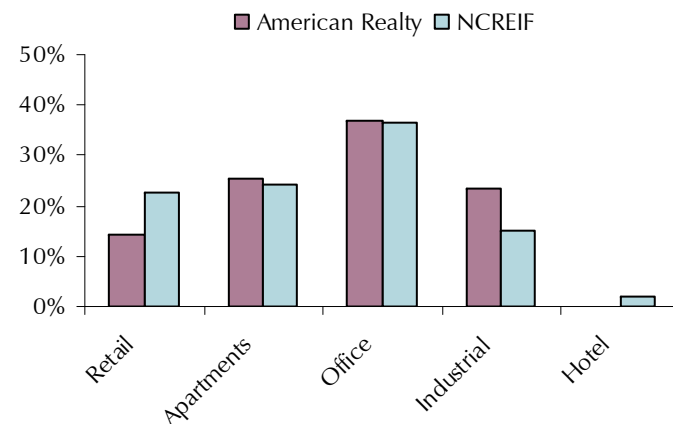


**Strategy:** Real Estate  
 Private Market  
 Diversified Core  
**Market Value:** \$13.9 million  
**Senior Professionals:** Scott Darling  
**Location:** Glendale, California  
**Inception Date:** 1/1/2007  
**Account Type:** Commingled Fund  
**# of Investments:** 57  
**Liquidity Constraints:** Quarterly (with 30 days advance notice)  
**Fee Schedule:** 110 bp on first \$25 mm; 95 bp on next \$50 mm; 85 bp thereafter

Geographic Region:



Property Type:



Performance (%):	4Q09	1 YR	3 YR	Since 1/1/07
American Core Realty Fund, LLC	-4.2	-30.0	-8.1	-8.1
Net of Fees	-4.5	-30.7	-8.9	-8.9
NCREIF Property	-2.1	-16.9	-3.4	-3.4

**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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.



**Strategy:** Real Estate  
Private Market  
Value-Added

**Market Value:** \$4.9 million

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

**Location:** Stamford, Connecticut

**Vintage Year:** 2006

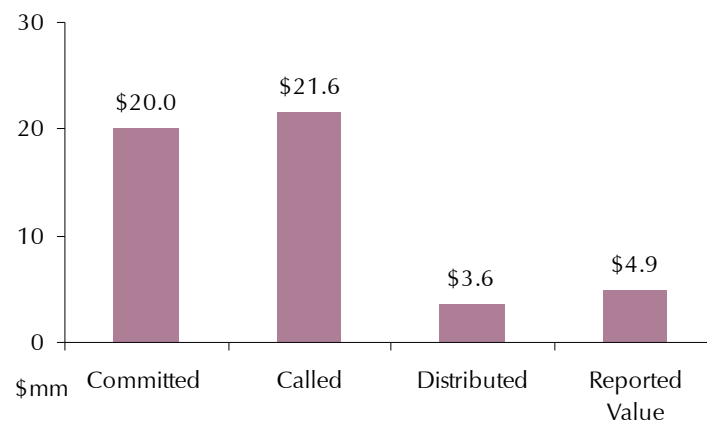
**Account Type:** Commingled Fund

**# of Investments:** 13

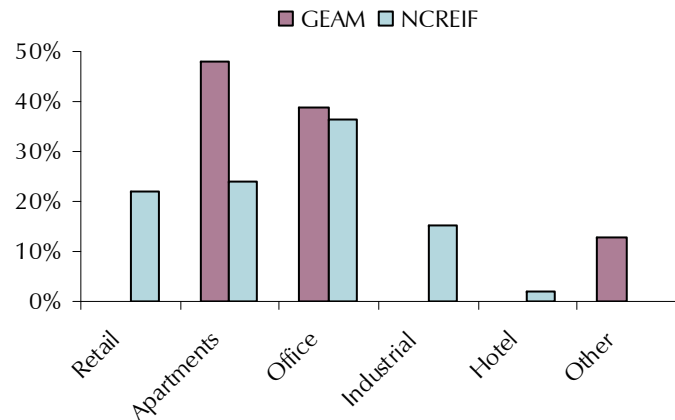
**Liquidity Constraints:** No interim liquidity

**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.

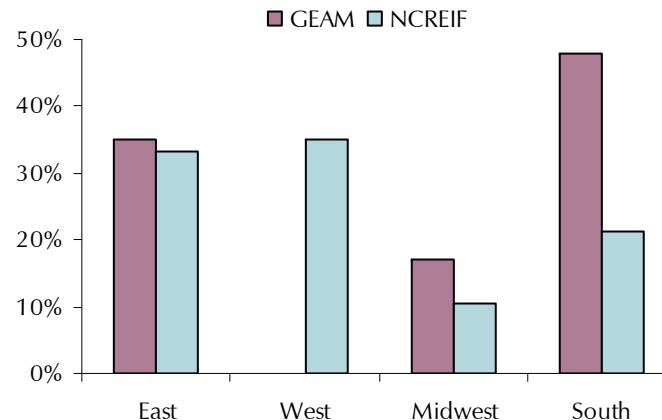
**Portfolio Size:**



**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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.



# San Jose Federated City Employees Retirement System

## Fidelity LP<sup>1</sup> Portfolio Detail as of 12/31/09

**Strategy:** Real Estate  
Private Market  
Diversified Core

**Market Value:** \$0.2 million

**Senior Professionals:** Team

**Location:** Boston, Massachusetts

**Vintage Year:** 2001

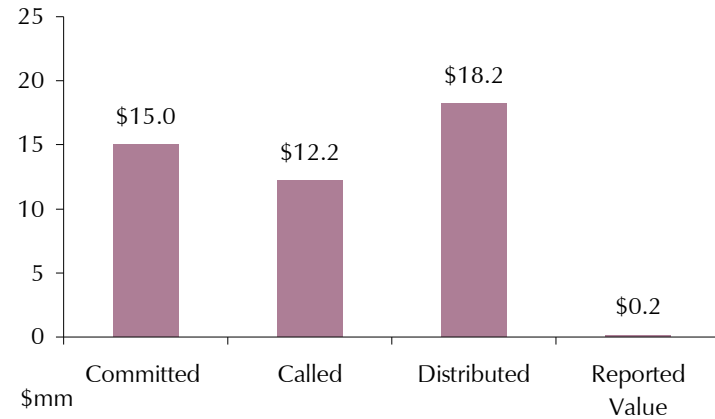
**Account Type:** Ltd. Partnership

**# of Investments:** 1

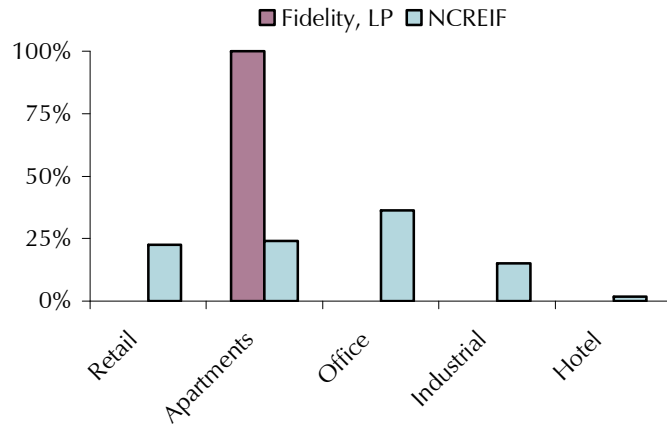
**Liquidity Constraints:** No interim liquidity

**Fee Schedule:** N/A

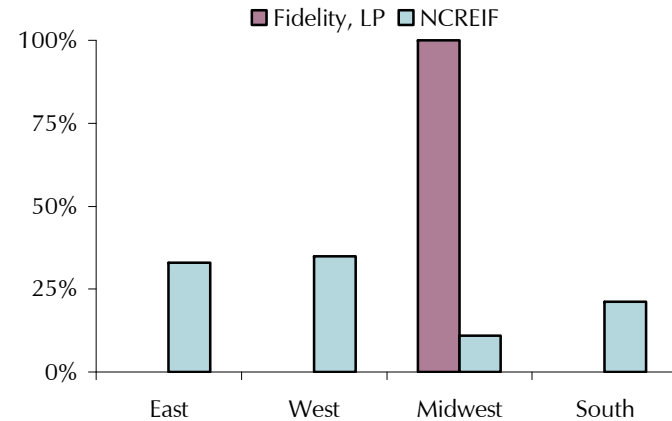
Portfolio Size:



Property Type:



Geographic Region:



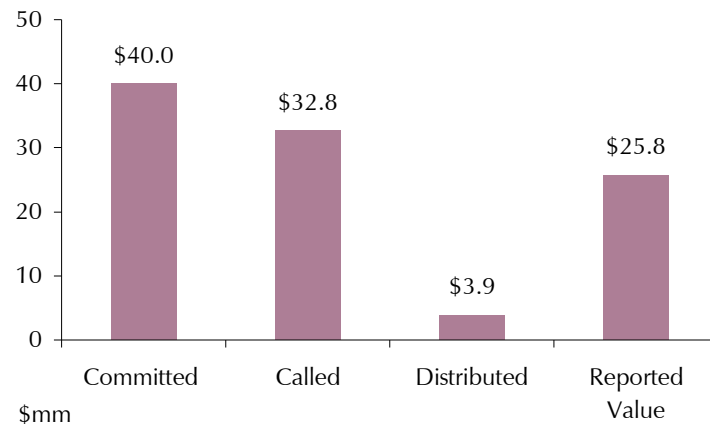
**Investment Strategy:** Fidelity LP will seek to generate gross annualized returns of at least 18% through investments in value-added private equity and equity-related real estate transactions. Fidelity principally targets transactions in markets with positive fundamentals that offer an opportunity 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.

<sup>1</sup> Real Estate manager data as of 12/31/09 is not yet available. Data shown is as of 9/30/09.



**Private Equity Portfolio Reviews  
As of December 31, 2009**

<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> \$32.8 million
<b>Location:</b> Irvine, California	<b>Outstanding Commitment:</b> \$7.2 million
<b>Vintage Year:</b> 2004	<b>Realized Proceeds:</b> \$3.9 million
<b>Fee Schedule:</b> 80 bps	<b>Total Value:</b> \$25.8 million

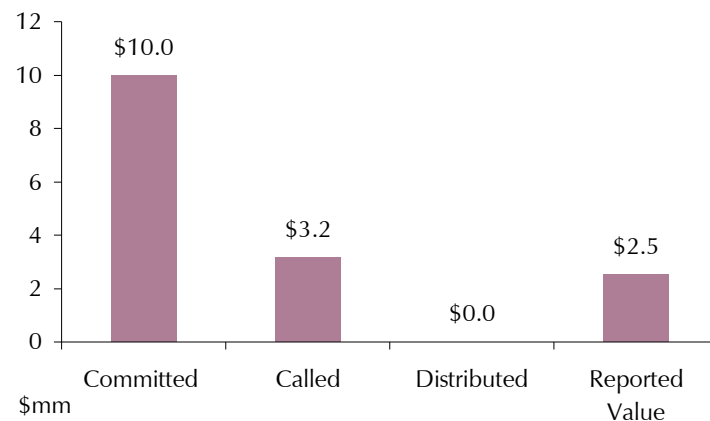


**Investment Strategy:**

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.



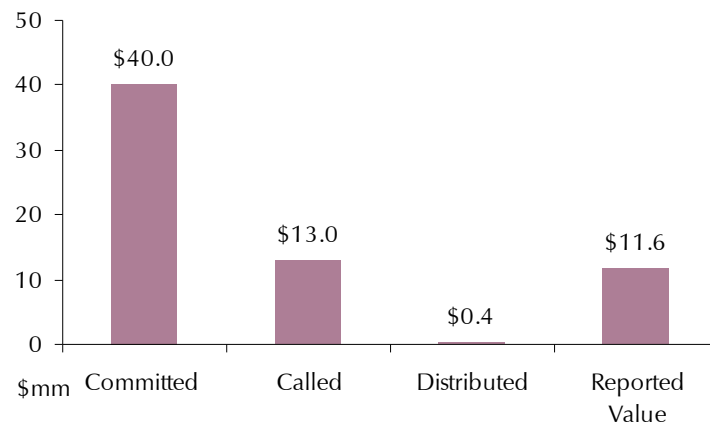
<b>Strategy:</b>	Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b>	\$10.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$3.2 million
<b>Location:</b>	Baar-Zug, Switzerland	<b>Outstanding Commitment:</b>	\$6.8 million
<b>Vintage Year:</b>	2008	<b>Realized Proceeds:</b>	\$0.0 million
<b>Fee Schedule:</b>	1.25% of commitments; 8% preferred return; 15% carried interest	<b>Total Value:</b>	\$2.5 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.

<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>	\$13.0 million
<b>Location:</b>	London, United Kingdom	<b>Outstanding Commitment:</b>	\$27.0 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>	\$11.6 million



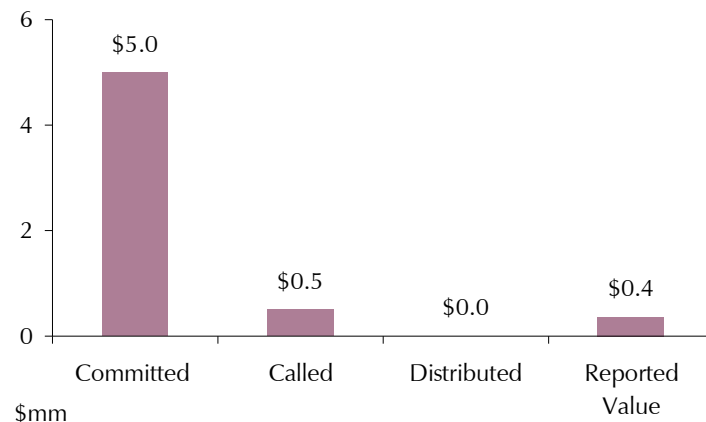
**Investment Strategy:**

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.





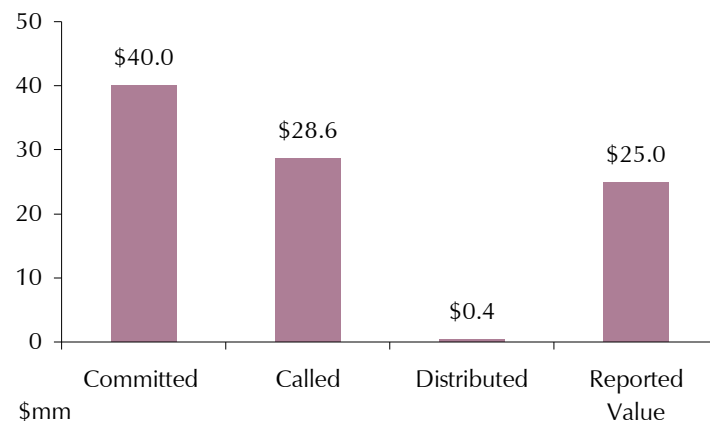
<b>Strategy:</b>	Private Equity Buyout Middle Market Buyout	<b>Commitment:</b>	\$5.0 million
<b>Senior Professionals:</b>	Team	<b>Capital Contributions:</b>	\$0.5 million
<b>Location:</b>	Boston, Massachusetts	<b>Outstanding Commitment:</b>	\$4.5 million
<b>Vintage Year:</b>	2008	<b>Realized Proceeds:</b>	\$0.0 million
<b>Fee Schedule:</b>	2.3% of commitments; 8.0% preferred return; 20% carried interest	<b>Total Value:</b>	\$0.4 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. Since its first fund in 1999, the Firm has invested in 37 companies, and reported a gross return on realized investments of 52% as of December 31, 2007.

<b>Strategy:</b> Private Equity Secondary Market Diversified Buyout	<b>Commitment:</b> \$40.0 million
<b>Senior Professionals:</b> Team	<b>Capital Contributions:</b> \$28.6 million
<b>Location:</b> London, United Kingdom	<b>Outstanding Commitment:</b> \$11.4 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> \$25.0 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.

# **Meketa Investment Group**

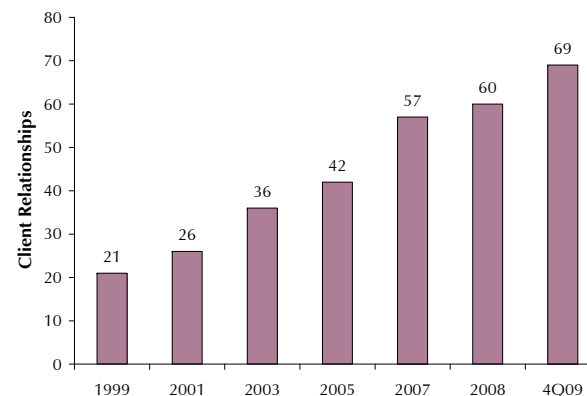
## **Corporate Update**

- Staff of 84, including 49 investment professionals and 16 CFA charterholders
- 69 clients, with over 145 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston and San Diego
- Aggregate assets of over \$260 billion
  - Over \$11 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

**Employee Growth**



**Client Growth**



**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>

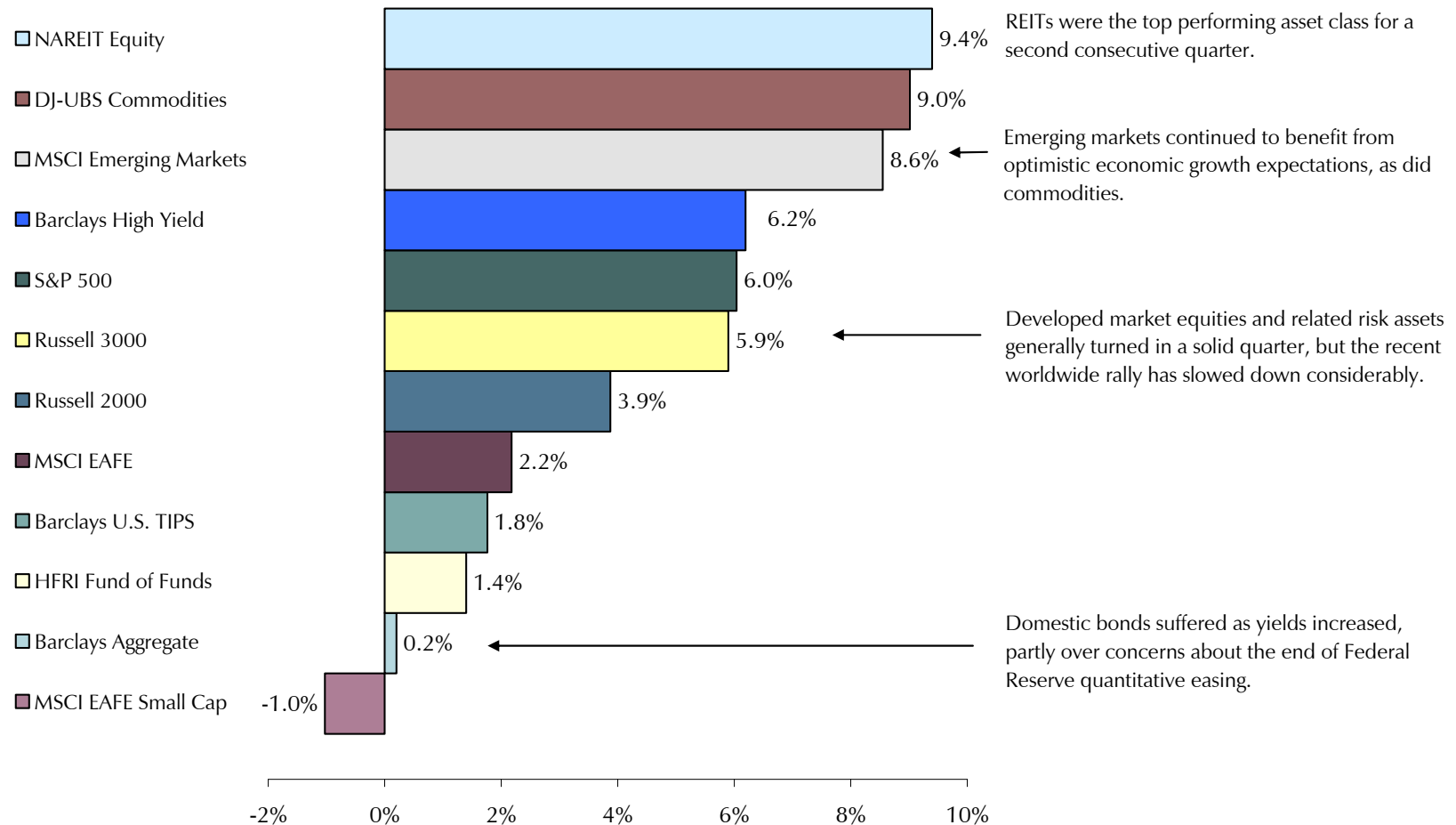


# Appendices

## The World Markets Fourth Quarter of 2009



The World Markets  
Fourth Quarter of 2009



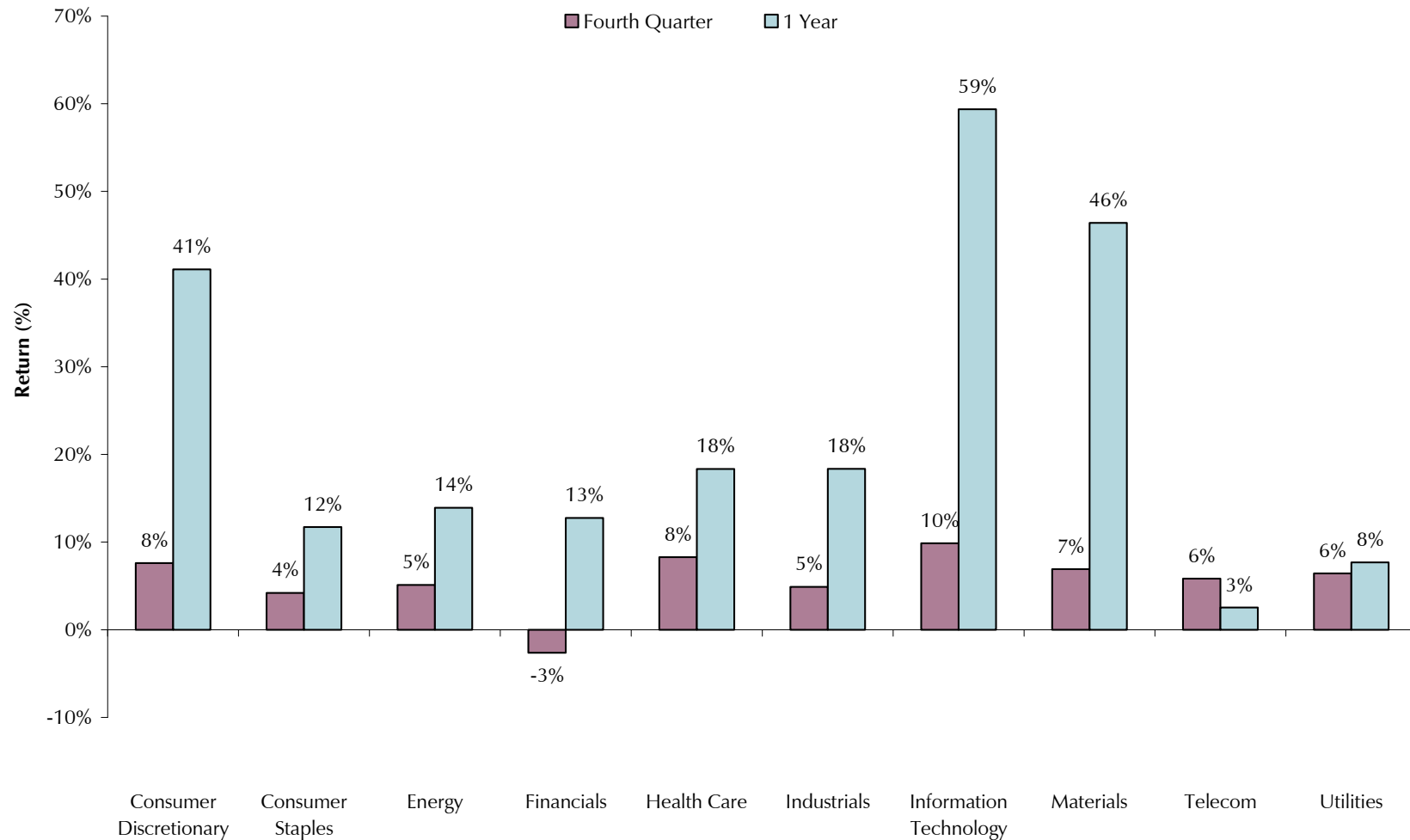


## Index Returns

	4Q 09 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>					
Russell 3000	5.9	28.3	-5.4	0.8	-0.2
Russell 1000 Growth	7.9	37.2	-1.9	1.6	-4.0
Russell 1000	6.1	28.4	-5.4	0.8	-0.5
Russell 1000 Value	4.2	19.7	-9.0	-0.3	2.5
Russell MidCap Growth	6.7	46.3	-3.2	2.4	-0.5
Russell MidCap	5.9	40.5	-4.6	2.4	5.0
Russell MidCap Value	5.2	34.2	-6.6	2.0	7.6
Russell 2000 Growth	4.1	34.5	-4.0	0.9	-1.4
Russell 2000	3.9	27.2	-6.1	0.5	3.5
Russell 2000 Value	3.6	20.6	-8.2	0.0	8.3
<b>Foreign Equity</b>					
MSCI ACWI (ex. U.S.)	3.7	41.5	-3.5	5.8	2.7
MSCI EAFE	2.2	31.8	-6.0	3.5	1.2
MSCI EAFE Small Cap	-1.0	46.8	-7.6	3.5	6.5
MSCI Emerging Markets	8.6	78.5	5.1	15.5	9.8
<b>Fixed Income</b>					
Barclays Universal	0.6	8.6	5.8	5.0	6.4
Barclays Aggregate	0.2	5.9	6.0	5.0	6.3
Barclays U.S. TIPS	1.8	11.4	6.7	4.6	7.8
Barclays High Yield	6.2	58.2	6.0	6.5	6.7

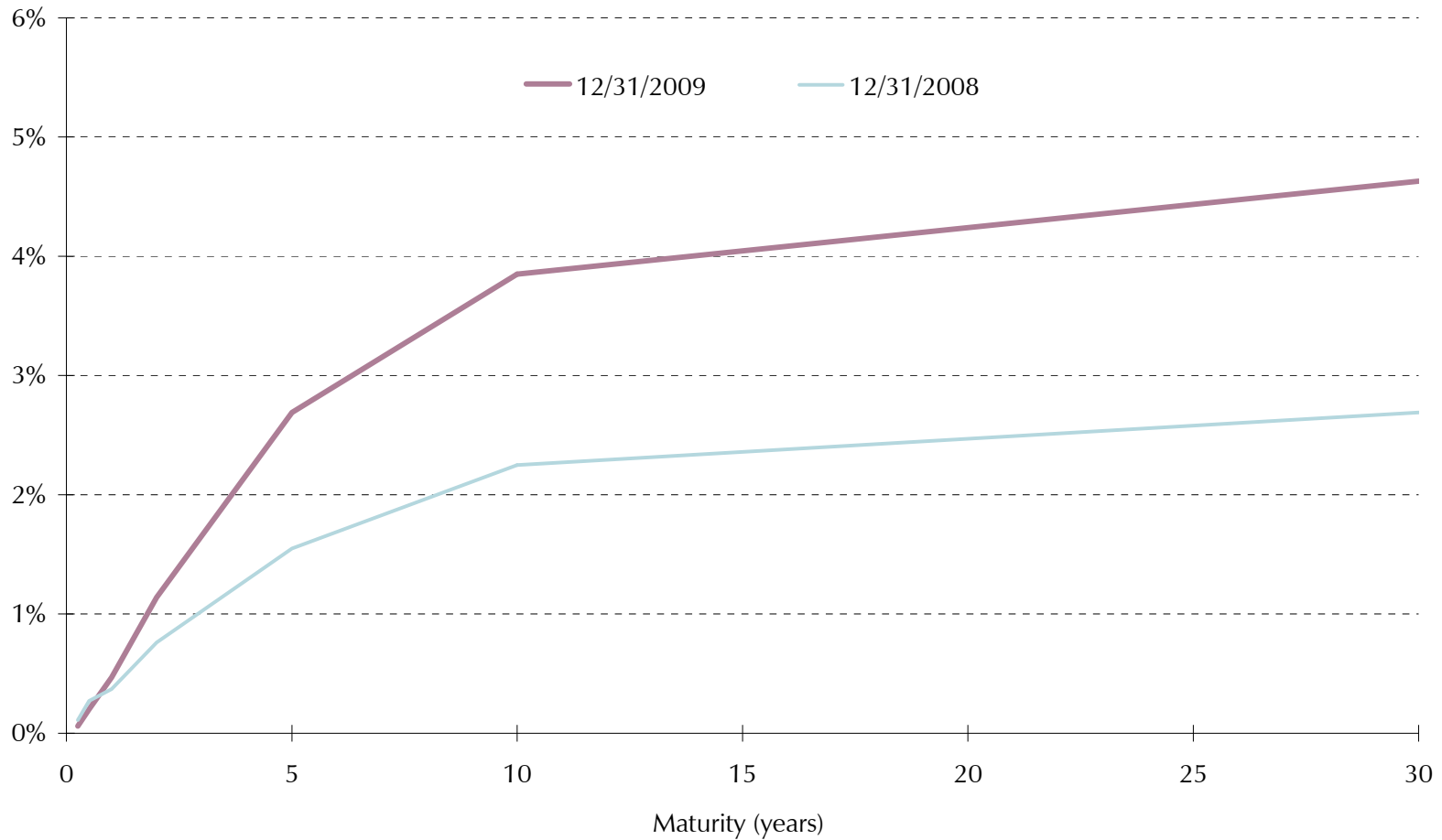
S&P Sector Returns

Only financials experienced negative returns in the fourth quarter. All sectors—including financials—experienced annual gains, led by the information technology, materials, and consumer discretionary sectors.



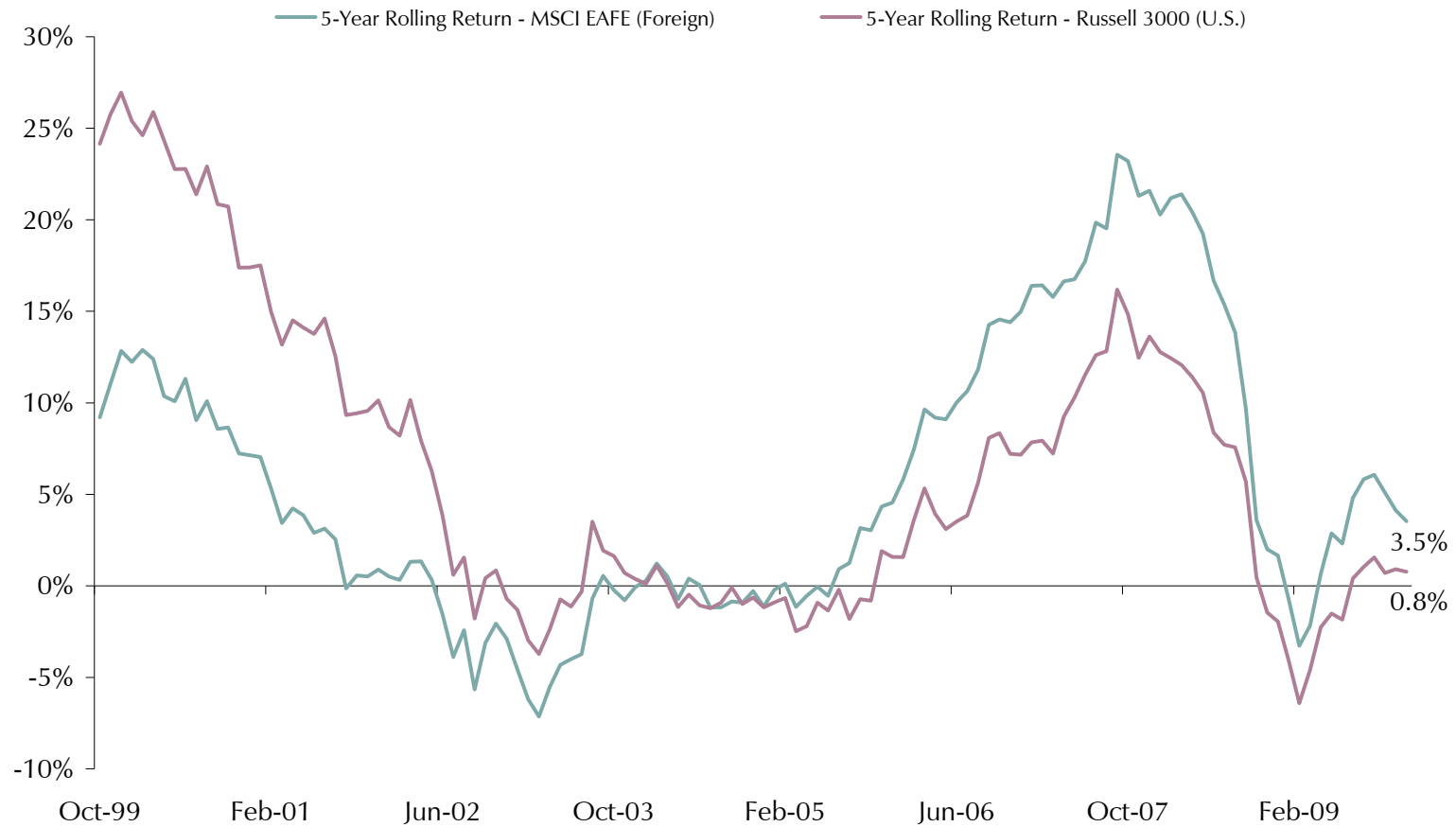
### Treasury Yields

At quarter-end, the yield curve was extremely steep by historical standards. The steepness was attributed to the central bank's suppression of short-term rates, combined with strong growth expectations and a large anticipated supply of Treasuries.



### Equity Markets

Over the most recent five-year period, the developed international equity market outpaced the broad domestic equity market by 2.7%.

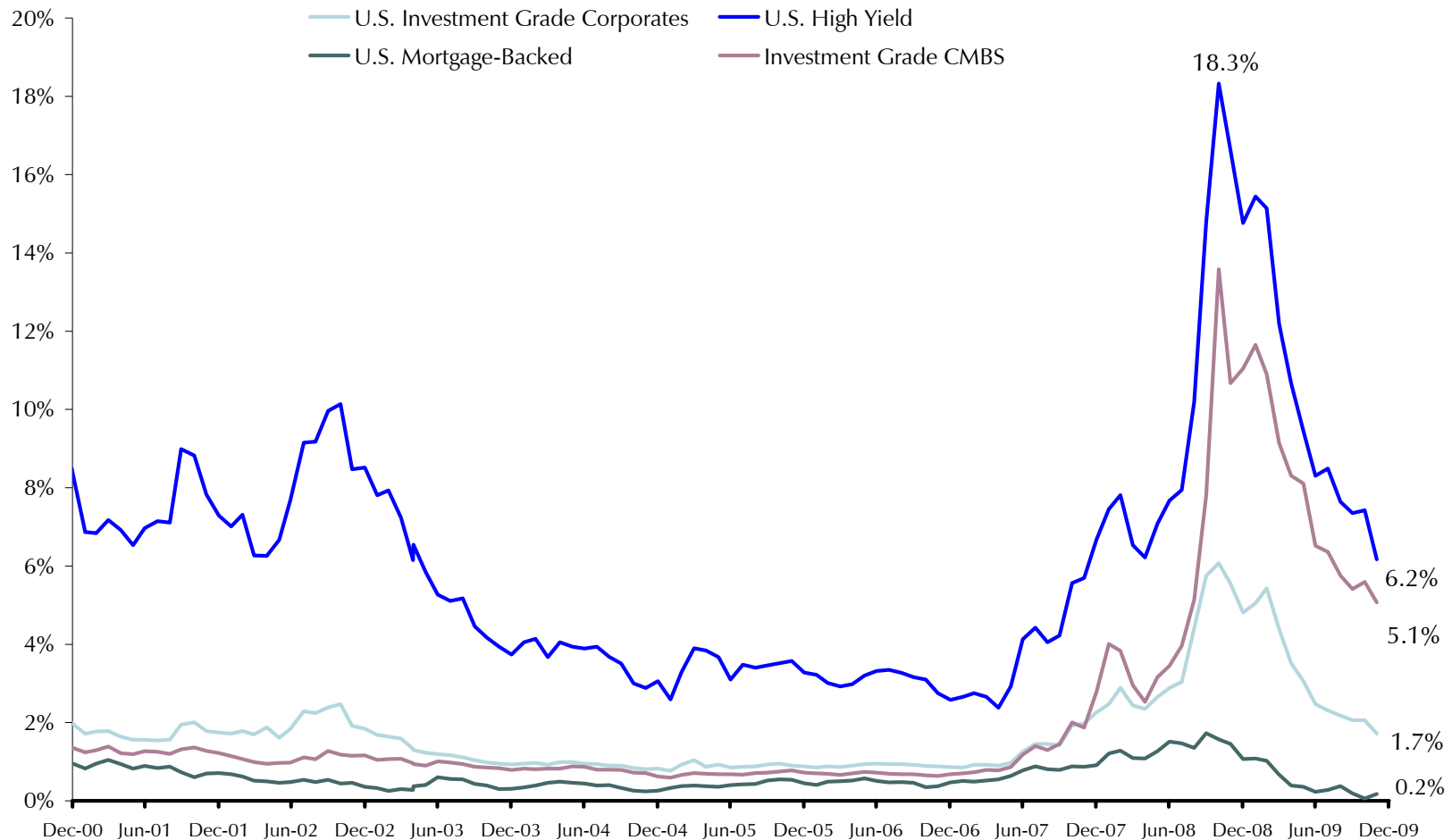


U.S. Fixed Income Markets

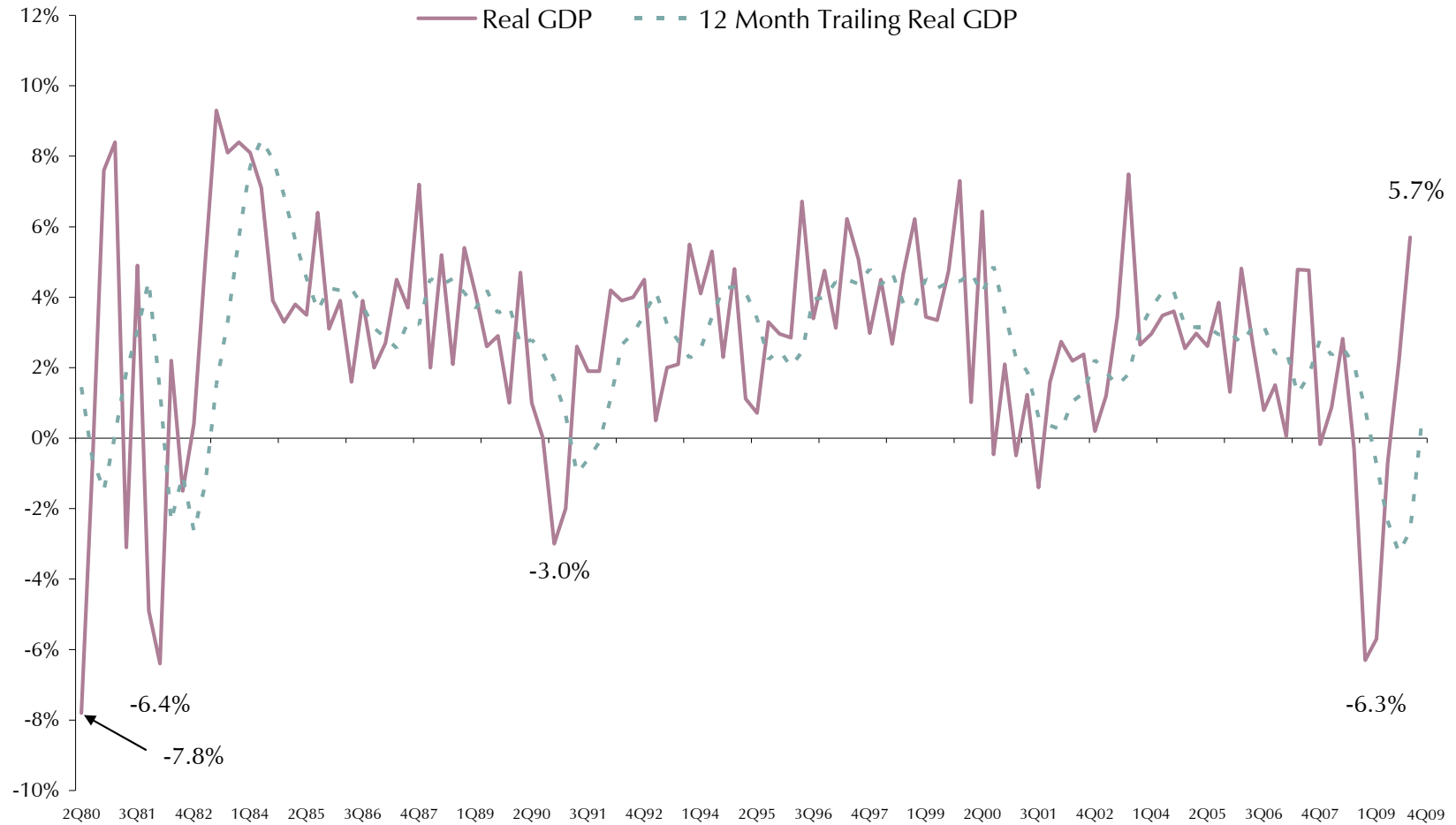


### Credit Spreads vs. U.S. Treasury Bonds

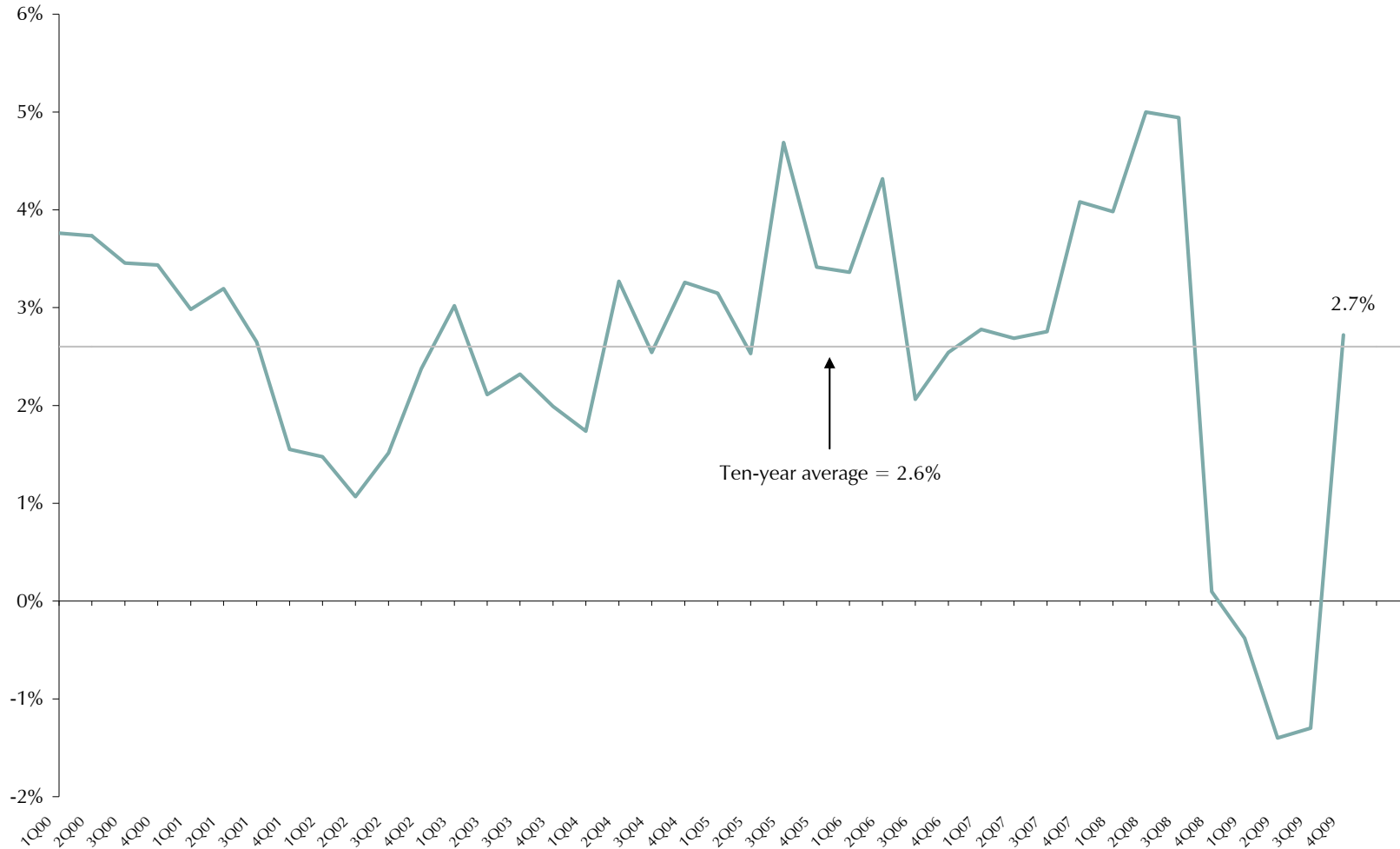
Credit spreads compressed further in the fourth quarter. High yield spreads declined by 1.4% during the quarter to end at 6.2%, roughly equal to their ten-year average.



**Real Gross Domestic Product (GDP) Growth**



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



<sup>1</sup> The ten-year average annualized inflation rate was 2.6%.





### Unemployment

The unemployment rate continued to rise and finished the year at 10.0%.



**Glossary and Notes  
As of December 31, 2009**

**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.

