FundStrategy

4th Quarter 2007

The Northern Trust Company

Economic Summary

The probability of a recession in the U.S. has risen significantly in recent weeks. The Fed took an aggressive step on January 22 and the lowered the federal funds rate and discount rate by 75 basis points each to 3.50% and 4.00%, respectively. Additional easing of monetary policy is predicted for the months ahead. In addition to monetary policy easing, the Bush administration is hammering out a fiscal stimulus package to provide broader support to a revival of economic growth. The details of this package will be available shortly. Essentially, the economy is facing difficult straits but remedial measures have been implemented and there is more in the pipeline to prevent a severe economic slowdown from taking hold.

In the third quarter of 2007, the real GDP of the U.S. economy grew at an annual rate of 4.9% following a 3.8% increase in the second quarter. Inflation adjusted exports played a major role in providing the lift to GDP in both quarters with gains of 7.5% and 19.1%, respectively. Inventories accounted for a large part of the increase in real GDP in the third quarter. Government outlays have also shown noticeable strength in the second and third quarters of 2007. Consumer spending posted relatively more subdued gains of 1.4% and 2.8% in the second and third quarters of 2007 compared with a 3.8% average gain in the fourth quarter of 2006 and first quarter of 2007. Business capital spending has risen at an annual rate of 5.4%, on average, in the second and third quarters of 2007 compared with a decline of 4.9% in the fourth quarter of 2007 and a paltry 0.3% increase in the first quarter of 2007. However, in the fourth quarter, a significantly slower pace of growth in the neighborhood of 1.00% is likely. In the first-half of 2008, a contraction in GDP is most likely. In other words, a recession is projected for the first-half of the year, followed by tepid growth toward the end of 2008. This forecast assumes a lower federal funds rate and a passage of a fiscal stimulus package.

The impact of the housing market crisis and its ripple effects are becoming visible in the real economy. The civilian unemployment rate rose to 5.0% in December 2007 from a cycle low of 4.4% in March 2007. Historically, such sharp increases in the unemployment rate are associated with recessions. Payroll employment rose only 18,000 in December, the smallest gain since August 2003. Private sector payroll employment fell 13,000 in December, the first monthly record of private sector job losses since July 2003. Total payroll employment gains averaged 111,000 per month in 2007 vs. an 189,000 per month in 2006. On a year-to-year basis, total payroll employment slowed to a 0.9% increase in December, down from a peak growth rate of 2.14% in March 2006. Weakness in the labor market is also supported by the latest employment surveys such as Manpower Survey, Monster Employment Index, and Hudson Employment Index and jobless claims data.

The housing sector's recession continues, the bottom is probably a few months ahead. Housing starts fell 14.2% and permits declined 8.1% in December. Housing starts have now dropped 56.1% from their peak in January 2006; permit extensions have fallen 61.5% from their peak also in January 2006. Sales of existing and new single-family homes have dropped 33.7% from their peak in July 2005. On a year-to-year basis, they are down 20.5%. The weakness in sales has translated to falling prices and rising inventories of unsold homes. Prices of homes have dropped 6.1% on a year-to-year basis in October, according to the Case-Shiller 20-city index.

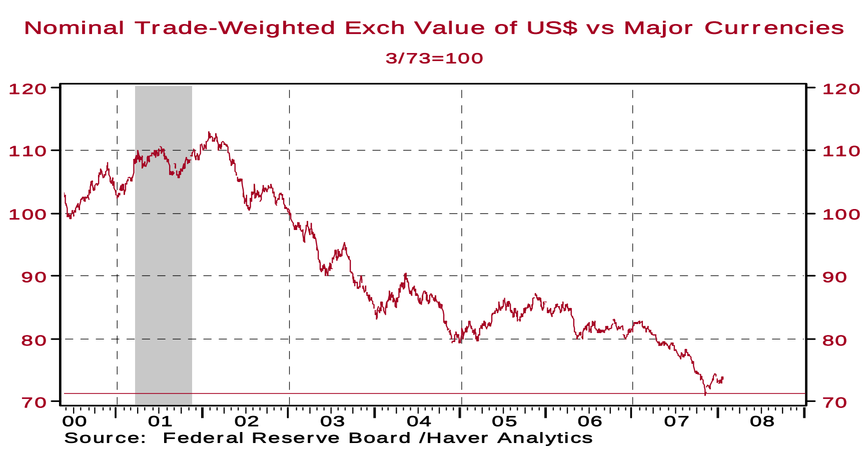
News from the factory sector suggests that factory activity has stalled. Industrial production held steady in December after a 0.3% increase in the prior month. Factory production, which is close to 85% of total industrial production, also held steady in December following a 0.5% drop in November. Production at the nation's utilities fell 0.2% after steady readings in each of the two prior months. In the fourth quarter, industrial production dropped at an annual rate of 1.0% compared with a 3.6% increase in the third quarter. Factory output declined at an annual rate of 1.9% in the fourth quarter compared with a 3.6% gain in the fourth quarter. More importantly, in December, factory production rose 1.14% from a year ago, the slowest gain since October 2003 when factory output increased 0.9% from a year ago. Industrial production appears to have peaked in September 2007. The ISM composite index for manufacturing for December dropped below 50, which marks the cutoff between expansion and contraction in the industrial sector.

Business outlays (structures and equipment spending) grew at an annual rate of 9.3% in the third quarter vs. an 11.0% increase in the second quarter. A more sizable deceleration is likely based on weakness in profits stemming partly from the financial crisis that is unfolding. Profits of corporations dropped 1.3% in the third quarter, following a 6.1% jump in the second quarter. Strength in profits from overseas operations helped to trim the decline in the third quarter. Recent financial market developments and projected weakness in economic growth cast a long shadow on profits and business outlays in the near term.

Consumer spending, the main driver of economic growth in the current expansion, has slowed in the final months of 2007. Although retail sales were strong in November, inflation adjusted retail sales were steady on a year-to-year basis in the fourth quarter, which is the slowest in sixteen years. The impact of a further correction in equity markets, housing market issues, and impaired financial markets on consumer spending ranks high on the Fed's worry list. Signs of weakness in consumer spending will play a major role in the near term course of monetary policy. A significant slowing in consumer spending is projected for 2008.

The Consumer Price Index (CPI) moved up 4.1% in 2007 vs.2.5% in 2006. Sharp increases in food and energy prices accounted for a large part of this increase. The core CPI, which excludes food and energy prices, has risen 2.4% in 2007, a small deceleration from a 2.6% increase in 2006. The Fed has maintained a tough stance about inflation because of rising energy prices, a weak dollar, and their pass-through effects of the core CPI. In the Fed's opinion, any rapid increase in inflation expectations would erode its credibility and complicate the task of sustaining price stability and reduce the central bank's policy flexibility to counter shortfalls in growth in the future. Inflation expectations have been largely contained against the backdrop of the sharp gains in overall inflation. There is small change in the Fed's latest view about inflation. On January 22, the Fed's policy indicated that it expects a moderation in inflation in the months ahead but will continue to monitor inflation developments closely.

As mentioned earlier, exports have made substantial positive contributions to real GDP growth in the first three quarters of 2007. Continued growth in exports, probably with slight moderation is expected in the quarters ahead. However, the latest equity market correction in global markets has brought to question the optimism embedded in this outlook. We remain cautious about how much growth in exports could possibly contribute to momentum in the U.S.economy. It is also premature to attach hard estimates of the impact of the latest global financial turbulence on the U.S economy. The current account deficit of the U.S. economy in the third quarter was 5.1% of GDP, down from a historical high 6.6% of GDP in the third quarter of 2006. The impact of this improvement is reflected in the fact that the trade weighted value of the dollar has gained 3.2% from its low of 71.3 in early-November 2007. The trend on a year-to-year basis is less promising as the trade weighted value of the dollar at 73.6 has now fallen 10.8% on a year-to-year basis and declined nearly 35% from its peak in early-2002.



U.S. Equity Summary

Volatility was the theme for the fourth quarter of 2007. The markets, represented by the Russell 3000, posted solid gains in October, but then fell off sharply in November. The markets were down again in December with large positive and negative swings from day to day. Overall, the Russell 3000 was down 3.3% for the quarter. This was the first negative quarter for the index since the second quarter of 2006.

Some common themes throughout 2007 continued to end the year. Geopolitical concerns in the Middle East continued to worry investors as well as rising oil prices which reached $100 a barrel. There were continued concerns over the housing market where the pace of foreclosures accelerated, and many are still worried about who is exposed to sub-prime debt and how much it is. In addition, investors started to be concerned over whether the U.S. was headed towards a recession which added to the anxiety. The Fed did step in and lower rates which caused unsustained rallies in November and December.

When faced with economic challenges, investors often seek the high ground in large cap growth stocks, and this proved to be the case in the fourth quarter of 2007. While the Russell 3000 was down 3.3% for the quarter, the Russell 1000 growth was down only 74 basis points. On the flip side, investors tend to shy away from the riskier small cap value stocks when faced with economic challenges.

Small cap value stocks, as seen in the Russell 2000 value, showed the largest decline for the quarter down 7.3%. For the year, the Russell 1000 growth was up 11.8% while the Russell 2000 value was down 9.8%.

This flight to growth can also be seen in the sector returns for the quarter. Financials and Telecom consist of more value oriented stocks and each was down 13.2% and 6.1% respectively in the Russell 3000. The Energy sector was the best performing sector at positive 4.6% with oil prices reaching record highs.

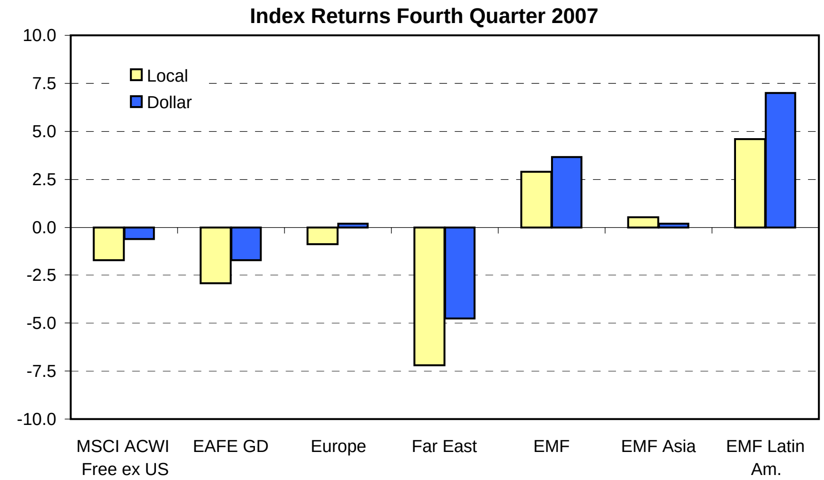
The trend to large cap growth can also be seen in the Northern Trust equity style universes. For the quarter, the large cap growth universe was up 0.4% while the small cap value was down 6.2%. The mid cap growth universe was in between the two at -1.8%.

Periods Ending December 31, 2007	Quarter	YTD	1 Year	2 Years	3 Years	5 Years
S&P 500	-3.3%	5.5%	5.5%	10.5%	8.6%	12.8%
Russell 3000	-3.3%	5.1%	5.1%	10.3%	8.9%	13.6%
Russell 1000	-3.2%	5.8%	5.8%	10.5%	9.1%	13.4%
Russell 1000 Growth	-0.8%	11.8%	11.8%	10.4%	8.7%	12.1%
Russell 1000 Value	-5.8%	-0.2%	-0.2%	10.5%	9.3%	14.6%
Russell 2000	-4.6%	-1.6%	-1.6%	7.9%	6.8%	16.2%
Russell 2000 Growth	-2.1%	7.0%	7.0%	10.2%	8.1%	16.5%
Russell 2000 Value	-7.3%	-9.8%	-9.8%	5.5%	5.3%	15.8%
NT Equity Style Medians						
Large Cap Core	-2.6%	7.5%	7.5%	11.3%	9.7%	13.1%
Large Growth	0.4%	15.0%	15.0%	11.2%	10.6%	13.3%
Large Value	-4.7%	0.9%	0.9%	10.1%	9.8%	15.9%
Mid Growth	-1.8%	13.3%	13.3%	11.3%	12.0%	18.6%
Mid Value	-6.4%	1.2%	1.2%	7.0%	8.9%	18.0%
Small Growth	-5.3%	3.2%	3.2%	8.8%	8.8%	17.3%
Small Value	-6.2%	-3.1%	-3.1%	7.4%	7.8%	17.4%

International Overview

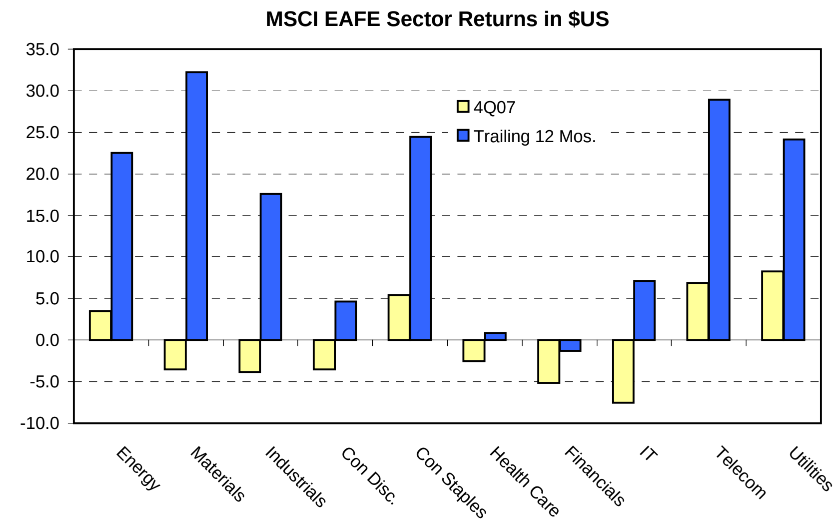
Overview

The fourth quarter of 2007 proved to be difficult for markets across the world. The world-wide exposure to the sub-prime housing slide continued to weigh down international markets, excluding the emerging markets which are insulated from the pressures on the world's developed markets for the time being. That exposure coupled with the increasing level of turmoil in the credit markets and the abrupt economic pull-back in Japan dragged the MSCI EAFE Index down 2.9% for the quarter in local terms. Even with the currency pick-up from the weakened U.S. dollar, the index was still unable to crawl out of negative territory returning -1.7% for the quarter (USD terms). Utilities and Telecom were the preferred sectors for the quarter, returning 8.3% and 6.9%, respectively. Information Technology and the hard hit Financials sectors were the largest detractors for the quarter producing returns of -7.5% and -5.1%. The more cyclical sectors followed



International Currency Markets

During the fourth quarter, the dollar continued to depreciate against most of the major currencies (CAD, EUR, & JPY). The deterioration of interest differentials, which was worsened by the U.S. Fed's 4th quarter interest rate cuts was the primary cause for the depreciation. The USD was able to make up ground against the GBP and AUD. The GBP was weakened by the BOE's quarter-percent cut in December and the market's expectation of more cuts in the near-term. In Australia, the currency, AUD, was hit by the widespread unwinding of carry-trade positions.

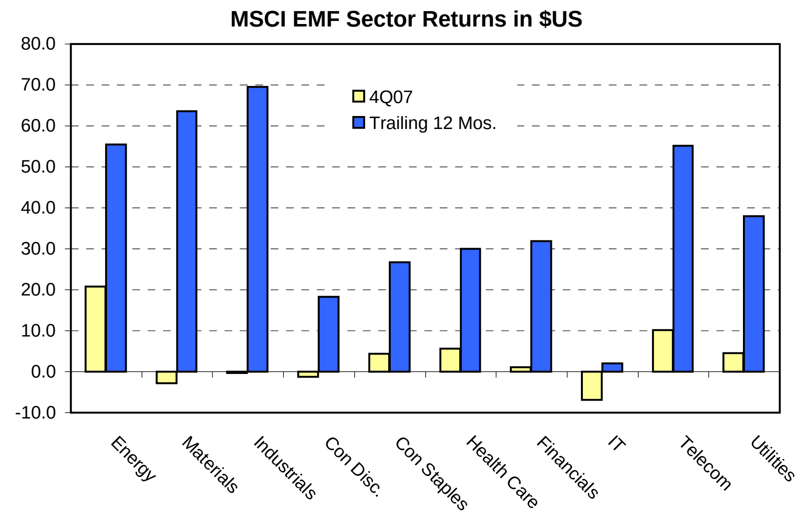


International Equity Markets

The International Equity Markets continued to struggle during the volatile fourth quarter of 2007. The MSCI ACWI Index produced a negative 1.7 % return for the quarter which resulted in a positive 17.1% return for the one-year period (in local terms). The major developed market returns weighted heavily on the index. Japan's -8.77% return was a large detractor on the index's performance, given the country's relatively high allocation, 14.8% of the index. Germany was able to produce a positive return of 2.2% for quarter based on their Materials and Industrials sectors. Spain also added to the index, 5.4% return for the quarter, due to their outperformance in the Financials and Telecom sectors.

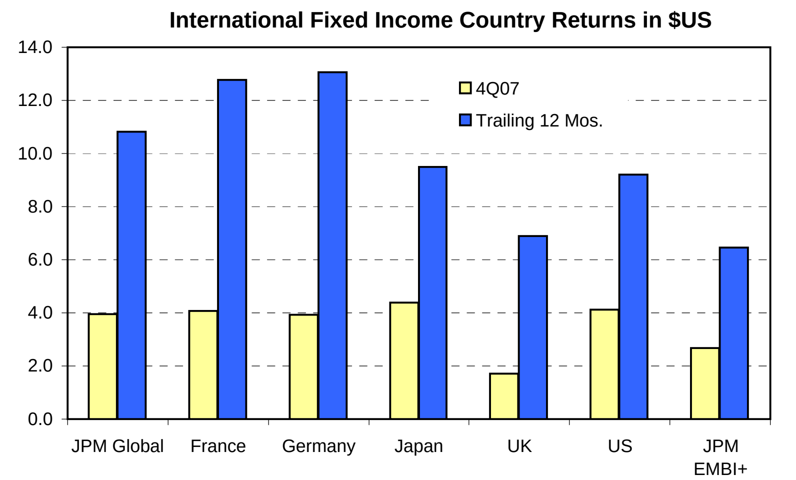
International Overview (Continued)

International Equity Markets (continued)
The bright spot for the quarter, as it has been throughout the year, was Emerging Markets which ended the quarter with a return of 2.9% (in local terms). India was the high flyer in the Emerging Markets, returning 22.0% for the quarter. The quarterly performance was positive across all sectors except the Information Technology sector (-2.2%). The story was close to the same for the Russian returns, 17.1% for the quarter and positive returns across all it's sectors. Brazil also helped to lift the index based on its Energy sector return of 51.5%, which was a direct result of the rising oil prices. China gave back some of its positive performance from earlier quarters with a negative 3.3% return for the quarter. In a reversal of the story coming from Germany, China was hurt by the Materials and Industrials sectors which produced returns of -19.2% and -5.0%, respectively.



International Fixed Income Markets
The J.P. Morgan Global Bond Index increased by 3.96% in the fourth quarter. The continued U.S. subprime credit concerns along with their concern regarding the economic slowdown drove the U.S. Fed to cut interest rates by another 50bps. during the quarter, pushing yields downward and treasury prices up. The Bank of England cut their key lending rate by 25bps. in December in an effort to spur economic growth. The European Central Bank decide not to make a change to their lending rates in the fourth quarter. Bank of Japan's first unanimous decision since June was to leave their lending rates unchanged due to the fact that pace of growth "seems to be slowing" because of a slump in housing. This wa done a day after the government slashed its growth forecast.

The J.P. Morgan Emerging Market Bond Plus Index also increased, returning 2.7% for the quarter and 6.5% for the year. All of the countries in the index posted positive returns for the quarter. Brazil, which is the largest contributor to the index at >20%, returned 1.7% in dollar terms. While Russia, the index's second largest contributor (16.5%), returned 3.8% for the quarter (USD terms).

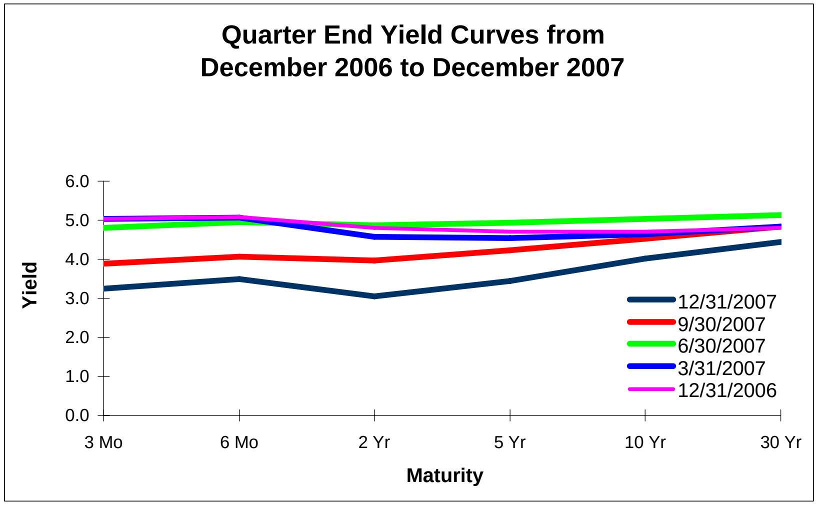


U.S. Fixed Income Overview

During the fourth quarter, the fixed income market continued to experience significant volatility as the pace of the subprime credit crisis intensified. The valuation of complex derivatives came into focus as the major investment banks were forced to write-off billions of subprime and credit related losses. The ensuing flight to quality caused yields to decrease sharply, particularly on the front end of the curve. For the quarter, the three month bill declined by 56bps, while two and five year Treasuries declined by 94 bps and 80 bps respectively. The flight to quality theme was consistent throughout the year, leading Treasuries to outperform all spread sectors within the Lehman Aggregate Index for 2007.

Spreads in the ABS sector widened considerably during the last three months of the year, as subprime related securities continued to decline amidst a backdrop of major downgrades by the rating agencies. The declining fundamentals of the housing market also contributed to the underperformance. Asset backed securities were the worst performing investment grade sector in the Lehman Aggregate Index for the year, providing an excess return of -5.3% versus duration matched Treasuries. ABS issuance declined dramatically relative to the previous year, particularly among home equity loans, as underwriting standards became more restrictive and many subprime mortgage originators became insolvent.

Within the investment grade corporate market, the quality theme was similar as lower quality issuers underperformed higher rated issuers, a reversal of the market performance during 2006. The dispersion of returns for the quality tiers was sharp as AAA rated issuers underperformed duration adjusted Treasuries by 1.3%, while BBB rated issuers underperformed by 5.2%. The high yield sector posted a return of -1.3% for the fourth quarter, as investors focused on increased default rates and volatility in the equity markets. Although the high yield sector was able to provide a positive return of 1.9% for the year, it was a sharp decline from the 11.9% return posted during 2006. High yield issuance during the second half of 2007 was only $43.4 billion, a 64% decline from the first six months of the year.



In summary, during 2007, the fixed income markets experienced a sharp re-pricing of risk and a liquidity crisis resulting from the lack of transparency in complex derivatives such as collateralized debt obligations (CDO's). Global central banks coordinated a major effort to restore liquidity as economic and financial stability was threatened. The billions of dollars in losses incurred and the resulting dislocation in the financial markets will hopefully lead investors to scrutinize financial innovations and risk/reward profiles in much greater detail going forward.

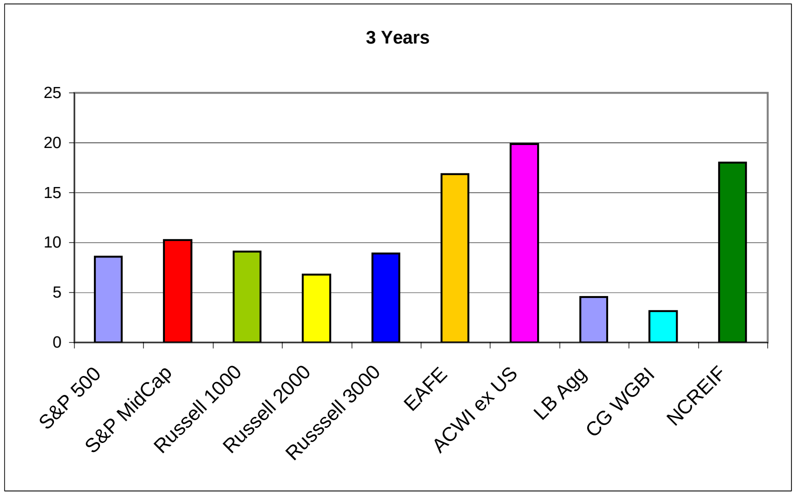
Period Ending December 31, 2007	**QTR**	**1 YR**	**2 YR**	**3 YR**	**5 YR**
Northern Trust U.S. Fixed Income Manager (Median)	**1.96**	**5.85**	**5.54**	**4.62**	**4.7**
Lehman US Universal Index	2.66	6.50	5.74	4.72	4.99
Lehman US Aggregate Index	3.00	6.97	5.64	4.56	4.42
Lehman Government/Credit	3.10	7.22	5.44	4.60	4.44
Lehman Government Bond Index	3.73	8.66	6.04	4.90	4.10
Lehman Government Intermediate Index	3.36	8.47	6.13	4.63	3.69
Lehman Treasury 20+ Years	6.40	10.15	5.44	6.47	6.02
Lehman US TIPS Index	4.97	11.63	5.87	4.85	6.27
Lehman Mortgaged Backed Bond Index	3.06	6.90	6.06	4.90	4.49
Lehman Asset Backed Index	-0.76	2.21	3.45	2.99	3.20
Lehman Credit Bond Index	2.19	5.11	4.68	3.77	4.84
Lehman High Yield Corporate Index	-1.30	1.87	6.74	5.39	10.90
90 Day T-Bill	0.91	4.68	4.82	4.30	3.06

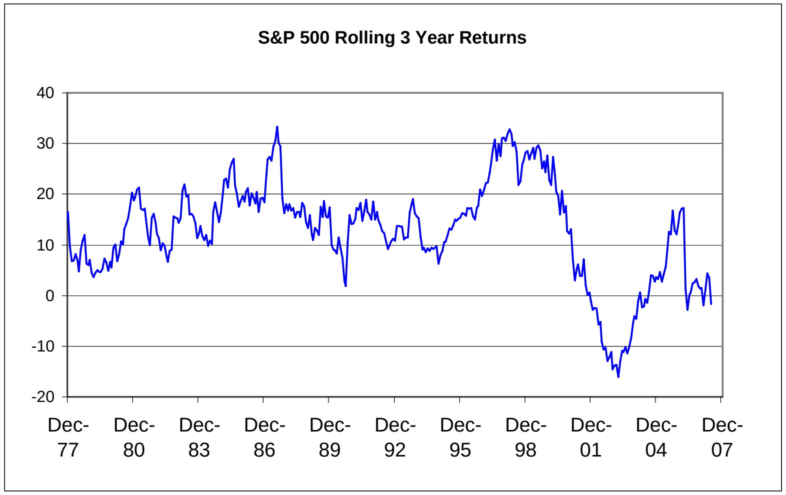
Statistical Source: Lehman Brothers Global Family of Indices December 31, 2007.

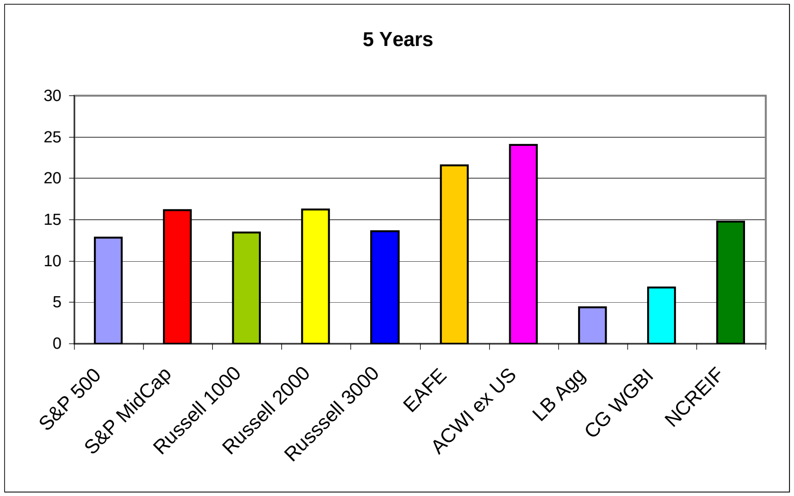
San Jose Federated City Employees Retirement System

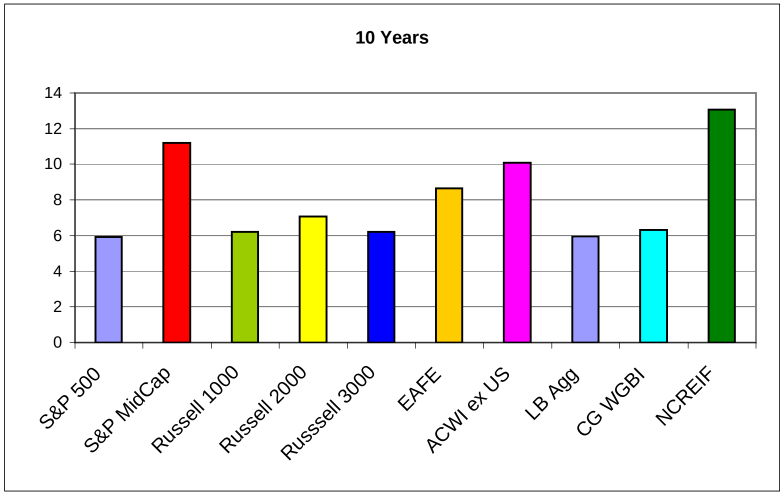
Major Benchmark Returns

Period Ending December 31, 2007





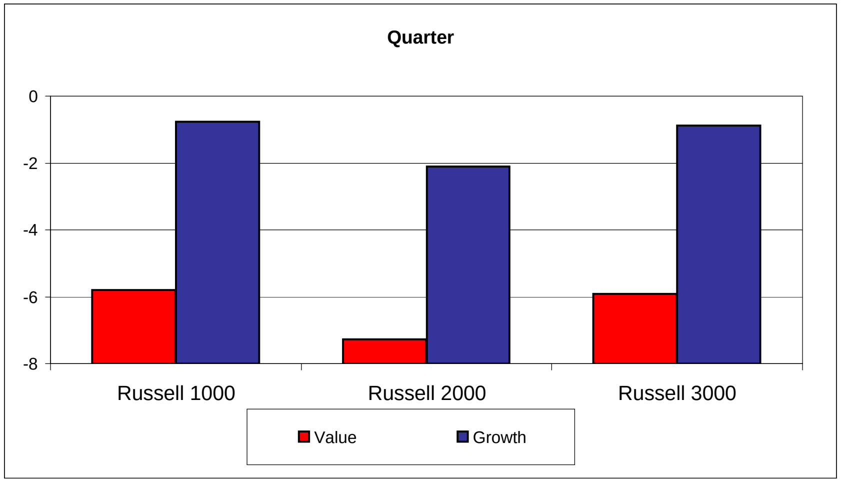


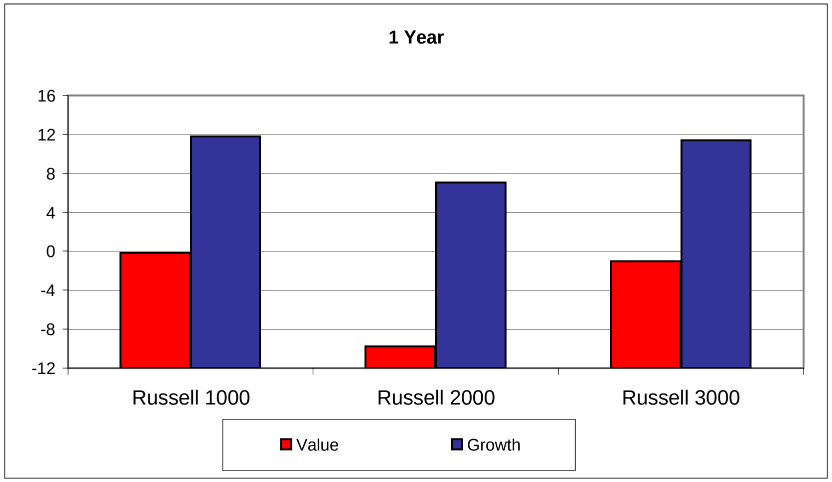


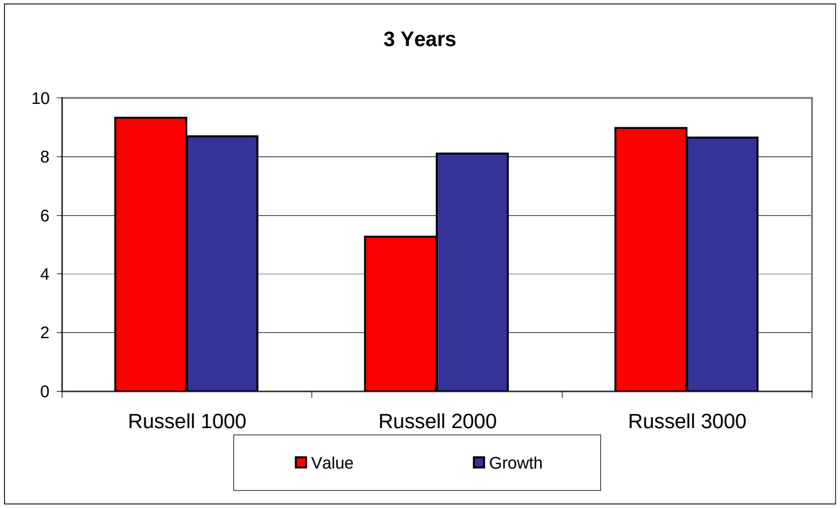
San Jose Federated City Employees Retirement System

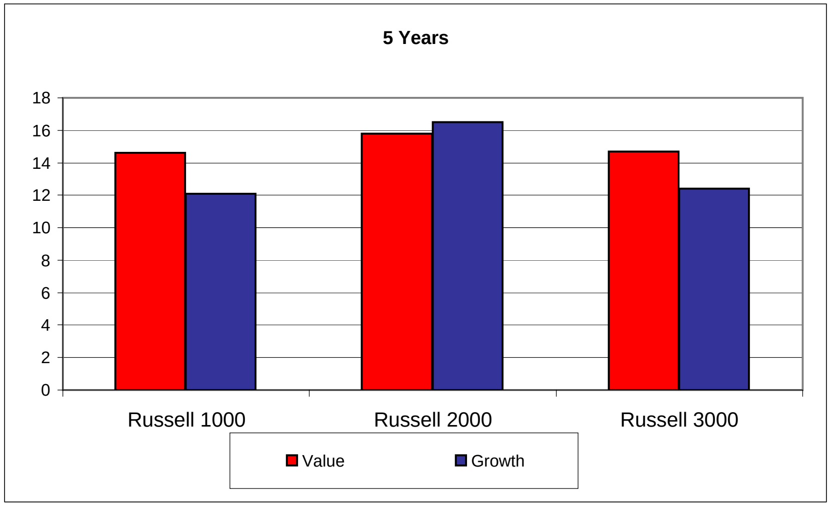
Equity Styles

Period Ending December 31, 2007

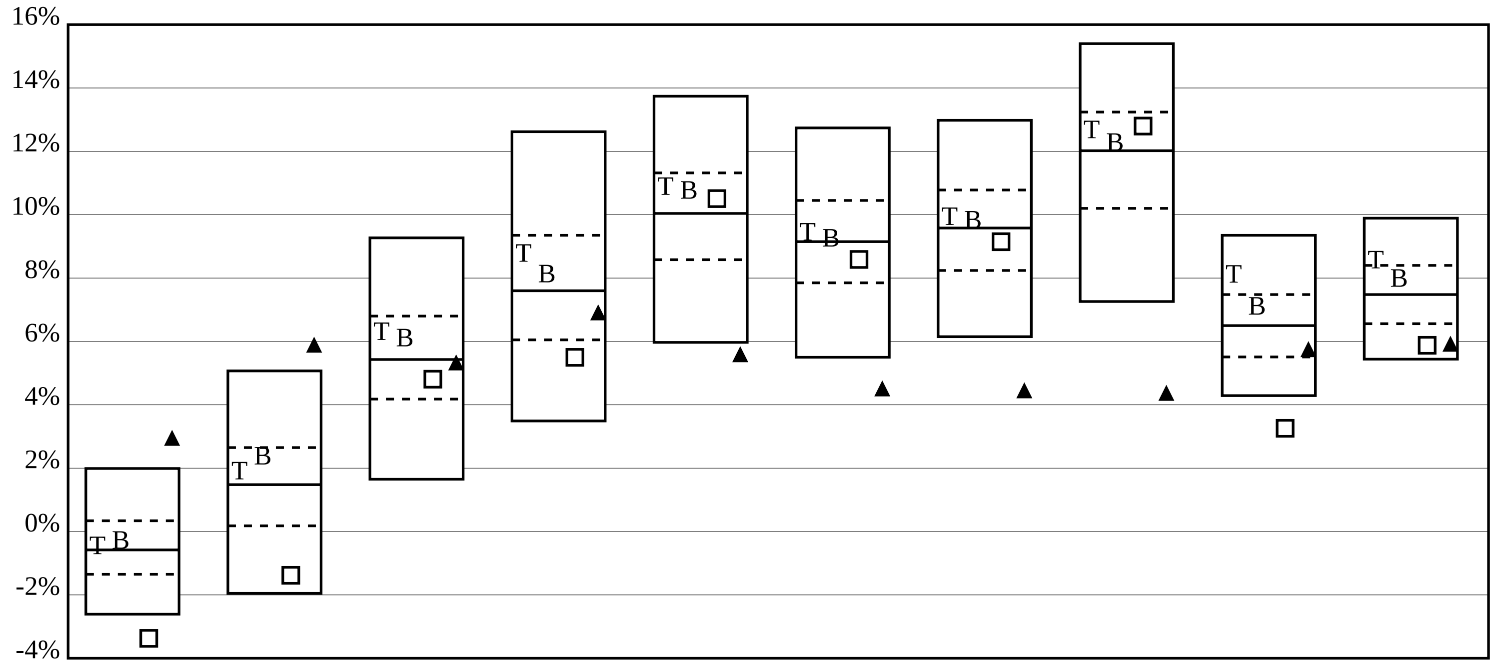








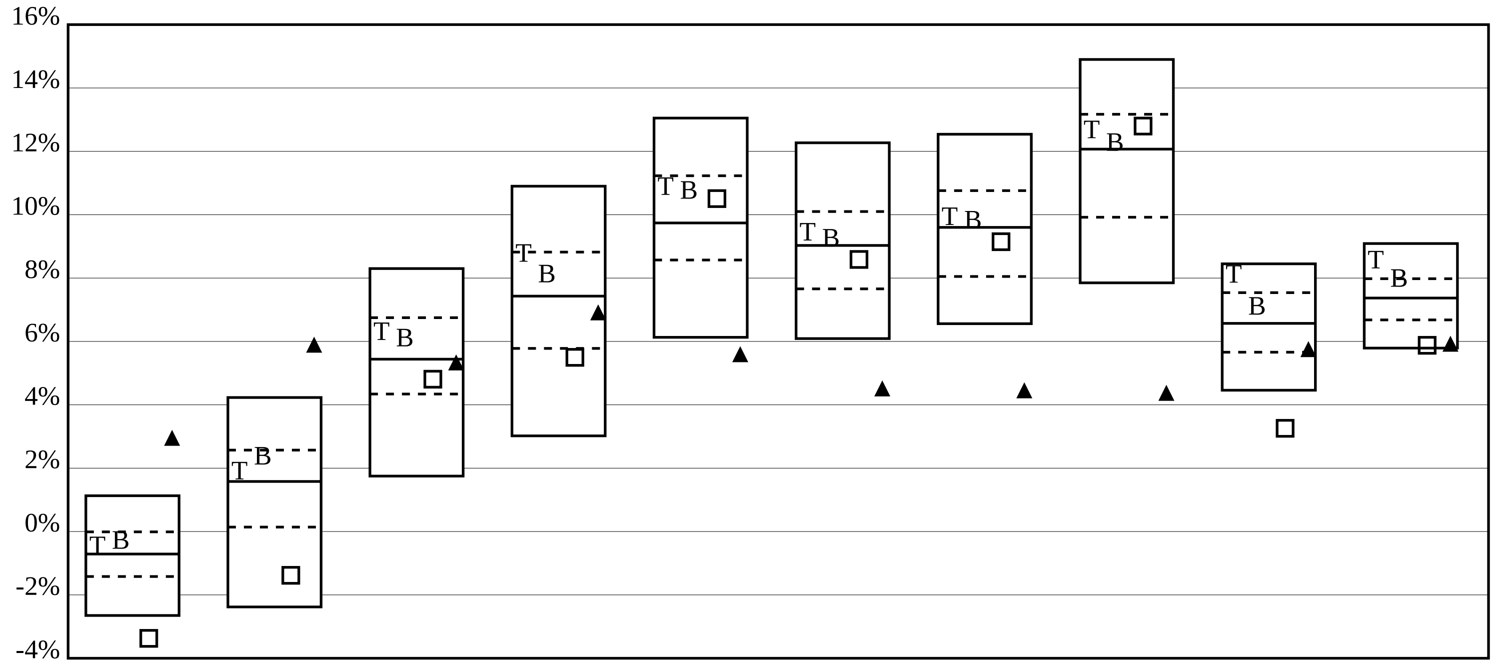
San Jose Fed. City Employees Ret. Syst.
Total Returns of All Master Trusts
Rates of Return for Periods Ending December 31, 2007



	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	1.99	5.07	9.27	12.62	13.74	12.74	12.98	15.40	9.35	9.89
25th Percentile	0.34	2.65	6.80	9.35	11.32	10.45	10.78	13.24	7.48	8.40
Median	-0.58	1.48	5.43	7.60	10.04	9.15	9.58	12.02	6.50	7.48
75th Percentile	-1.35	0.18	4.18	6.05	8.58	7.85	8.24	10.20	5.51	6.56
95th Percentile	-2.61	-1.95	1.65	3.49	5.97	5.50	6.15	7.26	4.29	5.44
T Total Fund	-0.42 (44)	1.94 (38)	6.34 (32)	8.81 (31)	10.92 (34)	9.48 (44)	9.97 (42)	12.71 (36)	8.15 (13)	8.60 (21)
B Custom Blended Benchmark	-0.25 (38)	2.41 (29)	6.14 (36)	8.16 (40)	10.80 (36)	9.29 (47)	9.86 (44)	12.31 (44)	7.14 (32)	8.02 (30)
□ S&P 500	-3.33 (98)	-1.34 (91)	4.85 (63)	5.54 (81)	10.55 (39)	8.63 (61)	9.19 (59)	12.84 (33)	3.30 (98)	5.92 (88)
▲ Lehman Aggregate	3.00 (1)	5.94 (2)	5.38 (51)	6.96 (60)	5.64 (97)	4.56 (97)	4.50 (98)	4.42 (98)	5.80 (67)	5.97 (87)

Returns for periods greater than one year are annualized.

San Jose Fed. City Employees Ret. Syst.
Total Returns of Public Funds
Rates of Return for Periods Ending December 31, 2007

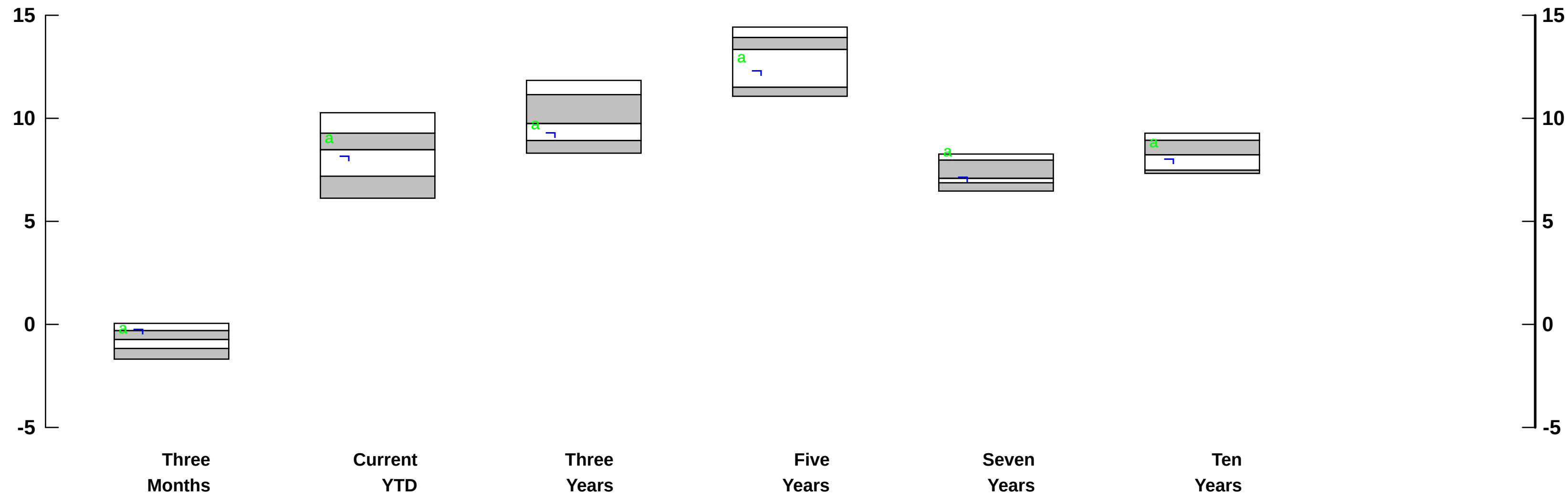


	1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
5th Percentile	1.13	4.23	8.30	10.90	13.05	12.27	12.54	14.90	8.45	9.09
25th Percentile	-0.01	2.57	6.75	8.82	11.23	10.10	10.76	13.17	7.54	7.98
Median	-0.71	1.58	5.44	7.43	9.74	9.03	9.60	12.07	6.57	7.37
75th Percentile	-1.42	0.14	4.34	5.78	8.57	7.66	8.05	9.92	5.66	6.68
95th Percentile	-2.65	-2.38	1.75	3.02	6.13	6.09	6.56	7.85	4.46	5.79

		1 Quarter	2 Quarters	3 Quarters	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
T	Total Fund	-0.42 (37)	1.94 (37)	6.34 (31)	8.81 (26)	10.92 (33)	9.48 (41)	9.97 (41)	12.71 (33)	8.15 (10)	8.60 (14)
B	Custom Blended Benchmark	-0.25 (29)	2.41 (26)	6.14 (39)	8.16 (33)	10.80 (35)	9.29 (43)	9.86 (45)	12.31 (44)	7.14 (34)	8.02 (22)
□	S&P 500	-3.33 (98)	-1.34 (89)	4.85 (64)	5.54 (79)	10.55 (39)	8.63 (55)	9.19 (57)	12.84 (30)	3.30 (99)	5.92 (93)
▲	Lehman Aggregate	3.00 (1)	5.94 (2)	5.38 (52)	6.96 (55)	5.64 (97)	4.56 (98)	4.50 (99)	4.42 (98)	5.80 (70)	5.97 (91)

Returns for periods greater than one year are annualized.

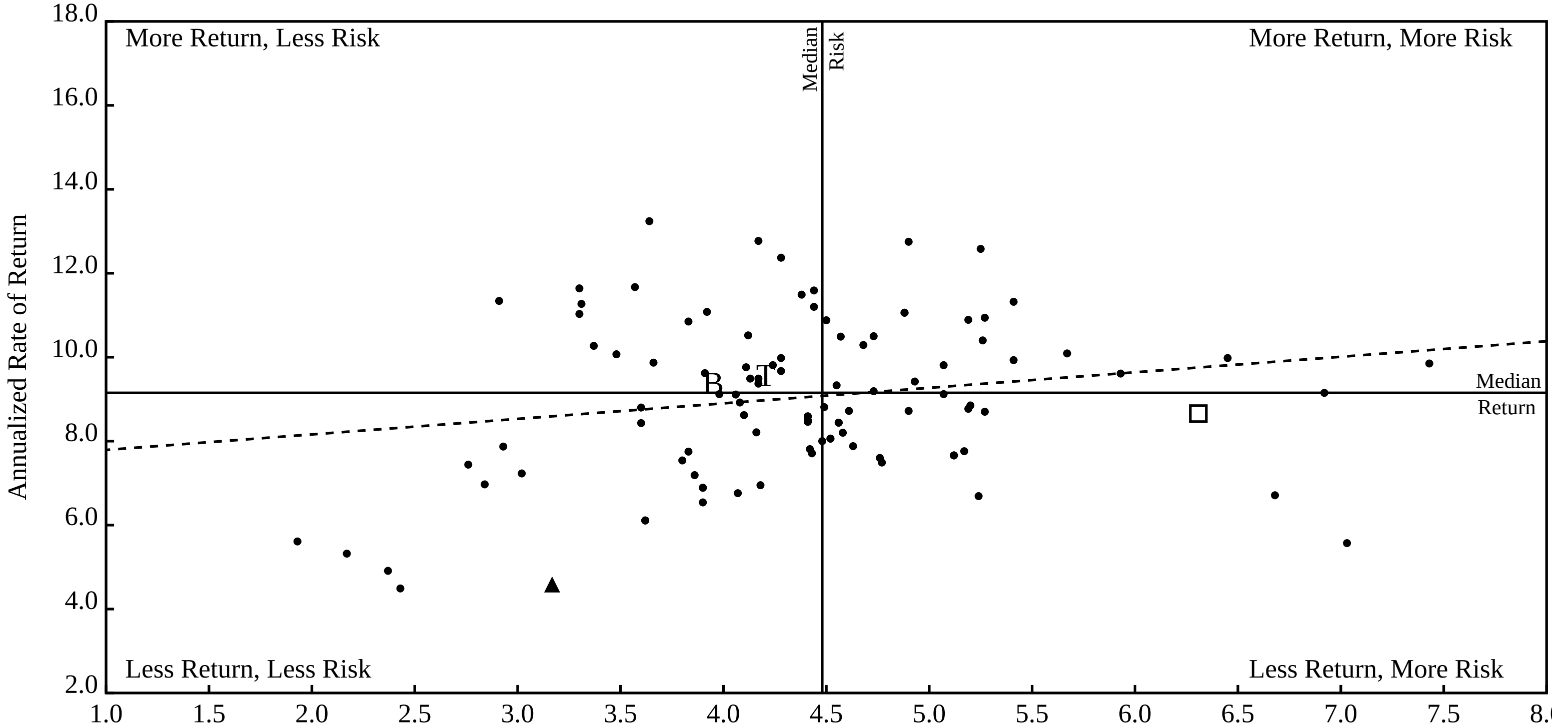
Populations Ranking - Public Funds Universe



	Three Months	Current YTD	Three Years	Five Years	Seven Years	Ten Years
10th Percentile	0.05	10.27	11.84	14.43	8.27	9.27
1st Quartile	-0.30	9.28	11.15	13.92	7.97	8.93
Median	-0.74	8.47	9.75	13.34	7.09	8.23
3rd Quartile	-1.17	7.19	8.92	11.51	6.87	7.48
90th Percentile	-1.68	6.12	8.31	11.07	6.47	7.33
a FCERS San Jose	-0.42	8.81	9.48	12.71	8.15	8.60
Percentile Rank	**30th**	**39th**	**65th**	**57th**	**23rd**	**34th**
¬ FCERS Custom Blended	-0.25	8.16	9.30	12.31	7.14	8.02

This report is produced Gross of Fees

San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of All Master Trusts
3 Years Ending December 31, 2007

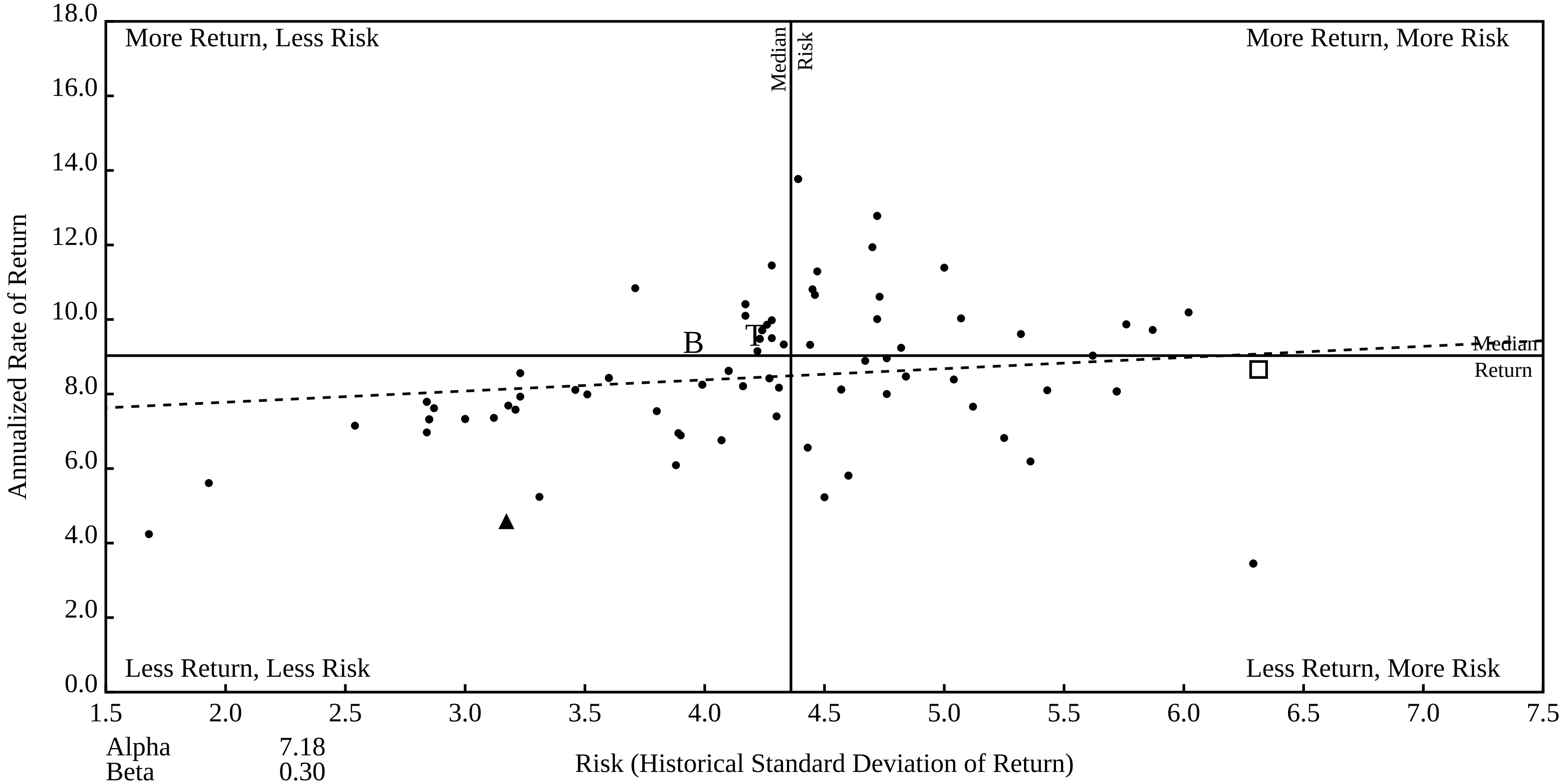


Alpha	7.42
Beta	0.37
R-Squared	0.04

Risk (Historical Standard Deviation of Return)

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	4.23	63	9.48	44
B	Custom Blended Benchmark	3.97	73	9.29	47
□	S&P 500	6.34	4	8.63	61
▲	Lehman Aggregate	3.20	90	4.56	97
	Median	4.48		9.15	

San Jose Fed. City Employees Ret. Syst.
Risk vs Total Return of Public Funds
3 Years Ending December 31, 2007

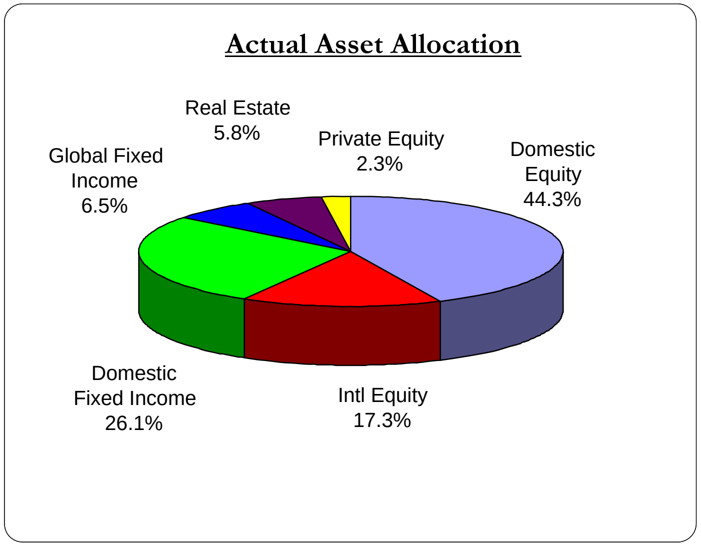


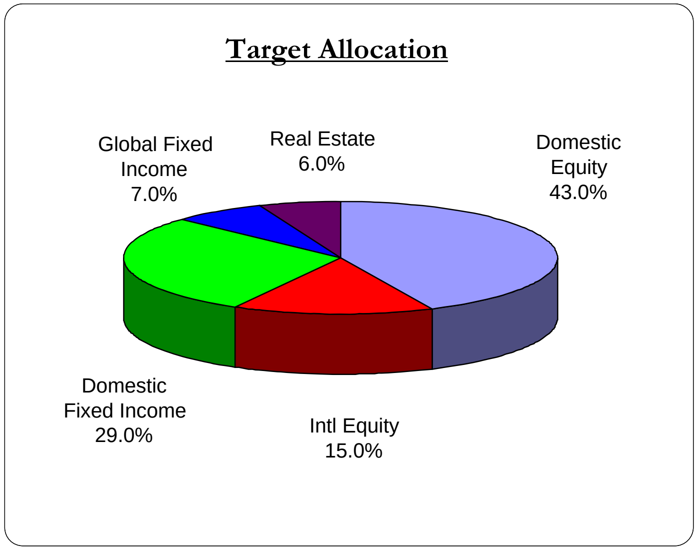
Alpha	7.18
Beta	0.30
R-Squared	0.02

		Risk Value	Risk Rank	Return Value	Return Rank
T	Total Fund	4.23	63	9.48	41
B	Custom Blended Benchmark	3.97	74	9.29	43
□	S&P 500	6.34	1	8.63	55
▲	Lehman Aggregate	3.20	91	4.56	98
	Median	4.36		9.03	

San Jose Federated City Employees Retirement System

Allocation by Asset Category

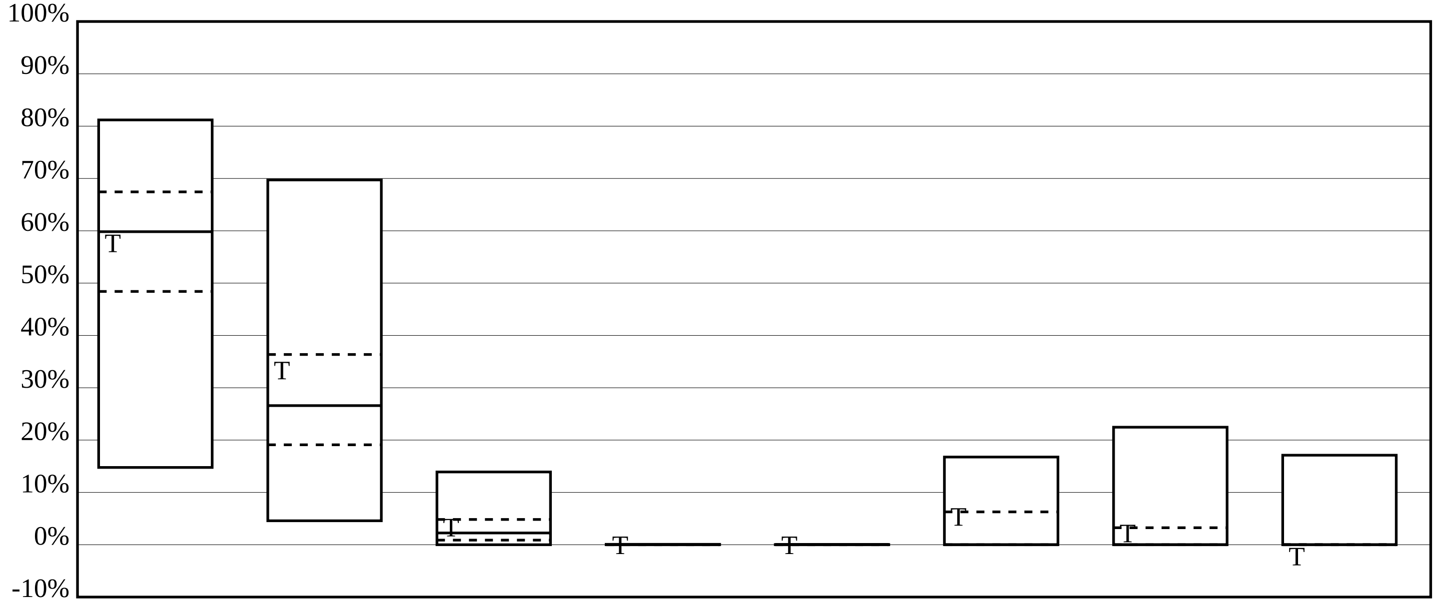




Asset Class	Actual ($000)	% Actual	% Target	% Difference	Difference ($000)
Domestic Equity	$808,991	42.94%	43.00%	-0.06%	($1,214)
Intl Equity	$287,848	15.28%	15.00%	0.28%	$5,218
Domestic Fixed Income	$508,297	26.98%	29.00%	-2.02%	($38,120)
Global Fixed Income	$122,891	6.52%	7.00%	-0.48%	($9,003)
Real Estate	$108,239	5.74%	6.00%	-0.26%	($4,813)
Private Equity*	$42,888	2.28%	0.00%	2.28%	$42,888

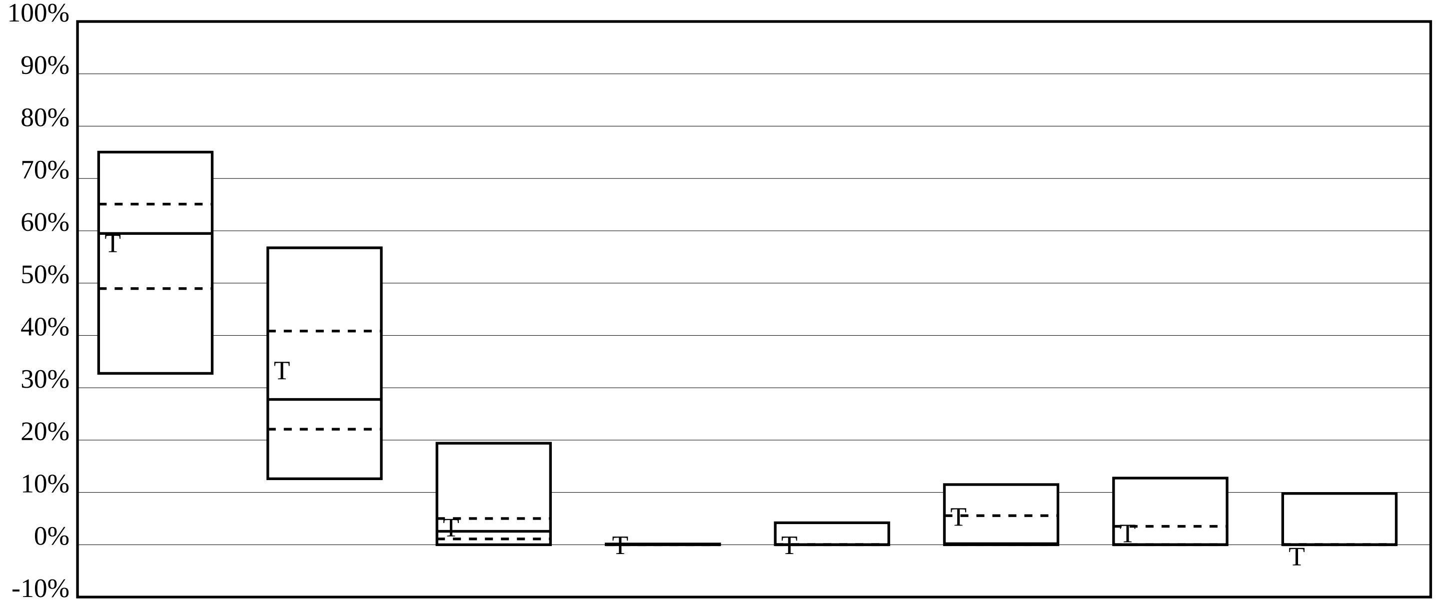
* Board has approved using the "Without Private Markets" asset allocation approach until the completion and approval of the current Asset Liability Modeling ("ALM") study.
- Cash represents 0.27% of the total fund as of 12/31/07.

San Jose Fed. City Employees Ret. Syst.
Asset Allocation of All Master Trusts
Quarter Ending December 31, 2007



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	81.19	69.72	13.91	0.08	0.04	16.76	22.46	17.11
25th Percentile	67.44	36.36	4.83	0.00	0.00	6.28	3.25	0.00
Median	59.83	26.59	2.25	0.00	0.00	0.00	0.00	0.00
75th Percentile	48.41	19.10	0.88	0.00	0.00	0.00	0.00	0.00
95th Percentile	14.77	4.58	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	57.70 (57)	33.40 (30)	3.37 (36)	0.00 (100)	0.00 (100)	5.42 (27)	2.26 (26)	-2.16 (100)

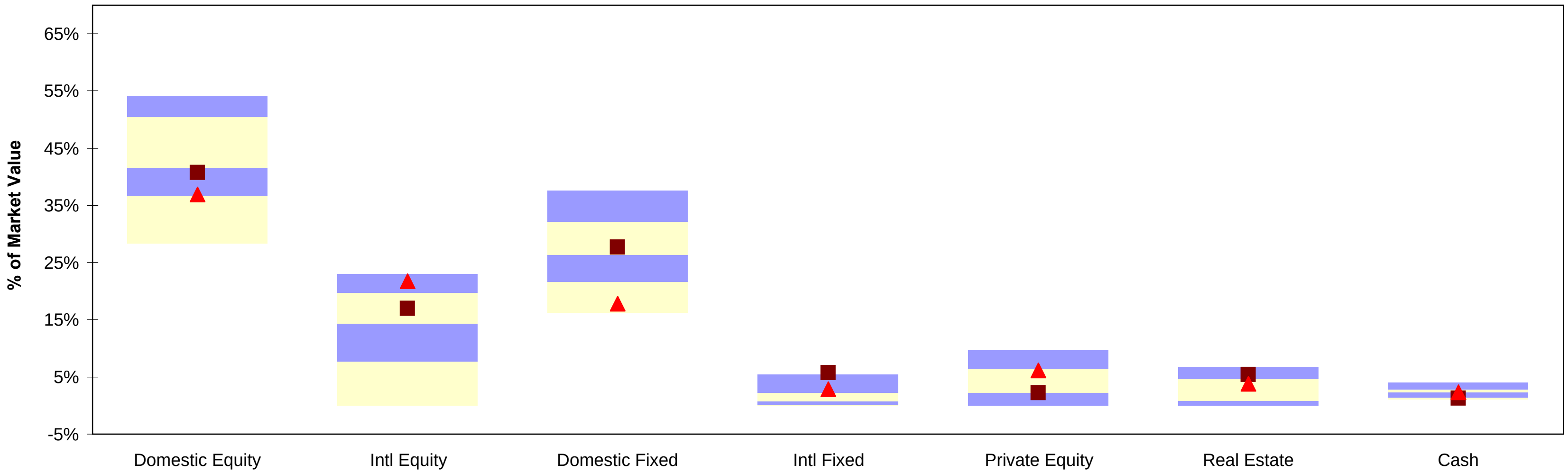
San Jose Fed. City Employees Ret. Syst.
Asset Allocation of Public Funds
Quarter Ending December 31, 2007



	Equities	Bonds	Cash	Convertibles	GIC/GAC	Real Estate	Alternative Inv	Other
5th Percentile	75.04	56.75	19.40	0.14	4.20	11.50	12.74	9.80
25th Percentile	65.10	40.84	5.01	0.00	0.00	5.56	3.52	0.00
Median	59.49	27.77	2.57	0.00	0.00	0.20	0.00	0.00
75th Percentile	48.96	22.08	1.11	0.00	0.00	0.00	0.00	0.00
95th Percentile	32.75	12.61	0.00	0.00	0.00	0.00	0.00	0.00
T Total Fund	57.70 (56)	33.40 (38)	3.37 (39)	0.00 (100)	0.00 (100)	5.42 (26)	2.26 (28)	-2.16 (100)

Asset Allocation Distribution - TNT Public Funds Universe

As of December 31, 2007, the System had below median allocations to domestic equity and cash, while maintaining higher than median allocation to international equity, domestic and foreign fixed income, and real estate. The Northern Trust Public Funds Universe was comprised of 43 plans with a total market value of $380 billion, which includes San Jose FCERS. The plans ranged in size from $22.5 million to $41.7 billion, with a median market value of $4.2 billion and an average market value of $8.8 billion. FCERS ranked at the 65th percentile, or 28th among Public Funds in size.



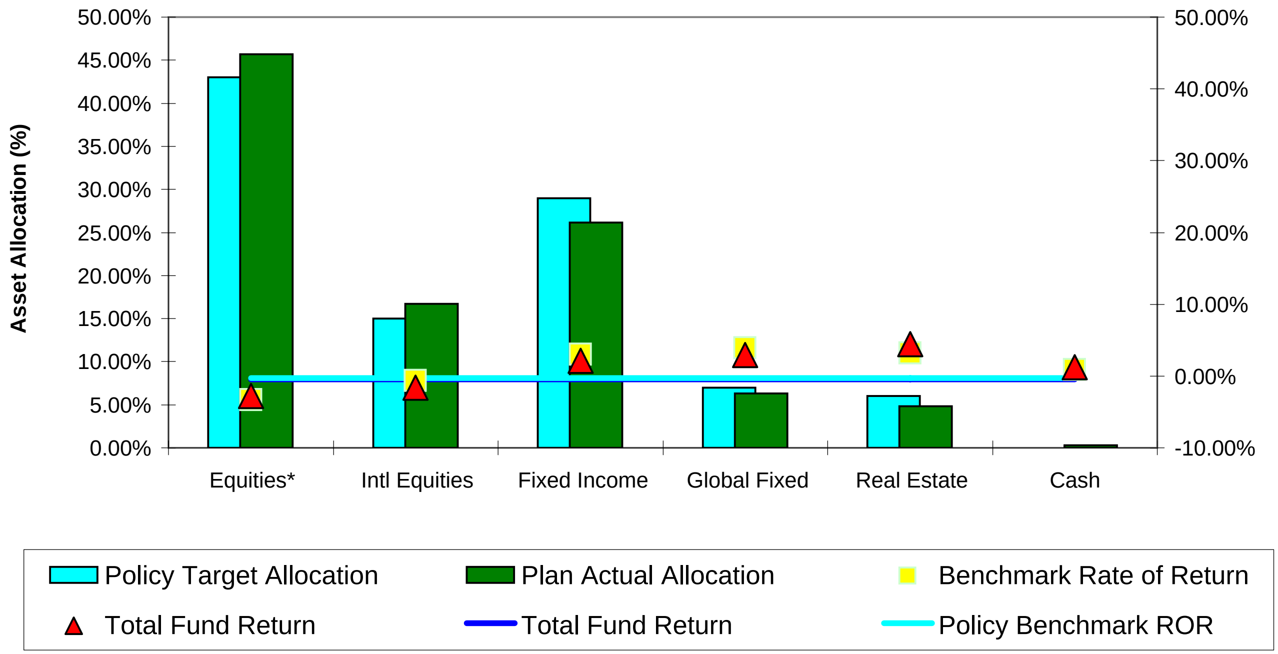
	Domestic Equity	Intl Equity	Domestic Fixed	Intl Fixed	Private Equity	Real Estate	Cash
■ **FCERS**	40.8%	17.0%	27.7%	5.7%	2.3%	5.4%	1.2%
▲ **Ave of Top 10 Public Funds***	36.9%	21.7%	17.8%	2.8%	6.1%	3.8%	2.3%
10th	54.2%	23.0%	37.5%	5.4%	9.7%	6.7%	4.0%
1st	50.4%	19.7%	32.1%	2.2%	6.4%	4.6%	2.8%
Median	41.5%	14.3%	26.4%	0.7%	2.3%	0.9%	2.3%
3rd	36.6%	7.8%	21.6%	0.2%	0.0%	0.0%	1.3%
90th	28.4%	0.0%	16.2%	0.0%	0.0%	0.0%	1.1%

* The averaged of the top 10 plans also included an allocation of 8.57% to the "other" category. This includes hedge funds, commodities, real assets, etc.

San Jose Federated City Employees Retirement System

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

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



Attribution Analysis

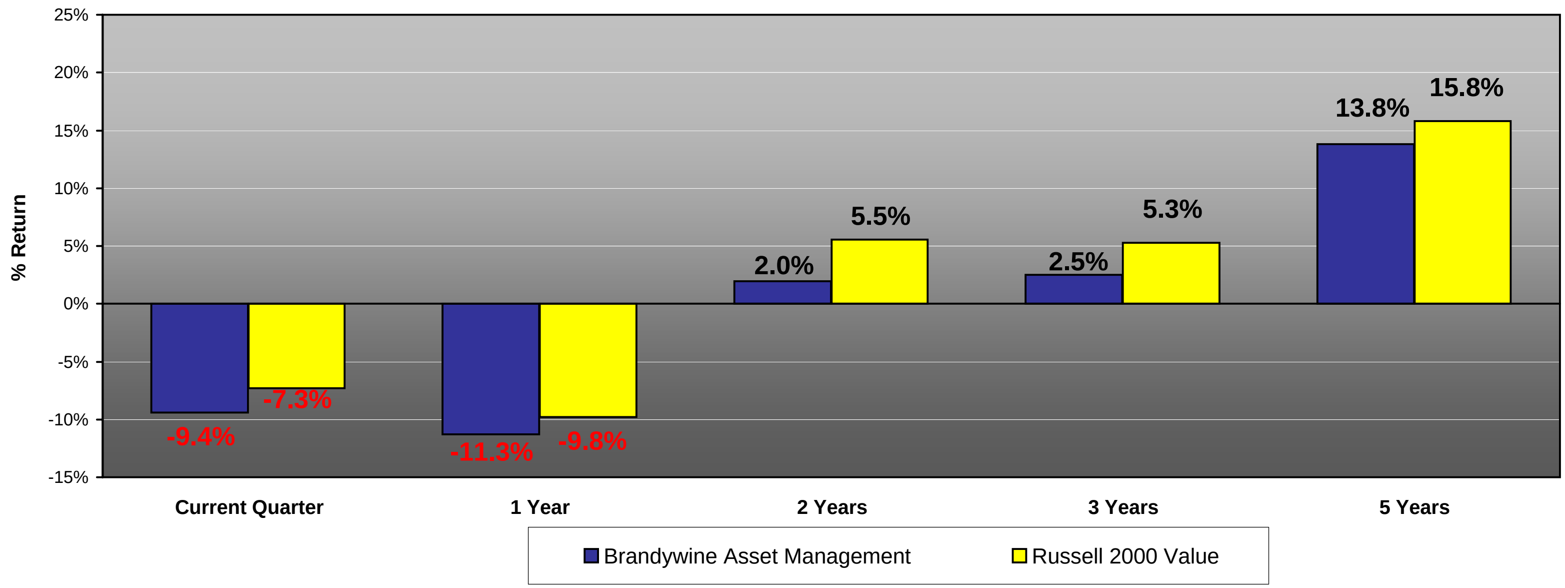
	Equities*	Intl Equities	Fixed Income	Global Fixed	Real Estate	Cash	Total Plan
Benchmark Returns	-3.34%	-0.66%	3.00%	3.92%	3.21%	0.91%	**-0.25%**
Asset Allocation	-0.09%	-0.01%	-0.08%	-0.03%	-0.04%	0.00%	-0.25%
Active Decisions	0.27%	-0.17%	-0.23%	-0.06%	0.06%	0.00%	-0.13%
Residual							0.21%
Actual Fund Return							**-0.42%**

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

San Jose Federated City Employees Retirement System

Brandywine Asset Management

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Years	3 Years	5 Years
Brandywine Asset Management	79	83	83	84	66
Russell 2000 Value	59	75	52	55	45

Individual Account Attribution

Brandywine Asset Mgt vs Russell 2000 Value

Sector	Portfolio Weight	Benchmark Weight	Portfolio Return	Benchmark Return	Sector Selection	Security Selection
Consumer Discretionary	17.81	11.34	(14.23)	(17.20)	(0.73)	0.68
Consumer Staples	2.04	3.77	(11.77)	(3.16)	(0.07)	(0.19)
Energy	6.68	6.14	9.29	0.43	(0.03)	0.46
Financials	34.62	32.01	(11.78)	(10.58)	(0.08)	(0.49)
Health Care	2.28	6.02	(3.50)	5.69	(0.43)	(0.18)
Industrials	16.64	12.67	(10.47)	(7.41)	(0.01)	(0.58)
Information Technology	4.62	12.84	(13.04)	(7.16)	(0.01)	(0.32)
Materials	5.91	7.32	(13.78)	(1.65)	(0.04)	(0.79)
Telecommunication Services	0.25	1.61	(5.74)	(5.76)	(0.02)	0.00
Utilities	9.14	5.89	3.16	2.95	0.36	0.02
Total	**100.00**	**100.00**	**(9.73)**	**(7.28)**	**(1.10)**	**(1.37)**

Equity Portfolio Characteristics

Brandywine Asset Mgt vs Russell 2000 Value

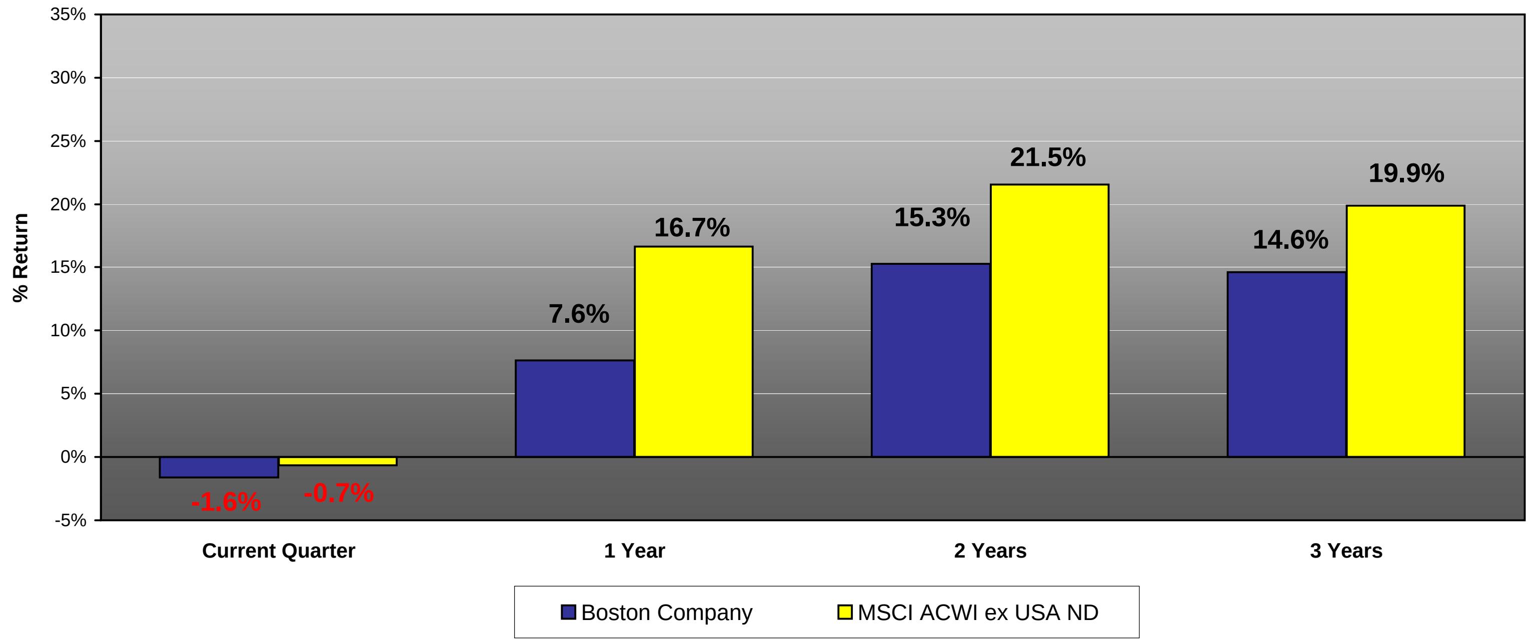
Characteristic	Manager	Russell 2000 Value
Market Cap (BIL)	1.34	1.20
P/E	11.36	14.81
Dividend Yield	2.14	2.04
Price/Book	1.34	1.46
Historic Beta	1.18	1.23
Return on Equity	14.57	8.49
5 Yr EPS Growth Rate	17.26	11.93
Percent Cash	3.05	- -

Top 5 Holdings	% of Portfolio
ODYSSEY RE HLDGS CORP COM	1.45
TUPPERWARE BRANDS CORPORATION	1.18
WESTAR ENERGY INC COM	1.17
LENNOX INTL INC COM	1.10
GRAFTECH INTL LTD COM	1.05

San Jose Federated City Employees Retirement System

Boston Company

Total Return vs. Benchmark



TUCS RANK

	Quarter	1 Year	2 Years	3 Years
Boston Company	59	76	79	82
MSCI ACWI ex USA ND	46	33	34	38

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending December 31, 2007
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
FCERS TOTAL FUND	-0.42	44	8.81	31	8.81	31	9.48	44	12.71	36	9.48
CUSTOM BLENDED BENCHMARK	-0.25	38	8.16	40	8.16	40	9.30	47	12.31	44	9.25
Domestic Equity	**-2.75**	**40**	**6.16**	**42**	**6.16**	**42**	**9.13**	**51**	**14.10**	**59**	**11.60**
Atlanta Capital Management	0.49	43	13.43	46	13.43	46	9.76	49	11.86	74	6.50
Russell 1000 Growth	-0.77	59	11.82	54	11.82	54	8.68	61	12.11	65	3.93
Brandywine Asset Management	-9.42	79	-11.30	83	-11.30	83	2.53	84	13.79	66	10.77
Russell 2000 Value	-7.28	59	-9.78	75	-9.78	75	5.27	55	15.80	45	11.29
Dodge and Cox Equity	-4.60	40	0.34	59	0.34	59	9.28	57	--	--	11.49
Russell 1000 Value	-5.80	58	-0.18	64	-0.18	64	9.32	56	--	--	11.51
Eagle Asset Management	-1.38	26	12.68	30	12.68	30	12.56	25	20.03	24	7.18
Russell 2000 Growth	-2.10	33	7.05	49	7.05	49	8.11	72	16.50	67	4.04
NTGI Russell 3000	-3.32	46	5.26	50	5.26	50	8.99	53	13.70	42	3.96
Russell 3000	-3.34	50	5.14	54	5.14	54	8.89	58	13.63	45	3.93
Wellington Management Company	0.74	28	15.26	31	15.26	31	--	--	--	--	11.81
Russell 3000 Growth	-0.88	44	11.40	50	11.40	50	--	--	--	--	10.42
International Equity	**-1.66**	**60**	**14.78**	**39**	**14.78**	**39**	**18.10**	**49**	**21.60**	**60**	**8.15**
Boston Company	-1.61	59	7.63	76	7.63	76	14.62	82	--	--	24.13
MSCI ACWI ex U.S.	-0.66	46	16.65	33	16.65	33	19.88	38	--	--	26.41
Fisher Investments	-2.75	70	16.18	34	16.18	34	--	--	--	--	22.12
MSCI ACWI ex U.S.	-0.66	46	16.65	33	16.65	33	--	--	--	--	24.31
McKinley Capital	-0.76	47	20.49	23	20.49	23	--	--	--	--	27.66
MSCI ACWI ex U.S.	-0.66	46	16.65	33	16.65	33	--	--	--	--	24.31
Private Equity	**1.70**	**--**	**--**	**--**	**23.90**	**--**	**--**	**--**	**--**	**--**	**14.50**
Pathway Fund VIII**	1.70	--	--	--	23.90	--	--	--	--	--	14.50
S&P 500 + 3%	2.74	--	--	--	19.45	--	--	--	--	--	17.35

** Indicates a 1 quarter lag and an IRR calculation

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending December 31, 2007
Total Returns Gross of Fees and TUCS Rankings

	QUARTER	TUCS	YTD	TUCS	1 YR	TUCS	3 YRS	TUCS	5 YRS	TUCS	ITD
Total Fixed Income	**2.27**	**52**	**6.66**	**45**	**6.66**	**45**	**4.37**	**73**	**5.67**	**21**	**6.33**
Global Fixed Income	**2.90**	**31**	**10.02**	**30**	**10.02**	**30**	**3.49**	**65**	**8.38**	**30**	**6.21**
Loomis Sayles	2.90	31	10.02	31	10.02	31	--	--	--	--	4.68
CG WGBI	3.92	10	10.95	19	10.95	19	--	--	--	--	3.71
Domestic Fixed Income	**2.12**	**57**	**5.87**	**60**	**5.87**	**60**	**4.60**	**59**	**4.93**	**43**	**6.29**
Dodge and Cox Fixed Income	1.38	72	5.05	72	5.05	72	4.44	70	4.99	41	6.74
LB U.S. Aggregate	3.00	25	6.97	36	6.97	36	4.56	62	4.42	72	6.30
Blackrock	2.91	30	6.75	42	6.75	42	4.65	52	4.87	45	5.08
LB U.S. Aggregate	3.00	25	6.97	36	6.97	36	4.56	62	4.42	72	4.52
Real Estate	**4.48**	**10**	**23.38**	**11**	**23.38**	**11**	**19.74**	**29**	**19.51**	**30**	**13.05**
American Realty*	4.68	9	--	--	--	--	--	--	--	--	8.98
NCREIF Property Index*	3.56	14	--	--	--	--	--	--	--	--	7.25
DRA Growth & Income II*	34.10	1	121.90	1	121.90	1	59.50	1	37.80	1	26.40
NCREIF Property Index*	3.56	14	17.30	27	17.30	27	18.03	40	14.79	65	12.52
DRA Growth & Income V*	7.80	6	21.50	12	21.50	12	--	--	--	--	13.50
NCREIF Property Index*	3.56	14	17.30	27	17.30	27	--	--	--	--	19.58
DRA Growth & Income VI*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
Fidelity LP	2.72	22	0.09	71	0.09	71	41.93	6	32.33	4	27.11
NCREIF Property Index	3.21	16	15.84	28	15.84	28	17.48	40	15.13	65	13.08
Fidelity Growth Fund III	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
GEAM ASSET LP*	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--	--	--	--	--	--
PRISA	1.94	38	17.52	20	17.52	20	18.94	35	--	--	18.12
NCREIF Property Index	3.21	16	15.84	28	15.84	28	17.48	40	--	--	17.44
MIG Realty Advisors	0.67	58	32.38	6	32.38	6	15.98	49	20.06	28	10.82
NCREIF Property Index	3.21	16	15.84	28	15.84	28	17.48	40	15.13	65	12.44

* Reported on a one quarter lag.
Real Estate Returns provided to Northern Trust by the Investment Managers. Real Estate Composite Calculated by NT.

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending December 31, 2007
Total Returns Net of Fees

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
FCERS TOTAL FUND	-0.49	8.49	8.49	9.16	12.37	9.23
CUSTOM BLENDED BENCHMARK	-0.25	8.16	8.16	9.30	12.31	9.25
Domestic Equity	**-2.81**	**5.90**	**5.90**	**8.89**	**13.84**	**11.43**
Atlanta Capital Management	0.38	12.95	12.95	9.27	11.38	6.05
Russell 1000 Growth	-0.77	11.82	11.82	8.68	12.11	3.93
Brandywine Asset Management	-9.54	-11.79	-11.79	1.97	13.17	10.17
Russell 2000 Value	-7.28	-9.78	-9.78	5.27	15.80	11.29
Dodge and Cox Equity	-4.67	0.02	0.02	8.92	--	11.13
Russell 1000 Value	-5.80	-0.18	-0.18	9.32	14.63	11.51
Eagle Asset Management	-1.53	11.98	11.98	11.86	19.28	6.50
Russell 2000 Growth	-2.10	7.05	7.05	8.11	16.50	4.04
NTGI Russell 3000	-3.32	5.25	5.25	8.97	13.68	3.94
Russell 3000	-3.34	5.14	5.14	8.89	13.63	3.93
Wellington Management Company	0.60	14.62	14.62	--	--	11.27
Russell 3000 Growth	-0.88	11.40	11.40	8.64	12.42	10.42
International Equity	**-1.80**	**14.14**	**14.14**	**17.43**	**20.92**	**7.69**
Boston Company	-1.73	7.12	7.12	14.02	--	23.43
MSCI ACWI ex U.S.	-0.66	16.65	16.65	19.88	24.02	26.41
Fisher Investments	-2.91	15.44	15.44	--	--	21.33
MSCI ACWI ex U.S.	-0.66	16.65	16.65	19.88	24.02	24.31
McKinley Capital	-0.90	19.82	19.82	--	--	26.94
MSCI ACWI ex U.S.	-0.66	16.65	16.65	19.88	24.02	24.31
Private Equity	**1.70**	**-- -- --**	**23.90**	**-- -- --**	**-- --**	**14.50**
Pathway Fund VIII**	1.20	-- -- --	19.90	-- -- --	-- --	7.90
S&P 500 + 3%	2.74	-- -- --	19.45	-- -- --	-- --	17.35

** Indicates a 1 quarter lag and an IRR calculation

San Jose Federated City Employees Retirement System

Performance Summary With Benchmarks - Periods Ending December 31, 2007
Total Returns Net of Fees

	QUARTER	YTD	1 YR	3 YRS	5 YRS	ITD
Total Fixed Income	**2.22**	**6.42**	**6.42**	**4.14**	**5.44**	**6.16**
Global Fixed Income	**2.81**	**9.66**	**9.66**	**3.14**	**8.02**	**5.91**
Loomis Sayles	2.81	9.66	9.66	--	--	4.32
CG WGBI	3.92	10.95	10.95	3.12	6.81	3.71
Domestic Fixed Income	**2.07**	**5.67**	**5.67**	**4.39**	**4.73**	**6.15**
Dodge and Cox Fixed Income	1.33	4.88	4.88	4.27	4.81	6.54
LB U.S. Aggregate	3.00	6.97	6.97	4.56	4.42	6.30
Blackrock	2.85	6.52	6.52	4.42	4.65	4.87
LB U.S. Aggregate	3.00	6.97	6.97	4.56	4.42	4.52
Real Estate	**4.32**	**22.96**	**22.96**	**19.08**	**18.49**	**12.07**
American Realty*	4.41	--	--	--	--	8.44
NCREIF Property Index*	3.56	--	--	--	--	7.25
DRA Growth & Income II*	29.00	102.80	102.80	47.90	31.00	22.00
NCREIF Property Index*	3.56	17.30	17.30	18.03	14.79	12.52
DRA Growth & Income V*	7.00	18.30	18.30	--	--	10.30
NCREIF Property Index*	3.56	17.30	17.30	--	--	19.58
DRA Growth & Income VI*	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
Fidelity LP	2.72	0.10	0.10	43.90	31.22	25.60
NCREIF Property Index	3.21	15.84	15.84	17.48	15.13	13.08
Fidelity Growth Fund III	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
GEAM Asset LP*	--	--	--	--	--	--
NCREIF Property Index*	--	--	--	--	--	--
PRISA	1.73	16.54	16.54	17.86	--	17.04
NCREIF Property Index	3.21	15.84	15.84	17.48	--	17.44
MIG Realty Advisors	0.61	31.68	31.68	15.18	19.18	9.90
NCREIF Property Index	3.21	15.84	15.84	17.48	15.13	12.436

* Reported on a one quarter lag.