

August 2007

**Pension Plan  
Presentation Report  
Second Quarter 2007**

San José Police and Fire Retirement System

**MERCER**

Investment Consulting

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# Executive Summary

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## Executive Summary

### Asset Allocation

The San José Police and Fire Department Retirement Plan had a market value of \$2,738.1 million at June 30, 2007, a \$116.0 million increase from the value at the end of the first quarter. At year-end, the Plan's assets were allocated across domestic equity (38.9%), international equity (22.6%), international emerging markets equity (6.3%), domestic core fixed income (19.7%), long-duration fixed income (3.7%), real estate (7.2%), private market equity (1.4%), and cash (0.1%). At June 30, 2007, the asset class allocations were within the guidelines and generally close to their targets. Domestic equity was 4.9% above its target allocation of 34.0%, international equity was 2.6% above its target allocation of 20.0%, private equity was 3.6% below its target allocation of 5.0%, and real estate was 4.8% below its target allocation of 12.0%.

### Total Fund Performance

The Total Fund outperformed the return of the Total Fund Benchmark for the quarter, YTD, 1 year, and 5 years. The Total Fund placed above or near the Russell/Mellon Total Funds Billion Dollar–Public Universe median for all periods except the YTD.

Economic growth picked up in the second quarter amid renewed strength in the manufacturing sector and continued labor market expansion. The initial government estimate of second quarter GDP growth was 3.4%. Employers continued to hire workers at a steady pace, adding about 400,000 new jobs during the quarter. The unemployment rate at quarter-end was 4.5%, nearly a six-year low. Consumer spending slowed during the quarter as higher gas prices and the flagging housing

market weighed on consumers. Spending is expected to increase at an annual rate of 1.5% or less. The housing slump deepened as tighter lending standards and higher mortgage rates helped keep home sales low and inventory levels at record highs. Existing home sales fell at a 25% annualized rate in June, the largest quarterly decline in this housing cycle.

The federal funds rate remained at 5.25%, unchanged since June 2006. Despite recent moderation, inflation remains the Fed's predominant concern. After reaching a 5-year high of 5.26% on June 12, the 10-year Treasury yield ended the quarter at 5.03%, up 38 basis points since March. The 2-year Treasury yield rose 29 basis points to 4.87%. Over the quarter, the 3-month T-bill yield decreased 22 basis points to 4.82%, while the yield on 30-year Treasuries rose 28 basis points to 5.12%. Consumer price increases eased slightly on a year-over-year basis as the CPI increased 2.7%. Core CPI, up 2.2% from a year ago, neared the Fed's comfort range of 1% to 2%.

The stock market performed well in the second quarter, with solid gains in April and May, though concerns over rising bond yields and widening credit spreads hampered performance in June. The S&P 500 Index was up 6.3% while the broader Russell 1000 Index gained 5.9%. Small cap stocks, as measured by the Russell 2000 Index, trailed both mid and large cap stocks, gaining 4.4%. Growth stocks outperformed value stocks across the capitalization range, with large cap growth issues posting the best results. Small cap value stocks were the weakest performers, returning 2.3%. The energy and integrated oils sectors, up 14.7% and 13.5% respectively, saw the strongest gains during the quarter. Financial services and consumer staples posted the weakest results, gaining 2.1% and 2.9% respectively.

The investment-grade bond market retreated in the second quarter amid concerns about strong economic growth and lack of Fed easing, which pushed yields higher. The Lehman Brothers Aggregate Bond Index was down 0.5% for the quarter. Heavy selling in May and June resulted in a loss of 0.4% for the Lehman Brothers Treasury Index. Long-term Treasuries gave up 1.9%. The Lehman Brothers Credit Index declined 0.7% during the quarter. In general, intermediate-term maturity issues outperformed long-term bonds. By quality, the bucket of A-rated securities posted the weakest results, followed by Baa-rated issues. The average corporate spread widened 9 basis points amid broad credit concerns prompted by subprime loan problems. The Lehman Brothers MBS Index lost 0.5% for the quarter. Hybrid ARMS, up 0.7%, outperformed fixed-rate mortgage-backed securities during the quarter.

International equity markets posted a solid gain as the MSCI EAFE Index returned 6.7% for the quarter. In local currency terms, the Index gained 6.2%. The euro continued to appreciate versus the U.S. dollar, while the yen weakened. The Pacific region gained a modest 2.3% during the quarter as weak performance in Japan muted performance. The Pacific ex-Japan region returned 9.7% for the period. Stocks in the European region returned 8.7% as strong export growth and corporate profitability boosted returns. Among the major economies, Germany delivered the strongest results, gaining 16.7%. Fueled by a declining U.S. dollar, strong corporate earnings, and steadily expanding economies, the emerging markets rallied as the MSCI EM Index soared 15.0% in U.S. dollar terms. Latin America, up 19.8%, was the top-performing region, followed by Emerging Asia, which gained 18.5%.

### **Large Cap Index Equity – Rhumblin Advisers**

Rhumblin held \$249.6 million at quarter-end. This represented an increase of \$14.5 million from the end of the first quarter.

For all periods shown, Rhumblin tracked the S&P 500 Index within 30 basis points.

### **Large Cap Growth Equity – Globalt, Inc.**

Globalt held \$45.3 million at quarter-end. This represented an increase of \$2.2 million from the end of the first quarter, with a positive 5.0% return.

Globalt underperformed the Russell 1000 Growth Index for all periods. The portfolio placed below the Mercer U.S. Equity Large Cap Growth Universe median for all periods.

Poor stock selection in technology was the largest performance detractor for the quarter. Health care also hurt performance through unfavorable stock selection but softened the loss through the sector's underweight against the benchmark. Consumer discretionary detracted performance through both selection and allocation.

### **Large Cap Growth Equity – INTECH**

INTECH held \$49.3 million at the end of the quarter. This represented an increase of \$2.1 million from the end of the first quarter, with a positive 4.4% return.

INTECH underperformed the Russell 1000 Growth Index for all periods except 3 years and since inception. The portfolio placed below the Mercer U.S. Equity Large Cap Growth Universe median for all periods.

The largest detractor from performance was the technology sector, through both the fund's poor stock selection and sector allocation. Poor stock selection was also a factor in the consumer staples, materials & processing, producer durables, and financial services sectors. The best-performing sector was health care, and stock selection was strong in that sector.

### **Large Cap Growth Equity – New Amsterdam Partners**

New Amsterdam held \$165.3 million at June 30, 2007. Assets have increased by \$8.7 million since the end of the first quarter, with a positive 5.6% return.

The portfolio underperformed the S&P 500 Index and the Mercer U.S. Equity Large Cap Growth Universe median for all periods except 3 years, 5 years, and since inception.

The portfolio's exposure to and stock selection in technology, health care, consumer staples, autos & transportation, utilities, and underweight in integrated oils detracted from performance. Favorable stock selection and allocation in financial services, materials & processing, and "others" helped performance.

### **Large Cap Value Equity – UBS Global Asset Management**

At June 30, 2007, UBS managed \$143.6 million in assets, \$9.3 million more than at the previous quarter-end, with a positive 6.9% return.

The portfolio outperformed the Russell 3000 Index for all periods. The portfolio placed below the Mercer U.S. Equity Large Cap Value Universe median for all periods evaluated except the recent quarter.

Favorable allocation to and stock selection in technology, health care, consumer discretionary, and financial services benefited performance. Unfavorable exposure and stock selection to integrated oils, materials & processing, and producer durables negatively impacted performance.

### **Large Cap Value Equity – Boston Partners Asset Mgmt**

At June 30, 2007, Boston Partners managed \$153.3 million in assets, an increase of \$10.4 million since the prior quarter-end, with a 7.3% return.

The portfolio outperformed the Russell 1000 Value Index and Mercer U.S. Equity Large Cap Value Universe median for all periods evaluated.

Favorable allocation to and stock selection in technology, consumer discretionary, financial services, and utilities helped performance for the quarter. Positive returns were slightly dampened by somewhat poor stock selection and allocation in the "others" sector.

### **Research Note Dated June 20, 2007:**

#### *Issues to watch*

The turnover at all levels of the firm has been higher than normal and, because the product is built on fundamental research, we will closely monitor the strength of the research staff and the depth of the fundamental research.

The quantitative model appears to have an increasing role in stock selection as RBP continues to add to its quantitative staff and is actively engaged in improving the model. However, we do not view the model as particularly strong and need to see further improvement in its capabilities. We will monitor the role and efficacy of the model in further meetings with RBP.

### *Highlights*

RBP has experienced some significant turnover at all levels since late 2005. The departures began with portfolio manager Wayne Sharp at the end of 2005 and continued with the resignation of portfolio manager Neil Devlin in May 2006. There has also been significant turnover within the Boston-based fundamental research analyst team over the same time period, with 4 of the 11 analysts on the team leaving. Tim Horan left in 2005, while Rick Johannes, Todd Rosner, and Melissa Warneck all left in 2006. In addition, Jay Feeney's promotion to CIO led to the transfer of his research duties in the transportation and REIT industries to other analysts. RBP stated that the team was stable and did not cite a specific cause of the departures. In response to the turnover, RBP increased its research staff and hired more experienced analysts. The firm added Ron Young, Joseph Urick, Joshua Jones, Joshua White, Kevin Duggan, and Todd Knightly to the Boston team, and Rahul Narang as a long/short analyst in San Francisco. However, we feel that the fundamental research is the strategy's differentiating factor, so the level of turnover is a concern. Our concerns are muted somewhat by our confidence in lead portfolio manager Mark Donovan and the abilities of the research analysts we met during the on-site visit. Both Young and Eric Connerly demonstrated deep knowledge of the industries they covered and presented a logical investment thesis for the stocks held. In addition, the incoming analysts were generally more experienced than those that departed. However, the cause for the departures remains a mystery, and

we will have a negative view of further turnover at any level, and further downgrades may follow.

RBP has always touted the strategy as a product that relied primarily on fundamental research. Now it appears that the team is leaning on the quantitative research more heavily than they have in the past. This may be due to the heavy turnover in the analyst team. Feeley describes the process as "quantamental": in which the team's fundamental research and security selection is driven by a stock's ranking in the quantitative model. Even a stock's required catalyst needs to be proved by improving fundamental metrics such as inventory turnover, accounts receivables, and sales growth. While RBP continues to grow its analytical resources across both the quantitative and fundamental teams, we will need a more definitive contribution from the quantitative model before changing our view that fundamental research is the primary driver of the strategies.

The quantitative model has three areas of focus: valuation, momentum, and fundamentals. Valuation and momentum have a 40% weight in the final aggregate score, while fundamentals account for the remaining 20%. These weights do not change, but factors within the groups are constantly reviewed and adjusted. We view the quantitative model as average at best. It is not as dynamic as that of some of the stronger quantitative firms. RBP recently made changes to the model for the first time since 2000. These changes include a reduction in the weight of the earnings estimate revision factor from 35% to 5% and the addition of a short interest factor. We expect to see more frequent updates to the model as the quantitative team continues to increase.

Like many firms, RBP is taking steps to increase its use of electronic trading channels to reduce transaction costs. Head trader Mark Kuzminskas stated that currently over 60% of

RBP's trades are done electronically and he estimates that the percentage will rise in the future. He also stated that the reduction in transaction costs has been substantial. We continue to feel that RBP's trading capabilities are strong and that the lower trading costs should benefit performance.

**Manager News Dated July 2, 2007:** Robeco Investment Management has informed us that Jay Feeney has been named chief investment officer – Equities effective July 1, 2007 and will be located in Boston, MA. Feeney joined Robeco Boston Partners in 1995, and began working with Robeco Weiss Peck & Greer in 2003 subsequent to the formation of Robeco Investment Management. Prior to being named CIO, Feeney served as the director of Equity Research for 2 years, during which he was responsible for overseeing research functions of both Robeco Boston Partners and Robeco Weiss Peck & Greer.

#### *Mercer View*

This news item was discussed at a recent meeting at Robeco Boston Partners. We are comfortable with Feeney's philosophy and do not expect this change to impact the teams or strategies offered by Robeco Investment Management.

#### **Small Cap Growth Equity – Provident Investment Counsel**

At June 30, 2007, Provident managed \$76.1 million in assets, \$4.7 million more than at the end of the first quarter, with a positive 6.6% return.

Provident outperformed the Russell 2000 Growth Index for all periods except the quarter and 1 year. The portfolio placed below the universe median for all periods.

The portfolio's strong security selection in technology and

financial services benefited performance. Unfavorable stock selection in consumer discretionary, health care, and other energy detracted from results.

#### **Small Cap Index Equity – Rhumblin Advisers**

At June 30, 2007, Rhumblin managed \$108.0 million. This represented a \$4.6 million increase in assets from the end of the first quarter, with a positive 4.5% return.

For all periods shown, the fund tracked the Russell 2000 Index within 30 basis points.

#### **Small Cap Value Equity – TCW Group**

At quarter-end, TCW Group managed \$75.2 million in assets, an increase of \$3.4 million from the previous quarter, with a positive 4.7% return.

For all periods evaluated except the 3 year, 5 year, and since inception, TCW outperformed the Russell 2000 Index. It placed below the Mercer U.S. Equity Small Cap Value Universe median for all periods except the 1 year.

Producer durables was the largest detractor for the quarter through poor stock selection; however, the negative effect was slightly mitigated through favorable allocation. In addition, poor stock selection in materials & processing and autos & transportation hurt performance. Favorable allocation in financial services and strong stock selection in consumer staples and other energy helped performance.



### **International Equity – AQR Capital Management**

At quarter-end, AQR held \$124.8 million, marking an increase of \$10.0 million from last quarter, with a positive 8.9% return.

For all periods, AQR outperformed the MSCI EAFE Net Index and placed in the top quartile of the Mercer International Equity Universe.

The two largest contributors to performance were Spain and Japan; both country holdings offered strong stock selection and favorable allocation. Emerging markets was the largest detractor for the quarter, dragging the portfolio through its 33.3% allocation.

### **International Equity – Brandes Investment Partners**

Brandes had \$247.0 million under management at March 31, 2007. This represented a decrease in assets of \$10.1 million from the previous quarter, with a positive 5.0% return. This decrease was due to a cash outflow of \$22.9 million during the recent quarter.

For all periods shown except the quarter and YTD, Brandes outperformed the MSCI EAFE Net Index. The portfolio underperformed the Mercer International Equity universe median for all periods except 5 years.

The portfolio's weak security selection in France, U.K., and Japan hurt performance during the recent quarter. What helped performance was the portfolio's 12.9% emerging markets exposure, primarily due to favorable currency changes and country allocations in Brazil and South Korea.

### **International Equity – William Blair & Company**

At June 30, 2007, William Blair managed \$248.1 million. This represented a \$2.2 million decrease in assets from the end of the previous quarter, with a positive return of 8.5%. This decrease was due to a cash outflow of \$23.0 million during the recent quarter.

For all periods evaluated, the portfolio outperformed the MSCI AC World Free ex-U.S. Net Index and placed above the Mercer International Equity Universe median.

The portfolio's security selection in Switzerland, Japan, and Brazil contributed to the outperformance. Emerging markets was 16.0% of the portfolio, with a 17.1% return, although the negative effect was slightly mitigated through the fund's 2.0% holding in China. The European section was held back by poor stock selection in the U.K., which had a portfolio weighting of 30.7%.

### **Emerging Markets Equity – Alliance Capital Management**

At quarter-end, Alliance managed \$88.0 million in assets, marking an increase of \$9.1 million from the end of the previous quarter with a positive 14.5% return.

For all periods except the quarter, 1 year, and 3 years, the portfolio outperformed the MSCI Emerging Markets Free Index. The portfolio placed below the Mercer Emerging Markets Equity Universe median for all periods.

What helped performance was the above-index exposure in Latin America, which had a return of 19.8% for the quarter. The Asian stocks, which held a 53.4% allocation, also helped performance, with an 18.5% return for the quarter ending June 30, 2007. EMEA region lagged with a performance of 5.3%.

### **Emerging Markets Equity – Boston Company Asset Mgmt**

Boston Company had \$85.8 million under management at June 30, 2007. This represented a \$9.1 million increase in assets from the end of the previous quarter, with a 14.6% return.

For all periods evaluated except since inception, the portfolio underperformed the MSCI Emerging Markets Free Index. The portfolio placed in the bottom half of the Mercer Emerging Markets Equity Universe for all periods.

What hurt performance was the portfolio's Asian market exposure, primarily from poor stock selection in Taiwan and South Korea with a 34.6% portfolio weighting. On a positive note, the portfolio's Europe, Middle East, Africa segment came in positive, primarily from its favorable allocation in Russia and stock selection in South Africa. Brazil performed well through stock selection. A 4.9% allocation in Hong Kong boosted performance, with a country return of 24.5%.

### **Research Note Dated June 14, 2007:**

#### *Issues to watch*

BCAM announced in April the departure of an experienced analyst, Andrew Johnson. In a team as small as BCAM's, any departure has the potential to significantly impact the portfolio. Does Johnson's departure signal fissures in the team dynamics

or is it just an isolated situation?

#### *Highlights*

Performance in BCAM's Emerging Markets Value strategy has been disappointing for the last few years. With its tilt toward relative value, we expect that the strategy will underperform value-biased benchmarks in strong value markets, but we would also expect that performance should outmatch core indices in these environments. In the past three years, BCAM has underperformed both core and value benchmarks. Poor stock selection has been the reason for lagging performance according to attribution provided by BCAM. While we admire the team's adherence to its process, we are left to wonder if the team has sufficient depth to effectively cover the entire non-U.S. equity universe. Additionally, previous meetings with Kirk Henry have affirmed our high opinion of his management abilities, but some team issues have also come to light which cause us some concern.

As noted, in April, BCAM announced the departure of Andrew Johnson, an analyst with research coverage of Japan, Korea, and Taiwan. He was replaced with two new hires, one devoted to Japan stock research and the other to Korea and Taiwan. Johnson had been with BCAM for 10 years and was only the third person to leave the team since Henry joined in 1994. Our contact at BCAM had told us that Johnson left to pursue an opportunity with another firm in Japan. BCAM told one of our clients that Johnson was asked to leave the team due to poor performance and not being a team player. It is surprising to us that an issue like this would arise in a tight-knit team after 10 years.

BCAM has been expanding its research team of late with the addition of two new analysts in the summer of 2006 and the two recent replacements for Johnson. The addition of the team

members was due to a directive from senior leaders at the firm to address consultant concerns about the size of the team. We wonder how team dynamics will be affected, since Henry was not the one desiring team expansion. This coupled with Johnson's departure causes some concern for us about the effectiveness of the team. In the near future, we will meet with the team to assess any changes in the way team members work together.

### **Core Fixed Income – Seix Investment Advisors, Inc.**

At quarter-end, Seix managed \$266.4 million in assets, an increase of \$12.8 million from the previous quarter-end, with a return of -0.4%. This was due to a cash inflow of \$14.0 million during the recent quarter.

Seix outperformed the Lehman Brothers Aggregate Bond Index for all periods evaluated. The portfolio placed below the Mercer U.S. Fixed Core Universe median for all periods evaluated except the quarter.

The portfolio's reduction to lower-quality issues contributed to outperformance during the recent quarter. Below-index exposure to the asset-backed securities also helped performance. What hurt performance was the above-index exposure to mortgage-related securities, as the Lehman Brothers MBS Index lost 0.5% for the quarter.

### **Research Note Dated May 9, 2007:**

#### *Issues to watch*

Historically, the mortgage portion of Seix's high-grade portfolios was invested in plain-vanilla pass-throughs and very liquid, super senior, AAA-rated ABS. Going forward, the firm expects to drop down in credit quality in ABS, allocate more significantly to CMBS, and move away from its reliance on

pass-through mortgages in favor of other structures. At the time of our conference call, Michael Rieger had not joined the firm as the new senior portfolio manager for securitized products. He is expected to hire two new research analysts. In future meetings, we will seek to understand the firm's new approach to the sector and to meet with all of the personnel involved in researching and managing the mortgage and securitized segments of the Core and Core Plus portfolios.

To what extent do the firm's CDO and CLO deals and credit hedge fund distract the High Yield team from its traditional responsibilities? Do the deals meaningfully impact liquidity or capacity for Seix's High Yield strategy?

While it appears that the firm put a lot of thought into all of the changes on the fixed income team (as detailed below), we hope that it leads to a period of personnel stability. With the influx of new team members and the reassignment of a variety of roles, we will be looking for signs that the team works together cohesively going forward.

#### *Highlights*

The firm recently restructured its investment team, including the addition of several new positions, in an effort to deepen and enhance its capabilities outside the Lehman Brothers Aggregate universe. Effective January 1, 2007, Christina Seix dropped the title of CIO, but remains involved with the firm as chairman and CEO. John Talty, who had been president and head of the High Grade Group, assumed the CIO title. He will remain focused on overseeing all day-to-day investment decisions. Bob Sherman, who had been the firm's head of Client Service and Marketing, assumed Seix's duties as COO. Those three, along with Mike McEachern, signed five-year employment contracts with SunTrust when the firm was acquired in 2004. McEachern remains in his role as head of

## High Yield.

The firm's strategic plan is to enhance its skill set in emerging markets debt, non-U.S. dollar bonds, and securitized structures, based on a belief that Core Plus mandates will be awarded to firms that can manage all of those sectors well. Additionally, the firm continues to build out its high yield team, including its bank loan resources. Seix views loans as a way to expand capacity in high yield, which is not an uncommon line extension tactic for high yield managers. However, we note that the firm's high yield asset base is on the high side (approximately \$10 billion) and that the firm is aggressively rolling out new CLO and CDO deals, as well as a credit hedge fund. While the firm traditionally managed higher-quality High Yield portfolios, focused on BB and B rated issues, it rolled out a High Yield Plus strategy in late 2004, which can invest up to 25% in CCCs, up to 15% in EMD, and can take slightly larger positions in individual issuers. The firm expects at least 66% overlap with its traditional High Yield strategy. Despite the presence of a deeper team, all of these developments could prove to be distractions for the investment group.

The most notable departure from the team was Joe Calabrese, who was senior portfolio manager for the mortgage-backed sector. The firm contends that his strength was as a manager of generic collateral (pass-throughs), but that what was needed was someone who could deal with more complex structures and also less-liquid, lower-quality ABS and CMBS. The firm believes that it needs a different skill set as mortgages become an increasing segment of the Aggregate Index and the coupon stack shrinks. In May 2007, the firm added Michael Rieger from AIG, where he had managed MBS and ABS portfolios. Seix is also seeking to add two mortgage credit analysts, one to focus on ABS and one for CMBS. Those individuals will

complement Chris DeGaetano, who will remain as the firm's mortgage trader, and whose skills are valued more than Calabrese's. Another departure was Rob Felice, who was previously listed as a senior portfolio manager in the corporate sector. The firm contends that Felice was the portfolio manager in charge of wrap accounts, and that his role was simply to implement the team's investment decisions in smaller mandates. We were told that he was highly compensated but did not contribute to investment decisions. His duties were redistributed to Elena Fyodorova and Jeannell Anthony, who had been part of the corporate and mortgage-backed teams respectively.

Other changes include the addition of a second emerging markets analyst (Leo Goldstein, to work with Seth Antiles) and a currency specialist, who had not yet started at Seix at the time of our conference call. Tom Lennon, one of the firm's high yield traders, moved over to the high grade team. He effectively switched places with Eric Guevara, who moved from the high grade team to be a bank loan trader. Brian Yorke, the firm's previous bank loan trader, left the firm to re-join his old boss at a new hedge fund. Two new high yield analysts joined the firm, Vince Flanagan in late 2006 and Ania Wacht in April 2007. They replaced the two most-junior high yield analysts, Ami Dogra and Sean Most. Finally, Thomas Manley joined the firm as head of Structured Products, and he will be leading Seix's CLO and CDO business.

## **Core Fixed Income – Western Asset Management Company**

WAMCo held \$272.8 million at quarter-end. Assets increased \$10.7 million during the quarter, with a return of -1.2%. This was due to a cash inflow of \$14.0 million during the recent quarter.

The portfolio outperformed the Lehman Brothers Aggregate Bond Index for all periods except the quarter and YTD. For all periods except 3 years, it placed in the bottom half of the Mercer U.S. Fixed Core Universe.

The portfolio's overweight exposure in the mortgage-backed sector hurt performance as volatility increased and spreads widened. However their diversified exposure to high-yield as spreads became tighter and stable.

### **Long Duration Fixed Income – Income Research & Management**

Income Research & Management held \$101.9 million at quarter-end. Assets increased \$5.2 million during the quarter, with a return of -1.8%. This was due to a cash inflow of \$7.0 million during the recent quarter.

For all periods evaluated except since inception, the portfolio outperformed or matched the Lehman Brothers US Government/Credit Long Term Index. The portfolio placed above the Mercer U.S. Fixed Long Duration Universe median for all periods.

The portfolio's out-of-index exposure to the corporates sector helped performance during the recent quarter. The high-quality bias in the overall portfolio aided returns as the market experienced a flight to quality at the end of the quarter.

### **Real Estate – MIG Realty Advisors**

MIG managed \$48.1 million in assets at June 30, 2007.

For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed in the bottom decile of the

Mercer U.S. Real Estate Open End Universe.

### **Real Estate – Kennedy Associates**

Kennedy managed \$90.7 million in assets at June 30, 2007.

For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed below the median of the Mercer U.S. Real Estate Open End Universe.

### **Real Estate – Multi-Employer Property Trust**

MEPT managed \$58.3 million in assets at June 30, 2007.

The portfolio outperformed the NCREIF Property Index and Mercer U.S. Real Estate Open End Universe median for all periods.

### **Private Market Equity – Pantheon Ventures**

Pantheon was funded September 23, 2005. Pantheon held \$14.5 million at quarter-end.

### **Private Market Equity – Portfolio Advisors**

Portfolio Advisors was funded October 17, 2005. Portfolio Advisors held \$15.0 million at quarter-end.

### **Private Market Equity – HarbourVest Partners**

HarbourVest was funded December 23, 2005. HarbourVest held \$8.2 million at quarter-end. There was a cash flow in of \$3.5 million during the quarter.

# Recommendations

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## **Recommendations**

### **Large Cap Index Equity – Rhumblin Advisers**

- Rhumblin is tracking the S&P 500 Index as expected. Retention recommended.

### **Large Cap Growth Equity – Globalt, Inc.**

- Globalt underperformed the Russell 1000 Growth Index for all periods evaluated. The fund placed below the universe median for all periods. After monitoring the fund for several periods, we have not seen any improvements, especially for the longer tracking periods. Our recommendation is to terminate the relationship.

### **Large Cap Growth Equity – INTECH**

- INTECH underperformed the Russell 1000 Growth Index for all periods except 3 years and since inception. The portfolio placed below the Mercer U.S. Equity Large Cap Growth Universe median for all periods. We recommend placing the firm on the Watch List and monitoring for improved performance.

### **Large Cap Growth Equity – New Amsterdam Partners**

- The portfolio underperformed the S&P 500 Index and Mercer U.S. Equity Large Cap Growth Universe median for the quarter, YTD, and 1 year. For longer periods however, the fund has outperformed the index and universe median. The fund placed above the Mercer U.S. Equity Large Cap Growth Universe median for all periods except the recent quarter. Retention recommended.

### **Large Cap Value Equity – UBS Global Asset Management**

- UBS outperformed the Russell 3000 Index for all periods observed. Except for the recent quarter, the portfolio placed below the Mercer U.S. Equity Large Cap Value Universe median for all periods evaluated, hovering around the median rankings except for the recent quarter. Retention recommended.

### **Large Cap Value Equity – Boston Partners Asset Management**

- The portfolio outperformed the Russell 1000 Value Index for all periods evaluated. The portfolio placed above the Mercer U.S. Equity Large Cap Value Universe median for all periods. We recommend keeping the firm on the Watch List and retaining. Please see manager news in the Executive Summary.

### **Small Cap Growth Equity – Provident Investment Counsel**

- For all periods evaluated except the quarter and 1 year, Provident outperformed or matched the Russell 2000 Growth Index. The portfolio placed below the universe median for all periods. We recommend keeping the firm on the Watch List for further improvement over the next few quarters.

### **Small Cap Index Equity – Rhumblin Advisers**

- Rhumblin is tracking the Russell 2000 Index as expected. Retention recommended.

### **Small Cap Value Equity – TCW Group**

- TCW outperformed the Russell 2000 Index for the recent quarter, YTD, and 1 year. It placed below the Mercer U.S. Equity Small Cap Value Universe median for all periods except the 1 year. We are encouraged by the improvement in near-term performance but recommend keeping the firm on Probation.

### **International Equity – AQR Capital Management**

- For all periods, AQR outperformed the MSCI EAFE Net Index and placed in the top quartile of the Mercer International Equity Universe. Retention recommended.

### **International Equity – Brandes Investment Partners**

- For all periods shown except the quarter and YTD, Brandes outperformed the MSCI EAFE Net Index. The portfolio underperformed the Mercer International Equity universe median for all periods except 5 years. Retention recommended.

### **International Equity – William Blair & Company**

- For all periods evaluated, the portfolio outperformed the MSCI AC World Free ex-U.S. Net Index and placed above the Mercer International Equity Universe median. Retention recommended.



### **Emerging Markets Equity – Alliance Capital Management**

- For all periods except the quarter, 1 year, and 3 years, the portfolio outperformed the MSCI Emerging Markets Free Index. The portfolio placed below the Mercer Emerging Markets Equity Universe median for all periods. We recommend placing the firm on the Watch List due to management turnover.

### **Emerging Markets Equity – Boston Company Asset Management**

- For all periods evaluated except since inception, the portfolio underperformed the MSCI Emerging Markets Free Index. The portfolio placed in the bottom half of the Mercer Emerging Markets Equity Universe for all periods. We recommend keeping the firm on Probation for the time being, unless there has been major changes in the portfolio management team, then termination would be considered. Please see manager news in the Executive Summary.

### **Core Fixed Income – Seix Investment Advisors, Inc.**

- Seix outperformed the Lehman Brothers Aggregate Bond Index for all periods evaluated. The portfolio placed below the Mercer U.S. Fixed Core Universe median for all periods evaluated except the quarter. We recommend keeping the firm on the Watch List. Please see manager news in the Executive Summary.

### **Core Fixed Income – Western Asset Management Company**

- The portfolio outperformed the Lehman Brothers Aggregate Bond Index for all periods except the quarter and YTD. For all periods except 3 years, it placed in the bottom half of the Mercer U.S. Fixed Core Universe. We recommend retention.

### **Long Duration Fixed Income – Income Research & Management**

- For all periods evaluated except since inception, the portfolio outperformed or matched the Lehman Brothers US Government/Credit Long Term Index. The portfolio placed above the Mercer U.S. Fixed Long Duration Universe median for all periods. Retention is recommended.

### **Real Estate – MIG Realty Advisors**

- For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed in the bottom decile of the Mercer

### **Real Estate – Kennedy Associates**

- For all periods evaluated, the portfolio underperformed the NCREIF Property Index and placed below the median of the Mercer U.S. Real Estate Open End Universe. We recommend placing the firm on Probation.

### **Real Estate – Multi-Employer Property Trust**

- The portfolio outperformed the NCREIF Property Index and Mercer U.S. Real Estate Open End Universe median for all periods. Retention recommended.

### **Private Market Equity – Pantheon Ventures**

- Pantheon was funded September 23, 2005.

### **Private Market Equity – Portfolio Advisors**

- Portfolio Advisors was funded October 17, 2005.

### **Private Market Equity – HarbourVest Partners**

- HarbourVest was funded December 23, 2005.

## Comments on Asset Allocation

- It shall be the policy of the Plan to invest its assets in accordance with the maximum and minimum range, valued at market, for each asset as stated below:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Actual %</u>	<u>Maximum %</u>
Domestic Equity	29	34	38.9	39
International Equity	10	20	22.6	25
Emerging Markets Equity	0	5	6.3	8
Domestic Core Fixed Income	15	20	19.7	25
Long-Duration Fixed Income	0	4	3.7	7
Real Estate	0	12	7.2	17
Private Equity	0	5	1.4	8
Cash			0.1	

At June 30, 2007, the asset class allocations were within the guidelines and generally close to their targets. Domestic equity was 4.9% above its target allocation of 34.0%, international equity was 2.6% above its target allocation of 20.0%, real estate was 4.8% below its target allocation of 12.0%, and private equity was 3.6% below its target allocation of 5.0%. As opportunities present themselves, we anticipate the allocation to real estate and private equity to be funded from domestic and international equities.

- Most transitions resulting from the Asset–Liability and Portfolio Structuring studies have been completed.
- Assets currently allocated to the domestic small cap index are earmarked for future private equity acquisitions.

## **Watch List/Probation**

- Globalt placed on the Watch List in the fourth quarter of 2001. Placed on Probation in the first quarter of 2002. Removed from Probation but kept on the Watch List in the fourth quarter of 2004. Placed on Probation in the third quarter of 2006. Placed on Termination status in the fourth quarter of 2006. Termination recommended in the second quarter of 2007.
- INTECH placed on the Watch List in the second quarter of 2007.
- New Amsterdam placed on the Watch List in the first quarter of 1999 and was put on Probation in the third quarter of 1999. Removed from Probation but kept on the Watch List in the fourth quarter of 2000. Removed from the Watch List in the first quarter of 2001.
- UBS placed on the Watch List in the third quarter of 1999. Placed on Probation in the first quarter of 2000. UBS placed on the Watch List in the first quarter of 2002. Removed from the Watch List in the fourth quarter of 2002.
- Boston Partners put on Probation during the fourth quarter of 1998 and moved to the Watch List in the third quarter of 2000, then removed from the Watch List in the second quarter of 2001. Placed on the Watch List in the fourth quarter of 2002. Placed on Probation in the first quarter of 2005. Removed from Probation but kept on the Watch List in the third quarter of 2005.
- Provident placed on the Watch List in the second quarter of 2000. Removed from the Watch List in the third quarter of 2003. Placed on the Watch List in the fourth quarter of 2004.
- TCW placed on the Watch List in the fourth quarter of 2004. Placed on Probation in the second quarter of 2005.
- Alliance Capital (Emerging Markets Equity) placed on the Watch List in the third quarter of 2003. Removed from the Watch List in the second quarter of 2004. Placed on Watch List in the second quarter of 2007.
- Boston Company Asset Management placed on the Watch List in the third quarter of 2002. Removed from the Watch List in the second quarter of 2003. Placed on the Watch List in the third quarter of 2005. Placed on Probation in the third quarter of 2006.
- Seix placed on the Watch List in the third quarter of 2002. Removed from the Watch List in the fourth quarter of 2003. Placed on the Watch List in the third quarter of 2004.
- WAMCo placed on the Watch List in the second quarter of 2005. Removed from the Watch List in the fourth quarter of 2005.

- MIG was on Probation from the second quarter of 1998 until third quarter 1999, when they were removed from Probation and placed on the Watch List. MIG was removed from the Watch List in the first quarter of 2002. Placed on the Watch List in the third quarter of 2004. Placed on Probation in the fourth quarter of 2005.
- Kennedy Associates was placed on the Watch List in the fourth quarter of 2006. Kennedy Associates was placed on Probation in the second quarter of 2007.

# Asset Allocation

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## San Jose Police and Fire Retirement System

Asset Summary  
As of June 30, 2007

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Cash & Equivalents		Alternative	
	\$			\$	-- %	\$	-- %	\$	-- %	\$	-- %
<b>Total Fund</b>	<b>2,738.1</b>	<b>100.0%</b>	<b>100.0%</b>	<b>--</b>	<b>-- %</b>	<b>--</b>	<b>-- %</b>	<b>--</b>	<b>-- %</b>	<b>--</b>	<b>-- %</b>
<b>Domestic Equity</b>	<b>1,065.7</b>	<b>38.9</b>	<b>100.0</b>	<b>1,053.7</b>	<b>98.9</b>	<b>--</b>	<b>--</b>	<b>12.0</b>	<b>1.1</b>	<b>--</b>	<b>--</b>
<b>Index Equity</b>											
Rhumbline Advisers - Large Cap Index Equity	249.6	9.1	23.4	249.3	99.9	--	--	0.3	0.1	--	--
<b>Growth Equity</b>	<b>259.9</b>	<b>9.5</b>	<b>24.4</b>	<b>256.3</b>	<b>98.6</b>	<b>--</b>	<b>--</b>	<b>3.6</b>	<b>1.4</b>	<b>--</b>	<b>--</b>
GLOBALT, Inc. - Large Cap Growth Equity	45.3	1.7	4.2	45.1	99.5	--	--	0.2	0.5	--	--
INTECH - Large Cap Growth Equity	49.3	1.8	4.6	48.9	99.1	--	--	0.4	0.9	--	--
New Amsterdam Partners - Large Cap Growth Equity	165.3	6.0	15.5	162.4	98.2	--	--	2.9	1.8	--	--
<b>Value Equity</b>	<b>297.0</b>	<b>10.8</b>	<b>27.9</b>	<b>293.9</b>	<b>99.0</b>	<b>--</b>	<b>--</b>	<b>3.0</b>	<b>1.0</b>	<b>--</b>	<b>--</b>
UBS Global Asset Management - Large Cap Value Equity	143.6	5.2	13.5	143.2	99.7	--	--	0.4	0.3	--	--
Boston Partners Asset Mgmt. - Large Cap Value Equity	153.3	5.6	14.4	150.7	98.3	--	--	2.6	1.7	--	--
<b>Small Cap Growth</b>											
Provident Investment Counsel - Small Cap Growth Equity	76.1	2.8	7.1	73.3	96.3	--	--	2.8	3.7	--	--
<b>Small Cap Core</b>											
Rhumbline Advisers	108.0	3.9	10.1	106.5	98.7	--	--	1.4	1.3	--	--
<b>Small Cap Value</b>											
TCW Group - Small Cap Value Equity	75.2	2.7	7.1	74.4	98.9	--	--	0.9	1.1	--	--

All dollars in millions, numbers may not add due to rounding

## San Jose Police and Fire Retirement System

Asset Summary  
As of June 30, 2007

	Total Market Value	% of Total Fund	% of Asset Class	Equity & Convertible		Fixed Income		Cash & Equivalents		Alternative	
<b>International Established Markets</b>	<b>\$ 620.0</b>	<b>22.6%</b>	<b>100.0%</b>	<b>\$ 610.2</b>	<b>98.4%</b>	<b>\$ 0.0</b>	<b>0.0%</b>	<b>\$ 9.7</b>	<b>1.6%</b>	<b>\$ --</b>	<b>-- %</b>
AQR Capital Management, LLC International Equity	124.8	4.6	20.1	124.8	100.0	--	--	0.0	0.0	--	--
Brandes Investment Partners - International Equity	247.0	9.0	39.8	241.1	97.6	0.0	0.0	5.9	2.4	--	--
William Blair & Company - International Equity	248.1	9.1	40.0	244.3	98.5	0.0	0.0	3.8	1.5	--	--
<b>International Emerging Markets</b>	<b>173.8</b>	<b>6.3</b>	<b>100.0</b>	<b>88.0</b>	<b>50.6</b>	<b>--</b>	<b>--</b>	<b>0.0</b>	<b>0.0</b>	<b>85.8</b>	<b>49.4</b>
Alliance Capital Mgmt Emerging Markets Equity	88.0	3.2	50.6	88.0	100.0	--	--	0.0	0.0	--	--
Boston Company Asset Mgmt. Emerging Markets Equity	85.8	3.1	49.4	--	--	--	--	0.0	0.0	85.8	100.0
<b>Domestic Core Fixed Income</b>	<b>539.3</b>	<b>19.7</b>	<b>100.0</b>	<b>0.0</b>	<b>0.0</b>	<b>581.8</b>	<b>107.9</b>	<b>(42.6)</b>	<b>(7.9)</b>	<b>--</b>	<b>--</b>
Seix Investment Advisors, Inc - Fixed Income	266.4	9.7	49.4	0.0	0.0	262.7	98.6	3.7	1.4	--	--
Western Asset Management - Fixed Income	272.8	10.0	50.6	--	--	319.1	117.0	(46.3)	(17.0)	--	--
<b>Long Duration Fixed Income</b>											
Income Research & Mgmt., Inc. Long Duration	101.9	3.7	100.0	--	--	101.0	99.1	0.9	0.9	--	--

All dollars in millions, numbers may not add due to rounding



## San Jose Police and Fire Retirement System

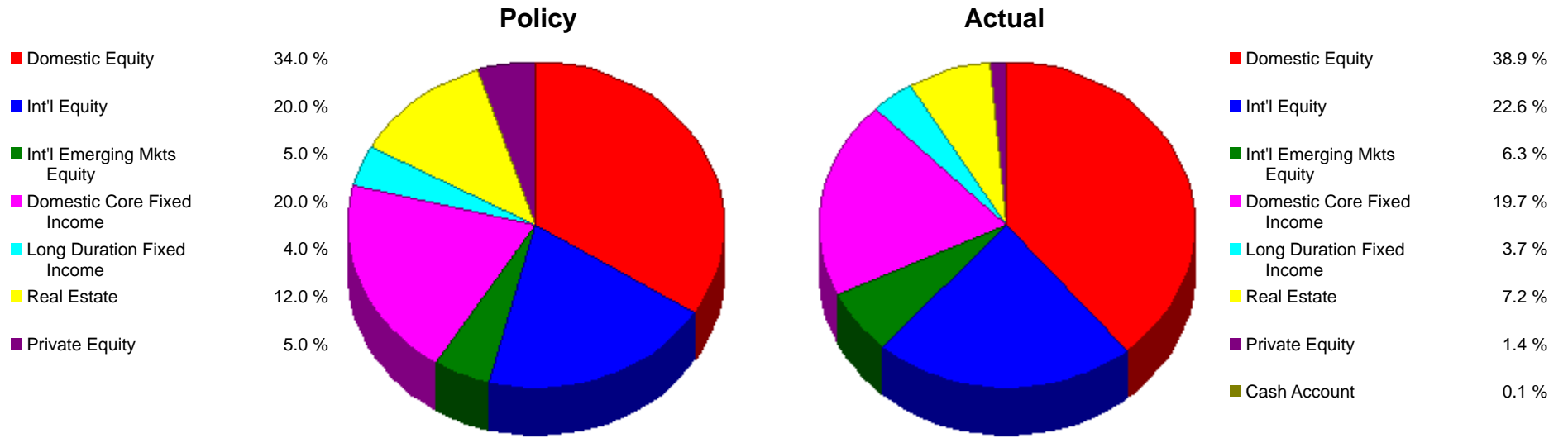
Asset Summary  
As of June 30, 2007

	<u>Total Market Value</u>	<u>% of Total Fund</u>	<u>% of Asset Class</u>	<u>Equity &amp; Convertible</u>		<u>Cash &amp; Equivalents</u>		<u>Alternative</u>	
<b>Real Estate</b>	<b>\$ 197.2</b>	<b>7.2%</b>	<b>100.0%</b>	<b>\$ --</b>	<b>--%</b>	<b>\$ --</b>	<b>--%</b>	<b>\$ --</b>	<b>--%</b>
Kennedy Associate Real Estate - Real Estate	90.7	3.3	46.0	--	--	--	--	--	--
MIG Realty Advisors - Real Estate	48.1	1.8	24.4	--	--	--	--	--	--
MEPT	58.3	2.1	29.6	--	--	--	--	--	--
<b>Private Equity</b>	<b>37.7</b>	<b>1.4</b>	<b>100.0</b>	<b>--</b>	<b>--</b>	<b>0.0</b>	<b>0.0</b>	<b>37.7</b>	<b>100.0</b>
Pantheon Ventures	14.5	0.5	38.5	--	--	0.0	0.0	14.5	100.0
Portfolio Advisors	15.0	0.5	39.7	--	--	0.0	0.0	15.0	100.0
HarbourVest Partners, LLC	8.2	0.3	21.9	--	--	--	--	8.2	100.0
<b>Cash Account</b>									
Cash Account	2.7	0.1	100.0	0.0	0.3	2.7	99.7	--	--

All dollars in millions, numbers may not add due to rounding

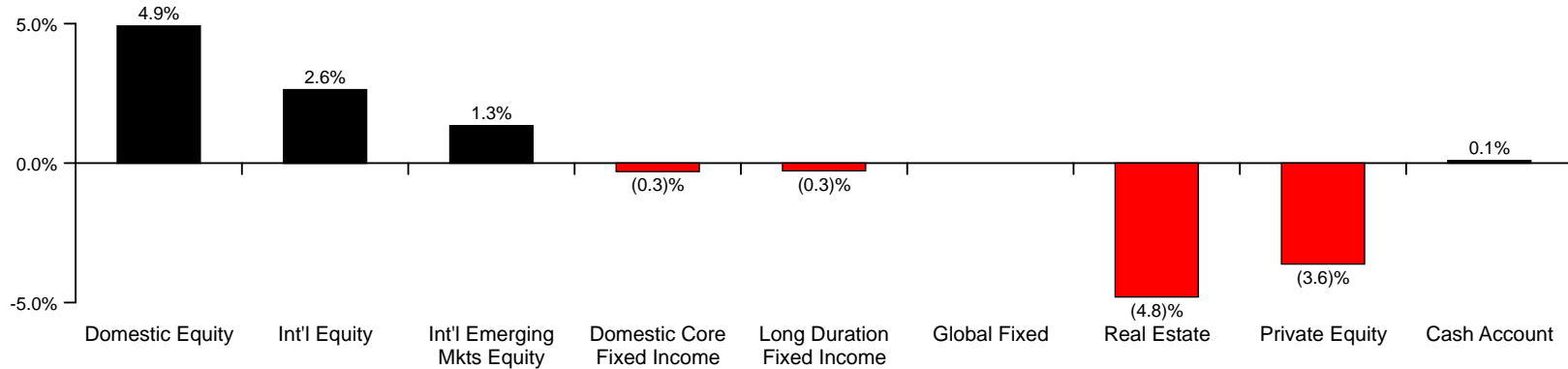
# San Jose Police and Fire Retirement System

Asset Allocation  
As of June 30, 2007



Total Market Value  
\$ 2,738,103,662

## Asset Allocation vs. Policy



Numbers may not add due to rounding

**San Jose Police and Fire Retirement System**

Asset Allocation  
As of June 30, 2007

**Prior Asset Allocation - March 31, 2007**

■ Domestic Equity	38.4 %
■ Int'l Equity	23.7 %
■ Int'l Emerging Mkts Equity	5.9 %
■ Domestic Core Fixed Income	19.7 %
■ Long Duration Fixed Income	3.7 %
■ Global Fixed	0.0 %
■ Real Estate	7.4 %
■ Private Equity	1.1 %
■ Cash Account	0.2 %



**Total Market Value  
\$ 2,622,125,262**

**Current Asset Allocation - June 30, 2007**

■ Domestic Equity	38.9 %
■ Int'l Equity	22.6 %
■ Int'l Emerging Mkts Equity	6.3 %
■ Domestic Core Fixed Income	19.7 %
■ Long Duration Fixed Income	3.7 %
■ Real Estate	7.2 %
■ Private Equity	1.4 %
■ Cash Account	0.1 %



**Total Market Value  
\$ 2,738,103,662**

**San Jose Police and Fire Retirement System**  
Financial Reconciliation  
Quarter Ending June 30, 2007

Manager	Beginning Market Value	Net Cash Flow	Investment Income	Capital Gain/Loss	Net Investment Gain/Loss	Ending Market Value
GLOBALT, Inc. - Large Cap Growth Equity	43,119,384	--	143,720	2,010,382	2,154,102	45,273,487
INTECH - Large Cap Growth Equity	47,195,096	28,056	133,522	1,937,871	2,071,393	49,294,545
TCW Group - Small Cap Value Equity	71,834,675	5,083	101,283	3,279,187	3,380,470	75,220,228
Provident Investment Counsel - Small Cap Growth Equity	71,368,137	(36)	81,820	4,620,972	4,702,792	76,070,892
Rhumblin Advisers	103,392,293	(70,018)	464,489	4,174,880	4,639,369	107,961,644
UBS Global Asset Management - Large Cap Value Equity	134,310,308	(157)	609,463	8,694,222	9,303,685	143,613,836
Boston Partners Asset Mgmt. - Large Cap Value Equity	142,899,569	(384)	752,634	9,690,487	10,443,122	153,342,307
New Amsterdam Partners - Large Cap Growth Equity	156,619,271	--	516,121	8,210,623	8,726,744	165,346,015
Rhumblin Advisers - Large Cap Index Equity	235,107,653	84	1,160,203	13,310,100	14,470,303	249,578,040
Bank of Ireland Asset Mgmt Ltd - International Equity	6,792	(6,873)	--	82	82	--
Boston Company Asset Mgmt. Emerging Markets Equity	76,638,813	(2,000,000)	--	11,116,513	11,116,513	85,755,327
Alliance Capital Mgmt Emerging Markets Equity	78,889,375	(2,173,432)	--	11,297,802	11,297,802	88,013,746
AQR Capital Management, LLC International Equity	114,788,437	(197,185)	197,185	9,975,439	10,172,624	124,763,876
Brandes Investment Partners - International Equity	257,165,181	(22,948,362)	4,033,275	8,798,576	12,831,851	247,048,670
William Blair & Company - International Equity	250,394,168	(22,980,976)	1,788,952	18,943,700	20,732,651	248,145,844
Income Research & Mgmt., Inc. Long Duration	96,667,362	6,999,605	1,134,175	(2,921,347)	(1,787,172)	101,879,795
Seix Investment Advisors, Inc - Fixed Income	253,616,871	13,996,333	3,310,560	(4,478,414)	(1,167,855)	266,445,350
Western Asset Management - Fixed Income	262,123,530	13,999,892	3,084,549	(6,395,024)	(3,310,475)	272,812,947
Credit Suisse Asset Mgmt - Global Fixed Income	2,546	(2,546)	--	--	--	--
HarbourVest Partners, LLC	4,600,079	3,499,436	27,740	114,866	142,606	8,242,122

**San Jose Police and Fire Retirement System**  
 Financial Reconciliation  
 Quarter Ending June 30, 2007

<b>Manager</b>	<b>Beginning Market Value</b>	<b>Net Cash Flow</b>	<b>Investment Income</b>	<b>Capital Gain/Loss</b>	<b>Net Investment Gain/Loss</b>	<b>Ending Market Value</b>
Pantheon Ventures	10,962,139	3,266,022	65,000	223,603	288,603	14,516,764
Portfolio Advisors	12,013,056	1,659,367	--	1,284,026	1,284,026	14,956,449
MIG Realty Advisors - Real Estate	47,592,724	--	--	546,502	546,502	48,139,226
MEPT	55,347,971	--	--	2,977,197	2,977,197	58,325,168
Kennedy Associate Real Estate - Real Estate	90,231,837	--	--	459,284	459,284	90,691,121
Cash Account	5,237,995	(3,024,977)	467,631	(14,384)	453,247	2,666,265
<b>Total</b>	<b>\$2,622,125,262</b>	<b>(\$9,951,066)</b>	<b>\$18,072,321</b>	<b>\$107,857,145</b>	<b>\$125,929,466</b>	<b>\$2,738,103,662</b>

# Performance

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**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
<b>Total Fund</b>	<b>\$ 2,738.1</b>	<b>100.0 %</b>	<b>4.9 %</b>	<b>27</b>	<b>7.2 %</b>		<b>19.3 %</b>	<b>20</b>	<b>13.8 %</b>	<b>23</b>	<b>12.6 %</b>	<b>21</b>	<b>10.0 %</b>
<i>Rank vs. Total Public Funds &gt; \$1 Billion</i>			4.6		6.9		17.6		12.8		11.6		--
<i>Total Funds Billion Dollar - Public Med</i>			4.7		6.9		18.8		13.8		12.0		--
<i>Total Fund Benchmark</i>													
<i>TUCS Master Trust &gt; \$1 Billion Universe Med</i>			4.5		6.9		17.6	<b>21</b>	12.7	<b>27</b>	11.6	<b>25</b>	--
<i>Percentile Ranking</i>				<b>36</b>									
<b>Total Domestic Equity Fund</b>	<b>1,065.7</b>	<b>38.9</b>	<b>6.0</b>	<b>65</b>	<b>7.5</b>	<b>70</b>	<b>19.1</b>	<b>60</b>	<b>12.6</b>	<b>69</b>	<b>12.2</b>	<b>66</b>	<b>12.1</b>
<i>Rank vs. Mercer US Equity Combined Universe</i>													
<i>Mercer US Equity Combined Universe Med</i>			6.6		8.9		20.2		14.4		13.6		--
<i>S&amp;P 500 - Total Return Index</i>			6.3		7.0		20.6		11.7		10.7		12.5
<b>Index Equity</b>													
<i>Rhumblin Advisers - Large Cap Index Equity</i>	249.6	9.1	6.2	60	6.9	78	20.5	47	11.6	77	10.7	82	11.4
<i>Rhumblin Advisers - Large Cap Index Equity-Net</i>	249.6	9.1	6.1		6.9		20.4		11.6		10.6		11.4
<i>Rank vs. Mercer US Equity Combined Universe</i>													
<i>Mercer US Equity Combined Universe Med</i>			6.6		8.9		20.2		14.4		13.6		--
<i>S&amp;P 500 - Total Return Index</i>			6.3		7.0		20.6		11.7		10.7		11.1
<b>Growth Equity</b>													
<i>GLOBALT, Inc. - Large Cap Growth Equity</i>	45.3	1.7	5.0	84	6.6	77	15.0	80	7.7	82	7.6	85	0.1
<i>GLOBALT, Inc. - Large Cap Growth Equity-Net</i>	45.3	1.7	4.9		6.3		14.4		7.3		7.2		(0.3)
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>													
<i>Mercer US Equity Large Cap Growth Universe Med</i>			6.7		8.3		17.8		10.2		9.9		--
<i>Russell 1000 Growth Index</i>			6.9		8.1		19.0		8.7		9.3		1.8
<i>Russell 1000 Growth + 1%</i>			7.1		8.6		20.0		9.7		10.3		2.8
<i>INTECH - Large Cap Growth Equity</i>	49.3	1.8	4.4	91	6.1	82	15.2	79	9.8	56	--		12.6
<i>INTECH - Large Cap Growth Equity-Net</i>	49.3	1.8	4.2		5.8		14.5		9.2		--		11.9
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>													
<i>Mercer US Equity Large Cap Growth Universe Med</i>			6.7		8.3		17.8		10.2		9.9		--
<i>Russell 1000 Growth Index</i>			6.9		8.1		19.0		8.7		9.3		10.6
<i>Russell 1000 Growth + 1%</i>			7.1		8.6		20.0		9.7		10.3		11.5

**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
New Amsterdam Partners - Large Cap Growth Equity	\$ 165.3	6.0 %	5.6 %	74	6.9 %	73	16.1 %	72	12.0 %	27	11.7 %	27	13.9 %
New Amsterdam Partners - Large Cap Growth Equity-Net	165.3	6.0	5.5		6.8		15.7		11.7		11.4		13.5
Rank vs. Mercer US Equity Large Cap Growth Universe													
Mercer US Equity Large Cap Growth Universe Med			6.7		8.3		17.8		10.2		9.9		--
S&P 500 - Total Return Index			6.3		7.0		20.6		11.7		10.7		11.9
S&P 500 + 1%			6.5		7.5		21.6		12.7		11.7		12.9
<b>Value Equity</b>													
UBS Global Asset Management - Large Cap Value Equity	143.6	5.2	6.9	42	7.7	53	21.9	52	14.8	60	13.3	53	12.4
UBS Global Asset Management - Large Cap Value Equity-Net	143.6	5.2	6.8		7.5		21.6		14.5		13.0		12.0
Rank vs. Mercer US Equity Large Cap Value Universe													
Mercer US Equity Large Cap Value Universe Med			6.6		7.8		22.1		15.4		13.5		--
Russell 3000 Index			5.8		7.1		20.1		12.4		11.5		10.9
Russell 3000 + 1%			6.0		7.6		21.1		13.4		12.5		11.9
Boston Partners Asset Mgmt. - Large Cap Value Equity	153.3	5.6	7.3	30	8.0	45	24.0	24	17.2	22	13.8	41	12.1
Boston Partners Asset Mgmt. - Large Cap Value Equity-Net	153.3	5.6	7.2		7.9		23.6		16.8		13.5		11.7
Rank vs. Mercer US Equity Large Cap Value Universe													
Mercer US Equity Large Cap Value Universe Med			6.6		7.8		22.1		15.4		13.5		--
Russell 1000 Value Index			4.9		6.2		21.9		15.9		13.3		11.8
Russell 1000 Value + 1%			5.2		6.7		22.9		16.9		14.3		12.8
<b>Small Cap Growth</b>													
Provident Investment Counsel - Small Cap Growth Equity	76.1	2.8	6.6	68	11.6	55	15.7	70	12.4	66	13.1	66	9.0
Provident Investment Counsel - Small Cap Growth Equity-Net	76.1	2.8	6.3		11.0		14.5		11.3		12.0		7.9
Rank vs. Mercer US Equity Small Cap Growth Universe													
Mercer US Equity Small Cap Growth Universe Med			8.0		12.0		17.6		13.7		14.1		--
Russell 2000 Growth Index			6.7		9.3		16.8		11.8		13.1		4.8
Russell 2000 Growth + 2%			7.2		10.3		18.8		13.8		15.1		6.8
<b>Small Cap Core</b>													
Rhumblin Advisers	108.0	3.9	4.5	76	6.5	79	16.5	55	--		--		12.8
Rhumblin Advisers-Net	108.0	3.9	4.5		6.5		16.5		--		--		12.8
Rank vs. Mercer US Equity Small Cap Core Universe													
Mercer US Equity Small Cap Core Universe Med			5.8		8.9		16.9		15.0		16.0		--
Russell 2000 Index			4.4		6.4		16.4		13.4		13.9		12.5



**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized			Inception to Date
					1 Year	3 Years	5 Years	
<b>Small Cap Value</b>								
TCW Group - Small Cap Value Equity	\$ 75.2	2.7 %	4.7 % 58	8.3 % 54	20.2 % 39	9.5 % 97	12.8 % 91	12.3 %
TCW Group - Small Cap Value Equity-Net	75.2	2.7	4.5	7.9	19.2	8.6	11.8	11.4
<i>Rank vs. Mercer US Equity Small Cap Value Universe</i>								
<i>Mercer US Equity Small Cap Value Universe Med</i>			5.3	8.7	18.6	15.9	16.4	--
<i>Russell 2000 Index</i>			4.4	6.5	16.4	13.4	13.9	13.9
<i>Russell 2000 + 2%</i>			4.9	7.5	18.4	15.4	15.9	15.9

**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
<b>Total Intl Equity - Established Markets</b>	<b>\$ 620.0</b>	<b>22.6 %</b>	<b>7.1 %</b>	<b>56</b>	<b>11.8 %</b>	<b>42</b>	<b>30.5 %</b>	<b>27</b>	<b>23.3 %</b>	<b>55</b>	<b>19.2 %</b>	<b>42</b>	<b>12.2 %</b>
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i>    Mercer Intl Equity Universe Med</i>			7.4		11.4		28.4		23.5		18.7		--
<i>    MSCI EAFE Net Dividend Index</i>			6.4		10.7		27.0		22.2		17.7		8.2
<i>AQR Capital Management, LLC International Equity</i>	124.8	4.6	8.9	23	13.4	18	32.3	16	--		--		32.3
<i>AQR Capital Management, LLC International Equity-Net</i>	124.8	4.6	8.7		13.0		31.6		--		--		31.6
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i>    Mercer Intl Equity Universe Med</i>			7.4		11.4		28.4		23.5		18.7		--
<i>    MSCI EAFE Net Dividend Index</i>			6.4		10.7		27.0		22.2		17.7		27.0
<i>    MSCI EAFE NET +1.5%</i>			6.8		11.5		28.5		23.7		19.2		28.5
<i>Brandes Investment Partners - International Equity</i>	247.0	9.0	5.0	94	10.2	73	27.8	56	22.5	65	20.6	25	16.2
<i>Brandes Investment Partners - International Equity-Net</i>	247.0	9.0	4.8		10.0		27.3		21.9		19.9		15.6
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i>    Mercer Intl Equity Universe Med</i>			7.4		11.4		28.4		23.5		18.7		--
<i>    MSCI EAFE Net Dividend Index</i>			6.4		10.7		27.0		22.2		17.7		8.4
<i>    MSCI EAFE NET +1.5%</i>			6.8		11.5		28.5		23.7		19.2		9.9
<i>William Blair &amp; Company - International Equity</i>	248.1	9.1	8.5	28	12.7	26	32.4	16	26.1	21	20.6	24	19.7
<i>William Blair &amp; Company - International Equity-Net</i>	248.1	9.1	8.3		12.5		31.7		25.4		19.8		18.9
<i>Rank vs. Mercer Intl Equity Universe</i>													
<i>    Mercer Intl Equity Universe Med</i>			7.4		11.4		28.4		23.5		18.7		--
<i>    MSCI All Country World Ex United States Net Index</i>			8.2		12.2		29.6		24.5		19.5		18.7
<i>    MSCI AC World x US Net + 1.5%</i>			8.6		13.0		31.1		26.0		21.0		20.2
<b>Total Intl Equity - Emerging Markets</b>	<b>173.8</b>	<b>6.3</b>	<b>14.5</b>	<b>70</b>	<b>16.9</b>	<b>77</b>	<b>42.9</b>	<b>84</b>	<b>36.4</b>	<b>89</b>	<b>30.5</b>	<b>80</b>	<b>28.8</b>
<i>Alliance Capital Mgmt Emerging Markets Equity</i>	88.0	3.2	14.4	71	18.0	61	45.4	69	38.6	70	32.0	55	29.9
<i>Alliance Capital Mgmt Emerging Markets Equity-Net</i>	88.0	3.2	14.2		17.5		44.1		37.3		30.7		28.7
<i>Boston Company Asset Mgmt. Emerging Markets Equity</i>	85.8	3.1	14.6	69	15.7	86	40.4	90	34.3	96	29.1	91	28.0
<i>Boston Company Asset Mgmt. Emerging Markets Equity-Net</i>	85.8	3.1	14.3		15.2		38.8		32.9		27.8		26.7
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>													
<i>    Mercer Emerging Markets Equity Universe Med</i>			15.3		18.8		48.2		40.8		32.3		--
<i>    MSCI Emerging Markets Index</i>			15.1		17.8		45.5		38.7		30.7		27.7
<i>    MSCI Emerging Markets + 2%</i>			15.6		18.8		47.5		40.7		32.7		29.7

**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Annualized										
			Quarter	YTD		1 Year		3 Years		5 Years	Inception to Date		
<b>Total Domestic Core Fixed Income Fund</b>	<b>\$ 539.3</b>	<b>19.7 %</b>	<b>(0.8) %</b>	<b>95</b>	<b>0.6 %</b>	<b>94</b>	<b>6.1 %</b>	<b>70</b>	<b>4.9 %</b>	<b>16</b>	<b>5.5 %</b>	<b>24</b>	<b>8.7 %</b>
<i>Rank vs. Mercer US Fixed Core Universe</i>													
<i>Mercer US Fixed Core Universe Med</i>			(0.5)		1.1		6.3		4.4		5.0		--
<i>Lehman Brothers Aggregate Bond</i>			(0.5)		1.0		6.1		4.0		4.5		--
<i>Seix Investment Advisors, Inc - Fixed Income</i>	266.4	9.7	(0.4)	40	1.1	58	6.2	69	4.2	69	5.0	52	6.1
<i>Seix Investment Advisors, Inc - Fixed Income-Net</i>	266.4	9.7	(0.5)		1.0		6.0		4.0		4.8		5.9
<i>Rank vs. Mercer US Fixed Core Universe</i>													
<i>Mercer US Fixed Core Universe Med</i>			(0.5)		1.1		6.3		4.4		5.0		--
<i>Lehman Brothers Aggregate Bond</i>			(0.5)		1.0		6.1		4.0		4.5		5.9
<i>LB Aggregate + 0.5%</i>			(0.4)		1.2		6.6		4.5		5.0		6.4
<i>Western Asset Management Company</i>	272.8	10.0	(1.2)	97	0.2	96	6.1	71	5.2	9	--		6.6
<i>Western Asset Management Company-Net</i>	272.8	10.0	(1.3)		0.1		5.9		5.0		--		6.4
<i>Rank vs. Mercer US Fixed Core Universe</i>													
<i>Mercer US Fixed Core Universe Med</i>			(0.5)		1.1		6.3		4.4		5.0		--
<i>Lehman Brothers Aggregate Bond</i>			(0.5)		1.0		6.1		4.0		4.5		4.3
<i>LB Aggregate + 0.5%</i>			(0.4)		1.2		6.6		4.5		5.0		4.8
<b>Long Duration Fixed Income</b>	<b>101.9</b>	<b>3.7</b>	<b>(1.8)</b>	<b>32</b>	<b>(0.6)</b>	<b>22</b>	<b>7.0</b>	<b>45</b>	<b>--</b>		<b>--</b>		<b>2.6</b>
<i>Income Research &amp; Mgmt., Inc. Long Duration</i>	101.9	3.7	(1.8)	32	(0.6)	22	7.0	45	--		--		2.6
<i>Income Research &amp; Mgmt., Inc. Long Duration-Net</i>	101.9	3.7	(1.9)		(0.8)		6.7		--		--		2.3
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>													
<i>Mercer US Fixed Long Duration Universe Med</i>			(1.9)		(0.9)		6.9		5.6		6.9		--
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			(1.9)		(0.9)		7.0		5.4		6.5		2.8
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			(1.7)		(0.6)		7.5		5.9		7.0		3.3

**San Jose Police and Fire Retirement System**  
Performance Summary  
Period Ending June 30, 2007

	Market Value	% of Total Fund	Annualized										
			Quarter		YTD		1 Year		3 Years		5 Years		Inception to Date
<b>Total Real Estate Fund</b>	<b>\$ 197.2</b>	<b>7.2 %</b>	<b>2.7 %</b>	<b>97</b>	<b>5.8 %</b>	<b>94</b>	<b>13.3 %</b>	<b>100</b>	<b>12.7 %</b>	<b>100</b>	<b>8.6 %</b>	<b>100</b>	<b>7.6 %</b>
<i>Rank vs. Mercer US Real Estate Open End Universe</i>													
<i>Mercer US Real Estate Open End Universe Med</i>			4.8		9.0		17.3		18.1		14.6		--
<i>NCREIF Property Index - EWB Calc</i>			4.6		8.4		17.2		18.0		14.4		8.6
<i>MIG Realty Advisors - Real Estate</i>	48.1	1.8	1.5	100	2.3	100	6.6	100	10.7	100	10.0	100	8.1
<i>MIG Realty Advisors - Real Estate-Net</i>	48.1	1.8	1.4		2.1		6.1		10.1		9.5		7.2
<i>Rank vs. Mercer US Real Estate Open End Universe</i>													
<i>Mercer US Real Estate Open End Universe Med</i>			4.8		9.0		17.3		18.1		14.6		--
<i>NCREIF Property Index - EWB Calc</i>			4.6		8.4		17.2		18.0		14.4		8.6
<i>NCREIF PROPERTY + 1.5%</i>			5.0		9.2		18.7		19.5		15.9		10.1
<i>Kennedy Associate Real Estate - Real Estate</i>	90.7	3.3	1.5	100	5.1	99	14.1	100	12.7	100	--		12.2
<i>Kennedy Associate Real Estate - Real Estate-Net</i>	90.7	3.3	1.4		4.9		13.5		12.1		--		11.6
<i>Rank vs. Mercer US Real Estate Open End Universe</i>													
<i>Mercer US Real Estate Open End Universe Med</i>			4.8		9.0		17.3		18.1		14.6		--
<i>NCREIF Property Index - EWB Calc</i>			4.6		8.4		17.2		18.0		14.4		16.7
<i>NCREIF PROPERTY + 1.5%</i>			5.0		9.2		18.7		19.5		15.9		18.2
<i>Kennedy Custom Benchmark</i>			6.0		10.0		19.3		16.0		--		13.6
<i>MEPT</i>	58.3	2.1	5.6	31	9.9	29	17.3	49	--		--		17.3
<i>MEPT-Net</i>	58.3	2.1	5.4		9.4		16.3		--		--		16.3
<i>Rank vs. Mercer US Real Estate Open End Universe</i>													
<i>Mercer US Real Estate Open End Universe Med</i>			4.8		9.0		17.3		18.1		14.6		--
<i>NCREIF Property Index - EWB Calc</i>			4.6		8.4		17.2		18.0		14.4		17.2
<i>NCREIF PROPERTY + 1.5%</i>			5.0		9.2		18.7		19.5		15.9		18.7
<b>Total Private Equity</b>	<b>37.7</b>	<b>1.4</b>											
Pantheon Ventures	14.5	0.5											
S&P 500 + 3%													
Portfolio Advisors	15.0	0.5											
S&P 500 + 3%													
HarbourVest Partners, LLC	8.2	0.3											
S&P 500 + 3%													

## REPORT NOTES

1. The Russell/Mellon Trust Total Funds Billion Dollar – Public Universe median includes all assets of public funds.
2. The Total Fund Benchmark Index consists of 34% S&P 500 Index, 20% MSCI EAFE Index, 5% MSCI Emerging Markets Free Index, 20% Lehman Brothers Aggregate Index, 4% Lehman Brothers Long Government/Credit Index, 12% NCREIF Property Index, and 5% Russell 2000 Index to reflect the transition to private equity market as stated in the Investment Policy.
  - Prior to 01/05, the Index consisted of 35% S&P 500, 15% MSCI EAFE, 5% MSCI Emerging Markets, 28% LB Aggregate, 5% Citigroup WG Bond, and 12% NCREIF.
  - Prior to 10/01, the Index consisted of 35% S&P 500, 10% MSCI EAFE, 35% LB Aggregate, 10% Citigroup WG Bond and 10% NCREIF.
3. Total Fund inception data is from January 1971.
4. Total Domestic Fixed Income Fund inception data is from January 1970.
5. Total Global Fixed Income Fund inception data is from January 1991.
6. Total Domestic Equity Fund inception data is from August 1985.
7. Total International Equity Established Markets Fund inception data is from April 1991.
8. Total International Equity Emerging Markets Fund inception data is from September 2001.
5. Total Real Estate Fund inception data is from January 1986.
6. Seix Investment Advisors inception data is from October 1999.
7. Western Asset Management inception data is from August 2002.
8. Rhumblin Advisers (Large Cap Equity) inception data is from April 1992. In February 2007, the manager's return of 1.13% was used because of a \$15 million inflow that occurred during the month. The manager can revalue their portfolio daily, while Mercer uses custodial statements that are valued monthly.
9. UBS Global Asset Management inception data is from April 1993.
10. Boston Partners inception data is from July 1996.
11. Globalt, Inc. inception data is from July 1998.
12. New Amsterdam Partners inception data is from January 1995.
13. TCW Group inception data is from November 2001.
14. Provident Investment Counsel inception data is from January 1998.
15. Brandes Investment Partners, L.P. inception data is from January 1997.
16. William Blair & Company inception data is from March 2002.
17. Alliance Capital Management and Boston Company Asset Management inception data is from September 2001.
18. MIG Realty Advisors inception data is from January 1986.
19. INTECH and Kennedy Associates inception date is October 1, 2003.
20. Rhumblin Advisers (Small Cap Equity) inception data is from December 2004.
21. Income Research & Management inception date is January 3, 2005. For the first quarter 2007, Mercer calculated a gross return of 1.22% and a net return of 1.15% versus the manager's gross return of 1.03% and net return of 0.96%. Mercer uses custodial statement pricing for performance calculation, which may differ from the investment manager.
22. Pantheon Ventures inception date is September 23, 2005.
23. Portfolio Advisors inception date is October 17, 2005.

24. HarbourVest inception date is December 23, 2005.
25. AQR Capital Management inception date is June 30, 2006.
26. Multi-Employer Property Trust inception date is June 30, 2006.
27. Kennedy Custom Benchmark was provided by Kennedy Associates Real Estate.

## Important Information, Datasource Acknowledgements and Disclaimers

Returns for periods greater than one year are annualized. Returns are calculated [gross][net] of investment management fees, unless noted.

Style analysis graph time periods may differ reflecting the length of performance history available.

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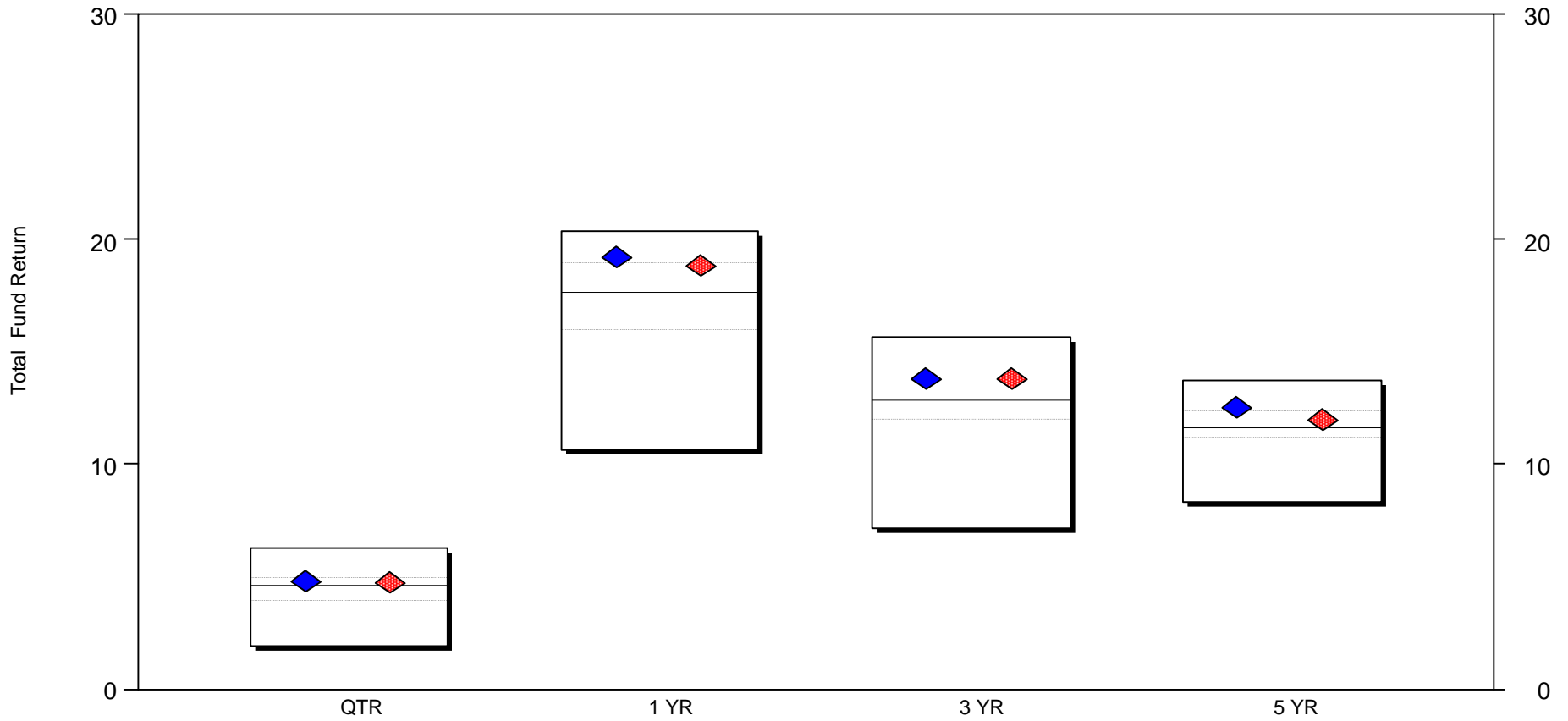
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## Total Fund

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# Total Fund

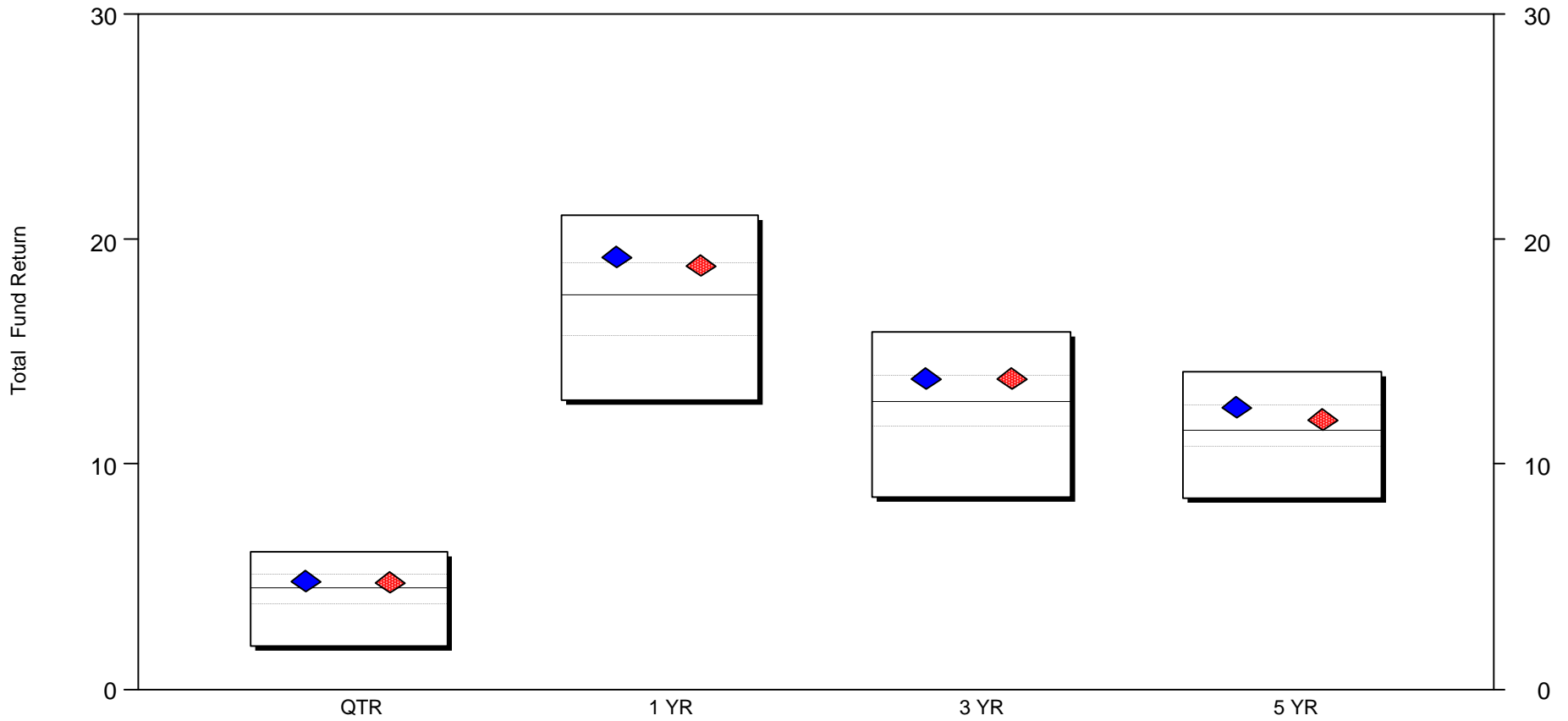
## TUCS Public Fund Universe



5th Percentile	6.20	20.37	15.65	13.70
25th Percentile	4.88	18.90	13.58	12.37
MEDIAN	4.56	17.64	12.84	11.57
75th Percentile	3.95	15.99	11.97	11.16
95th Percentile	1.84	10.62	7.17	8.28
Total Fund	4.85	19.30	13.82	12.60
Benchmark	4.74	18.83	13.81	12.00
	27	20	23	21
	36	26	23	37

# Total Fund

## TUCS Master Trust Universe



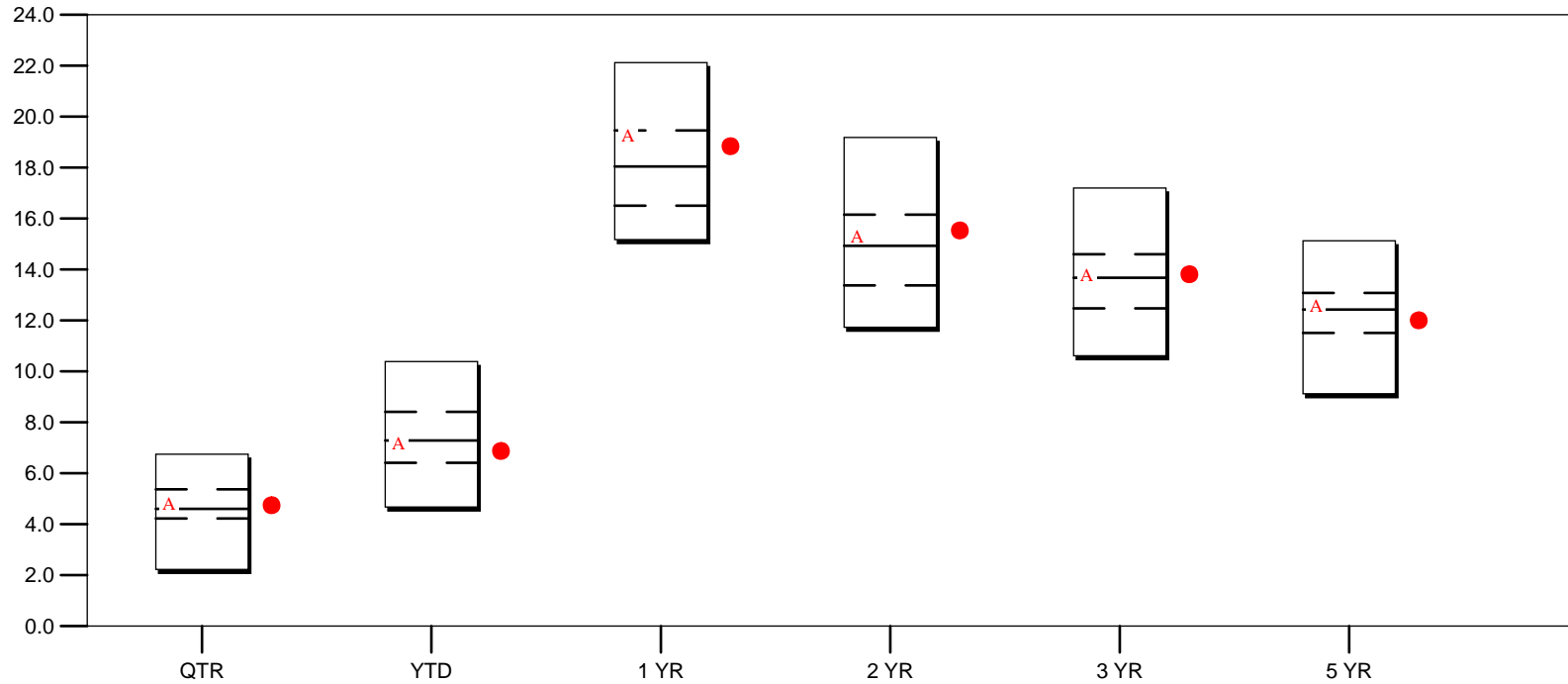
5th Percentile	6.08	21.03	15.85	14.03
25th Percentile	5.10	18.90	13.92	12.59
MEDIAN	4.54	17.55	12.73	11.55
75th Percentile	3.80	15.71	11.64	10.75
95th Percentile	1.88	12.79	8.57	8.46
Total Fund	4.85	19.30	13.82	12.60
Benchmark	4.74	18.83	13.81	12.00

# Total Funds Billion Dollar - Public

## Return Quartiles

Periods Ending June 30, 2007

Annualized Rate of Return %



5th Percentile	6.74	10.38	22.12	19.18	17.20	15.13
25th Percentile	5.37	8.41	19.46	16.15	14.59	13.08
Median	4.60	7.29	18.04	14.93	13.67	12.42
75th Percentile	4.22	6.41	16.51	13.37	12.47	11.51
95th Percentile	2.22	4.67	15.17	11.73	10.61	9.12
# of Participants	42	41	41	41	39	38
● TF BENCHMARK	4.74	6.87	18.83	15.53	13.81	12.00
A Total Fund	4.85, 40	7.21, 51	19.30, 28	15.34, 41	13.82, 44	12.60, 42

**Mellon Analytical Solutions Trust Universe**  
**Asset Allocation**  
**Quarter Ending June 30, 2007**  
**Market Value in Millions**

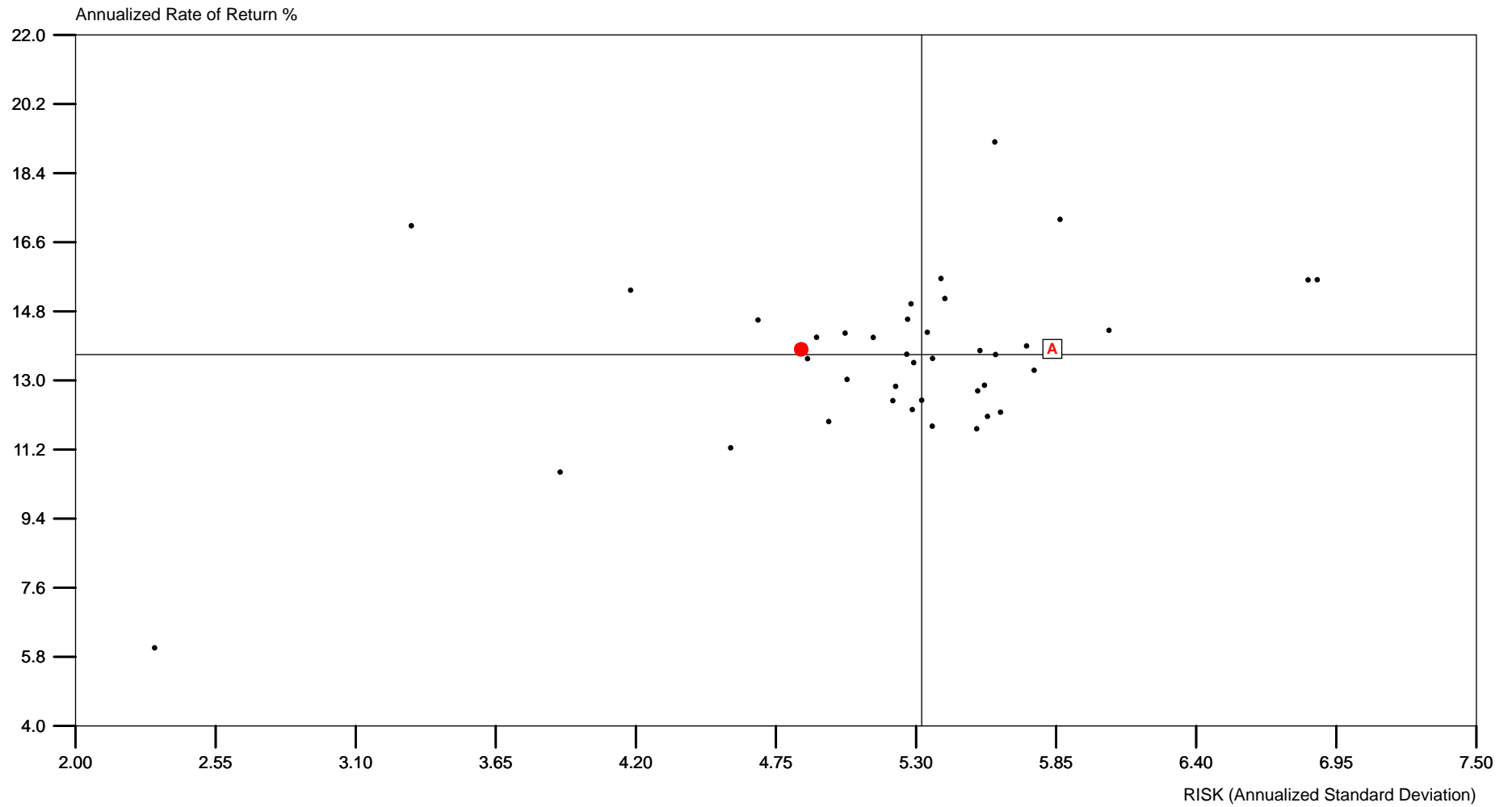
	Total Fund	US Equity	US Fixed Income	Non-US Equity	Non-US Fixed	Alternative Inv.	Real Estate	Cash	Total							
<b>Market Value in US Dollars</b>																
<b>Total Funds Billion Dollar - Public</b>																
<b>Total</b>	676,630.12	259,108.69	38%	148,976.93	22%	153,231.21	23%	10,886.57	2%	29,633.68	4%	10,187.50	2%	2,963.56	0%	91%
<b>Average</b>	18,795.28	7,197.46		4,138.25		4,378.03		777.61		2,116.69		848.96		493.93		
<b>Maximum</b>		58.67%		68.89%		31.46%		12.24%		19.02%		9.28%		8.15%		
<b>5th</b>		54.80%		37.29%		29.62%		8.71%		13.33%		8.38%		7.75%		
<b>25th</b>		45.31%		26.08%		23.24%		5.15%		7.26%		6.98%		6.07%		
<b>Median</b>		38.73%		22.27%		21.22%		3.32%		5.71%		5.40%		4.17%		
<b>75th</b>		33.42%		17.63%		18.52%		1.65%		4.08%		3.82%		2.71%		
<b>95th</b>		25.73%		13.78%		15.46%		0.00%		3.28%		0.00%		.67%		
<b>Minimum</b>		20.06%		12.94%		13.84%		0.00%		2.85%		0.00%		0.00%		

Report is based upon plans that have submitted asset class data greater than 70% of the total market value. 36 out of 42 accounts represented from the universe run.

Total does not equal 100% due to asset class market values not reported.  
 Mercer Investment Consulting

# Total Funds Billion Dollar - Public

Risk-Return Comparisons  
3 Years Ending June 30, 2007  
39 Portfolios

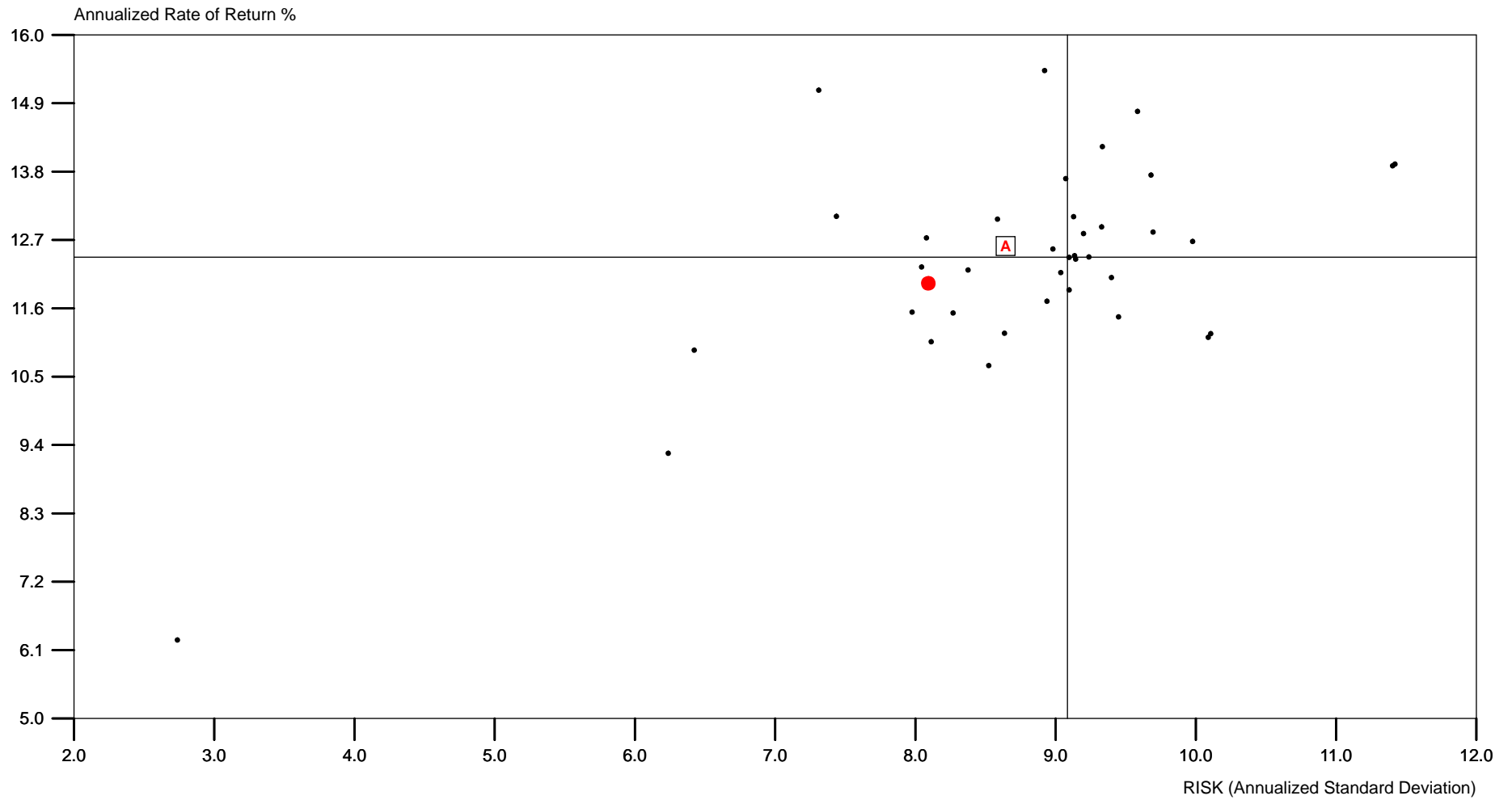


A Total Fund 13.82, 44  
● TF BENCHMARK



# Total Funds Billion Dollar - Public

Risk-Return Comparisons  
5 Years Ending June 30, 2007  
38 Portfolios



A Total Fund 12.60, 42  
● TF BENCHMARK

## ATTRIBUTION DETAIL

San Jose

Total Fund

Annualized 1 Year Ending June 30, 2007

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	19.3	100.0	18.8	0.5	0.0	0.5
US Equity	38.3	19.1	39.0	20.1	0.0	(0.4)	(0.4)
Non-US Equity	29.4	32.9	25.0	30.6	0.5	0.6	1.1
Fixed Income	23.4	6.3	24.0	6.3	0.1	0.0	0.0
Real Estate	7.7	13.3	12.0	17.2	0.1	(0.3)	(0.2)
Cash	0.3	30.7	---	---	0.0	0.0	0.0
Other	0.9	6.6	---	---	(0.1)	0.0	(0.1)

Currency USD

Policy Benchamrk is 34% S&P 500, 20% LB Aggregate, 20% MSCI EAFE, 12% NCREIF Property, 5% Russell 2000 Index, 5% MSCI Emerging Markets Free, and 4% LB US Govt/Credit Index- Long Term.

Mercer Investment Consulting

## ATTRIBUTION DETAIL

San Jose

Total Fund

Annualized 2 Years Ending June 30, 2007

	<u>Portfolio</u>		<u>Policy</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	15.5	100.0	15.5	(0.1)	0.1	(0.1)
US Equity	38.5	14.6	39.0	14.6	0.0	0.0	0.0
Non-US Equity	28.7	30.7	25.0	29.5	0.4	0.3	0.7
Fixed Income	25.3	2.3	24.0	2.2	(0.3)	0.0	(0.3)
Real Estate	6.6	14.0	12.0	18.0	(0.2)	(0.3)	(0.4)
Cash	0.3	25.4	---	---	0.0	0.0	0.0
Other	0.6	---	---	---	0.0	0.0	0.0

Currency USD

Policy Benchamrk is 34% S&P 500, 20% LB Aggregate, 20% MSCI EAFE, 12% NCREIF Property, 5% Russell 2000 Index, 5% MSCI Emerging Markets Free, and 4% LB US Govt/Credit Index- Long Term.

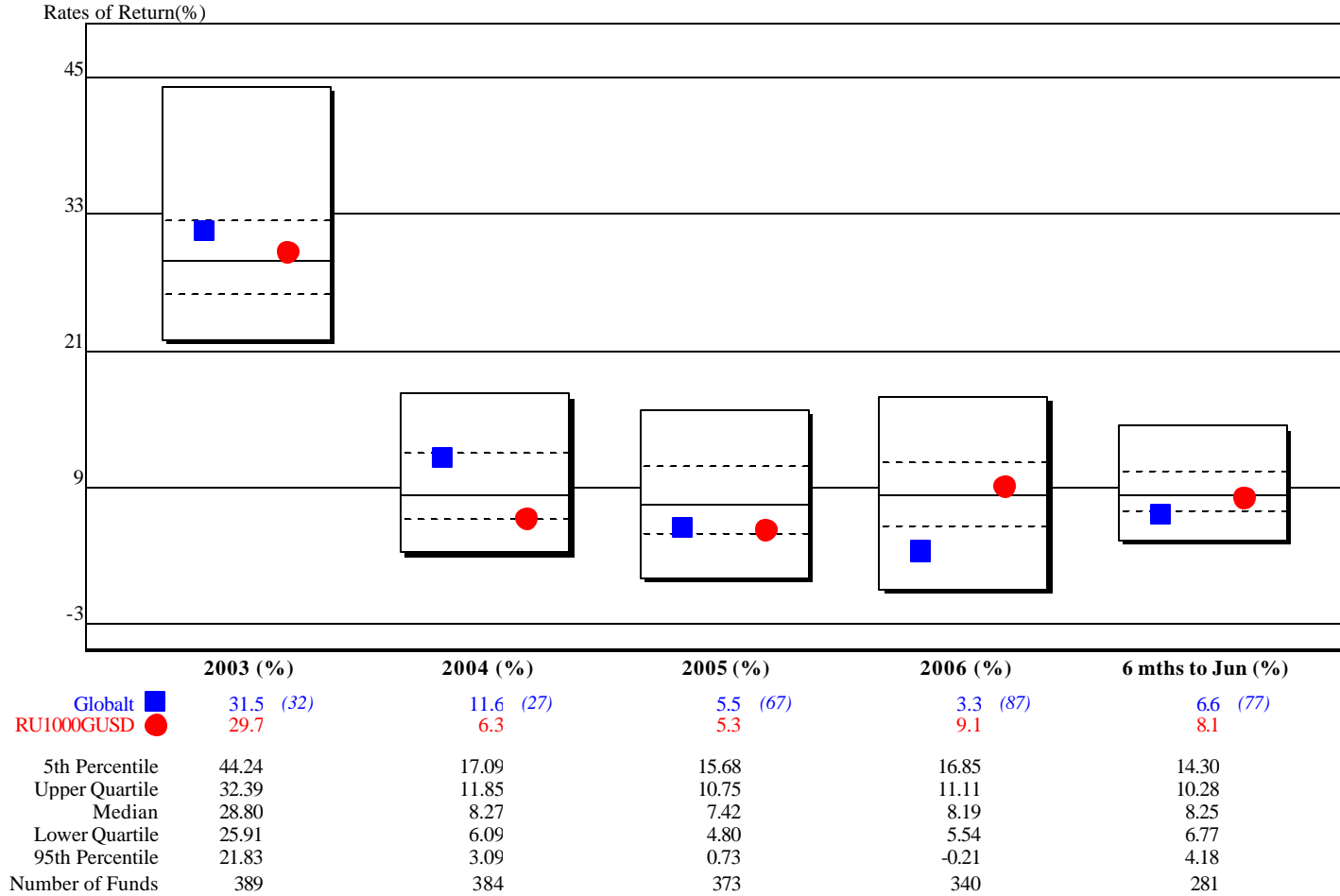
Mercer Investment Consulting

# Presentation

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# Globalt Inc.

## Comparison with the Mercer US Equity Large Cap Growth Universe Performance before fees for Calendar Years and 6 months ended June 2007



- Globalt outperformed the Russell 1000 Growth Index for all periods shown except 2006 and year-to-date. Performance placed above the Mercer U.S. Equity Large Cap Growth Universe median in 2003 and 2004.

## Returns Consistency Analysis

US Equity Large Cap Growth (all funds) Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Globalt	20	2	10%	7	35%	6	30%	5	25%	55	8	40%

### Benchmark:

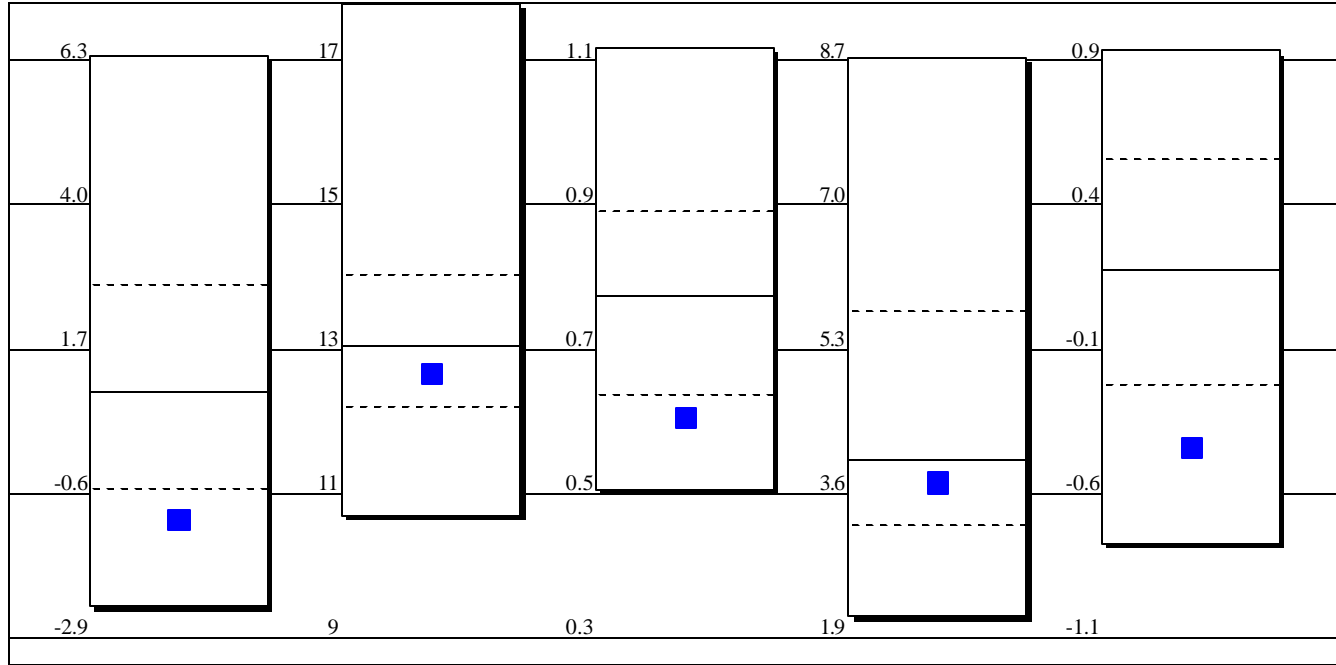
RU1000GUSD	20	1	5%	8	40%	11	55%	0	0%	51
------------	----	---	----	---	-----	----	-----	---	----	----

- For the 5-year period, Globalt has placed below the universe median 55% of the time with 5 quarters in the bottom quartile.

# Globalt Inc.

## Comparison with the Mercer US Equity Large Cap Growth Universe

Risk and Return Characteristics (calculated quarterly) versus RU1000GUSD for the period from Sep 2002 to Jun 2007

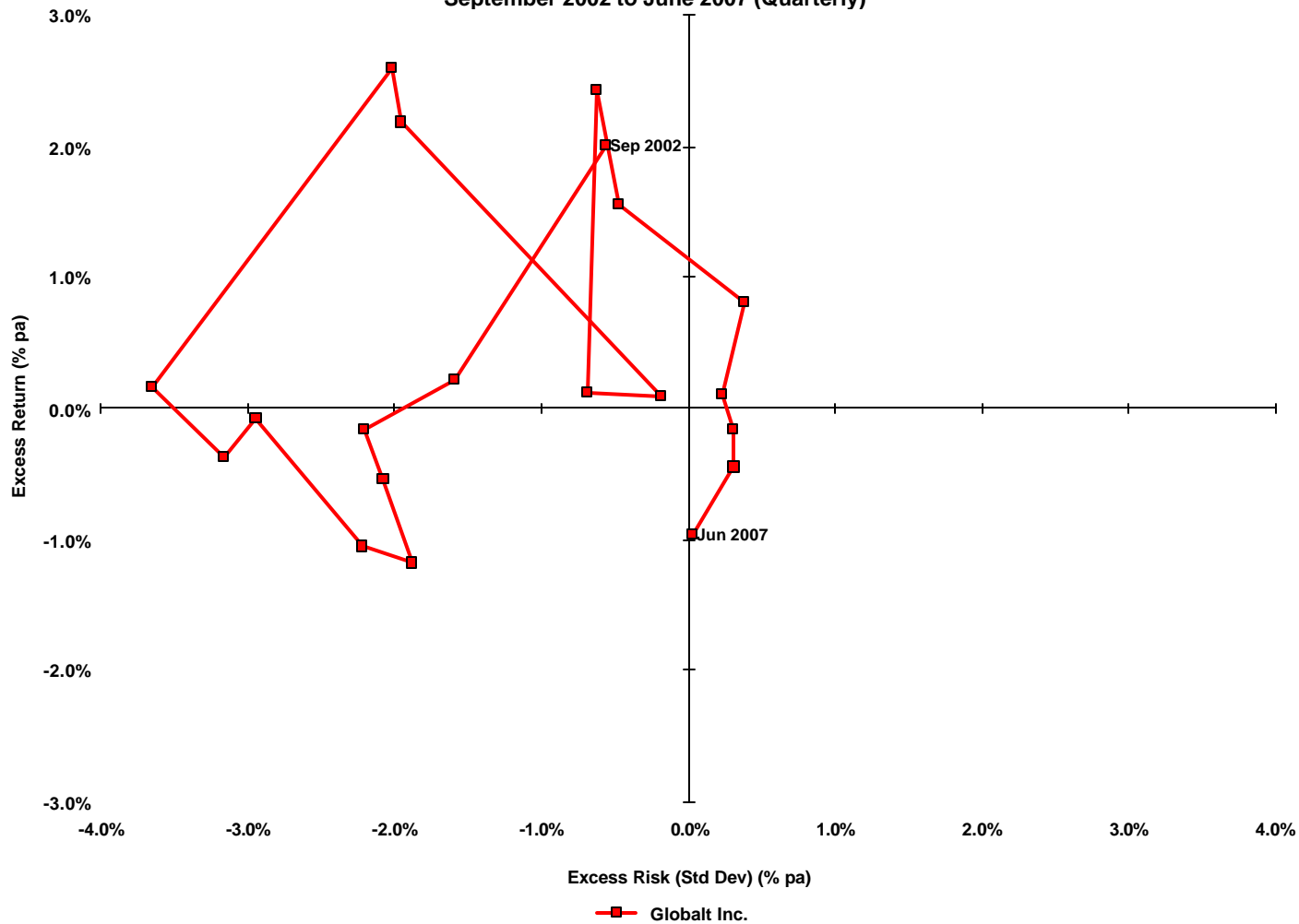


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Globalt ■	-1.0 (82)	12.7 (62)	0.6 (81)	3.7 (60)	-0.4 (86)
5th Percentile	6.4	17.8	1.1	8.7	0.9
Upper Quartile	2.7	14.0	0.9	5.7	0.6
Median	1.0	13.0	0.8	4.0	0.2
Lower Quartile	-0.5	12.2	0.6	3.2	-0.2
95th Percentile	-2.4	10.7	0.5	2.1	-0.8
Number of Funds	232	232	232	232	232

- For 5 years, Globalt has a negative alpha and has taken slightly less risk than the median manager.

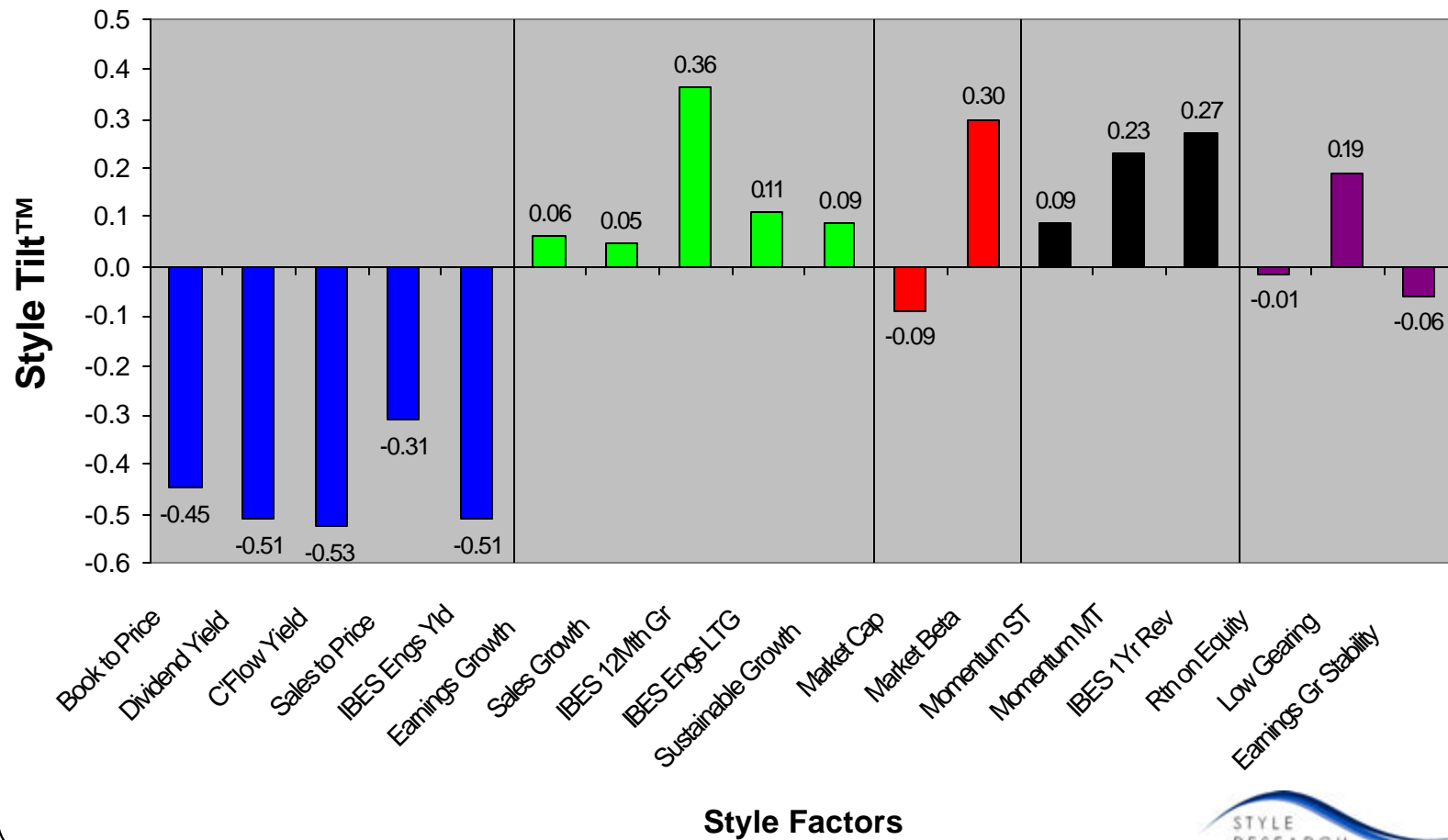
# Globalt Inc.

Rolling 3 Year Risk / Return versus the Russell 1000 Growth  
September 2002 to June 2007 (Quarterly)





## Globalt vs Russell 1000 Portfolio Style Skyline™



- The portfolio's characteristics indicate its growth orientation.

3 Months Ending June 30, 2007

GLOBALT, Inc.

	<u>Portfolio</u>		<u>Policy</u>			<u>Currency</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Ccy</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>	
TOTAL	100.0	5.0	100.0	6.9	0.0	0.0	0.0	(1.8)	(1.9)	
EQUITY	98.1	5.1	100.0	6.9	0.0	0.0	0.1	(1.8)	(1.8)	
Technology	28.3	5.8	21.1	11.5	0.0	0.0	0.2	(1.4)	(1.2)	
Health Care	15.2	2.5	17.7	4.2	0.0	0.0	0.1	(0.3)	(0.2)	
Consumer Discretionary	23.3	2.1	18.5	2.6	0.0	0.0	(0.2)	(0.1)	(0.3)	
Consumer Staples	6.6	1.9	6.7	2.5	0.0	0.0	0.0	0.0	0.0	
Integrated Oils	—	—	0.4	14.1	0.0	0.0	0.0	0.0	0.0	
Other Energy	2.5	12.4	4.1	12.8	0.0	0.0	0.0	(0.1)	(0.1)	
Materials and Processing	1.4	9.2	4.0	10.2	0.0	0.0	(0.1)	0.0	(0.1)	
Producer Durables	6.9	12.0	7.1	8.8	0.0	0.0	0.0	0.2	0.2	
Autos and Transportation	1.6	(1.1)	3.2	5.6	0.0	0.0	0.0	(0.1)	(0.1)	
Financial Services	8.2	5.8	10.3	6.1	0.0	0.0	0.0	0.0	0.0	
Utilities	0.9	(0.7)	2.7	6.8	0.0	0.0	0.0	0.0	0.0	
Other	5.3	12.4	4.0	12.2	0.0	0.0	0.1	0.0	0.1	
CASH	1.9	1.4	—	—	0.0	0.0	(0.1)	0.0	(0.1)	

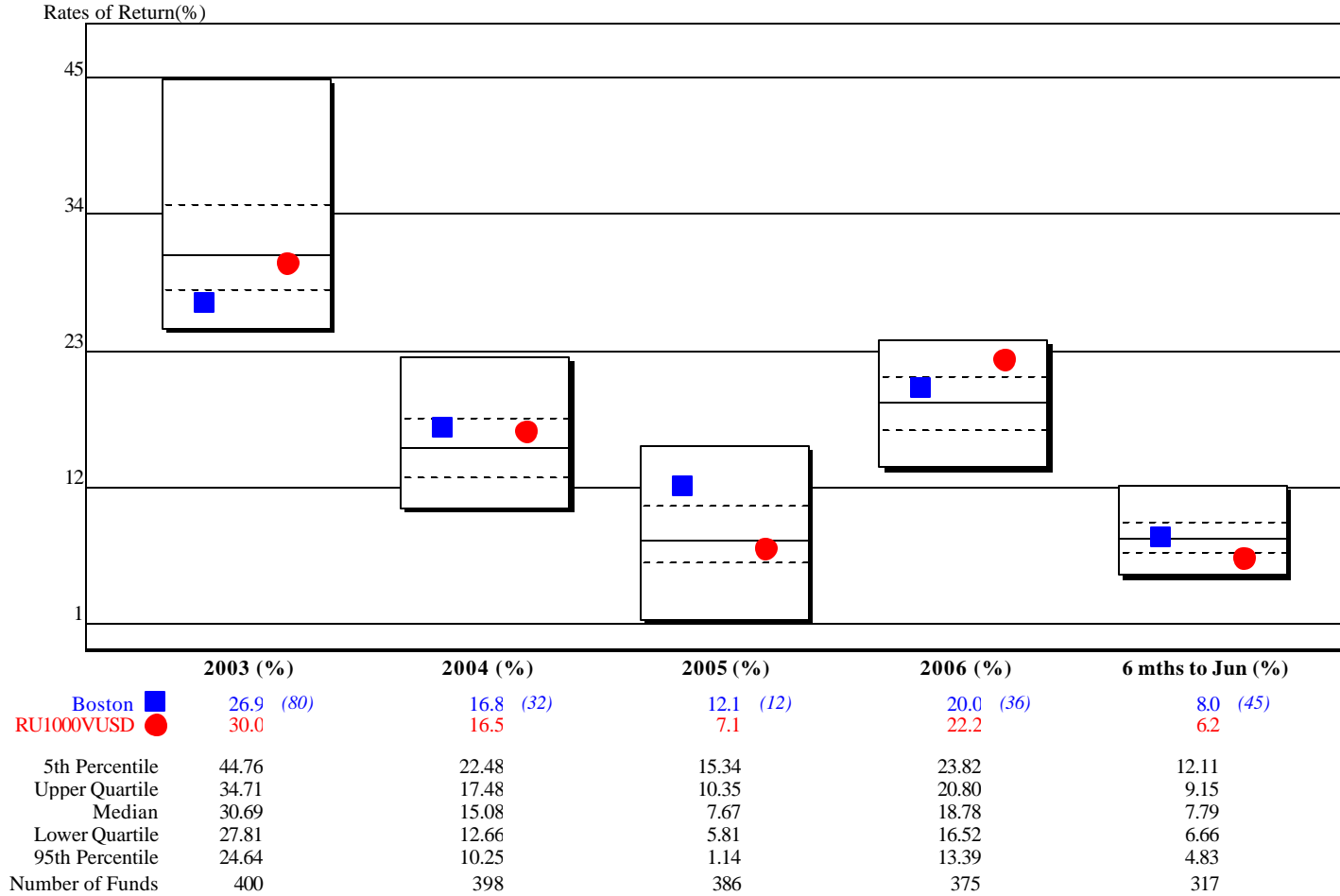
Policy Benchmark is Russell 1000 Growth

- Poor stock selection in technology was the largest performance detractor for the quarter.
- Health care also hurt performance through unfavorable stock selection but softened the loss through the sector's underweight against the benchmark.
- Consumer discretionary detracted performance through both selection and allocation.

# Boston Partners Asset Management

## Comparison with the Mercer US Equity Large Cap Value Universe

Performance before fees for Calendar Years and 6 months ended June 2007



- Boston Partners experienced weak performance relative to the Russell 1000 Value Index in 2003 and 2006. The fund placed above the universe median in 2004, 2005, 2006 and 2007.

## Returns Consistency Analysis

US Equity Large Cap Value (all funds) Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Boston	20	4	20%	8	40%	6	30%	2	10%	47	9	45%

### Benchmark:

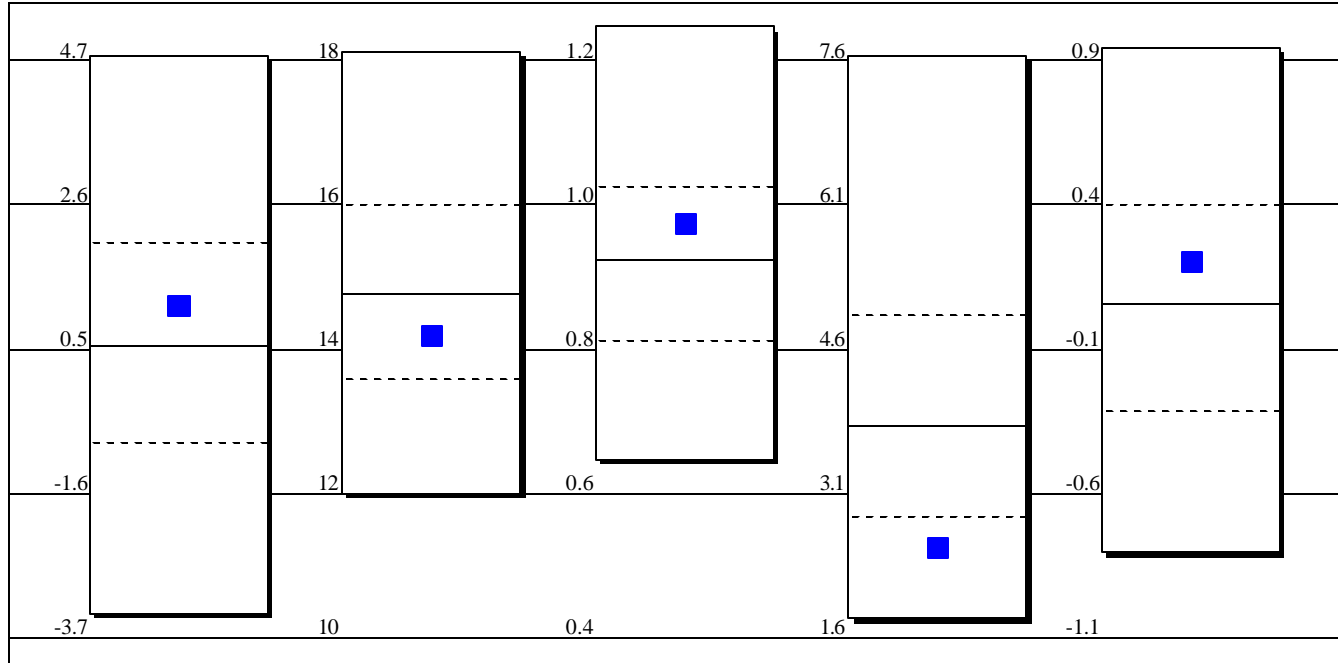
RU1000VUSD	20	2	10%	8	40%	9	45%	1	5%	49
------------	----	---	-----	---	-----	---	-----	---	----	----

- For the 5-year period, Boston has placed in the top half of the Mercer U.S. Equity Large Cap Value Universe 60% of the time with 4 quarters in the top quartile.

# Boston Partners Asset Management

## Comparison with the Mercer US Equity Large Cap Value Universe

Risk and Return Characteristics (calculated quarterly) versus RU1000VUSD for the period from Sep 2002 to Jun 2007

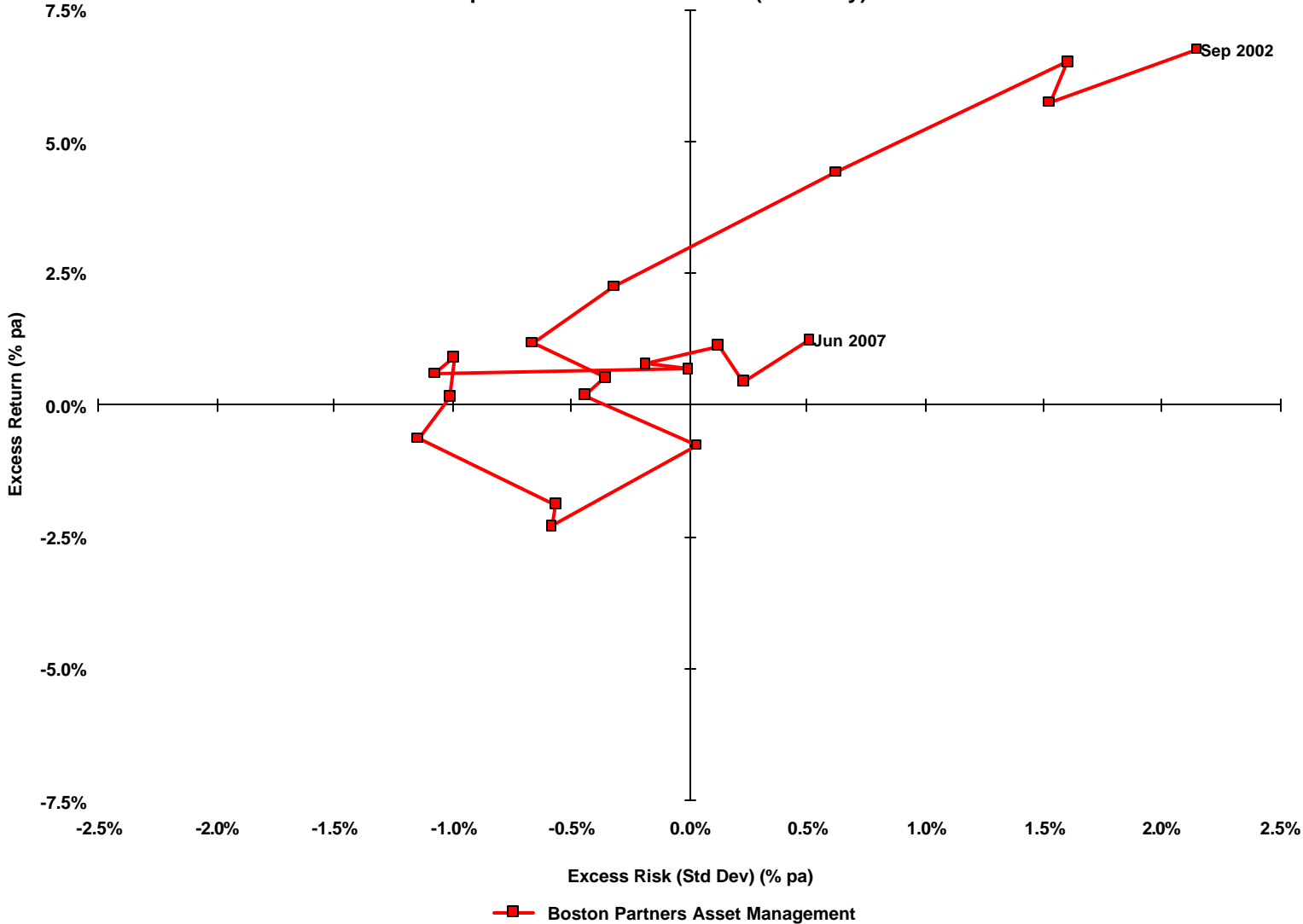


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
<b>Boston</b> ■	1.1 (40)	14.2 (61)	1.0 (37)	2.5 (82)	0.2 (38)
5th Percentile	4.8	18.1	1.2	7.6	0.9
Upper Quartile	2.1	16.0	1.0	5.0	0.4
Median	0.5	14.7	0.9	3.8	0.1
Lower Quartile	-0.9	13.6	0.8	2.8	-0.3
95th Percentile	-3.4	12.0	0.6	1.8	-0.8
Number of Funds	266	266	266	266	266

- For the 5-year period, Boston has a positive alpha and has taken slightly less than the median manager.

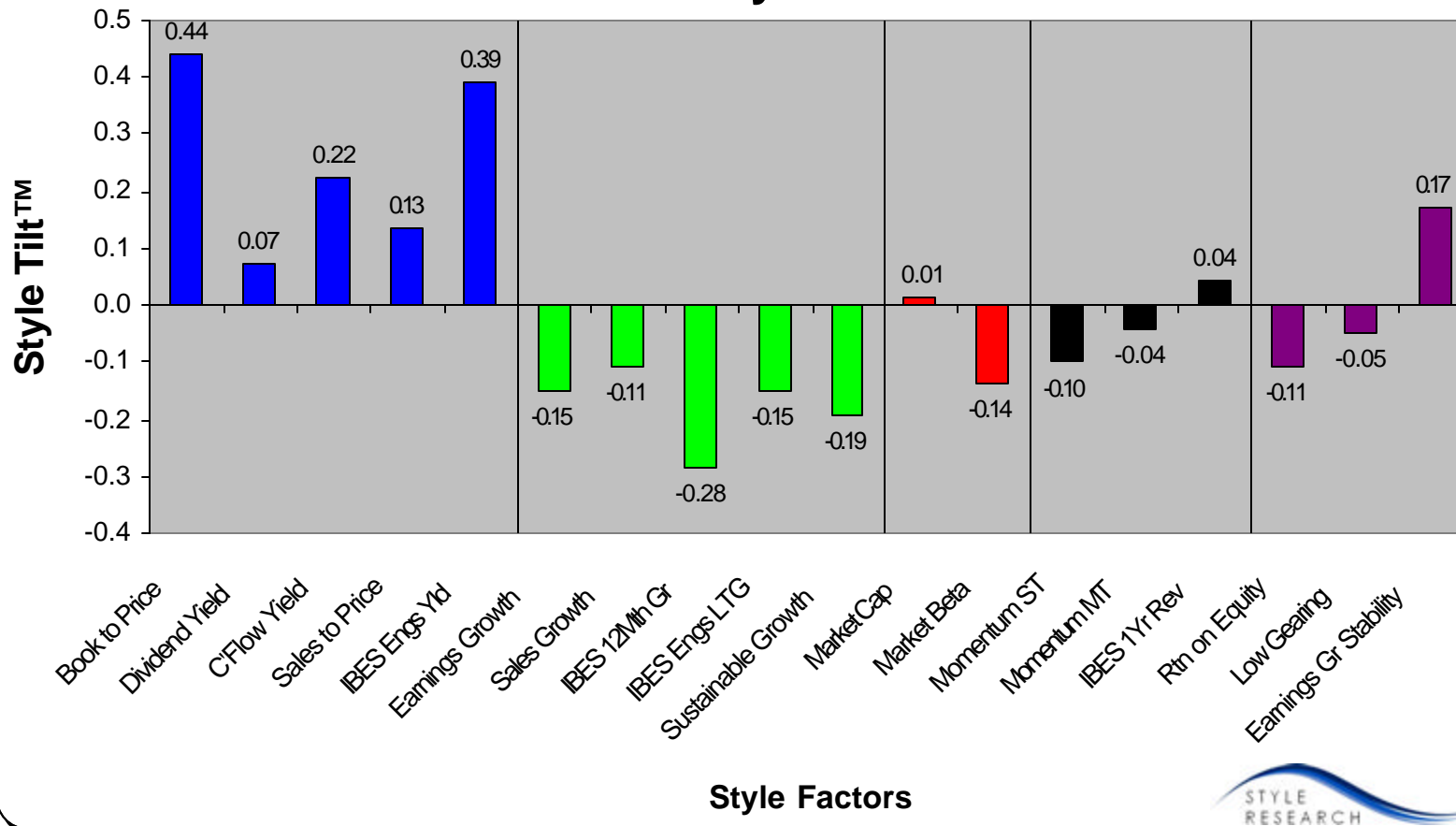
# Boston Partners Asset Management

Rolling 3 Year Risk / Return versus the Russell 1000 Value  
September 2002 to June 2007 (Quarterly)



- Boston exhibits a volatile risk/return profile.

## Boston Partners vs Russell 1000 Portfolio Style Skyline™



- The portfolio's characteristics indicate its value bias.

3 Months Ending June 30, 2007  
Boston Partners Asset Mgmt. Value Equity

	<u>Portfolio</u>		<u>Policy</u>		<u>Currency</u>	<u>Net Management Effect</u>			
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Cov</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>
TOTAL	100.0	7.3	100.0	5.0	0.0	0.0	0.6	1.7	2.3
EQUITY	98.5	7.4	100.0	5.0	0.0	0.0	0.7	1.7	2.4
Technology	13.1	10.0	3.5	7.6	0.0	0.0	0.3	0.3	0.8
Health Care	9.5	5.2	6.9	6.0	0.0	0.0	0.1	(0.1)	0.0
Consumer Discretionary	10.9	7.2	7.4	4.8	0.0	0.0	0.0	0.3	0.3
Consumer Staples	4.9	3.5	7.1	3.4	0.0	0.0	0.1	0.0	0.1
Integrated Oils	9.5	14.5	11.2	13.4	0.0	0.0	(0.1)	0.1	0.0
Other Energy	3.3	18.2	3.0	15.0	0.0	0.0	0.0	0.1	0.1
Materials and Processing	0.5	9.0	4.6	7.0	0.0	0.0	(0.1)	0.0	(0.1)
Producer Durables	7.6	7.9	2.1	7.3	0.0	0.0	0.1	0.0	0.2
Autos and Transportation	—	—	1.6	11.9	0.0	0.0	(0.1)	0.0	(0.1)
Financial Services	29.7	4.1	35.0	0.9	0.0	0.0	0.2	1.0	1.2
Utilities	4.9	6.9	13.8	3.0	0.0	0.0	0.2	0.2	0.4
Other	4.6	5.7	3.9	10.3	0.0	0.0	0.0	(0.2)	(0.2)
CASH	1.5	1.3	—	—	0.0	0.0	(0.1)	0.0	(0.1)

Policy Benchmark is Russell 1000 Value

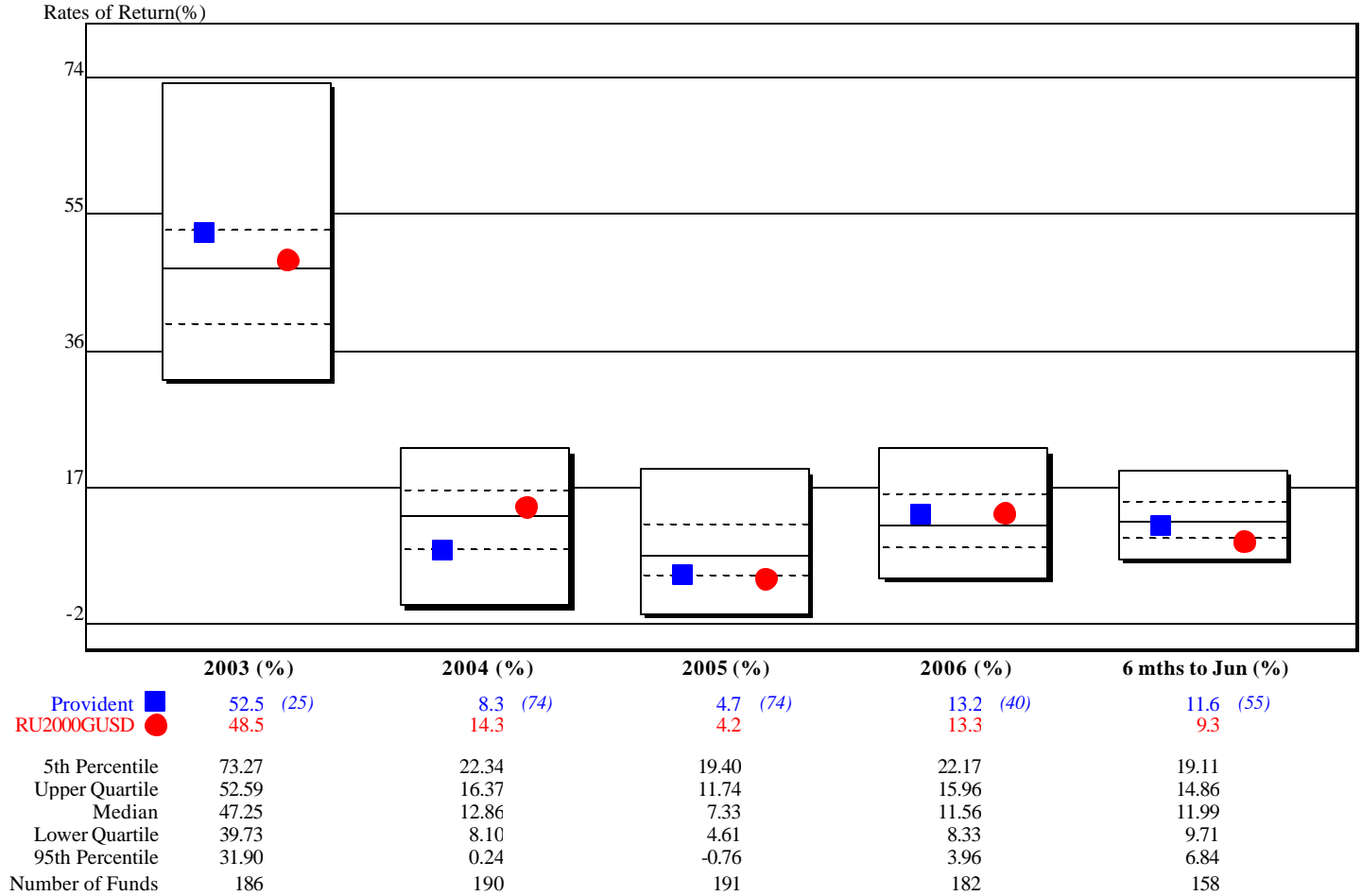
- Favorable allocation to and stock selection in technology, consumer discretionary, financial services, and utilities helped performance for the quarter
- Positive returns were slightly dampened from slightly poor stock selection and allocation in the “others” sector



# Provident Investment Counsel

## Comparison with the Mercer US Equity Small Cap Growth Universe

### Performance before fees for Calendar Years and 6 months ended June 2007



- Provident underperformed the Russell 2000 Growth Index in 2004 and 2006. The portfolio placed above the Mercer U.S. Equity Small Cap Growth Universe median in 2003 and 2006.

## Returns Consistency Analysis

US Equity Small Cap Growth Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Provident	20	2	10%	8	40%	6	30%	4	20%	51	9	45%

### Benchmark:

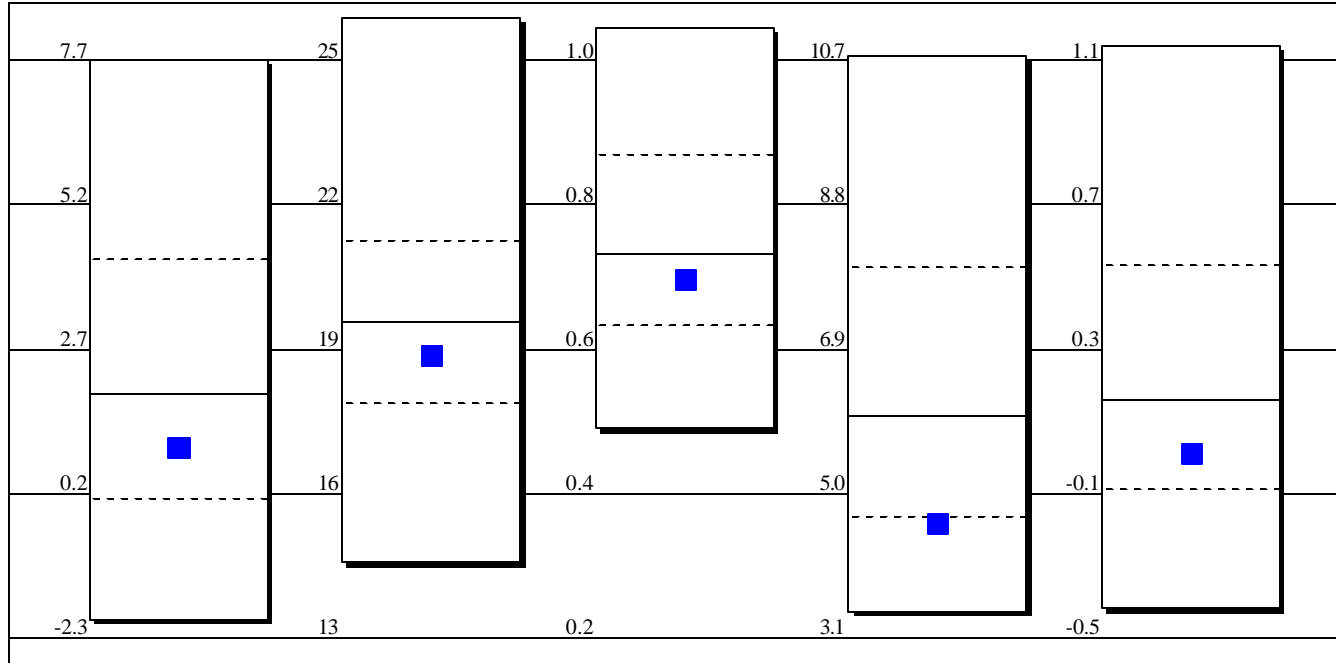
RU2000GUSD	20	0	0%	10	50%	9	45%	1	5%	50
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- For the 5-year period, the fund has placed below the median of the universe 50% of the time with 4 quarters in the bottom quartile.

# Provident Investment Counsel

## Comparison with the Mercer US Equity Small Cap Growth Universe

Risk and Return Characteristics (calculated quarterly) versus RU2000GUSD for the period from Sep 2002 to Jun 2007

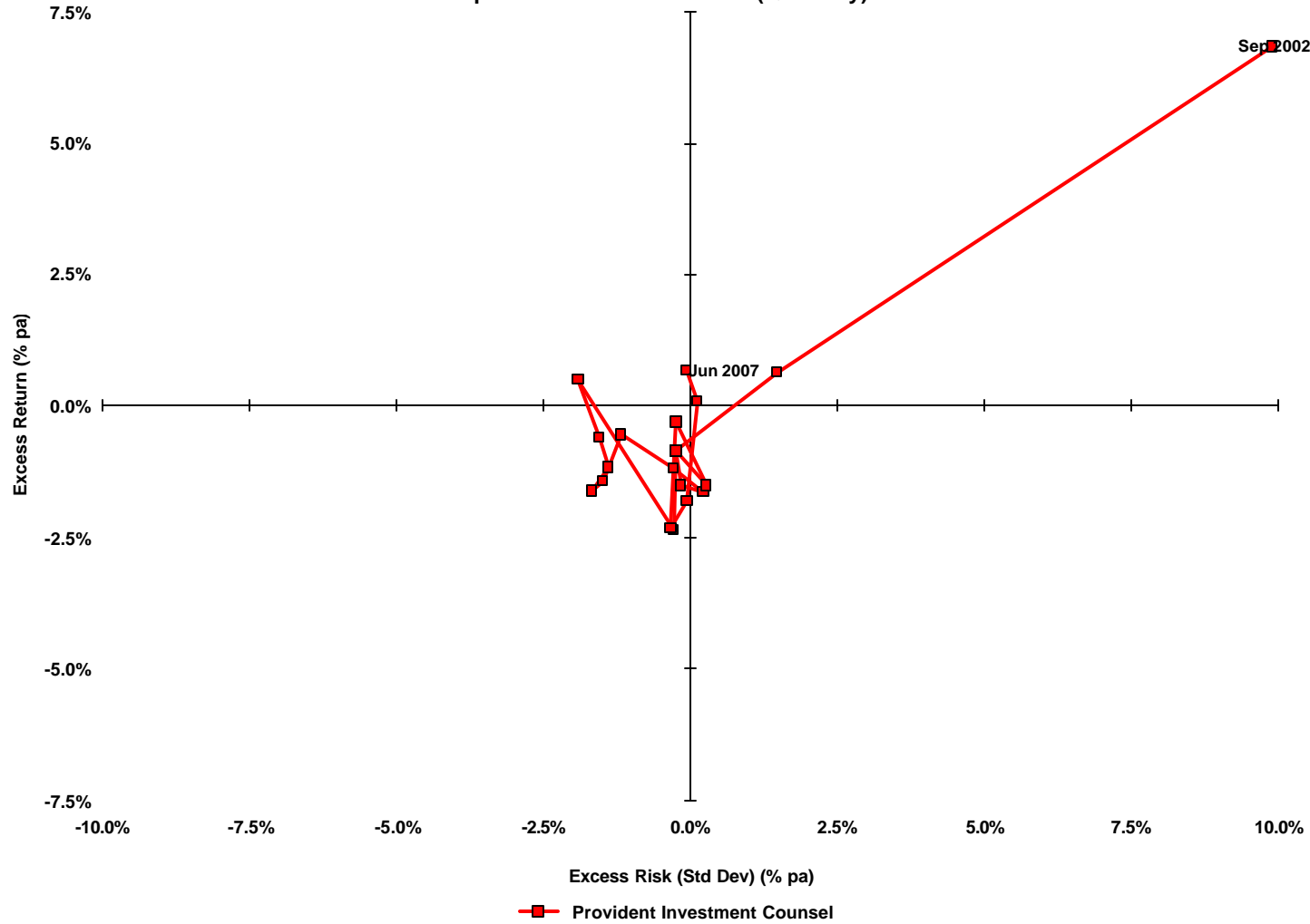


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Provident ■	1.0 (65)	18.8 (59)	0.7 (60)	4.6 (77)	0.0 (66)
5th Percentile	7.7	25.9	1.0	10.8	1.1
Upper Quartile	4.2	21.2	0.9	8.0	0.5
Median	1.9	19.5	0.7	6.0	0.2
Lower Quartile	0.1	17.9	0.6	4.7	-0.1
95th Percentile	-2.0	14.5	0.5	3.4	-0.4
Number of Funds	122	122	122	122	122

- For 5 years, Provident has a positive alpha and has taken less risk than the median manager.

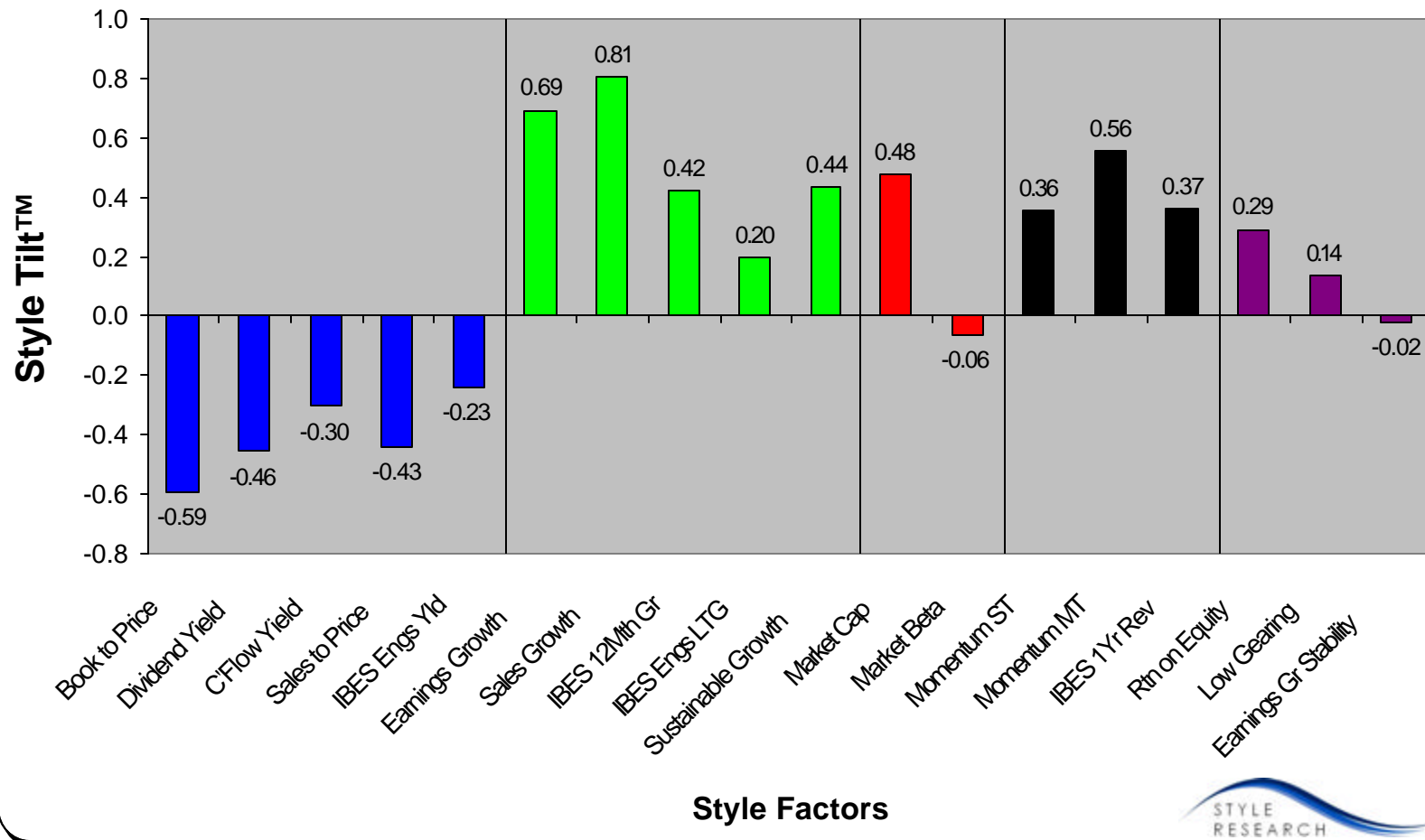
# Provident Investment Counsel

Rolling 3 Year Risk / Return versus the Russell 2000 Growth  
September 2002 to June 2007 (Quarterly)



- After a period of general decline, Provident's return/risk profile has, in recent quarters, approached that of the index.

## Provident vs Russell 2000 Portfolio Style Skyline™



- The portfolio's characteristics indicate its growth orientation.

3 Months Ending June 30, 2007  
 Provident Investment Counsel

	<u>Portfolio</u>		<u>Policy</u>			<u>Currency</u>		<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Conv</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>	
TOTAL	100.0	6.6	100.0	6.7	0.0	0.0	(0.2)	0.0	(0.1)	
EQUITY	96.2	6.8	100.0	6.7	0.0	0.0	0.0	0.0	0.1	
Technology	19.7	9.8	17.4	7.7	0.0	0.0	0.0	0.4	0.4	
Health Care	16.0	1.8	18.3	2.9	0.0	0.0	0.1	(0.2)	(0.2)	
Consumer Discretionary	24.7	1.1	22.4	7.0	0.0	0.0	0.0	(1.6)	(1.6)	
Consumer Staples	—	—	1.3	0.4	0.0	0.0	0.1	0.0	0.1	
Integrated Oils	—	—	0.3	(5.7)	0.0	0.0	0.0	0.0	0.0	
Other Energy	4.7	9.8	5.6	12.9	0.0	0.0	(0.1)	(0.2)	(0.2)	
Materials and Processing	9.5	13.6	8.8	12.7	0.0	0.0	0.0	0.1	0.1	
Producer Durables	5.0	13.6	9.1	11.9	0.0	0.0	(0.2)	0.1	(0.1)	
Autos and Transportation	5.8	9.8	4.0	4.9	0.0	0.0	0.0	0.3	0.2	
Financial Services	10.0	13.8	11.1	1.2	0.0	0.0	0.0	1.2	1.3	
Utilities	0.7	(1.2)	1.3	6.1	0.0	0.0	0.0	0.0	(0.1)	
Other	—	—	0.4	3.8	0.0	0.0	0.0	0.0	0.0	
CASH	3.8	1.3	—	—	0.0	0.0	(0.2)	0.0	(0.2)	

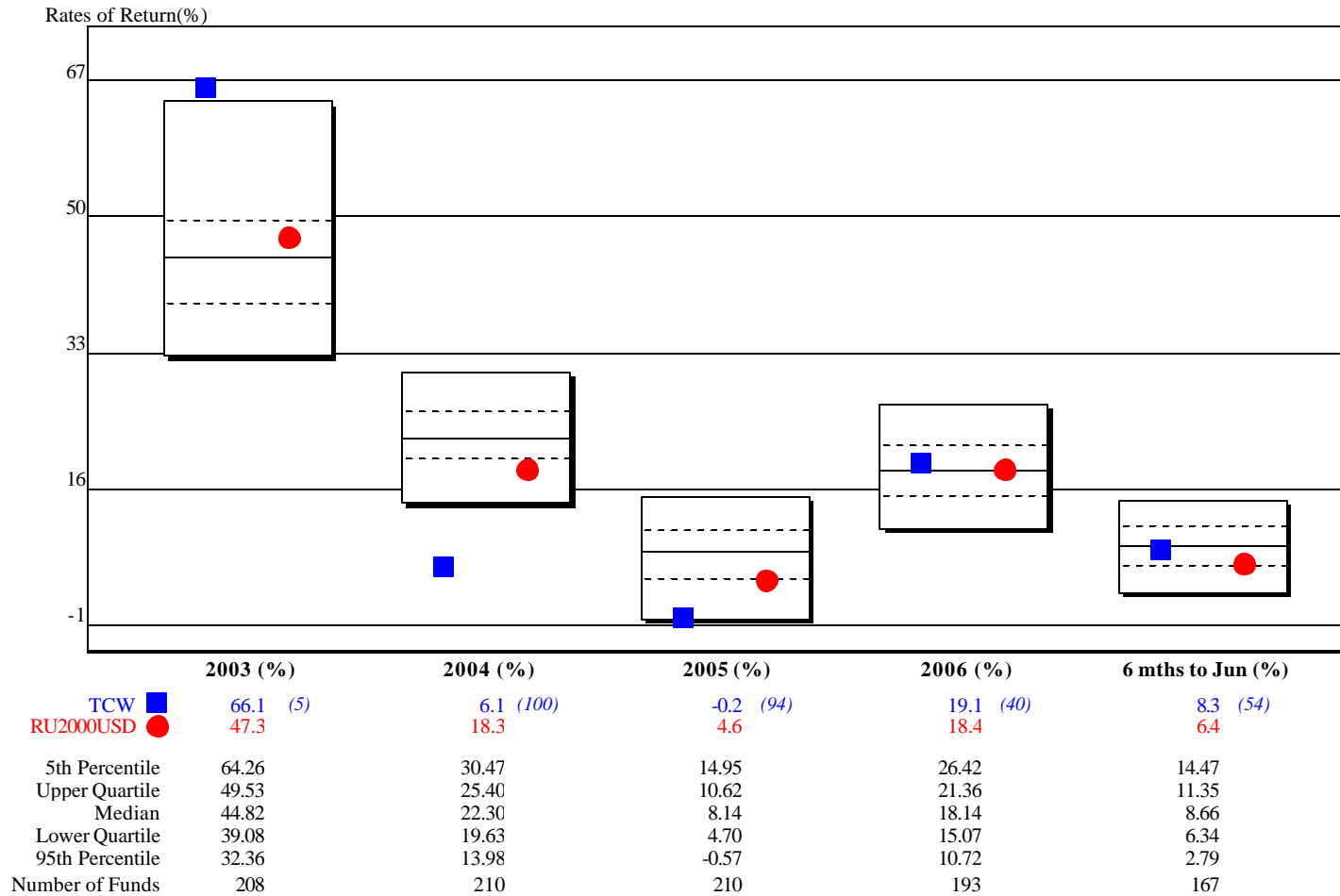
Policy Benchmark is Russell 2000 Growth

- The portfolio's strong security selection in technology and financial services benefited performance
- Unfavorable stock selection in consumer discretionary detracted from results

# TCW Group

## Comparison with the Mercer US Equity Small Cap Value Universe

### Performance before fees for Calendar Years and 6 months ended June 2007



- TCW underperformed the Russell 2000 Index in 2004 and 2005, where it placed at the bottom of the universe. It placed above the universe median in 2003 and 2006.

## Returns Consistency Analysis

US Equity Small Cap Value Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
TCW	20	8	40%	1	5%	3	15%	8	40%	53	11	55%

### Benchmark:

RU2000USD	20	0	0%	8	40%	7	35%	5	25%	56
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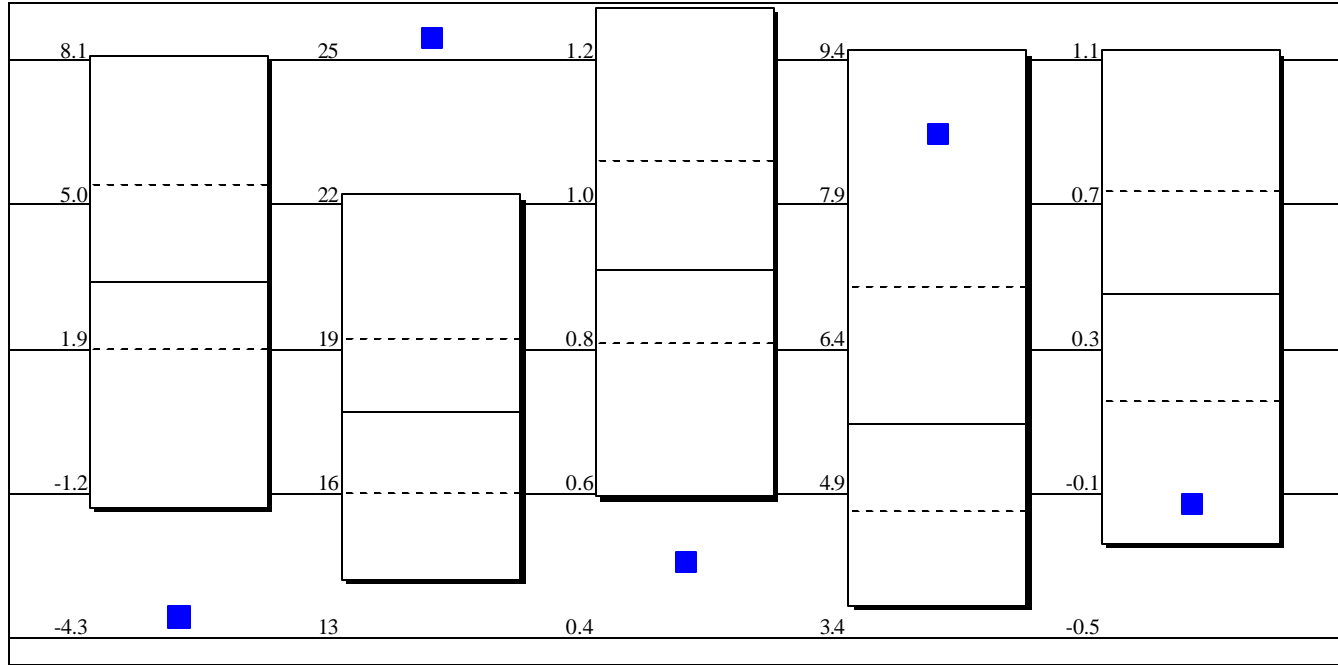
- For the 5-year period, TCW placed below the universe median 55% of the time with 8 quarters in the bottom quartile.



# TCW Group

## Comparison with the Mercer US Equity Small Cap Value Universe

Risk and Return Characteristics (calculated quarterly) versus RU2000USD for the period from Sep 2002 to Jun 2007

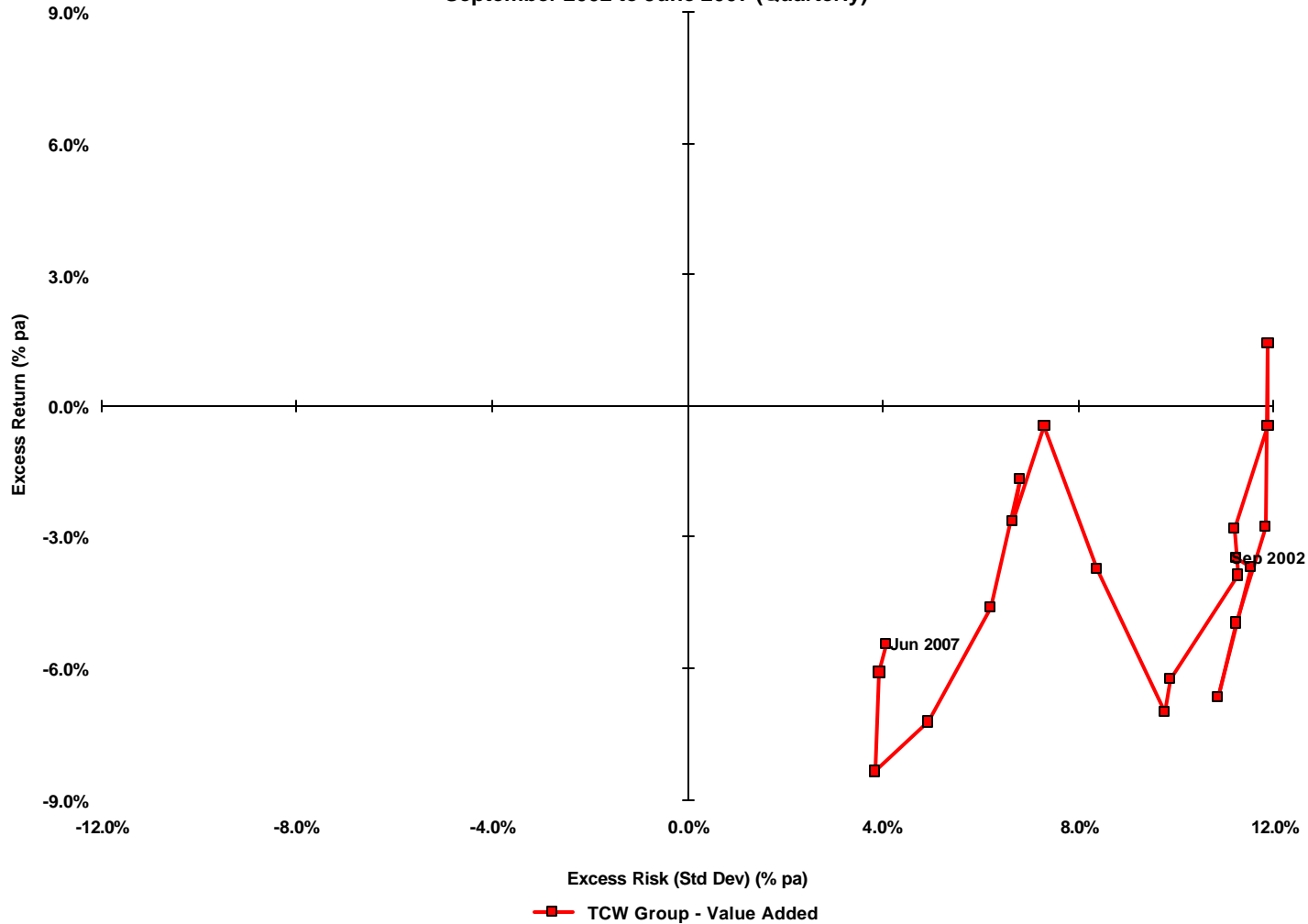


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
<b>TCW</b> ■	-3.9 (98)	25.4 (2)	0.5 (98)	8.6 (7)	-0.1 (89)
5th Percentile	8.2	22.2	1.3	9.5	1.1
Upper Quartile	5.4	19.2	1.1	7.1	0.7
Median	3.3	17.7	0.9	5.6	0.5
Lower Quartile	1.9	16.0	0.8	4.7	0.2
95th Percentile	-1.6	14.2	0.6	3.7	-0.2
Number of Funds	142	142	142	142	142

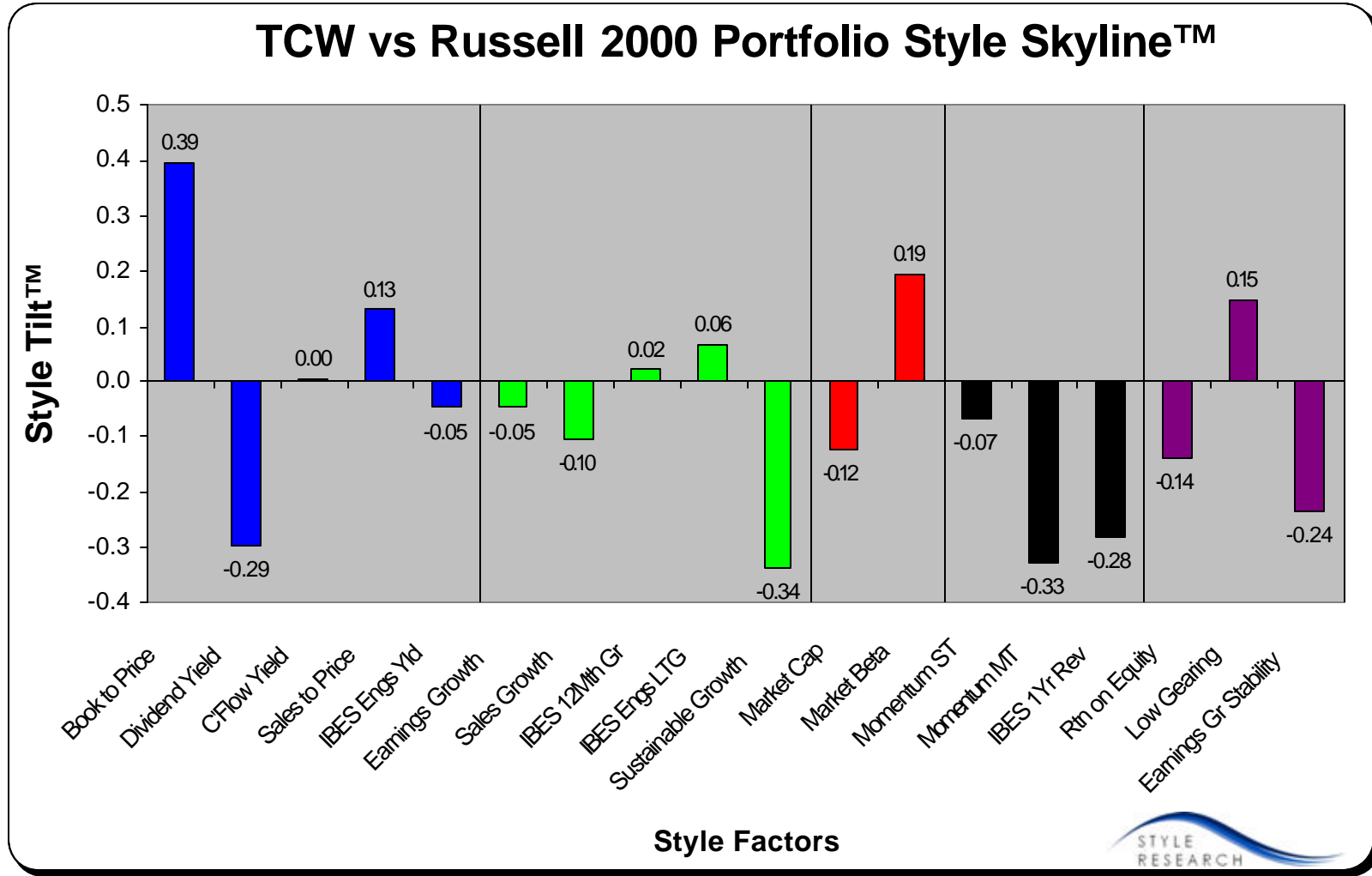
- For 5 years, TCW has a significantly negative alpha – ranking near the bottom of the universe – and placed at the 2<sup>nd</sup> percentile of the universe for risk taken.

## TCW Group - Value Added

Rolling 3 Year Risk / Return versus the Russell 2000 Value  
September 2002 to June 2007 (Quarterly)



- TCW composite's return/risk profile has improved in recent quarters, but remains in the southeast quadrant.



- The portfolio displays a value tilt with slight growth characteristics.

3 Months Ending June 30, 2007

TCW Group

	<u>Portfolio</u>		<u>Policy</u>			<u>Currency</u>			<u>Net Management Effect</u>		
	<u>Weight</u>	<u>Return</u>	<u>Weight</u>	<u>Return</u>	<u>Return</u>	<u>Conv</u>	<u>Alloc</u>	<u>Select</u>	<u>Total</u>		
TOTAL	100.0	4.7	100.0	4.4	0.0	0.0	1.7	(1.4)	0.3		
EQUITY	98.9	4.7	100.0	4.4	0.0	0.0	1.7	(1.4)	0.3		
Technology	25.7	6.1	13.2	6.1	0.0	0.0	0.2	0.0	0.2		
Health Care	5.2	3.6	11.2	2.7	0.0	0.0	0.1	0.1	0.2		
Consumer Discretionary	20.6	4.7	19.8	4.7	0.0	0.0	0.0	0.0	0.0		
Consumer Staples	1.7	15.9	2.4	1.4	0.0	0.0	0.0	0.2	0.3		
Integrated Oils	0.2	10.7	0.2	(3.7)	0.0	0.0	0.0	0.0	0.0		
Other Energy	4.6	18.2	4.6	12.0	0.0	0.0	0.0	0.2	0.2		
Materials and Processing	8.9	8.5	9.8	11.9	0.0	0.0	(0.1)	(0.3)	(0.4)		
Producer Durables	17.3	2.2	7.8	10.0	0.0	0.0	0.5	(1.3)	(0.8)		
Autos and Transportation	3.3	(2.0)	3.8	7.0	0.0	0.0	0.0	(0.3)	(0.3)		
Financial Services	10.8	(1.9)	22.7	(1.2)	0.0	0.0	0.7	(0.1)	0.6		
Utilities	0.0	—	4.1	(0.8)	0.0	0.0	0.2	0.0	0.2		
Other	0.4	20.2	0.4	6.3	0.0	0.0	0.0	0.1	0.1		
CASH	1.1	1.3	—	—	0.0	0.0	0.0	0.0	0.0		

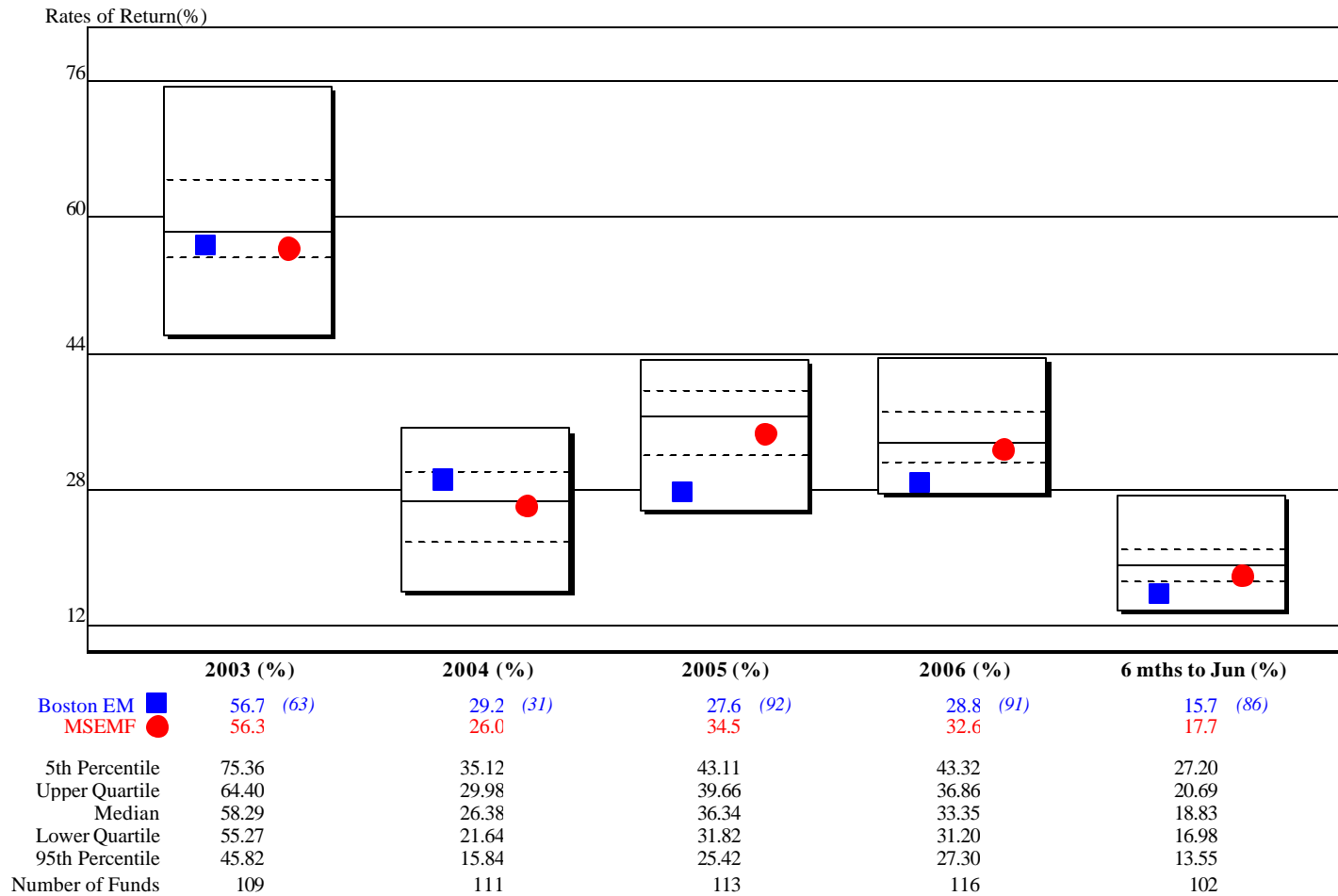
Policy Benchmark is Russell 2000

- Producer durables was the largest detractor for the quarter through poor stock selection, however the negative effect was slightly mitigated through favorable allocation.
- Poor stock selection in materials & processing and autos & transportation hurt performance.
- Favorable allocation in financial services and strong stock selection in consumer staples helped performance.

# Boston Company Asset Management

## Comparison with the Mercer Emerging Markets Equity Universe

Performance before fees for Calendar Years and 6 months ended June 2007



- Boston Company outperformed the MSCI Emerging Markets Index in 2003 and 2004 and placed around or above the universe median. It underperformed the index and placed in the bottom quartile of the universe in 2005, 2006, and 2007.

## Returns Consistency Analysis

Emerging Markets Equity (all funds) Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Boston EM	20	2	10%	4	20%	7	35%	7	35%	61	7	35%

### Benchmark:

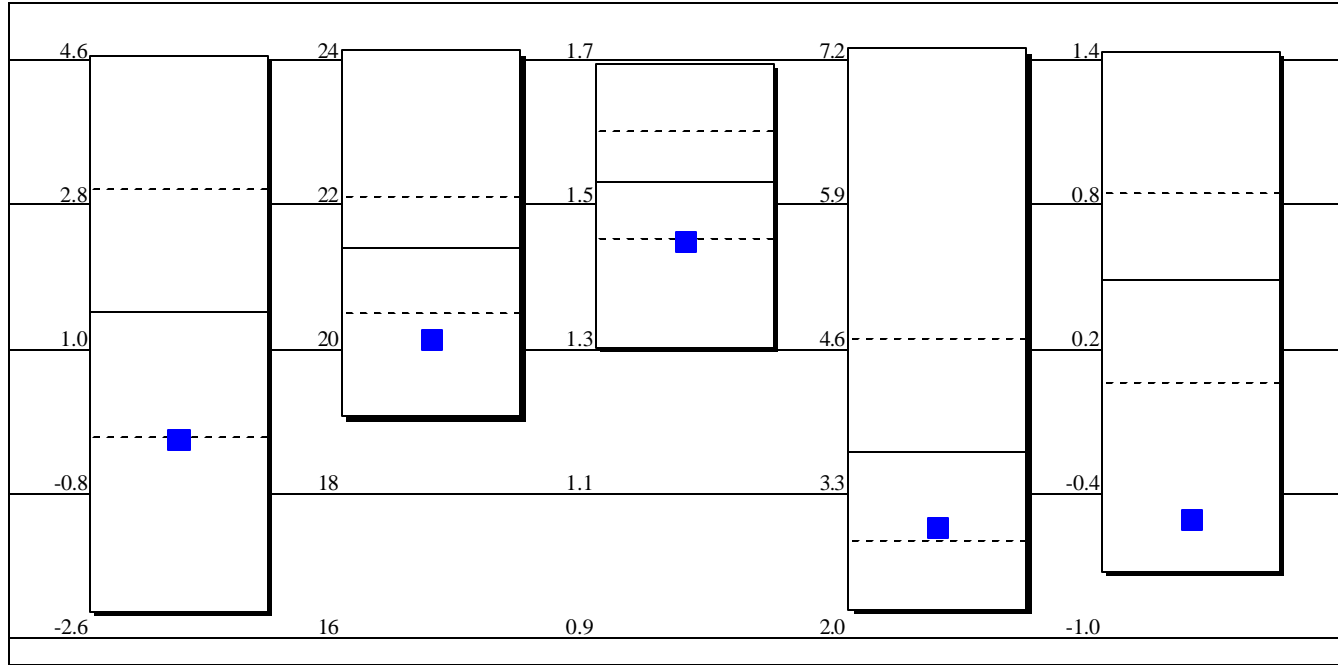
MSEMF	20	0	0%	4	20%	16	80%	0	0%	54
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- For 5 years, Boston Company has placed in the bottom half of the universe 70% of the time with 7 quarters in the bottom quartile.

# Boston Company Asset Management

## Comparison with the Mercer Emerging Markets Equity Universe

Risk and Return Characteristics (calculated quarterly) versus MSEM for the period from Sep 2002 to Jun 2007

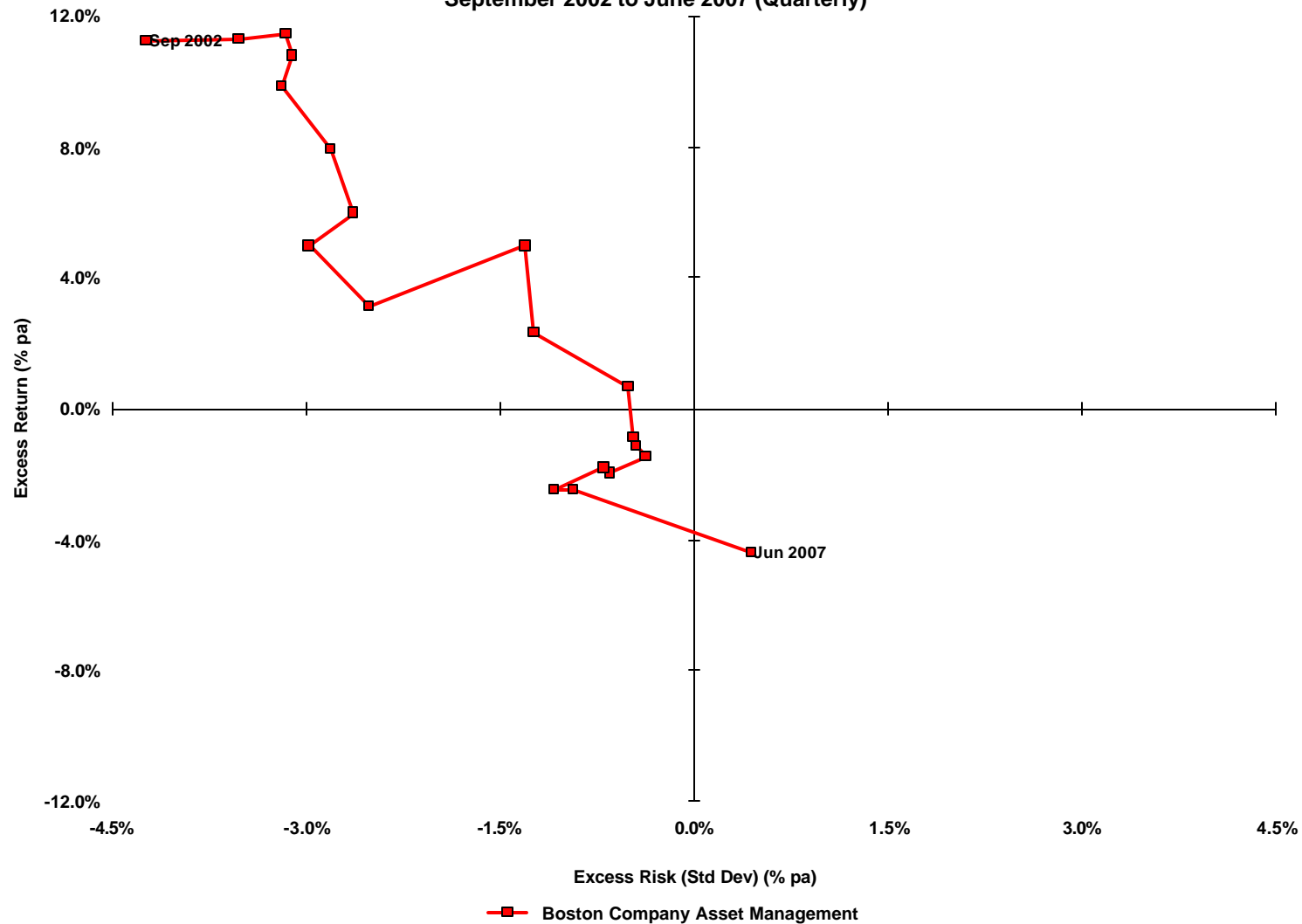


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Boston EM ■	-0.1 (76)	20.1 (83)	1.4 (77)	3.0 (73)	-0.5 (93)
5th Percentile	4.7	24.1	1.7	7.3	1.4
Upper Quartile	3.0	22.1	1.6	4.7	0.8
Median	1.4	21.4	1.5	3.7	0.5
Lower Quartile	-0.1	20.5	1.5	2.9	0.1
95th Percentile	-2.3	19.0	1.3	2.2	-0.7
Number of Funds	81	81	81	81	81

- For 5 years, Boston Company has generated less alpha and taken less risk than the median manager.

# Boston Company Asset Management

Rolling 3 Year Risk / Return versus the MSCI EM  
September 2002 to June 2007 (Quarterly)

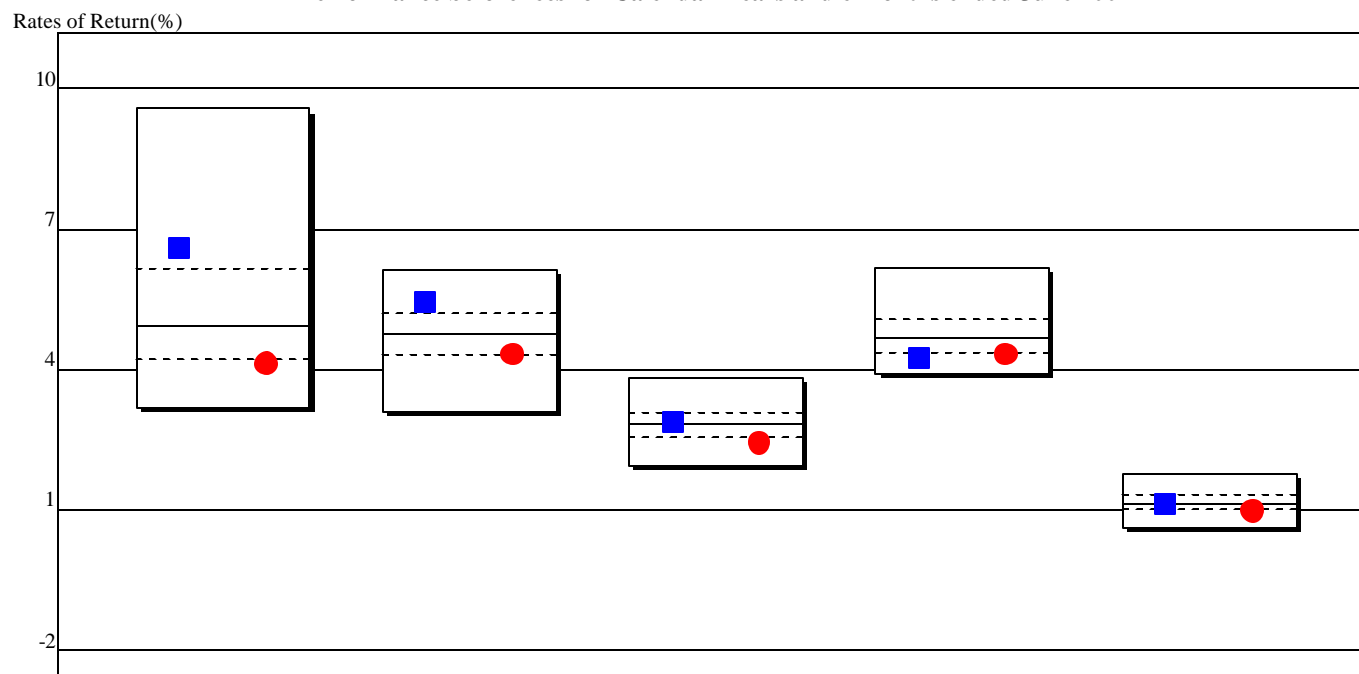


- Boston Company's rolling 3-year risk/return profile has moved to the southeast quadrant in recent quarters.



# Seix Investment Advisors

Comparison with the Mercer US Fixed Core Universe  
Performance before fees for Calendar Years and 6 months ended June 2007



	2003 (%)	2004 (%)	2005 (%)	2006 (%)	6 mths to Jun (%)
Seix	6.6 (19)	5.4 (15)	2.9 (46)	4.3 (80)	1.1 (47)
LBAGG	4.1 (77)	4.3 (74)	2.4 (80)	4.3 (76)	1.0 (76)
5th Percentile	9.55	6.11	3.80	6.18	1.76
Upper Quartile	6.15	5.17	3.08	5.05	1.31
Median	4.90	4.75	2.81	4.65	1.10
Lower Quartile	4.19	4.31	2.55	4.34	0.98
95th Percentile	3.13	3.07	1.92	3.86	0.59
Number of Funds	379	345	316	300	245

- Seix outperformed or matched the Lehman Brothers Aggregate Bond Index for all periods shown. It placed in the bottom half of the Mercer U.S Fixed Core Universe in 2006 only.

## Returns Consistency Analysis

US Fixed Core Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Seix	20	7	35%	5	25%	3	15%	5	25%	44	16	80%

### Benchmark:

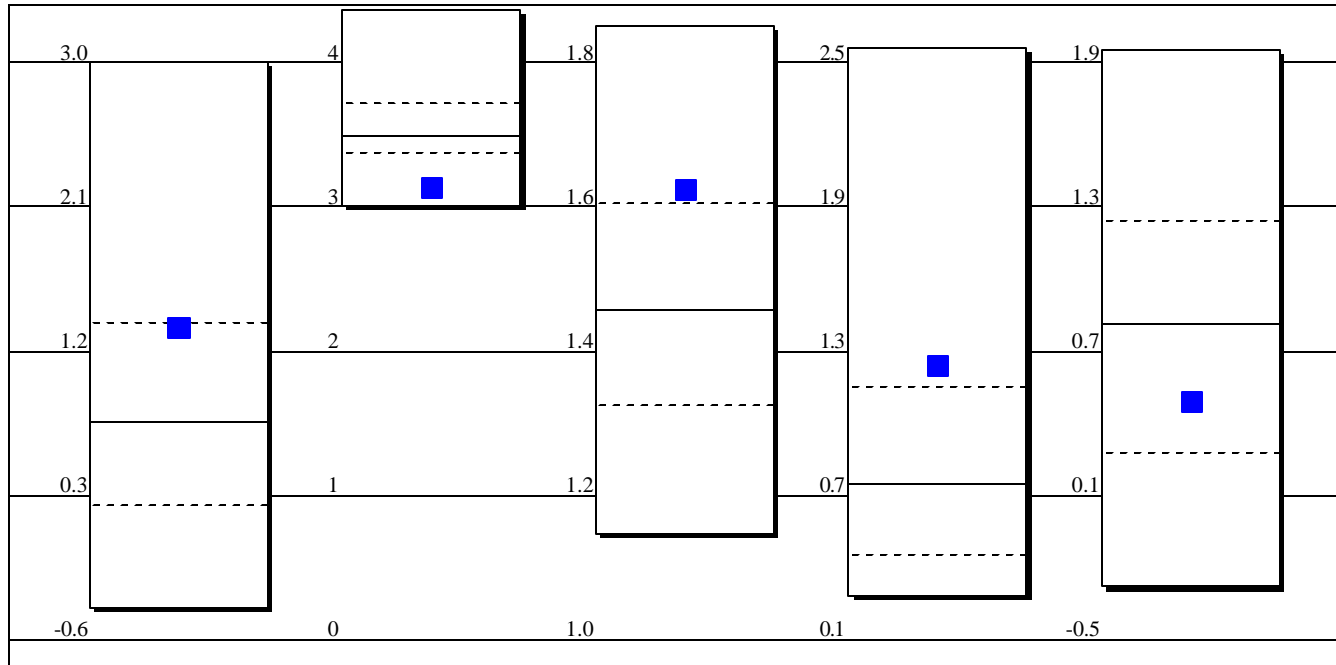
LBAGG	20	0	0%	2	10%	13	65%	5	25%	65
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- For 5 years, Seix placed in the top half of the universe 60% of the time with 7 quarters in the top quartile.

# Seix Investment Advisors

## Comparison with the Mercer US Fixed Core Universe

Risk and Return Characteristics (calculated quarterly) versus LBAGG for the period from Sep 2002 to Jun 2007

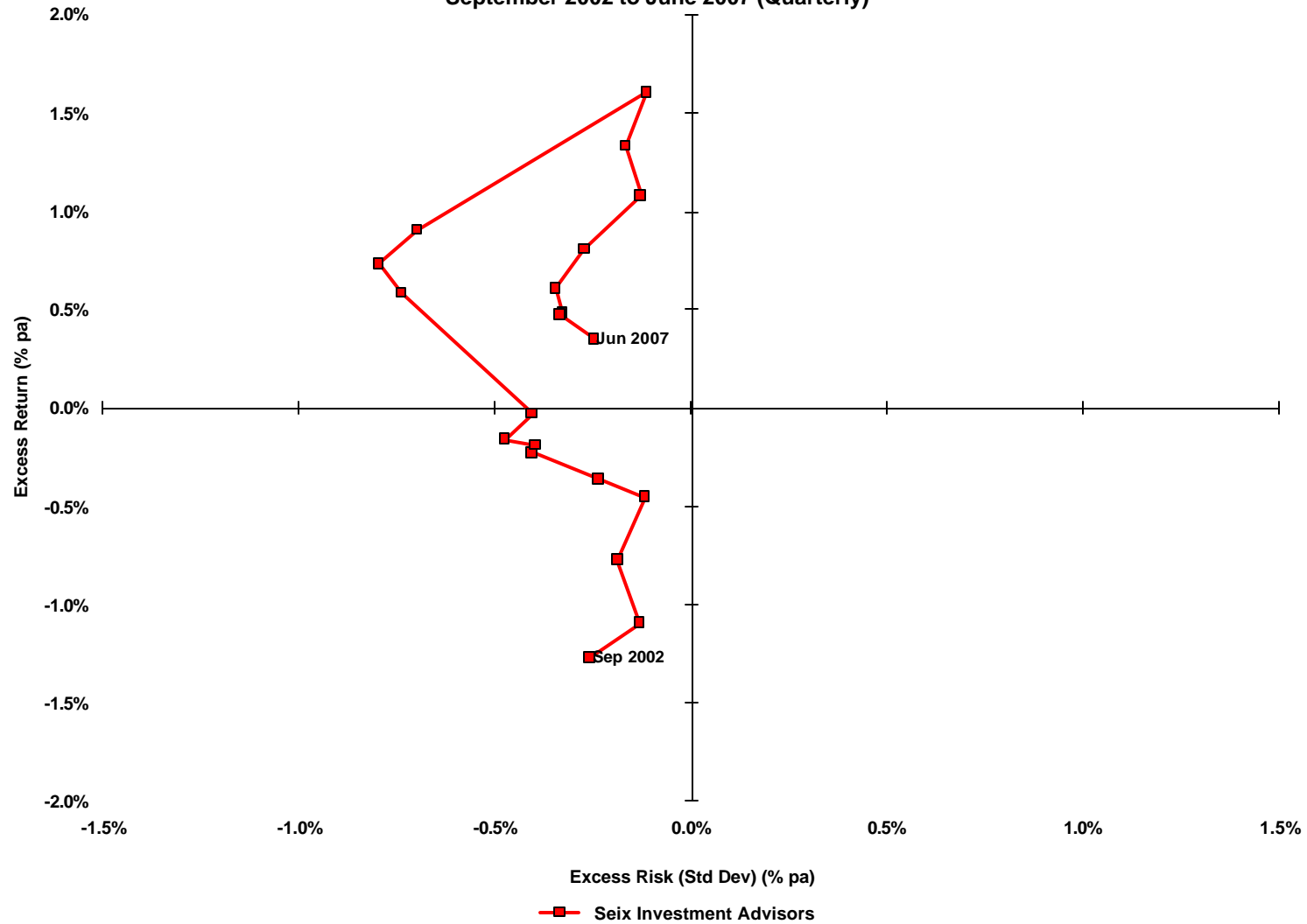


	Alpha (%pa)	Std Deviation (%pa)	Reward to Risk	Tracking Error (%pa)	Information Ratio
Seix ■	1.3 (26)	3.1 (92)	1.6 (21)	1.2 (23)	0.5 (68)
5th Percentile	3.0	4.4	1.9	2.6	2.0
Upper Quartile	1.4	3.7	1.6	1.1	1.2
Median	0.8	3.5	1.5	0.7	0.8
Lower Quartile	0.2	3.4	1.3	0.5	0.3
95th Percentile	-0.4	3.0	1.1	0.3	-0.3
Number of Funds	226	226	226	226	226

- For 5 years, Seix has a positive alpha and has taken less risk than the median manager.

## Seix Investment Advisors

Rolling 3 Year Risk / Return versus the Lehman Aggregate  
September 2002 to June 2007 (Quarterly)

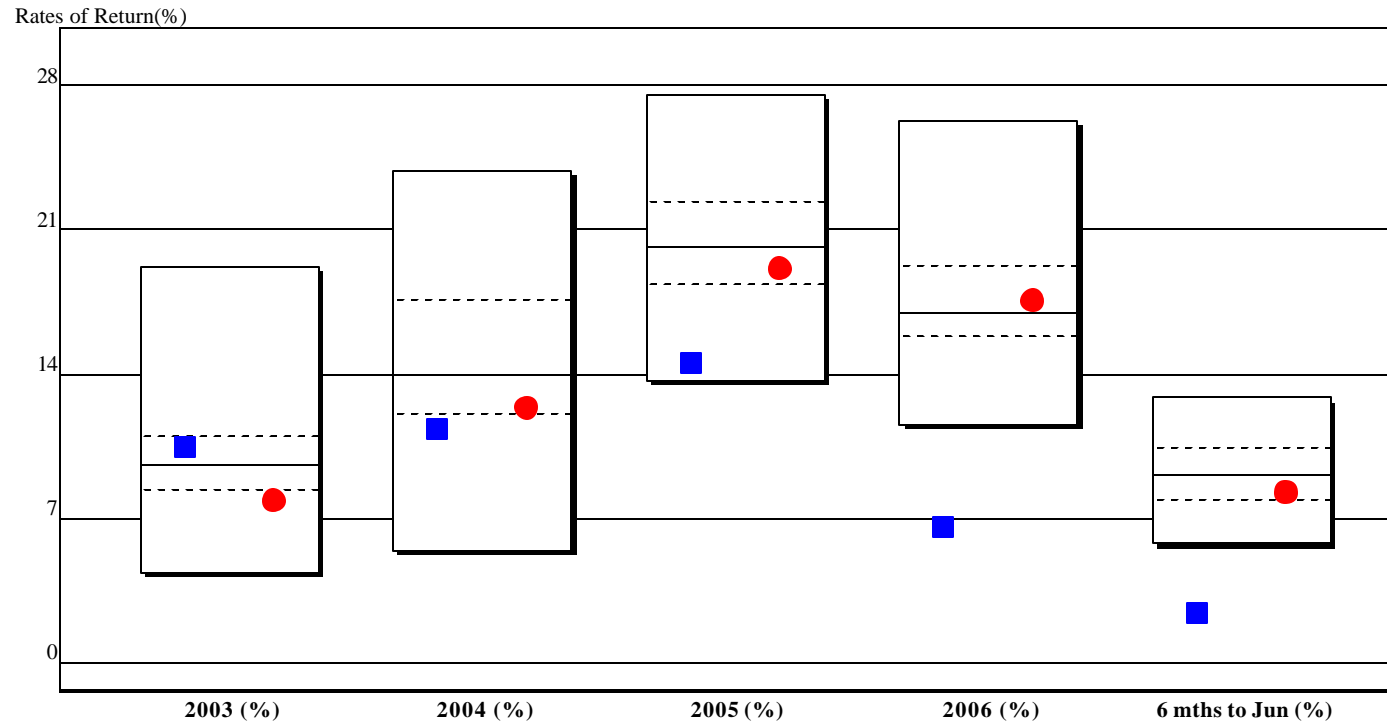


- Seix’s risk/return profile resides in the northwest quadrant in recent quarters.

# MIG Realty Advisors

## Comparison with the Mercer US Real Estate Open End Universe

### Performance before fees for Calendar Years and 6 months ended June 2007



	2003 (%)	2004 (%)	2005 (%)	2006 (%)	6 mths to Jun (%)
MIG ■	10.5 (30)	11.4 (83)	14.5 (91)	6.5 (100)	2.4 (100)
NCREIF ●	7.8	12.4	19.2	17.6	8.3
5th Percentile	19.1	23.8	27.6	26.2	12.8
Upper Quartile	10.9	17.6	22.3	19.2	10.4
Median	9.5	13.9	20.1	16.9	9.0
Lower Quartile	8.4	12.1	18.4	15.8	7.9
95th Percentile	4.2	5.4	13.7	11.4	5.8
Number of Funds	22	24	28	28	13

- For all periods shown except 2003, MIG underperformed the NCREIF Property (1 Qtr in Arrears) Index and placed in the bottom quartile of the Mercer U.S. Real Estate Open End Universe.

## Returns Consistency Analysis

US Real Estate Open End Quarterly Returns - before fees

Quarterly returns from Sep 2002 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
MIG	20	3	15%	2	10%	2	10%	13	65%	72	5	25%

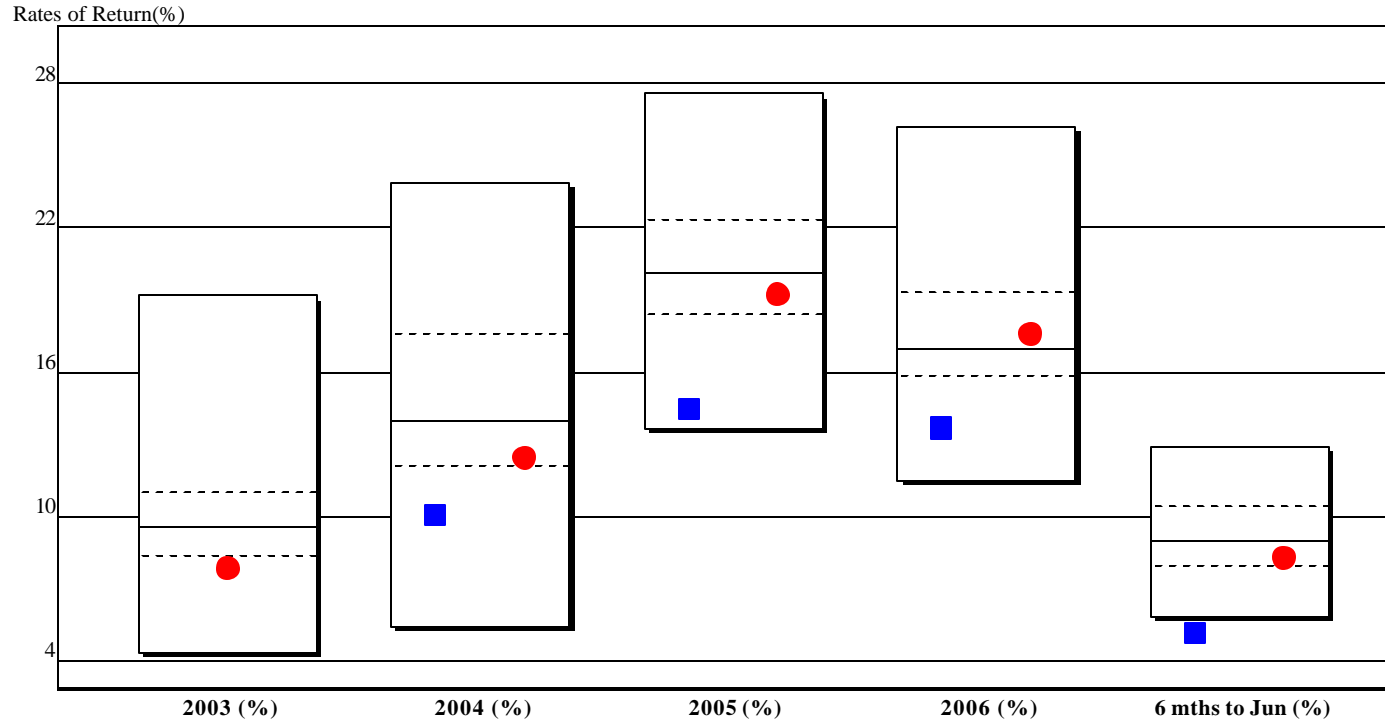
### Benchmark:

NCREIF	20	1	5%	6	30%	12	60%	1	5%	55
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- For 5 years, MIG has placed in the bottom half of the universe 75% of the time with 13 quarters in the bottom quartile.

# Kennedy Associates

## Comparison with the Mercer US Real Estate Open End Universe Performance before fees for Calendar Years and 6 months ended June 2007



	2003 (%)	2004 (%)	2005 (%)	2006 (%)	6 mths to Jun (%)
Kennedy	na	10.1 (85)	14.5 (91)	13.6 (88)	5.2 (99)
NCREIF	7.8	12.4	19.2	17.6	8.3
5th Percentile	19.1	23.8	27.6	26.2	12.8
Upper Quartile	10.9	17.6	22.3	19.2	10.4
Median	9.5	13.9	20.1	16.9	9.0
Lower Quartile	8.4	12.1	18.4	15.8	7.9
95th Percentile	4.2	5.4	13.7	11.4	5.8
Number of Funds	22	24	28	28	13

- Kennedy underperformed the NCREIF Property (1 Qtr in Arrears) Index and placed in the bottom quartile of the Mercer U.S. Real Estate Open End Universe for all periods shown.

## Returns Consistency Analysis

US Real Estate Open End Quarterly Returns - before fees

Quarterly returns from Dec 2003 to Jun 2007

Manager	Number of Obs	First Quartile		Second Quartile		Third Quartile		Fourth Quartile		Avg Percentile Ranking	> Benchmark	
		Number	%	Number	%	Number	%	Number	%		Number	%
Kennedy	15	2	13%	1	7%	3	20%	9	60%	72	4	27%

### Benchmark:

NCREIF	15	1	7%	5	33%	8	53%	1	7%	53
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- Since inception, Kennedy has placed in the bottom half of the universe 80% of the time with 9 quarters in the bottom quartile.



# Investment Policy Compliance

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**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
<b>Total Fund</b>	<b>\$ 2,738.1</b>	<b>100.0 %</b>					
<i>Rank vs. Total Funds Billion Dollar - Public</i>							
<i>Total Funds Billion Dollar - Public Med</i>			Yes	No	Yes	Yes	Yes
<i>Total Fund Benchmark</i>			Yes	Yes	Yes	Yes	Yes
<b>Total Domestic Equity Fund</b>	<b>1,065.7</b>	<b>38.9</b>					
<i>Rank vs. Mercer US Equity Combined Universe</i>							
<i>Mercer US Equity Combined Universe Med</i>			No	No	No	No	No
<i>S&amp;P 500 - Total Return Index</i>			No	Yes	No	Yes	Yes
<b>Index Equity</b>							
Rhumblin Advisers - Large Cap Index Equity	249.6	9.1					
<i>Rank vs. Mercer US Equity Combined Universe</i>							
<i>Mercer US Equity Combined Universe Med</i>			No	No	Yes	No	No
<i>S&amp;P 500 - Total Return Index</i>			No	No	No	No	No
Rhumblin Advisers - Large Cap Index Equity-Net	249.6	9.1					
<i>Rank vs. Mercer US Equity Combined Universe</i>							
<i>Mercer US Equity Combined Universe Med</i>			No	No	Yes	No	No
<i>S&amp;P 500 - Total Return Index</i>			No	No	No	No	No
<b>Growth Equity</b>							
GLOBALT, Inc. - Large Cap Growth Equity	45.3	1.7					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 1000 Growth Index</i>			No	No	No	No	No
<i>Russell 1000 Growth + 1%</i>			No	No	No	No	No
GLOBALT, Inc. - Large Cap Growth Equity-Net	45.3	1.7					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 1000 Growth Index</i>			No	No	No	No	No
<i>Russell 1000 Growth + 1%</i>			No	No	No	No	No

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
INTECH - Large Cap Growth Equity	\$ 49.3	1.8 %					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 1000 Growth Index</i>			No	No	No	Yes	Yes
<i>Russell 1000 Growth + 1%</i>			No	No	No	Yes	Yes
INTECH - Large Cap Growth Equity-Net	49.3	1.8					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 1000 Growth Index</i>			No	No	No	Yes	Yes
<i>Russell 1000 Growth + 1%</i>			No	No	No	No	No
New Amsterdam Partners - Large Cap Growth Equity	165.3	6.0					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	Yes	Yes
<i>S&amp;P 500 - Total Return Index</i>			No	No	No	Yes	Yes
<i>S&amp;P 500 + 1%</i>			No	No	No	No	No
New Amsterdam Partners - Large Cap Growth Equity-Net	165.3	6.0					
<i>Rank vs. Mercer US Equity Large Cap Growth Universe</i>							
<i>Mercer US Equity Large Cap Growth Universe Med</i>			No	No	No	Yes	Yes
<i>S&amp;P 500 - Total Return Index</i>			No	No	No	Yes	Yes
<i>S&amp;P 500 + 1%</i>			No	No	No	No	No
UBS Global Asset Management - Large Cap Value Equity	143.6	5.2					
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>							
<i>Mercer US Equity Large Cap Value Universe Med</i>			Yes	No	No	No	No
<i>Russell 3000 Index</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 3000 + 1%</i>			Yes	Yes	Yes	Yes	Yes
UBS Global Asset Management - Large Cap Value Equity-Net	143.6	5.2					
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>							
<i>Mercer US Equity Large Cap Value Universe Med</i>			Yes	No	No	No	No
<i>Russell 3000 Index</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 3000 + 1%</i>			Yes	No	Yes	Yes	Yes

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
<b>Value Equity</b>							
Boston Partners Asset Mgmt. - Large Cap Value Equity	\$ 153.3	5.6 %					
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>							
<i>Mercer US Equity Large Cap Value Universe Med</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 1000 Value Index</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 1000 Value + 1%</i>			Yes	Yes	Yes	Yes	No
Boston Partners Asset Mgmt. - Large Cap Value Equity-Net	153.3	5.6					
<i>Rank vs. Mercer US Equity Large Cap Value Universe</i>							
<i>Mercer US Equity Large Cap Value Universe Med</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 1000 Value Index</i>			Yes	Yes	Yes	Yes	Yes
<i>Russell 1000 Value + 1%</i>			Yes	Yes	Yes	No	No
Provident Investment Counsel - Small Cap Growth Equity	76.1	2.8					
<i>Rank vs. Mercer US Equity Small Cap Growth Universe</i>							
<i>Mercer US Equity Small Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 2000 Growth Index</i>			No	Yes	No	Yes	Yes
<i>Russell 2000 Growth + 2%</i>			Yes	Yes	No	No	No
Provident Investment Counsel - Small Cap Growth Equity-Net	76.1	2.8					
<i>Rank vs. Mercer US Equity Small Cap Growth Universe</i>							
<i>Mercer US Equity Small Cap Growth Universe Med</i>			No	No	No	No	No
<i>Russell 2000 Growth Index</i>			No	Yes	No	No	No
<i>Russell 2000 Growth + 2%</i>			No	Yes	No	No	No
Rhumblin Advisers	108.0	3.9					
<i>Rank vs. Mercer US Equity Small Cap Core Universe</i>							
<i>Mercer US Equity Small Cap Core Universe Med</i>			No	No	No	No	No
<i>Russell 2000 Index</i>			Yes	Yes	Yes		
Rhumblin Advisers-Net	108.0	3.9					
<i>Rank vs. Mercer US Equity Small Cap Core Universe</i>							
<i>Mercer US Equity Small Cap Core Universe Med</i>			No	No	No	No	No
<i>Russell 2000 Index</i>			Yes	Yes	Yes		

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
<b>Small Cap Value</b>							
TCW Group - Small Cap Value Equity	\$ 75.2	2.7 %					
<i>Rank vs. Mercer US Equity Small Cap Value Universe</i>							
<i>    Mercer US Equity Small Cap Value Universe Med</i>			No	No	Yes	No	No
<i>    Russell 2000 Index</i>			Yes	Yes	Yes	No	No
<i>    Russell 2000 + 2%</i>			No	Yes	Yes	No	No
TCW Group - Small Cap Value Equity-Net	75.2	2.7					
<i>Rank vs. Mercer US Equity Small Cap Value Universe</i>							
<i>    Mercer US Equity Small Cap Value Universe Med</i>			No	No	Yes	No	No
<i>    Russell 2000 Index</i>			Yes	Yes	Yes	No	No
<i>    Russell 2000 + 2%</i>			No	Yes	Yes	No	No
<b>Total Intl Equity - Established Markets</b>							
<b>TCW Group - Intl Equity</b>	<b>620.0</b>	<b>22.6</b>					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>    Mercer Intl Equity Universe Med</i>			No	Yes	Yes	No	Yes
<i>    MSCI EAFE Net Dividend Index</i>			Yes	Yes	Yes	Yes	Yes
AQR Capital Management, LLC International Equity	124.8	4.6					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>    Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes		
<i>    MSCI EAFE Net Dividend Index</i>			Yes	Yes	Yes		
<i>    MSCI EAFE NET +1.5%</i>			Yes	Yes	Yes		
AQR Capital Management, LLC International Equity-Net	124.8	4.6					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>    Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes		
<i>    MSCI EAFE Net Dividend Index</i>			Yes	Yes	Yes		
<i>    MSCI EAFE NET +1.5%</i>			Yes	Yes	Yes		

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
Brandes Investment Partners - International Equity	\$ 247.0	9.0 %					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>Mercer Intl Equity Universe Med</i>			No	No	No	No	Yes
<i>MSCI EAFE Net Dividend Index</i>			No	No	Yes	Yes	Yes
<i>MSCI EAFE NET +1.5%</i>			No	No	No	No	Yes
Brandes Investment Partners - International Equity-Net	247.0	9.0					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>Mercer Intl Equity Universe Med</i>			No	No	No	No	Yes
<i>MSCI EAFE Net Dividend Index</i>			No	No	Yes	No	Yes
<i>MSCI EAFE NET +1.5%</i>			No	No	No	No	Yes
William Blair & Company - International Equity	248.1	9.1					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes	Yes	Yes
<i>MSCI All Country World Ex United States Net Index</i>			Yes	Yes	Yes	Yes	Yes
<i>MSCI AC World x US Net + 1.5%</i>			Yes	No	Yes	Yes	No
William Blair & Company - International Equity-Net	248.1	9.1					
<i>Rank vs. Mercer Intl Equity Universe</i>							
<i>Mercer Intl Equity Universe Med</i>			Yes	Yes	Yes	Yes	Yes
<i>MSCI All Country World Ex United States Net Index</i>			Yes	Yes	Yes	Yes	Yes
<i>MSCI AC World x US Net + 1.5%</i>			No	No	Yes	No	No
<b>Total Intl Equity - Emerging Markets</b>	<b>173.8</b>	<b>6.3</b>					
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>							
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No	No

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
Alliance Capital Mgmt Emerging Markets Equity	\$ 88.0	3.2 %					
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>							
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	Yes	No	No	Yes
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No	No
Alliance Capital Mgmt Emerging Markets Equity-Net	88.0	3.2					
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>							
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No	Yes
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No	No
Boston Company Asset Mgmt. Emerging Markets Equity	85.8	3.1					
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>							
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No	No
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No	No
Boston Company Asset Mgmt. Emerging Markets Equity-Net	85.8	3.1					
<i>Rank vs. Mercer Emerging Markets Equity Universe</i>							
<i>Mercer Emerging Markets Equity Universe Med</i>			No	No	No	No	No
<i>MSCI Emerging Markets Index</i>			No	No	No	No	No
<i>MSCI Emerging Markets + 2%</i>			No	No	No	No	No
<b>Total Domestic Core Fixed Income Fund</b>	<b>539.3</b>	<b>19.7</b>					
<i>Rank vs. Mercer US Fixed Core Universe</i>							
<i>Mercer US Fixed Core Universe Med</i>			No	No	No	Yes	Yes
<i>Lehman Brothers Aggregate Bond</i>			No	No	Yes	Yes	Yes

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
Seix Investment Advisors, Inc - Fixed Income	\$ 266.4	9.7 %					
<i>Rank vs. Mercer US Fixed Core Universe</i>							
<i>Mercer US Fixed Core Universe Med</i>			Yes	No	No	No	No
<i>LB Aggregate + 0.5%</i>			No	No	No	No	Yes
Seix Investment Advisors, Inc - Fixed Income-Net	266.4	9.7					
<i>Rank vs. Mercer US Fixed Core Universe</i>							
<i>Mercer US Fixed Core Universe Med</i>			Yes	No	No	No	No
<i>LB Aggregate + 0.5%</i>			No	No	No	No	No



**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
Western Asset Management Company	\$ 272.8	10.0 %					
<i>Rank vs. Mercer US Fixed Core Universe</i>							
<i>Mercer US Fixed Core Universe Med</i>			No	No	No	Yes	
<i>Lehman Brothers Aggregate Bond</i>			No	No	No	Yes	
<i>LB Aggregate + 0.5%</i>			No	No	No	Yes	
Western Asset Management Company-Net	272.8	10.0					
<i>Rank vs. Mercer US Fixed Core Universe</i>							
<i>Mercer US Fixed Core Universe Med</i>			No	No	No	Yes	
<i>Lehman Brothers Aggregate Bond</i>			No	No	No	Yes	
<i>LB Aggregate + 0.5%</i>			No	No	No	Yes	
Income Research & Mgmt., Inc. Long Duration	101.9	3.7					
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>							
<i>Mercer US Fixed Long Duration Universe Med</i>			Yes	Yes	Yes		
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			Yes	Yes	Yes		
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			No	No	No		
Income Research & Mgmt., Inc. Long Duration-Net	101.9	3.7					
<i>Rank vs. Mercer US Fixed Long Duration Universe</i>							
<i>Mercer US Fixed Long Duration Universe Med</i>			Yes	Yes	No		
<i>Lehman Brothers U.S. Gov/Credit-Long Term</i>			No	Yes	No		
<i>Lehman Brothers U.S. Gov/Credit-Long Term +0.5%</i>			No	No	No		
Total Real Estate Fund	197.2	7.2					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No	No
<i>NCREIF Property Index - EWB Calc</i>			No	No	No	No	No

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
MIG Realty Advisors - Real Estate	\$ 48.1	1.8 %					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No	No
<i>NCREIF Property Index - EWB Calc</i>			No	No	No	No	No
<i>NCREIF PROPERTY + 1.5%</i>			No	No	No	No	No
MIG Realty Advisors - Real Estate-Net	48.1	1.8					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No	No
<i>NCREIF Property Index - EWB Calc</i>			No	No	No	No	No
<i>NCREIF PROPERTY + 1.5%</i>			No	No	No	No	No
Kennedy Associate Real Estate - Real Estate	90.7	3.3					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No	No
<i>NCREIF Property Index - EWB Calc</i>			No	No	No	No	No
<i>NCREIF PROPERTY + 1.5%</i>			No	No	No	No	No
<i>Custom Benchmark</i>			No	No	No	No	No
Kennedy Associate Real Estate - Real Estate-Net	90.7	3.3					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>Mercer US Real Estate Open End Universe Med</i>			No	No	No	No	No
<i>NCREIF Property Index - EWB Calc</i>			No	No	No	No	No
<i>NCREIF PROPERTY + 1.5%</i>			No	No	No	No	No
<i>Custom Benchmark</i>			No	No	No	No	No

**San Jose Police and Fire Retirement System**  
 Compliance Summary  
 Period Ending June 30, 2007

	Market Value	% of Total Fund	Quarter	YTD	Annualized		
					1 Year	3 Years	5 Years
MEPT	\$ 58.3	2.1 %					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>    Mercer US Real Estate Open End Universe Med</i>			Yes	Yes	Yes		
<i>    NCREIF Property Index - EWB Calc</i>			Yes	Yes	Yes		
<i>    NCREIF PROPERTY + 1.5%</i>			Yes	Yes	No		
MEPT-Net	58.3	2.1					
<i>Rank vs. Mercer US Real Estate Open End Universe</i>							
<i>    Mercer US Real Estate Open End Universe Med</i>			Yes	Yes	No		
<i>    NCREIF Property Index - EWB Calc</i>			Yes	Yes	No		
<i>    NCREIF PROPERTY + 1.5%</i>			Yes	Yes	No		
Pantheon Ventures	14.5	0.5					
<i>S&amp;P 500 + 3%</i>			No	No	No		
Pantheon Ventures-Net	14.5	0.5					
<i>S&amp;P 500 + 3%</i>			No	No	No		
Portfolio Advisors	15.0	0.5					
<i>S&amp;P 500 + 3%</i>			No	No	No		
Portfolio Advisors-Net	15.0	0.5					
<i>S&amp;P 500 + 3%</i>			No	No	No		
HarbourVest Partners, LLC	8.2	0.3					
<i>S&amp;P 500 + 3%</i>			No	No	No		
HarbourVest Partners, LLC-Net	8.2	0.3					
<i>S&amp;P 500 + 3%</i>			No	No	No		

# Appendix

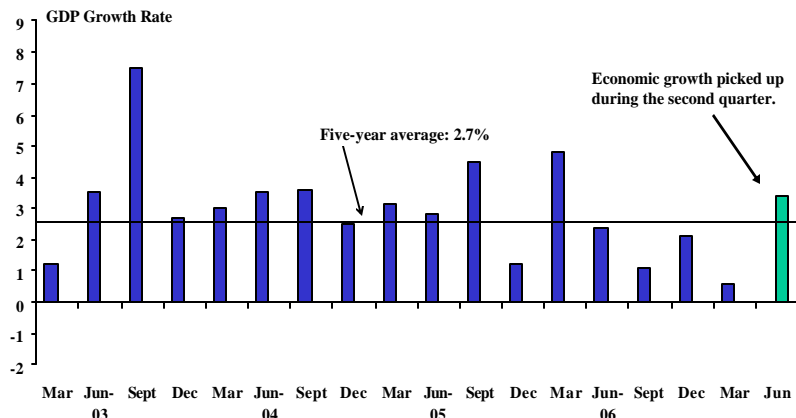
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# Economic Environment

For Periods Ending June 2007

## Economic Profile

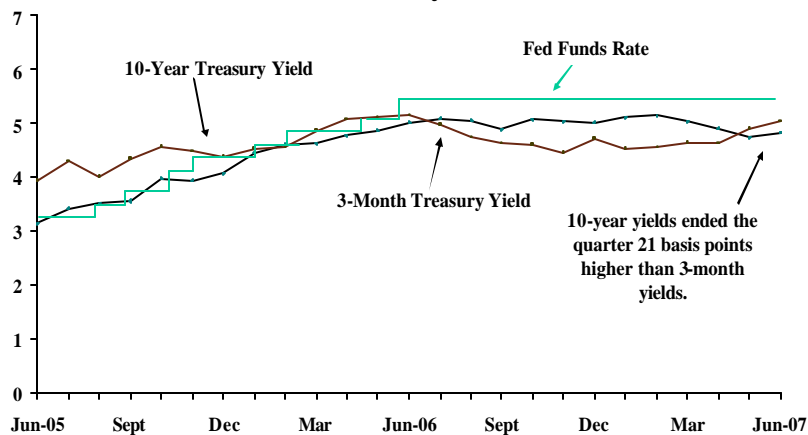
### GDP Growth Rate



- Economic growth picked up in the second quarter amid renewed strength in the manufacturing sector and continued labor market expansion. The initial government estimate of second quarter GDP growth was 3.4%.
- Employers continued to hire workers at a steady pace, adding about 400,000 new jobs during the quarter. The unemployment rate at quarter-end was 4.5%, nearly a six-year low.
- Consumer spending slowed during the quarter as higher gas prices and the flagging housing market weighed on consumers. Spending is expected to increase at an annual rate of 1.5% or less.
- The housing slump deepened as tighter lending standards and higher mortgage rates helped keep home sales low and inventory levels at record highs. Existing home sales fell at a 25% annualized rate in June, the largest quarterly decline in this housing cycle.

## Interest Rates and Inflation

### Treasury Yields



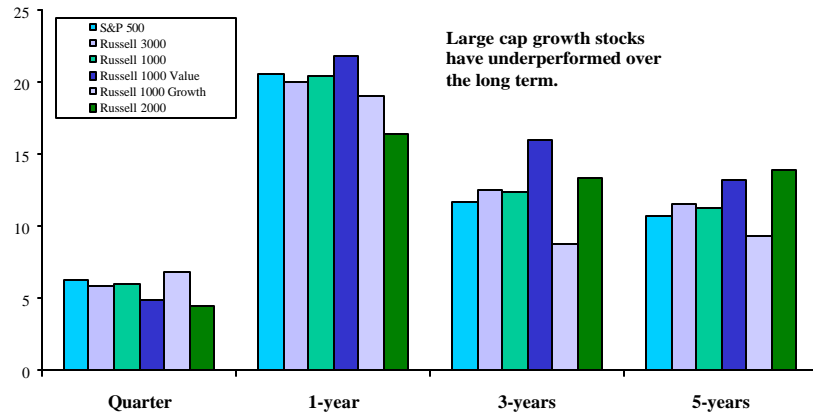
- The federal funds rate remained at 5.25%, unchanged since June 2006. Despite recent moderation, inflation remains the Fed's predominant concern.
- After reaching a 5-year high of 5.26% on June 12, the 10-year Treasury yield ended the quarter at 5.03%, up 38 basis points since March. The 2-year Treasury yield rose 29 basis points to 4.87%.
- Over the quarter, the 3-month T-bill yield decreased 22 basis points to 4.82%, while the yield on 30-year Treasuries rose 28 basis points to 5.12%.
- Consumer price increases eased slightly on a year-over-year basis as the CPI increased 2.7%. Core CPI, up 2.2% from a year ago, neared the Fed's comfort range of 1% to 2%.

# Equity Market Performance

For Periods Ending June 2007

## Domestic Equity Market Performance

### Market Index Performance



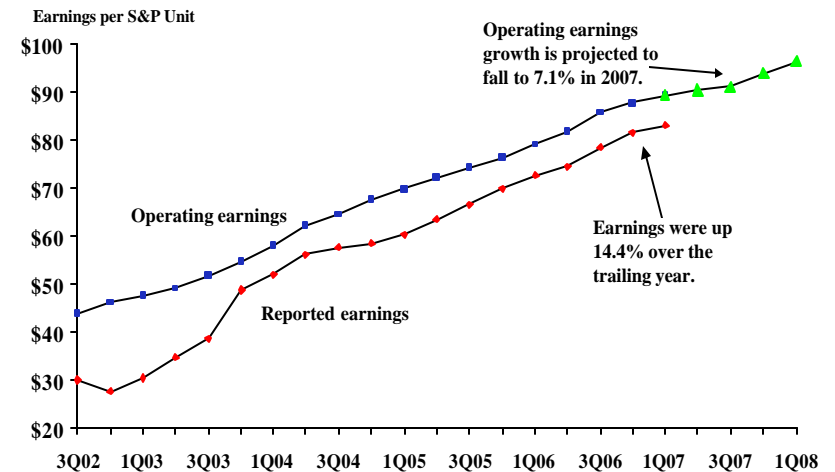
- The stock market performed well in the second quarter, with solid gains in April and May, though concerns over rising bond yields and widening credit spreads hampered performance in June. The S&P 500 Index was up 6.3% while the broader Russell 1000 Index gained 5.9%.
- Small cap stocks, as measured by the Russell 2000 Index, trailed both mid and large cap stocks, gaining 4.4%.
- Growth stocks outperformed value stocks across the capitalization range, with large cap growth issues posting the best results. Small cap value stocks were the weakest performers, returning 2.3%.
- The energy and integrated oils sectors, up 14.7% and 13.5% respectively, saw the strongest gains during the quarter. Financial services and consumer staples posted the weakest results, gaining 2.1% and 2.9% respectively.

### Russell 1000 Sector Weights and Returns

Sector	Weight	2Q07 Return	Trlg Yr Return
Technology	12.4	11.0	27.6
Health Care	11.6	4.7	17.0
Consumer Discretionary & Services	12.9	3.2	17.1
Consumer Staples	6.6	2.9	17.9
Integrated Oils	5.8	13.5	34.7
Other Energy	4.7	14.7	16.9
Materials & Processing	4.6	8.5	29.9
Producer Durables	4.9	8.4	19.4
Autos & Transportation	2.5	7.7	10.6
Financial Services	21.8	2.1	14.7
Utilities	7.8	3.6	30.9
Other	4.4	11.3	21.3

Source: Returns and security data for the Russell indices are provided by Russell/Mellon Analytical Services. Russell indices are trademarks/service marks of the Frank Russell Company. Russell® is a trademark of the Frank Russell Company.

### S&P 500 Trailing 4-Quarter Earnings per Unit



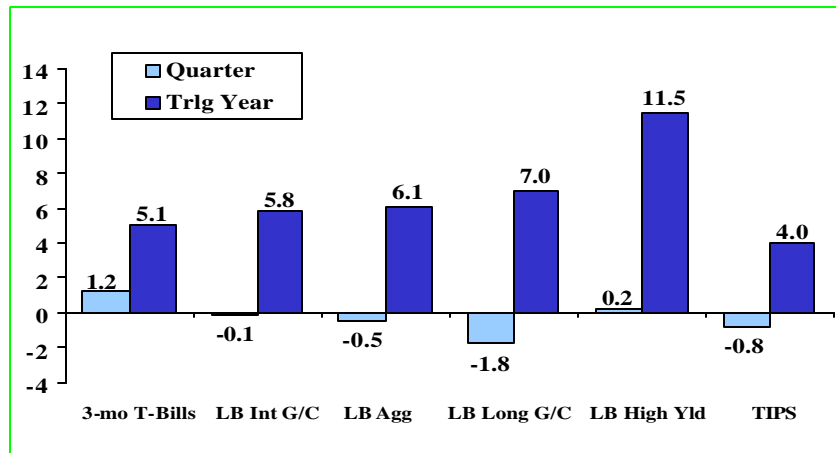
Source: Standard & Poor's

# Fixed Income Market Performance

For Periods Ending June 2007

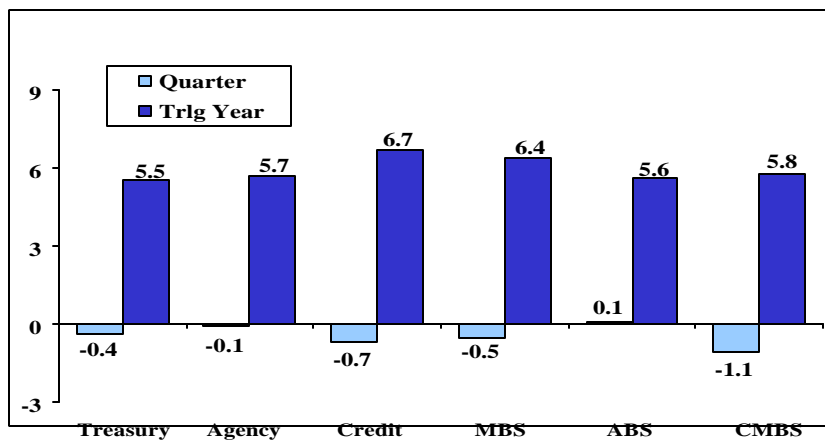
## Fixed Income Market Performance

### Performance by Maturity and Sector

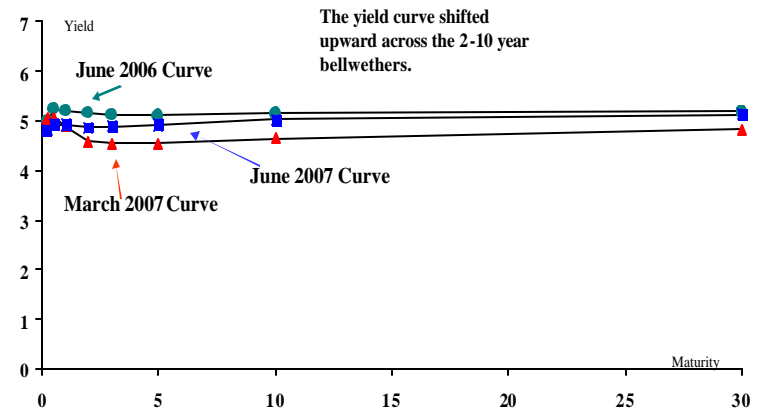


- The investment-grade bond market retreated in the second quarter amid concerns about strong economic growth and lack of Fed easing, which pushed yields higher. The Lehman Brothers Aggregate Bond Index was down 0.5% for the quarter.
- Heavy selling in May and June resulted in a loss of 0.4% for the Lehman Brothers Treasury Index. Long-term Treasuries gave up 1.9%.
- The Lehman Brothers Credit Index declined 0.7% during the quarter. In general, intermediate-term maturity issues outperformed long-term bonds. By quality, the bucket of A-rated securities posted the weakest results, followed by Baa-rated issues. The average corporate spread widened 9 basis points amid broad credit concerns prompted by subprime loan problems.
- The Lehman Brothers MBS Index lost 0.5% for the quarter. Hybrid ARMS, up 0.7%, outperformed fixed-rate mortgage-backed securities during the quarter.

### Performance by Issuer



### Treasury Yield Curves

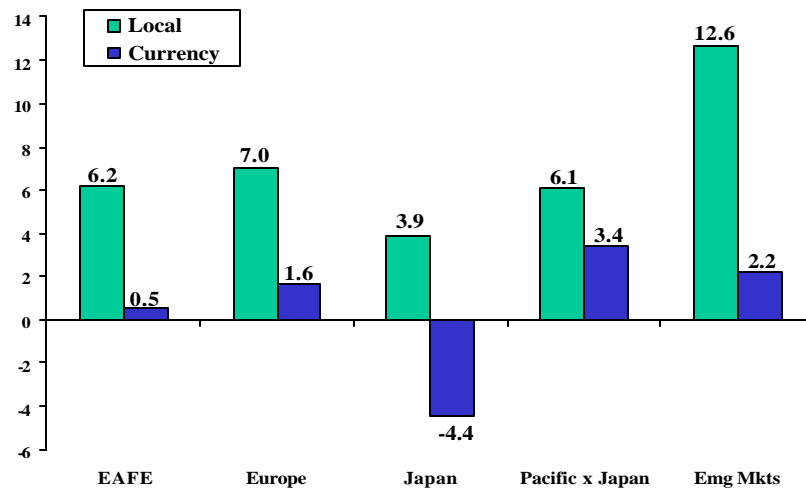


## Other Markets

For Periods Ending June 2007

### International Equity Market Performance

#### Regional Performance for the Quarter



- International equity markets posted a solid gain as the MSCI EAFE Index returned 6.7% for the quarter. In local currency terms, the Index gained 6.2%. The euro continued to appreciate versus the U.S. dollar, while the yen weakened.
- The Pacific region gained a modest 2.3% during the quarter as weak performance in Japan muted performance. The Pacific ex-Japan region returned 9.7% for the period.
- Stocks in the European region returned 8.7% as strong export growth and corporate profitability boosted returns. Among the major economies, Germany delivered the strongest results, gaining 16.7%.
- Fueled by a declining U.S. dollar, strong corporate earnings, and steadily expanding economies, the emerging markets rallied as the MSCI EM Index soared 15.0% in U.S. dollar terms. Latin America, up 19.8%, was the top-performing region, followed by Emerging Asia, which gained 18.5%.

### Other Asset Classes

#### High Yield Bonds

- A pullback in June left the Lehman Brothers High Yield Bond Index up a mere 0.2% for the quarter. The average yield spread versus Treasuries widened 20 basis points to 311 basis points.
- In general, intermediate-term issues outperformed long-term bonds. By quality, Ca-D-rated bonds were the top performers, gaining 8.2%.

#### Real Estate

- Equity REITs plunged during the quarter, losing 9.0%, their poorest showing since the third quarter of 2002.
- The latest data available for the private real estate market showed a first-quarter gain of 3.6% for the NCREIF Property Index.

#### Inflation Indexed Bonds

- Treasury Inflation-Protected Securities (TIPS) closed the quarter down 0.8%, underperforming Treasuries by 33 basis points.

#### International Bonds

- The Citigroup Non-U.S. Government Bond Index lost 1.8% in U.S. dollar terms during the quarter. On a dollar-hedged basis, the Index was down 0.9%.
- The Lehman Brothers Emerging Markets Index declined 1.1% as all regions except the Middle East lost ground. Emerging Americas posted the weakest results, losing 2.0%.



# Market Returns Summary

For Periods Ending June 2007

## Market Returns (%) for Periods Ending June 30, 2007

		Qtr	YTD	1 YR	3 YRS*	5 YRS*	10 YRS*
<b>Equity</b>	S&P 500	6.3	7.0	20.6	11.7	10.7	7.1
	Russell 1000 Value	4.9	6.2	21.9	15.9	13.3	9.9
	Russell 1000 Growth	6.9	8.1	19.0	8.7	9.3	4.4
	Russell MidCap	5.3	9.9	20.8	17.2	16.4	11.9
	Russell MidCap Value	3.7	8.7	22.1	19.3	17.2	13.1
	Russell MidCap Growth	6.7	11.0	19.7	14.5	15.4	8.7
	Russell 2000	4.4	6.4	16.4	13.4	13.9	9.1
	Russell 2000 Value	2.3	3.8	16.1	15.0	14.6	12.1
	Russell 2000 Growth	6.7	9.3	16.8	11.8	13.1	5.3
	Russell 3000	5.8	7.1	20.1	12.4	11.5	7.6
	<i>Mercer Large Cap Value Equity Peer Group median</i>	6.6	7.8	22.1	15.4	13.5	10.4
	<i>Mercer Large Cap Growth Equity Peer Group median</i>	6.7	8.3	17.8	10.2	9.9	7.3
	<i>Mercer Small Cap Value Equity Peer Group median</i>	5.3	8.7	18.6	15.9	16.4	14.0
	<i>Mercer Small Cap Growth Equity Peer Group median</i>	8.0	12.0	17.6	13.7	14.1	9.8
<b>Fixed Income</b>	Citigroup Brothers 3-Month T-Bill	1.2	2.5	5.1	3.7	2.7	3.7
	Lehman Brothers Int. Gov't/Credit	-0.1	1.4	5.8	3.4	4.1	5.7
	Lehman Brothers Gov't/Credit	-0.5	1.0	6.0	3.8	4.7	6.1
	Lehman Brothers Aggregate	-0.5	1.0	6.1	4.0	4.5	6.0
	Lehman Brothers Intermediate Government	0.0	1.5	5.4	3.2	3.5	5.4
	Lehman Brothers Long Gov't/Credit	-1.9	-0.9	7.0	5.4	6.5	7.4
	Lehman Brothers Mortgages	-0.5	1.0	6.4	4.3	4.1	5.9
	Lehman Brothers TIPS	-0.8	1.7	4.0	3.8	6.0	6.7
	Lehman Brothers High Yield	0.2	2.9	11.5	9.0	11.9	6.3
	<i>Mercer Core Fixed Income Peer Group median</i>	-0.5	1.1	6.3	4.4	5.0	6.3
<b>International</b>	MSCI EAFE	6.7	11.1	27.5	22.7	18.2	8.0
	MSCI Emerging Markets	15.0	17.7	45.5	38.7	30.7	9.4
	Citigroup Non-US Gov't Bond	-1.8	-0.8	2.2	3.3	6.9	5.0
	Citigroup Non-US Gov't Bond - Hedged	-0.9	0.0	4.0	4.4	4.1	5.9
	<i>Mercer International Equity Universe median</i>	7.3	11.4	28.4	23.5	18.7	10.0
<b>Miscellaneous</b>	NCREIF Property Index**	3.6	8.3	16.6	17.4	13.7	12.9
	FTSE NAREIT	-9.0	-5.9	12.6	21.1	18.6	13.2
	Merrill Lynch Inv. Grade Convertible	3.8	5.3	11.7	5.6	5.8	5.8
<b>Inflation</b>	CPI	1.3	2.5	2.7	3.2	3.0	2.6
<b>Index at 03/31/07</b>		<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>	
		11109.32	2,339.79	1294.9	765.14	13,155.40	
<b>Index at 06/30/07</b>		<b>Dow Jones</b>	<b>NASDAQ</b>	<b>S&amp;P 500</b>	<b>Russell 2000</b>	<b>Wilshire 5000</b>	
		13408.62	2,603.23	1503.35	833.70	15,210.70	

\* Annualized

\*\* The NCREIF Property returns are one quarter in arrears.

# Domestic Equity – Largest Positive & Negative Contributors to S&P 500

For Second Quarter 2007

## Domestic Equity - Largest Positive & Negative Contributors to S&P 500 For Periods Ending June 30, 2007

S&P 500 Quarterly Return = 6.28%

### 25 Largest Positive Contributors

Stock	Return (%)	End of Quart Weight	Cap Rank
EXXON MOBIL CORP	11.64%	3.54%	1
GENERAL ELECTRIC CO	9.05%	2.95%	2
INTEL CORP	24.83%	1.03%	16
APPLE COMPUTER INC	31.35%	0.79%	25
CHEVRON CORP	14.71%	1.36%	9
SCHLUMBERGER LTD	23.18%	0.75%	27
CONOCOPHILLIPS	15.46%	0.96%	17
IBM CORP	12.08%	1.08%	15
AT&T INC	6.21%	1.92%	3
MARATHON OIL CORP	22.28%	0.31%	73
MICROSOFT CORP	6.09%	1.86%	5
GOOGLE INC	14.24%	0.86%	22
CISCO SYSTEMS INC	9.09%	1.27%	12
MERCK & CO INC	13.61%	0.81%	23
DELL INC	23.01%	0.49%	46
HEWLETT-PACKARD CO	11.36%	0.88%	20
FANNIE MAE	20.70%	0.48%	48
TEXAS INSTRUMENTS INC	25.31%	0.40%	59
VERIZON COMMUNICATIONS	9.72%	0.90%	18
WYETH	15.13%	0.58%	37
COCA-COLA CO	9.69%	0.79%	26
EMC CORP	30.69%	0.28%	80
AMAZON.COM INC	71.93%	0.16%	153
HONEYWELL INTERNATIONAL INC	22.72%	0.33%	70
BRISTOL MYERS SQUIBB CO	14.79%	0.47%	50

### 25 Largest Negative Contributors

Stock	Return (%)	End of Quarter Weight	Cap Rank
BANK OF AMERICA CORP	-3.12%	1.63%	6
WACHOVIA CORP	-5.94%	0.73%	28
PROCTER & GAMBLE CO	-2.59%	1.44%	7
YAHOO INC	-13.29%	0.25%	94
NEWS CORP INC	-8.26%	0.37%	61
SIMON PROPERTY GROUP INC	-15.72%	0.16%	155
STARBUCKS CORP	-16.33%	0.15%	166
ABBOTT LABORATORIES INC	-3.48%	0.62%	32
US BANCORP	-4.63%	0.43%	54
NETWORK APPLIANCE INC	-20.04%	0.08%	288
SUN MICROSYSTEMS INC	-12.48%	0.14%	173
UNITEDHEALTH GROUP INC	-3.45%	0.51%	43
KIMCO REALTY CORP	-21.31%	0.06%	337
MACYS INC	-11.41%	0.14%	179
ARCHER DANIELS MIDLAND CO	-9.54%	0.16%	149
WALGREEN CO	-4.96%	0.33%	71
DUKE ENERGY CORP	-8.84%	0.17%	131
LSI CORP	-28.07%	0.04%	404
PENNEY JC CO INC	-11.68%	0.12%	208
PUBLIC STORAGE INC	-18.33%	0.07%	319
NATIONAL CITY CORP	-9.60%	0.14%	168
PROLOGIS	-11.74%	0.11%	229
COGNIZANT TECHNOLOGY SOLUTIONS	-14.93%	0.08%	289
MARRIOTT INTERNATIONAL INC	-11.53%	0.11%	236
FOREST LABORATORIES INC	-11.26%	0.11%	230

Data Source: Compustat

Report Date: July 17, 2007

## GLOSSARY OF STYLE FACTORS

**The Factors** The *Returns to\** (see below) analysis is conducted using the following investment criteria or Factors:

### VALUE CRITERIA

**Book to Price** The ratio of the company's Book Value (the sum of Shareholders' Equity plus accumulated Retained Earnings from the P & L Account) to its Share Price.

This Factor has been one of the most successful measures of the intrinsic Value of company shares.

**Dividend Yield** The annual Dividend Paid per Share divided by the Share Price.

This Factor measures the Value of company shares according to the stream of dividend income resulting from share ownership.

**Earnings Yield** Annual Earnings per Share divided by the Share Price.

This Factor measures the worth of a company's shares according to the company's ability to support each share with after tax earnings.

**Cash Flow Yield** Annual Cash Flow per Share divided by the Share Price.

This Factor is related to the earnings yield but also includes other items, specifically: depreciation, amortizations, and provisions for deferred liabilities. It is intended to capture the cash availability of the company as a multiple of the share price, and offers a Value criteria based on the stream of accessible cash earnings.

**Sales to Price** Net Sales per Share divided by the Share Price.

This Factor measures the worth of a company's shares according to the annual sales volume supporting the company business. The item is considered by many analysts to be less susceptible to manipulation than other valuation criteria; it is, however, a less comprehensive measure of a company's range of activities.

**EBITDA to Price** Earnings before Interest, Taxes, Depreciations and Amortizations, divided by the Share Price.

This Factor assesses the worth of a company's shares according to the profitability of the company's operations, abstracting from taxes, any interest expenses on debt, depreciation, depletions and amortizations. Many analysts consider that this gives a good measure of a share's worth in terms of the company's genuine trading profitability.

### GROWTH CRITERIA

**Return on Equity** Net Income before Preferred Dividends divided by the Book Value of Shareholders' Common Equity.

RoE measures the profitability of the operations of the company as a proportion of the total amount of equity in the company. Since RoE multiplied by the reinvestment rate (the proportion of earnings not paid as dividends but reinvested in the company) gives the warranted growth rate of a company, RoE is a very usual measure of a company's growth potential.

**Earnings Growth** The average annual growth rate of Earnings over a trailing three years.

Earnings Growth is, perhaps, the clearest of the Growth criteria. However, it is subject to the distortions of reporting conventions and manipulation and, particularly in some markets, only known after a considerable lag.

**Income to Sales** The operating profit margin, annual Net Sales less Total Operating Expenses, divided by annual Net Sales.

This measure attempts to assess the company's potential for profitable, sustained expansion or growth.

**Sales Growth** The average annual growth rate of Net Sales per Share over a trailing three years.

Although growth in sales per share might be only a narrow measure of a company's business growth, and may be subject to a number of distortions, it is less subject to differences in reporting conventions or manipulation than many other Balance Sheet or Profit and Loss items.

**I/B/E/S 12 M Earnings Growth** I/B/E/S consensus forecast growth of Earnings over the next 12 months.

The I/B/E/S 12 Month Forward is calculated on a pro-rata basis from the forecasts for each company's next 2 annual reporting periods.

**I/B/E/S FY1 Revisions** I/B/E/S balance of Earnings forecast revisions for the next annual reporting period.

Calculated as the difference between the upwards revisions minus the downwards revisions, expressed as a percentage of the number of estimates.

## **SIZE & RISK CRITERIA**

**Size** The top 80% of each market, by market capitalization.

Small company securities are here understood to comprise the bottom 20%, by value, of each market.

**Market Beta** The "slope coefficient", ( $\beta$ ), from the simple regression:

Security Monthly Return = ( $\alpha + \beta * \text{Market Monthly Return} + \text{Random Error}$ )

The regression is carried out over rolling 36 month periods; where sufficient information is not available,  $\beta=1$  is assumed.

## **PERFORMANCE RECORD CRITERIA**

**Short Term Momentum** Short Term Momentum is calculated using a 6 month "memory" of monthly relative returns. The past period returns are weighted using a "decay ratio" of 2/3, per month.

**Medium Term Momentum** Medium Term Momentum is simply the 12 month percentage change in prices.

The Short Term and Medium Term Momentum factors measure the degree of simple price performance trending. They are useful in recognizing the trading characteristics of specific markets and in noticing occasional changing patterns through the market cycle.

## **OTHER CRITERIA**

**Debt to Equity** Total Debt as a percentage of total Common Equity.

The Debt to Equity ratio measures leverage, or gearing, a particular feature of share price risk - the higher the ratio the more changes in a company's fortune might be reflected in changes in the payment of dividends. The influence of this criterion is, however, especially subject to a number of particular specific considerations (e.g. sector differences, interest rate sensitivity). Consequently it is considered separately from the other "risk" criteria.

**Foreign Sales / Total Sales** International Sales as a percentage of Net Sales.

Although information is occasionally rather sparse, where the data are available, and reliable, this is frequently an important investment criterion. It is undoubtedly linked to movements in the exchange rate and company size, and has different interpretations in different industrial sectors.

**\*Return to** The *Return to* series represent the cumulative market-relative total returns (including dividend income) that an investor would achieve using the following investment strategy:

- Portfolios are constructed from the top half of the market, by market capitalization, of securities exhibiting the highest scores with respect to the criteria under review.
- Portfolios are constructed using market weights to establish the portfolio proportions.
- Dealing costs are not included; however, the extended six month rebalancing interval limits the effect of transactions charges and market impact.

The plots and statistics are constructed by compounding the monthly returns for each factor and comparing the "running totals" against the compound cumulative return for the market as a whole. The items plotted are the ratios, in percentage terms, of the cumulative returns to the various strategies, to the cumulative return to the market.

**MERCER**  
Investment Consulting

Mercer Investment Consulting, Inc.  
777 South Figueroa Street, Suite 2000  
Los Angeles, CA 90017-5818  
213 346 2200